1 February 1977

MEMORANDUM FOR: Director of Personnel

THROUGH : Deputy Director for Administration

SUBJECT : Memo of 7 January 1977 to DDCI from D/Personnel, Subject: Life Insurance

Mr. Knoche and the Management Advisory Group (MAG) have reviewed your response to MAG's memorandum of 7 December and it is returned herewith. MAG believes that it is responsive to their concerns and will continue to have an interest in the extent to which the remedial measures contained therein are implemented.

/s/

B. C. Evans
Executive Secretary

Attachment

ES/BCEvans:sfk
Distribution:
O - Addressee via DDA
1 - DDA
1 - MAG w/copy of attachment
1 - ER
1 - MAG Production File w/copy of attachment and basic ER 77-6034 and 76-5847

XR 76-5841

Pl. 9.1

77-047

Executive Registry 77-6034

DD/A Registry 77-0140

7 JAN 1977

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM : F. W. M. Janney
Director of Personnel

VIA : Deputy Director for Administration 10 JAN 1977

SUBJECT : Life Insurance

REFERENCE : Memo to you from MAG, dtd 7 Dec 76, same subject

1. This memorandum presents information with regard to the referent Management Advisory Group (MAG) paper of 7 December 1976 on Life Insurance and indicates action being taken by the Office of Personnel.

2. The referent MAG paper points out some disadvantages of the Federal Employees Group Life Insurance (FEGLI) Program for young employees, indicates the lower premiums of other term insurance programs, suggests improvements in insurance presentations made by the Office of Personnel and recommends that affirmative action be taken to provide all present employees with full information on available life insurance plans. We agree that there are features of the FEGLI Program which must be pointed out to employees and will indicate below action already taken by the Civil Service Commission (CSC) and the Agency in this regard. There are some very necessary limitations on the Agency's endorsement or promotion of commercial programs of life insurance and these are also presented in this memorandum. Finally, we plan to improve our insurance briefings and to make additional information available on life insurance through employee bulletins and Government Employees Health Association (GEHA) publications.

3. The FEGLI Program was established by legislation in 1954 and is administered by the U. S. Civil Service Commission. It is a group plan of term insurance with a level premium designed to provide life insurance over a full Government career and into retirement. It is not intended as a substitute for regular individual policies purchased by an employee through

P1.9.1

SUBJECT: Life Insurance

an insurance agent. Over the past several years there has been frequent mention in the media of the need for changes in the FEGLI Program. For example, the attached article by Joseph Young (Tab A) indicates that a complete overhaul of FEGLI will be proposed in 1977.

4. In response to complaints similar to those raised by MAG, the CSC issued Bulletin 870-13 on June 4, 1976 (Tab B) and asked that it be brought to the attention of all new employees until such time as a new FEGLI pamphlet could be prepared. This publication clearly states that FEGLI is not intended to meet the insurance needs of all employees and that the level of premiums in the early years of employment (younger employees) exceeds the cost of the insurance protection. An extract of the Bulletin was made and copies have since been given to every new Agency clerical and professional employee (Tab C). In addition, the Bulletin was posted on our Official Bulletin Boards. It is our intent to make a wide distribution of the revised FEGLI pamphlet when it becomes available.

5. With regard to other forms of life insurance, the Civil Service Commission has consistently discouraged Federal agencies from taking any action which could be construed as endorsement or support of commercial programs of life insurance, whether offered as a "supplement" to or in lieu of FEGLI. An individual employee's need for life insurance is considered a private matter which only the employee can decide. If an agency were to choose certain commercial life insurance programs to present to its employees, it would be obligated to give equal time to all other insurance plans. As a result of a general concern expressed by CSC on these matters, we discontinued, in early 1976, the mention of WAEPA in our insurance briefings and publications. Since the United Benefit Life Insurance Company (UBLIC) Program is offered through our employee association, the CSC does not object to the presentation of the Program to our employees.

