

## Private Social Welfare Expenditures, 1972-88

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The private sector plays a significant role in financing social welfare programs in the United States. The growth of expenditures has steadily increased during the past two decades, influenced by a sharp increase in private pension payments. From 1972 through 1988, private social welfare expenditures climbed from \$93.2 billion to \$601.2 billion, an increase of 545 percent. Viewed as a proportion of the gross national product (GNP), overall private expenditures rose from 7.7 percent in 1972 to 12.3 percent in 1988. During the same period, public social welfare expenditures grew from 16.6 percent of GNP to 18.5 percent.

For purposes of this analysis, four major program categories of private sector expenditures are presented: Health, welfare and related services, education, and income maintenance (includes private pensions, sickness and disability benefits, and group life insurance). All four program categories experienced growth; as a proportion of GNP, income maintenance accounted for the most change, increasing from 1.3 percent to 3.9 percent from 1972 through 1988.

When 1988 expenditures in each category are compared with 1972 expenditures, income-maintenance spending experienced the largest increase—1,087 percent—caused by a rise in private pension payments. Education expenditures showed the smallest increase—317 percent. Private spending for health increased by 446 percent, and private spending for social welfare services increased by 532 percent. This article presents private sector expenditures by major category beginning in 1972 and relates these amounts to public social welfare expenditures and to GNP.

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Private social welfare expenditures were \$601.2 billion in calendar year 1988, representing 40.4 percent of the Nation's total social welfare expenditures, both public and private. Viewed as a share of gross national product (GNP), private expenditures were 12.3 percent and public expenditures amounted to 18.5 percent (table 1). Overall spending

growth in the private sector is occurring at a faster rate than growth of GNP.

The private social welfare expenditure series was developed by the Social Security Administration (SSA) in 1955. Program data were published continuously through calendar year 1978, when the series was discontinued because of difficulties

related to data collection and estimation.<sup>1</sup> In 1987, after a redesign of the methodology for estimating several of the components in the

<sup>1</sup> Traditionally, public social welfare expenditures have been presented in Federal fiscal year terms (currently October 1 through September 30). Data for private expenditures are available on a calendar year basis. Thus, at this time, fully comparable data are available only through calendar year 1988.

**Table 1.**—Private social welfare expenditures, by category: Public and private social welfare expenditures as a percent of gross national product, selected years, 1972-88

[Amounts in millions]

Year	Public spending, total <sup>1</sup>	Private spending <sup>2</sup>					Percent of gross national product		
		Total	Health	Income maintenance	Education	Welfare services	Total <sup>3</sup>	Public spending <sup>4</sup>	Private spending <sup>5</sup>
1972	\$190,315	\$93,243	\$57,200	\$15,909	\$12,677	\$7,457	23.8	16.5	7.7
1973	213,294	102,118	63,200	17,063	13,610	8,245	23.7	16.7	7.6
1974	238,642	112,970	69,400	19,660	15,004	8,906	24.1	16.9	7.7
1975	289,084	126,142	77,800	21,726	16,626	9,990	26.3	19.0	7.8
1976	331,377	144,121	89,800	24,544	18,120	11,657	26.9	19.5	8.0
1977	360,058	165,514	102,000	30,163	19,927	13,424	26.2	18.6	8.2
1978	393,450	187,344	113,600	36,197	21,379	16,168	25.8	18.1	8.2
1979	429,482	210,278	126,200	42,000	23,361	18,717	25.0	17.6	8.3
1980	491,986	242,695	143,900	50,589	26,751	21,455	26.6	18.4	8.8
1981	552,965	278,910	166,800	58,221	30,062	23,827	26.6	18.5	9.1
1982	600,154	316,503	189,000	69,444	32,697	25,362	28.0	19.1	10.0
1983	648,240	353,715	208,500	81,680	35,911	27,624	28.7	19.5	10.4
1984	676,753	389,259	227,300	92,636	38,872	30,451	27.6	18.4	10.3
1985	732,042	437,205	245,200	115,546	42,634	33,825	27.9	18.5	10.5
1986	782,305	483,061	259,800	140,106	45,612	37,543	28.8	18.7	11.4
1987	833,265	539,837	280,500	167,980	49,519	41,838	29.4	18.8	11.9
1988	885,767	601,218	312,400	188,793	52,913	47,112	29.4	18.5	12.3

<sup>1</sup> Fiscal year basis.

