

Executive Registry

62-8976

10 DEC 1962

*and*

Honorable David E. Bell  
Director  
Bureau of the Budget  
Washington, D. C.

Dear Mr. Bell:

In accordance with Bureau of the Budget Circular A-19, revised, there are enclosed four copies of a draft bill, "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes." This bill is submitted for clearance by the Bureau of the Budget prior to submission to the Congress. Also enclosed are copies of the "Explanation and Justification" which is necessarily classified SECRET and proposed letters of transmittal to the President of the Senate and the Speaker of the House.

The proposed legislation would establish for certain limited numbers of Agency employees a retirement and disability system corresponding to that available to Foreign Service Officers. In addition, the proposed legislation contains other provisions, most of which are designed to bring various allowances and overseas benefits available to Agency employees into consonance with current provisions of the Foreign Service Act of 1946, as amended. Other amendments to the basic Central Intelligence Agency legislation are deemed necessary and are appropriately explained.

By letter dated 13 August 1962, the Bureau of the Budget advised there would be no objection to the presentation of a draft bill to the Congress which was subsequently introduced as H. R. 12923. Hearings were held on this bill before the full House Armed Services Committee and as a result the Agency, as a drafting service for the Committee, presented a detailed bill to that Committee on 4 September 1962 with copies being furnished to the Bureau of the Budget by letter of the same date. Title II of the current proposed legislation establishing the retirement and disability system is substantially similar to the corresponding provisions included in the draft bill forwarded to you on 4 September.

(EXECUTIVE REGISTRY FILE *Budget*)

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6/24/98

For your information and in order to assist in the coordination process, we have forwarded copies of the current proposed bill to the Departments of State and Treasury and the Civil Service Commission.

I consider the enactment of the proposed bill into law essential to the effective performance of our mission and desire to submit it for the consideration of Congress as soon as possible after the 88th Congress convenes. If there is any additional information needed or if there is any way this Agency can assist in your consideration of the proposed bill, I assure you of our willingness to cooperate in every way possible.

Sincerely,

(Signed) JOHN A. McCONE

John A. McCone  
Director

**Enclosures**

- 0&3 - Addressee
- 1 - DCI
- ✓1 - HDCI
- 1 - ER
- 1 - DD/S
- 1 - Comptroller
- 1 - OLC
- 1 - D/Pers

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CENTRAL INTELLIGENCE AGENCY ACT AMENDMENTS OF 1963

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A BILL

To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes.

1. Be it enacted by the Senate and House of Representatives of  
2. the United States of America in Congress assembled, That this Act  
3. may be cited as the "Central Intelligence Agency Act Amendments  
4. of 1963."

5. Section 2. The Central Intelligence Agency Act of 1949, as amended  
6. (50 U.S.C. 403 (a) et seq.), is further amended as follows:

7. (1) Amend section 3 by deletion of subsections (a) and (b)  
8. and substitute therefore:

9. "(a) In the performance of its functions, the Central Intelli-  
10. gence Agency is authorized to exercise the authorities contained in  
11. sections 2301; 2302(2) and (3); 2303 (b) and (c); 2304 (a)(1), (2),  
12. (3), (4), (5), (6), (10), (12), (15), and (17); 2305; 2306; 2307;  
13. 2312; and 2383 of title 10, United States Code."

14. "(b) In the exercise of the authorities granted in subsection  
15. (a) of this section, the term "Agency head" shall mean the Director  
16. and the Deputy Director."

17. (2) Amend section 3(d) by deletion of the wording "section 2(c)  
18. and section 5(a) of the Armed Services Procurement Act of 1947" from  
19. the first sentence and substitute therefor, "section 2304 (a) and  
20. section 2307 of title 10, United States Code." Further amend section  
21. 3(d) by deletion of the wording "section 2(c), by section 4 or by  
22. section 5(a) of the Armed Services Procurement Act of 1947" from the  
23. second sentence and substitute therefor, "section 2304 (a), by  
24. section 2306 or by section 2307 of title 10, United States Code."

25. (3) In section 4 add the following new paragraphs (1)(G) and  
26. (1)(H), and (8);

1.           "(1)(G) Pay the travel expenses of officers and employees of  
2.           the Agency and members of their families, while serving at posts  
3.           specifically designated by the Director for purposes of this para-  
4.           graph, for rest and recuperation to other locations abroad having  
5.           different environmental conditions than those at the post at which  
6.           such officers and employees are serving, provided that such travel  
7.           expenses shall be limited to the cost for each officer or employee  
8.           and members of his family of one round trip during any continuous  
9.           two-year tour unbroken by home leave and two round trips during any  
10.          continuous three-year tour unbroken by home leave."

11.          "(1)(H) Pay the travel expenses of members of the family  
12.          accompanying, preceding, or following an officer or employee if, while  
13.          he is enroute to his post of assignment, he is ordered temporarily for  
14.          orientation and training or is given other temporary duty;"

15.          "(3) Provide appropriate orientation and language training to  
16.          members of family of officers and employees of the Agency in anticipa-  
17.          tion of the assignment abroad of such officers and employees, or  
18.          while abroad."

19.          (4) Amend section 4(3)(A) to read as follows:

20.          "(3)(A) Order to any of the several States of the United States of  
21.          America (including the District of Columbia, the Commonwealth of Puerto  
22.          Rico, and any territory or possession of the United States) on  
23.          statutory leave of absence each officer or employee of the Agency who  
24.          was a resident of the United States (as described above) at the  
25.          time of employment, upon completion of three years' continuous  
26.          service abroad or as soon as possible thereafter and may so order  
27.          after completion of eighteen months such service."

1. (5) Amend section 4(5) by striking out subsections (A) and
2. (C) and inserting in lieu thereof the following new paragraphs (A) and
3. (C):
4. "(A) In the event an officer or employee of the Agency or one of
5. his dependents, requires medical care, for illness or injury not the
6. result of vicious habits, intemperance, or misconduct, while on
7. assignment abroad in a locality where there is no qualified person or
8. facility to provide such care, pay the travel expenses of such officer,
9. employee, or dependent by whatever means deemed appropriate by the
10. Agency, including the furnishing of transportation, and without regard
11. to the Standardized Government Travel Regulations and section 10 of the
12. Act of March 3, 1933, as amended (60 Stat. 808; 5 U.S.C.73b), to the
13. nearest locality where suitable medical care can be obtained and on his
14. recovery pay for the travel expenses of his return to his post of duty.
15. If any such person is too ill to travel unattended, or in the case of
16. a dependent too young to travel alone, the Agency may also pay the
17. round-trip travel expenses of an attendant or attendants."
18. "(C)(i) In the event of illness or injury requiring hospitali-
19. zation or similar treatment of an officer or employee of the Agency,
20. not the result of vicious habits, intemperance, or misconduct on
21. his part, pay for the cost of treatment of such illness or injury.
22. "(ii) In the event a dependent of an officer or employee of
23. the Agency who is stationed abroad, incurs an illness or injury
24. while such dependent is located abroad, which requires hospitalization
25. or similar treatment, and which is not the result of vicious habits,
26. intemperance, or misconduct on his part, pay for that portion of the
27. cost of treatment of each such illness or injury that exceeds \$35

1. up to a maximum limitation of one hundred and twenty days of  
2. treatment for each such illness or injury, except that such  
3. maximum limitation shall not apply whenever the Agency, on the  
4. basis of professional medical advice, shall determine that such  
5. illness or injury clearly is caused by the fact that such dependent  
6. is or has been located abroad."

7. (6) In section 5, add the following new paragraphs (g) and (h):

8.

9. "(g) Where an officer or employee of another Government agency  
10. transfers with the consent of such agency and is appointed to a  
11. position in the Agency, such an officer or employee shall be entitled  
12. upon separation from the Agency, to reinstatement to the position  
13. occupied at the time of appointment or to a position of comparable  
14. or higher salary in such other Government agency."

15. "(h) Settle and pay, whenever the Director determines that  
16. payment will further the purposes of this Act, without regard to  
17. any other provisions of law and under such regulations as the  
18. Director may prescribe, in an amount not exceeding \$10,000, any  
19. claim against the United States for loss of or damage to real or  
20. personal property (including loss of occupancy or use thereof),  
21. belonging to, or for personal injury or death of, any person not  
22. a citizen or resident of the United States, where such claim  
23. arises abroad out of the act or omission of any Agency employee or  
24. out of the act or omission of any person acting on behalf of the  
25. Agency but only if such claim is presented in writing to the Agency  
26. activity involved within one year after it accrues."

1. (7) Paragraph (4) of section 104(a) of the Internal Revenue  
2. Code of 1954 (26 U.S.C. 104(a)(4) ) (relating to the exclusion from  
3. gross income of compensation for injuries and sickness) is hereby  
4. amended to read as follows:

5. "(4) amounts received as a pension, annuity, or similar allow-  
6. ance for personal injuries or sickness resulting from active service  
7. in the armed forces of any country or in the Coast and Geodetic  
8. Survey or the Public Health Service, or as a disability annuity  
9. payable under the provisions of section 831 of the Foreign Service  
10. Act of 1946, as amended (22 U.S.C. 1081; 60 Stat. 1021), or as a  
11. disability annuity payable under Title II of the Central Intelligence  
12. Agency Act of 1949, as amended (50 U.S.C. 403(a) et seq.)."

13. (8) Renumber section 7 to read section 8. Renumber section 8  
14. to read section 9, APPROPRIATIONS. Renumber section 9 to read  
15. section 10, SEPARABILITY OF PROVISIONS. Renumber section 10 to read  
16. section 11, SHORT TITLE. Add a new section 7 as follows:

17. "(7) (a) The Director of Central Intelligence is authorized  
18. to receive gifts to the Agency and in his discretion to accept,  
19. receive, hold, administer, and expend such gifts and bequests of  
20. personal property, from individuals or others, for the benefit of,  
21. or for use in connection with, the Central Intelligence Agency and  
22. its personnel. Gifts or bequests of money or the profits from sales  
23. of other property received as gifts shall be subject to disburse-  
24. ment by the Director in accordance with the terms and conditions  
25. of the acceptance of any particular gift or bequest.

26. "(b) The Director is authorized to invest, reinvest, or retain  
27. investments of the money or securities as he shall deem advisable

1. and the interest or profits accruing from such use shall be  
2. available for disbursement as provided in (a) above. For the  
3. purpose of Federal income, estate and gift taxes, gifts and  
4. bequests accepted by the Director shall be deemed to be a gift  
5. or bequest to or for the use of the United States."

6. Section 3. Insert the heading "TITLE I -- DEFINITIONS AND  
7. GENERAL AUTHORITIES" before the section title, "DEFINITIONS",  
8. of section 1 of the Central Intelligence Agency Act of 1949,  
9. as amended.

10. Section 4. The Central Intelligence Agency Act of 1949, as  
11. amended, is further amended by the addition of TITLE II as  
12. follows:

13. "TITLE II -- THE CENTRAL INTELLIGENCE AGENCY RETIREMENT  
14. AND DISABILITY SYSTEM

15. "PART A -- ESTABLISHMENT OF SYSTEM

16. "Rules and Regulations

17. "Sec. 201. (a) The Director may prescribe rules and regulations  
18. for the establishment and maintenance of a Central Intelligence  
19. Agency Retirement and Disability System, referred to hereafter  
20. as the System.

21. "(b) The Director shall administer the System in accord-  
22. ance with such rules and regulations and with the principles  
23. established by this Act.

1. "Establishment and Maintenance of Fund

2. "Sec. 202. There is hereby created a special fund to be known as  
3. the Central Intelligence Agency Retirement and Disability Fund which  
4. shall be maintained by the Secretary of the Treasury and classified  
5. under section 20 of the Act of June 26, 1934, (48 Stat. 1233) as  
6. amended. The Central Intelligence Agency Retirement and Disability  
7. Fund is referred to hereafter in this title as the Fund.

8. "Participants

9. "Sec. 203. The Director may designate from time to time such Agency  
10. officers and employees, hereafter referred to as participants, who  
11. shall be entitled to the benefits of the System.

12. "Annuitants

13. "Sec. 204. (a) Annuitants shall be persons who are receiving annuities  
14. from the Fund and all persons, including surviving wives and husbands,  
15. widows, dependent widowers, children and beneficiaries of participants  
16. or annuitants who shall become entitled to receive annuities in  
17. accordance with the provisions of this Act..

18. "(b) When used in this title the term --

19. "(1) "Widow" means the surviving wife of a participant who was  
20. married to such participant for at least two years immediately preceding  
21. his death or is the mother of issue by such marriage.

22. "(2) "Dependent widower" means the surviving husband of a partici-  
23. pant who was married to such participant for at least two years  
24. immediately preceding her death or is the father of issue by such  
25. marriage, and who is incapable of self-support by reason of mental or  
26. physical disability, and who received more than one-half of his support  
27. from such participant.



1.           "(3) "Child" means an unmarried child, under the age of  
2.           eighteen years, or such unmarried child regardless of age who  
3.           because of physical or mental disability incurred before age  
4.           eighteen is incapable of self-support. In addition to the off-  
5.           spring of the participant and his or her spouse the term includes  
6.           (a) an adopted child, and (b) a step-child or recognized natural  
7.           child who received more than one-half of his support from the  
8.           participant.

9.                           "PART B -- COMPULSORY CONTRIBUTIONS

10.           "Sec. 211. (a) Six and one-half per centum of the basic salary  
11.           received by each participant shall be contributed to the Fund for  
12.           the payment of annuities, cash benefits, refunds, and allowances.  
13.           An equal sum shall also be contributed from the respective appro-  
14.           priation or fund which is used for payment of his salary. The  
15.           amounts deducted and withheld from basic salary together with the  
16.           amounts so contributed from the appropriation or fund, shall be  
17.           deposited by the Central Intelligence Agency in the Treasury of the  
18.           United States to the credit of the Fund.

19.           "(b) Each participant shall be deemed to consent and agree to  
20.           such deductions from basic salary, and payment less such deductions  
21.           shall be a full and complete discharge and acquittance of all claims  
22.           and demands whatsoever for all regular services during the period  
23.           covered by such payment, except the right to the benefits to which  
24.           he shall be entitled under this Act, notwithstanding any law, rule,  
25.           or regulation affecting the individual's salary.

1. "PART C -- COMPUTATION OF ANNUITIES
2. "Sec. 221. (a) The annuity of a participant shall be equal to
3. 2 per centum of his average basic salary for the highest five
4. consecutive years of service, for which full contributions have
5. been made to the Fund, multiplied by the number of years, not
6. exceeding thirty-five, of service credit obtained in accordance
7. with the provisions of sections 251 and 252. In determining the
8. aggregate period of service upon which the annuity is to be based,
9. the fractional part of a month, if any, shall not be counted.
10. "(b) At the time of retirement, any married participant may
11. elect to receive a reduced annuity and to provide for an annuity
12. payable to his wife or her husband, commencing on the date following
13. such participant's death and terminating upon the death of such
14. surviving wife or husband. The annuity payable to the surviving
15. wife or husband after such participant's death shall be 50 per centum
16. of the amount of the participant's annuity computed as prescribed
17. in paragraph (a) of this section, up to the full amount of such
18. annuity specified by him as the base for the survivor benefits.
19. The annuity of the participant making such election shall be reduced
20. by  $2\frac{1}{2}$  per centum of any amount up to \$2,400 he specifies as the base
21. for the survivor benefit plus 10 per centum of any amount over
22. \$2,400 so specified.

1.           "(c) (1) If an annuitant dies and is survived by a wife or  
2. husband and by a child or children, in addition to the annuity  
3. payable to the surviving wife or husband, there shall be paid to  
4. or on behalf of each child an annuity equal to the smallest of:  
5. (i) 40 per centum of the annuitant's average basic salary, as  
6. determined under paragraph (a) of this section, divided by the  
7. number of children; (ii) \$600; or (iii) \$1,800 divided by the  
8. number of children.

9.           "(2) If an annuitant dies and is not survived by a wife or  
10. husband but by a child or children, each surviving child shall be  
11. paid an annuity equal to the smallest of: (i) 50 per centum of the  
12. annuitant's average basic salary, as determined under paragraph (a)  
13. of this section, divided by the number of children; (ii) \$720; or  
14. (iii) \$2,160 divided by the number of children.

15.           "(d) If a surviving wife or husband dies or the annuity of a  
16. child is terminated, the annuities of any remaining children shall  
17. be recomputed and paid as though such wife, husband, or child had  
18. not survived the participant.

19.           "(e) The annuity payable to a child under paragraph (c) or (d)  
20. of this section shall begin on the first day of the next month after  
21. the participant dies and such annuity or any right thereto shall be  
22. terminated upon death, marriage, or attainment of the age of  
23. eighteen years, except that, if a child is incapable of self-support  
24. by reasons of mental or physical disability, the annuity shall be  
25. terminated only when such child dies, marries, or recovers from such  
26. disability.

1.           "(f) At the time of retirement an unmarried participant may  
2.           elect to receive a reduced annuity and to provide for an annuity  
3.           equal to 50 per centum of the reduced annuity payable after his or  
4.           her death to a beneficiary whose name shall be designated in writing  
5.           to the Director. The annuity payable to a participant making such  
6.           election shall be reduced by 10 per centum of an annuity computed  
7.           as provided in paragraph (a) of this section and by 5 per centum of  
8.           an annuity so computed for each full five years the person designated  
9.           is younger than the retiring participant, but such total reduction  
10.          shall not exceed 40 per centum. No such election of a reduced  
11.          annuity payable to a beneficiary shall be valid until the participant  
12.          shall have satisfactorily passed a physical examination as prescribed  
13.          by the Director. The annuity payable to a beneficiary under the  
14.          provisions of this paragraph shall begin on the first day of the next  
15.          month after the participant dies. Upon the death of the surviving  
16.          beneficiary all payments shall cease and no further annuity payments  
17.          authorized under this paragraph shall be due or payable.

18.                   "PART D -- BENEFITS ACCRUING TO CERTAIN PARTICIPANTS

19.                   "Retirement for Disability or Incapacity --

20.                   Physical Examination -- Recovery

21.           "Sec. 231. (a) Any participant who has five years of service  
22.           credit toward retirement under the System, excluding military or  
23.           naval service that is credited in accordance with provisions of  
24.           section 251 or 252(a)(2), and who becomes totally disabled or  
25.           incapacitated for useful and efficient service by reason of disease,  
26.           illness, or injury not due to vicious habits, intemperance, or willful

1. misconduct on his part, shall, upon his own application or upon  
2. order of the Director, be retired on an annuity computed as pre-  
3. scribed in section 221. If the disabled or incapacitated  
4. participant has less than twenty years of service credit toward  
5. his retirement under the System at the time he is retired, his  
6. annuity shall be computed on the assumption that he has had twenty  
7. years of service, but the additional service credit that may accrue  
8. to a participant under this provision shall in no case exceed the  
9. difference between his age at the time of retirement and the  
10. mandatory retirement age applicable to his grade in the Agency.

11. "(b) In each case, the participant shall be given a physical  
12. examination by one or more duly qualified physicians or surgeons  
13. designated by the Director to conduct examinations, and disability  
14. shall be determined by the Director on the basis of the advice of  
15. such physicians or surgeons. Unless the disability is permanent,  
16. like examinations shall be made annually until the annuitant has  
17. reached the statutory mandatory retirement age for his grade in the  
18. Agency. If the Director determines, on the basis of the advice of  
19. one or more duly qualified physicians or surgeons conducting such  
20. examinations that an annuitant has recovered to the extent that he  
21. can return to duty, the annuitant may apply for reinstatement or  
22. reappointment in the Agency within one year from the date his recovery  
23. is determined. Upon application the Director may reinstate any such  
24. recovered disability annuitant in the grade in which he was serving  
25. at time of retirement, or the Director may, taking into consideration  
26. the age, qualifications, and experience of such annuitant, and the

1. present grade of his contemporaries in the Agency, appoint him to  
2. a grade higher than the one in which he was serving prior to retire-  
3. ment. Payment of the annuity shall continue until a date six months  
4. after the date of the examination showing recovery or until the date  
5. of reinstatement or reappointment in the Agency, whichever is earlier.  
6. Fees for examinations under this provision, together with reasonable  
7. traveling and other expenses incurred in order to submit to examina-  
8. tion, shall be paid out of the Fund. If the annuitant fails to  
9. submit to examination as required under this section, payment of the  
10. annuity shall be suspended until continuance of the disability is  
11. satisfactorily established.

12. "(c) If a recovered disability annuitant whose annuity is  
13. discontinued is for any reason not reinstated or reappointed in the  
14. Agency, he shall be considered to have been separated within the  
15. meaning of section 234 as of the date he was retired for disability  
16. and he shall, after the discontinuance of the disability annuity,  
17. be entitled to the benefits of that section or of section 241(a)  
18. except that he may elect voluntary retirement in accordance with the  
19. provisions of section 233 if he can qualify under its provisions.

20. "(d) No participant shall be entitled to receive an annuity  
21. under this Act and compensation for injury or disability to himself  
22. under the Federal Employees' Compensation Act of September 7, 1916,  
23. as amended, covering the same period of time. This provision shall  
24. not bar the right of any claimant to the greater benefit conferred  
25. by either Act for any part of the same period of time. Neither this  
26. provision nor any provision of the said Act of September 7, 1916, as

1. amended, shall be so construed as to deny the right of any person  
2. to receive an annuity under this Act by reason of his own services  
3. and to receive concurrently any payment under such Act of  
4. September 7, 1916, as amended, by reason of the death of any other  
5. person.

6. "(e) Notwithstanding any provision of law to the contrary, the  
7. right of any person entitled to an annuity under this Act shall not  
8. be affected because such person has received an award of compensation  
9. in a lump sum under section 14 of the Federal Employees' Compensation  
10. Act of September 7, 1916, as amended, except that where such annuity  
11. is payable on account of the same disability for which compensation  
12. under such section has been paid, so much of such compensation as has  
13. been paid for any period extended beyond the date such annuity becomes  
14. effective, as determined by the Secretary of Labor, shall be refunded  
15. to the Department of Labor, to be paid into the Federal Employees'  
16. Compensation Fund. Before such person shall receive such annuity he  
17. shall (1) refund to the Department of Labor the amount representing such  
18. computed payments for such extended period, or (2) authorize the  
19. deduction of such amount from the annuity payable to him under this  
20. Act, which amount shall be transmitted to such Department for reim-  
21. bursement to such Fund. Deductions from such annuity may be made from  
22. accrued and accruing payments, or may be prorated against and paid  
23. from accruing payments in such manner as the Secretary of Labor shall  
24. determine, whenever he finds that the financial circumstances of the  
25. annuitant are such as to warrant such deferred refunding.

1. "Death in Service

2. "Sec. 232. (a) In case a participant dies and no claim for  
3. annuity is payable under the provisions of this Act, his contribu-  
4. tions to the Fund, with interest at the rates prescribed in sections  
5. 241 (a) and 281 (a), shall be paid in the order of precedence shown  
6. in section 241 (b).

7. "(b) If a participant, who has at least five years of service  
8. credit toward retirement under the System, excluding military or  
9. naval service that is credited in accordance with the provisions of  
10. section 251 or 252 (a) (2), dies before separation or retirement from  
11. the Agency and is survived by a widow or a dependent widower, as  
12. defined in section 204, such widow or dependent widower shall be  
13. entitled to an annuity equal to 50 per centum of the annuity computed  
14. in accordance with the provisions of paragraph (e) of this section  
15. and of section 221 (a). The annuity of such widow or dependent  
16. widower shall commence on the date following death of the participant  
17. and shall terminate upon death of the widow or dependent widower, or  
18. upon the dependent widower's becoming capable of self-support.

19. "(c) If a participant who has at least five years of service  
20. credit toward retirement under the System, excluding military or naval  
21. service that is credited in accordance with the provisions of section  
22. 251 or 252 (a) (2), dies before separation or retirement from the  
23. Agency and is survived by a wife or a husband and a child or children,  
24. each surviving child shall be entitled to an annuity computed in  
25. accordance with the provisions of section 221(c)(1). The child's  
26. annuity shall begin and be terminated in accordance with the provisions



1. of section 221(e). Upon the death of the surviving wife or husband  
2. or termination of the annuity of a child, the annuities of any  
3. remaining children shall be recomputed and paid as though such wife  
4. or husband or child had not survived the participant.

5. "(d) If a participant who has at least five years of service  
6. credit toward retirement under the System, excluding military or  
7. naval service that is credited in accordance with the provisions of  
8. section 251 or 252(a)(2), dies before separation or retirement from  
9. the Agency and is not survived by a wife or husband, but by a child  
10. or children, each surviving child shall be entitled to an annuity  
11. computed in accordance with the provisions of section 221(c)(2).  
12. The child's annuity shall begin and terminate in accordance with the  
13. provisions of section 221(e). Upon termination of the annuity of a  
14. child, the annuities of any remaining children shall be recomputed  
15. and paid as though that child had never been entitled to the benefit.

16. "(e) If, at the time of his or her death, the participant had  
17. less than twenty years of service credit toward retirement under the  
18. System, the annuities payable in accordance with paragraph (b) of  
19. this section shall be computed in accordance with the provisions of  
20. section 221 on the assumption he or she has had twenty years of  
21. service, but the additional service credit that may accrue to a  
22. deceased participant under this provision shall in no case exceed  
23. the difference between his or her age on the date of death and the  
24. mandatory retirement age applicable to his or her grade in the Agency.  
25. In all cases arising under paragraphs (b), (c), (d), or (e) of this  
26. section, it shall be assumed that the deceased participant was  
27. qualified for retirement on the date of his death.

1. "Voluntary Retirement

2. "Sec. 233. Any participant in the System who is at least  
3. fifty years of age and has rendered twenty years of service,  
4. including service within the meaning of section 253, may on  
5. his own application and with the consent of the Director be  
6. retired from the Agency and receive benefits in accordance  
7. with the provisions of section 221.

8. "Discontinued Service Retirement

9. "Sec. 234. (a) Any participant who separates from the Agency  
10. after obtaining at least five years of service credit toward re-  
11. tirement under the System, excluding military or naval service  
12. that is credited in accordance with the provisions of section  
13. 251 or 252 (a)(2), may, upon separation from the Agency or at  
14. any time prior to becoming eligible for an annuity, elect to  
15. have his contributions to the Fund returned to him in accordance  
16. with the provisions of section 241, or (except in cases where  
17. the Director determines that separation was based in whole or in  
18. part on the ground of disloyalty to the United States) to leave  
19. his contributions in the Fund and receive an annuity, computed as  
20. prescribed in section 221, commencing at the age of sixty years.

21. "(b) If a participant who has qualified in accordance with  
22. the provisions of paragraph (a) of this section to receive a  
23. deferred annuity commencing at the age of sixty dies before reach-  
24. ing the age of sixty his contributions to the Fund, with interest,  
25. shall be paid in accordance with the provisions of sections 241  
26. and 281.

1.           "(c) The Director may in his discretion retire participants  
2.           in grade GS-14 and above to promote the efficiency of the Agency  
3.           and they shall receive retirement benefits in accordance with  
4.           the provisions of section 221.