6. While we do not agree with MAG that our Insurance presentations are slanted to influence the employee to purchase FEGLI insurance, we believe that there is room for improvement in the quality of the briefings and are initiating action to accomplish this. The MAG recommendation that the FEGLI and UBLIC briefings be presented together by one briefer is a good one and we will make this change. In view of the position taken by CSC on commercial life insurance, we do not plan to include WAEPA in our briefings.

SUBJECT: Life Insurance

7. The final MAG recommendation is that affirmative action be taken to provide all present employees with full information on all three life insurance plans. Since the revised FEGLI pamphlet is not yet available, we plan to issue an employee notice containing pertinent information from CSC Bulletin 870-13. We are also directing the Insurance Branch to prepare a GEHA notice presenting the basic provisions, premium structure and benefits of UBLIC life insurance. In view of the position taken by the CSC in opposing any action taken by a Federal agency which might be construed as an endorsement of commercial programs of life insurance, we do not intend to publicize WAEPA or other specific private insurance plans. We will instead continue to encourage all employees to give serious thought and attention to their own personal and family insurance needs.

(Signed) F. W. M. Janney

F. W. M. Janney

Atts

Distribution:
- 0 - Addressee
- 1 - ER
- 2 - DDA
- 1 - D/Pers
- 1 - C/PAB
- 2 - C/BSD (1 w/held)

STAT

OP/BSD/[redacted] (7 Jan 77)

Approved For Release 2004/03/31 : CIA-RDP80M00165A001200040040-4

NEWS DIGEST

EDITED BY JOSEPH YOUNG
GOVERNMENT COLUMNIST – WASHINGTON (D.C.) STAR

PUBLISHED IN WASHINGTON, D.C. ☆ DIRECTED TO FIELD PERSONNE

Vol. 26, No. 21 December 20, 1976 Washington, D.C

RESTORATION OF SICK LEAVE TAX BREAK SOUGHT—The national AFL-CIO and other segments organized labor will mount an intensive drive next year to have the new Congress restore sick leave ta benefits for American workers, including federal and postal employees.

With little notice, this year's massive tax revision law repealed the sick leave tax exclusion benefits up to $100 a week for employees who are off the job with illnesses of more than 30 calendar days.

It received very little publicity in the media with the exception of the federal columns in the Washin ton papers, because it was lost in the welter of the many other controversial items in the bill.

Consequently, most of the major unions in the private sector and their members were unaware un too late that the tax exclusion benefit had been taken away.

This sick leave tax break was regarded as one of the major fringe benefits available to Americ workers and its repeal has caused consternation and bitterness.

Consequently, the AFL-CIO as well as its affiliated unions including the federal and postal employ groups, as well as other labor unions will seek prompt action from the new Congress to restore the si leave tax exclusion benefit.

FEDERAL MATERNITY LEAVE UNAFFECTED—In another aspect of sick leave, Civil Service Comm sion officials say the recent Supreme Court decision that private firms are not required to provide mat nity leave sick pay benefits to their women employees has no impact on the federal service.

The officials say that the government's program of providing paid sick leave for maternity reasons w continue. They point out that the Supreme Court decision did not bar employers from granting sick lea for pregnancy, but only said this was not required.

LIFE INSURANCE OVERHAUL MOVE—A complete overhaul of the government employee life insurar system will be proposed to the new Carter administration next year.

Both the Civil Service Commission and the House Civil Service Retirement and Employee Bene subcommittee feel the present benefits are woefully inadequate and outmoded.

The House unit held hearings on the subject earlier this year and the CSC agreed that substantial l eralizations are needed. The Ford administration, however, declined to endorse increased life insurar benefits, citing budgetary considerations.

The prospects seem improved, however, for favorable action next year.

The blue-ribbon Commission on Executive, Legislative and Judicial Salaries as part of its study recc mended that federal employees receive life insurance policies double the amount of their salaries. At pı ent most policies are equal to an employee's salary, plus $2,000.