<sup>2</sup> Calendar year basis.

<sup>3</sup> Sum of public and private expenditures as a percent of gross national product, after adjustment to eliminate overlap that occurs when payments received under public or private income-maintenance programs are used to purchase medical care, educational services, or residential care.

<sup>4</sup> Represents fiscal year expenditures as a percent of Federal fiscal year gross national product.

<sup>5</sup> Represents calendar year expenditures as a percent of calendar year gross national product.

series, publication was resumed.<sup>2</sup> The purpose of the series is to provide estimates of private expenditures for social welfare programs in the United States and to make possible a comparison between public and private spending. The data indicate that the private sector plays an important part in financing the Nation's social welfare programs. The private sector is responsible for a large portion of health and medical care expenditures, as well as income-maintenance benefits in the form of employment-related pensions, group life insurance, and sickness payments. Financing educational and social services is also an important aspect of the private sector's role in supporting social welfare programs.

Information on public social welfare spending has been available since 1954, and continues to be published as a series in the **Social Security Bulletin** on a regular basis.<sup>3</sup> Data on private social welfare expenditures have been more difficult to gather over time than information on public expenditures. However, information on expenditures in the private sector is essential for a comprehensive

understanding of spending trends in social welfare.

Private expenditures are grouped in four categories: Health and medical care, welfare and other services, education, and income maintenance. In 1988, the health and medical care expenditures category accounted for the highest portion—52 percent, or \$312.4 billion—of the overall total. Private health and medical care expenditures during the 1972-88 period increased 446 percent, compared with an increase of 545 percent for total private social welfare expenditures.

The welfare and other services category includes individual and family social services, residential care, child day care, recreation and group work, and job training and vocational rehabilitation services. In 1988, expenditures for these items were \$47.1 billion—7.8 percent of the year's private social welfare funding. Spending in this category increased 532 percent in the 17-year period under study.

Private expenditures for education in 1988 were \$52.9 billion—8.8 percent of all private social welfare expenditures. Of this amount, \$33.1 billion was allocated to higher education and \$17.3 billion was spent on elementary and secondary education. Overall private expenditures for education increased by 317 percent during the period being studied.

Private income-maintenance expenditures are payments made under employee benefit plans in private industry. These expenditures include private pension plans, group life insurance, cash disability insurance, paid sick leave, and supplemental unemployment benefits. In 1988, private income-maintenance expenditures amounted to \$188.8 billion (31.4 percent of the private expenditures

total). Of this amount, private pension payments totaled \$168.9 billion (28.1 percent of the private expenditures total). Private income-maintenance expenditures from 1972 to 1988 increased 1,087 percent, the highest increase of any category.

## Health and Medical Care

Detailed estimates of health and medical care expenditures from both public and private sources are prepared annually by the Health Care Financing Administration (HCFA).<sup>4</sup> The HCFA estimates are based on the National Health Accounts, which provide a framework to help understand the nature of spending for health care. In 1988, a new benchmark was developed to utilize more reliable data bases, such as the Survey of Service Establishments conducted by the Bureau of the Census and the Consumer Expenditure Survey conducted by the Bureau of Labor Statistics. The revision of health and medical care estimates necessitated an update of the entire social welfare spending series. The National Health Accounts continue to use a two-dimension classification matrix with types of providers or services along one dimension and sources of funds along the other dimension.

Private health and medical care spending increased from 4.7 percent of the GNP to 6.4 percent from 1972 through 1988 (table 2). In contrast, all private social welfare expenditures as a percentage of GNP rose from 7.7 percent of the GNP in 1972 to 12.3 percent in 1988 (table 1).

<sup>4</sup> "National Health Expenditures, 1987," **Health Care Financing Review**, Winter 1988, pp. 109-122.

<sup>2</sup> See Milton P. Glanz, Wilmer L. Kerns, and Jack Schmulowitz, "Private Social Welfare Expenditures, 1972-84," **Social Security Bulletin**, May 1987, pp. 59-67, for a discussion of the resumption of this series. Annual estimates of health and medical care expenditures from public and private sources have been published continuously since 1951 by the Health Care Financing Administration.