5.           "(d) The Director may in his discretion retire participants  
6.           in grade GS-13 and below to promote the efficiency of the Agency  
7.           and each such officer shall receive--

8.           "(1) one-twelfth of a year's salary at his then current salary  
9.           rate for each year of service and proportionately for a fraction of  
10.          a year, but not exceeding a total of one year's salary at his then  
11.          current salary rate, payable without interest, from the Fund, in  
12.          three equal installments on the 1st day of January following the  
13.          officer's retirement and on the two anniversaries of this date  
14.          immediately following: Provided, That in special cases, the  
15.          Director may in his discretion accelerate or combine the install-  
16.          ments; and

17.          "(2) a refund of the contributions made to the Fund, with  
18.          interest as provided in section 241 (a), except that in lieu of  
19.          such refund such officer, if he has at least five years of ser-  
20.          vice credit toward retirement under the System, excluding military  
21.          or naval service that is credited in accordance with the provisions  
22.          of section 251 or 252 (a), may elect to receive retirement bene-  
23.          fits on reaching the age of sixty in accordance with the provisions  
24.          of section 221. In the event that an officer who was separated  
25.          from grade GS-13 or GS-12 and who has elected to receive retire-  
26.          ment benefits dies before reaching the age of sixty, his death  
27.          shall be considered a death in service within the meaning

1. of section 232. In the event that an officer who was separated  
2. from grade GS-11 or below and who has elected to receive retirement  
3. benefits dies before reaching the age of sixty, the total amount of  
4. his contributions made to the Fund, with interest as provided in  
5. section 241(a), shall be paid in accordance with the provisions  
6. of section 241(b).

7. "(e) Notwithstanding the provisions of section 3477 of the  
8. Revised Statutes, as amended (31 U.S.C. 203) or the provisions of  
9. any other law, an Agency officer who is retired in accordance with  
10. the provisions of section 234 (d) shall have the right to assign to  
11. any person or corporation the whole or any part of the benefits  
12. receivable by him pursuant to paragraph (d) (1) of this section.  
13. Any such assignment shall be on a form approved by the Secretary of  
14. the Treasury and a copy thereof shall be deposited with the Secretary  
15. of the Treasury by the officer executing the assignment.

16. "Mandatory Retirement for Age

17. "Sec. 235. (a) Any participant in the System in grade GS-18 or  
18. above, shall upon reaching the age of sixty-five, be retired from  
19. the Agency and receive retirement benefits in accordance with the  
20. provisions of section 221, but whenever the Director shall determine  
21. it to be in the public interest, he may extend such an officer's  
22. service for a period not to exceed five years.

23. "(b) Any participant in the System, other than in grade GS-18  
24. or above, shall upon reaching the age of sixty, be retired from the  
25. Agency and receive retirement benefits in accordance with the provisions  
26. of section 221, but whenever the Director shall determine it to be

1. in the public interest, he may extend such an officer's service  
2. for a period not to exceed five years.

3. "PART E -- DISPOSITION OF CONTRIBUTIONS AND INTEREST  
4. IN EXCESS OF BENEFITS RECEIVED

5. "Sec 241. (a) Whenever a participant becomes separated from  
6. the Agency without becoming eligible for an annuity or a deferred  
7. annuity in accordance with the provisions of this Act, the total  
8. amount of contributions from his salary with interest thereon at  
9. 4 per centum per annum, compounded annually as of December 31, and  
10. proportionately for the period served during the year of separation  
11. including all contributions made during or for such period, except  
12. as provided in section 281, shall be returned to him.

13. "(b) In the event that the total contributions of a retired  
14. participant, other than voluntary contributions made in accordance  
15. with the provisions of section 281, with interest at 4 per centum  
16. per annum compounded annually as is provided in paragraph (a) of  
17. this section added thereto, exceed the total amount returned to such  
18. participant or to an annuitant claiming through him, in the form of  
19. annuities, accumulated at the same rate of interest up to the date  
20. the annuity payments cease under the terms of the annuity, the excess  
21. of the accumulated contributions over the accumulated annuity payments  
22. shall be paid in the following order of precedence, upon the establish-  
23. ment of a valid claim therefor, and such payment shall be a bar to  
24. recovery by any other person:

25. "(1) To the beneficiary or beneficiaries designated by the  
26. retired participant in writing to the Director;

1.           "(2) If there be no such beneficiary, to the surviving wife  
2.           or husband of such participant;

3.           "(3) If none of the above, to the child or children of such  
4.           participant and descendants of deceased children by representation;

5.           "(4) If none of the above, to the parents of such participant  
6.           or the survivor of them;

7.           "(5) If none of the above, to the duly appointed executor or  
8.           administrator of the estate of such participant;

9.           "(6) If none of the above, to other next of kin of such  
10.          participant as may be determined by the Director in his judgment  
11.          to be legally entitled thereto.

12.          "(c) No payment shall be made pursuant to paragraph (b) (6) of  
13.          this section until after the expiration of thirty days from the  
14.          death of the retired participant or his surviving annuitant.

15.                           "PART F -- PERIOD FOR SERVICE FOR ANNUITIES

16.   "Computation of Length of Service

17.           "Sec. 251. For the purposes of this title, the period of  
18.           service of a participant shall be computed from the date he becomes  
19.           a participant under the provisions of this Act, but all periods of  
20.           separation from the Agency and so much of any leaves of absence  
21.           without pay as may exceed six months in the aggregate in any calendar  
22.           year shall be excluded, except leaves of absence while receiving  
23.           benefits under the Federal Employees' Compensation Act of  
24.           September 7, 1916, as amended, and leaves of absence granted  
25.           participants while performing active and honorable military or  
26.           naval service in the Army, Navy, Air Force, Marine Corps, or Coast  
27.           Guard of the United States.

1. "Prior Service Credit

2. "Sec. 252. (a) A participant may, subject to the provisions  
3. of this section, include in his period of service --

4. "(1) civilian service in the executive, judicial, and legislative  
5. branches of the Federal Government and in the District of Columbia  
6. government, prior to becoming a participant; and

7. "(2) active and honorable military or naval service in the  
8. Army, Navy, Marine Corps, Air Force, or Coast Guard of the United  
9. States.

10. "(b) A person may obtain prior civilian service credit in  
11. accordance with the provisions of paragraph (a) (1) of this section  
12. by making a special contribution to the Fund equal to 5 per centum  
13. of his basic annual salary for each year of service for which credit  
14. is sought prior to November 8, 1960, and at  $6\frac{1}{2}$  per centum thereafter  
15. with interest compounded annually at 4 per centum per annum to the  
16. date of payment. Any such person may, under such conditions as may  
17. be determined in each instance by the Director, pay such special  
18. contributions in installments.

19. "(c)(1) If an officer or employee under some other Government  
20. retirement system, becomes a participant in the System by direct  
21. transfer, such officer or employee's total contributions and deposits,  
22. including interest accrued thereon, except voluntary contributions,  
23. shall be transferred to the Fund effective as of the date such officer  
24. or employee becomes a participant in the System. Each such officer  
25. or employee shall be deemed to consent to the transfer of such funds  
26. and such transfer shall be a complete discharge and acquittance of

1. all claims and demands against the other Government retirement fund  
2. on account of service rendered prior to becoming a participant in  
3. the System.

4. "(2) No officer or employee, whose contributions are trans-  
5. ferred to the Fund in accordance with the provisions of paragraph  
6. (c)(1) of this section, shall be required to make contributions in  
7. addition to those transferred, for periods of service for which full  
8. contributions were made to the other Government retirement fund,  
9. nor shall any refund be made to any such officer or employee on  
10. account of contributions made during any period to the other Government  
11. retirement fund, at a higher rate than that fixed by section 211 of  
12. this Act for contributions to the Fund.

13. "(3) No officer or employee, whose contributions are transferred  
14. to the Fund in accordance with the provisions of paragraph (c)(1)  
15. of this section, shall receive credit for periods of service for which  
16. a refund of contributions has been made, or for which no contributions  
17. were made to the other Government retirement fund. A participant  
18. may, however, obtain credit for such prior service by making a special  
19. contribution to the Fund in accordance with the provisions of para-  
20. graph (b) of this section.

21. "(d) No participant may obtain prior civilian service credit  
22. toward retirement under the System for any period of civilian service  
23. on the basis of which he is receiving or will in the future be  
24. entitled to receive any annuity under another retirement system  
25. covering civilian personnel of the Government.





1. cancel the designation of any places as unhealthful without affecting
2. any credit which has accrued for service at such posts prior to the
3. date of the cancellation.

4. "Credit for Service While on Military Leave

5. "Sec. 254. Contributions shall not be required covering periods
6. of leave of absence from the Agency granted a participant while
7. performing active military or naval service in the Army, Navy, Air
8. Force, Marine Corps, or Coast Guard of the United States.

9. "PART G -- MONEYS

10. "Estimate of Appropriations Needed

11. "Sec. 261. The Secretary of the Treasury shall prepare the
12. estimates of the annual appropriations required to be made to the
13. Fund, and shall make actuarial valuations of such funds at intervals
14. of five years, or oftener if deemed necessary by him.

15. "Investment of Moneys in the Fund

16. "Sec. 262. The Secretary of the Treasury shall invest from time
17. to time in interest-bearing securities of the United States such
18. portions of the Fund as in his judgment may not be immediately required
19. for the payment of annuities, cash benefits, refunds, and allowances,
20. and the income derived from such investments shall constitute a part
21. of such Fund.

22. "Attachment of Moneys

23. "Sec. 263. None of the moneys mentioned in this title shall
24. be assignable either in law or equity, or be subject to execution,
25. levy, attachment, garnishment, or other legal process, except as
26. provided in section 234 (e).

1. "PART H -- ANNUITANTS RECALLED, REINSTATED OR  
2. REAPPOINTED IN THE AGENCY OR REEMPLOYED IN THE  
3. GOVERNMENT

4. "Recall

5. "Sec. 271. (a) The Director may recall any annuitant to duty  
6. in the Agency whenever he shall determine such recall is in the  
7. public interest.

8. "(b) Any annuitant recalled to duty in the Agency or reinstated  
9. or reappointed in accordance with the provisions of section 231(b)  
10. shall, while so serving, be entitled in lieu of his annuity to the  
11. full salary of the grade in which he is serving. During such service,  
12. he shall make contributions to the Fund in accordance with the pro-  
13. visions of section 211. When he reverts to his retired status, his  
14. annuity shall be determined anew in accordance with the provisions  
15. of section 221.

16. "Reemployment Compensation

17. "Sec. 272. (a) Notwithstanding any other provision of law,  
18. any officer or employee of the Agency, who has retired under this  
19. Act, as amended, and is receiving an annuity pursuant thereto, and  
20. who is reemployed in the Federal Government service in any appointive  
21. position either on a part-time or full-time basis, shall be entitled  
22. to receive the salary of the position in which he is serving plus so  
23. much of his annuity payable under this Act, as amended, which when  
24. combined with such salary does not exceed during any calendar year  
25. the basic salary such officer or employee was entitled to receive on  
26. the date of his retirement from the Agency. Any such reemployed officer

1. or employee who receives salary during any calendar year in excess of  
2. the maximum amount which he may be entitled to receive under this  
3. paragraph shall be entitled to such salary in lieu of benefits  
4. hereunder.

5. "(b) When any such retired officer or employee of the Agency is  
6. reemployed, the employer shall send a notice to the Central  
7. Intelligence Agency of such reemployment together with all pertinent  
8. information relating thereto, and shall pay directly to such officer  
9. or employee the salary of the position in which he is serving.

10. "(c) In the event of any overpayment under this section, such  
11. overpayment shall be recovered by withholding the amount involved from  
12. the salary payable to such reemployed officer or employee, or from any  
13. other moneys, including his annuity, payable in accordance with the  
14. provisions of this title.

15. "Reemployment

16. "Sec. 273. Notwithstanding the provisions of title 5, United  
17. States Code, section 62, and title 5, United States Code, section  
18. 715a, an Agency officer or employee retired under the provisions  
19. of this Act shall not, by reason of his retired status, be barred  
20. from employment in Federal Government service in any appointive  
21. position for which he is qualified. An annuitant so reemployed  
22. shall serve at the will of the appointing officer.

23. "PART I -- VOLUNTARY CONTRIBUTIONS

24. "Sec. 281. (a) Any participant may, at his option and under such  
25. regulations as may be prescribed by the Director, deposit additional  
26. sums in multiples of 1 per centum of his basic salary, but not in  
27. excess of 10 per centum of such salary, which amounts together with

1. interest at 3 per centum per annum, compounded annually as of
2. December 31, and proportionately for the period served during the
3. year of his retirement, including all contributions made during or
4. for such period, shall, at the date of his retirement and at his
5. election, be--
6.        "(1) returned to him in lump sum; or
7.        "(2) used to purchase an additional life annuity; or
8.        "(3) used to purchase an additional life annuity for himself
9. and to provide for a cash payment on his death to a beneficiary whose
10. name shall be notified in writing to the Director by the participant;
11. or
12.        "(4) used to purchase an additional life annuity for himself
13. and a life annuity commencing on his death payable to a beneficiary
14. whose name shall be notified in writing to the Director by the
15. participant with a guaranteed return to the beneficiary or his legal
16. representative of an amount equal to the cash payment referred to in
17. subparagraph (3) above.
18.        "(b) The benefits provided by subparagraphs (2), (3), or (4) of
19. paragraph (a) of this section shall be actuarially equivalent in
20. value to the payment provided for by subparagraph (a) (1) of this
21. section and shall be calculated upon such tables of mortality as may
22. be from time to time prescribed for this purpose by the Secretary of
23. the Treasury.
24.        "(c) In case a participant shall become separated from the Agency
25. for any reason except retirement on an annuity, the amount of any
26. additional deposits with interest at 3 per centum per annum, compounded
27. as is provided in paragraph (a) of this section, made by him under the

1. provisions of said paragraph (a) shall be refunded in the manner
2. provided in section 241 for the return of contributions and inter-
3. est in the case of death or separation from the Agency.
4.       "(d) Any benefits payable to an officer or to his beneficiary
5. in respect to the additional deposits provided under this section
6. shall be in addition to the benefits otherwise provided under this
7. title."



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CENTRAL INTELLIGENCE AGENCY ACT AMENDMENTS OF 1963

EXPLANATION AND JUSTIFICATION

1. Purpose of Proposed Bill

a. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly motivated careerists who are intensively trained in unique skills. However, the Agency is unable in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the futures of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, the proposed bill adds a new Title II to the Central Intelligence Agency Act of 1949, as amended, which establishes for a limited number of Agency employees a retirement and disability system corresponding to that established for persons serving in the Foreign Service of the Department of State.

b. Section 4 of the Central Intelligence Agency Act was originally drafted to extend to Agency employees serving abroad travel expenses and overseas allowances similar to those extended to Foreign Service personnel. Section 2 of the proposed bill makes appropriate modifications in Section 4 of the Central Intelligence Agency Act to bring it up to date in this regard. Certain other amendments have been determined to be necessary and have been explained in the Sectional Analysis and Explanation, Appendix A.

2. Need for a Separate Retirement System for Certain Employees

a. Summary

All regular employees of the Central Intelligence Agency are at present covered by the provisions of the Civil Service Retirement Act. Such coverage is appropriate for those whose conditions, obligations, and terms of service are comparable to those of federal employees generally. However, the Agency has a serious problem in its need to make more adequate provision for certain of its employees who should be retired at an earlier age and with a more equitable annuity than can be provided under the Civil Service Retirement Act. This need stems from the fact that the Agency cannot provide to or expect from many individuals in its service a full-term working career of thirty or so years.

b. Background

(1) The conditions underlying this situation are complex. For some years the Agency has recognized that it faces a serious dilemma.

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downgrading and declassification.

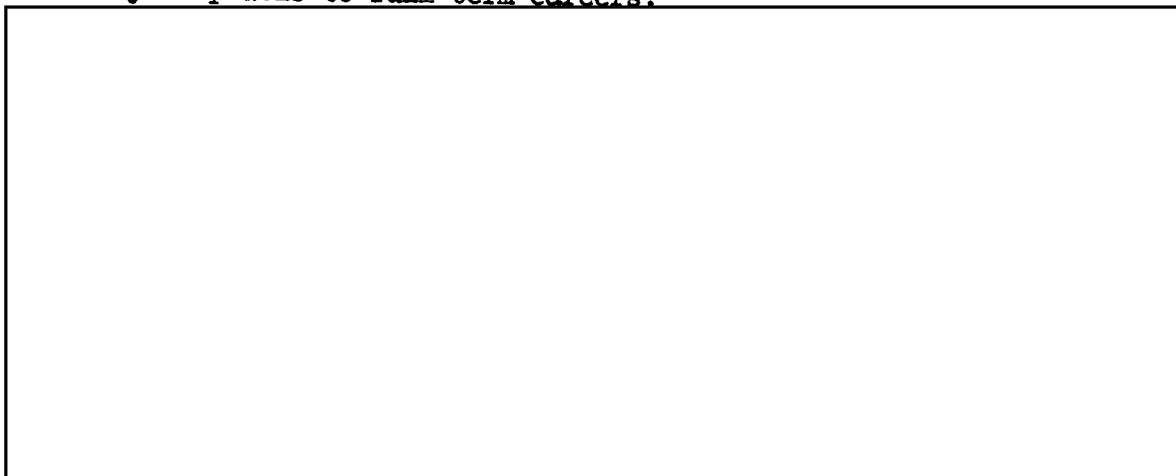


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On the one hand, the nature of its mission requires the employment of people who are highly motivated and who develop unique and specialized abilities through their continuing training and service over the years. Moreover, the nature of the Agency's mission requires that a substantial proportion of its personnel accept, as do members of the military services, the obligation to serve anywhere in the world at the Agency's direction---not at their own will---and to be available for duty on a 24-hour-a-day basis. In sum, the employment of people to serve on a career basis is essential to fill the majority of the Agency's requirements for personnel. On the other hand, factors directly related to the nature and conditions of service in the intelligence field and factors affecting the ability and desire of individuals to remain in such work on a long-term basis make it infeasible to provide full-term employment for all careerists.

(2) The nature of the work involved in the Agency's operations requires people who have a high degree of vigor, vitality, endurance, resilience, and adaptability. Such traits are required to cope with the stresses and strains occasioned by uneven and uncertain hours and days of work, duty in unhealthful locations with less than adequate medical facilities, or arduous, and not infrequently hazardous, assignments. For example, the responsibility of the Agency for covert cold war functions and continuance of counter-insurgency activities requires the Agency to employ numbers of individuals whose skills are not necessarily adaptable to full-term careers.

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(4) There are other factors pertaining to the individuals themselves which, over the years, limit their ability and desire to continue in overseas service.

(a) First, there is "motivational exhaustion." This term is used to describe a gradual lessening of interest and enthusiasm of an officer as a result of impingements on his personal and family life. These stem from the transient nature of his assignments, the complications and restrictions of security requirements, and intrusions on his family life occasioned by the requirement that he spend his apparent "leisure time" in performing additional

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[redacted] Further, while all Agency employees are subject to security restrictions which place severe limitations on their personal freedoms, employees serving abroad are subject to even greater restrictions [redacted]

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[redacted] These factors tend to lessen the enthusiasm and willingness of the family to accompany the officer on further assignments overseas.

(b) Second, our experience has shown that many officers or members of their families will in time incur physical impediments which limit or preclude their further assignment overseas. The moderate climate and excellent medical facilities of the United States make living in our own country healthier than living in many areas abroad. It is accepted medical fact that there are more disease hazards and a greater incidence of sickness abroad than in the United States. Americans, because of the advances of sanitation and public health in this country, have failed to develop the natural immunities which most foreigners develop. Consequently, Americans are more susceptible than local inhabitants to the diseases of an area.

The wear and tear of repeated illness saps an individual's strength and resilience and affects his longevity. Moreover, ills which an employee encounters in one place often attach themselves permanently as chronic and sometimes disabling conditions. This contributes to the need for the earlier retirement provisions now proposed for certain employees of the Agency.

(5) The dynamic nature of intelligence produces sudden and sometimes radical shifts in the types of personnel required. Completion of a mission of a temporary nature or a shift in emphasis or direction of operations may result in an overabundance of officers who are skilled in a relatively narrow field. Their primary qualifications thus become obsolete or unneeded and they become "occupationally surplus."

c. Manpower Control

(1) The Agency finds it increasingly necessary to impose manpower controls to ensure appropriate alignment as to age, qualifications, and other characteristics of its employees engaged in conducting or supporting foreign intelligence operations. Insofar as possible, imbalances should be and are corrected by the reassignment of officers, who cannot or should not continue in such work, to other fields of work in the Agency. It is a certainty, nonetheless, that encouraged and induced attrition will continue to be necessary. A program of managed attrition is feasible, however, only if it is linked with a system of

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retirement benefits which are sufficient to induce an employee or a prospective employee to take the risk that he may be one of those individuals who cannot serve a full term career.

(2) The seriousness of this risk to the individual is greatly augmented by the difficulty which he will encounter in effecting a transfer from intelligence activities to other Government or commercial fields. The principal reason for this is that the special skills required for intelligence work are not ordinarily required in other fields. Other reasons are the inability of employees for security reasons to describe or confirm to a prospective employer the scope and level of his duties and responsibilities. Further, there is a reluctance on the part of other employers, both Governmental and private, who are engaged in business overseas to hire a former intelligence officer. This reluctance stems from their concern that the attitudes of foreign officials toward their enterprises might be adversely affected if they were known to employ "former spies."

(3) As part of its manpower control program, the Agency has instituted administrative procedures for identifying employees who become surplus to its needs because of the several factors described above and during the past year has separated some 125 such individuals. Many of these individuals had given long years of competent and faithful service to the Agency and to the Government. The process of terminating their employment was made the more painful because of the relatively inadequate assistance which the Agency could offer them in making occupational transfers or in retiring prematurely. The benefits available were limited to those provided under the discontinued service provisions of the Civil Service Retirement Act and to modest separation compensation payments from the Agency which are related to years of service and salary.

### 3. Proposed Retirement System

a. In order to minimize the adverse effects of such programs on the Agency's ability to recruit and retain the caliber of personnel needed, and particularly to minimize their effects on the dedicated personnel already in the service of the Agency, better provision must be made for the futures of those individuals who are separated before completing a full-term career. An important means for doing so is to establish a retirement system permitting earlier retirement with a more nearly adequate and equitable annuity than is possible under the civil service retirement system.

b. Careful study has been devoted to this matter. Recognizing the difficulties in developing an entirely new retirement system, the Agency examined existing systems. We have determined that the Foreign Service system fulfills Agency requirements and is appropriate for those Agency employees whose careers involve conditions of service comparable to those of the Foreign Service personnel.

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c. Appendix B compares the pertinent provisions of the Foreign Service and the civil service retirement systems prior to the enactment of Public Law 87-793 which liberalized certain annuity benefits under the civil service retirement system. This chart is based on a similar chart appearing in the Report of the House Committee on Foreign Affairs in the second session of the 86th Congress. It was prepared at that time in connection with proposed amendments to the Foreign Service Act of 1946, as amended, relating to the retirement system, which proposals were subsequently enacted into law.

d. All of the Agency's employees do not serve under conditions warranting other than the normal retirement considerations. Consequently, the Agency does not intend to place all of its personnel under the proposed new system. Those who are to be designated for coverage will undergo a rigid selection process, the essential criteria for coverage being as follows:

(1) Career employees whose duties and responsibilities are predominantly concerned with the conduct and support of intelligence operations in foreign countries or with covert support in the United States of such operations under comparable conditions; or,

(2) Career employees whose duties are so specialized that they are placed at a special disadvantage when required to seek other employment.



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f. Normally, we would anticipate that an average of some 27 of those employees who would be covered under the proposed system would become eligible for optional retirement under the civil service retirement system during each of the next five years. For the reasons presented above and in order to correct imbalances in the age make-up of this group, we plan under the proposed system to increase the average number of retirements from this group by about 40 in each of these years. Also, during the past year, the average age of Agency personnel who retired under the civil service retirement system was 66. We plan in time to lower the average retirement age of those covered under the proposed system to about 55 years, which is comparable to the average retirement age in the Foreign Service.

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g. The specific provisions of the proposed retirement system and other amendments to the Central Intelligence Agency Act and explanatory notes are contained in Appendix A, Sectional Analysis and Explanation.

4. Cost Estimates

a. There will be certain increased costs for the administration of the retirement system. For reasons of efficiency and security, it is considered essential that full administration of the program, excluding maintenance of the fund by the Department of the Treasury (as required by law in the case of the Foreign Service Retirement Fund), be accomplished within the Agency. It is estimated that by the end of the first five years the administration of the proposed program would cost approximately \$85,000 per year including an increased staffing requirement of approximately eight man years. Internal administration of the program would include determinations of eligibility and entitlements, payment of retirement benefits, and all related administrative matters.

b. Program costs cannot be estimated with comparable precision. Nevertheless, reasonably valid estimates have been made on the basis of actuarial experience of the civil service and the Foreign Service systems.

(1) The most recent annual report of the Chairman of the Civil Service Commission presents cost factors indicating that in addition to the 13% of payroll contributed by the employee and the employing agency the Government would be required to contribute an additional .83% of the annual payroll of covered employees to support the benefits accruing on account of current service. (Cost factors updated to include the cost of increased annuity benefits provided under Public Law 87-793 are not yet available. It can be anticipated, however, that they will increase the .83% of payroll additional contribution by the Government and thus narrow the differential between the civil service and Foreign Service systems stated below.)

(2) Similar, although not fully comparable data pertaining to the Foreign Service retirement system, indicates that additional contributions by the Government of 10.69% would be required. Using the difference (9.86%) between these two estimates as reflecting the cost differentials of the differing benefits of the two programs and applying this difference to the estimated annual payroll of the [ ] Agency employees eligible for the proposed retirement system, we compute that a maximum additional Government contribution of [ ] million annually would be required. However, it has not been Government practice for many years to fully fund its retirement programs. Further, there have been special charges against the Foreign Service Retirement Fund which go beyond the basic benefits of the proposed system.

25X1

25X1

c. Increased payout costs for the next five years can be estimated through comparison of the basic annuity benefits under the proposed system over the civil service system. Our estimate assumes reduction in retirement age of the eligible group to 55 years and attainment of the planned

S-E-C-R-E-T

rate of 67 retirements per year. It also, based upon age and grade characteristics of the group, assumes retirement with 25 years of service and an average high-five salary at about the second step of GS-13. Lastly, in computing the increased payout, the estimated high-five salary was adjusted to reflect salary increases and the increases in civil service annuities authorized by the Postal Service and Federal Employees Salary Act of 1962.

## ESTIMATE OF TOTAL INCREASED ANNUITY PAYMENTS

<u>Fiscal Year</u>	<u>Annuitants (Cumulative Total)</u>	<u>Increased Annuity Payments (Annual Payout)</u>
1964 ( $\frac{1}{2}$ year)	34	\$ 17,612
1965	101	57,142
1966	168	100,022
1967	235	148,932
1968	302	<u>197,842</u>
Total Increased Annuity Payments		<u>\$ 521,550</u>

d. The chain of recruitment, reassignment, and promotion actions created by this annual retirement of officers would result in a considerable lapse in salary expenses. Assuming an average lag of six months in this process, the reduction of expenditures would approximate \$2,516 per retirement and would total approximately \$452,880 over a five-year period. This amount would almost offset the estimated increase in annuity payments for the first five years that the new system was in operation.

