

Incidence of Federal Retirees Drawing UCFE Benefits, 1974-75



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U.S. Department of Labor
Ray Marshall, Secretary
Employment and Training Administration
Ernest G. Green, Assistant Secretary
for Employment and Training
Unemployment Insurance Service

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Introduction

Should persons eligible for unemployment insurance have their benefits reduced by retirement pensions they receive? Considerable interest in this issue has been expressed recently by both legislators and the public. The issue involves retired Federal, State, and local government civilian employees and retired military personnel as well as retired employees from the private sector.

To determine the scope of the issue, concerned groups need information on the number of individuals now simultaneously drawing both retirement pensions and unemployment insurance benefits. This study is aimed at determining how many Federal employees are simultaneously drawing unemployment compensation under the Federal program (UCFE) and a pension under the Federal Government civilian retirement plan.

Background

It has frequently been argued that a person receiving a retirement pension is not in the labor force and that an individual who is being compensated by reason of retirement should not simultaneously be compensated for unemployment. On the other hand, there are some who contend that a person receiving a pension may be seeking work and therefore is in the labor force. They also

maintain that a retiree who is able and available for work and meets all the other eligibility conditions for receiving unemployment insurance benefits should be entitled to receive them. The basis for the latter approach is recognition that retirement pensions and unemployment insurance benefits are remuneration for two different contingencies: separation from employment based on age, years of service, or both, with pensions payable regardless of future employment status, and involuntary unemployment, respectively.

This report was prepared in response to questions concerning alleged overlapping payments of unemployment insurance benefits and annuities to Federal retirees raised in 1976 during hearings on the fiscal 1977 appropriations for the Departments of Labor and Health, Education, and Welfare and related agencies. S-3216, introduced in the Senate on March 26, 1976, would have amended chapter 85 of title 5 of the U.S. Code, to require that unemployment compensation for all Federal retirees, both military and civilian, be reduced by the amount of benefits payable under any Federal pension system.

This bill was not acted on because Congress enacted legislation, the Unemployment Compensation Amendments of 1976 (Public Law 94-566), which requires States to reduce the unemployment insurance benefit amount by the amount of any retirement pension (prorated on a weekly basis). However, the effective date of

the new provision was set for March 31, 1980, in order to give the National Commission on Unemployment Compensation, created by Public Law 94-566, an opportunity to study the question and make recommendations. The Labor Department's present position on the matter is that the restriction of unemployment insurance benefits to retirement pension recipients should amount to only a dollar-for-dollar reduction if the employer paid the full cost, a reduction by half the weekly amount of the pension if the employer paid less than all but at least half of the cost, and no reduction if the employer paid less than half of the cost.

Under this position, the treatment of pension payments as deductible income only if they are financed by base-period employers is justified on the ground that an employer should not reasonably be required to finance the cost of two benefits; i.e., should not be required to carry the financial burden of both unemployment insurance and retirement benefits. On the other hand, retired individuals should not be denied unemployment insurance benefits if, at some future period after their retirement, they reenter the labor force and are subsequently involuntarily laid off.

Most States have provisions in their unemployment insurance laws dealing with the treatment of retirement income. Among the States, these provisions establish widely varying treatment of retirement income of individuals claiming unemployment insurance

benefits. Unemployment insurance benefits may be reduced by part or all of retirement pensions or paid in full in the different States. Treatment of retirement income by States also depends on the kind of pension or payment received; i.e., social security, military pension, workers' compensation, etc. It may depend on whether the pension plan is that of the base-period employer or any other employer. The receipt of unemployment insurance benefits can also depend on whether the retirement was voluntary, with some States placing more stringent restrictions on the receipt of benefits by persons who voluntarily retire.

Methodology

The study was originally planned to cover 23 States and the District of Columbia, all with large numbers of Federal civilian employees. However, three States, Massachusetts, New Jersey, and New Mexico, and the District of Columbia were unable to participate. Hence the study was confined to the following 20 States: Alabama, Arizona, California, Colorado, Florida, Georgia, Illinois, Indiana, Maryland, Michigan, Missouri, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Virginia, and Washington. These 20 States contained about 72 percent of the 82,190 Federal civilian annuitants who retired in 1974 exclusive of the 14,734 for whom a last duty station was not specified. The unemployment insurance agencies in the selected States were asked to furnish the national office of the

Unemployment Insurance Service with a magnetic tape of UCFE beneficiaries by date of first payment in 1974 or 1975 so that the beneficiaries could be matched with Federal employees retiring during the same years.