<sup>3</sup> See Ida C. Merriam and Alfred M. Skolnik, **Social Welfare Expenditures Under Public Programs in the United States, 1926-66** (Research Report No. 25), Office of Research and Statistics, Social Security Administration, 1968. Also, see Ann Kallman Bixby, "Public Social Welfare Expenditures, Fiscal Years 1965-87," **Social Security Bulletin**, February 1990, pp. 10-26.

**Table 2.—Health and medical care: Expenditures under private and public programs, by source of expenditure and percent of gross national product, selected years, 1972-88**

[Amounts in billions]

Expenditures	1972	1975	1976	1977	1978	1979	1980	1982	1983	1984	1985	1986	1987	1988
Total .....	\$92.3	\$132.9	\$152.2	\$172.0	\$193.4	\$216.6	\$249.1	\$323.8	\$356.1	\$387.0	\$420.1	\$450.5	\$488.8	\$539.9
Private expenditures .....	57.2	77.8	89.8	102.0	113.6	126.2	143.9	189.0	208.5	227.3	245.2	259.8	280.5	312.4
Health services and supplies .....	54.0	74.5	86.3	99.0	110.1	122.5	139.7	182.9	201.6	220.6	239.2	253.7	273.8	304.6
Noncommercial medical research .....	.2	.3	.3	.2	.2	.3	.3	.3	.4	.5	.5	.7	.7	.7
Medical facilities construction .....	3.0	3.1	3.2	3.2	3.2	3.4	4.0	5.8	6.4	6.2	5.5	5.3	5.9	7.1
Public expenditures .....	35.1	55.1	62.4	70.1	79.8	90.4	105.2	134.8	147.7	159.7	174.9	190.7	208.3	227.5
Percent of gross national product, total .....	7.6	8.3	8.5	8.6	8.6	8.6	9.1	10.2	10.5	10.3	10.5	10.6	10.8	11.1
Private expenditures .....	4.7	4.9	5.0	5.1	5.0	5.0	5.3	6.0	6.1	6.0	6.1	6.1	6.2	6.4
Public expenditures .....	2.9	3.4	3.5	3.5	3.5	3.6	3.9	4.3	4.3	4.2	4.4	4.5	4.6	4.7

In 1988, public and private expenditures for health and medical care totaled \$539.9 billion—11.1 percent of the GNP (table 2). Of this amount, private expenditures accounted for \$312.4 billion (6.4 percent of the GNP) and public expenditures were \$227.5 billion (4.7 percent of the GNP).

Private health expenditures were 57.9 percent of overall disbursements for health and medical care in 1988, compared with 62.1 percent in 1972. Since 1975, this share was fairly constant, ranging from 57 percent to 59 percent.

Data for 1988 are presented in table 3 for various components of the health and medical care category. The largest expenditure, for both public and private spending, was for hospital care and physician services. Private spending was disproportionately higher than public spending for categories such as dentists' services, drugs and medical sundries, eyeglasses and appliances, and "other professional services." Table 3 shows the distribution of spending in each component for both the private and public sectors.

**Table 3.—Health and medical care: Expenditures under private and public programs, by type of expenditure, 1988**

[Amounts in billions]

Type of expenditure	Total	Private spending	Public spending
Total .....	\$539.9	\$312.4	\$227.5
Health services and supplies .....	520.5	304.6	215.9
Personal health care .....	478.3	284.3	194.0
Hospital care .....	211.8	96.6	115.2
Physician services .....	105.1	70.0	35.2
Dentist services .....	29.4	28.7	.7
Other professional services .....	22.5	18.0	4.5
Home health care .....	4.4	1.1	3.3
Drugs and medical sundries .....	41.9	37.3	4.6
Eyeglasses and appliances .....	10.8	8.6	2.3
Nursing home care .....	43.1	22.1	20.9
Other personal health care .....	9.3	1.9	7.4
Program administration and net cost of health insurance .....	26.3	20.3	6.1
Government public health activities .....	15.9	...	15.9
Research and construction of medical facilities .....	19.4	7.8	11.5
Noncommercial research .....	9.9	.7	9.1
Construction .....	9.5	7.1	2.4

Source: Health Care Financing Administration, "National Health Expenditures, 1987," *Health Care Financing Review*, Winter 1988, pp. 109-122.

