

Employee-Benefit Plans in 1968

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The first findings of the 1968 Survey of the Aged include information on the characteristics of aged persons receiving private retirement benefits that provide some information on the role of these pensions in income maintenance. Analysis of the findings is included here, along with the discussion of current trends in employee-benefit plans.

SHARP INCREASES in total contributions and benefit expenditures characterized the 1968 experience of private employee-benefit plans—increases sharply greater than those in the 2 preceding years. Total benefit disbursements in 1968 reached \$18.5 billion—16 percent higher than the 1967 total. Contributions registered a 14-percent rise, with a total amount of \$26 billion.

In the general growth of employee-benefit plans during 1968, the largest gains occurred in the health plans. Total benefit payments and contributions under these plans rose almost 17 percent each. These totals had shown year-to-year increases of 6–7 percent in 1966 and 1967 (and 10–15 percent in the 10 preceding years). The 1968 return to higher growth rates reflected, to a large degree, the steep increases in medical care costs in recent years. Contributions for retirement plans passed the \$10 billion mark for the first time and were 10 percent higher than last year's total. Retirement outlays had a 14-percent rise and totaled \$5 billion.

As 1968 ended, almost 140 million persons (employees and dependents) had hospital expense coverage, about 136 million had surgical expense coverage, and 54 million had death-benefit protection through group employee-benefit plans. About 30 million private wage and salary workers were included in temporary disability plans, and 4.7 million also had long-term disability protection. Over 28 million workers were participants of private pension plans.

An "employee-benefit plan," as defined here, is any type of plan sponsored or initiated unilaterally or jointly by employers and employees

and providing benefits that stem from the employment relationship and that are not underwritten or paid directly by government (Federal, State, or local). In general, the intent is to include plans that provide in an orderly predetermined fashion for (1) income maintenance during periods when regular earnings are cut off because of death, accident, sickness, retirement, or unemployment and (2) benefits to meet medical expenses associated with illness or injury.

Government employees who are covered by plans underwritten by nongovernment organizations are included in the series, whether or not the government unit contributes (as an employer) to the financing of the program. Specifically included here are plans providing government employees with group life insurance, accidental death and dismemberment insurance, and hospital, surgical, regular medical, and major-medical expense insurance. Retirement and sick-leave plans in which the government in its capacity as employer pays benefits directly to its employees are excluded.

HIGHLIGHTS OF 1968

The number of pension and profit-sharing plans submitted for approval to the Internal Revenue Service rose sharply in 1968. In that year about 12,900 pension plans and 10,900 profit-sharing plans were approved.¹ It is estimated that at the end of 1968, the total number of qualified corporate plans, after adjustment for terminated plans, was about 170,000. There was also a sharp increase in the number of retirement plans for the self-employed, and more than 100,000 were approved during the year. The total number of plans qualified under the Self-Employed Individuals Tax Retirement Act thus tripled in 1968 and reached about 155,000, with an estimated 250,000 participants.

On the Federal level, a major development affecting qualified private pension plans was the

* Office of Research and Statistics. Earlier reviews of employee-benefit plans have appeared in the March or April issues of the *Bulletin*.

¹ Internal Revenue Service, *Determination Letters Issued on Employee-Benefit Plans*, quarterly.

revision of the Treasury Department regulation on social security integration. The integration tests implement the Internal Revenue Code provision that prohibits discrimination in qualified plans in favor of special groups of employees such as officers, stockholders, supervisors, and the highly compensated. The regulations provide specific rules for plans that are designed to supplement benefits under the Social Security Act. The integration rules mean that in private pension planning, social security benefits may be taken into account in determining whether total employer contributions (or retirement benefits) are evenly distributed among workers at all salary levels. Although the regulations had been changed from time to time to take changes in the Social Security Act into account, substantial improvements of the program since the last review of the regulations prompted an overall revision.

The revised regulations adopted the principle that 30 percent is the appropriate integration percentage—that is, the maximum rate at which a qualified pension plan, not providing benefits for earnings covered by the Social Security Act, may provide benefits on earnings above that level and still remain qualified. The previous integration percentage was 37½ percent.

The new integration rule provides, for example, that a private pension plan established after July 5, 1968, and using a unit-benefit formula, may not provide benefits greater than 1 percent of each year's wages above the maximum earnings base in the Social Security Act (currently \$7,800), if it does not provide benefits for earnings below that amount. Previously the maximum permissible integration rate was 1¼ percent of each year's wages above \$4,800. For plans using different types of integration benefit formulas, the integration rules vary but are based on the same 30-percent principle. Special transitional rules are provided for existing plans.²

Not all plans coordinate their benefits with social security benefits, and the formulas in such plans treat all covered employees equally. A large number of employers, however, have chosen to integrate their plans with social security benefits and must meet these nondiscriminatory rules set

² For a detailed analysis of the development of the integration rules see Isadore Goodman, "Integrating Pension and Profit-Sharing Plans for Tax Qualification," *Taxes*, November 1969.

by the Internal Revenue Service. The impact of the revised integration rate is difficult to judge, but it will affect many integrated plans.

In 1968, several bills dealing with private pension plans were introduced in Congress and hearings were held. Attention was focused on a bill incorporating in large part the previous work of an Interagency Task Force on Private Pension Plans. It included the following features to improve protection afforded under private pension plans: (1) vesting of accrued pension benefits for workers terminating employment with 10 years of service after age 25; (2) minimum funding for each plan, based on ratio of assets to vested liabilities, with the objective of 100 percent after 25 years of operation; (3) reinsuring unfunded vested liabilities for participant protection in case of plan termination.³

Further congressional interest was indicated by the issuance of a comprehensive compendium of papers relating to the economic status of the aged.⁴ The compendium papers presented diverse views on the emerging problems of income maintenance through public and private systems.

An analysis of major wage developments in 1968 shows continued emphasis on supplementary benefits, although wage improvements were, on the average, greater than those in previous years.⁵ Health and welfare plans were improved for more than 80 percent of the 4.6 million workers involved in the bargaining of wage rates. Two-thirds of these workers were affected by the collective bargaining related to pension plan improvements, and a fifth were concerned in the liberalization of supplemental unemployment benefits.

The 1968 negotiations were marked by sub-

³ *Hearings before the General Subcommittee on Labor of the Committee on Education and Labor, House of Representatives, on H.R. 5741* (90th Cong., 2d sess.), 1968, and *Hearings Before the Subcommittee on Labor of the Committee on Labor and Public Welfare, U.S. Senate on S.3421, S.1024, S.1103, S.1255* (90th Cong., 2d sess.), 1968.

⁴ U.S. Joint Economic Committee, *Old-Age Income Assurance, Parts I-VI* (90th Cong., 1st sess.), 1967.

⁵ Bureau of Labor Statistics, *Current Wage Developments* (No. 258), June 1969. See Harry E. Davis, "Negotiated Retirement Plans—A Decade of Benefit Improvements," *Monthly Labor Review*, May 1969. See also Bureau of Labor Statistics, *Digest of 100 Selected Health and Insurance Plans Under Collective Bargaining, Early 1966, 1966*; *Digest of 100 Selected Pension Plans Under Collective Bargaining, Spring 1968, 1969*; and *Digest of 50 Health and Insurance Plans for Salaried Employees, Early 1969, 1969*.

stantial improvements in employee-benefit plans in the steel industry. The Steel Workers' settlement, affecting about 400,000 workers, featured increased levels of retirement benefits, expansion of health benefits and improved supplemental unemployment benefits.