Data on UCFE first payments for both 1974 and 1975 had to be used to obtain an unbiased estimate of the percent of Federal civilian employees who retired in 1974 and subsequently drew unemployment insurance benefits because large numbers may have retired at the end of 1974 and filed for unemployment insurance benefits at the beginning of 1975. Despite the unavailability of data on UCFE first payments for 1976, Federal civilian employees who retired in 1975 were studied similarly, even though these estimates may be somewhat biased. The tape from each State agency provided information on the liable State and the social security number and date of first payment of each UCFE beneficiary. Upon receipt, the tapes from the individual States were consolidated into a master tape, which was sent to the U.S. Civil Service Commission to be matched against the master tape of their retirees in 1974 and 1975.

The tabulated results from the match by the U.S. Civil Service Commission were summarized in two tables showing the number and percent of Federal Government civilian employees retiring in 1974 who drew a UCFE first payment in 1974 and 1975 and the number and percent retiring in 1975 who drew a UCFE first payment in 1975.

Limitations

The study was limited to Federal Government civilian employees because data on Federal retirees are easily obtainable from the records of the U.S. Civil Service Commission. Nevertheless, it is subject to some limitations. A large number of the annuitants could not be traced to a last duty station and were excluded from the study. Generally, receipt of benefits, except by some individuals who had a gap between the time unemployment benefits began and the time when the first pension check was received, was concurrent with receipt of a retirement pension.

Past Studies

Studies on the receipt of unemployment insurance benefits by pensioners were made by a number of States in the 1950's and 1960's. The researchers studied the number of claimants who were drawing pensions and unemployment insurance benefits as well as personal and other characteristics. Sample surveys of unemployment insurance claimants in 13 States in 1961-62 showed a total of 8 percent receiving a pension; 5 percent receiving a social security benefit only; 2 percent a social security benefit and some other type of pension; and 1 percent some other type of pension only.

More detailed information on unemployment insurance claimants receiving pensions was given in studies by the New

York and Washington State agencies. In the New York study of August 1959, 9 percent of the claimants had applied for or were receiving a private or public pension, while in the Washington study, 12 percent were drawing pensions of one type or another in 1961-62.

A study 1/ by the U.S. Department of Labor in 1967 (describing the personal, family, and economic characteristics of former servicemen and women and civilian employees of the Federal Government who drew benefits under the Temporary Extended Unemployment Compensation (TEUC) Act of 1961) showed that 20 percent of the TEUC-UCFE claimants were Federal civil service pensioners. Fifteen percent of all TEUC-UCFE claimants were paid reduced weekly unemployment benefits as required by the TEUC Act, by reason of their receiving retirement pensions to which their recent employers contributed.

Analysis

Analysis of data for the present study shows that, in the 20 participating States with 64 percent of the Federal Government civilian employment, 11,836, or 20.1 percent of the employees who retired in 1974, received an unemployment insurance first payment in 1974 or 1975. In general, the study data show a wide variation by State in the number and percent of individuals who received both retirement pay and UCFE benefits. For the

1/"The Long Term Unemployed, Claimants Under Federal Unemployment Compensation Programs," Special TEUC Report No. 6, BES No. U-225-6 (Washington: U.S. Department of Labor, February 1967).