### Welfare and Other Services

In 1988, private expenditures for welfare and other services totaled \$47.1 billion and represented 7.8 percent of overall private sector social welfare funding (tables 1 and 4). The share of welfare

services funding related to total private expenditures has been steady: 8.0 percent in 1972, 8.9 percent in 1979, and 7.8 percent in 1988.

This 7.8-percent estimate was prepared by the Bureau of Economic Analysis (BEA), Department of Commerce, for the

**Table 4.—Welfare and other services: Private expenditures, National Income and Product Accounts data, selected years, 1960-89**

[Amounts in millions]

Year	Expenditure
1960	\$1,293
1965	2,753
1966	3,110
1967	3,878
1968	4,341
1969	4,922
1970	5,444
1971	6,310
1972	7,457
1973	8,245
1974	8,906
1975	9,990
1976	11,657
1977	13,424
1978	16,168
1979	18,717
1980	21,455
1981	23,827
1982	25,362
1983	27,624
1984	30,451
1985	33,825
1986	37,543
1987	41,838
1988	47,112
1989	53,608

National Income and Product Accounts (NIPA)—Personal Consumption Expenditures. It draws from data collected by the Bureau of the Census in its Census of Service Industries—one of the seven programs surveyed for the 5-year Economic Census. The most recent survey, the results of which were published in November 1989, provides data for 1987. The BEA has developed a methodology to estimate social welfare costs between census years by extrapolating wage data collected by the Bureau of Labor Statistics.

In 1987, the census survey sample represented 106,000 social service agencies or establishments. Public funds are not included in any

of the social service estimates. Welfare and other services are classified by the Bureau of the Census according to the definition provided by the Standard Industrial Classification (SIC). The following tabulation presents the survey findings on the distribution of revenue and receipts for social service agencies and civic and social/fraternal organizations. These services include: Individual and family services—counseling and referral services to families and children, family service agencies, adoption services, emergency and disaster services, child day care services, and senior citizens services; residential care—group foster homes, halfway homes, domiciliary care facilities, and shelters for the homeless; recreation and group work—YMCA, YWCA, Boy Scouts, and Girl Scouts; civic and social/fraternal organizations; and job training and vocational rehabilitation—sheltered workshops, vocational rehabilitation agencies, and skill training centers.

[Amount in thousands]

Total amount	\$47,450,619
Total percent	100.0
Child day care	10.9
Other social services	71.0
Individual and family social services	19.6
Job training and vocational rehabilitation services	9.4
Residential care	18.2
Social services not elsewhere classified	23.9
Civic and social/fraternal organizations	18.1

## Education

Private expenditures for education in 1988 were \$52.9 billion. Of this amount, \$33.1 billion was expended on higher education, \$17.3 billion for elementary and secondary

education, and \$2.5 billion went for school construction (table 5). During the period under study, the rate of growth in educational expenditures was smaller than the rate of growth in expenditures for income maintenance, welfare services, and health.

The methodology for estimating private expenditures for education in SSA's social welfare expenditure series was developed during the 1960's. Data are from the National Center for Education Statistics (NCES), Department of Education, and the Bureau of Economic Analysis, National Income and Product Accounts (NIPA), Department of Commerce. Education expenditures in 1988 were as follows:

[Amounts in millions]

Total private expenditures for education	\$52,913
Current operations	50,413
Elementary and secondary	17,339
Higher education	33,074
Construction	2,500

The \$17,339 million for elementary and secondary schools represents the sum of two subcategories: \$16,939 million from the NIPA series on private education and research, elementary and secondary schools category; and \$400 million from the NCES data base, which represents an estimate of expenditures for student tuition and fees paid to public institutions and for private transportation costs.

The amount for higher education (\$33,074 million) includes: \$19,313 million from the NIPA private expenditures for education and research, higher education category; \$11,298 million for student tuition and fees paid to public higher education institutions; and \$2,463 million for private gifts and grants to public institutions (NCES series).