Effective August 1, 1969, the normal retirement benefit in the steel industry was increased from \$5.00 to \$6.50 a month for each year of service. Under the alternative 1-percent-of-earnings formula (based on the last 10 years' earnings), the \$60 offset for receipt of social security benefits was dropped. Another improvement was the introduction of a survivor benefit, payable to the spouse of an active employee who dies after age 55, with 15 years of service or more, or to the spouse of an employee who retires at age 50 or later and dies between age 55 and age 65. Fifty percent of the employee's annuity is paid until age 62; thereafter, 25 percent is paid, with a minimum of \$25 a month.

Health insurance improvements in the steel industry were marked by establishment of a major-medical plan, with an annual deductible of \$50 per person (\$100 per family), with co-insurance thereafter, up to specified maximums. Supplemental unemployment benefits were increased from 60 percent to 65 percent of gross wages (offset by unemployment insurance), plus dependents' allowances. The maximum company payment was raised to \$52.50, plus dependents' allowances, for a laid-off worker receiving unemployment benefits. For workers not receiving State benefits, the maximum company payment is \$80, plus dependents' allowances.

Settlements by the Auto Workers and Machinists unions brought significant improvements in pension plans in the aerospace industry. At McDonnell Douglas, the Auto Workers won increases in pensions to \$6.25 per month for each year of service, effective December 1, 1970. At Lockheed, the pension rate was increased to \$5.50-\$5.75, or \$6.00 per month per year of service, depending on earnings before retirement. At North American Rockwell, pensions were increased to \$5.75 for each year of service, and after January 1, 1971, they will be supplemented by 1½ percent of earnings above \$567 a month, for each year of service.

In 1968, major changes in pension and insurance plans were negotiated by the Communica-

tions Workers of America with units of the American Telephone and Telegraph Company. The minimum pension for persons with 20 or more years of service was increased from \$115 to \$125. In addition, the 25-percent offset against the company pension for receipt of social security benefits was dropped, effective June 1, 1969, for both present and future retirements. Vesting of pensions for workers leaving after age 40 with 15 years or more of service was introduced. The company also will pay 75 percent of the cost of basic health insurance for employees and dependents and will assume full cost a year later. Employees' payments for life insurance were also reduced, and the company will pay the full cost in the third year of the contract. Sickness and accident benefits were also improved.

Continuing interest in "portable" pensions was reflected in the establishment in 1968 of a reciprocal pension agreement between the National Maritime Union and the Marine Engineers Beneficial Association. Hereafter, service in either union will be used in determining qualification for a pension at any age after 20 years of service. Similar reciprocity agreements were adopted in a number of other smaller unions in 1968.

With the growth of early retirement from the labor force, interest has been focused on the impact of special liberalized early retirement provisions negotiated in 1964 by the Auto Workers. Under these arrangements, amounts payable on retirement before age 65 were to be supplemented until the retiree reached that age. A worker retiring at age 60 could receive as much as \$400 a month from the plan. Provisions have since been improved. A major finding of a study of auto workers⁶ was that "there was a vigorous response of auto workers to the improved early retirement package (two-thirds either having retired or planning to retire early)." Thus, only a third of the workers did not plan to take advantage of the liberalized early retirement provision.

Another study⁷ of auto workers points up the current concern about the need for improved

⁶ Richard Barfield and James Morgan, *Early Retirement: The Decision and Experience*, Institute of Social Research, University of Michigan, Ann Arbor, 1969.

⁷ Eugene L. Loren and Thomas C. Barker, *Survivor Benefits: A Study of UAW Members and Their Survivors*, Michigan Health and Social Security Research Institute, Inc., Detroit, Michigan, 1968.

survivor protection, particularly for the dependents of workers who die before retirement. The study found that, despite expanded survivor protection under group insurance and pension plans, total resources for survivors were inadequate for long-term budgetary needs, even when combined with social security benefits.

HISTORICAL DATA

Some of the figures previously published have been changed to reflect small revisions in source material used to derive the data. In addition, two major revisions in the series on employee-benefit plans have been made this year. First,

TABLE 1.—Estimated number of wage and salary workers and their dependents covered under employee-benefit plans,¹ by type of benefit, 1950, 1955, 1960-68

(In millions)

End of year	Benefits for all wage and salary workers							Benefits for wage and salary workers in private industry				
	Life insurance and death ²	Accidental death and dismemberment ³	Hospitalization ^{4,5}		Surgical ⁴	Regular medical ⁴	Major medical expenses ^{4,6}	Temporary disability including formal sick leave ⁷		Long-term disability ⁸	Supplemental unemployment ⁹	Retirement ¹⁰
			Total	Written in compliance with law				Total	Written in compliance with law			
Total:												
1950.....	19.6	8.1	54.5	1.2	37.5	15.6	20.1	6.6				9.8
1955.....	29.6	15.6	81.4	1.4	73.1	47.0	23.5	6.8			1.0	15.4
1960.....	37.3	20.9	103.9	1.2	98.3	73.3	24.5	6.8			1.7	21.2
1961.....	39.1	21.3	107.3	1.1	102.3	78.2	24.6	6.8			1.8	22.2
1962.....	40.6	22.6	110.9	.9	105.9	82.0	25.2	6.8			1.8	23.1
1963.....	42.8	24.7	116.2	.3	111.3	87.2	25.7	6.2			1.8	23.8
1964.....	44.9	26.5	119.6	.3	114.9	92.9	26.4	6.2			1.9	24.6
1965.....	46.9	28.4	123.9	.3	119.9	99.4	27.6	6.4			2.1	25.4
1966.....	49.1	28.5	128.2	.4	124.0	104.2	26.9	6.6	2.4		2.2	26.4
1967.....	51.8	30.4	133.8	.4	130.3	111.5	27.4	6.7	3.8		2.2	27.6
1968.....	54.2	33.7	139.1	.4	135.5	115.5	29.5	6.7	4.7		2.3	28.2
Employees:												
1950.....	19.4	8.1	24.3	1.2	17.7	8.2	20.1	6.6				9.8
1955.....	28.0	15.6	33.1	1.4	30.2	20.4	23.5	6.8			1.0	15.4
1960.....	34.2	20.9	40.6	1.2	38.6	29.5	24.5	6.8			1.7	21.2
1961.....	35.5	21.3	42.0	1.1	40.2	31.5	24.6	6.8			1.8	22.2
1962.....	36.4	22.6	43.3	.9	41.4	32.8	25.2	6.8			1.8	23.1
1963.....	37.8	24.7	45.3	.3	43.5	34.9	25.7	6.2			1.8	23.8
1964.....	39.8	26.5	46.5	.3	44.8	36.6	26.4	6.2			1.9	24.6
1965.....	41.4	28.4	48.5	.3	47.0	39.4	27.6	6.4			2.1	25.4
1966.....	42.6	28.5	50.1	.4	48.6	41.2	26.9	6.6	2.4		2.2	26.4
1967.....	44.7	30.4	52.1	.4	50.8	43.9	27.4	6.7	3.8		2.2	27.6
1968.....	46.7	33.7	54.3	.4	52.7	45.6	29.5	6.7	4.7		2.3	28.2
Dependents:												
1950.....	0.2		30.2		19.8	7.4						
1955.....	1.6		48.3		42.9	26.6						
1960.....	3.1		63.3		59.7	43.8						
1961.....	3.6		65.3		62.1	46.7						
1962.....	4.2		67.6		64.5	49.2						
1963.....	5.0		70.9		67.8	52.3						
1964.....	5.1		73.1		70.1	56.3						
1965.....	5.5		75.4		72.9	60.0						
1966.....	6.5		78.1		75.4	63.0						
1967.....	7.1		81.7		79.5	67.6						
1968.....	7.5		84.8		82.8	69.9						

¹ Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.