## Attachments:

Appendix A, Sectional Analysis and Explanation

Appendix B, Comparison of Foreign Service Retirement and Disability System with Pertinent Provisions of the Civil Service Retirement System

App.  
A

APPENDIX A

CENTRAL INTELLIGENCE AGENCY ACT AMENDMENTS OF 1963

SECTIONAL ANALYSIS AND EXPLANATION



CENTRAL INTELLIGENCE AGENCY ACT AMENDMENTS OF 1963

SECTIONAL ANALYSIS AND EXPLANATION

(NOTE: Proposed legislation by section is set forth on the left with the existing Central Intelligence Agency statutory provision, if any, on the right.)

Proposed Legislation

Existing Legislation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Central Intelligence Agency Act Amendments of 1963."

Section 2

The Central Intelligence Agency Act of 1949, as amended (50 U.S.C. 403(a) et seq.), is further amended as follows:

(1) Amend section 3 by deletion of subsections (a) and (b) and substitute therefor:

"(a) In the performance of its functions, the Central Intelligence Agency is authorized to exercise the authorities contained in sections 2301; 2302(2) and (3); 2303 (b) and (c); 2304 (a)(1), (2), (3), (4), (5), (6), (10), (12), (15), and (17); 2305; 2306; 2307; 2312; and 2383 of title 10, United States Code."

"(b) In the exercise of the authorities granted in subsection (a) of this section, the term "Agency head" shall mean the Director and the Deputy Director."

Sec. 3. (a) In the performance of its functions the Central Intelligence Agency is authorized to exercise the authorities contained in sections 2(c)(1), (2), (3), (4), (5), (6), (10), (12), (15), (17), and sections 3, 4, 5, 6, and 10 of the Armed Services Procurement Act of 1947 (Public Law 413, Eightieth Congress, second session).

(b) In the exercise of the authorities granted in subsection (a) of this section, the term "Agency head" shall mean the Director, the Deputy Director, or the Executive of the Agency.

Proposed Legislation

(2) Amend section 3(d) by deletion of the wording "section 2(c) and section 5(a) of the Armed Service Procurement Act of 1947" from the first sentence and substitute therefor, "section 2304(a) and section 2307 of title 10, United States Code." Further amend section 3(d) by deletion of the wording "section 2(c), by section 4 or by section 5(a) of the Armed Services Procurement Act of 1947" from the second sentence and substitute therefor, "section 2304(a), by section 2306 or by section 2307 of title 10, United States Code."

Existing Legislation

(d) The power of the Agency head to make the determinations or decisions specified in paragraphs (12) and (15) of section 2(c) and section 5(a) of the Armed Services Procurement Act of 1947 shall not be delegable. Each determination or decision required by paragraphs (12) and (15) of section 2(c), by section 4 or by section 5(a) of the Armed Services Procurement Act of 1947, shall be based upon written findings made by the official making such determinations, which findings shall be final and shall be available within the Agency for a period of at least six years following the date of the determination.

Explanation: These sections update procurement authority references and terms used in the Central Intelligence Agency Act of 1949. The Armed Service Procurement Act of 1947 has been incorporated into title 10, "Armed Forces," U. S. Code. The term "Executive" as set forth in 3(b) of existing legislation is no longer used to designate a senior Agency official and consequently has been eliminated.

(3) In section 4 add the following new paragraphs (1)(G) and (1)(H), and (8):

"(1)(G) Pay the travel expenses of officers and employees of the Agency and members of their families, while serving at posts specifically designated by the Director for purposes of this paragraph, for rest and recuperation to other locations abroad having different environmental conditions than those at the post at which such officers and employees are serving, provided that such travel expenses shall be limited to the cost for each officer or employee and members of his family of one round trip during any continuous two-year tour unbroken by home leave and two round trips during any continuous three-year tour unbroken by home leave."

None

[Explanatory note for sec. 4(1)(G)]

Explanation: This section provides for travel of the employee and his dependents away from specifically designated posts for rest and recuperation in other locations abroad having more favorable environmental conditions. Such travel is necessary to the health and welfare of the individual and his family as well as the maintenance of a high standard of work productivity at the post of assignment. Similar authority has been provided by section 911(9) of the Foreign Service Act for Foreign Service personnel serving under comparable conditions.

Proposed Legislation

Existing Legislation

"(1)(H) Pay the travel expenses of members of the family accompanying, preceding, or following an officer or employee if, while he is enroute to his post of assignment, he is ordered temporarily for orientation and training or is given other temporary duty;"

None

Explanation: This section provides for payment of the cost of travel of dependents to necessary temporary duty points enroute from one post of assignment to another. Such authority is necessary for consultation and restraining between assignments and is identical with section 911(10) of the Foreign Service Act.

"(8) Provide appropriate orientation and language training to members of family of officers and employees of the Agency in anticipation of the assignment abroad of such officers and employees, or while abroad."

None

Explanation: This section provides for orientation and language training for members of Agency families in regard to assignment abroad. It is substantively the same authority provided in section 701 of the Foreign Service Act.

(4) Amend section 4(3)(A) to read as follows:

"(3)(A) Order to any of the several States of the United States of America (including the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States) on statutory leave of

Sec. 4. (3)(A) Order to any of the several States of the United States of America (including the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States) on leave of

Proposed Legislation

[Sec. 4(3)(A) continued]

absence each officer or employee of the Agency who was a resident of the United States (as described above) at the time of employment, upon completion of three years' continuous service abroad or as soon as possible thereafter and may so order after completion of eighteen months such service."

Existing Legislation

[Sec. 4(3)(A) continued]

absence each officer or employee of the Agency who was a resident of the United States (as described above) at time of employment, upon completion of two years' continuous service abroad, or as soon as possible thereafter."

Explanation: This section realigns existing Agency authority for home leave travel to bring it in accord with the authority set forth in section 933(a) of the Foreign Service Act. This section also authorizes home leave travel after completion of 18 months at selected hardship or notoriously unhealthful posts.

(5) Amend section 4(5) by striking out subsections (A) and (C) and inserting in lieu thereof the following new paragraphs (A) and (C):

"(A) In the event an officer or employee of the Agency or one of his dependents, requires medical care, for illness or injury not the result of vicious habits, intemperance, or misconduct, while on assignment abroad in a locality where there is no qualified person or facility to provide such care, pay the travel expenses of such officer, employee, or dependents by whatever means deemed appropriate, by the Agency, including the furnishing of transportation, and without regard to the Standardized Government Travel Regulations and section 10 of the Act of March 3, 1933, as amended (60 Stat. 808; 5 U.S.C. 73b), to the nearest locality where suitable medical care can be obtained and on his recovery pay for the travel expenses of his return to his post of duty.

Sec. 4. (5)(A) In the event of illness or injury requiring the hospitalization of an officer or full time employee of the Agency, not the result of vicious habits, intemperance, or misconduct on his part, incurred while on assignment abroad, in a locality where there does not exist a suitable hospital or clinic, pay the travel expenses of such officer or employee by whatever means he shall deem appropriate and without regard to the Standardized Government Travel Regulations and section 10 of the Act of March 3, 1933 (47 Stat. 1516; 5 U.S.C. 73b), to the nearest locality where a suitable hospital or clinic exists and on his recovery pay for the travel

Proposed Legislation

[Sec. 4(5)(A) continued]

"If any such person is too ill to travel unattended, or in the case of a dependent too young to travel alone, the Agency may also pay the round-trip travel expenses of an attendant or attendants."

Explanation: This section extends to the dependents of Agency officers and employees stationed abroad the present provisions of law permitting the Director to pay expenses of transportation and authorizes such expenses to the nearest locality where suitable medical care can be obtained. Similar authority is provided at section 942 of the Foreign Service Act for dependents of Foreign Service personnel.

"(C)(i) In the event of illness or injury requiring hospitalization or similar treatment of an officer or employee of the Agency, not the result of vicious habits, intemperance, or misconduct on his part, pay for the cost of treatment of such illness or injury."

"(C)(ii) In the event a dependent of an officer or employee of the Agency who is stationed abroad, incurs an illness or injury while such dependent is located abroad, which requires hospitalization or similar treatment, and which is not the result of vicious habits, intemperance, or misconduct on his part, pay for that portion of the cost of treatment of each such illness or injury that exceeds \$35 up to a maximum limitation of one hundred and twenty days of treatment for each such illness or injury, except that such maximum limitation shall not apply whenever the Agency, on the basis of professional medical advice, shall determine that such illness or injury clearly is caused by the fact that such dependent is or has been located abroad."

Existing Legislation

[Sec. 4(5)(A) continued]

expenses of his return to his post of duty. If the officer or employee is too ill to travel unattended, the Director may also pay the travel expenses of an attendant;

Sec.4 (5)(c) In the event of illness or injury requiring hospitalization of an officer or full time employee of the Agency, not the result of vicious habits, intemperance, or misconduct on his part, incurred in the line of duty while such person is assigned abroad, pay for the cost of the treatment of such illness or injury at a suitable hospital or clinic;

[ Explanatory note for sec. 4(5)(C) ]

Explanation: This provision amends existing law pertaining to medical treatment of Agency officers and employees and extends medical treatment to their dependents. The benefits provided are the same as those set forth in section 941(a) and (b) of the Foreign Service Act. The amended language affords protection where the illness or injury requires hospitalization or "similar treatment" since at a number of posts hospital facilities are lacking or are so inadequate that the individual is assured better care by treatment at home.

Proposed Legislation

Existing Legislation

(6) In section 5, add the following new paragraphs (g) and (h):

"(g) Where an officer or employee of another Government agency transfers with the consent of such agency and is appointed to a position in the Agency, such an officer or employee shall be entitled upon separation from the Agency, to reinstatement to the position occupied at the time of appointment or to a position of comparable or higher salary in such other Government agency."

None

Explanation: This section provides reemployment rights with the former employing agency for individuals who transfer to the Central Intelligence Agency with the consent of the former employer. It is similar in substance to authority provided by section 528 of the Foreign Service Act and section 625(b) of the Act for International Development of 1961.

"(h) Settle and pay, whenever the Director determines that payment will further the purposes of this Act, without regard to any other provisions of law and under such regulations as the Director may prescribe, in an amount not exceeding \$10,000, any claim against the United States for loss of or damage to real or personal property (including loss of occupancy or use thereof), belonging to, or for personal injury or death of, any person not a citizen or resident of the United States, where such claim arises abroad out of the act or omission of any Agency employee or out of the act or omission of any person acting on behalf of the Agency but only if such claim is presented in writing to the Agency activity involved within one year after it accrues."

None

Explanation: This section authorizes the payment of meritorious claims arising in foreign countries from the acts or omissions of individuals engaged in Agency activities. The authority as outlined is similar to that granted the State Department for the settlement of claims up to \$2,500 under subsection 2(f) of P.L. 84-885; the authority of the military departments for settlement of claims up to \$15,000 as set forth in section 2734 of title 10, U.S.C.; and the authority for payment of claims up to \$10,000 set forth at section 10(b) of the Peace Corps Act, P.L. 87-293. The Federal Tort Claims Act does not apply in foreign countries and in keeping therewith separate authority for the settlement of such claims in overseas areas is required.

Proposed Legislation

Existing Legislation

(7) Paragraph (4) of section 104(a) of the Internal Revenue Code of 1954 (26 U.S.C. 104(a)(4)) (relating to the exclusion from gross income of compensation for injuries and sickness) is hereby amended to read as follows:

"(4) amounts received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country or in the Coast and Geodetic Survey or the Public Health Service, or as a disability annuity payable under the provisions of section 831 of the Foreign Service Act of 1946, as amended (22 U.S.C. 1081; 60 Stat. 1021), or as a disability annuity payable under Title II of the Central Intelligence Agency Act of 1949, as amended (50 U.S.C. 403(a) et seq.).

None

Explanation: This section amends paragraph 4 of section 104(a) of the Internal Revenue Code of 1954 to exempt disability annuities under Title II of this Act from Federal income tax. This is in keeping with provisions relating to disability annuities payable under the authorities set forth in section 104(a) of the Internal Revenue Code.

(8) Renumber section 7, to read section 8. Renumber section 8 to read section 9, APPROPRIATIONS. Renumber section 9 to read section 10, SEPARABILITY OF PROVISIONS. Renumber section 10 to read section 11, SHORT TITLE. Add a new section 7 as follows:

None

Proposed LegislationExisting Legislation

[Sec. (8) continued]

"(7)(a) The Director of Central Intelligence is authorized to receive gifts to the Agency and in his discretion to accept, receive, hold, administer, and expend such gifts and bequests of personal property, from individuals or others, for the benefit of, or for use in connection with, the Central Intelligence Agency and its personnel. Gifts or bequests of money or the profits from sales of other property received as gifts shall be subject to disbursement by the Director in accordance with the terms and conditions of the acceptance of any particular gift or bequest.

None

"(b) The Director is authorized to invest, reinvest, or retain investments of the money or securities as he shall deem advisable and the interest or profits accruing from such use shall be available for disbursement as provided in (a) above. For the purpose of Federal income, estate and gift taxes, gifts and bequests accepted by the Director shall be deemed to be a gift or bequest to or for the use of the United States."

None

Explanation: This section is similar to the authority granted the Secretary of State in section 1021 of the Foreign Service Act, the Secretary of Health, Education and Welfare at 42 U.S.C. 219, the Secretaries of the military departments, as set forth at section 2601 of title 10, U.S.C. and numerous other authorities for the acceptance of gifts. The purpose of the section is to make it possible for the Director to accept gifts on behalf of the Agency, authority for which must be specifically given by statute. The final sentence is comparable to provisions in each of the cited authorities exempting the value of such gifts from gross income for federal income tax purposes.

## Section 3

Insert the heading "TITLE I -- Definitions and General Authorities" before the section title, "DEFINITIONS," of section 1 of the Central Intelligence Agency Act of 1949, as amended.

Explanation: This section provides for technical adjustment in headings and section numbers in accordance with the provisions enumerated in this Act.



Section 4. The Central Intelligence Agency Act of 1949, as amended, is further amended by the addition of Title II as follows:

"TITLE II

"The Central Intelligence Agency Retirement and Disability System

Explanation: Except for such changes as are necessary to reflect terminology applicable to the Central Intelligence Agency, the proposed provisions are substantively the same as, or identical with, the corresponding provisions of the Foreign Service Act of 1946, as amended. The corresponding section number under the Foreign Service Act of 1946, as amended, is furnished at the end of each explanatory statement below (for example, "Section 801, FSA").

"PART A -- ESTABLISHMENT OF SYSTEM

"Rules and Regulations

"Sec. 201. (a) The Director may prescribe rules and regulations for the establishment and maintenance of a Central Intelligence Agency Retirement and Disability System, referred to hereafter as the System.

"(b) The Director shall administer the System in accordance with such rules and regulations and with the principles established by this Act."

Explanation: This section gives the Director of Central Intelligence the authority necessary to establish and maintain a retirement system and to prescribe rules and regulations governing its administration. (Section 801, FSA)

"Establishment and Maintenance of Fund

"Sec. 202. There is hereby created a special fund to be known as the Central Intelligence Agency Retirement and Disability Fund which shall be maintained by the Secretary of the Treasury and classified under section 20 of the Act of June 26, 1934 (48 Stat. 1233), as amended. The Central Intelligence Agency Retirement and Disability Fund is referred to hereafter in this title as the Fund."

Explanation: This section provides for establishment and for the maintenance of the Central Intelligence Agency Retirement Fund by the Secretary of the Treasury. (Section 802, FSA; and 43 Stat. 144)

"Participants

"Sec. 203. The Director may designate from time to time such Agency officers and employees, hereafter referred to as participants, who shall be entitled to the benefits of the System."

Explanation: This section necessarily deviates from the comparable provision of the Foreign Service Act of 1946, as amended, since Foreign Service Officers are automatically covered by virtue of their appointments under the Foreign Service Act. However, as indicated in the statement of justification, all Agency employees will not serve under conditions which will warrant other than normal retirement considerations. Those who are to be designated as participants pursuant to this section will undergo a rigid selection process. (Section 803, FSA)

"Annuitants

"Sec. 204. (a) Annuitants shall be persons who are receiving annuities from the Fund and all persons, including surviving wives and husbands, widows, dependent widowers, children and beneficiaries of participants or annuitants who shall become entitled to receive annuities in accordance with the provisions of this Act.

"(b) When used in this title the term --

"(1) "Widow" means the surviving wife of a participant who was married to such participant for at least two years immediately preceding his death or is the mother of issue by such marriage.

"(2) "Dependent widower" means the surviving husband of a participant who was married to such participant for at least two years immediately preceding her death or is the father of issue by such marriage, and who is incapable of self-support by reason of mental or physical disability, and who received more than one-half of his support from such participant.

"(3) "Child" means an unmarried child, under the age of eighteen years, or such unmarried child regardless of age who because of physical or mental disability incurred before age eighteen is incapable of self-support. In addition to the offspring of the participant and his or her spouse the term includes (a) an adopted child, and (b) a step-child or recognized natural child who received more than one-half of his support from the participant."

Explanation: This section defines annuitants who may be eligible for benefits under the retirement system. (Section 804, FSA)

"PART B -- COMPULSORY CONTRIBUTIONS

"Sec. 211. (a) Six and one-half per centum of the basic salary received by each participant shall be contributed to the Fund for the payment of annuities, cash benefits, refunds, and allowances. An equal sum shall also be contributed from the respective appropriation or fund which is used for payment of his salary. The amounts deducted and withheld from basic salary together with the amounts so contributed from the appropriation or fund, shall be deposited by the Central Intelligence Agency in the Treasury of the United States to the credit of the Fund.

"(b) Each participant shall be deemed to consent and agree to such deductions from basic salary, and payment less such deductions shall be a full and complete discharge and acquittance of all claims and demands whatsoever for all regular services during the period covered by such payment, except the right to the benefits to which he shall be entitled under this Act, notwithstanding any law, rule, or regulation affecting the individual's salary."

Explanation: This section provides for contributions to the retirement fund by the employee and by the Agency at the rate of  $6\frac{1}{2}$  per cent of basic salary, which is the same under both the Foreign Service retirement system and the civil service retirement system. (Section 811, FSA)

"PART C -- COMPUTATION OF ANNUITIES

"Sec. 221. (a) The annuity of a participant shall be equal to 2 per centum of his average basic salary for the highest five consecutive years of service, for which full contributions have been made to the Fund, multiplied by the number of years, not exceeding thirty-five, of service credit obtained in accordance with the provisions of sections 251 and 252. In determining the aggregate period of service upon which the annuity is to be based, the fractional part of a month, if any, shall not be counted.

"(b) At the time of retirement, any married participant may elect to receive a reduced annuity and to provide for an annuity payable to his wife or her husband, commencing on the date following such participant's death and terminating upon the death of such surviving wife or husband. The annuity payable to the surviving wife or husband after such participant's death shall be 50 per centum of the amount of the participant's annuity computed as prescribed in paragraph (a) of this section, up to the full amount of such annuity specified by him as the base for the survivor benefits. The annuity of the participant making such election shall be reduced by  $2\frac{1}{2}$  per centum of any amount up to \$2,400 he specifies as the base for the survivor benefit plus 10 per centum of any amount over \$2,400 so specified.

"(c)(1) If an annuitant dies and is survived by a wife or husband and by a child or children, in addition to the annuity payable to the surviving wife or husband, there shall be paid to or on behalf of each child an annuity equal to the smallest of: (i) 40 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$600; or (iii) \$1,800 divided by the number of children.

"(2) If an annuitant dies and is not survived by a wife or husband but by a child or children, each surviving child shall be paid an annuity equal to the smallest of: (i) 50 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$720; or (iii) \$2,160 divided by the number of children.

"(d) If a surviving wife or husband dies or the annuity of a child is terminated, the annuities of any remaining children shall be recomputed and paid as though such wife, husband, or child had not survived the participant.

"(e) The annuity payable to a child under paragraph (c) or (d) of this section shall begin on the first day of the next month after the participant dies and such annuity or any right thereto shall be terminated upon death, marriage, or attainment of the age of eighteen years, except that, if a child is incapable of self-support by reasons of mental or physical disability, the annuity shall be terminated only when such child dies, marries, or recovers from such disability.

"(f) At the time of retirement an unmarried participant may elect to receive a reduced annuity and to provide for an annuity equal to 50 per centum of the reduced annuity payable after his or her death to a beneficiary whose name shall be designated in writing to the Director. The annuity payable to a participant making such election shall be reduced by 10 per centum of an

[Sec. 221 (f) continued]

annuity computed as provided in paragraph (a) of this section and by 5 per centum of an annuity so computed for each full five years the person designated is younger than the retiring participant, but such total reduction shall not exceed 40 per centum. No such election of a reduced annuity payable to a beneficiary shall be valid until the participant shall have satisfactorily passed a physical examination as prescribed by the Director. The annuity payable to a beneficiary under the provisions of this paragraph shall begin on the first day of the next month after the participant dies. Upon the death of the surviving beneficiary all payments shall cease and no further annuity payments authorized under this paragraph shall be due or payable."

Explanation: This section provides for the computation of annuities to be paid to a participant or, upon his death, to a surviving wife, husband, and children or, upon death of an unmarried participant, to a beneficiary named by him. (Section 821, FSA)

"PART D -- BENEFITS ACCRUING TO CERTAIN PARTICIPANTS

"Retirement for Disability or Incapacity --  
Physical Examination -- Recovery

"Sec. 231. (a) Any participant who has five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with provisions of section 251 or 252(a)(2), and who becomes totally disabled or incapacitated for useful and efficient service by reason of disease, illness, or injury not due to vicious habits, intemperance, or willful misconduct on his part, shall, upon his own application or upon order of the Director, be retired on an annuity computed as prescribed in section 221. If the disabled or incapacitated participant has less than twenty years of service credit toward his retirement under the System at the time he is retired, his annuity shall be computed on the assumption that he has had twenty years of service, but the additional service credit that may accrue to a participant under this provision shall in no case exceed the difference between his age at the time of retirement and the mandatory retirement age applicable to his grade in the Agency.

"(b) In each case, the participant shall be given a physical examination by one or more duly qualified physicians or surgeons designated by the Director to conduct examinations, and disability shall be determined by the Director on the basis of the advice of such physicians or surgeons. Unless the disability is permanent, like examinations shall be made annually until the annuitant has reached the statutory mandatory retirement age for his grade in the Agency. If the Director determines, on the basis of the advice of one or more duly qualified physicians or surgeons conducting such examinations that an annuitant has recovered to the extent that he can return to duty, the annuitant may apply for reinstatement or reappointment in the Agency within one year from the date his recovery is determined. Upon application the Director may reinstate any such recovered disability annuitant in the grade in which he was serving at time of retirement, or the Director may, taking into consideration the age, qualifications, and experience of such annuitant, and the present grade of his contemporaries in the Agency, appoint him to a grade higher than the one in which he was serving prior to retirement.

[Sec. 231 (b) continued]

Payment of the annuity shall continue until a date six months after the date of the examination showing recovery or until the date of reinstatement or re-appointment in the Agency, whichever is earlier. Fees for examinations under this provision, together with reasonable traveling and other expenses incurred in order to submit to examination, shall be paid out of the Fund. If the annuitant fails to submit to examination as required under this section, payment of the annuity shall be suspended until continuance of the disability is satisfactorily established.

"(c) If a recovered disability annuitant whose annuity is discontinued is for any reason not reinstated or reappointed in the Agency, he shall be considered to have been separated within the meaning of section 234 as of the date he was retired for disability and he shall, after the discontinuance of the disability annuity, be entitled to the benefits of that section or of section 241(a) except that he may elect voluntary retirement in accordance with the provisions of section 233 if he can qualify under its provisions.

"(d) No participant shall be entitled to receive an annuity under this Act and compensation for injury or disability to himself under the Federal Employees' Compensation Act of September 7, 1916, as amended, covering the same period of time. This provision shall not bar the right of any claimant to the greater benefit conferred by either Act for any part of the same period of time. Neither this provision nor any provision of the Act of September 7, 1916, as amended, shall be so construed as to deny the right of any person to receive an annuity under this Act by reason of his own services and to receive concurrently any payment under such Act of September 7, 1916, as amended, by reason of the death of any other person.

"(e) Notwithstanding any provision of law to the contrary, the right of any person entitled to an annuity under this Act shall not be affected because such person has received an award of compensation in a lump sum under section 14 of the Act of September 7, 1916, as amended, except that where such annuity is payable on account of the same disability for which compensation under such section has been paid, so much of such compensation as has been paid for any period extended beyond the date such annuity becomes effective, as determined by the Secretary of Labor, shall be refunded to the Department of Labor, to be paid into the Federal Employees' Compensation Fund. Before such person shall receive such annuity he shall (1) refund to the Department of Labor the amount representing such computed payments for such extended period, or (2) authorize the deduction of such amount from the annuity payable to him under this Act, which amount shall be transmitted to such Department for reimbursement to such Fund. Deductions from such annuity may be made from accrued and accruing payments, or may be prorated against and paid from accruing payments in such manner as the Secretary of Labor shall determine, whenever he finds that the financial circumstances of the annuitant are such as to warrant such deferred refunding."

Explanation: This section makes provision for retirement of employees who become disabled or incapacitated for duty. It establishes procedures for physical examinations and subsequent return to duty when an annuitant has recovered to the extent that he can return to duty. The section further bars payment of a disability annuity if the employee is given an award of compensation for disability under the Federal Employees' Compensation Act. (Section 831, FSA)

"Death in Service

"Sec. 232.(a) In case a participant dies and no claim for annuity is payable under the provisions of this Act, his contributions to the Fund, with interest at the rates prescribed in sections 241(a) and 281(a), shall be paid in the order of precedence shown in section 241(b).

"(b) If a participant, who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), dies before separation or retirement from the Agency and is survived by a widow or a dependent widower, as defined in section 204, such widow or dependent widower shall be entitled to an annuity equal to 50 per centum of the annuity computed in accordance with the provisions of paragraph (e) of this section and of section 221(a). The annuity of such widow or dependent widower shall commence on the date following death of the participant and shall terminate upon death of the widow or dependent widower, or upon the dependent widower's becoming capable of self-support.

"(c) If a participant who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), dies before separation or retirement from the Agency and is survived by a wife or a husband and a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of section 221(c)(1). The child's annuity shall begin and be terminated in accordance with the provisions of section 221(e). Upon the death of the surviving wife or husband or termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though such wife or husband or child had not survived the participant.

"(d) If a participant who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), dies before separation or retirement from the Agency and is not survived by a wife or husband, but by a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of section 221(c)(2). The child's annuity shall begin and terminate in accordance with the provisions of section 221(e). Upon termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though that child had never been entitled to the benefit.

"(e) If, at the time of his or her death, the participant had less than twenty years of service credit toward retirement under the System, the annuities payable in accordance with paragraph (b) of this section shall be computed in accordance with the provisions of section 221 on the assumption he or she has had twenty years of service, but the additional service credit that may accrue to a deceased participant under this provision shall in no case exceed the difference between his or her age on the date of death and the mandatory retirement age applicable to his or her grade in the Agency. In all cases arising under paragraphs (b), (c), (d), or (e) of this section, it shall be assumed that the deceased participant was qualified for retirement on the date of his death."