**Table 5.—Education: Estimated private outlays, by category for SSA calculations and the NIPA<sup>1</sup> estimation system, 1970-88**  
[Amounts in millions]

Year	SSA					NIPA <sup>1</sup>
	Total	Current operations			Construction	
		Total	Elementary and secondary	Higher education		
1970	\$10,506	\$9,641	\$3,332	\$6,309	\$865	\$10,102
1971	11,588	10,645	3,598	7,047	943	10,900
1972	12,677	11,709	3,939	7,770	968	11,931
1973	13,610	12,773	4,460	8,313	837	13,088
1974	15,004	14,349	5,186	9,163	655	14,469
1975	16,626	16,059	5,895	10,164	567	16,346
1976	18,120	17,460	6,385	11,075	660	17,907
1977	19,927	19,267	6,554	12,713	660	19,023
1978	21,379	20,650	7,442	13,208	729	21,311
1979	23,361	22,555	8,297	14,258	806	23,984
1980	26,751	25,576	9,534	16,042	1,175	27,179
1981	30,062	28,891	10,464	18,427	1,171	30,649
1982	32,697	31,341	11,042	20,299	1,356	32,605
1983	35,911	34,499	11,993	22,506	1,412	35,773
1984	38,872	37,472	12,936	24,536	1,400	39,058
1985	42,634	40,934	14,166	26,768	1,700	43,250
1986	45,612	43,612	14,850	28,761	2,100	46,610
1987	49,519	46,619	15,956	30,663	3,100	51,085
1988	52,913	50,413	17,339	33,074	2,500	58,019

<sup>1</sup> National Income and Product Accounts (NIPA)—Personal Consumption Expenditures—from Bureau of Economic Analysis, Department of Commerce. Data are prepared for education and research.

Use of data in the NIPA personal consumption expenditures for the private education and research category offers an alternative to the SSA approach. The 1988 estimated figures for this series are as follows:

[Amounts in millions]

Private education and research	\$58,019
Higher education	19,313
Elementary and secondary schools	16,939
Other private education and research	21,767

Historically, the aggregates for both the SSA private social welfare expenditures series and the NIPA series have been close, even though some of the expenditure items differ. About two-thirds of both estimates is derived from a common data base. The aggregates differ in several areas, however. The NIPA

estimate of \$58 billion does not include student tuition and fees in public institutions, private gifts and grants, or construction; SSA's estimate of \$52.9 billion does include these items, but it excludes fees paid to business, trade, and correspondence schools; miscellaneous educational services; current expenditures by nonprofit research and educational organizations; and foundation operating expenses allocated to education, which NIPA includes under the category "Other Private Education and Research."

Approximately 37.5 percent of NIPA total private expenditures for education in 1988 went for items in the "other" category.<sup>5</sup> Table 5 gives

<sup>5</sup> Glanz, Kerns, and Schmulowitz, *op. cit.*

a detailed accounting of the SSA aggregate and compares that aggregate with the NIPA estimate.

The NIPA estimate for personal consumption expenditures for education relates only to private expenditures in private institutions. However, the SSA estimate covers all student fees and tuition payments, including those made to public institutions.

### Income Maintenance

In this series, private income-maintenance expenditures represent outlays for private employee benefit plans: Group life insurance, accidental death and dismemberment insurance, supplemental unemployment benefits, sickness and disability

insurance, long-term disability, and private pension plans. Of the \$188.8 billion in private income-maintenance expenditures in 1988, private pension plan benefits accounted for \$168.9 billion (table 6).

### Group Life Insurance

In 1988, \$7.0 billion was expended for group life insurance benefits that were based directly on an employment relationship. This amount includes benefits under programs for government civilian employees.<sup>6</sup> The estimate is based on data adjusted to remove group policies not based directly on an employment relationship, such as professional societies and employee associations. (It should be noted that these policies do not involve the employer.)

### Accidental Death and Dismemberment

Benefit payments under accidental death and

<sup>6</sup> Group insurance for government employees is included in the private social welfare expenditure series to maintain consistency with reporting data for years before 1988.

dismemberment insurance provisions reached an estimated \$419 million in 1988 (table 6). Data for 1972-79 are based on insurance industry reports; comparable data for 1980 to the present are not available. Estimates in table 6 for those years are based on regression estimates obtained by relating accidental death and dismemberment benefits to total earnings in the national economy.

### Supplemental Unemployment Benefits

Data on supplemental unemployment benefits are from the NIPA series, "Other Labor Income by Industry and by Type." Expenditures for these benefits totaled \$485 million in 1988.

