

allowance is made for program overlap, it is possible to estimate that a total of 830,000 widows under age 65 without children—or 1 in 3 of the total in the population—currently receive support under a social insurance or veterans' program.

Taking into account the fact that more than half the 2,485,000 widows under age 65 with no children were employed—including perhaps one-sixth of those receiving social insurance or veterans' payments—and that an estimated 80,000 were receiving general assistance leaves roughly 1 in 6 dependent entirely on other resources. A few were, for example, probably receiving unemployment insurance or workmen's compensation benefits. A small number were in public institutions, and some were undoubtedly among the persons receiving aid to the blind and aid to the permanently and totally disabled. Others lived on investments or annuities or were supported by grown children or other relatives.

As a part of the task of assessing the effectiveness of protection for widows, orphans, and other population groups who may need income support at some stages because they have lost their source of family income, more research is necessary to see how the various social programs complement each other. It is also important from time to time to reexamine the structure and goals of protective programs in the light of changing social conditions that have a bearing on economic independence—that is, the growing employment of women, the trends to earlier marriage and parenthood that sometimes conflict with trends towards longer periods of education and training, and, perhaps, the changing patterns of family stability.

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## Forfeiture of Civil-Service Retirement Benefits\*

Persons leaving positions covered by contributory retirement systems that provide for vesting usually have the option of withdrawing their contributions, thereby forfeiting their right to a retirement benefit, or of not withdrawing their

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\* Prepared by Joseph Krislov, Division of Program Analysis, Bureau of Old-Age and Survivors Insurance. For additional information see Joseph Krislov, *Characteristics of Persons Separating and Withdrawing Contributions From the Federal Civil Service Retirement System* (Bureau of Old-Age and Survivors Insurance, Analytical Note No. 6-61), June 1961.

contributions and retaining their right to a benefit. Little information is available on the proportion and characteristics of members of either government retirement programs—Federal, State, and local—or private plans who have chosen to forfeit their vested rights by withdrawing their contributions at the time of separation from their employment.<sup>1</sup> Such information to the extent that it exists is useful in evaluating the protection that contributory pension plans afford the persons they cover and in estimating the costs of these retirement systems.

### SAMPLE STUDY

To obtain this type of information in connection with the Federal civil-service retirement program, a study was made of 4,206 persons separated from positions covered by the system. These were former employees whose records were processed by the Bureau of Retirement and Insurance of the Civil Service Commission during the week of May 23–27, 1960. (Deaths and retirements were excluded.) Four items of information were obtained at that time: name, date of birth, sex, and annual rate of pay in 1960. Because some persons may not choose to withdraw their contributions immediately upon separating from service, 6 months were allowed to elapse before additional data were obtained. In November 1960 the records of each of these separated employees were checked to determine (1) if he had withdrawn his contributions some time before November 1960 and (2) the length of his Federal civilian service unbroken by any refund of contributions before separation.

Five years of civilian service are required for an employee to acquire a vested right to a benefit under the Federal civil-service retirement system. All years of civilian service—including those for which refunds had been paid—may be counted in establishing eligibility for a vested benefit.<sup>2</sup> Although definite information is not available, it is

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<sup>1</sup> Jonas Mittleman presented data for nine pension plans in his unpublished dissertation, *The Vesting of Private Pensions* (University of Pennsylvania, 1959), page 115.

<sup>2</sup> For the details of the Federal civil-service retirement system's vesting provisions, see U.S. Civil Service Commission, *Your Retirement System* (Pamphlet 18, March 1957), pages 27–29.

believed that few, if any, private pension plans permit members who have withdrawn their contributions at separation to obtain credit for these years of service when they subsequently re-enter employment covered by the plan. To provide information that may have some relevance for private pension plans, only the worker's years of civilian service unbroken by any earlier refunds were considered initially.

Information was also collected on all separated workers with a vested right under the civil-service program. Data were obtained on the number and characteristics of the persons in the study who acquired a vested right resulting from the addition of (1) periods of earlier service for which refunds were paid, and (2) the period of current service that was terminated around May 1960.

### Persons With Service Unbroken by Refunds

Almost three-fourths of the 1,182 persons leaving Federal employment after 5 or more years of service elected to withdraw their contributions (table 1). The proportion of withdrawals declined as the length of service increased. Contributions were withdrawn by almost four-fifths

of the largest group—those who separated with 5 years of service but less than 10—and by two-thirds of those with 10–19 years of service. Among the few persons (22) in the study who had 20–29 years of service, only eight withdrew their contributions.

Withdrawals were made by relatively more men than women. Of the total with 5 or more years of service, 77 percent of the men withdrew their contributions and 70 percent of the women, and the proportion was higher for men than for women in each years-of-service interval. The difference was slight for those with less than 10 years of service and more substantial for those with longer service.

Withdrawals were relatively fewer among the older workers. The proportion declined from 88 percent for ages 20–29 to 50 percent for ages 60–62. The same pattern prevailed for both men and women, although the proportion was smaller for women than for men in almost all the age groups.