Explanation: This section provides for payment of an annuity to the survivor(s) of an employee who dies while in active service. If no annuity is payable, this section provides for payment of his contributions plus interest to the surviving spouse or children, or to his estate, or to a named beneficiary in a prescribed order of precedence. (Section 832, FSA)

#### "Voluntary Retirement

"Sec. 233. Any participant in the System who is at least fifty years of age and has rendered twenty years of service, including service within the meaning of section 253, may on his own application and with the consent of the Director be retired from the Agency and receive benefits in accordance with the provisions of section 221."

Explanation: This section provides for voluntary retirement of an officer when he reaches age 50 and has at least 20 years of service. (Section 636, FSA)

#### "Discontinued Service Retirement

"Sec. 234. (a) Any participant who separates from the Agency after obtaining at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), may, upon separation from the Agency or at any time prior to becoming eligible for an annuity, elect to have his contributions to the Fund returned to him in accordance with the provisions of section 241, or (except in cases where the Director determines that separation was based in whole or in part on the ground of disloyalty to the United States) to leave his contributions in the Fund and receive an annuity, computed as prescribed in section 221, commencing at the age of sixty years.

"(b) If a participant who has qualified in accordance with the provisions of paragraph (a) of this section to receive a deferred annuity commencing at the age of sixty dies before reaching the age of sixty his contributions to the Fund, with interest, shall be paid in accordance with the provisions of sections 241 and 281.

"(c) The Director may in his discretion retire participants in grade GS-14 and above to promote the efficiency of the Agency and they shall receive retirement benefits in accordance with the provisions of section 221.

"(d) The Director may in his discretion retire participants in grade GS-13 and below to promote the efficiency of the Agency and each such officer shall receive--

"(1) one-twelfth of a year's salary at his then current salary rate for each year of service and proportionately for a fraction of a year, but not exceeding a total of one year's salary at his then current salary rate, payable without interest, from the Fund, in three equal installments on the 1st day of January following the officer's retirement and on the two anniversaries of this date immediately following: Provided, That in special cases, the Director may in his discretion accelerate or combine the installments; and

"(2) a refund of the contributions made to the Fund, with interest as provided in section 241(a), except that in lieu of such refund such officer, if he has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252 (a), may elect to receive retirement benefits on reaching the age of sixty in accordance with the provisions of section 221. In the event that an officer who was separated from grade GS-13 or GS-12 and who has elected to receive retirement benefits dies before reaching the age of sixty, his death shall be considered a death in service within the meaning of section 232. In the event that an officer who was separated from grade GS-11 or below and who has elected to receive retirement benefits dies before reaching the age of sixty, the total amount of his contributions made to the Fund, with interest as provided in section 241(a), shall be paid in accordance with the provisions of section 241(b).

"(e) Notwithstanding the provisions of section 3477 of the Revised Statutes, as amended (31 U.S.C. 203) or the provisions of any other law, an Agency officer who is retired in accordance with the provisions of section 234(d) shall have the right to assign to any person or corporation the whole or any part of the benefits receivable by him pursuant to paragraph (d)(1) of this section. Any such assignment shall be on a form approved by the Secretary of the Treasury and a copy thereof shall be deposited with the Secretary of the Treasury by the officer executing the assignment."

Explanation: This section provides for the involuntary retirement of employees by the Director of Central Intelligence in order to promote the efficiency of the Agency. The comparable provisions of the FSA relate to "selection-out" of officers who fail of promotion or who do not meet required standards of performance. Retirement benefits provided for employees in GS-14 and above are the same as those provided for Foreign Service Officers in Classes 1, 2, and 3. Retirement benefits provided for employees in GS-13 and below are the same as those provided for Foreign Service Officers in Class 4 and below. The linkage levels established in the Federal Salary Reform Act of 1962 to provide comparability for pay purposes have been used to relate Foreign Service classes to the Agency's General Schedule grades.

This section also provides for the refund of an employee's contributions if he leaves the service without qualifying for an immediate or deferred annuity.

Comparable sections of FSA are as follows:

<u>CIA System</u>	<u>Foreign Service System</u>
Sec. 234(a)(Refund of Contributions)	Sec. 834(a) and 637(b)
Sec. 234(b)(Disposition of contributions upon death prior to receipt of deferred annuity)	Sec. 834(b)
Sec. 234(c)(Involuntary retirement--employees GS-14 and above)	Sec. 519; 633(b); 634(a)
Sec. 234(d)(Involuntary retirement--employees GS-13 and below); (severance pay)	Sec. 633(b); 634(b)
Sec. 234(e)(Assignment of benefits)	Sec. 634(c)



"Mandatory Retirement for Age

"Sec. 235. (a) Any participant in the System in grade GS-18 or above, shall upon reaching the age of sixty-five, be retired from the Agency and receive retirement benefits in accordance with the provisions of section 221, but whenever the Director shall determine it to be in the public interest, he may extend such an officer's service for a period not to exceed five years.

"(b) Any participant in the System, other than in grade GS-18 or above, shall upon reaching the age of sixty, be retired from the Agency and receive retirement benefits in accordance with the provisions of section 221, but whenever the Director shall determine it to be in the public interest, he may extend such an officer's service for a period not to exceed five years."

Explanation: This section provides for the mandatory retirement of employees in GS-18 or above upon reaching age 65 and of other employees upon reaching age 60. As in the preceding section, conversion to Agency grades was achieved by application of the linkage levels established in the Federal Salary Reform Act of 1962. (Sections 631 and 632, FSA.)

"PART E -- DISPOSITION OF CONTRIBUTIONS AND INTEREST  
IN EXCESS OF BENEFITS RECEIVED

"Sec. 241. (a) Whenever a participant becomes separated from the Agency without becoming eligible for an annuity or a deferred annuity in accordance with the provisions of this Act, the total amount of contributions from his salary with interest thereon at 4 per centum per annum, compounded annually as of December 31, and proportionately for the period served during the year of separation including all contributions made during or for such period, except as provided in section 281, shall be returned to him.

"(b) In the event that the total contributions of a retired participant, other than voluntary contributions made in accordance with the provisions of section 281, with interest at 4 per centum per annum compounded annually as is provided in paragraph (a) of this section added thereto, exceed the total amount returned to such participant or to an annuitant claiming through him, in the form of annuities, accumulated at the same rate of interest up to the date the annuity payments cease under the terms of the annuity, the excess of the accumulated contributions over the accumulated annuity payments shall be paid in the following order of precedence, upon the establishment of a valid claim therefor, and such payment shall be a bar to recovery by any other person:

"(1) To the beneficiary or beneficiaries designated by the retired participant in writing to the Director;

"(2) If there be no such beneficiary, to the surviving wife or husband of such participant;

"(3) If none of the above, to the child or children of such participant and descendants of deceased children by representation;

"(4) If none of the above, to the parents of such participant or the survivor of them;

"(5) If none of the above, to the duly appointed executor or administrator of the estate of such participant;

"(6) If none of the above, to other next of kin of such participant as may be determined by the Director in his judgment to be legally entitled thereto.

"(c) No payment shall be made pursuant to paragraph (b)(6) of this section until after the expiration of thirty days from the death of the retired participant or his surviving annuitant."

Explanation: This section provides for the refund of contributions plus interest at 4% to an employee who is separated without attaining eligibility for an annuity. The section further provides for the disposition of contributions plus interest at 4% in excess of annuity benefits to a surviving spouse, children, parents, or estate of a deceased employee or to his named beneficiary in the same order of precedence as has been established under the Foreign Service and the civil service retirement systems. (Section 841, FSA)

#### "PART F -- PERIOD FOR SERVICE FOR ANNUITIES

##### "Computation of Length of Service

"Sec. 251. For the purposes of this title, the period of service of a participant shall be computed from the date he becomes a participant under the provisions of this Act, but all periods of separation from the Agency and so much of any leaves of absence without pay as may exceed six months in the aggregate in any calendar year shall be excluded, except leaves of absence while receiving benefits under the Federal Employees' Compensation Act of September 7, 1916, as amended, and leaves of absence granted participants while performing active and honorable military or naval service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States."

Explanation: This section provides that the period of service of a participant under this system shall begin as of the date he becomes a participant but excludes periods of separation from the Agency or leaves of absence in excess of six months except when such leave is during a period when the participant is receiving benefits under the Federal Employees' Compensation Act (for illness or injury incurred in the performance of duty) or when such leave is for military service. (Section 851, FSA)

"Prior Service Credit

"Sec. 252. (a) A participant may, subject to the provisions of this section, include in his period of service--

"(1) civilian service in the executive, judicial, and legislative branches of the Federal Government and in the District of Columbia government, prior to becoming a participant; and

"(2) active and honorable military or naval service in the Army, Navy, Marine Corps, Air Force, or Coast Guard of the United States.

"(b) A person may obtain prior civilian service credit in accordance with the provisions of paragraph (a)(1) of this section by making a special contribution to the Fund equal to 5 per centum of his basic annual salary for each year of service for which credit is sought prior to November 8, 1960, and at  $6\frac{1}{2}$  per centum thereafter with interest compounded annually at 4 per centum per annum to the date of payment. Any such person may, under such conditions as may be determined in each instance by the Director, pay such special contributions in installments.

"(c)(1) If an officer or employee under some other Government retirement system becomes a participant in the System by direct transfer, such officer or employee's total contributions and deposits, including interest accrued thereon, except voluntary contributions, shall be transferred to the Fund effective as of the date such officer or employee becomes a participant in the System. Each such officer or employee shall be deemed to consent to the transfer of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the other Government retirement fund on account of service rendered prior to becoming a participant in the System.

"(2) No officer or employee, whose contributions are transferred to the Fund in accordance with the provisions of paragraph (c)(1) of this section shall be required to make contributions in addition to those transferred, for periods of service for which full contributions were made to the other Government retirement fund, nor shall any refund be made to any such officer or employee on account of contributions made during any period to the other Government retirement fund, at a higher rate than that fixed by section 211 of this Act for contributions to the Fund.

"(3) No officer or employee, whose contributions are transferred to the Fund in accordance with the provisions of paragraph (c)(1) of this section, shall receive credit for periods of service for which a refund of contributions has been made, or for which no contributions were made to the other Government retirement fund. A participant may, however, obtain credit for such prior service by making a special contribution to the Fund in accordance with the provisions of paragraph (b) of this section.

[Sec. 252 continued]

"(d) No participant may obtain prior civilian service credit toward retirement under the System for any period of civilian service on the basis of which he is receiving or will in the future be entitled to receive any annuity under another retirement system covering civilian personnel of the Government.

"(e) A participant may obtain prior military or naval service credit in accordance with the provisions of paragraph (a)(2) of this section by applying for it to the Director prior to retirement or separation from the Agency. However, in the case of a participant who is eligible for and receives retired pay on account of military or naval service, the period of service upon which such retired pay is based shall not be included, except that in the case of a participant who is eligible for and receives retired pay on account of a service-connected disability incurred in combat with an enemy of the United States or caused by an instrumentality of war and incurred in line of duty during a period of war (as that term is used in chapter 11 of title 38, United States Code), or is awarded under chapter 67 of title 10 of the United States Code, the period of such military or naval service shall be included. No contributions to the Fund shall be required in connection with military or naval service credited to a participant in accordance with the provisions of paragraph (a)(2) of this section."

Explanation: This section provides for credit under the retirement system of previous civilian and military service and for the transfer of an individual's contributions from other Government retirement systems to the Central Intelligence Agency Retirement and Disability Fund. (Section 852, FSA)

#### "Credit for Service at Unhealthful Posts

"Sec. 253. The Director may from time to time establish a list of places which by reason of climatic or other extreme conditions are to be classed as unhealthful posts, and each year of duty at such posts inclusive of regular leaves of absence, of participants hereafter retired, shall be counted as one year and a half, and so on in like proportion in reckoning the length of service for the purpose of retirement, fractional months being considered as full months in computing such service. The Director may at any time cancel the designation of any places as unhealthful without affecting any credit which has accrued for service at such posts prior to the date of the cancellation."

Explanation: This section provides extra credit toward retirement for service at unhealthful posts. (Section 853, FSA)

"Credit for Service While on Military Leave

"Sec. 254. Contributions shall not be required covering periods of leave of absence from the Agency granted a participant while performing active military or naval service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States."

Explanation: This section waives any requirement for contributions to the Fund during leave of absence for military or naval service. (Section 854, FSA)

"PART G -- MONEYS

"Estimate of Appropriations Needed

"Sec. 261. The Secretary of the Treasury shall prepare the estimates of the annual appropriations required to be made to the Fund, and shall make actuarial valuations of such funds at intervals of five years, or oftener if deemed necessary by him."

Explanation: This section provides for estimates of annual appropriations required to be made to the Fund and for actuarial valuation of the Fund at least every five years. It is identical with section 861, FSA, except that there has been deleted the authorization to expend money for administering the program from the Fund since funds required for such purposes would be provided by annual appropriations.

"Investment of Moneys in the Fund

"Sec. 262. The Secretary of the Treasury shall invest from time to time in interest-bearing securities of the United States such portions of the Fund as in his judgment may not be immediately required for the payment of annuities, cash benefits, refunds, and allowances, and the income derived from such investments shall constitute a part of such Fund."

Explanation: This section provides necessary authority for the Secretary of the Treasury to invest funds which are not immediately required and to deposit the income produced by such investment to the Fund. (Section 863, FSA)

"Attachment of Moneys

"Sec. 263. None of the moneys mentioned in this title shall be assignable either in law or equity, or be subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 234(e)."

Explanatory note for sec. 263

Explanation: This section provides necessary protection to moneys in the Fund to preserve them for the payment of annuities, cash benefits, refunds, and allowances as provided under the proposed retirement system. (Section 864, FSA)

"PART H -- ANNUITANTS RECALLED, REINSTATED OR REAPPOINTED IN

THE AGENCY OR REEMPLOYED IN THE GOVERNMENT

"Recall

"Sec. 271. (a) The Director may recall any annuitant to duty in the Agency whenever he shall determine such recall is in the public interest.

"(b) Any annuitant recalled to duty in the Agency or reinstated or reappointed in accordance with the provisions of section 231(b) shall, while so serving, be entitled in lieu of his annuity to the full salary of the grade in which he is serving. During such service, he shall make contributions to the Fund in accordance with the provisions of section 211. When he reverts to his retired status, his annuity shall be determined anew in accordance with the provisions of section 221."

Explanation: This section provides for the recall to active service of an annuitant when necessary in the public interest. It further provides that such a recalled annuitant shall be entitled to the full salary of the grade in which he serves upon recall and for recomputation of his annuity upon completion of such service. (Sections 520(b) and 871, FSA)

"Reemployment Compensation

"Sec. 272. (a) Notwithstanding any other provision of law, any officer or employee of the Agency who has retired under this Act, as amended, and is receiving an annuity pursuant thereto, and who is reemployed in the Federal Government service in any appointive position either on a part-time or full-time basis, shall be entitled to receive the salary of the position in which he is serving plus so much of his annuity payable under this Act, as amended, which when combined with such salary does not exceed during any calendar year the basic salary such officer or employee was entitled to receive on the date of his retirement from the Agency. Any such reemployed officer or employee who receives salary during any calendar year in excess of the maximum amount which he may be entitled to receive under this paragraph shall be entitled to such salary in lieu of benefits hereunder.

"(b) When any such retired officer or employee of the Agency is reemployed, the employer shall send a notice to the Central Intelligence Agency of such reemployment together with all pertinent information relating thereto, and shall pay directly to such officer or employee the salary of the position in which he is serving.

"(c) In the event of any overpayment under this section, such overpayment shall be recovered by withholding the amount involved from the salary payable to such reemployed officer or employee, or from any other moneys, including his annuity, payable in accordance with the provisions of this title."

Explanation: This section provides that an annuitant who is reemployed in the Federal service in an appointive position is entitled to retain the salary of his position plus his annuity up to a combined amount which does not exceed the basic salary of the grade which he held upon retirement. In the event of an overpayment, the amount of such overpayment may be withheld from either the salary or the annuity payable to the reemployed annuitant. (Section 872, FSA)

#### "Reemployment

"Sec. 273. Notwithstanding the provisions of title 5, United States Code, section 62, and title 5, United States Code, section 715a, an Agency officer or employee retired under the provisions of this Act shall not, by reason of his retired status, be barred from employment in Federal Government service in any appointive position for which he is qualified. An annuitant so reemployed shall serve at the will of the appointing officer."

Explanation: This section authorizes the reemployment in Government of an employee retired under the Agency system. This authority is similar to that applicable to civil service retirees and is identical with section 520 (c) FSA.

#### "PART I -- VOLUNTARY CONTRIBUTIONS

"Sec. 281.(a) Any participant may, at his option and under such regulations as may be prescribed by the Director, deposit additional sums in multiples of 1 per centum of his basic salary, but not in excess of 10 per centum of such salary, which amounts together with interest at 3 per centum per annum, compounded annually as of December 31, and proportionately for the period served during the year of his retirement, including all contributions made during or for such period, shall, at the date of his retirement and at his election, be--

[Sec. 281 continued]

"(1) returned to him in lump sum; or

"(2) used to purchase an additional life annuity; or

"(3) used to purchase an additional life annuity for himself and to provide for a cash payment on his death to a beneficiary whose name shall be notified in writing to the Director by the participant; or

"(4) used to purchase an additional life annuity for himself and a life annuity commencing on his death payable to a beneficiary whose name shall be notified in writing to the Director by the participant with a guaranteed return to the beneficiary or his legal representative of an amount equal to the cash payment referred to in subparagraph (3) above.

"(b) The benefits provided by subparagraphs (2), (3), or (4) of paragraph (a) of this section shall be actuarially equivalent in value to the payment provided for by subparagraph (a)(1) of this section and shall be calculated upon such tables of mortality as may be from time to time prescribed for this purpose by the Secretary of the Treasury.

"(c) In case a participant shall become separated from the Agency for any reason except retirement on an annuity, the amount of any additional deposits with interest at 3 per centum per annum, compounded as is provided in paragraph (a) of this section, made by him under the provisions of said paragraph (a) shall be refunded in the manner provided in section 241 for the return of contributions and interest in the case of death or separation from the Agency.

"(d) Any benefits payable to an officer or to his beneficiary in respect to the additional deposits provided under this section shall be in addition to the benefits otherwise provided under this title."

Explanation: This section provides for an employee to make voluntary contributions to the Fund if he wishes to do so in order to increase the annuity to be paid to him or to a survivor upon his retirement or death. Similar provision is contained in both the Foreign Service and the civil service retirement systems. (Section 881, FSA)



App  
B

APPENDIX B

COMPARISON OF FOREIGN SERVICE RETIREMENT  
AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS  
OF THE CIVIL SERVICE RETIREMENT SYSTEM

COMPARISON OF FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM\*

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
A. Coverage.....	Government employees generally, unless temporary, intermittent or subject to another Federal retirement system.	All FSO's, plus non-FSO's who have served as chiefs of mission for an aggregate period of 20 years or more; Foreign Service Staff (FSS) officers and employees with 10 or more years of continuous service in the Foreign Service.	803	Most Staff officers and employees and Foreign Service Reserve officers are presently covered by CSR.
B. Contributions:	6½ percent of employee's basic salary.	6½ percent of employee's basic salary.	811	FSR same as CSR.
1. Compulsory.....	Agency contribution of 6½ percent of employee's basic salary.	Agency contribution of 6½ percent of employee's basic salary.	.....	Do.
2. Voluntary.....	Maximum 10 percent of total basic salary received since Aug. 1, 1920. Payable in multiples of \$25.	Maximum of 10 percent of total basic salary received since July 1, 1939. Payable in multiples of 1 percent.	.....	Approximately same as CSR.
C. Benefits:	Annuity.—Based on high 5 average years of salary 1½ percent times 5 years, plus 1¾ percent times next 5 years, plus 2 percent times all years over 10 years of creditable service. Annuity not to exceed 80 percent of high 5 average salary.	Based on high 5 average years of salary 2 percent times total number years creditable service not to exceed 36 years.	821	CSR provides maximum 80 percent high 5 average. FSR provides maximum 70 percent high 5 average.
1. Annuities.....	Reduced annuity with benefits to widow or widower. Corresponding benefits to each dependent child.	Surviving children, widowers, and dependent widowers may be included as survivor annuitants.	804	FSR provides survivorship benefits comparable to those of CSR.
2. Reduced annuities.....	Basic general formula.—Widow or widower (if survivor annuity elected by retiring employee): ½ of all or whatever portion of earned annuity specified as base. Annuity terminates on death or remarriage.	Widow or widower (if survivor annuity elected by retiring employee): ½ of all or whatever portion of earned annuity specified as base. Annuity terminates only on death of widow or widower.	821	Important difference in the FSR provision is that the annuity of a surviving widow or widower terminates only on death of such survivor.
3. Survivor annuities: (a) Married participant...	Employee's annuity reduced by 2½ percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.	Employee's annuity reduced by 2½ percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.	.....	FSR same as CSR.
	Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser.	Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser.	.....	Do.
	No surviving wife or husband: ¼ average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser.	No surviving wife or husband: ¼ average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser.	.....	Do.
	Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	.....	Do.

\* INFORMATION TAKEN FROM CHART ENTITLED "COMPARISON OF MAJOR PROPOSED CHANGES IN THE FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM" APPEARING IN HOUSE OF REPRESENTATIVES REPORTS NOS. 1890 AND 2104, 86TH CONGRESS, 2D SESSION, FOREIGN SERVICE ACT AMENDMENTS OF 1960.

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
<b>C. Benefits—Continued</b>				
(b) Unmarried participant.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Person in whom annuitant has insurable interest (if survivorship and reduced annuity elected): ½ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor annuity continues for life.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Designated beneficiary: ¼ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor's annuity continues for life.	821	FSR does not require that the designated beneficiary have an insurable interest.
4. Death in service: (a) Widow-widower.....	Widow or dependent widower: ½ of participant's earned annuity payable until death or remarriage or until widower becomes capable of self-support.	Widow or dependent widower: ½ of participant's earned annuity payable until death of surviving widow or until dependent widower or until dependent widower becomes capable of self-support.	832	FSR provides continuation of widow's annuity until death and allows the survivor to receive the annuity based on at least 20 years of service.
(b) Children:	Children: A surviving wife or husband: 40 percent average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: ½ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: ½ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	832	FSR same as CSR.
5. Disability retirement.....	After 5 years of civilian service: Same as full age and service benefit. (Guaranteed 40 percent of average salary or annuity projected to age 60 whichever is lesser.)	Excludes from initial 5 years' free credit granted for military service for which no contribution has been made to the fund. Limits amount of extra service credit that can be accredited to a disability annuitant to the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service.	831	FSR same as CSR.
(a) Tax exemption.....	Elective survivor benefits based on actual years of service credit.	Elective survivor benefits based on service credit upon which participant's annuity is computed.	831	FSR provides minimum service credit of 20 years or difference between age of participant at time of retirement and mandatory retirement age, whichever is lesser.
(b) Bar to double annuity	No provision.....	Exempts disability annuity from Federal income tax. Same as civil service.....	51	FSR provides tax exemptions.
	If receiving disability compensation under Federal Employees' Compensation Act, Sept. 7, 1916, is not eligible for annuity for same period but not barred from greater benefit of either act. Also is not barred from receiving annuity under this act by reason of own services while receiving concurrently any payment under Federal Employees' Compensation Act by reason of death of some other person. If awarded lump sum under sec. 17 of FEC, amount covering period beyond effective date of annuity must be refunded to U.S. Employees' Compen-		831	FSR same as CSR.

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
<b>C. Benefits—Continued</b>				
6. Discontinued service retirement.	<p>ation Commission or be deducted from annuity payments for that purpose. Deferred annuity payable at 62 if separated employee has 5 years of civilian service credit.</p>	<p>Deferred annuity payable at age 60 if separated employee has 5 years of civilian service credit.</p>	834	FSR provides payment of deferred annuity at age 60.
7. Disposition of contributions in excess of benefits received.	<p>If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.</p>	<p>If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.</p>	841	FSR aligns precedence provisions with those of CSR.
<b>D. Creditable service:</b>				
1. Leave without pay.....	<p>Includes: Leave of absence without pay granted during covered employment while performing active honorable military service; Leave of absence without pay granted during covered employment while receiving FEC benefits;</p>	<p>Includes: Leave of absence for active military or naval service.</p>	851	FSR same as CSR.
2. District of Columbia employment.	<p>Civilian employment with District of Columbia government.</p>	<p>Includes leave of absence granted during covered employment while receiving FEC benefits.</p>	-----	Do.
3. Transfer of funds.....	<p>No provision.....</p>	<p>Includes civilian employment with District of Columbia government.</p>	852	Do.
		<p>Provides for direct transfer to FSR fund of all regular contributions (with interest) made by officer or employee to other Government retirement system under which previously covered. Funds transfer discharges other system of all benefit obligations based on service involved.</p>	852	<p>At present persons becoming participants in FSR system may purchase prior service credit by making a special contribution to FSR fund for such amount of service credit as they elect to purchase. The new provision provides for the automatic transfer of contributions in another Government system to the FSR fund when a person becomes a participant in the FSR system by transfer from other Government service.</p>
E. Officers recalled or reinstated.....	<p>No provision exactly comparable.</p>	<p>Recomputation of annuity of an officer recalled in the Service and retired a second time.</p>	871	
F. Reemployment of annuitants.....	<p>Any annuitant reemployed after retirement for age or based on voluntary separation or an involuntary separation for cause, or if retired for disability and is age 60 or over at the time of reemployment, retains his full annuity, but the salary of his position must be reduced by the amount of annuity received.</p>	<p>Provides that reemployed Foreign Service annuitants receive full salary of the position appointed plus portion of their annuity which when added to the salary would equal the base salary received at time of retirement from the Foreign Service.</p>	872	<p>FSR provides for potential higher combined income for reemployed Foreign Service annuitants and provides authority to reemploy FSO retired for age.</p>



Honorable Lyndon B. Johnson  
President of the Senate  
Washington, D. C.

Dear Mr. Johnson:

This letter transmits for the consideration of the Congress proposed amendments to the Central Intelligence Agency Act of 1949, as amended. The principal purpose of the proposed bill is to permit the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. Other provisions of the proposed bill would bring existing provisions of law in the field of travel expenses and overseas allowances into conformity with those available to the Foreign Service. Certain other provisions are included in the proposed bill to accomplish purposes which we believe necessary.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration. The Bureau of the Budget has advised that there is no objection to the presentation of the proposed bill to the Congress from the standpoint of the Administration's program.

Sincerely,

John A. McCone  
Director

Enclosure

Honorable John W. McCormack  
Speaker of the House of Representatives  
Washington, D. C.

Dear Mr. Speaker:

This letter transmits for the consideration of the Congress proposed amendments to the Central Intelligence Agency Act of 1949, as amended. The principal purpose of the proposed bill is to permit the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. Other provisions of the proposed bill would bring existing provisions of law in the field of travel expenses and overseas allowances into conformity with those available to the Foreign Service. Certain other provisions are included in the proposed bill to accomplish purposes which we believe necessary.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration. The Bureau of the Budget has advised that there is no objection to the presentation of the proposed bill to the Congress from the standpoint of the Administration's program.