most part, these variations were brought about by differences in the provisions of State laws. Seven of the States in this study do not reduce unemployment insurance by the retirement benefits drawn and thus permit simultaneous receipt of both. The percent of Federal employees who retired in 1974 and who were in receipt of both a pension and unemployment insurance benefits in 1974 or 1975 in these seven States was: Arizona, 25.2 percent; California, 25.0 percent; Georgia 37.2 percent; North Carolina, 11.8 percent; Ohio, 5.6 percent; Oklahoma, 70.4 percent; and Texas, 44.2 percent. In five of these seven States, the percent shown was relatively high, and in two it was moderate. In the six States that reduce unemployment insurance benefits by 50 percent of the pension, the proportion receiving both payments was moderate. It was between nearly 7 and almost 10 percent in Illinois, Maryland, Missouri, and New York, and about 4 percent in Michigan and Tennessee. In three States, Pennsylvania, Virginia, and Washington, unemployment insurance weekly benefits were reduced by a portion of the prorated pension. In Pennsylvania, which deducts the amount of pension in excess of \$40, the percent receiving both benefits was relatively high, 36.5 percent. In Washington, which deducts the amount of pension in excess of \$12, it was also fairly high, 18.6 percent, while in Virginia, which deducts the amount of the pension in excess of one-third of the weekly benefit amount or \$10, whichever is greater, it was only 1.4 percent. Of the

four remaining States, which reduce unemployment insurance weekly benefits by the full amount of the prorated Federal pension, the percent receiving both payments was very low in three--2.1 in Alabama, 3.1 in Colorado, and 0.5 in Indiana. In the fourth State, Florida, it was a moderately high 14.4 percent, which may be due to the fact that Florida does not reduce the weekly benefit amount of Federal employees who retire on disability pensions. (See tables 1 and 2.) The study data on the Federal Government civilian annuitants who retired in 1975 indicate that 16.2 percent received a first payment in 1975. (See table 3.)

Conclusion

While this study in itself does not answer the question of whether the practice of paying both benefits concurrently is desirable, it emphasizes the scope and importance of the issue by analyzing its magnitude. It is recommended that studies be conducted in all States that do not preclude concurrent payment of UI and pension benefits to Federal Government civilian retirees to gather information on recipients' personal characteristics, weekly benefit amount, total entitlement, potential and actual duration of benefits, exhaustion of entitlement, disqualification of pensioners, and postunemployment insurance and postretirement labor force experience. Another important information need is current data on the incidence of unemployment insurance payments to recipients of private pensions by several representative States that do not restrict UI benefits.

Number and Percent of Federal Civil Service Employees Retiring in 1974 Who Drew a UCFE First Payment in 1974 or 1975

Annuitants who retired in 1974 who drew UCFE first payments in 1974 or 1975

State	Total 1974 annuitants <u>1/</u>	First payment in 1974 (Number)	Percent of total 1974 annuitants	First payment in 1975 (Number)	Percent of total 1974 annuitants	First payment in 1974 or 1975 (Number)	Percent of total 1974 annuitants
Total, 20 States	58,810	8,186	13.9	3,650	6.2	11,836	20.1
Alabama	1,603	23	1.4	10	0.6	33	2.1
Arizona	866	160	18.5	58	6.7	218	25.2
California	11,124	1,935	17.4	841	7.6	2,776	25.0
Colorado	1,391	26	1.9	17	1.2	43	3.1
Florida	2,450	209	8.5	145	5.9	354	14.4
Georgia	2,743	821	29.9	199	7.3	1,020	37.2
Illinois	2,870	115	4.0	169	5.9	284	9.9
Indiana	1,167	--	--	6	0.5	6	0.5
Maryland	3,160	124	3.9	156	4.9	280	8.9
Michigan	1,277	43	3.4	12	0.9	55	4.3
Missouri	1,813	74	4.1	50	2.8	124	6.8
New York	4,654	325	7.0	77	1.7	402	8.6
North Carolina	1,099	48	4.4	82	7.5	130	11.8
Ohio	3,092	121	3.9	52	1.7	173	5.6
Oklahoma	2,301	788	34.2	833	36.2	1,621	70.4
Pennsylvania	4,808	1,514	31.5	239	5.0	1,753	36.5
Tennessee	832	22	2.6	10	1.2	32	3.8
Texas	4,808	1,608	33.4	516	10.7	2,124	44.2
Virginia	4,926	24	0.5	44	0.9	68	1.4
Washington	1,826	206	11.3	134	7.3	340	18.6

1/ Annuitants retiring in 1974 as furnished by the U.S. Civil Service Commission. The total number retiring in the United States in 1974 was 96,924. Of this total the last duty station of 14,734 (15.2 percent) was unknown, 58,810 (60.7 percent) retired in the States shown above, and 23,380 (24.1 percent) retired in the 30 remaining States, the District of Columbia, and Puerto Rico.