### Sickness and Disability Benefits

Data on benefits received by employees in private industry for short-term sickness, from private cash-sickness insurance and self-insurance, and as sick leave, are also shown in table 6. For 1972-79 data, the cost of insurance payments beyond the first 6 months

of the employee's illness are included in the benefit amounts shown. For data for 1980 and subsequent years, long-term and short-term benefits are estimated separately.

Benefits paid under State Temporary Disability Insurance programs and the Railroad Retirement program are classified in this series as public social welfare expenditures.<sup>7</sup> The SSA estimate for private industry short-term sickness benefits in 1988 is \$9.6 billion.

### Long-Term Disability

As noted above, data on long-term disability insurance benefits are available separately from short-term benefits beginning with 1980. These benefits, which are estimated by SSA based on data supplied by the Health Insurance Association of America, totaled \$2.3 billion in 1988. Where long-term disability benefits are paid under the provisions of employment-related

<sup>7</sup> Ann Kallman Bixby, "Overview of Public Social Welfare Expenditures, Fiscal Year 1988," *Social Security Bulletin*, December 1990, pp. 28-30.

**Table 6.—Income maintenance: Expenditures from private sources, by type of benefit, selected years, 1972-88**

[Amounts in millions]

Type of benefit	1972	1975	1976	1977	1978	1979	1980	1982	1983	1984	1985	1986	1987	1988
Total .....	\$15,909	\$21,726	\$24,544	\$30,163	\$36,197	\$42,000	\$50,769	\$69,444	\$81,680	\$92,636	\$115,546	\$140,106	\$167,980	\$188,793
All wage and salary workers:														
Life insurance and death .....	3,134	3,196	3,063	3,332	3,647	3,936	4,339	5,264	5,417	5,742	6,245	6,498	6,814	7,031
Accidental death and dismemberment .....	182	236	284	300	294	290	336	353	359	382	393	400	410	419
Private industry wage and salary workers:														
Private pension plan payments .....	9,710	14,398	17,091	22,064	27,316	31,602	37,560	54,325	66,683	76,683	98,450	122,209	148,811	168,948
Sickness and disability <sup>1</sup> .....	2,649	3,396	3,906	4,277	4,692	5,772	6,280	6,884	6,993	7,673	8,216	8,248	9,014	9,615
Long-term disability .....	(2)	(2)	(2)	(2)	(2)	(2)	1,282	1,688	1,817	1,874	1,937	2,263	2,293	2,295
Supplemental unemployment .....	234	500	200	190	248	400	972	930	411	282	305	488	636	485

<sup>1</sup> Includes long-term disability benefits for 1972-79; data not available separately.

<sup>2</sup> Not available separately for years before 1980; included with "sickness and disability benefits."

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pension plans, the payments are included in the private pension data, but not included in "long-term disability" benefits for wage and salary workers.

### Private Pension Plans

Payments under private pension plans reported in this series include, in addition to benefits paid solely by employers, all of the benefits of employment-related pension plans to which employee contributions are made (including large contributions, such as those to thrift plans). Excluded, however, are individual savings plans—for example, Individual Retirement Accounts (IRA's) and retirement plans for the self-employed (Keogh plans).

Pension plan benefits include monthly benefits and lump-sum distributions to retired and disabled employees and their dependents and to survivors of deceased employees. Preretirement lump-sum distributions are also included. Benefit payments under private pension plans were \$169 billion in 1988, representing 89 percent of all income-maintenance expenditures and 28 percent of all private social welfare expenditures (table 7).

The primary data source for estimates of private pension plan benefit payments are the reports prepared by the Department of Labor (DoL), based on their tabulations of the DoL/Internal Revenue Service (IRS) Form 5500 (Annual Return/Report of Employee Benefit Plan). However, data are only available for 1977, 1978, 1981, 1982, 1983, 1984, 1985, and 1986. These data are used for estimating pension plan payments for the years in which information is not available.

Every employee pension or welfare fund is required to file a form 5500 annually. However, regulations reduced the amount of benefit information required from

some plans for certain years. The processing of the forms is considered to be complete and accurate because it is carried out by pension professionals. Penalties are incurred for nonfiling and for deliberate misrepresentation of information on these forms.