Sincerely,

John A. McCone  
Director

Enclosure



62-8976

*Handwritten signature*  
Honorable David E. Bell  
Director  
Bureau of the Budget  
Washington, D. C.

Dear Mr. Bell:

In accordance with Bureau of the Budget Circular A-19, revised, there are enclosed four copies of a draft bill, "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes." This bill is submitted for clearance by the Bureau of the Budget prior to submission to the Congress. Also enclosed are copies of the "Explanation and Justification" which is necessarily classified SECRET and proposed letters of transmittal to the President of the Senate and the Speaker of the House.

The proposed legislation would establish for certain limited numbers of Agency employees a retirement and disability system corresponding to that available to Foreign Service Officers. In addition, the proposed legislation contains other provisions, most of which are designed to bring various allowances and overseas benefits available to Agency employees into consonance with current provisions of the Foreign Service Act of 1946, as amended. Other amendments to the basic Central Intelligence Agency legislation are deemed necessary and are appropriately explained.

By letter dated 13 August 1962, the Bureau of the Budget advised there would be no objection to the presentation of a draft bill to the Congress which was subsequently introduced as H. R. 12923. Hearings were held on this bill before the full House Armed Services Committee and as a result the Agency, as a drafting service for the Committee, presented a detailed bill to that Committee on 4 September 1962 with copies being furnished to the Bureau of the Budget by letter of the same date. Title II of the current proposed legislation establishing the retirement and disability system is substantially similar to the corresponding provisions included in the draft bill forwarded to you on 4 September.

ADMINISTRATIVE CONTROL FILE

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For your information and in order to assist in the coordination process, we have forwarded copies of the current proposed bill to the Departments of State and Treasury and the Civil Service Commission.

I consider the enactment of the proposed bill into law essential to the effective performance of our mission and desire to submit it for the consideration of Congress as soon as possible after the 88th Congress convenes. If there is any additional information needed or if there is any way this Agency can assist in your consideration of the proposed bill, I assure you of our willingness to cooperate in every way possible.

Sincerely,

John A. McCone

John A. McCone  
Director

Enclosures

- 0&3 - Addressee
- 1 - DCI
- ✓1 - DDCI
- 1 - ER
- 1 - DD/S
- 1 - Comptroller
- 1 - OLC
- 1 - D/Pers

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CENTRAL INTELLIGENCE AGENCY ACT  
AMENDMENTS OF 1963

SECRET

CENTRAL INTELLIGENCE AGENCY ACT AMENDMENTS OF 1963

CONTENTS

1. Proposed Bill
2. Explanation and Justification
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  - Appendix B, Comparison of Foreign Service Retirement and Disability System with Pertinent Provisions of the Civil Service Retirement System
3. Draft Transmittal Letters to President of the Senate and Speaker of the House of Representatives

TAB

A BILL

To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes.

1. Be it enacted by the Senate and House of Representatives of
2. the United States of America in Congress assembled, That this Act
3. may be cited as the "Central Intelligence Agency Act Amendments
4. of 1963."
5. Section 2. The Central Intelligence Agency Act of 1949, as amended
6. (50 U.S.C. 403 (a) et seq.), is further amended as follows:
7. (1) Amend section 3 by deletion of subsections (a) and (b)
8. and substitute therefore:
9. "(a) In the performance of its functions, the Central Intelli-
10. gence Agency is authorized to exercise the authorities contained in
11. sections 2301; 2302(2) and (3); 2303 (b) and (c); 2304 (a)(1), (2),
12. (3), (4), (5), (6), (10), (12), (15), and (17); 2305; 2306; 2307;
13. 2312; and 2383 of title 10, United States Code."
14. "(b) In the exercise of the authorities granted in subsection
15. (a) of this section, the term "Agency head" shall mean the Director
16. and the Deputy Director."
17. (2) Amend section 3(d) by deletion of the wording "section 2(c)
18. and section 5(a) of the Armed Services Procurement Act of 1947" from
19. the first sentence and substitute therefor, "section 2304 (a) and
20. section 2307 of title 10, United States Code." Further amend section
21. 3(d) by deletion of the wording "section 2(c), by section 4 or by
22. section 5(a) of the Armed Services Procurement Act of 1947" from the
23. second sentence and substitute therefor, "section 2304 (a), by
24. section 2306 or by section 2307 of title 10, United States Code."
25. (3) In section 4 add the following new paragraphs (1)(G) and
26. (1)(H), and (8);

1.           "(1)(G) Pay the travel expenses of officers and employees of  
2.           the Agency and members of their families, while serving at posts  
3.           specifically designated by the Director for purposes of this para-  
4.           graph, for rest and recuperation to other locations abroad having  
5.           different environmental conditions than those at the post at which  
6.           such officers and employees are serving, provided that such travel  
7.           expenses shall be limited to the cost for each officer or employee  
8.           and members of his family of one round trip during any continuous  
9.           two-year tour unbroken by home leave and two round trips during any  
10.          continuous three-year tour unbroken by home leave."

11.          "(1)(H) Pay the travel expenses of members of the family  
12.          accompanying, preceding, or following an officer or employee if, while  
13.          he is enroute to his post of assignment, he is ordered temporarily for  
14.          orientation and training or is given other temporary duty;"

15.          "(3) Provide appropriate orientation and language training to  
16.          members of family of officers and employees of the Agency in anticipa-  
17.          tion of the assignment abroad of such officers and employees, or  
18.          while abroad."

19.          (4) Amend section 4(3)(A) to read as follows:

20.          "(3)(A) Order to any of the several States of the United States of  
21.          America (including the District of Columbia, the Commonwealth of Puerto  
22.          Rico, and any territory or possession of the United States) on  
23.          statutory leave of absence each officer or employee of the Agency who  
24.          was a resident of the United States (as described above) at the  
25.          time of employment, upon completion of three years' continuous  
26.          service abroad or as soon as possible thereafter and may so order  
27.          after completion of eighteen months such service."

1. (5) Amend section 4(5) by striking out subsections (A) and
2. (C) and inserting in lieu thereof the following new paragraphs (A) and
3. (C):
4. "(A) In the event an officer or employee of the Agency or one of
5. his dependents, requires medical care, for illness or injury not the
6. result of vicious habits, intemperance, or misconduct, while on
7. assignment abroad in a locality where there is no qualified person or
8. facility to provide such care, pay the travel expenses of such officer,
9. employee, or dependent by whatever means deemed appropriate by the
10. Agency, including the furnishing of transportation, and without regard
11. to the Standardized Government Travel Regulations and section 10 of the
12. Act of March 3, 1933, as amended (60 Stat. 808; 5 U.S.C.73b), to the
13. nearest locality where suitable medical care can be obtained and on his
14. recovery pay for the travel expenses of his return to his post of duty.
15. If any such person is too ill to travel unattended, or in the case of
16. a dependent too young to travel alone, the Agency may also pay the
17. round-trip travel expenses of an attendant or attendants."
18. "(C)(1) In the event of illness or injury requiring hospitali-
19. zation or similar treatment of an officer or employee of the Agency,
20. not the result of vicious habits, intemperance, or misconduct on
21. his part, pay for the cost of treatment of such illness or injury.
22. "(ii) In the event a dependent of an officer or employee of
23. the Agency who is stationed abroad, incurs an illness or injury
24. while such dependent is located abroad, which requires hospitalization
25. or similar treatment, and which is not the result of vicious habits,
26. intemperance, or misconduct on his part, pay for that portion of the
27. cost of treatment of each such illness or injury that exceeds \$35



1. up to a maximum limitation of one hundred and twenty days of  
2. treatment for each such illness or injury, except that such  
3. maximum limitation shall not apply whenever the Agency, on the  
4. basis of professional medical advice, shall determine that such  
5. illness or injury clearly is caused by the fact that such dependent  
6. is or has been located abroad."

7. (6) In section 5, add the following new paragraphs (g) and (h):

8.

9. "(g) Where an officer or employee of another Government agency  
10. transfers with the consent of such agency and is appointed to a  
11. position in the Agency, such an officer or employee shall be entitled  
12. upon separation from the Agency, to reinstatement to the position  
13. occupied at the time of appointment or to a position of comparable  
14. or higher salary in such other Government agency."

15. "(h) Settle and pay, whenever the Director determines that  
16. payment will further the purposes of this Act, without regard to  
17. any other provisions of law and under such regulations as the  
18. Director may prescribe, in an amount not exceeding \$10,000, any  
19. claim against the United States for loss of or damage to real or  
20. personal property (including loss of occupancy or use thereof),  
21. belonging to, or for personal injury or death of, any person not  
22. a citizen or resident of the United States, where such claim  
23. arises abroad out of the act or omission of any Agency employee or  
24. out of the act or omission of any person acting on behalf of the  
25. Agency but only if such claim is presented in writing to the Agency  
26. activity involved within one year after it accrues."

1. (7) Paragraph (4) of section 104(a) of the Internal Revenue  
2. Code of 1954 (26 U.S.C. 104(a)(4) ) (relating to the exclusion from  
3. gross income of compensation for injuries and sickness) is hereby  
4. amended to read as follows:

5. "(4) amounts received as a pension, annuity, or similar allow-  
6. ance for personal injuries or sickness resulting from active service  
7. in the armed forces of any country or in the Coast and Geodetic  
8. Survey or the Public Health Service, or as a disability annuity  
9. payable under the provisions of section 831 of the Foreign Service  
10. Act of 1946, as amended (22 U.S.C. 1081; 60 Stat. 1021), or as a  
11. disability annuity payable under Title II of the Central Intelligence  
12. Agency Act of 1949, as amended (50 U.S.C. 403(a) et seq.)."

13. (8) Renumber section 7 to read section 8. Renumber section 8  
14. to read section 9, APPROPRIATIONS. Renumber section 9 to read  
15. section 10, SEPARABILITY OF PROVISIONS. Renumber section 10 to read  
16. section 11, SHORT TITLE. Add a new section 7 as follows:

17. "(7) (a) The Director of Central Intelligence is authorized  
18. to receive gifts to the Agency and in his discretion to accept,  
19. receive, hold, administer, and expend such gifts and bequests of  
20. personal property, from individuals or others, for the benefit of,  
21. or for use in connection with, the Central Intelligence Agency and  
22. its personnel. Gifts or bequests of money or the profits from sales  
23. of other property received as gifts shall be subject to disburse-  
24. ment by the Director in accordance with the terms and conditions  
25. of the acceptance of any particular gift or bequest.

26. "(b) The Director is authorized to invest, reinvest, or retain  
27. investments of the money or securities as he shall deem advisable

1. and the interest or profits accruing from such use shall be  
2. available for disbursement as provided in (a) above. For the  
3. purpose of Federal income, estate and gift taxes, gifts and  
4. bequests accepted by the Director shall be deemed to be a gift  
5. or bequest to or for the use of the United States."

6. Section 3. Insert the heading "TITLE I -- DEFINITIONS AND  
7. GENERAL AUTHORITIES" before the section title, "DEFINITIONS",  
8. of section 1 of the Central Intelligence Agency Act of 1949,  
9. as amended.

10. Section 4. The Central Intelligence Agency Act of 1949, as  
11. amended, is further amended by the addition of TITLE II as  
12. follows:

13. "TITLE II -- THE CENTRAL INTELLIGENCE AGENCY RETIREMENT  
14. AND DISABILITY SYSTEM

15. "PART A -- ESTABLISHMENT OF SYSTEM

16. "Rules and Regulations

17. "Sec. 201. (a) The Director may prescribe rules and regulations  
18. for the establishment and maintenance of a Central Intelligence  
19. Agency Retirement and Disability System, referred to hereafter  
20. as the System.

21. "(b) The Director shall administer the System in accord-  
22. ance with such rules and regulations and with the principles  
23. established by this Act.

1. "Establishment and Maintenance of Fund

2. "Sec. 202. There is hereby created a special fund to be known as  
3. the Central Intelligence Agency Retirement and Disability Fund which  
4. shall be maintained by the Secretary of the Treasury and classified  
5. under section 20 of the Act of June 26, 1934, (48 Stat. 1233) as  
6. amended. The Central Intelligence Agency Retirement and Disability  
7. Fund is referred to hereafter in this title as the Fund.

8. "Participants

9. "Sec. 203. The Director may designate from time to time such Agency  
10. officers and employees, hereafter referred to as participants, who  
11. shall be entitled to the benefits of the System.

12. "Annuitants

13. "Sec. 204. (a) Annuitants shall be persons who are receiving annuities  
14. from the Fund and all persons, including surviving wives and husbands,  
15. widows, dependent widowers, children and beneficiaries of participants  
16. or annuitants who shall become entitled to receive annuities in  
17. accordance with the provisions of this Act..

18. "(b) When used in this title the term --

19. "(1) "Widow" means the surviving wife of a participant who was  
20. married to such participant for at least two years immediately preceding  
21. his death or is the mother of issue by such marriage.

22. "(2) "Dependent widower" means the surviving husband of a partici-  
23. pant who was married to such participant for at least two years  
24. immediately preceding her death or is the father of issue by such  
25. marriage, and who is incapable of self-support by reason of mental or  
26. physical disability, and who received more than one-half of his support  
27. from such participant.

1.           "(3) "Child" means an unmarried child, under the age of  
2.           eighteen years, or such unmarried child regardless of age who  
3.           because of physical or mental disability incurred before age  
4.           eighteen is incapable of self-support. In addition to the off-  
5.           spring of the participant and his or her spouse the term includes  
6.           (a) an adopted child, and (b) a step-child or recognized natural  
7.           child who received more than one-half of his support from the  
8.           participant.

9.                       "PART B -- COMPULSORY CONTRIBUTIONS

10.           "Sec. 211. (a) Six and one-half per centum of the basic salary  
11.           received by each participant shall be contributed to the Fund for  
12.           the payment of annuities, cash benefits, refunds, and allowances.  
13.           An equal sum shall also be contributed from the respective appro-  
14.           priation or fund which is used for payment of his salary. The  
15.           amounts deducted and withheld from basic salary together with the  
16.           amounts so contributed from the appropriation or fund, shall be  
17.           deposited by the Central Intelligence Agency in the Treasury of the  
18.           United States to the credit of the Fund.

19.           "(b) Each participant shall be deemed to consent and agree to  
20.           such deductions from basic salary, and payment less such deductions  
21.           shall be a full and complete discharge and acquittance of all claims  
22.           and demands whatsoever for all regular services during the period  
23.           covered by such payment, except the right to the benefits to which  
24.           he shall be entitled under this Act, notwithstanding any law, rule,  
25.           or regulation affecting the individual's salary.

1. "PART C -- COMPUTATION OF ANNUITIES

2. "Sec. 221. (a) The annuity of a participant shall be equal to  
3. 2 per centum of his average basic salary for the highest five  
4. consecutive years of service, for which full contributions have  
5. been made to the Fund, multiplied by the number of years, not  
6. exceeding thirty-five, of service credit obtained in accordance  
7. with the provisions of sections 251 and 252. In determining the  
8. aggregate period of service upon which the annuity is to be based,  
9. the fractional part of a month, if any, shall not be counted.

10. "(b) At the time of retirement, any married participant may  
11. elect to receive a reduced annuity and to provide for an annuity  
12. payable to his wife or her husband, commencing on the date following  
13. such participant's death and terminating upon the death of such  
14. surviving wife or husband. The annuity payable to the surviving  
15. wife or husband after such participant's death shall be 50 per centum  
16. of the amount of the participant's annuity computed as prescribed  
17. in paragraph (a) of this section, up to the full amount of such  
18. annuity specified by him as the base for the survivor benefits.  
19. The annuity of the participant making such election shall be reduced  
20. by  $2\frac{1}{2}$  per centum of any amount up to \$2,400 he specifies as the base  
21. for the survivor benefit plus 10 per centum of any amount over  
22. \$2,400 so specified.

1.           "(c) (1) If an annuitant dies and is survived by a wife or  
2.           husband and by a child or children, in addition to the annuity  
3.           payable to the surviving wife or husband, there shall be paid to  
4.           or on behalf of each child an annuity equal to the smallest of:  
5.           (i) 40 per centum of the annuitant's average basic salary, as  
6.           determined under paragraph (a) of this section, divided by the  
7.           number of children; (ii) \$600; or (iii) \$1,800 divided by the  
8.           number of children.

9.           "(2) If an annuitant dies and is not survived by a wife or  
10.          husband but by a child or children, each surviving child shall be  
11.          paid an annuity equal to the smallest of: (i) 50 per centum of the  
12.          annuitant's average basic salary, as determined under paragraph (a)  
13.          of this section, divided by the number of children; (ii) \$720; or  
14.          (iii) \$2,160 divided by the number of children.

15.          "(d) If a surviving wife or husband dies or the annuity of a  
16.          child is terminated, the annuities of any remaining children shall  
17.          be recomputed and paid as though such wife, husband, or child had  
18.          not survived the participant.

19.          "(e) The annuity payable to a child under paragraph (c) or (d)  
20.          of this section shall begin on the first day of the next month after  
21.          the participant dies and such annuity or any right thereto shall be  
22.          terminated upon death, marriage, or attainment of the age of  
23.          eighteen years, except that, if a child is incapable of self-support  
24.          by reasons of mental or physical disability, the annuity shall be  
25.          terminated only when such child dies, marries, or recovers from such  
26.          disability.

1.           "(f) At the time of retirement an unmarried participant may  
2.           elect to receive a reduced annuity and to provide for an annuity  
3.           equal to 50 per centum of the reduced annuity payable after his or  
4.           her death to a beneficiary whose name shall be designated in writing  
5.           to the Director. The annuity payable to a participant making such  
6.           election shall be reduced by 10 per centum of an annuity computed  
7.           as provided in paragraph (a) of this section and by 5 per centum of  
8.           an annuity so computed for each full five years the person designated  
9.           is younger than the retiring participant, but such total reduction  
10.          shall not exceed 40 per centum. No such election of a reduced  
11.          annuity payable to a beneficiary shall be valid until the participant  
12.          shall have satisfactorily passed a physical examination as prescribed  
13.          by the Director. The annuity payable to a beneficiary under the  
14.          provisions of this paragraph shall begin on the first day of the next  
15.          month after the participant dies. Upon the death of the surviving  
16.          beneficiary all payments shall cease and no further annuity payments  
17.          authorized under this paragraph shall be due or payable.

18.                   "PART D -- BENEFITS ACCRUING TO CERTAIN PARTICIPANTS

19.                   "Retirement for Disability or Incapacity --

20.                   Physical Examination -- Recovery

21.           "Sec. 231. (a) Any participant who has five years of service  
22.           credit toward retirement under the System, excluding military or  
23.           naval service that is credited in accordance with provisions of  
24.           section 251 or 252(a)(2), and who becomes totally disabled or  
25.           incapacitated for useful and efficient service by reason of disease,  
26.           illness, or injury not due to vicious habits, intemperance, or willful



1. misconduct on his part, shall, upon his own application or upon  
2. order of the Director, be retired on an annuity computed as pre-  
3. scribed in section 221. If the disabled or incapacitated  
4. participant has less than twenty years of service credit toward  
5. his retirement under the System at the time he is retired, his  
6. annuity shall be computed on the assumption that he has had twenty  
7. years of service, but the additional service credit that may accrue  
8. to a participant under this provision shall in no case exceed the  
9. difference between his age at the time of retirement and the  
10. mandatory retirement age applicable to his grade in the Agency.

11. "(b) In each case, the participant shall be given a physical  
12. examination by one or more duly qualified physicians or surgeons  
13. designated by the Director to conduct examinations, and disability  
14. shall be determined by the Director on the basis of the advice of  
15. such physicians or surgeons. Unless the disability is permanent,  
16. like examinations shall be made annually until the annuitant has  
17. reached the statutory mandatory retirement age for his grade in the  
18. Agency. If the Director determines, on the basis of the advice of  
19. one or more duly qualified physicians or surgeons conducting such  
20. examinations that an annuitant has recovered to the extent that he  
21. can return to duty, the annuitant may apply for reinstatement or  
22. reappointment in the Agency within one year from the date his recovery  
23. is determined. Upon application the Director may reinstate any such  
24. recovered disability annuitant in the grade in which he was serving  
25. at time of retirement, or the Director may, taking into consideration  
26. the age, qualifications, and experience of such annuitant, and the

1. present grade of his contemporaries in the Agency, appoint him to  
2. a grade higher than the one in which he was serving prior to retire-  
3. ment. Payment of the annuity shall continue until a date six months  
4. after the date of the examination showing recovery or until the date  
5. of reinstatement or reappointment in the Agency, whichever is earlier.  
6. Fees for examinations under this provision, together with reasonable  
7. traveling and other expenses incurred in order to submit to examina-  
8. tion, shall be paid out of the Fund. If the annuitant fails to  
9. submit to examination as required under this section, payment of the  
10. annuity shall be suspended until continuance of the disability is  
11. satisfactorily established.

12. "(c) If a recovered disability annuitant whose annuity is  
13. discontinued is for any reason not reinstated or reappointed in the  
14. Agency, he shall be considered to have been separated within the  
15. meaning of section 234 as of the date he was retired for disability  
16. and he shall, after the discontinuance of the disability annuity,  
17. be entitled to the benefits of that section or of section 241(a)  
18. except that he may elect voluntary retirement in accordance with the  
19. provisions of section 233 if he can qualify under its provisions.

20. "(d) No participant shall be entitled to receive an annuity  
21. under this Act and compensation for injury or disability to himself  
22. under the Federal Employees' Compensation Act of September 7, 1916,  
23. as amended, covering the same period of time. This provision shall  
24. not bar the right of any claimant to the greater benefit conferred  
25. by either Act for any part of the same period of time. Neither this  
26. provision nor any provision of the said Act of September 7, 1916, as

1. amended, shall be so construed as to deny the right of any person  
2. to receive an annuity under this Act by reason of his own services  
3. and to receive concurrently any payment under such Act of  
4. September 7, 1916, as amended, by reason of the death of any other  
5. person.

6. "(e) Notwithstanding any provision of law to the contrary, the  
7. right of any person entitled to an annuity under this Act shall not  
8. be affected because such person has received an award of compensation  
9. in a lump sum under section 14 of the Federal Employees' Compensation  
10. Act of September 7, 1916, as amended, except that where such annuity  
11. is payable on account of the same disability for which compensation  
12. under such section has been paid, so much of such compensation as has  
13. been paid for any period extended beyond the date such annuity becomes  
14. effective, as determined by the Secretary of Labor, shall be refunded  
15. to the Department of Labor, to be paid into the Federal Employees'  
16. Compensation Fund. Before such person shall receive such annuity he  
17. shall (1) refund to the Department of Labor the amount representing such  
18. computed payments for such extended period, or (2) authorize the  
19. deduction of such amount from the annuity payable to him under this  
20. Act, which amount shall be transmitted to such Department for reim-  
21. bursement to such Fund. Deductions from such annuity may be made from  
22. accrued and accruing payments, or may be prorated against and paid  
23. from accruing payments in such manner as the Secretary of Labor shall  
24. determine, whenever he finds that the financial circumstances of the  
25. annuitant are such as to warrant such deferred refunding.

1. "Death in Service

2. "Sec. 232. (a) In case a participant dies and no claim for  
3. annuity is payable under the provisions of this Act, his contribu-  
4. tions to the Fund, with interest at the rates prescribed in sections  
5. 241 (a) and 281 (a), shall be paid in the order of precedence shown  
6. in section 241 (b).

7. "(b) If a participant, who has at least five years of service  
8. credit toward retirement under the System, excluding military or  
9. naval service that is credited in accordance with the provisions of  
10. section 251 or 252 (a) (2), dies before separation or retirement from  
11. the Agency and is survived by a widow or a dependent widower, as  
12. defined in section 204, such widow or dependent widower shall be  
13. entitled to an annuity equal to 50 per centum of the annuity computed  
14. in accordance with the provisions of paragraph (e) of this section  
15. and of section 221 (a). The annuity of such widow or dependent  
16. widower shall commence on the date following death of the participant  
17. and shall terminate upon death of the widow or dependent widower, or  
18. upon the dependent widower's becoming capable of self-support.

19. "(c) If a participant who has at least five years of service  
20. credit toward retirement under the System, excluding military or naval  
21. service that is credited in accordance with the provisions of section  
22. 251 or 252 (a) (2), dies before separation or retirement from the  
23. Agency and is survived by a wife or a husband and a child or children,  
24. each surviving child shall be entitled to an annuity computed in  
25. accordance with the provisions of section 221(c)(1). The child's  
26. annuity shall begin and be terminated in accordance with the provisions

1. of section 221(e). Upon the death of the surviving wife or husband  
2. or termination of the annuity of a child, the annuities of any  
3. remaining children shall be recomputed and paid as though such wife  
4. or husband or child had not survived the participant.

5. "(d) If a participant who has at least five years of service  
6. credit toward retirement under the System, excluding military or  
7. naval service that is credited in accordance with the provisions of  
8. section 251 or 252(a)(2), dies before separation or retirement from  
9. the Agency and is not survived by a wife or husband, but by a child  
10. or children, each surviving child shall be entitled to an annuity  
11. computed in accordance with the provisions of section 221(c)(2).  
12. The child's annuity shall begin and terminate in accordance with the  
13. provisions of section 221(e). Upon termination of the annuity of a  
14. child, the annuities of any remaining children shall be recomputed  
15. and paid as though that child had never been entitled to the benefit.

16. "(e) If, at the time of his or her death, the participant had  
17. less than twenty years of service credit toward retirement under the  
18. System, the annuities payable in accordance with paragraph (b) of  
19. this section shall be computed in accordance with the provisions of  
20. section 221 on the assumption he or she has had twenty years of  
21. service, but the additional service credit that may accrue to a  
22. deceased participant under this provision shall in no case exceed  
23. the difference between his or her age on the date of death and the  
24. mandatory retirement age applicable to his or her grade in the Agency.  
25. In all cases arising under paragraphs (b), (c), (d), or (e) of this  
26. section, it shall be assumed that the deceased participant was  
27. qualified for retirement on the date of his death.

1. "Voluntary Retirement

2. "Sec. 233. Any participant in the System who is at least  
3. fifty years of age and has rendered twenty years of service,  
4. including service within the meaning of section 253, may on  
5. his own application and with the consent of the Director be  
6. retired from the Agency and receive benefits in accordance  
7. with the provisions of section 221.

8. "Discontinued Service Retirement

9. "Sec. 234. (a) Any participant who separates from the Agency  
10. after obtaining at least five years of service credit toward re-  
11. tirement under the System, excluding military or naval service  
12. that is credited in accordance with the provisions of section  
13. 251 or 252 (a)(2), may, upon separation from the Agency or at  
14. any time prior to becoming eligible for an annuity, elect to  
15. have his contributions to the Fund returned to him in accordance  
16. with the provisions of section 241, or (except in cases where  
17. the Director determines that separation was based in whole or in  
18. part on the ground of disloyalty to the United States) to leave  
19. his contributions in the Fund and receive an annuity, computed as  
20. prescribed in section 221, commencing at the age of sixty years.

21. "(b) If a participant who has qualified in accordance with  
22. the provisions of paragraph (a) of this section to receive a  
23. deferred annuity commencing at the age of sixty dies before reach-  
24. ing the age of sixty his contributions to the Fund, with interest,  
25. shall be paid in accordance with the provisions of sections 241  
26. and 281.

