

availability of compensatory financing by underwriting export revenues—may encourage unneeded production of a commodity during periods of reduced demand and low prices.

The IMF resources committed to the compensatory financing facility are substantial. If these same resources were available to compensate for the reduction of uneconomic supply in appropriate cases, the result would benefit foreign exchange earnings of all producing countries and assist rather than impede the restoration of market balance.

The compensatory financing facility was originally established in 1963. It was intended to provide balance of payments assistance expeditiously to members adversely affected by temporary export revenue shortfalls largely attributable to circumstances beyond their control. It has been expanded and liberalized over the years and now provides exporters of primary commodities up to 100% of quota when export earnings fall.

According to an IMF study, this was equivalent to about 7% of 1979 export earnings for a sample of 74 countries. The amounts available under the compensatory financing facility are additional to the amounts of balance-of-payments assistance under the regular credit tranches and other facilities of the IMF. The funds are intended to be made available quickly and with low conditionality. The IMF staff must be satisfied only that export earnings from primary commodities have fallen temporarily and that the circumstances are beyond the control of the exporter.

#### THE CASE OF COPPER

The perverse consequences of the compensatory financing facility under the existing rules have been dramatically demonstrated over the last several years in the case of copper. Copper is a strongly cyclical commodity. Consumption tends to have a functional relation to the durables component of free world gross national product (GNP).

Recession in the industrialized countries is translated directly to reduced demand for copper and lower prices. Copper is traded on terminal exchanges in London and New York and in dealer markets throughout the world. History teaches that a small shortage creates a disproportionate increase in price and, conversely, modest surplus creates a disproportionate decrease in price.

The period since the last quarter of 1981 and continuing to date has, without question, been the most difficult of times for the copper industry since the worst of the Depression years. In 1982, copper sold at prices, in real terms, not seen since 1933. The average price of copper for the year was below the costs of production of all but a handful of the world's producing mines.

It was a time for restraint-in-production decisions and called for severe adjustments in the interest of corporate survival. A private sector company can continue to operate at a loss only so long as it has access to cash to meet its payroll. In fact, adjustments by private sector producers have been substantial. It was a period of cutting costs, reducing staff, and, in the case of marginal and unprofitable mines, admitting failure and shutting them to stem continuing losses. Also some major producers curtailed output to conserve reserves and avoid accumulation of stocks.

In the United States alone, these actions resulted in 1982 in a 25% reduction of mine production of copper from the 1981 level.

By contrast, the production policy of less-developed countries (LDC) copper producers was to maintain or increase production. Under the existing IMF rules, the revenues of the government-owned producers from

the export of copper for which there were no industrial customers were, in effect, underwritten by the IMF compensatory financing facility.

One example will illustrate the point. In 1982, Codelco, the Chilean government-owned company and the largest copper producer in the world, increased production by more than 15%, or 139,000 tons, to a level well above the previous peak in 1979. Then, Chile went to the IMF and arranged a loan under the compensatory financing facility in the amount of \$327,000,000 to compensate it for loss of export revenues primarily because of the low price of copper. That is equal to the value of 221,000 tons of copper, or about 3% of Free World production at the 1982 average London Metal Exchange (LME) price of 67.1 cents per pound.

If Codelco had more sensitively adjusted its production policy to the needs of the market, or if its eligibility for an IMF credit had depended on a responsive business plan, the market price of copper would have been higher and substantial losses of revenues would have been avoided not only for Chile but for all other producers of copper as well, among them some of the most needy LDCs. Anyone familiar with the copper market would confirm that Chile's production decision was an important cause of the extremely low price of copper in 1982.

As a result of the extremely low price of copper, the IMF was called on to bail out the other LDC producers of copper as well. Zambia, Zaire, Peru, and Papua-New Guinea (Bougainville) together have drawn \$586,000,000 under the IMF's compensatory financing facility, their right to do so being based primarily on the low price of copper and its by-products, to which their own production decisions have contributed significantly.

In the case of Chile, Codelco and government officials explained Chile's production decision on the ground that Codelco's operations as a whole were profitable. They also stated that Chile had substantial ore reserves and that the depressed markets provided an opportunity to force higher-cost mines elsewhere in the world to shut down. Many did, particularly in North America. Should this form of predatory economic behavior be financed by the IMF? In this instance, it was.

Stabilization of commodity prices has been a main objective of various initiatives under the United Nations Conference on Trade and Development (UNCTAD). Over the last 10 years, more than a dozen international meetings have been held by the UNCTAD copper group to examine various schemes designed to moderate price fluctuations in the case of copper. To date, there have been no visible results. Meanwhile, the IMF compensatory finance facility has operated at cross-purposes.

Experience suggests that effective price stabilization schemes for the major metals are unlikely to be seen or, if attempted, to endure for very long. Thus, it appears that the responsibility for constructive response to market realities will continue to rest on individual producers acting in their own self-interest.

If the strongest producers of any metal ignore market realities in times of reduced demand, they ensure a prolongation of market imbalance and continuing loss of revenues for themselves and all other producers. If financing available from the IMF relieves such producers from the necessity of dealing with market realities, the result is a destabilizing rather than a stabilizing influence on the markets.

#### WHAT TO DO

The rules of the compensatory financing facility should be reviewed and access to the

facility be conditioned on the submission by the member of a business plan responsive to prevailing conditions in the market for the commodity concerned.

