

Notes and Brief Reports

Federal Employees Group Life Insurance Act Amendments*

On August 11, 1955, the President signed Public Law No. 356, affecting the life insurance then in force for members of an association of Federal employees and extending the provisions for group life insurance after retirement to some persons not formerly eligible.

The original act¹ made provision for the assumption by the Civil Service Commission of life insurance on association members previously retired, or otherwise separated from Federal service, but not for members in active service. This provision was contingent upon termination by the association of all life insurance agreements within 1 year—by August 17, 1955. There was further provision that, in allocating the Federal employees' group life insurance among qualified insuring and reinsuring companies, the amount to be reinsured by a company with whom the association insurance had originally been placed would be such that the group life insurance plus the association insurance would not be less than the association insurance carried by the company at the end of 1953. The new law provides that, upon election by the association, the Federal employees' life insurance fund will assume all life insurance agreements of the association with all benefits guaranteed. The membership contribution rates would remain unchanged, with premiums paid to the fund under conditions prescribed by the Commission.

Any association electing to transfer the insurance to the fund is required to transfer the lesser of (1) the actuarial value of the insurance liability involved, and (2) its total assets. The original act contained a similar provision, but the liability related only to the insurance on retired or terminated employees, while

it now relates to the insurance on all members. Since under the amendment the insurance liability involved will be greater, actuarial deficiencies are more probable. (These deficiencies will, of course, have to be borne by the fund.)

The arrangements for the transfer are to be made within 6 months after August 11, 1955. In "extenuating circumstances" the Civil Service Commission may agree upon a later date, but it cannot be later than August 17, 1957. Only life insurance in effect on August 11, 1955, may be so transferred. Thus the association member may continue the full amount of his association insurance in addition to the group life insurance provided under the 1954 act, and the United States Government guarantees the benefits.

The association insurance assumed by the fund is to be insured by one or more of the companies insuring or reinsuring the Federal employees' group life insurance. All insurance may, however, be placed with the company carrying the association insurance. The 1955 amendments guarantee that, in allocating the insurance, the amount of group life insurance on Federal employees, together with the amount of association insurance so placed with the insurance company, will not fall below that in effect in that company at the end of 1953.

Another amendment affects the continuation of group life insurance upon retirement. Previously, unless the retirement was for disability, civilian service of 15 years was required for such continuation. Under the law as amended, military service may be included toward the 15-year requirement. As an example, an employee retiring with 13 years of civilian service and 3 years of military service will now be eligible for continuation of group life insurance, with the cost borne by the fund. Since he lacked 15 years of civilian service, his insurance would have been terminated under the original act (subject to the privilege of converting to individual insurance at attained age). This change brings

the eligibility basis for continuation of group life insurance into conformity with the "normal retirement" provisions under the civil-service retirement system. Under that system, 15 years of total service—including 5 years of civilian service—are required in order to retire at age 62 with full survivor benefit protection.

A minor amendment authorizes the Secretary of the Treasury to invest the money held by the fund in interest-bearing obligations of the United States. No mention of investment was made in the 1954 act.

State-Chartered Credit Unions, 1954*

The credit union movement in the United States acquired legal status as far back as 1909, when the Massachusetts Legislature passed a law to provide for the chartering and organization of credit unions. Today there are local credit union laws on the books of 44 States,¹ the District of Columbia, and Puerto Rico.

On December 31, 1954, there were 7,840 active State-chartered credit unions in the United States.² All but 101 submitted reports on their operations in 1954 to the State official—usually the superintendent of banks—charged with the supervision of credit unions. This official then forwarded to the Bureau of Federal Credit Unions a composite report on activities of credit unions in his State during 1954. Data for the District of Columbia, Puerto Rico, and all but four of the States are on a calendar-year basis; data for Indiana, Kentucky, and New Hampshire are for the fiscal year ended June 30, 1954, and data for Missouri are for the fiscal year ended September 30.