1.           "(c) The Director may in his discretion retire participants  
2.           in grade GS-14 and above to promote the efficiency of the Agency  
3.           and they shall receive retirement benefits in accordance with  
4.           the provisions of section 221.

5.           "(d) The Director may in his discretion retire participants  
6.           in grade GS-13 and below to promote the efficiency of the Agency  
7.           and each such officer shall receive--

8.           "(1) one-twelfth of a year's salary at his then current salary  
9.           rate for each year of service and proportionately for a fraction of  
10.          a year, but not exceeding a total of one year's salary at his then  
11.          current salary rate, payable without interest, from the Fund, in  
12.          three equal installments on the 1st day of January following the  
13.          officer's retirement and on the two anniversaries of this date  
14.          immediately following: Provided, That in special cases, the  
15.          Director may in his discretion accelerate or combine the install-  
16.          ments; and

17.          "(2) a refund of the contributions made to the Fund, with  
18.          interest as provided in section 241 (a), except that in lieu of  
19.          such refund such officer, if he has at least five years of ser-  
20.          vice credit toward retirement under the System, excluding military  
21.          or naval service that is credited in accordance with the provisions  
22.          of section 251 or 252 (a), may elect to receive retirement bene-  
23.          fits on reaching the age of sixty in accordance with the provisions  
24.          of section 221. In the event that an officer who was separated  
25.          from grade GS-13 or GS-12 and who has elected to receive retire-  
26.          ment benefits dies before reaching the age of sixty, his death  
27.          shall be considered a death in service within the meaning

1. of section 232. In the event that an officer who was separated  
2. from grade GS-11 or below and who has elected to receive retirement  
3. benefits dies before reaching the age of sixty, the total amount of  
4. his contributions made to the Fund, with interest as provided in  
5. section 241(a), shall be paid in accordance with the provisions  
6. of section 241(b).

7. "(e) Notwithstanding the provisions of section 3477 of the  
8. Revised Statutes, as amended (31 U.S.C. 203) or the provisions of  
9. any other law, an Agency officer who is retired in accordance with  
10. the provisions of section 234 (d) shall have the right to assign to  
11. any person or corporation the whole or any part of the benefits  
12. receivable by him pursuant to paragraph (d) (1) of this section.  
13. Any such assignment shall be on a form approved by the Secretary of  
14. the Treasury and a copy thereof shall be deposited with the Secretary  
15. of the Treasury by the officer executing the assignment.

16. "Mandatory Retirement for Age

17. "Sec. 235. (a) Any participant in the System in grade GS-18 or  
18. above, shall upon reaching the age of sixty-five, be retired from  
19. the Agency and receive retirement benefits in accordance with the  
20. provisions of section 221, but whenever the Director shall determine  
21. it to be in the public interest, he may extend such an officer's  
22. service for a period not to exceed five years.

23. "(b) Any participant in the System, other than in grade GS-18  
24. or above, shall upon reaching the age of sixty, be retired from the  
25. Agency and receive retirement benefits in accordance with the provisions  
26. of section 221, but whenever the Director shall determine it to be



1. in the public interest, he may extend such an officer's service  
2. for a period not to exceed five years.

3. "PART E -- DISPOSITION OF CONTRIBUTIONS AND INTEREST  
4. IN EXCESS OF BENEFITS RECEIVED

5. "Sec 241. (a) Whenever a participant becomes separated from  
6. the Agency without becoming eligible for an annuity or a deferred  
7. annuity in accordance with the provisions of this Act, the total  
8. amount of contributions from his salary with interest thereon at  
9. 4 per centum per annum, compounded annually as of December 31, and  
10. proportionately for the period served during the year of separation  
11. including all contributions made during or for such period, except  
12. as provided in section 281, shall be returned to him.

13. "(b) In the event that the total contributions of a retired  
14. participant, other than voluntary contributions made in accordance  
15. with the provisions of section 281, with interest at 4 per centum  
16. per annum compounded annually as is provided in paragraph (a) of  
17. this section added thereto, exceed the total amount returned to such  
18. participant or to an annuitant claiming through him, in the form of  
19. annuities, accumulated at the same rate of interest up to the date  
20. the annuity payments cease under the terms of the annuity, the excess  
21. of the accumulated contributions over the accumulated annuity payments  
22. shall be paid in the following order of precedence, upon the establish-  
23. ment of a valid claim therefor, and such payment shall be a bar to  
24. recovery by any other person:

25. "(1) To the beneficiary or beneficiaries designated by the  
26. retired participant in writing to the Director;

1.           "(2) If there be no such beneficiary, to the surviving wife  
2.           or husband of such participant;

3.           "(3) If none of the above, to the child or children of such  
4.           participant and descendants of deceased children by representation;

5.           "(4) If none of the above, to the parents of such participant  
6.           or the survivor of them;

7.           "(5) If none of the above, to the duly appointed executor or  
8.           administrator of the estate of such participant;

9.           "(6) If none of the above, to other next of kin of such  
10.          participant as may be determined by the Director in his judgment  
11.          to be legally entitled thereto.

12.          "(c) No payment shall be made pursuant to paragraph (b) (6) of  
13.          this section until after the expiration of thirty days from the  
14.          death of the retired participant or his surviving annuitant.

15.                               "PART F -- PERIOD FOR SERVICE FOR ANNUITIES

16.                                       "Computation of Length of Service

17.           "Sec. 251. For the purposes of this title, the period of  
18.           service of a participant shall be computed from the date he becomes  
19.           a participant under the provisions of this Act, but all periods of  
20.           separation from the Agency and so much of any leaves of absence  
21.           without pay as may exceed six months in the aggregate in any calendar  
22.           year shall be excluded, except leaves of absence while receiving  
23.           benefits under the Federal Employees' Compensation Act of  
24.           September 7, 1916, as amended, and leaves of absence granted  
25.           participants while performing active and honorable military or  
26.           naval service in the Army, Navy, Air Force, Marine Corps, or Coast  
27.           Guard of the United States.

1. "Prior Service Credit

2. "Sec. 252. (a) A participant may, subject to the provisions  
3. of this section, include in his period of service --

4. "(1) civilian service in the executive, judicial, and legislative  
5. branches of the Federal Government and in the District of Columbia  
6. government, prior to becoming a participant; and

7. "(2) active and honorable military or naval service in the  
8. Army, Navy, Marine Corps, Air Force, or Coast Guard of the United  
9. States.

10. "(b) A person may obtain prior civilian service credit in  
11. accordance with the provisions of paragraph (a) (1) of this section  
12. by making a special contribution to the Fund equal to 5 per centum  
13. of his basic annual salary for each year of service for which credit  
14. is sought prior to November 8, 1960, and at  $6\frac{1}{2}$  per centum thereafter  
15. with interest compounded annually at 4 per centum per annum to the  
16. date of payment. Any such person may, under such conditions as may  
17. be determined in each instance by the Director, pay such special  
18. contributions in installments.

19. "(c)(1) If an officer or employee under some other Government  
20. retirement system, becomes a participant in the System by direct  
21. transfer, such officer or employee's total contributions and deposits,  
22. including interest accrued thereon, except voluntary contributions,  
23. shall be transferred to the Fund effective as of the date such officer  
24. or employee becomes a participant in the System. Each such officer  
25. or employee shall be deemed to consent to the transfer of such funds  
26. and such transfer shall be a complete discharge and acquittance of

1. all claims and demands against the other Government retirement fund  
2. on account of service rendered prior to becoming a participant in  
3. the System.

4. "(2) No officer or employee, whose contributions are trans-  
5. ferred to the Fund in accordance with the provisions of paragraph  
6. (c)(1) of this section, shall be required to make contributions in  
7. addition to those transferred, for periods of service for which full  
8. contributions were made to the other Government retirement fund,  
9. nor shall any refund be made to any such officer or employee on  
10. account of contributions made during any period to the other Government  
11. retirement fund, at a higher rate than that fixed by section 211 of  
12. this Act for contributions to the Fund.

13. "(3) No officer or employee, whose contributions are transferred  
14. to the Fund in accordance with the provisions of paragraph (c)(1)  
15. of this section, shall receive credit for periods of service for which  
16. a refund of contributions has been made, or for which no contributions  
17. were made to the other Government retirement fund. A participant  
18. may, however, obtain credit for such prior service by making a special  
19. contribution to the Fund in accordance with the provisions of para-  
20. graph (b) of this section.

21. "(d) No participant may obtain prior civilian service credit  
22. toward retirement under the System for any period of civilian service  
23. on the basis of which he is receiving or will in the future be  
24. entitled to receive any annuity under another retirement system  
25. covering civilian personnel of the Government.

1.           "(e) A participant may obtain prior military or naval service  
2. credit in accordance with the provisions of paragraph (a) (2) of  
3. this section by applying for it to the Director prior to retirement  
4. or separation from the Agency. However, in the case of a participant  
5. who is eligible for and receives retired pay on account of military  
6. or naval service, the period of service upon which such retired pay  
7. is based shall not be included, except that in the case of a  
8. participant who is eligible for and receives retired pay on account  
9. of a service-connected disability incurred in combat with an enemy  
10. of the United States or caused by an instrumentality of war and  
11. incurred in line of duty during a period of war (as that term is used  
12. in chapter 11 of title 38, United States Code), or is awarded under  
13. chapter 67 of title 10 of the United States Code, the period of such  
14. military or naval service shall be included. No contributions to  
15. the Fund shall be required in connection with military or naval  
16. service credited to a participant in accordance with the provisions  
17. of paragraph (a) (2) of this section.

18.                           "Credit for Service at Unhealthful Posts

19.           "Sec. 253. The Director may from time to time establish a list  
20. of places which by reason of climatic or other extreme conditions  
21. are to be classed as unhealthful posts, and each year of duty at  
22. such posts inclusive of regular leaves of absence, of participants  
23. hereafter retired, shall be counted as one year and a half, and so  
24. on in like proportion in reckoning the length of service for the  
25. purpose of retirement, fractional months being considered as full  
26. months in computing such service. The Director may at any time

1. cancel the designation of any places as unhealthful without affecting
2. any credit which has accrued for service at such posts prior to the
3. date of the cancellation.

4. "Credit for Service While on Military Leave

5. "Sec. 254. Contributions shall not be required covering periods
6. of leave of absence from the Agency granted a participant while
7. performing active military or naval service in the Army, Navy, Air
8. Force, Marine Corps, or Coast Guard of the United States.

9. "PART G -- MONEYS

10. "Estimate of Appropriations Needed

11. "Sec. 261. The Secretary of the Treasury shall prepare the
12. estimates of the annual appropriations required to be made to the
13. Fund, and shall make actuarial valuations of such funds at intervals
14. of five years, or oftener if deemed necessary by him.

15. "Investment of Moneys in the Fund

16. "Sec. 262. The Secretary of the Treasury shall invest from time
17. to time in interest-bearing securities of the United States such
18. portions of the Fund as in his judgment may not be immediately required
19. for the payment of annuities, cash benefits, refunds, and allowances,
20. and the income derived from such investments shall constitute a part
21. of such Fund.

22. "Attachment of Moneys

23. "Sec. 263. None of the moneys mentioned in this title shall
24. be assignable either in law or equity, or be subject to execution,
25. levy, attachment, garnishment, or other legal process, except as
26. provided in section 234 (e).

1. "PART H -- ANNUITANTS RECALLED, REINSTATED OR  
2. REAPPOINTED IN THE AGENCY OR REEMPLOYED IN THE  
3. GOVERNMENT

4. "Recall

5. "Sec. 271. (a) The Director may recall any annuitant to duty  
6. in the Agency whenever he shall determine such recall is in the  
7. public interest.

8. "(b) Any annuitant recalled to duty in the Agency or reinstated  
9. or reappointed in accordance with the provisions of section 231(b)  
10. shall, while so serving, be entitled in lieu of his annuity to the  
11. full salary of the grade in which he is serving. During such service,  
12. he shall make contributions to the Fund in accordance with the pro-  
13. visions of section 211. When he reverts to his retired status, his  
14. annuity shall be determined anew in accordance with the provisions  
15. of section 221.

16. "Reemployment Compensation

17. "Sec. 272. (a) Notwithstanding any other provision of law,  
18. any officer or employee of the Agency, who has retired under this  
19. Act, as amended, and is receiving an annuity pursuant thereto, and  
20. who is reemployed in the Federal Government service in any appointive  
21. position either on a part-time or full-time basis, shall be entitled  
22. to receive the salary of the position in which he is serving plus so  
23. much of his annuity payable under this Act, as amended, which when  
24. combined with such salary does not exceed during any calendar year  
25. the basic salary such officer or employee was entitled to receive on  
26. the date of his retirement from the Agency. Any such reemployed officer

1. or employee who receives salary during any calendar year in excess of  
2. the maximum amount which he may be entitled to receive under this  
3. paragraph shall be entitled to such salary in lieu of benefits  
4. hereunder.

5. "(b) When any such retired officer or employee of the Agency is  
6. reemployed, the employer shall send a notice to the Central  
7. Intelligence Agency of such reemployment together with all pertinent  
8. information relating thereto, and shall pay directly to such officer  
9. or employee the salary of the position in which he is serving.

10. "(c) In the event of any overpayment under this section, such  
11. overpayment shall be recovered by withholding the amount involved from  
12. the salary payable to such reemployed officer or employee, or from any  
13. other moneys, including his annuity, payable in accordance with the  
14. provisions of this title.

15. "Reemployment

16. "Sec. 273. Notwithstanding the provisions of title 5, United  
17. States Code, section 62, and title 5, United States Code, section  
18. 715a, an Agency officer or employee retired under the provisions  
19. of this Act shall not, by reason of his retired status, be barred  
20. from employment in Federal Government service in any appointive  
21. position for which he is qualified. An annuitant so reemployed  
22. shall serve at the will of the appointing officer.

23. "PART I -- VOLUNTARY CONTRIBUTIONS

24. "Sec. 281. (a) Any participant may, at his option and under such  
25. regulations as may be prescribed by the Director, deposit additional  
26. sums in multiples of 1 per centum of his basic salary, but not in  
27. excess of 10 per centum of such salary, which amounts together with



1. interest at 3 per centum per annum, compounded annually as of  
2. December 31, and proportionately for the period served during the  
3. year of his retirement, including all contributions made during or  
4. for such period, shall, at the date of his retirement and at his  
5. election, be--

6. "(1) returned to him in lump sum; or

7. "(2) used to purchase an additional life annuity; or

8. "(3) used to purchase an additional life annuity for himself  
9. and to provide for a cash payment on his death to a beneficiary whose  
10. name shall be notified in writing to the Director by the participant;  
11. or

12. "(4) used to purchase an additional life annuity for himself  
13. and a life annuity commencing on his death payable to a beneficiary  
14. whose name shall be notified in writing to the Director by the  
15. participant with a guaranteed return to the beneficiary or his legal  
16. representative of an amount equal to the cash payment referred to in  
17. subparagraph (3) above.

18. "(b) The benefits provided by subparagraphs (2), (3), or (4) of  
19. paragraph (a) of this section shall be actuarially equivalent in  
20. value to the payment provided for by subparagraph (a) (1) of this  
21. section and shall be calculated upon such tables of mortality as may  
22. be from time to time prescribed for this purpose by the Secretary of  
23. the Treasury.

24. "(c) In case a participant shall become separated from the Agency  
25. for any reason except retirement on an annuity, the amount of any  
26. additional deposits with interest at 3 per centum per annum, compounded  
27. as is provided in paragraph (a) of this section, made by him under the

1. provisions of said paragraph (a) shall be refunded in the manner
2. provided in section 241 for the return of contributions and inter-
3. est in the case of death or separation from the Agency.
4.       "(d) Any benefits payable to an officer or to his beneficiary
5. in respect to the additional deposits provided under this section
6. shall be in addition to the benefits otherwise provided under this
7. title."

TAB

S-E-C-R-E-T

CENTRAL INTELLIGENCE AGENCY ACT AMENDMENTS OF 1963

EXPLANATION AND JUSTIFICATION

1. Purpose of Proposed Bill

a. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly motivated careerists who are intensively trained in unique skills. However, the Agency is unable in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the futures of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, the proposed bill adds a new Title II to the Central Intelligence Agency Act of 1949, as amended, which establishes for a limited number of Agency employees a retirement and disability system corresponding to that established for persons serving in the Foreign Service of the Department of State.

b. Section 4 of the Central Intelligence Agency Act was originally drafted to extend to Agency employees serving abroad travel expenses and overseas allowances similar to those extended to Foreign Service personnel. Section 2 of the proposed bill makes appropriate modifications in Section 4 of the Central Intelligence Agency Act to bring it up to date in this regard. Certain other amendments have been determined to be necessary and have been explained in the Sectional Analysis and Explanation, Appendix A.

2. Need for a Separate Retirement System for Certain Employees

a. Summary

All regular employees of the Central Intelligence Agency are at present covered by the provisions of the Civil Service Retirement Act. Such coverage is appropriate for those whose conditions, obligations, and terms of service are comparable to those of federal employees generally. However, the Agency has a serious problem in its need to make more adequate provision for certain of its employees who should be retired at an earlier age and with a more equitable annuity than can be provided under the Civil Service Retirement Act. This need stems from the fact that the Agency cannot provide to or expect from many individuals in its service a full-term working career of thirty or so years.

b. Background

(1) The conditions underlying this situation are complex. For some years the Agency has recognized that it faces a serious dilemma.

S-E-C-R-E-T GROUP 1. Excluded from automatic  
downgrading and declassification.

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On the one hand, the nature of its mission requires the employment of people who are highly motivated and who develop unique and specialized abilities through their continuing training and service over the years. Moreover, the nature of the Agency's mission requires that a substantial proportion of its personnel accept, as do members of the military services, the obligation to serve anywhere in the world at the Agency's direction---not at their own will---and to be available for duty on a 24-hour-a-day basis. In sum, the employment of people to serve on a career basis is essential to fill the majority of the Agency's requirements for personnel. On the other hand, factors directly related to the nature and conditions of service in the intelligence field and factors affecting the ability and desire of individuals to remain in such work on a long-term basis make it infeasible to provide full-term employment for all careerists.

(2) The nature of the work involved in the Agency's operations requires people who have a high degree of vigor, vitality, endurance, resilience, and adaptability. Such traits are required to cope with the stresses and strains occasioned by uneven and uncertain hours and days of work, duty in unhealthy locations with less than adequate medical facilities, or arduous, and not infrequently hazardous, assignments. For example, the responsibility of the Agency for covert cold war functions and continuance of counter-insurgency activities requires the Agency to employ numbers of individuals whose skills are not necessarily adaptable to full-term careers.

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(4) There are other factors pertaining to the individuals themselves which, over the years, limit their ability and desire to continue in overseas service.

(a) First, there is "motivational exhaustion." This term is used to describe a gradual lessening of interest and enthusiasm of an officer as a result of impingements on his personal and family life. These stem from the transient nature of his assignments, the complications and restrictions of security requirements, and intrusions on his family life occasioned by the requirement that he spend his apparent "leisure time" in performing additional

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[REDACTED] Further, while all Agency employees are subject to security restrictions which place severe limitations on their personal freedoms, employees serving abroad are subject to even greater restrictions. [REDACTED]

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[REDACTED] These factors tend to lessen the enthusiasm and willingness of the family to accompany the officer on further assignments overseas.

(b) Second, our experience has shown that many officers or members of their families will in time incur physical impediments which limit or preclude their further assignment overseas. The moderate climate and excellent medical facilities of the United States make living in our own country healthier than living in many areas abroad. It is accepted medical fact that there are more disease hazards and a greater incidence of sickness abroad than in the United States. Americans, because of the advances of sanitation and public health in this country, have failed to develop the natural immunities which most foreigners develop. Consequently, Americans are more susceptible than local inhabitants to the diseases of an area.

The wear and tear of repeated illness saps an individual's strength and resilience and affects his longevity. Moreover, ills which an employee encounters in one place often attach themselves permanently as chronic and sometimes disabling conditions. This contributes to the need for the earlier retirement provisions now proposed for certain employees of the Agency.

(5) The dynamic nature of intelligence produces sudden and sometimes radical shifts in the types of personnel required. Completion of a mission of a temporary nature or a shift in emphasis or direction of operations may result in an overabundance of officers who are skilled in a relatively narrow field. Their primary qualifications thus become obsolete or unneeded and they become "occupationally surplus."

c. Manpower Control

(1) The Agency finds it increasingly necessary to impose manpower controls to ensure appropriate alignment as to age, qualifications, and other characteristics of its employees engaged in conducting or supporting foreign intelligence operations. Insofar as possible, imbalances should be and are corrected by the reassignment of officers, who cannot or should not continue in such work, to other fields of work in the Agency. It is a certainty, nonetheless, that encouraged and induced attrition will continue to be necessary. A program of managed attrition is feasible, however, only if it is linked with a system of

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retirement benefits which are sufficient to induce an employee or a prospective employee to take the risk that he may be one of those individuals who cannot serve a full term career.

(2) The seriousness of this risk to the individual is greatly augmented by the difficulty which he will encounter in effecting a transfer from intelligence activities to other Government or commercial fields. The principal reason for this is that the special skills required for intelligence work are not ordinarily required in other fields. Other reasons are the inability of employees for security reasons to describe or confirm to a prospective employer the scope and level of his duties and responsibilities. Further, there is a reluctance on the part of other employers, both Governmental and private, who are engaged in business overseas to hire a former intelligence officer. This reluctance stems from their concern that the attitudes of foreign officials toward their enterprises might be adversely affected if they were known to employ "former spies."

(3) As part of its manpower control program, the Agency has instituted administrative procedures for identifying employees who become surplus to its needs because of the several factors described above and during the past year has separated some 125 such individuals. Many of these individuals had given long years of competent and faithful service to the Agency and to the Government. The process of terminating their employment was made the more painful because of the relatively inadequate assistance which the Agency could offer them in making occupational transfers or in retiring prematurely. The benefits available were limited to those provided under the discontinued service provisions of the Civil Service Retirement Act and to modest separation compensation payments from the Agency which are related to years of service and salary.

### 3. Proposed Retirement System

a. In order to minimize the adverse effects of such programs on the Agency's ability to recruit and retain the caliber of personnel needed, and particularly to minimize their effects on the dedicated personnel already in the service of the Agency, better provision must be made for the futures of those individuals who are separated before completing a full-term career. An important means for doing so is to establish a retirement system permitting earlier retirement with a more nearly adequate and equitable annuity than is possible under the civil service retirement system.

b. Careful study has been devoted to this matter. Recognizing the difficulties in developing an entirely new retirement system, the Agency examined existing systems. We have determined that the Foreign Service system fulfills Agency requirements and is appropriate for those Agency employees whose careers involve conditions of service comparable to those of the Foreign Service personnel.

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c. Appendix B compares the pertinent provisions of the Foreign Service and the civil service retirement systems prior to the enactment of Public Law 87-793 which liberalized certain annuity benefits under the civil service retirement system. This chart is based on a similar chart appearing in the Report of the House Committee on Foreign Affairs in the second session of the 86th Congress. It was prepared at that time in connection with proposed amendments to the Foreign Service Act of 1946, as amended, relating to the retirement system, which proposals were subsequently enacted into law.

d. All of the Agency's employees do not serve under conditions warranting other than the normal retirement considerations. Consequently, the Agency does not intend to place all of its personnel under the proposed new system. Those who are to be designated for coverage will undergo a rigid selection process, the essential criteria for coverage being as follows:

(1) Career employees whose duties and responsibilities are predominantly concerned with the conduct and support of intelligence operations in foreign countries or with covert support in the United States of such operations under comparable conditions; or,

(2) Career employees whose duties are so specialized that they are placed at a special disadvantage when required to seek other employment.



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f. Normally, we would anticipate that an average of some 27 of those employees who would be covered under the proposed system would become eligible for optional retirement under the civil service retirement system during each of the next five years. For the reasons presented above and in order to correct imbalances in the age make-up of this group, we plan under the proposed system to increase the average number of retirements from this group by about 40 in each of these years. Also, during the past year, the average age of Agency personnel who retired under the civil service retirement system was 66. We plan in time to lower the average retirement age of those covered under the proposed system to about 55 years, which is comparable to the average retirement age in the Foreign Service.

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g. The specific provisions of the proposed retirement system and other amendments to the Central Intelligence Agency Act and explanatory notes are contained in Appendix A, Sectional Analysis and Explanation.

4. Cost Estimates

a. There will be certain increased costs for the administration of the retirement system. For reasons of efficiency and security, it is considered essential that full administration of the program, excluding maintenance of the fund by the Department of the Treasury (as required by law in the case of the Foreign Service Retirement Fund), be accomplished within the Agency. It is estimated that by the end of the first five years the administration of the proposed program would cost approximately \$85,000 per year including an increased staffing requirement of approximately eight man years. Internal administration of the program would include determinations of eligibility and entitlements, payment of retirement benefits, and all related administrative matters.

b. Program costs cannot be estimated with comparable precision. Nevertheless, reasonably valid estimates have been made on the basis of actuarial experience of the civil service and the Foreign Service systems.

(1) The most recent annual report of the Chairman of the Civil Service Commission presents cost factors indicating that in addition to the 13% of payroll contributed by the employee and the employing agency the Government would be required to contribute an additional .83% of the annual payroll of covered employees to support the benefits accruing on account of current service. (Cost factors updated to include the cost of increased annuity benefits provided under Public Law 87-793 are not yet available. It can be anticipated, however, that they will increase the .83% of payroll additional contribution by the Government and thus narrow the differential between the civil service and Foreign Service systems stated below.)

(2) Similar, although not fully comparable data pertaining to the Foreign Service retirement system, indicates that additional contributions by the Government of 10.69% would be required. Using the difference (9.86%) between these two estimates as reflecting the cost differentials of the differing benefits of the two programs and applying this difference to the estimated annual payroll of the [ ] Agency employees eligible for the proposed retirement system, we compute that a maximum additional Government contribution of [ ] million annually would be required. However, it has not been Government practice for many years to fully fund its retirement programs. Further, there have been special charges against the Foreign Service Retirement Fund which go beyond the basic benefits of the proposed system.

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c. Increased payout costs for the next five years can be estimated through comparison of the basic annuity benefits under the proposed system over the civil service system. Our estimate assumes reduction in retirement age of the eligible group to 55 years and attainment of the planned

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rate of 67 retirements per year. It also, based upon age and grade characteristics of the group, assumes retirement with 25 years of service and an average high-five salary at about the second step of GS-13. Lastly, in computing the increased payout, the estimated high-five salary was adjusted to reflect salary increases and the increases in civil service annuities authorized by the Postal Service and Federal Employees Salary Act of 1962.

## ESTIMATE OF TOTAL INCREASED ANNUITY PAYMENTS

<u>Fiscal Year</u>	<u>Annuitants (Cumulative Total)</u>	<u>Increased Annuity Payments (Annual Payout)</u>
1964 ( $\frac{1}{2}$ year)	34	\$ 17,612
1965	101	57,142
1966	168	100,022
1967	235	148,932
1968	302	<u>197,842</u>
Total Increased Annuity Payments		<u>\$ 521,550</u>

d. The chain of recruitment, reassignment, and promotion actions created by this annual retirement of officers would result in a considerable lapse in salary expenses. Assuming an average lag of six months in this process, the reduction of expenditures would approximate \$2,516 per retirement and would total approximately \$452,880 over a five-year period. This amount would almost offset the estimated increase in annuity payments for the first five years that the new system was in operation.