Proportionately more withdrawals were made by persons who had been in the lower salary brackets than by those with higher earnings. Of the 140 persons separated with 5 or more years of service, four-fifths of those whose annual rate of

TABLE 1.—Persons separated from a position covered by the Federal civil-service retirement system with 5 or more years of service unbroken by earlier refunds: <sup>1</sup> Number and proportion withdrawing contributions, by age, sex, and length of service.

Attained age in 1960	Total			Completed years of service <sup>2</sup>											
				5-9			10-19			20-29			30 or more		
	Number	Withdrawals	Percent	Number	Withdrawals	Percent	Number	Withdrawals	Percent	Number	Withdrawals	Percent	Number	Withdrawals	Percent
Total	1,182	880	74	854	676	79	304	195	64	22	8	36	2	1	50
20-29	140	123	88	138	122	88	2	1	50						
30-39	451	378	84	337	291	86	113	86	76	1	1	100			
40-49	354	250	71	234	170	73	107	74	69	13	6	46			
50-59	209	116	56	127	85	67	73	29	40	7	1	14	2	1	50
60-62	26	13	50	16	8	50	9	5	56	1	0	0			
63 and over	2	0	0	2	0	0									
Male	690	534	77	485	391	81	187	134	72	16	8	50	2	1	50
20-29	83	74	89	82	73	89	1	1	100						
30-39	277	234	84	206	177	86	70	56	80	1	1	100			
40-49	203	156	77	120	94	78	72	56	78	11	6	55			
50-59	109	60	55	63	40	63	40	18	45	4	1	25	2	1	50
60-62	17	10	59	13	7	54	4	3	75						
63 and over	1	0	0	1	0	0									
Female	492	346	70	369	285	77	117	61	52	6	0	0			
20-29	57	49	86	56	49	88	1	0	0						
30-39	174	144	83	131	114	87	43	30	70						
40-49	151	94	62	114	76	67	35	18	51	2	0	0			
50-59	100	56	56	64	45	70	33	11	33	3	0	0			
60-62	9	3	33	3	1	33	5	2	40	1	0	0			
63 and over	1	0	0	1	0	0									

<sup>1</sup>Persons whose records were processed during the week of May 23-27, 1960.

<sup>2</sup>Only Federal civilian service unbroken by refund of contributions.

Source: Bureau of Retirement and Insurance, U.S. Civil Service Commission.

pay was less than \$4,000 withdrew their contributions, in contrast to less than half of those who had been paid \$7,000 or more.

### Persons With Earlier Refunds

A second group had a vested right to a benefit when they left Federal service around May 1960. This group consisted of persons who had withdrawn their contributions at the time of a previous separation and subsequently re-entered Federal service. To qualify for a vested benefit, an employee must have had a total of at least 5 years of civilian service, including a minimum of 1 year of civilian service within the 2-year period before separation. Table 2 shows the total number of persons with earlier refunds and the number who withdrew their contributions some time after the separation in 1960 but before November, by age distribution.

Only 220 or 5 percent of the 4,206 persons in the study had a vested right based on earlier service for which contributions had been refunded and on current service terminated around May 1960. As shown in table 2, the proportion of withdrawals was higher among these persons (89 percent) than among the group whose service had

been unbroken by refunds. No significant difference appears in the proportion of withdrawals made by men and by women who had received earlier refunds, but age seems to affect the decision to withdraw contributions. Ninety-four percent of those under age 40 withdrew their contributions; the proportion dropped to 82 percent among those aged 40 or over. The proportion of withdrawals for each income group varied, but without any discernible pattern.

### All Persons With Vested Rights

Adding the two groups with vested rights—those with service unbroken by a refund and those whose rights resulted from earlier service plus current service—gives a total of 1,402, or one-third of the 4,206 separating from Federal employment around May 1960. More than three-fourths (1,075) chose to withdraw their contributions and thereby forfeited their right to a retirement benefit.

Almost four-fifths of the 790 men in this group and almost three-fifths of the 612 women withdrew their contributions. The proportion was higher for men than for women in each years-of-service interval. The difference was slight—

TABLE 2.—Persons separated from a position covered by the Federal civil-service retirement system with a vested benefit based on current period of service and earlier service for which refund was claimed: Number and proportion withdrawing contributions, by age, sex, and length of service