The salary commission also said that the premiums federal workers pay for their life insurance cov age is much too high.

WASHINGTON, D.C. 20415

YOUR REFERENCE

LIFE INSURANCE OFFICER INFORMATION BULLETIN

New employees must be given complete information about the Federal Employees Group Life Insurance Program if the employees are to make informed decisions. Standard Form 176-A, the pamphlet titled The Federal Employees Group Life Insurance Program, is being revised so that it better describes the Program.

Until this new edition is printed, all agencies must make certain that new employees are aware of all aspects of the Program. To assist agencies in informing new employees, we have issued a CSC Bulletin. This Bulletin, CSC Bulletin 870-13, contains information that, when combined with the current edition of SF 176-A, gives accurate information about the Program. Please ensure that all employing offices give the information in CSC Bulletin 870-13, as well as SF 176-A, , to all new employees. An advance copy of the Bulletin is enclosed for your information.

Sincerely yours,

Thomas A. Tinsley

Thomas A. Tinsley
Director

THE MERIT SYSTEM—A GOOD INVESTMENT IN GOOD GOVERNMENT

Approved For Release 2004/03/31 : CIA-RDP80M00165A001200040040-4

Bulletin No. 870-13

Washington, D. C. 20415
June 4, 1976

SUBJECT: Federal Employees' Group Life Insurance: Life Insurance Information for Employees

Heads of Departments and Independent Establishments:

The Civil Service Commission is currently in the process of reviewing and revising Standard Form 176-A, the pamphlet containing information for employees about the Federal Employees' Group Life Insurance Program. Our objectives are to better describe the regular and optional insurance programs, and to furnish to employees information that will help them make a decision on whether to elect or waive insurance coverage.

The time required to complete arrangements for its printing and distribution to all agencies and their employees is something over which we do not have complete control. We will have this done as soon as possible. When the revised pamphlet is available, destroy all supplies of the current edition (dated June 1975). Under the circumstances, we suggest that you do not order new supplies of the SF 176-A.

In the meantime, the following information should be brought to the attention of all new employees. This should be done when they enter on duty in the initial interview and benefit counseling session, and also during the benefit session of the employee orientation program. If possible, you should furnish these points in oral and in written form.

We also suggest that you communicate these points to all employees through the use of bulletin boards, employee newsletters, and any other appropriate employee information channels.

- Participation in the Federal Employees' Group Life Insurance Program is not compulsory, it is voluntary.

- The decision to elect or waive insurance coverage is a personal decision and should be based on the employee's evaluation of his or her own situation, existing insurance program, plans, and needs both short and long range.

- The Federal Employees' Group Life Insurance Program is not designed, nor is it intended, to meet the insurance needs of each individual employee or of all employees. It is a group program in principles and concepts.

Inquiries: Bureau of Retirement, Insurance, and Occupational Health
63-24634 or code 101, extension 24634

Code: 870, Life Insurance

Distribution: FPM Supplement 870-1 (advance edition limited)

Bulletin Expires: March 31, 1977

CSC FORM 654 12/74

One of the primary objectives of the Federal Employees' Group Life Insurance Program is to attract and retain qualified employees in Government service. It is, therefore, designed primarily on the concept of providing group insurance over a full career in Government service and into retirement. In keeping with this, the regular insurance program is funded by level premiums.

The level premiums in the early years of employment (younger employees) exceed the cost of the insurance protection. They are lower than the cost of the insurance protection in the later years of employment as the employee advances in age.

Providing sufficient assets to offset the deficiency in the premiums from older persons is accomplished by accumulating the excess of premiums from younger employees, and premiums from those who leave the group prematurely.

A level premium is the only arrangement under which it is possible to provide insurance protection to persons in the uppermost limits of the human lifespan without the premium increasing, and eventually becoming prohibitive, as age increases.