## Attachments:

Appendix A, Sectional Analysis and Explanation

Appendix B, Comparison of Foreign Service Retirement and Disability System with Pertinent Provisions of the Civil Service Retirement System

TAB

APPENDIX A

CENTRAL INTELLIGENCE AGENCY ACT AMENDMENTS OF 1963

SECTIONAL ANALYSIS AND EXPLANATION

CENTRAL INTELLIGENCE AGENCY ACT AMENDMENTS OF 1963

SECTIONAL ANALYSIS AND EXPLANATION

(NOTE: Proposed legislation by section is set forth on the left with the existing Central Intelligence Agency statutory provision, if any, on the right.)

Proposed Legislation

Existing Legislation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Central Intelligence Agency Act Amendments of 1963."

Section 2

The Central Intelligence Agency Act of 1949, as amended (50 U.S.C. 403(a) et seq.), is further amended as follows:

(1) Amend section 3 by deletion of subsections (a) and (b) and substitute therefor:

"(a) In the performance of its functions, the Central Intelligence Agency is authorized to exercise the authorities contained in sections 2301; 2302(2) and (3); 2303 (b) and (c); 2304 (a)(1), (2), (3), (4), (5), (6), (10), (12), (15), and (17); 2305; 2306; 2307; 2312; and 2383 of title 10, United States Code."

"(b) In the exercise of the authorities granted in subsection (a) of this section, the term "Agency head" shall mean the Director and the Deputy Director."

Sec. 3. (a) In the performance of its functions the Central Intelligence Agency is authorized to exercise the authorities contained in sections 2(c)(1), (2), (3), (4), (5), (6), (10), (12), (15), (17), and sections 3, 4, 5, 6, and 10 of the Armed Services Procurement Act of 1947 (Public Law 413, Eightieth Congress, second session).

(b) In the exercise of the authorities granted in subsection (a) of this section, the term "Agency head" shall mean the Director, the Deputy Director, or the Executive of the Agency.

Proposed Legislation

(2) Amend section 3(d) by deletion of the wording "section 2(c) and section 5(a) of the Armed Service Procurement Act of 1947" from the first sentence and substitute therefor, "section 2304(a) and section 2307 of title 10, United States Code." Further amend section 3(d) by deletion of the wording "section 2(c), by section 4 or by section 5(a) of the Armed Services Procurement Act of 1947" from the second sentence and substitute therefor, "section 2304(a), by section 2306 or by section 2307 of title 10, United States Code."

Existing Legislation

(d) The power of the Agency head to make the determinations or decisions specified in paragraphs (12) and (15) of section 2(c) and section 5(a) of the Armed Services Procurement Act of 1947 shall not be delegable. Each determination or decision required by paragraphs (12) and (15) of section 2(c), by section 4 or by section 5(a) of the Armed Services Procurement Act of 1947, shall be based upon written findings made by the official making such determinations, which findings shall be final and shall be available within the Agency for a period of at least six years following the date of the determination.

Explanation: These sections update procurement authority references and terms used in the Central Intelligence Agency Act of 1949. The Armed Service Procurement Act of 1947 has been incorporated into title 10, "Armed Forces," U. S. Code. The term "Executive" as set forth in 3(b) of existing legislation is no longer used to designate a senior Agency official and consequently has been eliminated.

(3) In section 4 add the following new paragraphs (1)(G) and (1)(H), and (8):

"(1)(G) Pay the travel expenses of officers and employees of the Agency and members of their families, while serving at posts specifically designated by the Director for purposes of this paragraph, for rest and recuperation to other locations abroad having different environmental conditions than those at the post at which such officers and employees are serving, provided that such travel expenses shall be limited to the cost for each officer or employee and members of his family of one round trip during any continuous two-year tour unbroken by home leave and two round trips during any continuous three-year tour unbroken by home leave."

None

[Explanatory note for sec. 4(1)(G)]

Explanation: This section provides for travel of the employee and his dependents away from specifically designated posts for rest and recuperation in other locations abroad having more favorable environmental conditions. Such travel is necessary to the health and welfare of the individual and his family as well as the maintenance of a high standard of work productivity at the post of assignment. Similar authority has been provided by section 911(9) of the Foreign Service Act for Foreign Service personnel serving under comparable conditions.

Proposed Legislation

Existing Legislation

"(1)(H) Pay the travel expenses of members of the family accompanying, preceding, or following an officer or employee if, while he is enroute to his post of assignment, he is ordered temporarily for orientation and training or is given other temporary duty;"

None

Explanation: This section provides for payment of the cost of travel of dependents to necessary temporary duty points enroute from one post of assignment to another. Such authority is necessary for consultation and restraining between assignments and is identical with section 911(10) of the Foreign Service Act.

"(8) Provide appropriate orientation and language training to members of family of officers and employees of the Agency in anticipation of the assignment abroad of such officers and employees, or while abroad."

None

Explanation: This section provides for orientation and language training for members of Agency families in regard to assignment abroad. It is substantively the same authority provided in section 701 of the Foreign Service Act.

(4) Amend section 4(3)(A) to read as follows:

"(3)(A) Order to any of the several States of the United States of America (including the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States) on statutory leave of

Sec. 4. (3)(A) Order to any of the several States of the United States of America (including the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States) on leave of

Proposed Legislation

[Sec. 4(3)(A) continued]

absence each officer or employee of the Agency who was a resident of the United States (as described above) at the time of employment, upon completion of three years' continuous service abroad or as soon as possible thereafter and may so order after completion of eighteen months such service."

Existing Legislation

[Sec. 4(3)(A) continued]

absence each officer or employee of the Agency who was a resident of the United States (as described above) at time of employment, upon completion of two years' continuous service abroad, or as soon as possible thereafter."

Explanation: This section realigns existing Agency authority for home leave travel to bring it in accord with the authority set forth in section 933(a) of the Foreign Service Act. This section also authorizes home leave travel after completion of 18 months at selected hardship or notoriously unhealthful posts.

(5) Amend section 4(5) by striking out subsections (A) and (C) and inserting in lieu thereof the following new paragraphs (A) and (C):

"(A) In the event an officer or employee of the Agency or one of his dependents, requires medical care, for illness or injury not the result of vicious habits, intemperance, or misconduct, while on assignment abroad in a locality where there is no qualified person or facility to provide such care, pay the travel expenses of such officer, employee, or dependents by whatever means deemed appropriate, by the Agency, including the furnishing of transportation, and without regard to the Standardized Government Travel Regulations and section 10 of the Act of March 3, 1933, as amended (60 Stat. 808; 5 U.S.C. 73b), to the nearest locality where suitable medical care can be obtained and on his recovery pay for the travel expenses of his return to his post of duty.

Sec. 4. (5)(A) In the event of illness or injury requiring the hospitalization of an officer or full time employee of the Agency, not the result of vicious habits, intemperance, or misconduct on his part, incurred while on assignment abroad, in a locality where there does not exist a suitable hospital or clinic, pay the travel expenses of such officer or employee by whatever means he shall deem appropriate and without regard to the Standardized Government Travel Regulations and section 10 of the Act of March 3, 1933 (47 Stat. 1516; 5 U.S.C. 73b), to the nearest locality where a suitable hospital or clinic exists and on his recovery pay for the travel



Proposed Legislation

Sec. 4(5)(A) continued

"If any such person is too ill to travel unattended, or in the case of a dependent too young to travel alone, the Agency may also pay the round-trip travel expenses of an attendant or attendants."

Explanation: This section extends to the dependents of Agency officers and employees stationed abroad the present provisions of law permitting the Director to pay expenses of transportation and authorizes such expenses to the nearest locality where suitable medical care can be obtained. Similar authority is provided at section 942 of the Foreign Service Act for dependents of Foreign Service personnel.

"(C)(i) In the event of illness or injury requiring hospitalization or similar treatment of an officer or employee of the Agency, not the result of vicious habits, intemperance, or misconduct on his part, pay for the cost of treatment of such illness or injury."

"(C)(ii) In the event a dependent of an officer or employee of the Agency who is stationed abroad, incurs an illness or injury while such dependent is located abroad, which requires hospitalization or similar treatment, and which is not the result of vicious habits, intemperance, or misconduct on his part, pay for that portion of the cost of treatment of each such illness or injury that exceeds \$35 up to a maximum limitation of one hundred and twenty days of treatment for each such illness or injury, except that such maximum limitation shall not apply whenever the Agency, on the basis of professional medical advice, shall determine that such illness or injury clearly is caused by the fact that such dependent is or has been located abroad."

Existing Legislation

Sec. 4(5)(A) continued

expenses of his return to his post of duty. If the officer or employee is too ill to travel unattended, the Director may also pay the travel expenses of an attendant;

Sec.4 (5)(c) In the event of illness or injury requiring hospitalization of an officer or full time employee of the Agency, not the result of vicious habits, intemperance, or misconduct on his part, incurred in the line of duty while such person is assigned abroad, pay for the cost of the treatment of such illness or injury at a suitable hospital or clinic;

[ Explanatory note for sec. 4(5)(C) ]

Explanation: This provision amends existing law pertaining to medical treatment of Agency officers and employees and extends medical treatment to their dependents. The benefits provided are the same as those set forth in section 941(a) and (b) of the Foreign Service Act. The amended language affords protection where the illness or injury requires hospitalization or "similar treatment" since at a number of posts hospital facilities are lacking or are so inadequate that the individual is assured better care by treatment at home.

Proposed Legislation

Existing Legislation

(6) In section 5, add the following new paragraphs (g) and (h):

"(g) Where an officer or employee of another Government agency transfers with the consent of such agency and is appointed to a position in the Agency, such an officer or employee shall be entitled upon separation from the Agency, to reinstatement to the position occupied at the time of appointment or to a position of comparable or higher salary in such other Government agency."

None

Explanation: This section provides reemployment rights with the former employing agency for individuals who transfer to the Central Intelligence Agency with the consent of the former employer. It is similar in substance to authority provided by section 528 of the Foreign Service Act and section 625(b) of the Act for International Development of 1961.

"(h) Settle and pay, whenever the Director determines that payment will further the purposes of this Act, without regard to any other provisions of law and under such regulations as the Director may prescribe, in an amount not exceeding \$10,000, any claim against the United States for loss of or damage to real or personal property (including loss of occupancy or use thereof), belonging to, or for personal injury or death of, any person not a citizen or resident of the United States, where such claim arises abroad out of the act or omission of any Agency employee or out of the act or omission of any person acting on behalf of the Agency but only if such claim is presented in writing to the Agency activity involved within one year after it accrues."

None

Explanatory note for sec. 5(h)

Explanation: This section authorizes the payment of meritorious claims arising in foreign countries from the acts or omissions of individuals engaged in Agency activities. The authority as outlined is similar to that granted the State Department for the settlement of claims up to \$2,500 under subsection 2(f) of P.L. 84-885; the authority of the military departments for settlement of claims up to \$15,000 as set forth in section 2734 of title 10, U.S.C.; and the authority for payment of claims up to \$10,000 set forth at section 10(b) of the Peace Corps Act, P.L. 87-293. The Federal Tort Claims Act does not apply in foreign countries and in keeping there-with separate authority for the settlement of such claims in overseas areas is required.

Proposed Legislation

Existing Legislation

(7) Paragraph (4) of section 104(a) of the Internal Revenue Code of 1954 (26 U.S.C. 104(a)(4) ) (relating to the exclusion from gross income of compensation for injuries and sickness) is hereby amended to read as follows:

"(4) amounts received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country or in the Coast and Geodetic Survey or the Public Health Service, or as a disability annuity payable under the provisions of section 831 of the Foreign Service Act of 1946, as amended (22 U.S.C. 1081; 60 Stat. 1021), or as a disability annuity payable under Title II of the Central Intelligence Agency Act of 1949, as amended (50 U.S.C. 403(a) et seq.).

None

Explanation: This section amends paragraph 4 of section 104(a) of the Internal Revenue Code of 1954 to exempt disability annuities under Title II of this Act from Federal income tax. This is in keeping with provisions relating to disability annuities payable under the authorities set forth in section 104(a) of the Internal Revenue Code.

(8) Renumber section 7, to read section 8. Renumber section 8 to read section 9, APPROPRIATIONS. Renumber section 9 to read section 10, SEPARABILITY OF PROVISIONS. Renumber section 10 to read section 11, SHORT TITLE. Add a new section 7 as follows:

None

[ Sec. (8) continued ]

"(7)(a) The Director of Central Intelligence is authorized to receive gifts to the Agency and in his discretion to accept, receive, hold, administer, and expend such gifts and bequests of personal property, from individuals or others, for the benefit of, or for use in connection with, the Central Intelligence Agency and its personnel. Gifts or bequests of money or the profits from sales of other property received as gifts shall be subject to disbursement by the Director in accordance with the terms and conditions of the acceptance of any particular gift or bequest.

None

"(b) The Director is authorized to invest, reinvest, or retain investments of the money or securities as he shall deem advisable and the interest or profits accruing from such use shall be available for disbursement as provided in (a) above. For the purpose of Federal income, estate and gift taxes, gifts and bequests accepted by the Director shall be deemed to be a gift or bequest to or for the use of the United States."

None

Explanation: This section is similar to the authority granted the Secretary of State in section 1021 of the Foreign Service Act, the Secretary of Health, Education and Welfare at 42 U.S.C. 219, the Secretaries of the military departments, as set forth at section 2601 of title 10, U.S.C. and numerous other authorities for the acceptance of gifts. The purpose of the section is to make it possible for the Director to accept gifts on behalf of the Agency, authority for which must be specifically given by statute. The final sentence is comparable to provisions in each of the cited authorities exempting the value of such gifts from gross income for federal income tax purposes.

## Section 3

Insert the heading "TITLE I -- Definitions and General Authorities" before the section title, "DEFINITIONS," of section 1 of the Central Intelligence Agency Act of 1949, as amended.

Explanation: This section provides for technical adjustment in headings and section numbers in accordance with the provisions enumerated in this Act.

Section 4. The Central Intelligence Agency Act of 1949, as amended, is further amended by the addition of Title II as follows:

"TITLE II

"The Central Intelligence Agency Retirement and Disability System

Explanation: Except for such changes as are necessary to reflect terminology applicable to the Central Intelligence Agency, the proposed provisions are substantively the same as, or identical with, the corresponding provisions of the Foreign Service Act of 1946, as amended. The corresponding section number under the Foreign Service Act of 1946, as amended, is furnished at the end of each explanatory statement below (for example, "Section 801, FSA").

"PART A -- ESTABLISHMENT OF SYSTEM

"Rules and Regulations

"Sec. 201. (a) The Director may prescribe rules and regulations for the establishment and maintenance of a Central Intelligence Agency Retirement and Disability System, referred to hereafter as the System.

"(b) The Director shall administer the System in accordance with such rules and regulations and with the principles established by this Act."

Explanation: This section gives the Director of Central Intelligence the authority necessary to establish and maintain a retirement system and to prescribe rules and regulations governing its administration. (Section 801, FSA)

"Establishment and Maintenance of Fund

"Sec. 202. There is hereby created a special fund to be known as the Central Intelligence Agency Retirement and Disability Fund which shall be maintained by the Secretary of the Treasury and classified under section 20 of the Act of June 26, 1934 (48 Stat. 1233), as amended. The Central Intelligence Agency Retirement and Disability Fund is referred to hereafter in this title as the Fund."

Explanation: This section provides for establishment and for the maintenance of the Central Intelligence Agency Retirement Fund by the Secretary of the Treasury. (Section 802, FSA; and 43 Stat. 144)

"Participants

"Sec. 203. The Director may designate from time to time such Agency officers and employees, hereafter referred to as participants, who shall be entitled to the benefits of the System."

Explanation: This section necessarily deviates from the comparable provision of the Foreign Service Act of 1946, as amended, since Foreign Service Officers are automatically covered by virtue of their appointments under the Foreign Service Act. However, as indicated in the statement of justification, all Agency employees will not serve under conditions which will warrant other than normal retirement considerations. Those who are to be designated as participants pursuant to this section will undergo a rigid selection process. (Section 803, FSA)

"Annuitants

"Sec. 204. (a) Annuitants shall be persons who are receiving annuities from the Fund and all persons, including surviving wives and husbands, widows, dependent widowers, children and beneficiaries of participants or annuitants who shall become entitled to receive annuities in accordance with the provisions of this Act.

"(b) When used in this title the term --

"(1) "Widow" means the surviving wife of a participant who was married to such participant for at least two years immediately preceding his death or is the mother of issue by such marriage.

"(2) "Dependent widower" means the surviving husband of a participant who was married to such participant for at least two years immediately preceding her death or is the father of issue by such marriage, and who is incapable of self-support by reason of mental or physical disability, and who received more than one-half of his support from such participant.

"(3) "Child" means an unmarried child, under the age of eighteen years, or such unmarried child regardless of age who because of physical or mental disability incurred before age eighteen is incapable of self-support. In addition to the offspring of the participant and his or her spouse the term includes (a) an adopted child, and (b) a step-child or recognized natural child who received more than one-half of his support from the participant."

Explanation: This section defines annuitants who may be eligible for benefits under the retirement system. (Section 804, FSA)

"PART B -- COMPULSORY CONTRIBUTIONS

"Sec. 211. (a) Six and one-half per centum of the basic salary received by each participant shall be contributed to the Fund for the payment of annuities, cash benefits, refunds, and allowances. An equal sum shall also be contributed from the respective appropriation or fund which is used for payment of his salary. The amounts deducted and withheld from basic salary together with the amounts so contributed from the appropriation or fund, shall be deposited by the Central Intelligence Agency in the Treasury of the United States to the credit of the Fund.

"(b) Each participant shall be deemed to consent and agree to such deductions from basic salary, and payment less such deductions shall be a full and complete discharge and acquittance of all claims and demands whatsoever for all regular services during the period covered by such payment, except the right to the benefits to which he shall be entitled under this Act, notwithstanding any law, rule, or regulation affecting the individual's salary."

Explanation: This section provides for contributions to the retirement fund by the employee and by the Agency at the rate of  $6\frac{1}{2}$  per cent of basic salary, which is the same under both the Foreign Service retirement system and the civil service retirement system. (Section 811, FSA)

"PART C -- COMPUTATION OF ANNUITIES

"Sec. 221. (a) The annuity of a participant shall be equal to 2 per centum of his average basic salary for the highest five consecutive years of service, for which full contributions have been made to the Fund, multiplied by the number of years, not exceeding thirty-five, of service credit obtained in accordance with the provisions of sections 251 and 252. In determining the aggregate period of service upon which the annuity is to be based, the fractional part of a month, if any, shall not be counted.

"(b) At the time of retirement, any married participant may elect to receive a reduced annuity and to provide for an annuity payable to his wife or her husband, commencing on the date following such participant's death and terminating upon the death of such surviving wife or husband. The annuity payable to the surviving wife or husband after such participant's death shall be 50 per centum of the amount of the participant's annuity computed as prescribed in paragraph (a) of this section, up to the full amount of such annuity specified by him as the base for the survivor benefits. The annuity of the participant making such election shall be reduced by  $2\frac{1}{2}$  per centum of any amount up to \$2,400 he specifies as the base for the survivor benefit plus 10 per centum of any amount over \$2,400 so specified.

"(c)(1) If an annuitant dies and is survived by a wife or husband and by a child or children, in addition to the annuity payable to the surviving wife or husband, there shall be paid to or on behalf of each child an annuity equal to the smallest of: (i) 40 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$600; or (iii) \$1,800 divided by the number of children.

"(2) If an annuitant dies and is not survived by a wife or husband but by a child or children, each surviving child shall be paid an annuity equal to the smallest of: (i) 50 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$720; or (iii) \$2,160 divided by the number of children.

"(d) If a surviving wife or husband dies or the annuity of a child is terminated, the annuities of any remaining children shall be recomputed and paid as though such wife, husband, or child had not survived the participant.

"(e) The annuity payable to a child under paragraph (c) or (d) of this section shall begin on the first day of the next month after the participant dies and such annuity or any right thereto shall be terminated upon death, marriage, or attainment of the age of eighteen years, except that, if a child is incapable of self-support by reasons of mental or physical disability, the annuity shall be terminated only when such child dies, marries, or recovers from such disability.

"(f) At the time of retirement an unmarried participant may elect to receive a reduced annuity and to provide for an annuity equal to 50 per centum of the reduced annuity payable after his or her death to a beneficiary whose name shall be designated in writing to the Director. The annuity payable to a participant making such election shall be reduced by 10 per centum of an

[Sec. 221 (f) continued]

annuity computed as provided in paragraph (a) of this section and by 5 per centum of an annuity so computed for each full five years the person designated is younger than the retiring participant, but such total reduction shall not exceed 40 per centum. No such election of a reduced annuity payable to a beneficiary shall be valid until the participant shall have satisfactorily passed a physical examination as prescribed by the Director. The annuity payable to a beneficiary under the provisions of this paragraph shall begin on the first day of the next month after the participant dies. Upon the death of the surviving beneficiary all payments shall cease and no further annuity payments authorized under this paragraph shall be due or payable."

Explanation: This section provides for the computation of annuities to be paid to a participant or, upon his death, to a surviving wife, husband, and children or, upon death of an unmarried participant, to a beneficiary named by him. (Section 821, FSA)

"PART D -- BENEFITS ACCRUING TO CERTAIN PARTICIPANTS

"Retirement for Disability or Incapacity --  
Physical Examination -- Recovery

"Sec. 231. (a) Any participant who has five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with provisions of section 251 or 252(a)(2), and who becomes totally disabled or incapacitated for useful and efficient service by reason of disease, illness, or injury not due to vicious habits, intemperance, or willful misconduct on his part, shall, upon his own application or upon order of the Director, be retired on an annuity computed as prescribed in section 221. If the disabled or incapacitated participant has less than twenty years of service credit toward his retirement under the System at the time he is retired, his annuity shall be computed on the assumption that he has had twenty years of service, but the additional service credit that may accrue to a participant under this provision shall in no case exceed the difference between his age at the time of retirement and the mandatory retirement age applicable to his grade in the Agency.

"(b) In each case, the participant shall be given a physical examination by one or more duly qualified physicians or surgeons designated by the Director to conduct examinations, and disability shall be determined by the Director on the basis of the advice of such physicians or surgeons. Unless the disability is permanent, like examinations shall be made annually until the annuitant has reached the statutory mandatory retirement age for his grade in the Agency. If the Director determines, on the basis of the advice of one or more duly qualified physicians or surgeons conducting such examinations that an annuitant has recovered to the extent that he can return to duty, the annuitant may apply for reinstatement or reappointment in the Agency within one year from the date his recovery is determined. Upon application the Director may reinstate any such recovered disability annuitant in the grade in which he was serving at time of retirement, or the Director may, taking into consideration the age, qualifications, and experience of such annuitant, and the present grade of his contemporaries in the Agency, appoint him to a grade higher than the one in which he was serving prior to retirement.



[Sec. 231 (b) continued]

Payment of the annuity shall continue until a date six months after the date of the examination showing recovery or until the date of reinstatement or re-appointment in the Agency, whichever is earlier. Fees for examinations under this provision, together with reasonable traveling and other expenses incurred in order to submit to examination, shall be paid out of the Fund. If the annuitant fails to submit to examination as required under this section, payment of the annuity shall be suspended until continuance of the disability is satisfactorily established.

"(c) If a recovered disability annuitant whose annuity is discontinued is for any reason not reinstated or reappointed in the Agency, he shall be considered to have been separated within the meaning of section 234 as of the date he was retired for disability and he shall, after the discontinuance of the disability annuity, be entitled to the benefits of that section or of section 241(a) except that he may elect voluntary retirement in accordance with the provisions of section 233 if he can qualify under its provisions.

"(d) No participant shall be entitled to receive an annuity under this Act and compensation for injury or disability to himself under the Federal Employees' Compensation Act of September 7, 1916, as amended, covering the same period of time. This provision shall not bar the right of any claimant to the greater benefit conferred by either Act for any part of the same period of time. Neither this provision nor any provision of the Act of September 7, 1916, as amended, shall be so construed as to deny the right of any person to receive an annuity under this Act by reason of his own services and to receive concurrently any payment under such Act of September 7, 1916, as amended, by reason of the death of any other person.

"(e) Notwithstanding any provision of law to the contrary, the right of any person entitled to an annuity under this Act shall not be affected because such person has received an award of compensation in a lump sum under section 14 of the Act of September 7, 1916, as amended, except that where such annuity is payable on account of the same disability for which compensation under such section has been paid, so much of such compensation as has been paid for any period extended beyond the date such annuity becomes effective, as determined by the Secretary of Labor, shall be refunded to the Department of Labor, to be paid into the Federal Employees' Compensation Fund. Before such person shall receive such annuity he shall (1) refund to the Department of Labor the amount representing such computed payments for such extended period, or (2) authorize the deduction of such amount from the annuity payable to him under this Act, which amount shall be transmitted to such Department for reimbursement to such Fund. Deductions from such annuity may be made from accrued and accruing payments, or may be prorated against and paid from accruing payments in such manner as the Secretary of Labor shall determine, whenever he finds that the financial circumstances of the annuitant are such as to warrant such deferred refunding."

Explanation: This section makes provision for retirement of employees who become disabled or incapacitated for duty. It establishes procedures for physical examinations and subsequent return to duty when an annuitant has recovered to the extent that he can return to duty. The section further bars payment of a disability annuity if the employee is given an award of compensation for disability under the Federal Employees' Compensation Act. (Section 831, FSA)

"Death in Service

"Sec. 232.(a) In case a participant dies and no claim for annuity is payable under the provisions of this Act, his contributions to the Fund, with interest at the rates prescribed in sections 241(a) and 281(a), shall be paid in the order of precedence shown in section 241(b).

"(b) If a participant, who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), dies before separation or retirement from the Agency and is survived by a widow or a dependent widower, as defined in section 204, such widow or dependent widower shall be entitled to an annuity equal to 50 per centum of the annuity computed in accordance with the provisions of paragraph (e) of this section and of section 221(a). The annuity of such widow or dependent widower shall commence on the date following death of the participant and shall terminate upon death of the widow or dependent widower, or upon the dependent widower's becoming capable of self-support.

"(c) If a participant who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), dies before separation or retirement from the Agency and is survived by a wife or a husband and a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of section 221(c)(1). The child's annuity shall begin and be terminated in accordance with the provisions of section 221(e). Upon the death of the surviving wife or husband or termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though such wife or husband or child had not survived the participant.

"(d) If a participant who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), dies before separation or retirement from the Agency and is not survived by a wife or husband, but by a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of section 221(c)(2). The child's annuity shall begin and terminate in accordance with the provisions of section 221(e). Upon termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though that child had never been entitled to the benefit.