For example, the IMF could be authorized to permit members to draw from the compensatory financing facility an amount equivalent to the revenues foregone by not producing (or not exporting) an agreed amount of copper. Such agreements would be formulated on a case-by-case basis. This would be in contrast to the present rules which penalize a member when production is curtailed or stocks are withheld from the market because such action is intentional and not beyond the control of the member.

Something like the foregoing was done by the IMF in the case of sugar. Under the 1977 International Sugar Agreement, exporting members are required to hold a prescribed minimum amount of stocks so long as prices are below an agreed level. Under the IMF buffer stock facility, members are permitted to draw an amount corresponding to the export earnings foregone by constituting such stocks.

For copper, the counterproductive consequences of financing uneconomic production during periods of severe recession in demand are great. The same may be true as to other eligible commodities during comparable periods. A thorough study of the possible use of the compensatory financing facility as an instrument to assist in the management of supply in appropriate cases would be timely and in the interest of all member countries.

An initiative by the IMF to undertake such a study would be especially timely right now. The financing by the IMF of uneconomic production of copper by its member countries has had the effect of shifting to U.S. producers and U.S. workers a disproportionate share of the burden of adjustment to the fall in aggregate demand for copper.

The debates and the restrictive amendments offered and approved in the authorization bills of both the Senate and House of Representatives prove that this consequence has been a significant impediment to the approval by the Congress of the \$8.9 billion U.S. share of the proposed \$43.3 billion increase in the capital base of the IMF.

#### ORDER TO PLACE H.R. 2785 ON THE CALENDAR

Mr. STEVENS. Mr. President, I ask unanimous consent that the Agriculture Committee be discharged from further consideration of H.R. 2785, the Insecticide, Fungicide, and Rodenticide Act, and that it be placed on the calendar.

Mr. BYRD. Mr. President, there is no objection to the first request regarding the discharging of the committee and there is no objection to the second request.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### EXTENSION OF FEDERAL PHYSICIANS COMPARABILITY ALLOWANCE ACT OF 1978

Mr. STEVENS. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on H.R. 2077.

S 15508

## CONGRESSIONAL RECORD — SENATE

November 4, 1983

The Presiding Officer laid before the Senate the following message from the House of Representatives:

*Resolved*, That the House agree to the amendment of the Senate to the bill (H.R. 2077) entitled "An Act to amend title 5, United States Code, to extend the Federal Physicians Comparability Allowance Act of 1978, and for other purposes", with the following amendment:

In lieu of the matter inserted by said Senate amendment, insert: That (a) section 5948(d) of title 5, United States Code, is amended—

(1) by striking out "September 30, 1983" and inserting in lieu thereof "September 30, 1985"; and

(2) by striking out "September 30, 1985" and inserting in lieu thereof "September 30, 1987".

(b) Section 3 of the Federal Physicians Comparability Allowance Act of 1978 is amended by striking out "September 30, 1985" and inserting in lieu thereof "September 30, 1987".

SEC. 2. (a) The Office of Personnel Management shall study and, within 12 months after the date of enactment of this Act, submit to each House of the Congress a report on the effect which section 5383(b) of title 5, United States Code (relating to the maximum aggregate amount payable to a member of the Senior Executive Service in a fiscal year) has had with respect to recruitment, retention, and morale of career appointees in the Senior Executive Service.

(b) Section 3135(a)(7) of title 5, United States Code, is amended to read as follows: "(7) for the preceding fiscal year, by agency—

"(A) the number of performance awards, and the number of ranks, conferred, as well as the respective aggregate amounts paid for such awards and ranks;

"(B) the percentage of career appointees in such agency who received any such award, and the percentage who received any such rank; and

"(C) the name of each individual who received any such award or rank, the award or rank received, and a brief summary of the reasons why such individual was selected."

Mr. STEVENS. Mr. President, I move that the Senate concur in the House amendment with a further amendment of the Senate. I send that amendment to the desk in behalf of myself and the distinguished junior Senator from New Mexico (Mr. BINGAMAN).

## AMENDMENT NO. 2504

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Alaska (Mr. STEVENS), for himself and Mr. BINGAMAN, proposes an amendment numbered 2504.

Mr. STEVENS. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

In lieu of the matter proposed to be inserted by the amendment of the House of Representatives, on page 1 insert the following:

TITLE I—PHYSICIANS  
COMPARABILITY ALLOWANCE

## SHORT TITLE

SEC. 101. This title may be cited as the "Federal Physicians Comparability Allowance Amendments of 1983".

## EXTENSION OF AUTHORITY

SEC. 102. (a) The second sentence of section 5948(d) of title 5, United States Code, is amended to read as follows: "No agreement shall be entered into under this section later than September 30, 1987, nor shall any agreement cover a period of service extending beyond September 30, 1989."

(b) Section 3 of the Federal Physicians Comparability Allowance Act of 1978 (5 U.S.C. 5948 note) is amended by striking out "September 30, 1985" and inserting in lieu thereof "September 30, 1989".