Though the increase in the number and membership of State-chartered credit unions was interrupted

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¹ Delaware, Nevada, South Dakota, and Wyoming have no credit union laws.

² See the *Bulletin*, November 1954 and November 1953, for operations in 1953 and 1952; for a summary report of earlier years, see the *Monthly Labor Review*, February 1953.

* Prepared by Weltha Van Eenam, Division of the Actuary.

¹ See the *Bulletin*, October 1954, pages 11-14.

during the war years, growth in assets has been continuous since 1932 (table 1), and by 1949 total assets amounted to \$511 million. Four years later, total assets had passed the \$1-billion mark and by the end of 1954 exceeded \$1.2 billion. Membership in State-chartered credit unions, meanwhile, had exceeded 1 million by the end of 1937, had passed the 2-million mark by the end of 1948, and by the end of 1954 had reached 3.8 million.

Operations in 1954

Geographical distribution.—Operations of State-chartered credit unions are shown, by State, in table 3. Though two States—California and Idaho—did not report for 1954, and a few other States were unable to report one or more of the items shown in the table, totals for all items include estimates for the missing information.

Assets of all credit unions operating under State charter totaled \$1,241 million at the end of 1954, an increase of 19 percent from the total a year earlier. Average assets per credit union stood at \$160,351 in

Table 1.—Development of State-chartered credit unions, 1925-54

Year	Number of credit unions		Number of members	Assets
	Total	Number reporting		
1925	419	176	108,000	(1)
1929	974	838	264,908	(1)
1931	1,500	1,244	286,143	\$33,645,343
1932	1,612	1,472	301,119	31,416,072
1933	2,016	1,772	359,646	35,496,668
1934	2,450	2,028	427,097	40,212,112
1935	2,600	2,589	597,609	47,964,068
1936	3,490	2,734	854,475	73,659,146
1937	3,792	3,128	1,055,736	97,087,995
1938	4,299	3,977	1,236,826	117,672,392
1939	4,782	4,677	1,459,377	145,803,444
1940	5,267	5,175	1,700,390	180,649,090
1941	5,663	5,506	1,907,694	216,557,977
1942	5,622	5,400	1,797,084	221,114,849
1943	5,285	5,124	1,721,240	228,314,723
1944	4,993	4,907	1,629,706	253,663,658
1945	4,923	4,858	1,626,364	281,524,015
1946	5,003	4,954	1,717,616	322,082,553
1947	5,155	5,097	1,893,944	380,751,106
1948	5,273	5,271	2,120,708	443,049,633
1949	5,427	5,402	2,271,115	510,726,465
1950	5,602	5,585	2,482,539	599,165,879
1951	5,881	5,886	2,732,495	693,613,296
1952	6,362	6,324	3,035,046	853,709,783
1953	7,096	6,986	3,380,121	1,040,874,593
1954	7,840	7,739	3,771,707	1,240,939,886

¹ Data not available.

Source: Data for 1925-51, Bureau of Labor Statistics.

Table 2.—Total amount of loans and of real estate loans made by State-chartered credit unions, 25 States, 1954¹

State	Loans outstanding at end of period		Loans made during period	
	Total	Secured by real estate	Total	Secured by real estate
Total	\$538,792,838	\$147,634,136	\$600,215,000 ²	\$58,221,000 ²
Alabama	11,105,276	1,152,597	19,566,555	(3)
Colorado	16,317,222	2,577,875	20,190,425	1,331,000
District of Columbia	2,232,055	212,572	3,122,441	41,315
Florida	15,037,610	1,597,265	20,591,483	(3)
Iowa	18,994,909	2,685,172	23,189,836	947,311
Kansas	10,000,799	849,722	13,226,218	(3)
Maine	1,886,331	20,101	2,613,519	3,800
Massachusetts	76,137,356	33,926,993	80,022,203	11,079,984
Michigan	72,580,623	22,286,929	74,663,433	3,975,213
Minnesota	43,600,579	17,978,641	46,985,091	6,942,412
Mississippi	547,862	45,793	423,785	55,473
Missouri	40,343,070	6,253,492	(3)	(3)
New Hampshire	3,017,111	1,752,565	(3)	(3)
New Mexico	375,749	355	(3)	(3)
North Dakota	3,536,458	339,438	2,849,650	(3)
Ohio	52,822,230	6,497,211	75,741,970	(3)
Oklahoma	7,888,316	309,174	(3)	(3)
Oregon	7,216,546	664,731	7,885,699	126,914
Rhode Island	26,575,548	14,981,736	15,293,274	3,486,477
Texas	33,180,492	1,539,494	45,568,529	818,361
Utah	9,334,870	1,239,765	10,909,495	443,899
Vermont	953,690	119,915	(3)	(3)
Washington	16,522,705	1,190,363	20,324,026	432,052
West Virginia	1,214,213	177,424	1,635,459	(3)
Wisconsin	67,371,218	29,234,813	56,838,647	10,073,098