² Group and wholesale life insurance coverage based on data from Institute of Life Insurance and Health Insurance Association of America, *Group Insurance Coverages in the United States*, annual issues, and *Tally*, October 1969, modified to exclude group plans not related to employment. Also excludes Servicemen's Group Life Insurance issued to cover 3,809,000 members in the Armed Forces. Self-insured death benefit plan coverage based on data for various trade-union, mutual benefit association, and company-administered plans.

³ Data from the Institute of Life Insurance (see footnote 2).

⁴ Data from "Private Health Insurance, 1968: Enrollment, Coverage, and Financial Experience," *Social Security Bulletin*, December 1969, and from sources cited in footnote 2. In estimating number of employees covered under plans other than group insurance and union and company plans, it was assumed that the proportion of subscribers in employed groups increased gradually from 75 percent in 1950-60 to 80 percent in 1968. Data for hospitalization, surgical, and regular medical coverage adjusted to include employees and their dependents covered by group comprehensive major-medical expense insurance.

⁵ Includes private hospital plans written in compliance with State temporary disability insurance law in California.

⁶ Represents coverage under group supplementary and comprehensive

major medical insurance underwritten by commercial insurance companies. Comprehensive insurance, which includes both basic hospital-surgical-medical benefits and major medical expense protection in the same contract, covered an estimated 5,572,000 employees and 9,231,000 dependents in 1968.

⁷ Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York. Data from *A Survey of Accident and Health Coverage in the United States* (Health Insurance Council, 1950) and *Extent of Voluntary Insurance Coverage in the United States* (Health Insurance Council, 1951-68) and from the Institute of Life Insurance (see footnote 2), adjusted to exclude credit accident and health insurance. Data for 1950 modified slightly to adjust for effect of State temporary disability insurance laws on formal paid sick leave and other self-insured plan coverage. Beginning in 1966, group accident and sickness insurance coverage has been adjusted to exclude those with long-term benefit policies, which usually do not provide short-term benefits. This coverage is now shown separately.

⁸ Data from Health Insurance Association of America (see footnote 2). Estimates for years before 1966 are not available.

⁹ Based on trade-union and industry reports. Excludes dismissal wage and separation allowances, except when financed by supplemental unemployment benefit funds covering temporary and permanent lay-offs.

¹⁰ Estimated by the Office of the Actuary, Social Security Administration. Includes pay-as-you-go and deferred profit-sharing plans, plans of nonprofit organizations, union pension plans, and railroad plans supplementing the Federal railroad retirement program. Data exclude annuitants.

starting with 1966 data, the Health Insurance Association of America has reported separately the coverage of policies for short-term sickness and that of policies for long-term disability (paying benefits for at least 24 months). The latter type of policy usually does not pay benefits for the first few months of disability, but workers are still covered by other short-term disability protection, such as formal paid sick leave. Separate estimates for long-term disability have therefore been added to the series for the first time, and the count of persons covered by temporary disability has been revised to exclude this group. Data before 1966 still have some overstatement of short-term disability coverage.

The series for contributions and benefits paid under private retirement plans has been adjusted upward to reflect revised estimates made by the Securities and Exchange Commission with respect to financial features of multi-employer plans. The effects of the changes are discussed later in the article under the section on retirement plan trends.

Coverage

Employee-benefit plans experienced only normal gains in membership in 1968, reflecting the leveling in extension of coverage under most traditional types of employee-benefit plans. At the same time, contributions and benefit payments had steep increases. Employee coverage under the various types of health insurance plans advanced by around 4 percent over the previous year, except that for major-medical expenses, which registered a gain of 7.5 percent (table 1). Hospital coverage included 54 million workers—an increment of more than 2 million in 1968. Surgical coverage added about 2 million and included almost 53 million workers. Regular medical expense coverage rose by 1.7 million to a total of 45.6 million workers. Major-medical expense plans had a total of almost 23 million workers.⁸

In addition to this continued high growth in comprehensive health protection, new benefits—such as those providing dental, vision, or mental

⁸ Data for major-medical expense plans relate to those underwritten by commercial insurance companies and exclude Blue Cross-Blue Shield plans of this type (covering 17.8 million persons in 1968).

care, and prescription drugs—have been introduced and are growing rapidly.⁹

Except for short-term disability protection, the growth was modest in the other types of employee-benefit plans. Temporary disability plans were providing protection to almost 30 million private wage and salary workers—8 percent more than the number in 1967.

Long-term disability insurance—one of the newest forms of disability protection developed by insurance companies—has shown substantial increases in coverage in the past few years. From an estimated 2.4 million workers covered in 1966 (the earliest year for which estimates are now available), protection about doubled to include a total of 4.7 million workers.

Two million workers were added to the number under programs affording death-benefit protection, and they totaled nearly 47 million workers in 1968. About 600,000 workers obtained retirement plan coverage—a 2.2-percent rise that brought the total number of participants under these plans to 28.2 million.

Because of lessened growth rates of coverage under all major types of employee-benefit plans, when the extent of coverage is related to all employed workers it shows only modest increases in recent years (and promises a much slower pace in future years). This was particularly true for traditional health care coverage. In general, however, the gains in 1968 were greater than the rate of growth in the overall labor force. In 1968, hospital and surgical employee-benefit plans covered 75 percent and 73 percent, respectively, of the employed civilian wage and salary work force—ratios not much greater than those found 5 years earlier (table 2).¹⁰ Regular medical ex-

⁹ See Louis Reed, "Private Health Insurance, 1968: Enrollment, Coverage, and Financial Experience," *Social Security Bulletin*, December 1969, and Donald M. Landay, "Trends in Negotiated Health Plans: Broader Coverage, Higher Quality Care," *Monthly Labor Review*, May 1969.

¹⁰ Coverage of public employees is included in this series. Some fragmentary information on characteristics for this type of coverage is available. According to the *Compendium of Public Employment, 1967 Census of Governments* (Bureau of the Census, 1969), life insurance protection was far more widespread for Federal Government employees (about 90 percent) than for State and local government employees (about 25 percent). For health and hospital protection, the disparity was less; the proportions were 75 and 50 percent for Federal employees and other public employees, respectively.