PAY OF CERTAIN FEDERAL PHYSICIANS FOR  
FISCAL YEAR 1982

SEC. 104. (a) Notwithstanding section 5383(b) of title 5, United States Code, the aggregate amount paid for fiscal year 1982 under sections 4507, 5302, 5384, and 5948 of such title to an individual specified under column I below may exceed the amount of the annual rate payable for positions at level I of the Executive Schedule in effect at the end of such fiscal year by not more than the amount specified under column II below opposite the name of such individual:

Column I:	Column II:
Dr. Larry Silver.....	\$1,988.66
Dr. Louis Sokoloff.....	\$5,988.66
Dr. Ichiji Tasaki.....	\$1,488.66
Dr. Paul D. Parkman.....	\$1,455.46
Dr. Allan Forbes.....	\$1,680.91
Dr. Roscoe Brady.....	\$1,488.66
Dr. Martin Cummings.....	\$3,988.66
Dr. Manning Feinleib.....	\$1,488.66
Dr. D. C. Gajdusek.....	\$1,488.66
Dr. Carl Kupfer.....	\$1,988.66
Dr. Toichiro Kuwabara.....	\$1,488.66
Dr. Lester Salans.....	\$1,488.66
Dr. Henry Webster.....	\$1,488.66

(b) Subject to the limitation on the aggregate amounts computed under subsection (a), the amount of any overpayment paid for fiscal year 1982 (as determined under section 5383(b) of title 5, United States Code) and collected during fiscal years 1982 and 1983 from any individual specified in subsection (a) shall be paid to such individual.

(c) For the purposes of the Internal Revenue Code of 1954, any amounts paid for fiscal year 1982 under subsections (a) and (b) of this Act shall be deemed to have been paid on the date such amounts would have been paid but for the limitation set forth in section 5383(b) of title 5, United States Code.

TITLE II—FEDERAL EMPLOYEES  
RETIREMENT ADJUSTMENT

## SHORT TITLE

SEC. 201. This title may be cited as the "Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983".

## STATEMENT OF POLICY

SEC. 202. It is the policy of the Government—

(1) that the amount required to be contributed by employees and officers of the Government who are also required to pay employment taxes relating to benefits under title II of the Social Security Act for service performed after December 31, 1983, be modified until the date on which such employees and officers are covered by a new Government retirement system (the design, structure, and provisions of which have not been determined on the date of enactment of this Act) or January 1, 1986, whichever is earlier;

(2) that the Treasury be required to pay into such retirement systems the remainder of the amount such employees and officers would have contributed during such period but for the temporary modification;

(3) that the employing agencies make contributions to the retirement systems with

respect to such service in amounts required by law in effect before January 1, 1984, without reduction in such amounts;

(4) that such employees and officers accrue credit for service for the purposes of the public retirement systems in effect on the date of enactment of this Act until a new Government retirement system covering such employees and officers is established;

(5) that any annuity payable under any present public retirement system based in any part on service which is performed after December 31, 1983, and before January 1, 1986, and for which employment taxes relating to benefits under title II of the Social Security Act are paid be offset by the amount of any benefits payable under such title with respect to such service;

(6) that such employees and officers who are first employed in civilian service by the Government or first take office in civilian service in the Government on or after January 1, 1984, be transferred to such new Government retirement system as may be established for employees and officers of the Government on or after January 1, 1984, and before January 1, 1986; and

(7) that credit for service performed after December 31, 1983, by such employees and officers be transferred to such new Government retirement system.

## DEFINITIONS

SEC. 203. (a) For the purposes of this title—

(1) the term "covered employee" means any individual whose service is covered service;

(2) the term "covered retirement system" means—

(A) the Civil Service Retirement and Disability System under subchapter III of chapter 83 of title 5, United States Code;

(B) the Foreign Service Retirement and Disability System under chapter 8 of the Foreign Service Act of 1980 (22 U.S.C. 4041 et seq.);

(C) the Central Intelligence Agency Retirement and Disability System under the Central Intelligence Agency Retirement Act of 1964 for Certain Employees (50 U.S.C. 403 note); and

(D) any other retirement system (other than a new Government retirement system) under which a covered employee who is a participant in the system is required to make contributions to the system in an amount equal to a portion of the participant's basic pay for covered service, as determined by the President;

(3) the term "covered service" means service which is employment for the purposes of title II of the Social Security Act and chapter 21 of the Internal Revenue Code of 1954 by reason of the amendments made by section 101 of the Social Security Amendments of 1983 (97 Stat. 67); and

(4) the term "new Government retirement system" means any retirement system which (A) is established for officers or employees of the Government by or pursuant to a law enacted after December 31, 1983, and before January 1, 1986, and (B) takes effect on or before January 1, 1986.

(b) The President shall publish the determinations made for the purpose of subsection (a)(2)(D) in an Executive order.

## CONTRIBUTION ADJUSTMENTS

SEC. 204. (a) An employing agency shall deduct and withhold only 1.3 percent of the basic pay of a covered employee under—

(1) section 8334 of title 5, United States Code;

(2) section 805 of the Foreign Service Act of 1980 (22 U.S.C. 4045);

(3) section 211 of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees (50 U.S.C. 403 note); or

(4) any provision of any other covered retirement system which requires a participant in the system to make contributions of a portion of the basic pay of the participant, for covered service which is performed after December 31, 1983, and before January 1, 1986. Deductions shall be made and withheld as provided by such provisions in the case of covered service which is performed on or after January 1, 1986, and is not subject to a new Government retirement system.