For trustee plans, the information required for these estimates is contained directly in the data requested in item 14(h)(i) of the form 5500: "(h) Distribution of benefits and payments to provide benefits—(i) Directly to participants or their beneficiaries." Although the initially stated requirement that form 5500 be filed is, for practical purposes, universal, the Employee Retirement Income Security Act (ERISA) permits the DoL to exempt (through regulations) certain types of pension plans—namely, wholly insured plans that are held in the general account of an insurance company—from fulfilling some of the requirements. The sections of form 5500 from which these insured plans were exempted include item 14. It is essential, therefore, to obtain information on insured plans to supplement the aggregate payment data obtained from the form 5500.

Data from the American Council of Life Insurance (ACLI) are used for the purpose of supplementing the payment data on the form 5500. The ACLI publishes the **Life Insurance Fact Book**, an annual statistical compilation based primarily on the annual financial statement of life insurance companies. The table "Private Pension Plans in the United States With Life Insurance Companies" in the **Fact Book** provides data on all annuity payments by life insurance companies (except when the life insurance company acts solely as a paying agent and bears no risk). Individual savings plans with life insurance companies are shown

separately in table 7. Use of the ACLI data as a supplement to benefit payments data from the form 5500 requires an estimate of the degree of overlap that exists. The overlap payments may be described, by implication, as wholly insured plans that are not held in the general account of the insurance company. Overlap estimates for the 1972-88 period are shown in item 9 of table 7.

Data on private pensions reported by the Current Population Survey (CPS) are also shown in table 7. This information is obtained from the annual March Income Supplement to the CPS, which reports income for the previous year. Because the survey universe includes only persons alive on the interview date in March, payments to any person whose death occurred in the period between the beginning of the reference year and the survey date are excluded. All retirement plans are included—even individual retirement plans. (However, this inclusion does not impair the usefulness of the CPS series when it is used, as it is here, strictly as an index in the estimation process.) One point of ambiguity is the treatment of lump-sum distributions. It appears that most of the individuals who were interviewed interpreted the word "pension" to mean only a monthly payment; however, the instructions for the interviewer do not cover this point.

As indicated above, the primary source of data for estimates of private pension plan benefits in this series are the tabulations of DoL/IRS form 5500 and the ACLI payment data. Because form 5500 data are available only for 8 years, it was necessary to interpolate and to extrapolate the values from the form 5500 series. For this purpose, the ratio of the form 5500 value plus the



ACLI payments to the CPS value was used to interpolate and extrapolate to obtain values for the unavailable years (1979, 1980, 1987, and 1988). Although the CPS values are not used directly to show the level of pension payments, the CPS series does have an important role as an index.

Data reported by the BEA and presented in item 4 of table 7 are prepared for the NIPA and are reported in the series under Other Labor Income by Industry and by Type; Benefits paid by private pension and welfare funds; Pension

and profit sharing. The method of estimation used in this article is based on the BEA approach.

**Table 7.—Estimates for private pension plan expenditures, selected years, 1972-88**

[Amounts in millions]