TABLE 2.—Coverage and contributions under employee-benefit plans,¹ by type of benefit in relation to employed wage and salary labor force and payroll, 1950, 1955, 1960–68

Year	Life insurance and death	Accidental death and dismemberment	Hospitalization	Surgical	Regular medical	Major medical expense	Temporary disability, including formal sick leave	Long-term disability	Supplemental unemployment	Retirement
Covered employees as percent of all wage and salary workers ²						Covered employees as percent of wage and salary workers in private industry ³				
1950	38.9	16.2	48.7	35.5	16.4		46.2			22.5
1955	50.7	28.3	60.0	54.7	37.0	4.0	49.2		2.1	32.2
1960	58.2	35.5	68.9	65.5	50.2		49.0		3.4	42.4
1961	60.4	36.2	71.3	68.4	53.6		49.4		3.6	44.6
1962	60.4	37.4	71.5	68.5	54.5		49.4		3.5	45.3
1963	61.5	40.2	73.5	70.7	56.7		49.6		3.5	45.9
1964	63.4	42.1	73.8	71.2	58.3		49.9		3.6	46.5
1965	63.4	43.5	74.3	72.0	60.3		50.4		3.8	46.4
1966	62.1	41.5	73.0	70.8	60.1		46.9	4.2	3.8	46.1
1967	63.8	43.4	74.3	72.5	62.6		47.1	6.5	3.8	47.4
1968	64.9	46.8	75.4	73.2	63.3		49.3	7.9	3.8	47.2
Employer and employee contributions as percent of all wages and salaries ⁴						Employer and employee contributions as percent of wages and salaries in private industry ⁵				
1950	.34	.01	.40	.21			.40			1.67
1955	.44	.02	.69	.38		.02	.49		.02	2.19
1960	.54	.03	.96	.49		.18	.53		.05	2.49
1961	.58	.03	1.06	.54		.24	.53		.05	2.51
1962	.59	.03	1.11	.56		.26	.54		.06	2.52
1963	.62	.03	1.16	.56		.28	.53		.06	2.54
1964	.63	.03	1.21	.58		.30	.51		.04	2.64
1965	.64	.03	1.25	.61		.31	.54		.04	2.79
1966	.62	.03	1.20	.61		.31	.54		.04	2.78
1967	.62	.03	1.16	.63		.32	.55		.03	2.86
1968	.65	.04	1.23	.64		.37	.61		.03	2.88

¹ Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.

² Coverage of private and public employees related to average number of private and government full-time and part-time civilian employees—72.0 million in 1968 (table 6.3 in *Survey of Current Business*, July 1969) and the *National Income and Product Accounts of the United States, 1929-1965 Statistical Tables (Supplement to the Survey of Current Business)*, 1966.

³ Coverage of private employees related to wage and salary employed labor force in private industry—59.3 million in 1968 (from table 6.3 in source listed in footnote 2).

⁴ Amounts for private and public employees related to private and government civilian wages and salaries—\$447.0 billion in 1938 (from table 6.2 in source listed in footnote 2). Data on contributions for surgical and regular medical benefits not available separately.

⁵ Amounts for private employees related to wages and salaries in private industry—\$369.0 billion in 1968 (from table 6.2 in source listed in footnote 2). Data on contributions for long-term disability not available separately.

pense coverage and major-medical expense coverage have had slightly better growth records in the past 5 years and represented 63 percent and 32 percent of the civilian employed labor force, respectively.

Substantial increases occurred in coverage of employees under life insurance and accidental death and dismemberment insurance in 1968. The proportion of the civilian labor force with these types of insurance protection was consequently higher than it had been in previous years: 65 percent of the workers in the labor force had death benefit protection, and 47 percent had coverage under accidental death and dismemberment plans.

Retirement programs now reach 47 percent of the private wage and salary labor force. The proportion of workers in plans providing temporary disability benefits amounted to 49 percent in 1968—2 percentage points higher than the proportion in 1967. Long-term disability plans covered about 8 percent of the private work force. Supplemental unemployment benefit programs

made the least gains and continued to include less than 5 percent of the private wage and salary labor force.

Contributions

Total contributions to employee-benefit plans by employers and employees were estimated at slightly over \$26 billion during 1968, with a record increase (more than \$3 billion) over the amount in the preceding year (table 3). The rise of 14.2 percent was almost double the relative gains in the previous 2 years and was caused mainly by a substantial increase in health benefit contributions.

Contributions for health benefits expanded by almost 17 percent, in contrast to increases of about 7 percent registered in 1966 and 1967. For hospital benefits, contributions rose 16.6 percent (compared with 3.4 percent in 1967). For surgi-

TABLE 3.—Estimated total employer and employee contributions¹ under employee-benefit plans,² by type of benefit, 1950, 1955, 1960, 1965–68

[In millions]

Type of benefit	1950	1955	1960	1965	1966	1967	1968
Total.....	\$3,937.0	\$7,851.6	\$12,562.1	19,589.3	\$21,180.3	\$22,817.8	\$26,058.5
Benefits for all wage and salary workers:							
Life insurance and death benefits ³	480.0	880.5	1,416.2	2,220.3	2,335.4	2,509.2	2,895.9
Accidental death and dismemberment ⁴	18.4	43.4	70.0	116.0	131.0	142.0	169.0
Total health benefits.....	856.3	2,193.6	4,257.0	7,520.0	8,041.5	8,548.8	9,984.7
Hospitalization ^{5,6}	562.4	1,385.1	2,504.8	4,332.8	4,546.8	4,702.7	5,481.5
Surgical and regular medical ⁶	293.9	769.5	1,282.2	2,109.2	2,299.7	2,552.1	2,882.2
Major-medical expense ⁷		39.0	470.0	1,078.0	1,195.0	1,294.0	1,621.0
Benefits for wage and salary workers in private industry:							
Temporary disability, including formal sick leave ⁸	502.3	854.1	1,170.9	1,547.0	1,722.4	1,844.8	2,243.9
Written in compliance with law	75.9	178.8	238.8	258.4	280.1	310.6	341.0
Supplemental unemployment benefits ⁹		40.0	118.0	116.0	130.0	113.0	125.0
Retirement ¹⁰	2,080.0	3,840.0	5,490.0	8,070.0	8,800.0	9,660.0	10,640.0

¹ Excludes dividends in group insurance.

² Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute, and employer's liability.

³ Group and wholesale life insurance premiums based on data from Institute of Life Insurance and Health Insurance Association of America, *Group Insurance Coverages in the United States*, annual issues, and *Tally*, October 1969, modified to exclude group plans not related to employment, and excludes premiums of \$76.8 million for the Servicemen's Group Life Insurance plan, which went into effect in late 1965. Self-insured death benefits costs based on data for various trade-union, mutual benefit association, and company-administered plans.

⁴ Data from Institute of Life Insurance (see footnote 3).

⁵ Data from "Private Health Insurance, 1968: Enrollment, Coverage, and Financial Experience," *Social Security Bulletin*, December 1969. In estimating contributions for employees under plans other than group insurance and union and company plans, it was assumed that the proportion of subscription income attributable to employed groups increased gradually from 75 percent in 1950-60 to 80 percent in 1968.

⁶ Includes private hospital plans written in compliance with State temporary disability insurance law in California; separate data not available for these plans.

⁷ Unpublished data from the Health Insurance Association of America. Represents premium for group supplementary and comprehensive major-medical insurance underwritten by commercial insurance carriers.

⁸ Data from "Income Replacement During Illness, 1948-68," *Social Security Bulletin*, January 1970. Includes private plans written in compliance with State temporary disability laws in California, New Jersey, and New York, shown separately in next line. Includes contributions under long-term disability, not available separately.

⁹ Based on trade-union and industry reports, and "Financing Supplemental Unemployment Benefit Plans," *Monthly Labor Review*, November 1969. Excludes dismissal wage and separation allowances, except when financed by supplemental unemployment benefit funds covering temporary and permanent layoffs.

¹⁰ Estimated by the Office of the Actuary, Social Security Administration. Includes contributions to pay-as-you-go and deferred profit-sharing plans, plans of nonprofit organizations, union pension plans, and railroad plans supplementing Federal railroad retirement program.

cal and medical expense plans the increase was almost 13 percent (they rose about 11 percent in 1967). The relative growth in contributions to major-medical expense plans was about 25 percent—much higher than that in 1967.

The sizable increases in health benefit plans brought total contributions to almost \$10 billion, or \$2 out of every \$5 contributed for all employee-benefit plans. As noted earlier, the sharp advance in contributions to group health insurance reflects, to a large degree, the rapid rise in medical care costs in recent years. Part of the rise was the result of changes in estimating procedures for group insured plans for 1968.