¹ States reporting on real estate loans. Data are for calendar year unless otherwise noted.

² Includes estimate for States not reporting.

³ Data not available.

⁴ Year ended June 30.

⁵ Year ended September 30.

1954, compared with averages of \$148,994 on December 31, 1953, and \$134,995 at the end of 1952. Total assets exceeded \$100 million in each of three States—Illinois, Massachusetts, and Wisconsin. These States accounted for 30 percent of all State-chartered credit unions and for nearly a third of the membership and assets of credit unions in all States.

Loans outstanding at the end of 1954 amounted to \$877 million, an increase of 20 percent from the amount outstanding at the end of 1953. A 21-percent increase in paid-in share capital from the amount on December 31, 1953, brought the total to \$1,051 million as of the end of 1954, for an average of \$279 per member. Among the States, Illinois, which had by far the largest amount of loans outstanding at the end of 1954, accounted for nearly 13 percent of the total. The average loan to members of Illinois credit unions was only \$200, however, while the average for all State-chartered credit unions combined was \$233.

The item "dividends on shares" is probably the least reliable of the items in table 3, since only 34 of the

46 States shown in the table reported this item. The estimated amount of dividends paid in 1954 is slightly more than \$32 million, or nearly 30 percent more than the estimated total for 1953. Dividends accounted for about two-thirds of net earnings in both years. In 1954, dividends represented 3 percent of all paid-in share capital.

Real estate loans.—According to State reports, loans on real estate are permitted by law in 29 States and prohibited in three States; in 14 other States, the law is silent on the question of real estate loans, though eight of these States reported such loans in 1954.

Of the \$538.8 million in loans outstanding at the end of 1954 in the 25 States that reported on real estate loans, \$147.6 million, or 27 percent of the total, was secured by real estate (table 2). Less than 10 percent of the loans made during 1954, however, were secured by real estate.

Among the 14 States that submitted complete reports on real estate loans, such loans ranged from 1.1 percent of total loans outstanding and 0.1 percent of loans made during 1954 in Maine to 56 percent and 23

percent, respectively, in Rhode Island. In Massachusetts, 45 percent of all loans outstanding at the end of 1954, but only 14 percent of the loans made during the year, were secured by real estate. In Mississippi, on the other hand, about 8½ percent of outstanding loans but 13 percent of the loans made in 1954 were secured by real estate.

State-Chartered and Federal Credit Unions

State-chartered credit unions had been in operation for varying periods up to a quarter of a century before the Federal Credit Union Act was passed in 1934. Twenty years later, in 1954, State-chartered credit unions

Table 4.—Credit unions in the United States, 1954

Item	Total	State-chartered	Federal
Number in operation.....	15,067	7,840	7,227
Number reporting.....	14,966	7,739	7,227
Membership.....	7,370,497	3,771,707	3,598,790
Amount of loans outstanding.....	\$1,558,948,409	\$876,978,073	\$681,970,336
Paid-in share capital.....	1,981,965,873	1,050,558,417	931,407,456
Reserves.....	91,322,046	57,914,225	33,407,821
Total assets.....	2,274,138,928	1,240,959,886	1,033,179,042
Net earnings.....	89,678,168	47,895,431	41,782,737
Dividends paid on shares.....	60,443,738	32,018,139	28,425,599

still outnumbered Federal credit unions, though there is some evidence of a gradual narrowing of the gap. In 1945, active State-chartered credit unions accounted for 57 percent of all credit unions in the United States. By 1950, the propor-

tion had dropped to 53 percent, and since 1950 it has hovered around 52 percent of the total.