"(e) If, at the time of his or her death, the participant had less than twenty years of service credit toward retirement under the System, the annuities payable in accordance with paragraph (b) of this section shall be computed in accordance with the provisions of section 221 on the assumption he or she has had twenty years of service, but the additional service credit that may accrue to a deceased participant under this provision shall in no case exceed the difference between his or her age on the date of death and the mandatory retirement age applicable to his or her grade in the Agency. In all cases arising under paragraphs (b), (c), (d), or (e) of this section, it shall be assumed that the deceased participant was qualified for retirement on the date of his death."

Explanation: This section provides for payment of an annuity to the survivor(s) of an employee who dies while in active service. If no annuity is payable, this section provides for payment of his contributions plus interest to the surviving spouse or children, or to his estate, or to a named beneficiary in a prescribed order of precedence. (Section 832, FSA)

"Voluntary Retirement

"Sec. 233. Any participant in the System who is at least fifty years of age and has rendered twenty years of service, including service within the meaning of section 253, may on his own application and with the consent of the Director be retired from the Agency and receive benefits in accordance with the provisions of section 221."

Explanation: This section provides for voluntary retirement of an officer when he reaches age 50 and has at least 20 years of service. (Section 636, FSA)

"Discontinued Service Retirement

"Sec. 234. (a) Any participant who separates from the Agency after obtaining at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), may, upon separation from the Agency or at any time prior to becoming eligible for an annuity, elect to have his contributions to the Fund returned to him in accordance with the provisions of section 241, or (except in cases where the Director determines that separation was based in whole or in part on the ground of disloyalty to the United States) to leave his contributions in the Fund and receive an annuity, computed as prescribed in section 221, commencing at the age of sixty years.

"(b) If a participant who has qualified in accordance with the provisions of paragraph (a) of this section to receive a deferred annuity commencing at the age of sixty dies before reaching the age of sixty his contributions to the Fund, with interest, shall be paid in accordance with the provisions of sections 241 and 281.

"(c) The Director may in his discretion retire participants in grade GS-14 and above to promote the efficiency of the Agency and they shall receive retirement benefits in accordance with the provisions of section 221.

"(d) The Director may in his discretion retire participants in grade GS-13 and below to promote the efficiency of the Agency and each such officer shall receive--

"(1) one-twelfth of a year's salary at his then current salary rate for each year of service and proportionately for a fraction of a year, but not exceeding a total of one year's salary at his then current salary rate, payable without interest, from the Fund, in three equal installments on the 1st day of January following the officer's retirement and on the two anniversaries of this date immediately following: Provided, That in special cases, the Director may in his discretion accelerate or combine the installments; and

Sec. 234 (d) continued

"(2) a refund of the contributions made to the Fund, with interest as provided in section 241(a), except that in lieu of such refund such officer, if he has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252 (a), may elect to receive retirement benefits on reaching the age of sixty in accordance with the provisions of section 221. In the event that an officer who was separated from grade GS-13 or GS-12 and who has elected to receive retirement benefits dies before reaching the age of sixty, his death shall be considered a death in service within the meaning of section 232. In the event that an officer who was separated from grade GS-11 or below and who has elected to receive retirement benefits dies before reaching the age of sixty, the total amount of his contributions made to the Fund, with interest as provided in section 241(a), shall be paid in accordance with the provisions of section 241(b).

"(e) Notwithstanding the provisions of section 3477 of the Revised Statutes, as amended (31 U.S.C. 203) or the provisions of any other law, an Agency officer who is retired in accordance with the provisions of section 234(d) shall have the right to assign to any person or corporation the whole or any part of the benefits receivable by him pursuant to paragraph (d)(1) of this section. Any such assignment shall be on a form approved by the Secretary of the Treasury and a copy thereof shall be deposited with the Secretary of the Treasury by the officer executing the assignment."

Explanation: This section provides for the involuntary retirement of employees by the Director of Central Intelligence in order to promote the efficiency of the Agency. The comparable provisions of the FSA relate to "selection-out" of officers who fail of promotion or who do not meet required standards of performance. Retirement benefits provided for employees in GS-14 and above are the same as those provided for Foreign Service Officers in Classes 1, 2, and 3. Retirement benefits provided for employees in GS-13 and below are the same as those provided for Foreign Service Officers in Class 4 and below. The linkage levels established in the Federal Salary Reform Act of 1962 to provide comparability for pay purposes have been used to relate Foreign Service classes to the Agency's General Schedule grades.

This section also provides for the refund of an employee's contributions if he leaves the service without qualifying for an immediate or deferred annuity.

Comparable sections of FSA are as follows:

<u>CIA System</u>	<u>Foreign Service System</u>
Sec. 234(a) (Refund of Contributions)	Sec. 834(a) and 637(b)
Sec. 234(b) (Disposition of contributions upon death prior to receipt of deferred annuity)	Sec. 834(b)
Sec. 234(c) (Involuntary retirement--employees GS-14 and above)	Sec. 519; 633(b); 634(a)
Sec. 234(d) (Involuntary retirement--employees GS-13 and below); (severance pay)	Sec. 633(b); 634(b)
Sec. 234(e) (Assignment of benefits)	Sec. 634(c)

"Mandatory Retirement for Age

"Sec. 235. (a) Any participant in the System in grade GS-18 or above, shall upon reaching the age of sixty-five, be retired from the Agency and receive retirement benefits in accordance with the provisions of section 221, but whenever the Director shall determine it to be in the public interest, he may extend such an officer's service for a period not to exceed five years.

"(b) Any participant in the System, other than in grade GS-18 or above, shall upon reaching the age of sixty, be retired from the Agency and receive retirement benefits in accordance with the provisions of section 221, but whenever the Director shall determine it to be in the public interest, he may extend such an officer's service for a period not to exceed five years."

Explanation: This section provides for the mandatory retirement of employees in GS-18 or above upon reaching age 65 and of other employees upon reaching age 60. As in the preceding section, conversion to Agency grades was achieved by application of the linkage levels established in the Federal Salary Reform Act of 1962. (Sections 631 and 632, FSA.)

"PART E -- DISPOSITION OF CONTRIBUTIONS AND INTEREST  
IN EXCESS OF BENEFITS RECEIVED

"Sec. 241. (a) Whenever a participant becomes separated from the Agency without becoming eligible for an annuity or a deferred annuity in accordance with the provisions of this Act, the total amount of contributions from his salary with interest thereon at 4 per centum per annum, compounded annually as of December 31, and proportionately for the period served during the year of separation including all contributions made during or for such period, except as provided in section 281, shall be returned to him.

"(b) In the event that the total contributions of a retired participant, other than voluntary contributions made in accordance with the provisions of section 281, with interest at 4 per centum per annum compounded annually as is provided in paragraph (a) of this section added thereto, exceed the total amount returned to such participant or to an annuitant claiming through him, in the form of annuities, accumulated at the same rate of interest up to the date the annuity payments cease under the terms of the annuity, the excess of the accumulated contributions over the accumulated annuity payments shall be paid in the following order of precedence, upon the establishment of a valid claim therefor, and such payment shall be a bar to recovery by any other person:

"(1) To the beneficiary or beneficiaries designated by the retired participant in writing to the Director;

"(2) If there be no such beneficiary, to the surviving wife or husband of such participant;

"(3) If none of the above, to the child or children of such participant and descendants of deceased children by representation;

"(4) If none of the above, to the parents of such participant or the survivor of them;

"(5) If none of the above, to the duly appointed executor or administrator of the estate of such participant;

"(6) If none of the above, to other next of kin of such participant as may be determined by the Director in his judgment to be legally entitled thereto.

"(c) No payment shall be made pursuant to paragraph (b)(6) of this section until after the expiration of thirty days from the death of the retired participant or his surviving annuitant."

Explanation: This section provides for the refund of contributions plus interest at 4% to an employee who is separated without attaining eligibility for an annuity. The section further provides for the disposition of contributions plus interest at 4% in excess of annuity benefits to a surviving spouse, children, parents, or estate of a deceased employee or to his named beneficiary in the same order of precedence as has been established under the Foreign Service and the civil service retirement systems. (Section 841, FSA)

#### "PART F -- PERIOD FOR SERVICE FOR ANNUITIES

##### "Computation of Length of Service

"Sec. 251. For the purposes of this title, the period of service of a participant shall be computed from the date he becomes a participant under the provisions of this Act, but all periods of separation from the Agency and so much of any leaves of absence without pay as may exceed six months in the aggregate in any calendar year shall be excluded, except leaves of absence while receiving benefits under the Federal Employees' Compensation Act of September 7, 1916, as amended, and leaves of absence granted participants while performing active and honorable military or naval service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States."

Explanation: This section provides that the period of service of a participant under this system shall begin as of the date he becomes a participant but excludes periods of separation from the Agency or leaves of absence in excess of six months except when such leave is during a period when the participant is receiving benefits under the Federal Employees' Compensation Act (for illness or injury incurred in the performance of duty) or when such leave is for military service. (Section 851, FSA)

"Prior Service Credit

"Sec. 252. (a) A participant may, subject to the provisions of this section, include in his period of service--

"(1) civilian service in the executive, judicial, and legislative branches of the Federal Government and in the District of Columbia government, prior to becoming a participant; and

"(2) active and honorable military or naval service in the Army, Navy, Marine Corps, Air Force, or Coast Guard of the United States.

"(b) A person may obtain prior civilian service credit in accordance with the provisions of paragraph (a)(1) of this section by making a special contribution to the Fund equal to 5 per centum of his basic annual salary for each year of service for which credit is sought prior to November 8, 1960, and at  $6\frac{1}{2}$  per centum thereafter with interest compounded annually at 4 per centum per annum to the date of payment. Any such person may, under such conditions as may be determined in each instance by the Director, pay such special contributions in installments.

"(c)(1) If an officer or employee under some other Government retirement system becomes a participant in the System by direct transfer, such officer or employee's total contributions and deposits, including interest accrued thereon, except voluntary contributions, shall be transferred to the Fund effective as of the date such officer or employee becomes a participant in the System. Each such officer or employee shall be deemed to consent to the transfer of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the other Government retirement fund on account of service rendered prior to becoming a participant in the System.

"(2) No officer or employee, whose contributions are transferred to the Fund in accordance with the provisions of paragraph (c)(1) of this section shall be required to make contributions in addition to those transferred, for periods of service for which full contributions were made to the other Government retirement fund, nor shall any refund be made to any such officer or employee on account of contributions made during any period to the other Government retirement fund, at a higher rate than that fixed by section 211 of this Act for contributions to the Fund.

"(3) No officer or employee, whose contributions are transferred to the Fund in accordance with the provisions of paragraph (c)(1) of this section, shall receive credit for periods of service for which a refund of contributions has been made, or for which no contributions were made to the other Government retirement fund. A participant may, however, obtain credit for such prior service by making a special contribution to the Fund in accordance with the provisions of paragraph (b) of this section.

[Sec. 252 continued]

"(d) No participant may obtain prior civilian service credit toward retirement under the System for any period of civilian service on the basis of which he is receiving or will in the future be entitled to receive any annuity under another retirement system covering civilian personnel of the Government.

"(e) A participant may obtain prior military or naval service credit in accordance with the provisions of paragraph (a)(2) of this section by applying for it to the Director prior to retirement or separation from the Agency. However, in the case of a participant who is eligible for and receives retired pay on account of military or naval service, the period of service upon which such retired pay is based shall not be included, except that in the case of a participant who is eligible for and receives retired pay on account of a service-connected disability incurred in combat with an enemy of the United States or caused by an instrumentality of war and incurred in line of duty during a period of war (as that term is used in chapter 11 of title 38, United States Code), or is awarded under chapter 67 of title 10 of the United States Code, the period of such military or naval service shall be included. No contributions to the Fund shall be required in connection with military or naval service credited to a participant in accordance with the provisions of paragraph (a)(2) of this section."

Explanation: This section provides for credit under the retirement system of previous civilian and military service and for the transfer of an individual's contributions from other Government retirement systems to the Central Intelligence Agency Retirement and Disability Fund. (Section 852, FSA)

"Credit for Service at Unhealthful Posts

"Sec. 253. The Director may from time to time establish a list of places which by reason of climatic or other extreme conditions are to be classed as unhealthful posts, and each year of duty at such posts inclusive of regular leaves of absence, of participants hereafter retired, shall be counted as one year and a half, and so on in like proportion in reckoning the length of service for the purpose of retirement, fractional months being considered as full months in computing such service. The Director may at any time cancel the designation of any places as unhealthful without affecting any credit which has accrued for service at such posts prior to the date of the cancellation."

Explanation: This section provides extra credit toward retirement for service at unhealthful posts. (Section 853, FSA)



"Credit for Service While on Military Leave

"Sec. 254. Contributions shall not be required covering periods of leave of absence from the Agency granted a participant while performing active military or naval service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States."

Explanation: This section waives any requirement for contributions to the Fund during leave of absence for military or naval service. (Section 854, FSA)

"PART G -- MONEYS

"Estimate of Appropriations Needed

"Sec. 261. The Secretary of the Treasury shall prepare the estimates of the annual appropriations required to be made to the Fund, and shall make actuarial valuations of such funds at intervals of five years, or oftener if deemed necessary by him."

Explanation: This section provides for estimates of annual appropriations required to be made to the Fund and for actuarial valuation of the Fund at least every five years. It is identical with section 861, FSA, except that there has been deleted the authorization to expend money for administering the program from the Fund since funds required for such purposes would be provided by annual appropriations.

"Investment of Moneys in the Fund

"Sec. 262. The Secretary of the Treasury shall invest from time to time in interest-bearing securities of the United States such portions of the Fund as in his judgment may not be immediately required for the payment of annuities, cash benefits, refunds, and allowances, and the income derived from such investments shall constitute a part of such Fund."

Explanation: This section provides necessary authority for the Secretary of the Treasury to invest funds which are not immediately required and to deposit the income produced by such investment to the Fund. (Section 863, FSA)

"Attachment of Moneys

"Sec. 263. None of the moneys mentioned in this title shall be assignable either in law or equity, or be subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 234(e)."

[Explanatory note for sec. 263]

Explanation: This section provides necessary protection to moneys in the Fund to preserve them for the payment of annuities, cash benefits, refunds, and allowances as provided under the proposed retirement system. (Section 864, FSA)

"PART H -- ANNUITANTS RECALLED, REINSTATED OR REAPPOINTED IN

THE AGENCY OR REEMPLOYED IN THE GOVERNMENT

"Recall

"Sec. 271. (a) The Director may recall any annuitant to duty in the Agency whenever he shall determine such recall is in the public interest.

"(b) Any annuitant recalled to duty in the Agency or reinstated or reappointed in accordance with the provisions of section 231(b) shall, while so serving, be entitled in lieu of his annuity to the full salary of the grade in which he is serving. During such service, he shall make contributions to the Fund in accordance with the provisions of section 211. When he reverts to his retired status, his annuity shall be determined anew in accordance with the provisions of section 221."

Explanation: This section provides for the recall to active service of an annuitant when necessary in the public interest. It further provides that such a recalled annuitant shall be entitled to the full salary of the grade in which he serves upon recall and for recomputation of his annuity upon completion of such service. (Sections 520(b) and 871, FSA)

"Reemployment Compensation

"Sec. 272. (a) Notwithstanding any other provision of law, any officer or employee of the Agency who has retired under this Act, as amended, and is receiving an annuity pursuant thereto, and who is reemployed in the Federal Government service in any appointive position either on a part-time or full-time basis, shall be entitled to receive the salary of the position in which he is serving plus so much of his annuity payable under this Act, as amended, which when combined with such salary does not exceed during any calendar year the basic salary such officer or employee was entitled to receive on the date of his retirement from the Agency. Any such reemployed officer or employee who receives salary during any calendar year in excess of the maximum amount which he may be entitled to receive under this paragraph shall be entitled to such salary in lieu of benefits hereunder.

[Sec. 272 continued]

"(b) When any such retired officer or employee of the Agency is reemployed, the employer shall send a notice to the Central Intelligence Agency of such reemployment together with all pertinent information relating thereto, and shall pay directly to such officer or employee the salary of the position in which he is serving.

"(c) In the event of any overpayment under this section, such overpayment shall be recovered by withholding the amount involved from the salary payable to such reemployed officer or employee, or from any other moneys, including his annuity, payable in accordance with the provisions of this title."

Explanation: This section provides that an annuitant who is reemployed in the federal service in an appointive position is entitled to retain the salary of his position plus his annuity up to a combined amount which does not exceed the basic salary of the grade which he held upon retirement. In the event of an overpayment, the amount of such overpayment may be withheld from either the salary or the annuity payable to the reemployed annuitant. (Section 872, FSA)

#### "Reemployment

"Sec. 273. Notwithstanding the provisions of title 5, United States Code, section 62, and title 5, United States Code, section 715a, an Agency officer or employee retired under the provisions of this Act shall not, by reason of his retired status, be barred from employment in Federal Government service in any appointive position for which he is qualified. An annuitant so reemployed shall serve at the will of the appointing officer."

Explanation: This section authorizes the reemployment in Government of an employee retired under the Agency system. This authority is similar to that applicable to civil service retirees and is identical with section 520 (c) FSA.

#### "PART I -- VOLUNTARY CONTRIBUTIONS

"Sec. 281.(a) Any participant may, at his option and under such regulations as may be prescribed by the Director, deposit additional sums in multiples of 1 per centum of his basic salary, but not in excess of 10 per centum of such salary, which amounts together with interest at 3 per centum per annum, compounded annually as of December 31, and proportionately for the period served during the year of his retirement, including all contributions made during or for such period, shall, at the date of his retirement and at his election, be--

[Sec. 281 continued]

"(1) returned to him in lump sum; or

"(2) used to purchase an additional life annuity; or

"(3) used to purchase an additional life annuity for himself and to provide for a cash payment on his death to a beneficiary whose name shall be notified in writing to the Director by the participant; or

"(4) used to purchase an additional life annuity for himself and a life annuity commencing on his death payable to a beneficiary whose name shall be notified in writing to the Director by the participant with a guaranteed return to the beneficiary or his legal representative of an amount equal to the cash payment referred to in subparagraph (3) above.

"(b) The benefits provided by subparagraphs (2), (3), or (4) of paragraph (a) of this section shall be actuarially equivalent in value to the payment provided for by subparagraph (a)(1) of this section and shall be calculated upon such tables of mortality as may be from time to time prescribed for this purpose by the Secretary of the Treasury.

"(c) In case a participant shall become separated from the Agency for any reason except retirement on an annuity, the amount of any additional deposits with interest at 3 per centum per annum, compounded as is provided in paragraph (a) of this section, made by him under the provisions of said paragraph (a) shall be refunded in the manner provided in section 241 for the return of contributions and interest in the case of death or separation from the Agency.

"(d) Any benefits payable to an officer or to his beneficiary in respect to the additional deposits provided under this section shall be in addition to the benefits otherwise provided under this title."

Explanation: This section provides for an employee to make voluntary contributions to the Fund if he wishes to do so in order to increase the annuity to be paid to him or to a survivor upon his retirement or death. Similar provision is contained in both the Foreign Service and the civil service retirement systems. (Section 881, FSA)

TAB

APPENDIX B

COMPARISON OF FOREIGN SERVICE RETIREMENT  
AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS  
OF THE CIVIL SERVICE RETIREMENT SYSTEM

COMPARISON OF FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM\*

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
A. Coverage.....	Government employees generally, unless temporary, intermittent or subject to another Federal retirement system.	All FSO's, plus non-FSO's who have served as chiefs of mission for an aggregate period of 20 years or more; Foreign Service Staff (FSS) officers and employees with 10 or more years of continuous service in the Foreign Service.	803	Most Staff officers and employees and Foreign Service Reserve officers are presently covered by CSR.
B. Contributions:				
1. Compulsory.....	6½ percent of employee's basic salary.	6½ percent of employee's basic salary.	811	FSR same as CSR.
2. Voluntary.....	Agency contribution of 6¼ percent of employee's basic salary.	Agency contribution of 6¼ percent of employee's basic salary.	-----	Do.
C. Benefits:				
1. Annuity.....	Maximum 10 percent of total basic salary received since Aug. 1, 1920. Payable in multiples of \$25.	Maximum of 10 percent of total basic salary received since July 1, 1939. Payable in multiples of 1 percent.	-----	Approximately same as CSR.
1. Annuity.....	<i>Annuity.</i> —Based on high 5 average years of salary 1½ percent times 5 years, plus 1¾ percent times next 5 years, plus 2 percent times all years over 10 years of creditable service. Annuity not to exceed 80 percent of high 5 average salary.	Based on high 5 average years of salary 2 percent times total number years creditable service not to exceed 35 years.	821	CSR provides maximum 80 percent high 5 average. FSR provides maximum 70 percent high 5 average.
2. Reduced annuities.....	Reduced annuity with benefits to widow or widower. Corresponding benefits to each dependent child.	Surviving children, widowers, and dependent widowers may be included as survivor annuitants.	804	FSR provides survivorship benefits comparable to those of CSR.
3. Survivor annuities:				
(a) Married participant....	<i>Basic general formula.</i> —Widow or widower (if survivor annuity elected by retiring employee): ½ of all or whatever portion of earned annuity specified as base. Annuity terminates on death or remarriage.	Widow or widower (if survivor annuity elected by retiring employee): ½ of all or whatever portion of earned annuity specified as base. Annuity terminates only on death of widow or widower.	821	Important difference in the FSR provision is that the annuity of a surviving widow or widower terminates only on death of such survivor.
	Employee's annuity reduced by 2½ percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.	Employee's annuity reduced by 2½ percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.	-----	FSR same as CSR.
	Children:	Children:	-----	Do
	A surviving wife or husband: 40 percent of average salary divided by number of children, \$600; or \$1,800 divided by number of children, whichever is lesser.	A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser.	-----	Do.
	No surviving wife or husband: ½ average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser.	No surviving wife or husband: ½ average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser.	-----	Do.
	Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	-----	Do.

\* INFORMATION TAKEN FROM CHART ENTITLED "COMPARISON OF MAJOR PROPOSED CHANGES IN THE FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM" APPEARING IN HOUSE OF REPRESENTATIVES REPORTS NOS. 1890 AND 2104, 86TH CONGRESS, 2D SESSION, FOREIGN SERVICE ACT AMENDMENTS OF 1959.

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
C. Benefits—Continued				
(b) Unmarried participant.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Person in whom annuitant has insurable interest (if survivorship and reduced annuity elected): ½ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor annuity continues for life.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Designated beneficiary: ¼ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor's annuity continues for life.	821	FSR does not require that the designated beneficiary have an insurable interest.
4. Death in service: (a) Widow-widower.....	Widow or dependent widower: ½ of participant's earned annuity payable until death or remarriage or until widower becomes capable of self-support.	Widow or dependent widower: ½ of participant's earned annuity payable until death of surviving widow or dependent widower or until dependent widower becomes capable of self-support.	832	FSR provides continuation of widow's annuity until death and allows the survivor to receive the annuity based on at least 20 years of service.
(b) Children:	Children: A surviving wife or husband: 40 percent average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: ½ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: ½ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	832	FSR same as CSR.
5. Disability retirement.....	After 5 years of civilian service: Same as full age and service benefit. (Guaranteed 40 percent of average salary or annuity projected to age 60 whichever is lesser.)	Excludes from initial 5 years' free credit granted for military service for which no contribution has been made to the fund. Limits amount of extra service credit that can be accredited to a disability annuitant to the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service.	831	FSR same as CSR.
(a) Tax exemption.....	Elective survivor benefits based on actual years of service credit.	Elective survivor benefits based on service credit upon which participant's annuity is computed.	831	FSR provides minimum service credit of 20 years or difference between age of participant at time of retirement and mandatory retirement age, whichever is lesser.
(b) Bar to double annuity	No provision.....	Exempts disability annuity from Federal income tax. Same as civil service.....	51	FSR provides tax exemptions.
	If receiving disability compensation under Federal Employees' Compensation Act, Sept. 7, 1916, is not eligible for annuity for same period but not barred from greater benefit of either act. Also is not barred from receiving annuity under this act by reason of own services while receiving concurrently any payment under Federal Employees' Compensation Act by reason of death of some other person. If awarded lump sum under sec. 17 of FEC, amount covering period beyond effective date of annuity must be refunded to U.S. Employees' Compens-		831	FSR same as CSR.



(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
<b>C. Benefits—Continued</b>				
6. Discontinued service retirement.	<p>sation Commission or be deducted from annuity payments for that purpose. Deferred annuity payable at 62 if separated employee has 5 years of civilian service credit.</p>	<p>Deferred annuity payable at age 60 if separated employee has 5 years of civilian service credit.</p>	834	FSR provides payment of deferred annuity at age 60.
7. Disposition of contributions in excess of benefits received.	<p>If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.</p>	<p>If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.</p>	841	FSR aligns precedence provisions with those of CSR.
<b>D. Creditable service:</b>				
1. Leave without pay.....	<p>Includes: Leave of absence without pay granted during covered employment while performing active honorable military service;</p>	<p>Includes: Leave of absence for active military or naval service.</p>	851	FSR same as CSR.
2. District of Columbia employment.	<p>Leave of absence without pay granted during covered employment while receiving FEC benefits;</p>	<p>Includes leave of absence granted during covered employment while receiving FEC benefits.</p>	-----	Do.
3. Transfer of funds.....	<p>Civilian employment with District of Columbia government. No provision.....</p>	<p>Includes civilian employment with District of Columbia government.</p>	852	Do.
		<p>Provides for direct transfer to FSR fund of all regular contributions (with interest) made by officer or employee to other Government retirement system under which previously covered. Funds transfer discharges other system of all benefit obligations based on service involved.</p>	852	At present persons becoming participants in FSR system may purchase prior service credit by making a special contribution to FSR fund for such amount of service credit as they elect to purchase. The new provision provides for the automatic transfer of contributions in another Government system to the FSR fund when a person becomes a participant in the FSR system by transfer from other Government service.
E. Officers recalled or reinstated.....	<p>No provision exactly comparable.</p>	<p>Recomputation of annuity of an officer recalled in the Service and retired a second time.</p>	871	
F. Reemployment of annuitants.....	<p>Any annuitant reemployed after retirement for age or based on voluntary separation or an involuntary separation for cause, or if retired for disability and is age 60 or over at the time of reemployment, retains his full annuity, but the salary of his position must be reduced by the amount of annuity received.</p>	<p>Provides that reemployed Foreign Service annuitants receive full salary of the position appointed plus portion of their annuity which when added to the salary would equal the base salary received at time of retirement from the Foreign Service.</p>	872	FSR provides for potential higher combined income for reemployed Foreign Service annuitants and provides authority to reemploy FSO retired for age.

TAB

Honorable Lyndon B. Johnson  
President of the Senate  
Washington, D. C.

Dear Mr. Johnson:

This letter transmits for the consideration of the Congress proposed amendments to the Central Intelligence Agency Act of 1949, as amended. The principal purpose of the proposed bill is to permit the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. Other provisions of the proposed bill would bring existing provisions of law in the field of travel expenses and overseas allowances into conformity with those available to the Foreign Service. Certain other provisions are included in the proposed bill to accomplish purposes which we believe necessary.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration. The Bureau of the Budget has advised that there is no objection to the presentation of the proposed bill to the Congress from the standpoint of the Administration's program.

Sincerely,

John A. McCone  
Director

Enclosure

Honorable John W. McCormack  
Speaker of the House of Representatives  
Washington, D. C.

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