Private pension contributions—which account for another two-fifths of total contributions—expanded by about \$1 billion and totaled \$10.6 billion in 1968. The 10-percent gain was slightly higher than the increase registered in the past few years. Contributions to temporary and long-term disability plans advanced by more than 20 percent—double the typical growth in previous years—and amounted to \$2.2 billion. Life insurance and death benefit-contributions increased by 15 percent (a much higher rate than in previous years) and the relative growth (19 percent) in accidental death and dismemberment plans was also

much higher than that previously recorded. Contributions to these types of plans amounted to more than \$3 billion in 1968. Contributions for supplemental unemployment benefit plans remained at low levels and were estimated at \$125 million in 1968.¹¹

Reflecting the step-up of employer and employee contributions in most types of employee-benefit plans, the relationship of these contributions to aggregate wage and salary payroll showed some upward shift in 1968 (table 2). Employer-employee contributions to retirement plans went from \$2.86 per \$100 of private wage and salary payroll in 1967 to \$2.88 per \$100 in 1968. Health benefit contributions increased by 13 cents per \$100 of payroll and totaled \$2.24. Temporary and long-term disability plans had a 6-cent increase that brought the proportion to 61 cents per \$100 of payroll. Life and accidental death contribu-

¹¹ For details on trends in financing supplemental unemployment benefit plans, see Emerson H. Beier, "Financing Supplemental Unemployment Benefit Plans," *Monthly Labor Review*, November 1969, and Joseph M. Becker, S.J., *Guaranteed Income for the Unemployed*, Johns Hopkins Press, 1968. The data in this series exclude the International Ladies Garment Workers Plan and therefore differ somewhat from the data used in the studies cited.

tions were at 69 cents per \$100 of payroll—well above the 1967 level.

Benefits

Benefit outlays in 1968, like contributions, showed sharp increases for most categories of employee-benefit plans (table 4). The total benefit package of \$18.5 billion was an expansion of \$2.6 billion from the 1967 total (\$16 billion). The 16-percent rise was one of the largest relative increases since 1952 (except for 1956 and 1957) and reflected, chiefly, the boost in health care payments.

Payments for health care represented close to \$1.4 billion of the increase, while retirement payments went up by less than half that amount. Relatively, disbursements for health care advanced about 17 percent, a much higher gain than the 6–7 percent increase of 1966 and 1967 and the typical annual gain of 10–15 percent since 1960. All types of health care payments increased in 1968, but a large portion of the growth was attributable to major-medical payments, which were 27 percent greater than they were in the preceding year.

Temporary disability payments (including those for long-term disability) went up 23 percent and amounted to \$1.8 billion. The increase was sharply higher than that of previous years. Retirement payments were 14 percent higher than they were in 1967. Total payments amounted to more than \$5 billion in 1968. Among other types of employee benefits, death-benefit payments (plus those for accidental death and dismemberment) showed a sharp increase (13 percent) and amounted to \$2.2 billion.

PRIVATE RETIREMENT PLAN TRENDS

Coverage

The number of private wage and salary workers covered by private pension plans rose by 600,000 in 1968 to a total of more than 28 million (table 5). This growth was less than that in the 2 preceding years when the absolute increase was more than 1 million and the rate of growth was 4–4.5 percent. The 2.2-percent rise in 1968 was the smallest percentage increase for any year since 1950 (the first year in the series).

In insured group plans the number of covered

TABLE 4.—Estimated benefits paid under employee-benefits plans,¹ by type of benefit, 1950, 1955, 1960, 1965–68

[In millions]

Type of benefit	1950	1955	1960	1965	1966	1967	1968
Total.....	\$1,812.5	\$4,070.9	\$7,834.5	\$13,385.2	\$14,645.4	\$15,988.0	\$18,541.9
Benefits for all wage and salary workers:							
Life insurance and death benefits ²	310.0	581.5	1,017.6	1,541.5	1,693.1	1,877.8	2,108.4
Accidental death and dismemberment ³	16.0	26.1	47.3	89.5	97.0	101.4	120.5
Total health benefits.....	708.7	1,902.9	3,898.2	7,012.1	7,427.5	7,973.8	9,331.2
Hospitalization ^{4,5}	477.5	1,241.8	2,355.0	4,160.5	4,312.0	4,526.3	5,232.6
Written in compliance with law.....	2.1	5.6	8.0	2.5	2.6	2.7	2.7
Surgical and regular medical ⁴	231.2	637.1	1,116.2	1,847.6	1,979.5	2,141.5	2,440.6
Major-medical expense ⁶		24.0	427.0	1,004.0	1,136.0	1,306.0	1,658.0
Benefits for wage and salary workers in private industry:							
Temporary disability, including formal sick leave ⁷	407.8	710.4	1,030.4	1,310.1	1,435.8	1,506.0	1,846.8
Written in compliance with law.....	54.3	135.2	196.1	197.6	208.4	222.4	251.4
Supplemental unemployment benefits ⁸			91.0	62.0	82.0	119.0	105.0
Retirement ⁹	370.0	850.0	1,750.0	3,370.0	3,910.0	4,410.0	5,030.0

¹ Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.

² Group and wholesale life insurance benefits based on data from Institute of Life Insurance, *Life Insurance Fact Book*, 1968, modified to exclude group plans not related to employment, and excludes \$69.4 million in benefits paid under the Servicemen's Group Life Insurance plan, which went into effect in late 1965. Self-insured death benefits based on data for various trade-union, mutual benefit association, and company-administered plans.

³ Unpublished data from the Institute of Life Insurance.

⁴ Data from "Private Health Insurance, 1968: Enrollment, Coverage, and Financial Experience," *Social Security Bulletin*, December 1969. In estimating benefits paid to employees under plans other than group insurance and union and company plans, it was assumed that the proportion of benefits attributable to employed groups increased gradually from 75 percent in 1950–60 to 80 percent in 1968.

⁵ Includes hospital plans written in compliance with State temporary dis-

ability insurance law in California, shown separately in next line.

⁶ Unpublished data from the Health Insurance Association of America. Represents benefits paid under group supplementary and comprehensive major-medical insurance underwritten by commercial insurance carriers.

⁷ Data from "Income Replacement During Illness, 1948–68," *Social Security Bulletin*, January 1970. Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York, shown separately in next line. Includes contributions under long-term disability, not available separately.

⁸ Based on trade-union and industry reports and "Financing Supplemental Unemployment Benefit Plans," *Monthly Labor Review*, November 1969. Excludes dismissal wage and separation allowances, except when financed from supplemental unemployment benefit funds covering temporary and permanent layoffs.

⁹ Estimated by the Office of the Actuary, Social Security Administration. Includes benefits paid under pay-as-you-go and deferred profit-sharing plans, plans of nonprofit organizations, union pension plans, and railroad plans supplementing Federal railroad retirement program.