Table 2

Percent of Federal Employees Who Retired in 1974 Who Drew a UCFE First Payment in 1974 or 1975 and
 State Law Requirements Governing Deduction of a Federal Pension from Unemployment
 Insurance Weekly Benefit Amount in 1974 or 1975, 20 States

State	Percent of retirees receiving a UCFE first payment	Amount of pension deducted from unemployment insurance weekly benefit amount under State laws
Total 20 States	20.1	--
Alabama	2.1	Full amount of prorated Federal pension from bas period employer deducted.
Arizona	25.2	Federal pension not deducted.
California	25.0	Federal pension not deducted.
Colorado	3.1	Full amount of prorated Federal pension from bas period employer deducted.
Florida	14.4	Full amount of prorated Federal pension from bas period employer deducted. <u>1/</u>
Georgia	37.2	Federal pension not deducted.
Illinois	9.9	Fifty percent of prorated Federal pension from b period employer deducted.
Indiana	0.5	Full amount of prorated Federal pension from bas period employer deducted.
Maryland	8.9	Fifty percent of prorated Federal pension from b period employer deducted.
Michigan	4.3	Fifty percent of prorated Federal pension from b period employer deducted.

State	Percent of retirees receiving a UCFE first payment	Amount of pension deducted from unemployment insurance weekly benefit amount under State laws
Missouri	6.8	Fifty percent of prorated Federal pension from base period employer deducted.
New York	8.6	Fifty percent or prorated Federal pension from base period employer deducted.
North Carolina	11.8	Federal pension not deducted.
Ohio	5.6	Federal pension not deducted.
Oklahoma	70.4	Federal pension not deducted. <u>2/</u>
Pennsylvania	36.5	Portion of prorated Federal pension in excess of \$40 from base period employer deducted.
Tennessee	3.8	Fifty percent of prorated Federal pension from base period employer deducted. <u>3/</u>
Texas	44.2	Federal pension not deducted.
Virginia	1.4	Portion of prorated Federal pension in excess of third of weekly benefit amount or \$10, whichever is greater, from employer of last 30-day work period deducted.
Washington	18.6	Portion of prorated Federal pension in excess of from base period employer deducted.

1/ Prorated pension not deducted from unemployment insurance weekly benefit amount of Federal employee who retire on disability pension.

2/ Effective July 1, 1978, full amount of prorated Federal pension from any employer deducted from unemployment insurance weekly benefit amount.

3/ The Board of Review in the Tennessee Department of Employment Security ruled on May 2, 1975, that a Federal pension cannot be deducted from the unemployment insurance weekly benefit amount.

Table 3

Number and Percent of Federal Civil Service Employees
Retiring in 1975 Who Drew a UCFE First Payment in 1975

State	Total 1975 annuitants <u>1/</u>	First payment in 1975 (Number)	Percent of total 1975 annuitants
Total, 20 States	54,738	8,876	16.2
Alabama	1,570	19	1.2
Arizona	849	120	14.1
California	9,199	1,538	16.7
Colorado	1,457	26	1.8
Florida	2,540	330	13.0
Georgia	2,447	734	30.0
Illinois	2,743	248	9.4
Indiana	1,217	26	2.1
Maryland	3,148	467	14.8
Michigan	1,378	199	14.4
Missouri	1,850	86	4.6
New York	4,539	464	10.2
North Carolina	1,103	91	8.3
Ohio	2,721	158	5.8
Oklahoma	2,205	1,187	53.8
Pennsylvania	4,168	1,050	25.2
Tennessee	867	22	2.5
Texas	4,810	1,806	37.5
Virginia	4,083	45	1.1
Washington	1,844	205	13.6

1/ Annuitants retiring in 1975 furnished by the U.S. Civil Service Commission. The total number retiring in the United States in 1975 was 87,699. Of this total, the last duty station of 9,193 (10.5 percent) was unknown, 54,738 (62.4 percent) retired in the States shown above, and 23,768 (27.1 percent) retired in the 30 remaining States, the District of Columbia, and Puerto Rico.