The level premiums also include an amount needed to cover the cost of the continuation of insurance coverage after retirement when payments of premiums are no longer made.

The premiums are determined, and periodically adjusted, based on the experience and composition of all persons participating in the program.

The insurance has no cash value.

No cash or surrender value, experience rating, and level premiums are typical of group insurance plans. They are also in keeping with group insurance concepts and principles as opposed to individual insurance policies or programs.

The present regular insurance program is a compromise which attempts to meet some of the insurance needs of the career employee over the entire period of his or her service, including retirement.

Raymond Jacobson

Raymond Jacobson
Executive Director

Standard Form No. 176-A
June 1975
FPM Supplement 870-1
176-205

The Federal Employees Group Life Insurance Program

U.S. Civil Service Commission
Bureau of Retirement, Insurance, and
Occupational Health
Washington, D.C. 20415

Approved For Release 2004/03/31 : CIA-RDP80M00165A001200040040-4

Dear Employee:

We encourage you to protect your family against the loss of income which would result from your death. One way of partially replacing lost income is through life insurance.

The Federal Employees Group Life Insurance Program offers you *regular* insurance in an amount which usually is at least $2,000 more than your annual base pay. This *regular* insurance is a convenient, low-cost way to protect your family. If you want more protection, you can buy an extra $10,000 of *optional* insurance.

Unless you waive *regular* insurance, your coverage begins as soon as you go to work for the Government if you are not in an excluded position.

Unless you waive the *regular* insurance, **you have 31 *days* from the date of your appointment to elect or decline the *optional* insurance** on Standard Form 176, which comes with this pamphlet. Please study this pamphlet carefully. Then fill out the Standard Form 176 promptly and return it to your employing office.

If you do not waive the *regular* insurance, your employing office will give you a certificate which outlines the details of all the benefits and terms of this insurance. You will get a second certificate if you elect the *optional* insurance.

U.S. Civil Service Commission

Table of contents

General information about the program

Who is eligible.—Nearly all Federal employees are eligible to participate in the Federal Employees Group Life Insurance Program. The main exceptions are those who are excluded because of the nature of their appointment (such as temporary employees) and noncitizens employed overseas. There are no age or health restrictions if you take the insurance the first time you are eligible.

Your participation is voluntary.—You are encouraged to participate in the Federal Employees Group Life Insurance Program, but whether you take any insurance or not is entirely up to you. If you do take insurance, you may cancel it at any time.

Choices available to you.—

- You may take the *regular* and the *optional* insurance.
- You may take the *regular* insurance and decline the *optional* insurance.
- You may waive the *regular* insurance (which makes you ineligible for the *optional* insurance).

How you pay for your insurance.—You pay for the insurance through convenient deductions from your pay. The insurance cannot lapse because you forgot to pay the premium.

Nature of your insurance.—Neither *regular* or *optional* insurance has any cash surrender or loan privileges and it cannot be assigned to anyone before a loss occurs.

If you waive or decline insurance.—If you waive the *regular* insurance or decline the *optional* insurance, you cannot obtain it for at least one year, and then only if you are under age 50 and are certified by a doctor to be in good health.

Approved For Release 2004/03/31 : CIA-RDP80M00165A001200040040-4

Information about regular insurance

Amount of your regular insurance.—The amount of the *regular* insurance depends on your annual basic pay as fixed by law or regulation. The minimum amount is $10,000; the maximum is $45,000. The following table shows how much *regular* insurance an employee is entitled to based on annual pay:

ANNUAL PAY		AMOUNT OF REGULAR INSURANCE
MORE THAN	NOT MORE THAN	
0	$8,000	$10,000
$8,000	9,000	11,000
9,000	10,000	12,000
10,000	11,000	13,000
11,000	12,000	14,000
12,000	13,000	15,000
13,000	14,000	16,000
14,000	15,000	17,000
15,000	16,000	18,000
16,000	17,000	19,000
17,000	18,000	20,000
18,000	19,000	21,000
19,000	20,000	22,000
20,000	21,000	23,000
21,000	22,000	24,000
22,000	23,000	25,000
23,000	24,000	26,000
24,000	25,000	27,000
25,000	26,000	28,000
26,000	27,000	29,000
27,000	28,000	30,000
28,000	29,000	31,000
29,000	30,000	32,000
30,000	31,000	33,000
31,000	32,000	34,000
32,000	33,000	35,000
33,000	34,000	36,000
34,000	35,000	37,000
35,000	36,000	38,000
36,000	37,000	39,000
37,000	38,000	40,000
38,000	39,000	41,000
39,000	40,000	42,000
40,000	41,000	43,000
41,000	42,000	44,000
42,000	------	45,000

Cost of your regu' Insurance.—The Government, as your employer, pays one-third the cost of the *regular* insurance. You pay the other two-thirds. Your share of the cost amounts to 35½¢ biweekly for each $1,000 of your insurance. The following table shows exactly how much will be deducted from your pay for the *regular* insurance:

AMOUNT OF REGULAR INSURANCE	AMOUNT OF DEDUCTIONS PER PAY PERIOD*	
	BIWEEKLY	MONTHLY
$10,000	$3.55	$7.69
11,000	3.91	8.47
12,000	4.26	9.23
13,000	4.62	10.01
14,000	4.97	10.77
15,000	5.33	11.55
16,000	5.68	12.31
17,000	6.04	13.09
18,000	6.39	13.85
19,000	6.75	14.63
20,000	7.10	15.38
21,000	7.46	16.16
22,000	7.81	16.92
23,000	8.17	17.70
24,000	8.52	18.46
25,000	8.88	19.24
26,000	9.23	20.00
27,000	9.59	20.78
28,000	9.94	21.54
29,000	10.30	22.32
30,000	10.65	23.08
31,000	11.01	23.86
32,000	11.36	24.61
33,000	11.72	25.39
34,000	12.07	26.15
35,000	12.43	26.93
36,000	12.78	27.69
37,000	13.14	28.47
38,000	13.49	29.23
39,000	13.85	30.01
40,000	14.20	30.77
41,000	14.56	31.55
42,000	14.91	32.31
43,000	15.27	33.09
44,000	15.62	33.84
45,000	15.98	34.62

* The deductions are a proportionate amount if you are paid weekly or semimonthly.

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How you get regular insurance.—Your *regular* insurance coverage begins automatically on the day you start to work.

If you want *regular* and *optional* insurance, you should mark an "X" in box **A** on Standard Form 176. If you want only regular insurance, mark an "X" in box **B**.

If you do not want regular insurance.—If you do not want the *regular* insurance, you must waive it by marking an "X" in box **C** on Standard Form 176. This form then should be returned to your employing office during your first pay period in order to avoid paying any deductions.

Information about optional insurance

Amount of your optional insurance.—If you have *regular* insurance, you may also elect *optional* insurance in the amount of $10,000. This $10,000 is in addition to whatever amount of *regular* insurance you have.

Cost of your optional insurance.—You pay the full cost of the *optional* insurance. The cost depends on your age, and increases at ages 35, 40, 45, 50, 55 and 60. For insurance purposes, however, you reach these ages in January of the year after your birthday.

AGE GROUP	DEDUCTIONS PER PAY PERIOD FOR $10,000 OPTIONAL INSURANCE*	
	BIWEEKLY	MONTHLY
Under age 35	$ .80	$1.73
Age 35 through 39	1.20	2.60
Age 40 through 44	1.90	4.12
Age 45 through 49	2.90	6.28
Age 50 through 54	4.50	9.75
Age 55 through 59	10.50	22.75
Age 60 and over	14.00	30.33

* Deductions are a proportionate amount if you are paid weekly or semimonthly.
The cost of the optional insurance may increase or decrease in future years depending on the claim experience of all the insured employees.