TABLE 5.—Private pension and deferred profit-sharing plans¹: Estimated coverage, contributions, beneficiaries, benefit payments, and reserves, 1950, 1955, 1960–68

Year	Coverage, ² end of year (in thousands)			Employer contributions (in millions)			Employee contributions (in millions)			Number of beneficiaries, end of year (in thousands)			Amount of benefit payments (in millions)			Reserves, end of year (in billions)		
	Total	In-sured	Non-insured	Total	In-sured	Non-insured	Total	In-sured	Non-insured	Total	In-sured	Non-insured	Total ³	In-sured	Non-insured ³	Total	In-sured	Non-insured
1950	9,800	2,600	7,200	\$1,750	\$720	\$1,030	\$330	\$200	\$130	450	150	300	\$370	\$80	\$290	\$12.1	\$5.6	\$6.5
1955	15,400	3,800	11,600	3,280	1,100	2,180	560	280	280	980	290	690	850	180	670	27.5	11.3	16.1
1960	21,200	4,900	16,300	4,740	1,190	3,550	790	300	490	1,780	540	1,240	1,750	390	1,360	52.0	18.8	33.1
1961	22,200	5,100	17,100	4,870	1,180	3,690	800	290	510	1,910	570	1,340	2,000	450	1,550	57.8	20.2	37.5
1962	23,100	5,200	17,900	5,190	1,240	3,950	850	310	540	2,100	630	1,470	2,340	510	1,830	63.5	21.6	41.9
1963	23,800	5,400	18,400	5,510	1,390	4,120	870	300	570	2,280	690	1,590	2,570	570	2,000	69.9	23.3	46.5
1964	24,600	6,000	18,600	6,170	1,520	4,650	930	320	610	2,490	740	1,750	2,890	640	2,250	77.2	25.2	51.9
1965	25,400	6,300	19,100	7,040	1,740	5,300	1,030	360	670	2,750	790	1,960	3,370	720	2,650	85.4	27.3	58.1
1966	26,400	7,000	19,400	7,730	1,830	5,900	1,070	370	700	3,110	870	2,240	3,910	810	3,100	93.9	29.4	64.5
1967	27,600	7,800	19,800	8,510	2,010	6,500	1,150	390	760	3,420	940	2,480	4,410	910	3,500	103.9	32.0	71.8
1968	28,200	8,100	20,100	9,380	2,280	7,100	1,260	420	840	3,760	1,000	2,760	5,030	1,030	4,000	115.3	35.0	80.3

¹ Includes pay-as-you-go, multiemployer, and union-administered plans, those of nonprofit organizations, and railroad plans supplementing the Federal railroad retirement program. Insured plans are underwritten by insurance companies; noninsured plans are, in general, funded through trustees.

² Excludes annuitants; employees under both insured and noninsured plans are included only once—under the insured plans.

³ Includes refunds to employees and their survivors and lump-sums paid under deferred profit-sharing plans.

Source: Compiled by the Office of the Actuary, Social Security Administration, from data furnished primarily by the Institute of Life Insurance and the Securities and Exchange Commission.

persons rose by 300,000 in 1968 and reached a total of 8.1 million. Noninsured plans also added about 300,000 workers and totaled more than 20 million. Much of the growth in coverage in insured plans reflects the rising number of pension plans established for the self-employed.

Contributions

The series on private pension plans has been revised this year on a preliminary basis to incorporate improved estimates for financial activities for multiemployer and union pension funds. As a result, estimates for total contributions and benefit payments for private pension plans have been adjusted upward for most years since 1960. The estimates used here differ somewhat from those in the series published by the Securities and Exchange Commission (SEC).¹² The Social Security Administration series includes pay-as-you-go plans and insured plans, which are not incorporated in the SEC data. In addition, source data used to estimate multiemployer pension plan financing have been further refined.

Employer and employee contributions to retirement plans exceeded \$10 billion for the first time in 1968, and a record increase of almost \$1 billion over the amount contributed in 1967 was registered. The 10-percent gain was slightly

higher than that experienced in recent years. Contributions for insured plans were about \$2.7 billion, or a fourth of the aggregate contributions. Contributions to noninsured plans—totaling \$7.9 billion in 1968—account for three-fourths of contributions to private retirement plans.

Employers contributed about \$9.4 billion to private pension plans in 1968, and employees contributed about \$1.3 billion. The employer's share of aggregate contributions was thus about 88 percent in that year. It should be noted, however, that the employers pay the entire cost in plans that cover about three-fourths of all participants of private plans. Average annual employer contributions per covered employee rose to more than \$335 in 1968, an increase of \$20 over the amount in the preceding year. Similarly, estimated per capita contributions by employees in jointly financed plans rose slightly, averaging about \$180 during the year (on the assumption that a fourth of the participants in pension plans pay some part of the cost of the plan).

Benefits and Beneficiaries

Benefit payments by private retirement plans totaled more than \$5 billion in 1968. The increase of \$620 million was the largest recorded in the series, but the 14-percent rise was lower than those in many of the preceding years. Noninsured plans paid out \$4 billion in benefits, and insured

¹² Securities and Exchange Commission, *Statistical Series*, Release No. 2406, 1969.

plan payments exceeded \$1 billion for the first time. An estimated 3.8 million retired workers (and survivors) were receiving these benefits in 1968—340,000 more than the number in 1967. The relative increase (10 percent) was about the same as that recorded for 1967.

The improvement in benefit levels in private plans is roughly indicated by the differing rates of growth in the number of beneficiaries and benefit payments. Average outlays per beneficiary rose to \$1,400 in 1968, up \$50 from the average payment in 1967. Ten years earlier average payments were less than \$1,000. It should be noted, however, that comparisons of average payments at different periods do not provide a measure of real gains, since sharply rising price levels have eroded some of the value of benefits paid by private plans.

Reserves

Reserves of private retirement plans rose to \$115.3 billion in book value in 1968. A record amount of \$11.5 billion was added to the assets of private plans in 1968, but the 11-percent increase was only slightly higher than the 10–10.5 percent gain registered in the 6 preceding years.

Noninsured plan reserves were at \$80.3 billion at the end of 1968; for insured plans they totaled \$35 billion. The record expansion in reserves was the result of a higher-than-usual gain in contributions, substantially even growth in benefit payments, and sharp rises in investment income and net profit on sale of assets.

Since the end of 1950, reserves for private plans have increased more than \$100 billion. During the same period, contributions by employers and employees have totaled more than \$100 billion—about the same amount as the increase in reserves. Income of pension funds from investments and profit from sale of assets have totaled \$36.1 billion, almost matching the \$36.4 billion in benefit payments. As reserves were being accumulated in early years, aggregate fund earnings did not match benefit payments. With the growth in reserves, aggregate earnings had topped benefit payments in most years since 1961. In 1968, pension fund earnings of \$5.8 billion were well above benefit payments of \$5.0 billion.

PRIVATE PENSIONS AMONG THE AGED, 1967

The Federal social security program today is the major source of retirement income for the aged population and is a future source of retirement income for most of those now employed. For a sizable and growing group of the population, however, private retirement and other public retirement programs also play a significant role.

Only a small number of aged persons receiving private pensions were not concurrently receiving social security benefits, and most of these individuals were still working. They represented less than 5 percent of all aged private pensioners. The number of private pensioners receiving added retirement benefits from other public programs was low.

Detailed information on selected characteristics of the aged population receiving private pension benefits in 1967 is summarized here. The analysis is based on data from the Social Security Administration 1968 Survey of the Aged.¹³ Characteristics of those receiving pensions from other public retirement programs, as well as further analyses of private pensioners, will be treated at length in a forthcoming article.

The estimates of private-plan pensioners from the Survey of the Aged differ from Social Security Administration estimates of total private-plan pensioners. The main reason is that the Survey refers to the population aged 65 and over, while the other Social Security Administration estimate also includes persons under age 65. Furthermore, the Survey estimates are in terms of aged units (defined as a married couple living together, with one member aged 65 and over, or a nonmarried person aged 65 and over), but the global estimates refer to individuals.