Attained age in 1960	Total			Completed years of service <sup>1</sup>								
				5-9			10-19			20-29		
	Number	Withdrawals	Percent	Number	Withdrawals	Percent	Number	Withdrawals	Percent	Number	Withdrawals	Percent
Total.....	220	195	89	162	146	90	57	49	86	1	0	0
20-29.....	20	18	90	20	18	90	.....	.....	.....	.....	.....	.....
30-39.....	104	98	94	75	69	92	29	29	100	.....	.....	.....
40-49.....	67	56	84	47	43	91	20	13	65	.....	.....	.....
50-59.....	24	20	83	16	14	88	7	6	86	1	0	0
60-62.....	5	3	60	4	2	50	1	1	100	.....	.....	.....
Male.....	100	89	89	80	72	90	20	17	85	.....	.....	.....
20-29.....	10	10	100	10	10	100	.....	.....	.....	.....	.....	.....
30-39.....	35	33	94	28	26	93	7	7	100	.....	.....	.....
40-49.....	38	31	82	28	24	86	10	7	70	.....	.....	.....
50-59.....	13	12	92	11	10	91	2	2	100	.....	.....	.....
60-62.....	4	3	75	3	2	67	1	1	100	.....	.....	.....
Female.....	120	106	88	82	74	90	37	32	86	1	0	0
20-29.....	10	8	80	10	8	80	.....	.....	.....	.....	.....	.....
30-39.....	69	65	94	47	43	91	22	22	100	.....	.....	.....
40-49.....	29	25	86	19	19	100	10	6	60	.....	.....	.....
50-59.....	11	8	73	5	4	80	5	4	80	1	0	0
60-62.....	1	0	0	1	0	0	.....	.....	.....	.....	.....	.....

<sup>1</sup> Total Federal civilian service, including years for which refunds were paid.

Source: Bureau of Retirement and Insurance, U.S. Civil Service Commission.

TABLE 3.—Persons separated from a position covered by the Federal civil-service retirement system with a vested benefit: Number and proportion withdrawing contributions, by annual rate of pay, sex, and length of service

Annual rate of pay in 1960	Total			Completed years of service <sup>1</sup>											
				5-9			10-19			20-29			30 or more		
	Num-ber	With-drawals	Per-cent	Num-ber	With-drawals	Per-cent	Num-ber	With-drawals	Per-cent	Num-ber	With-drawals	Per-cent	Num-ber	With-drawals	Per-cent
Total	1,402	1,075	77	1,016	822	81	361	244	68	23	8	35	2	1	50
Less than \$3,000	32	29	91	22	20	91	9	8	89	1	1	100			
3,000-3,999	162	132	81	145	121	83	17	11	65						
4,000-4,999	785	625	80	583	480	82	197	143	73	5	2	40			
5,000-5,999	227	163	72	148	113	76	68	47	69	10	2	20	1		100
6,000-6,999	120	89	74	77	65	84	40	22	55	2	2	100	1	0	0
7,000-7,999	31	17	55	17	10	59	12	7	58	2	0	0			
8,000-8,999	10	7	70	5	4	80	5	3	60						
9,000-9,999	9	4	44	4	2	50	3	1	33	2	1	50			
10,000 and over	25	8	32	14	6	43	10	2	20	1	0	0			
Unknown	1	1	100	1	1	100									
Male	790	623	79	565	463	82	207	151	73	16	8	50	2	1	50
Less than \$3,000	19	18	95	12	11	92	6	6	100	1	1	100			
3,000-3,999	72	57	79	60	50	83	12	7	58						
4,000-4,999	386	329	85	287	246	86	97	81	84	2	2	100			
5,000-5,999	160	116	72	106	80	75	47	33	70	6	2	33	1	1	100
6,000-6,999	87	72	83	63	55	87	21	15	71	2	2	100	1	0	0
7,000-7,999	25	13	52	13	8	62	10	5	50	2	0	0			
8,000-8,999	9	6	67	5	4	80	4	2	50						
9,000-9,999	8	3	38	4	2	50	2	0	0	2	1	50			
10,000 and over	23	8	35	14	6	43	8	2	25	1	0	0			
Unknown	1	1	100	1	1	100									
Female	612	452	74	451	359	80	154	93	60	7	0	0			
Less than \$3,000	13	11	85	10	9	90	3	2	67						
3,000-3,999	90	75	83	85	71	84	5	4	80						
4,000-4,999	399	296	74	296	234	79	100	62	62	3	0	0			
5,000-5,999	67	47	70	42	33	79	21	14	67	4	0	0			
6,000-6,999	33	17	52	14	10	71	19	7	37						
7,000-7,999	6	4	67	4	2	50	2	2	100						
8,000-8,999	1	1	100				1	1	100						
9,000-9,999	1	1	100				1	1	100						
10,000 and over	2	0	0				2	0	0						

<sup>1</sup> For 1,182 persons, Federal civilian service, unbroken by any refunds; for 220 persons, total Federal civilian service, including years for which refunds were paid.

Source: Bureau of Retirement and Insurance, U.S. Civil Service Commission.

82 percent for men and 80 percent for women—among those with 5-9 years of service, but it was more substantial—73 percent for men and 60 percent for women—among those who had 10-19 years of service.

The proportion withdrawing their contributions declined with age. The highest percentage (88 percent) was among those aged 20-29. For those aged 30-39, it was 86 percent; aged 50-59, 58 percent; and aged 60-62, 52 percent. The pat-

tern was the same for both men and women, but in most age groups the proportion was smaller for women than for men.

As indicated in table 3, the proportion making withdrawals was largest among those who had been earning lower salaries. Eighty-three percent of the employees who had annual rates of pay of less than \$4,000 withdrew their contributions; only 48 percent of those who had earned \$7,000 or more made withdrawals.