How you get optional insurance.—If you decide to take the *optional* insurance, you must *elect* it. You *elect* the *optional* insurance by completing Standard Form 176, marking an "X" in box **A**, and returning the form to your employing office *within 31 days from the date you are appointed* (or from the date you become eligible). You have the optional insurance on the day your employing office receives your election if you are at work on that day.

If you do not want optional insurance.—If you decide that you do not want the *optional* insurance, you must *decline* it. You *decline* the optional insurance by completing Standard Form 176, marking an "X" in box **B**, and returning the form to your employing office *within 31 days from the date you are appointed* (or from the date you become eligible). You can have the *regular* insurance even if you decide not to take the *optional* insurance.

Information about regular and optional insurance

Accidental death protection.—Both *regular* and *optional* insurance pay double indemnity for accidental death.

Dismemberment protection.—Both *regular* and *optional* insurance pay certain benefits for accidental loss of a hand or foot or loss of eyesight in either one or both eyes. This benefit is payable directly to you.

To whom insurance is paid.—Upon death, the *regular* and *optional* insurance will be payable in the following order: (1) your widow or widower; (2) if no widow or widower, your children; (3) if no children, your parent(s); (4) if no parent, your estate; (5) if no estate, your next of kin. If you wish it paid in some other way, you may designate one or more beneficiaries.

Method of payment.—Upon death, the *regular* and *optional* insurance is payable in a lump sum. The person entitled to payment can, however, elect to receive payment in installments under various installment options which may be available at the time of settlement.

If you go on leave of absence.—The *regular* and *optional* insurance continue while you are on sick or annual leave with pay. Generally, both will continue free for up to 12 months should you go on leave without pay. Unless you are granted military leave with pay, insurance does not continue while you are on active military duty.

If you leave Government service.—If you leave the Government service, you can convert both the *regular* and *optional* life insurance to an individual policy without medical examination or other evidence of good health.

If you retire from Government service.—Both the *regular* and *optional* life insurance may be continued after you retire on immediate annuity either for disability or after 12 years or more of service at least 5 of which are civilian. In addition, for it to be continued, you must have had the *optional* insurance for all of your service during which it was available to you, or for the 12 years of service immediately before your retirement. The *regular* life insurance is continued free but you must pay for the *optional* life insurance until age 65 if you retire before that age. When you are both 65 and retired, the *optional* life insurance is also free.

When you retire at age 65 or over, or when you reach age 65 if you retire before that age, both the *regular* and *optional* life insurance reduce by 2 percent a month until a reduction of 75 percent is reached. Your double indemnity and dismemberment protection stops when you retire.

Special information for employees who previously worked for the federal government

The information in this pamphlet is primarily for new employees and those who left the Government *before* February 14, 1968, and are now returning. The information below is of special importance to employees who left Government employment *on or after* February 14, 1968, and are now returning to a job in which they are eligible for insurance.

If you last worked for the Government *on or after* February 14, 1968, in a position in which you were not excluded from participation in the Federal Employees Group Life Insurance Program you probably already have a completed "Election, Declination, or Waiver of Insurance Coverage" (Standard Form 176) on file. That form remains in effect, as follows:

- If you previously elected the *optional* insurance, you will have both the *optional* and *regular* insurance in your new employment from the first day you are in a duty and pay status unless you file a declination or waiver with your employing office before the end of your first pay period.
- If you previously declined the *optional* insurance, your declination remains in effect and you will have only the *regular* insurance in your new employment. If you also want the *optional* insurance, see your employing office for information on whether you are eligible to cancel your previous declination.
- If you previously waived the *regular* insurance, your waiver remains in effect and you will have no insurance in your new employment. If you want to be insured, see your employing office for information on whether you are eligible to cancel your previous waiver.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1975 O—577-155

In June 1976 the Civil Service Commission requested that the following information concerning the Federal Employees' Group Life Insurance (FEGLI) be brought to the attention of all new employees:

.. Participation in the Federal Employees' Group Life Insurance Program is not compulsory, it is voluntary.