Sources of Income

The profile of income sources for the aged population shows the role of pension programs that supplement OASDHI benefits. The data that follow show that 19 percent of all married

¹³ For details of the scope and method of the survey, see Lenore E. Bixby, "Income of People Aged 65 and Older: Overview From 1968 Survey of the Aged," pages 3-34 of this issue of the *Bulletin*.

couples with one member aged 65 and over had private pension payments in 1967.

Source of retirement benefit	Percentage distribution		
	Married couples	Nonmarried persons	
		Men	Women
Total percent.....	100	100	100
OASDHI only.....	62	69	76
OASDHI and private plan ¹	19	13	5
OASDHI and other public plan.....	7	6	5
Other public plan only.....	3	5	3
No retirement benefit.....	9	8	12

¹ Includes a small number of units not receiving OASDHI benefits and a small number of units also receiving other public pensions.

Seven percent of the married-couple units in the survey received supplements to their OASDHI benefits through other public retirement programs (railroad or government employee plans); only 3 percent of the married couples received retirement benefits solely from such public retirement plans. Thus, for 62 percent of the married couples OASDHI was their only source of periodic retirement benefit. About 10 percent of the units did not receive retirement benefits of any type but relied mostly on employment as their source of income.

The same general pattern of sources of retirement benefits prevailed for aged single men and women. The degree of supplementation of OASDHI through other plans is lower than it is for couples, however, and therefore the proportion of single aged persons dependent only upon OASDHI benefits rises, especially for single women. About 13 percent of the aged single men were private pensioners—three times the percentage for aged single women. The low proportion of women receiving such benefits results from several factors, including their relative lack of survivor protection in private plans, their concentration in industries with low private-plan coverage, and their irregular pattern of labor-force attachment.

Sources of income for private pension recipients differ from those of the aged population as a whole. As table 6 shows, few are likely to be receiving public assistance or contributions from relatives. Among couples reporting private pension benefits, about three-fourths had asset income and more than a third had some earned income. The same general pattern prevailed for

TABLE 6.—Sources of income for units aged 65 and over with private pensions¹: Percent of units with income from specified sources, by marital status, 1967

Source of money income	Total	Married couples	Nonmarried persons		
			Total	Men	Women
Total number (in thousands).....	1,801	1,136	666	308	358
Percent with:					
OASDHI.....	97	98	94	96	93
Other public pension.....	4	6	2	2	2
Earnings ²	26	35	12	14	10
Wages and salaries.....	24	30	12	13	10
Self-employment.....	4	6	(³)	1	—
Asset income ²	70	74	61	55	67
Veterans' benefits.....	7	10	2	2	2
Unemployment insurance.....	3	4	1	1	1
Public assistance.....	1	1	2	1	3
Private assistance.....	(³)	(³)	(³)	—	1
Contributions.....	1	1	2	1	2
Private annuities.....	3	3	5	1	8

¹ Includes a small number of units with both a private pension and other public pension.

² Subject to slight upward revision.

³ 0.5 percent or less.

nonmarried persons with private pensions, except that the proportion of those receiving income from earnings was sharply lower. Only 14 percent and 10 percent of single men and women, respectively, reported such income. Single women, however, were more likely than single men to have income from assets and other sources such as private annuities.

The significance of supplementary private retirement payments as a source of income is magnified when measured in terms of the contribution to total income. According to the Survey data, for married couples with private pensions, about 60 percent of aggregate income was from retirement benefits—almost 35 percent from OASDHI and 25 percent from private plans (table 7).

TABLE 7.—Shares of income for units aged 65 and over with private pensions¹: Percentage distribution of income by source, by marital status, 1967

Source of money income	Total	Married couples	Nonmarried persons		
			Total	Men	Women
Number (in thousands):					
Total.....	1,801	1,136	666	308	358
Reporting on income.....	1,293	817	475	247	228
Total percent.....	100	100	100	100	100
Earnings.....	20	24	7	5	11
Total retirement.....	64	61	74	81	67
OASDHI.....	35	33	41	42	39
Private group pensions.....	27	25	32	37	27
Other public pensions.....	2	3	1	2	1
Veterans' benefits.....	1	2	1	1	1
Public assistance.....	(²)	—	1	—	2
Asset income.....	12	12	13	12	14
Other.....	2	2	4	1	6

¹ Includes a small number of units with both a private pension and other public pension.

² 0.5 percent or less.

Earnings accounted for about 25 percent of total income and a little more than 10 percent was asset income. Other sources of income played a minor role in income maintenance.

For nonmarried men with private retirement pensions, over 80 percent of total income came from retirement programs—42 percent from the OASDHI program and 37 percent from private plans. The share of income from earnings dropped to 5 percent.

For single women, private plans provided 27 percent of total income and OASDHI about 40 percent—altogether about 70 percent came from retirement programs. Although single women had a smaller share of total income from retirement benefits than men had, a larger share of their income came from earnings, assets, and other sources.

As noted in the first article of a series on the 1968 Survey of the Aged (first article in this issue) the Survey underestimates aggregate income for the group studied. The underestimation was greatest for income from assets and earnings. Comparisons among subgroups such as those above remain meaningful despite this qualification.

income levels and typically go hand-in-hand with higher levels of OASDHI benefits. Less than 10 percent of the married couples receiving private pensions had combined total annual incomes under \$2,500, and almost 25 percent had incomes from \$2,500 to \$3,500 (table 8). About 30 percent had incomes between \$3,500 and \$5,000, and almost 40 percent had \$5,000 or more.

Income levels were lower for nonmarried men and women with private pension income than they were for couples. Less than 10 percent of the nonmarried had income less than \$1,500. About 7 out of 10 single persons had incomes between \$1,500–\$3,500, and about one-fourth were at higher income levels.

As shown below, private pensioners were the economically elite among the aged population in 1967 and had median incomes about \$1,000 more than those without private pension benefits.

Aged population	Median income of—		
	Married couples	Nonmarried persons	
		Men	Women
With private pension income.....	\$4,255	\$2,580	\$2,330
Without private pension income.....	3,080	1,520	1,200

Size of Income

Private pension payments, for those that receive them, are important in raising absolute

TABLE 8.—Size of income for units aged 65 and over with private pensions¹: Percentage distribution of units with private pensions by income class, by marital status, 1967

Total money income	Total	Married couples	Nonmarried persons		
			Total	Men	Women
Number (in thousands):					
Total.....	1,801	1,136	666	308	358
Reporting on income.....	1,293	817	475	247	228
Total percent.....	100	100	100	100	100
Less than \$1,000.....	1	(²)	1	2	1
\$1,000-1,499.....	2	(²)	5	3	7
1,500-1,999.....	8	2	19	18	20
2,000-2,499.....	13	5	27	24	30
2,500-2,999.....	12	10	14	15	14
3,000-3,499.....	11	12	10	12	8
3,500-3,999.....	11	14	7	9	5
4,000-4,999.....	15	18	10	12	7
5,000-7,499.....	16	23	4	4	5
7,500-9,999.....	6	8	1	1	1
10,000 or more.....	6	8	1	1	2
Median.....	\$3,670	\$4,255	\$2,420	\$2,580	\$2,330

¹ Includes a small number of units with both a private pension and other public pension.

² 0.5 percent or less.

The effect of private pensions on income distribution is also demonstrated by a look at the percentages of units aged 65 and over at selected income levels who received income from this source. As expected, regardless of the type of unit, relatively few of those at the lower income levels received income from private pension plans.