Item	1972	1975	1976	1977	1978	1979	1980	1982	1983	1984	1985	1986	1987	1988
(1) Pension and profit-sharing payments to individuals (based on form 5500) <sup>1</sup>	...	...	...	\$19,493	\$23,934	...	...	\$49,499	\$61,141	\$70,134	\$90,615	\$112,547	...	...
(2) Pension payments, CPS <sup>2</sup>	...	\$11,182	\$12,507	14,922	17,537	\$19,624	\$22,627	29,432	34,636	37,266	42,354	48,379	\$56,495	\$61,044
(3) ACLI data: <sup>3</sup>														
(a) Total life insurance company pensions	\$1,715	2,520	2,735	3,105	4,100	4,350	4,960	6,555	7,605	8,520	10,355	12,915	16,995	18,810
(b) Life insurance company pensions for individuals—not through employment relationship														
Keogh plans	5	10	15	30	35	45	45	55	60	105	120	175	230	325
IRA's	5	10	15	25	25	30	30	35	35	55	60	70	85	85
(4) Pension and profit-sharing payments, BEA <sup>4</sup>	10,015	14,850	17,023	21,178	24,181	27,447	31,487	45,448	53,766	63,428	78,866	101,603	118,259	137,180
(5) Ratio to CPS <sup>5</sup> ((7) ÷ (2))	...	...	...	1.5144	1.5986	1.6526	1.7083	1.9045	1.98481	2.11061	2.38395	2.59332	2.70388	2.83907
(6) Ratio to BEA <sup>6</sup> ((7) ÷ (4))	...	1.0000	1.0330	1.0671	1.1593	1.1816	1.2276	1.2334	1.27861	1.24005	1.28027	1.2348	1.29171	1.26336
(7) Total private pension payments before adjustment for ACLI overlap <sup>7</sup>	10,015	14,850	17,584	22,598	28,034	32,431	38,654	56,054	68,746	78,654	100,970	125,462	152,756	173,308
(8) Total private pension payments before adjustment for ACLI overlap through employment relationship <sup>8</sup> ((7) - (3b))	10,010	14,840	17,569	22,568	27,999	32,386	38,609	55,999	68,686	78,549	100,850	125,287	152,526	172,983
(9) ACLI overlap <sup>9</sup>	300	442	478	504	683	784	1,049	1,674	2,003	1,866	2,400	3,078	3,715	4,035
(10) Total private pension payments <sup>10</sup> ((7) - (9))	9,715	14,408	17,106	22,094	27,351	31,647	37,605	54,380	66,743	76,788	98,570	122,384	149,041	169,273
(11) Total private pension payments through employment relationship <sup>11</sup> ((8) - (9))	9,710	14,398	17,091	22,064	27,316	31,602	37,560	54,325	66,683	76,683	98,450	122,209	148,811	168,948

<sup>1</sup> Includes both defined benefit plans and defined contribution plans. Data for 1977 in Nicholas Greenia, "Employee Benefit Plans, 1977," *Statistics of Income Bulletin*, Internal Revenue Service, Spring 1982, p. 13; data for 1978 from *Estimates of Participant and Financial Characteristics of Private Pension Plans*, Department of Labor, 1983, table 11, p. 19; data for 1981 from *The Handbook of Pension Statistics, 1985* (Richard A. Ippolito and Walter W. Kolodrubetz (editors)), Commerce Clearing House, Chicago, 1986, table 35, p. 12; data for 1982-83 from Department of Labor (unpublished). In all cases, this item is the aggregate of item 14(h)(1) of the IRS/DoL form 5500, for both defined benefit and defined contribution plans.

<sup>2</sup> Bureau of the Census, *Current Population Survey* (unpublished data).

<sup>3</sup> See *Life Insurance Fact Book*, annual issues, table on "Private Pension Plans in the United States with

Life Insurance Companies," American Council of Life Insurance (ACLI), Washington, DC.

<sup>4</sup> See Bureau of Economic Analysis, "National Income and Product Accounts—Other Labor Income by Industry and by Type." Recent values are published in *Survey of Current Business*, July 1987, table 6.13, p. 63.

<sup>5</sup> For every year, the identity (item 5) = (item 7)/(item 2) holds. However, it is not always true that item 5 is calculated from this formula. For those years where item 1 is not available, item 5 is interpolated from other years where item 1 is available (that is, where item 5 is calculated), and item 7 is calculated derivatively.

<sup>6</sup> To calculate, divide amount of total private pension payments, prior to adjustment for ACLI overlap (item 7), by pension and profit-sharing payments: Bureau of Economic Analysis (item 4).

<sup>7</sup> For those years where item 1 is available, (item 7) = (item 1) + (item 3a). For those years where

item 1 is not available, (item 7) = (item 5)/(item 2).

<sup>8</sup> To calculate, subtract ACLI data, life insurance company pensions for individuals—not through employment relationship—(item 3 (b)) from total private pension payments, (item 7).

<sup>9</sup> This is an estimate of life insurance company pension payments based on unallocated or not-fully-guaranteed contracts. Such payments are included in items 7 and 8, as well as in the ACLI data.

<sup>10</sup> To calculate, subtract ACLI overlap (item 9) from total private pension payments, before adjustment for ACLI overlap (item 7).

<sup>11</sup> To calculate, subtract ACLI overlap (item 9) from total private pension payments, before adjustment for ACLI overlap, through employment relationship (item 8).

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