In 1954, some 15,100 credit unions were in operation in the United States, with an average membership of nearly 500 individuals (table 4).

Table 3.—Operations of State-chartered credit unions, by State, 1954

State	Number of credit unions		Number of members	Loans outstanding end of year	Paid-in share capital	Reserves	Total assets	Net earnings	Dividends on shares
	Active	Reporting							
Total, 1952 ¹	6,362	6,324	3,035,046	\$569,982,497	\$711,147,388	\$38,879,577	\$853,709,783	\$25,931,905	\$18,547,203
Total, 1953 ¹	7,096	6,986	3,380,121	733,529,119	870,436,258	48,874,892	1,040,874,593	36,199,982	24,716,669
Total, 1954 ¹	7,840	7,739	3,771,707	876,978,073	1,050,558,417	57,914,225	1,240,959,886	47,895,431	32,018,139
Alabama ²	99	97	56,453	11,105,276	16,702,411	508,036	19,147,055	929,415	(³)
Arizona ²	22	20	3,599	757,764	706,376	(³)	863,262	38,231	(³)
Arkansas.....	37	32	8,933	1,174,718	1,579,823	62,437	1,728,584	69,249	46,849
California ²	105	105	55,797	16,317,222	17,434,594	604,080	20,028,201	789,623	494,001
Colorado.....	130	131	29,789	5,578,281	7,735,220	151,135	8,516,818	265,882	131,948
Connecticut.....	16	16	16,839	2,232,055	2,906,478	234,711	3,325,905	122,770	100,372
District of Columbia.....	220	217	61,419	15,037,610	17,244,739	805,455	19,326,266	1,045,083	544,526
Florida.....	144	144	60,253	12,981,005	339,655	791,094	16,892,978	2,572,148	2,957
Idaho ²	1,196	1,202	559,729	111,953,651	167,823,184	9,417,072	184,308,704	7,183,268	5,019,682
Illinois.....	155	154	(³)	(³)	20,217,608	976,164	22,422,835	(³)	(³)
Indiana ⁴	266	264	84,159	18,994,909	23,580,027	1,008,542	26,858,445	851,082	652,030
Iowa.....	138	138	52,173	10,000,799	12,569,231	405,671	13,973,762	655,844	380,318
Kansas.....	135	135	53,561	10,902,726	13,234,841	791,686	14,781,358	(³)	(³)
Kentucky ⁴	100	100	(³)	5,423,474	6,140,624	375,023	7,105,888	369,211	(³)
Louisiana.....	8	8	8,773	1,886,331	2,054,030	144,897	2,371,256	82,052	58,111
Maine ⁵	47	47	40,097	7,098,021	7,739,216	465,119	10,143,599	415,413	296,011
Maryland.....	473	473	367,769	76,137,356	98,901,255	9,809,177	121,866,831	6,125,571	(³)
Massachusetts.....	330	306	208,643	72,580,623	82,831,766	3,827,765	95,261,165	3,533,863	2,316,181