TABLE 9.—Private pension¹ receipt by size of income for units aged 65 and over: Percent with private pensions, by income class, by marital status, 1967

Total money income	Total	Married couples	Nonmarried persons		
			Total	Men	Women
Number (in thousands):					
Total.....	15,779	5,989	9,789	2,356	7,434
Reporting on income.....	12,186	4,417	7,770	1,954	5,816
Percent with:					
Less than \$1,500.....	1	1	1	1	(²)
1,500-1,999.....	6	4	7	13	5
2,000-2,499.....	13	7	16	20	14
2,500-2,999.....	19	19	19	28	14
3,000-3,999.....	24	25	21	36	13
4,000-4,999.....	28	30	23	(³)	13
5,000 and over.....	27	26	10	12	9

¹ Includes a small number of units with both a private pension and other public pension.

² 0.5 percent or less.

³ Not shown where base was less than 100,000.

Private pensions were an important source of income for those in the income levels of \$3,000 or more; 25-30 percent of the married units received such payments in 1967 (table 9). For nonmarried women they were a fairly important source at income levels from \$1,500 to \$4,999—in 1 out of 8 units. They were less important at \$5,000 and above. Pension income was reported by relatively more single men at almost all income levels than by either married couples or single women.

Private Pension Levels

As indicated, income from private plans provided more than one-fourth of aggregate income for private pension recipients in 1967. As a proportion of their aggregate retirement benefits, these pensions were 40 percent and OASDHI benefits represented 60 percent. Table 10 shows the distribution of the private pension benefits received by units aged 65 and over who were receiving such benefits. One third of all aged units were receiving \$500-\$999 a year in private pension payments. Twenty-two percent of the units had payments of less than \$500; about 45 percent received \$1,000 or more—mostly between \$1,000 and \$1,999. The median pension payment was about \$900 a year.

The concentration of private pension payments in the \$500-\$999 range applied to both married couples and single persons. Married couples and single men had similar distributions of private pension benefits, but single women were at a

TABLE 10.—Size of private pension income for units aged 65 and over with private pensions¹: Percentage distribution of units by income class, by marital status, 1967

Private pension income	Total	Married couples	Nonmarried persons		
			Total	Men	Women
Number (in thousands):					
Total, with private pension	1,801	1,136	666	308	358
Reporting on size of pension income	1,614	1,030	585	281	304
Total percent	100	100	100	100	100
Less than \$300	9	7	13	7	18
\$300-499	13	11	16	17	16
500-999	33	34	32	28	35
1,000-1,499	19	18	21	20	21
1,500-1,999	11	12	8	10	6
2,000-2,499	7	7	6	9	2
2,500 and over	9	11	5	8	2
Median	\$900	\$960	\$780	\$935	\$660

¹ Includes a small number of units with both private pension and other public pension.

somewhat lower level. Thus, almost 50 percent of the married couples and single men had an annual pension of \$1,000 or more. For single women, this ratio was about 30 percent. Among all types of aged units, only a small minority had private pension income of \$2,500 or more. At the same time, 34 percent of the single women had pensions of less than \$500; this proportion was 18 percent for married couples and 24 percent for single men. The median annual private pension benefit therefore was about the same for married units and for single men (\$960 and \$935, respectively) but was considerably less for single women (\$660).

The lower pension levels for women are the product of factors that typically enter into the calculation of private pensions—amount of service and level of earnings. Women tend to have lower earnings and shorter job tenure than men. In addition, for widows with survivor benefits, the amount of the payment would be at much lower levels than that of persons receiving full benefits.

Technical Note

In the employee benefit series, the estimates of coverage, contributions, and benefits are based for the most part on reports by private insurance companies and other nongovernment agencies. Many of the reports include data for persons who are no longer employed as wage and salary workers because of retirement, temporary layoff, sickness, or shift in jobs. No attempt has been made to adjust the data for any overstatement that might result from their inclusion, except that the coverage estimates for pension plans have been adjusted to exclude annuitants.

Contributions under insured pension plans are on a net basis, with dividends and refunds deducted. Those under noninsured plans are, for the most part, on a gross basis, and refunds appear as benefit payments. For pay-as-you-go (unfunded) plans, contributions have been assumed to equal benefit payments. Estimates of per capita contributions are derived by dividing

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TABLE M-2.—Public income-maintenance programs: Hospital and medical care payments, 1940-69

[In millions]

Period	Total	OASDHI (health insurance for the aged) ¹			Other programs			
		Total	Hospital insurance ²	Medical insurance	Veterans	Temporary disability ³	Workmen's compensation ⁴	Public assistance ⁵
1940	\$165				\$70			\$95
1941	174				74			100
1942	186				78			108
1943	194				82			112
1944	210				90			120
1945	222				97			125
1946	294				154			140
1947	480				300			160
1948	628				453			175
1949	726				541			185
1950	780				573	\$7		200
1951	930				583	11		233
1952	1,022				609	13		260
1953	1,082				630	16		280
1954	1,188				650	19		308
1955	1,265				688	20		325
1956	1,354				711	24		350
1957	1,411				721	28		300
1958	1,526				757	36		375
1959	1,715				809	39		410
1960	1,846				848	41		435
1961	2,093				899	46		460
1962	2,406				940	46		495
1963	2,611				971	50		525
1964	2,890				1,019	51		565
1965	3,199				1,072	52		595
1966	4,883	\$1,010	\$891	\$128	1,137	54		665
1967	9,554	4,549	3,353	1,197	1,328	53		750
1968	12,097	5,697	4,179	1,518	1,429	55		820
1969	13,826	6,603	4,739	1,865	1,573	58		920
December 1968		515	384	131	122			356
January 1969								
February		554	414	141	129			379
March		516	385	131	155			384
April		556	416	140	121			374
May		599	439	160	126			395
June		568	424	144	129			387
July		538	398	140	126			380
August		555	409	146	143			391
September		546	400	146	132			388
October		498	360	138	137			387
November		602	330	272	146			431
December		495	346	149	127			406
		576	418	158	143			387

¹ Benefit expenditures from the Federal hospital insurance and supplementary medical insurance trust funds as reported by the U.S. Treasury.

² Represents payments in behalf of all persons aged 65 and over, including those not insured for cash benefits under OASDHI and railroad retirement. Excludes payments by Railroad Retirement Board for beneficiaries in Canadian hospitals.

³ Benefits in California and New York (from 1950), including payments under private plans. Monthly data not available.

⁴ Benefits under Federal workmen's compensation laws and under State laws paid by private insurance carriers, State funds, and self-insurers. Beginning 1959, includes data for Alaska and Hawaii. Monthly data not available.

⁵ Federal matching for medical vendor payments under public assistance began October 1950.

Source: U.S. Treasury and unpublished data from administrative agencies.

EMPLOYEE-BENEFIT PLANS

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total annual contributions by the average number of employees covered during the year.

The number of beneficiaries under pension plans relates to those receiving periodic payments at the end of the year and thus excludes those who received lump sums during the year. The amounts shown for retirement benefits under non-insured plans does include (1) refunds of employee contributions to individuals who withdraw from the plans before retirement and before accu-

mulating vested deferred rights, (2) payment of the unpaid amount of employee contributions to survivors of pensioners who die before they receive in retirement benefits an amount equal to their contributions, and (3) lump-sum payments made under deferred profit-sharing plans. Because the source of the data from which the estimates have been developed does not permit distinction between these lump-sum benefits and the amounts representing monthly retirement benefits, precise data on average monthly or annual retirement benefit amounts cannot be derived.