(b) Employing agencies of the Government shall make contributions with respect to service to which subsection (a) of this section applies under the second sentence of section 8334(a)(1) of title 5, United States Code, the second sentence of section 805(a) of the Foreign Service Act of 1980 (22 U.S.C. 4045(a)), the second sentence of section 211(a) of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees (50 U.S.C. 403 note), and any provision of any other covered retirement system requiring a contribution by the employing agency, as if subsection (a) of this section had not been enacted.

#### AMORTIZATION OF CONTRIBUTION DEFICIENCY

Sec. 205. (a) For the purposes of this section, the term "contribution deficiency", when used with respect to a covered retirement system, means—

(1) the excess of the total amount which, but for section 204(a), would have been deducted and withheld under a provision referred to in section 204(a) from the basic pay of covered employees who are subject to such retirement system for service to which section 204(a) applies, over

(2) the total amount deducted and withheld from the basic pay of covered employees for such service as provided in section 204(a).

(b) At the end of each of fiscal years 1984, 1985, and 1986, the head of each agency administering a covered retirement system—

(1) shall determine the amount of the contribution deficiency incurred during such fiscal year in the case of such covered retirement system; and

(2) shall notify the Secretary of the Treasury of the amount of such contribution deficiency.

(c) An amount equal to the amount of the contribution deficiency incurred with respect to a covered retirement system in any fiscal year shall be credited to the fund established for the payment of benefits under such covered retirement system in thirty equal annual installments beginning at the end of such fiscal year, as provided in subsection (d).

(d) Before closing the accounts for each of fiscal years 1984 through 2015, the Secretary of the Treasury shall credit to each fund to which subsection (c) applies, as a Government contribution, out of any money in the Treasury not otherwise appropriated, an amount equal to the total of the amounts of the annual installments of the contribution deficiencies required by subsection (c) to be credited to such fund in such fiscal year.

(e) Amounts credited to a fund pursuant to subsection (c) shall be accounted for separately from amounts credited to such fund pursuant to any other provision of law.

#### OFFSET OF SOCIAL SECURITY BENEFITS

Sec. 206. (a)(1) Section 8339 of title 5, United States Code, is amended by adding at the end thereof the following new subsection:

"(o)(1) Any annuity of a retired employee or Member which is computed under subsection (a), (b), (c), (d), (e), (g), or (n) of this section and is based, in any part, on service to which section 204 (a) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 applies shall be reduced by the portion of the amount of any benefits which is payable under title II of the Social Security Act to such retired employee and is attributable to such service.

"(2) For the purpose of paragraph (1) of this subsection, the portion of the amount of the benefits which is payable under title II of the Social Security Act to an individual and is attributable to service to which section 204 (a) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 applies shall be determined by—

"(A) computing the amount of such benefits, including credit for such service;

"(B) computing the amount of such benefits, if any, without including credit for such service; and

"(C) subtracting the amount computed under clause (B) of this paragraph from the amount computed under clause (A) of this paragraph."

"(2) Section 8341 of title 5, United States Code, is amended by adding at the end thereof the following new subsection:

"(h) The annuity of any individual which is provided by and computed under this section and is based, in any part, on service to which section 204(a) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 applies shall be reduced by the portion of the amount of any benefits which is payable under title II of the Social Security Act to such individual and is attributable to such service, computed as provided in section 8339(o)(2) of this title."

(b)(1) Section 806 of the Foreign Service Act of 1980 (22 U.S.C. 4046) is amended by adding at the end thereof the following new subsection:

"(m)(1) The annuity of any individual which is computed under this section and is based, in any part, on service to which section 204(a) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 applies shall be reduced by the portion of the amount of any benefits which is payable under title II of the Social Security Act to such individual and is attributable to such service. The reduction under this subsection shall be calculated before any reduction under section 814(a)(5).

"(2) For the purpose of paragraph (1), the portion of the amount of the benefits which is payable under title II of the Social Security Act to an individual and is attributable to service to which section 204(a) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 applies shall be determined by—

"(A) computing the amount of such benefits including credit for such service;

"(B) computing the amount of such benefits, if any, without including credit for such service; and

"(C) subtracting the amount computed under clause (B) from the amount computed under clause (A)."

(2) Section 814 of such Act is amended by adding at the end thereof the following new subsection:

"(e) The annuity of a former spouse which is computed under this section and is based, in any part, on service to which section 204(a) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 applies shall be reduced by the portion of the amount of any benefits which is payable under title II of the Social Security Act to such former spouse and is attributable to such service, computed as provided in section 806(m)(2)."

(3) Part C of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees (50 U.S.C. 403 note) is amended by adding at the end thereof the following new subsection:

"Sec. 223. (a) The annuity of any individual which is computed under this part and is based, in any part, on service to which section 204(a) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 applies shall be reduced by the portion of the amount of any benefits which is payable under title II of the Social Security Act to such individual and is attributable to such service. In the case of an annuity computed under section 221, the reduction under this subsection shall be calculated before any reduction under section 222(a)(4).

"(b) For the purpose of subsection (a), the portion of the amount of the benefits which is payable under title II of the Social Security Act to an individual and is attributable to service to which section 204(a) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 applies shall be determined by—

"(1) computing the amount of such benefits including credit for such service;

"(2) computing the amount of such benefits, if any, without including credit for such service; and

"(3) subtracting the amount computed under clause (2) from the amount computed under clause (1)."