Michigan.....	338	336	131,093	43,600,579	44,851,673	2,117,898	54,801,314	1,680,076	1,341,896
Minnesota.....	9	8	5,344	547,862	979,228	63,290	1,156,080	54,932	44,658
Mississippi.....	451	451	179,223	40,343,070	52,019,267	2,203,273	57,522,943	1,482,640	1,317,033
Missouri ⁵	11	11	2,505	489,390	510,583	20,723	597,666	33,116	13,644
Montana.....	70	70	24,466	5,764,868	6,580,487	229,963	7,182,666	314,468	208,490
Nebraska.....	30	30	9,868	3,017,111	1,406,332	136,707	4,091,633	135,440	26,406
New Hampshire ⁴	73	73	39,434	3,657,053	11,014,979	374,881	11,656,048	378,144	302,540
New Jersey.....	29	29	3,837	375,749	347,454	9,794	409,478	(³)	(³)
New Mexico.....	192	192	152,812	27,460,359	33,406,962	3,183,929	39,405,552	1,328,037	883,320
New York.....	224	183	65,434	10,902,214	13,134,946	821,974	16,151,922	603,615	328,750
North Carolina.....	76	76	15,103	3,536,458	5,345,606	182,041	5,730,104	120,866	45,386
North Dakota.....	405	390	210,517	52,822,230	66,192,449	2,781,723	74,147,031	3,060,615	1,913,177
Ohio.....	40	40	32,507	7,888,316	258,236	519,293	9,684,654	154,083	(³)
Oklahoma.....	36	36	24,446	7,216,546	7,742,049	390,761	8,551,384	383,765	243,484
Oregon.....	91	91	62,859	10,467,225	13,548,456	781,881	16,760,927	630,768	417,065
Pennsylvania.....	83	85	33,181	3,861,774	3,423,157	71,323	4,347,765	111,552	(³)
Puerto Rico.....	62	61	77,493	26,575,548	22,073,646	1,907,616	37,471,232	1,123,026	581,836
Rhode Island.....	19	18	4,449	(³)	(³)	(³)	919,350	(³)	(³)
South Carolina ²	129	126	63,808	15,143,163	18,419,547	768,264	20,998,790	850,068	593,774
Tennessee.....	353	346	119,149	33,180,492	35,586,115	714,505	40,409,731	1,819,558	1,417,483
Texas.....	97	98	26,621	9,334,870	9,539,017	241,972	10,664,059	478,851	316,584
Utah.....	54	53	8,755	953,690	1,040,158	29,091	1,151,026	47,059	15,869
Vermont.....	73	73	28,349	4,734,549	3,993,817	356,930	5,640,891	190,257	106,594
Virginia.....	125	125	72,805	16,522,705	19,185,188	923,612	21,640,935	1,039,903	639,094
Washington.....	26	26	6,747	1,214,213	876,216	66,866	1,504,823	12,088	37,380
West Virginia.....	668	668	266,916	67,371,218	93,973,871	5,250,071	102,598,430	3,809,949	2,458,070
Wisconsin.....									