.. The decision to elect or waive insurance coverage is a personal decision and should be based on the employee's evaluation of his or her own situation, existing insurance program, plans, and needs both short and long range.

.. The Federal Employees' Group Life Insurance Program is not designed, nor is it intended, to meet the insurance needs of each individual employee or of all employees. It is a group program in principles and concepts.

.. One of the primary objectives of the Federal Employees' Group Life Insurance Program is to attract and retain qualified employees in Government service. It is, therefore, designed primarily on the concept of providing group insurance over a full career in Government service and into retirement. In keeping with this, the regular insurance program is funded by Level premiums.

.. The level premiums in the early years of employment (younger employees) exceed the cost of the insurance protection. They are lower than the cost of the insurance protection in the later years of employment as the employee advances in age.

.. Providing sufficient assets to offset the deficiency in the premiums from older persons is accomplished by accumulating the excess of premiums from younger employees, and premiums from those who leave the group prematurely.

.. A level premium is the only arrangement under which it is possible to provide insurance protection to persons in the uppermost limits of the human lifespan without the premium increasing, and eventually becoming prohibitive, as age increases.

.. The level premiums also include an amount needed to cover the cost of the continuation of insurance coverage after retirement when payments of premiums are no longer made.

.. The premiums are determined, and periodically adjusted, based on the experience and composition of all persons participating in the program.

.. The insurance has no cash value.

.. No cash or surrender value, experience rating, and level premiums are typical of group insurance plans. They are also in keeping with group insurance concepts and principles as opposed to individual insurance policies or programs.

.. The present regular insurance program is a compromise which attempts to meet some of the insurance needs of the career employee over the entire period of his or her service, including retirement.

PERS 76-3823

Executive Registry
76-5847

7 December 1976

DD/A Registry
76-6247

MEMORANDUM FOR: Deputy Director of Central Intelligence

STAT

FROM: Chairman, Management Advisory Group

SUBJECT: Life Insurance

1. The Federal Employees Group Life Insurance Program (FEGLI), although subsidized by the government, is far more expensive than other, unsubsidized, group life insurance programs available to government employees. FEGLI is more expensive because of its generous treatment of retirees--their full insurance coverage at retirement is continued free until age 65 and then at a reduced level, but still free, thereafter. This free coverage for retirees is paid for by the federal subsidy and, necessarily, by seriously overcharging young employees for their insurance coverage. Since many of the people who enter on duty in any given year will not stay around to retire, particularly the clericals, they receive no benefit for most of their insurance premium.

2. Under FEGLI, an employee pays $9.23 annually per $1,000 of life insurance protection, regardless of the employee's age. Other group life insurance programs available to Agency employees (WAEPA and UBLIC) scale their rates according to age, the employee naturally paying more for his insurance as he grows older. For example, WAEPA charges range from $1.70 per thousand for an employee under age 25 to $6.82 per thousand for an employee at age 60. Note however, that even at age 60 FEGLI still is 35% more expensive than WAEPA. And FEGLI is more expensive despite the fact that the Federal Government is paying one-third of its cost while contributing nothing to the cost of WAEPA.

3. To provide just one illustration of what the above disparity translates into for the young employee--a 22 year old with $15,000 coverage under FEGLI would pay $138.45 annually. In addition, the Agency would pay $69.23, one-third of the total cost of $207.68. For the same coverage under WAEPA, that employee would pay an annual cost of $25.50, the Agency would pay nothing.

4. Unless the 22 year old employee cited in the illustration above is looking forward to free life insurance after retirement, there is absolutely no apparent reason for him to choose FEGLI over WAEPA. Furthermore, declining FEGLI now probably would not cost him the free coverage after retirement. He can join FEGLI later, anytime up to age 50 so long as he can pass a physical. Thus he could enjoy low cost WAEPA coverage up to age 49, then join FEGLI and receive free life insurance even if he retired only one year later. - No.