(d)(1) Notwithstanding any other provision of law, for the purposes of any covered retirement system to which an amendment made by subsection (a), (b), or (c) does not apply, the annuity of any individual which is computed under such system and is based, in any part, on service to which section 204 (a) applies shall be reduced by the portion of the amount of any benefits which is payable under title II of the Social Security Act to such individual and is attributable to such service. In the case of an annuity of a participant or former participant, of a surviving spouse or child of a participant or former participant, or of any other person designated by a participant or former participant to receive an annuity under the covered retirement system (other than a former spouse) the reduction under this subsection shall be calculated before any reduction in such annuity provided under such system for the purpose of paying an annuity under such system to any former spouse of the participant or former participant based on the service of such participant or former participant.

(2) For the purpose of paragraph (1), the portion of the amount of the benefits which is payable under title II of the Social Security Act to an individual and is attributable to service to which section 204(a) applies shall be determined by—

(A) computing the amount of such benefits including credit for such service;

(B) computing the amount of such benefits, if any, without including credit for such service; and

(C) subtracting the amount computed under clause (B) from the amount computed under clause (A).

#### TRANSFER OF CREDIT TO NEW RETIREMENT SYSTEM

Sec. 207. (a) Any covered employee who first becomes employed in civilian service by the Government or first takes office in civilian service in the Government on or after January 1, 1984, shall be transferred to such new Government retirement system as may be established.

(b) In the case of any covered employee who is subject to a covered retirement

S 15510

CC. GRESSIONAL RECORD — SENATE

November 4, 1983

system on or after January 1, 1984, and thereafter becomes subject to a new Government retirement system—

(1) credit for the service of such employee to which section 204(a) applies shall be transferred from such covered retirement system to the new government retirement system for the purposes of the new Government retirement system; and

(2) such service shall be considered not to be creditable service for the purposes of such covered retirement system, effective on the date on which such employee becomes subject to such new Government retirement system.

DEPOSIT REQUIREMENTS

Sec. 208. (a)(1)(A) Notwithstanding any other provision of law, the covered service of any covered employee who is employed by the Government on December 31, 1983, and retires (other than by reason of a disability) entitled to an annuity under a covered retirement system after such date and before the earlier of the date on which a new Government retirement system takes effect or January 1, 1986, shall be considered in computing the amount of such annuity only if such covered employee makes a deposit for such covered service as provided in subparagraph (B).

(B) For the purposes of subparagraph (A), a covered employee to whom such subparagraph applies shall make a deposit (for the covered service to which such subparagraph applies) to the credit of the applicable covered retirement system in an amount equal to the excess of the amount required by law (without regard to section 204(a)) over the amount which was deducted and withheld from the basic pay of such covered employee for such service pursuant to section 204(a) and was not refunded to such covered employee.

(2) Paragraph (1) does not require a deposit to the credit of a covered retirement system for the purpose of considering covered service in computing the amount of a survivor annuity under such system in the case of a covered employee who dies during a period of continuous service in the employment of the Government beginning on or before December 31, 1983.

(b)(1) If a new Government retirement system is not established, the covered service of a covered employee shall be considered, notwithstanding any other provision of law, in determining entitlement to and computing the amount of an annuity under a covered retirement system based on the service of such covered employee only as provided in paragraph (3).

(2) If a new Government retirement system is inapplicable to a covered employee who is employed by the Government on December 31, 1983, and retires (other than by reason of a disability) subject to a covered retirement system after the date on which such new government retirement system takes effect the covered service of such covered employee shall be considered, notwithstanding any other provision of law, in determining entitlement to and computing the amount of an annuity under a covered retirement system only as provided in paragraph (3).

(3) The covered service of a covered employee to whom paragraph (1) or (2) applies shall be considered for the purposes of such paragraph only if such covered employee deposits to the credit of the applicable covered retirement system an amount equal to the excess of—

(A) the total amount which would have been deducted and withheld from the basic pay of such covered employee for such covered service under such covered retirement system but for the application of section 204 (a), over

(B) the amount which was deducted and withheld from such basic pay for such covered service pursuant to section 204 (a) and was not refunded to such covered employee.

Mr. STEVENS. Mr. President, my amendment has two major sections to it. One, it reauthorizes the Federal physicians comparability allowance program for 4 more years. This provision already passed the Senate. The House language currently authorizes the program for 2 years. The second section will establish an interim retirement solution for the new Federal hires who will be required to pay both the social security and civil service retirement contributions beginning in January 1984. As many Members recall during the social security debate earlier this year, Federal employees hired after January 1984, will be required to pay the social security tax. This situation leaves these individuals in an unenviable position of being required to pay both social security and civil service retirement which will amount to approximately 14 percent of payroll. I think that most people would agree that this is an exorbitant amount of money to pay for a retirement plan.

The General Accounting Office studied this problem and reported to our committee 2 months ago describing the serious problems the Federal Government would face in recruitment of Federal employees under this dual contribution arrangement. GAO highlighted a few agencies such as the National Institutes of Health, NASA, and other agencies requiring technical expertise and the difficulties that these agencies would find in recruiting the needed personnel. GAO also pointed out that most agencies would find it very difficult to recruit clerical personnel who cannot afford the extra deductions from their paycheck. GAO recommended four options to resolve this situation. This amendment incorporates a variation on one of those recommendations.