¹ Include estimates for unreported data.

² Estimated by State Credit Union League.

³ Data not reported.

⁴ Fiscal year ended June 30.

⁵ Includes data for 1 credit union as of October 31.

⁶ Fiscal year ended September 30.

Average membership was 487 in credit unions operating under State charters and 498 for those operating under the Federal act. Loans outstanding totaled \$1.6 billion, while paid-in share capital amounted to \$2 billion. The average member in a State-chartered credit union had \$279 in shares at the end of 1954, while average shareholdings among members of Federal credit unions amounted to \$259.

State-chartered credit unions held 55 percent of all assets held by credit unions in 1954. Their average assets amounted to \$160,351, compared with an average of \$142,961 for Federal credit unions.

Based on total shareholdings, there was no appreciable difference between State-chartered and Federal credit unions in the overall dividend rate—3 percent in 1954.

Civil Service Retirement Act Amendments, 1955*

Only one law significantly amending the Civil Service Retirement Act was enacted in 1955 by the Eighty-fourth Congress, first session. On August 11, the President signed Public Law No. 369, which increased the annuities of those then on the rolls and those who will enter before 1958. The increases were effective for October 1955. Another feature of the legislation is the liberalization of the retirement system for Members of Congress.

Perhaps the primary reason for increasing the annuities of persons now on the rolls was the enactment of recent salary increases for classified and postal employees (amounting to about 7½–8 percent), in recognition of recent cost-of-living changes. With such increases, for a given grade classification the annuity payable for those retiring several years hence would, if no change were made in the retirement provisions, be significantly larger than for those already retired and those retiring currently. Accordingly, some adjustment seemed appropriate.

Under Public Law No. 369, for annuitants on the rolls before July 1955

* Prepared in the Division of the Actuary.

the increase (subject to a maximum provision) is 12 percent of the first \$1,500 of the annual annuity and 8 percent of the balance. The following tabulation shows the graded insurance applicable for those with an annuity commencing at different dates in the past and in the near future:

Commencing date of annuity	Percentage increase applicable to previous annuity	
	First \$1,500	Excess over \$1,500
Before July 1955.....	12	8
July-December 1955.....	10	7
January-June 1956.....	8	6
July-December 1956.....	6	4
January-June 1957.....	4	2
July-December 1957.....	2	1

The increases apply not only to the regular annuity based on the compulsory contributions but also to any additional annuity purchased by voluntary deposits of the employee (even though the latter are, of course, not affected by the pay increases).

A maximum provision limits the amount of the increases. The sum of the previous regular annuity and the increase in both the regular annuity and the voluntary annuity (if any) may not exceed \$4,104 annually (\$342 monthly). Table 1 shows how this maximum provision works out for various illustrative cases with regular and voluntary annuities of varying sizes. From one point of view, the bill discriminates in favor of those with voluntary annuities. If two individuals retired at the same time with the same total annuity, and the first had a voluntary annuity while the second did not (or had a smaller voluntary annuity), the former in some cases receives a greater increase.

The increases also affect the amounts paid to survivor annuitants whose annuities begin before 1958, with the amount of the increase based on the starting date of the survivor annuity. The increases do not apply, however, to all survivor benefits based on the earnings of present retired employees (or those retiring before 1958) but rather only

when the survivor annuity also commences before 1958. Consider, for example, the case of a retired employee whose annuity commenced in June 1955, at which time he was aged 62 and his wife was aged 60 or over. If his full annuity was \$1,500 a year, by taking an annuity reduced by 5 percent (to \$1,425) he could provide a survivor annuity of \$750 for his wife. Under the provisions of the new legislation, the employee annuity is increased by 12 percent, or to \$1,596. The amount of the widow's annuity will depend upon the date of death of the husband. Thus, if it commenced in December 1955, it would be \$825 a year (110 percent of \$750); if it were to commence in December 1957, it would be \$765 (102 percent of \$750), and if it were to commence after 1957, no increase over the previously scheduled amount of \$750 would be provided.

Approximately 300,000 annuitants benefited immediately from the enactment of this legislation. The increased cost in the first full year of operation was estimated at about \$45 million, while the total increase in cost over all future years, allowing for discounting at 3-percent compound interest, is about \$450 million. No provision was made in the legis-

Table 1.—Illustrative annual increases in civil service retirement annuities granted under Public Law No. 369 to annuitants who retired before July 1955

Total	Amount of annuity before increase		Amount of increase ¹	
	Regular	Voluntary	Based on formula ²	Based on maximum ³
\$1,000	(4)	(4)	\$120	(5)
2,000	(4)	(4)	220	(5)
3,000	(4)	(4)	300	(5)
4,000	\$4,000	-----	380	\$104
4,000	3,500	\$500	380	604
4,000	3,000	1,000	380	1,104
5,000	5,000	-----	460	0
5,000	4,500	500	460	0
5,000	4,000	1,000	460	104
5,000	3,500	1,500	460	604
5,000	3,000	2,000	460	1,104

¹ Actual increase is smaller of figures shown in 2 columns below.

² 12 percent of first \$1,500 of total annuity before increase, plus 8 percent of remainder.

³ \$4,104 minus regular annuity (before increase).

⁴ Distribution between regular annuity and voluntary annuity does not affect the amount of increase.

⁵ Not applicable to this case.