5. Despite the obvious advantages of WAEPA (or UBLIC which is similar to WAEPA in rate and benefit structure), the overwhelming majority of young entrants on duty to the Agency who elect to purchase life insurance choose FEGLI. MAG believes this is occuring because, during the processing-in period when these decisions must be made, the new employee is not being given an adequate explanation of the life insurance options available to him.

6. A MAG member attended the benefits briefings recently given to one group of new employees. The FEGLI program was covered by one briefing officer, while a second briefer covered UBLIC along with other insurance programs such as the Flight and Accident policy, the Dread Diseases Plan and Income Replacement. No literature on UBLIC was given to the new employees, although it was explained that this was because the rate structure had recently been revised and the new brochure was not yet printed. WAEPA was not mentioned in either briefing. The cost and benefits of FEGLI and UBLIC were not compared by either briefer. However, FEGLI features such as the free retirement insurance and free insurance during periods of leave

of absence were highlighted. Also, FEGLI was cast as a fringe benefit, with mention that the government paid part of the cost of this insurance. Each new employee was provided with a Civil Service brochure on FEGLI which encourages the purchase of FEGLI and describes it as "a low-cost way to protect your family."

7. The Office of Personnel provided MAG with a randomly selected list of 24 employees who entered on duty in September 1976. MAG was able to contact 21 of these people and asked them whether or not they had purchased one of the group life plans; if they had, which one and why; and for their comments about the insurance briefings they had received. Our findings are summarized below:

a. Of the 21, 12 had taken FEGLI only, one had taken both FEGLI and UBLIC, one had taken UBLIC only, and seven had taken no life insurance. None had taken WAEPA.

b. The two who took UBLIC were both highly critical of the insurance presentations they had received during processing-in. On their own, both sought information and advice elsewhere and then decided to purchase UBLIC. Both are officers, one an economist and one a systems programmer, hired at the GS-11 and GS-12 levels.

c. Of those who took FEGLI, the reason most often cited for choosing FEGLI was its low cost. One thought that it was free, that the government paid for it. At the suggestion of the MAG member interviewing her, she checked her pay slip and confirmed that she was indeed paying the FEGLI insurance.

d. Of the ten clerical employees contacted, six were female, in their early 20's and without dependents--the category for which FEGLI would seem least appropriate. Nonetheless, four of the six took FEGLI and the other two, one the advice of their parents, took no life insurance. None of them had any knowledge of WAEPA or UBLIC.

8. MAG concludes that the insurance presentations being made to new employees are inadequate and that they are slanted to influence the employee to purchase FEGLI insurance, whether or not this is an appropriate selection for the individual employee. The information the employee needs to make an informed decision either is not being provided or is not being provided in a useful and understandable format. We recommend that the briefings on FEGLI and UBLIC be presented together, by one briefer, and that WAEPA be included. Full cost and benefit comparisons should be made, both orally and in writing for retention and study by the employee, in language which is as simplified and straightforward as possible.

9. MAG also recommends that affirmative action be taken to provide all present employees with full information on all three life insurance plans. Because past life insurance presentations have been inadequate, many current employees have been uninformed and inappropriate decisions in this important area.

10. MAG's concern is not solely, or even primarily, the fact that employees may be paying more than is necessary for insurance protection. Of greater importance are those cases where young employees with dependents, particularly those with young children, are carrying inadequate insurance because they do not know of the alternatives to FEGLI. They do not know that one dollar spent on WAEPA or UBLIC may purchase five times as much protection for their family as one dollar spent on FEGLI. MAG believes that the Agency has an obligation to these employees, and to their families, to correct this situation. An effective effort to reach these employees is necessary and is entirely feasible.

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