The amendment temporarily reduces the new hires contributions to the civil service retirement program to give us time to design and establish a new retirement program for these individuals. The general idea is to reduce the new hires' contribution to the civil service program to 1.3 percent salary. Since these individuals will be paying the full social security contribution, which will amount to 6.7 percent of salary next year, the additional 1.3 percent toward civil service retirement will make them generally comparable with current employees who are required to pay the full civil service contribution plus the medicare tax which is 1.3 percent of salary. This reduction in contributions will last only until January 1986, or the establishment of a new program, whichever is earlier. If no new plan is established before January 1986, these new hires will be required to pay the full civil service retirement contribution, and to receive credit for their prior years under this

interim solution, they will have to pay the full amount back into the retirement fund.

It is my intention, however, to introduce major retirement legislation establishing a new retirement program for these new hires in early 1985. It is hope to see a plan established by late 1985. I want to make it absolutely clear that the provisions of this interim solution will in no way prejudice the eventual design and provisions of the final plan. We are currently involved in a very extensive study of private and public retirement programs utilizing the services of all of the congressional support agencies plus a number of private sector firms. Once that study is completed, it is my intention to draft legislation that would establish a new retirement program. However, I again want to state that we do not yet have any particular idea as to what this retirement program will look like.

I ask unanimous consent to have printed in the RECORD a sectional analysis of this amendment as well as a CBO estimate of the cost of this legislation. I want a point out that the only cost of the legislation is the loss of revenues to the Government in that these new employees will not be contributing the full retirement contribution during this period.

There being no objection, the material ordered to be printed in the RECORD, as follows:

CONGRESSIONAL BUDGET OFFICE,  
U.S. CONGRESS,

Washington, D.C., November 4, 1983.

To: Jamie Cowen.

From: Sherri Kaplan.

Subject: Temporary Reduction In CSR Contributions for Newly Hired Federal Employees—Preliminary Estimate.

As you requested, the following table shows the net effect on the deficit of reducing contributions to CSR from newly hired federal employees, from 7 percent of pay to 1.3 percent of pay. The estimate, consistent with your telephone request, assumes newly hired employees who terminate their federal employment over the three-year period would not be allowed to receive a refund of their contributions. Further, the provisions are expected to expire January 1986.

(By fiscal years, in millions of dollars)

	1984	1985	1986
Revenues.....	- 70	- 230	- 115
Outlays.....	1	- 15	- 15
Net effect on the deficit.....	+ 70	+ 215	+ 100

\* Less than \$5,000,000.

The intrabudgetary transactions, although affected by this temporary measure, would not have any net impact on the deficit and, as you requested are not included in this estimate. It should be noted that the numbers are subject to change depending on specific bill language.

As always, I am available to answer any questions you might have.

**SECTIONAL ANALYSIS OF THE FEDERAL EMPLOYEES' RETIREMENT CONTRIBUTION TEMPORARY ADJUSTMENT ACT OF 1983**

Section 1 states that the Act may be cited as the "Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983".

Section 2 is a statement of the policy of this legislation. It generally provides that employees of the federal government who for the first time will be covered under the Social Security Act beginning in January of 1984 will temporarily be relieved of the full contribution amount to the various federal retirement systems. Instead, they will contribute, in addition to the social security amount, 1.3 percent to the retirement system covering them. This provision will terminate at the earlier of enactment of a new retirement plan or January 1, 1986.

It also provides that the government will assure continuing contributions be made into the retirement funds to keep the funds solvent. It also states that once a new plan is established covering employees hired after January of 1984, such employees will be transferred to the new program. Finally, any benefits received during the interim period will be offset by any social security benefits received.

Section 3 is a list of definitions. The two important definitions are "covered retirement system" and "covered service".

Covered retirement system means the Civil Service Retirement Program, the Foreign Service Retirement Program, the Central Intelligence Agency Retirement Program, and any other federal retirement program which includes employees who will for the first time be required to make social security payments beginning in January of 1984 and who also are currently required to make contributions to a retirement program.

Covered service means service which beginning in January of 1984 is considered employment for the purposes of the Social Security Act.

Section 4 calls for reducing employees' required contributions to their retirement programs to 1.3% of basic pay. It also requires that agencies continue to contribute the full employee contribution to the retirement programs as they do under current law.

Section 5 provides that the Treasury will directly appropriate to the retirement funds the remainder of the employee's contribution which the employees are not paying. Those amounts will be amortized over a 30-year period.

Section 6 provides that any benefit received under the retirement programs during this interim period such as survivor and disability benefits will be offset dollar-for-dollar by any social security benefits received for the same purpose attributable to the interim period.

Section 7 provides that any federal employee hired after January of 1984 and who becomes covered under the Social Security System shall be transferred to the new government retirement system when that system is established. All credit accrued under the current retirement programs shall be transferred to the new program and such credit shall be terminated for benefit purposes under the current retirement programs.

Section 8 provides that those employees who are currently employed in the federal government but who also will be covered under the social security program shall only be entitled to a benefit based upon service

during this interim period if they make the full deposit under the program as required by law. The two exceptions are for an employee who becomes entitled to a disability benefit or who dies during service and whose survivor becomes entitled to a benefit. In these cases, a redeposit is not necessary.

It also provides that if a new retirement program is not enacted by January 1, 1986, those employees hired during the interim period will be required to redeposit full contributions to the respective retirement funds to gain credit under the current retirement programs for the interim period.

Mr. DOMENICI. Mr. President, I support the amendment offered by the senior Senator from Alaska, Senator STEVENS. The amendment provides an equitable solution to the problem of new Federal employees who, under current law, must make full contributions to both social security and civil service retirement.

As my colleagues know, the bipartisan social security reform compromise mandated social security coverage for all new Federal employees. It did not, however, relieve these employees of the responsibility of contributing to civil service retirement. Many Members of the Senate, including myself, feel this is unjust.

Beginning January 1, 1984, new Federal employees will be required to pay 6.7 percent of salary for social security and medicare and 7 percent for civil service retirement. This situation is clearly unfair. New Federal employees should not be asked to pay 13.7 percent of salary—about double what everyone else pays—for retirement protection. Further, such dual contributions would seriously impede the ability of the Federal Government to compete with other employers for talented and capable people. This has been well documented by a General Accounting Office study.

When the Senate debated the social security reform package, Senator LONG offered an amendment to correct this defect in the legislation. This amendment provided that new Federal employees would not be required to join the social security system until a supplemental pension plan was put into place. Governmental employees would thus have pension benefits comparable to workers in the private sector; they would have a company retirement plan in addition to social security benefits.

The Senate accepted this amendment. Unfortunately, the House of Representatives did not accept it, and it was dropped from the bill during conference. I think this was a mistake. If we want to correct this mistake, we must do something immediately. In 8 weeks, this law takes effect unless we act. In only 2 weeks we are scheduled to adjourn sine die. This gives us only 9 working days.

Congress and the President need to correct this inequity now. Senator STEVENS' amendment represents a compromise that is fair to present and future Federal employees.

For this amendment, new Federal employees, who will be covered under social security beginning in January 1984, would be temporarily relieved of contributing the full amount to the Federal retirement system. They would contribute the full amount to social security and 1.3 percent to the Federal retirement system. This provision would terminate at the enactment of a new retirement plan or January 1, 1986, whichever comes first.

The Government would continue to make contributions to the Federal retirement fund to keep it solvent. Once a new plan was established for employees hired after January 1984, such employees would be transferred to the new program. No one would receive any unearned, windfall benefits. Any benefits received by new retirees during the interim period would be offset by any social security benefits received for the same period.

There are several elements in this proposal that this Senator commends.

First, it relieves new Federal employees of the burden of contributing in full to both retirement systems. This also helps the Federal Government recruit and retain high-caliber employees.

Second, it assures current and future retirees that the current civil service retirement trust fund will remain whole, despite the reduction in the contribution rate for new employees.

Third, it provides consistency in the amount of retirement contributions made by current employees and new employees.

Mr. President, the distinguished Senator from Alaska has developed a compromise package that improves a very unfair situation. The compromise is acceptable to Federal workers and retiree groups and to the administration.

I urge my colleagues to support this amendment.

Mr. BINGAMAN. Mr. President, I fully support the amendment offered by the Senator from Alaska (Mr. STEVENS). I commend the Senator for his efforts in addressing a most serious problem which faces the Federal Government at this time. The amendment provides for temporary retirement coverage for those Federal employees hired after January 1, 1984. Newly hired Federal employees hired on or after January 1, 1984, will be temporarily covered by both social security and the civil service retirement system. This will result from the passage of the Social Security Amendments of 1983 (Public Law 98-27) which provided social security coverage for all newly hired Federal employees, including former employees who are rehired after a break in service of 1 year or more.

The Stevens amendment provides that employees of the Federal Government who for the first time will be covered under social security, beginning on January 1, 1984 will be tempo-



S 15512

## CONGRESSIONAL RECORD — SENATE

November 4, 1983

rarily relieved of the full contribution amount to the various Federal retirement systems. Such employees would be required, under the amendment, to contribute 1.3 percent of salary to the retirement system, in addition to contributing to social security. This provision, under the amendment, would terminate at the earlier of enactment of a new supplemental civil service retirement system or on January 1, 1986. These employees would be fully covered under the retirement system for this temporary period.

The amendment also provides that the Government will assure continuing contributions be made into the retirement trust funds to keep the funds solvent. The amendment also provides that once a permanent plan is established covering new employees hired after January 1, 1984, such employees will automatically be covered under such plan and receive credit for their prior service under such plan. Another provision of the amendment would require that any retirement benefits received during the interim period will be offset by any social security benefits received.

An analysis of the effect of requiring new Federal employees to be temporarily covered by both social security and civil service retirement was completed by the General Accounting Office on August 31, 1983. According to GAO:

(T)he extra contributions to be required of new employees would place the Government at a competitive disadvantage because of the substantial reduction in take-home pay thus adversely affecting recruitment and retention efforts.

As a result, GAO recommends resolution of this problem prior to January 1, 1984, in order to relieve new employees of the unnecessary burden of contributing to both systems.

These sentiments were echoed during the September 14, 1983 hearing held by the Subcommittee on Civil Service, Post Office and General Services by the witnesses, which included representatives of the Office of Personnel Management, and various Federal employee organizations. Without objection, I ask unanimous consent that the testimony of the fund for assuring an independent retirement (FAIR) on this subject be printed in the RECORD following my remarks.

The PRESIDING OFFICER. Without objection it is so ordered.

[See Exhibit 1.]

Mr. BINGAMAN. Through the diligent work of Senator STEVENS and his staff, a solution to this dual coverage problem, which is embodied in the Senator's amendment has been reached and is supported by all parties involved. I believe this is an equitable solution to this very complex problem, created by the Social Security Amendments of 1983. Newly hired employees will be relieved of the burden of having to pay into both systems. Such new employees will receive retirement survivor and disability protection as

members of the retirement system. Further, the civil service and other Federal retirement systems which provide primary retirement protection to an estimated 2.7 million civil servants and millions more of their family members will be maintained financially.

I support this amendment and I urge its adoption.

## EXHIBIT 1

## TESTIMONY OF FUND FOR ASSURING AN INDEPENDENT RETIREMENT (FAIR)

Mr. Chairman. On behalf of the President and Chairman of the Board, Vincent Sombrotto, we appear here today as representatives of FAIR—Fund for Assuring an Independent Retirement. Recently, the 26 member organizations voted unanimously to continue FAIR as a voluntary coalition of unions and employee organizations concerned with legislative issues affecting all active and retired federal and postal employees. At its June 7, 1983 Board of Directors meeting, new officers were elected: Vincent Sombrotto, Chairman of the Board and President; Kimberly C. Parker, Secretary; and Jerry Klepner, Treasurer. My name is Jerry Klepner. With me this morning are Kimberly C. Parker, Secretary of FAIR, and George Gould, Chairman of FAIR's Legislative Committee.

We are here today at your invitation to discuss FAIR's position on the situation facing new federal and postal employees hired on or after January 1, 1984. Under the present law, they will be required to pay 7% into Civil Service Retirement and an additional 7% into Social Security.

As usual, Mr. Chairman, it is a pleasure to appear before you and your Subcommittee. We appreciate the interest you have always shown and continue to show in the welfare of all government employees and retirees. We realize the Chairman's time constraint, therefore, our statement is as short as possible. With your permission, if necessary, we request the opportunity to submit additional testimony for the record.

Mr. Chairman, as a coalition representing federal and postal employees, we anticipated problems that could arise if Social Security coverage was extended to new government employees. During the debate on the Social Security bill this year, on many occasions we took the opportunity to express our concerns that there would be a dichotomy between new and present employees. That situation becomes a reality on January 1, 1984.

If a solution can be developed to resolve this dichotomy, we as a coalition of 26 federal and postal unions and employee organizations believe that any such solution must meet certain tests to be viable, workable and acceptable.

And, if a solution is indeed going to be enacted into law, it is essential it is agreed to by all interested parties.

Mr. Chairman, there are few, if any, Members of Congress more knowledgeable in the legislative process than you. In dealing with issues as sensitive as this one, it necessitates a consensus. To reach that consensus it is necessary to thoroughly communicate among the involved parties. That is why we appreciate these hearings which give us the opportunity today to work with you and your staff on this issue.

Given that opportunity, we would like to discuss briefly some tests that must be met if a solution is to be achieved. These tests are consistent with FAIR's position since its inception; any variation from this runs contrary to that historical perspective.

First, contributory funding for the Federal retirement trust funds must continue. It is essential that there be no interruption and no reduction in those contribution levels. Continuing contributions insure that all options remain available, and insure the financial solvency and integrity of the Federal retirement trust funds.

Second, there must be equity between new employees and present employees. Inequities in contribution levels could result in personnel problems, declining morale, and drops in productivity. To have two employees at the same pay level, doing the same job and yet one contributing 7% toward Civil Service Retirement, and the other contributing 7% to Civil Service Retirement and 7% to Social Security, is inherently inequitable.

For the government to work effectively, it must be able to attract and retain qualified employees. As employee and retiree organizations, we are concerned with the welfare of current employees and retirees whom we represent.

As organizations dealing with the business of government, we are also concerned that post-1983 hires be treated fairly. And, that there be no fragmentation of the federal workforce.

Mr. Chairman, we welcome the opportunity to work with you and your staff to develop a solution to the dichotomy between new and current federal and postal employees.

I will be more than happy to answer any questions you may have.

The PRESIDING OFFICER. Is there further discussion on the amendment?

If not, the question is on agreeing to the amendment.

The amendment (No. 2504) was agreed to.

Mr. STEVENS. I move to reconsider the vote.

Mr. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

## THE EXECUTIVE CALENDAR

Mr. STEVENS. Mr. President, may I inquire of my good friend whether he would be able to concur in a motion I would like to make to ask unanimous consent that the Senate go into executive session in order to consider nominations on pages 2 and 3, of the Executive Calendar and those on the Secretary's desk, page 4.

Mr. BYRD. There is no objection on this side of proceeding with the nominations on page 2, page 3, and page 4 as requested by the distinguished majority leader.

## EXECUTIVE SESSION

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed into executive session to consider the nominations on pages 2 and 3, and those placed on the Secretary's desk, on page 4.

There being no objection, the Senate proceeded to the consideration of executive business.

The PRESIDING OFFICER. The nominations will be stated.