

Benefits and Beneficiaries Under Public Employee Retirement Systems, Fiscal Year 1989

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The Federal Government, the 50 States, and many localities maintain programs that provide retirement, disability, and survivor benefits to their employees. In fiscal year 1989, the amount paid out in such benefits at all levels of government was \$83.2 billion, while the number of beneficiaries totaled 7.7 million (table 1). Federal retirement systems accounted for 60 percent of the benefits paid in 1989 and for 49 percent of the beneficiaries (table 2). The large programs for civil service and military personnel are responsible for the vast majority (99 percent) of Federal retirement payments.

The Civil Service Retirement System (CSRS) was the major program covering Federal civilian workers from 1920 through 1986. In 1986, Congress enacted the Federal Employees Retirement System (FERS), which covers all workers hired on or after January 1, 1984, and any workers previously covered by CSRS who elected to change to FERS. The majority of Federal workers hired before January 1, 1984, continue to be covered under CSRS.

The CSRS is a retirement system separate from the Social Security program. Workers covered under CSRS contribute a fixed percent of their salary to the program and receive benefits based on their earnings and length of service. Since 1983, CSRS employees have also been covered by and contribute to the Medicare program.

Unlike CSRS, the FERS program was designed to coordinate with the

Social Security program. Under FERS, workers contribute to the Old-Age, Survivors, and Disability Insurance (OASDI) and Hospital Insurance (HI) programs on the same basis as other workers in employment covered by Social Security, and they receive the same benefits in the event of retirement, disability, or death. These workers also contribute to a Federal pension, which is paid in addition to Social Security benefits. Payment of FERS pensions began in January of 1987, and they are included with CSRS benefits under the rubric of "Civil Service" in the tables accompanying this note. The combined contribution rates of CSRS workers (for Federal pension and Hospital Insurance benefits) and FERS workers (for full OASDI, HI, and Federal pension benefits) are approximately equal.

Because FERS was designed to pay benefits in addition to Social Security, its payment levels are lower than those of the CSRS. Workers who switched from CSRS to FERS will receive retirement benefits that represent a mix of provisions from the two systems. It is reasonable to expect that over time the lower FERS pension levels will reduce the amount of the Civil Service benefit total. However, as yet there are too few retirees receiving FERS benefits to have much of an impact on these figures.

Under the FERS plan, workers may also participate in a tax-deferred thrift savings plan. This plan allows employees to contribute up to 10 percent of their earnings, with the Federal Government matching their contributions up to 5 percent. Employees who maintain their coverage under CSRS may also participate in the

thrift savings plan. They are permitted to contribute up to 5 percent of their earnings, although the Federal Government does not match any of their contributions.

Since 1957, all members of the Armed Forces have been covered by Social Security. Career-service personnel with 20 years or more of service are also covered by the noncontributory military retirement system. This system pays retirement and disability benefits, and contains an elective survivorship provision that permits an employee the option of receiving reduced retirement pay in order to provide for a benefit to his or her surviving spouse.

In contrast to the few large Federal programs, State and local governments operate some 2,387 separate retirement systems, with a combined membership of 12.8 million. The average annual benefit amounts for retirees under these systems are considerably lower than those for Federal retirees (table 3). Among the reasons for this difference is that State and local systems are often coordinated with Social Security—that is, they are designed with the idea that the government pension will represent only part of an employee's postretirement income. The State and local plans therefore use formulae that result in a lower ratio of earnings to benefits than is true under either the CSRS or the military systems. Also, only about half of the State and local systems include provisions for automatic cost-of-living increases. All Federal benefits are indexed for inflation, although the exact mechanism for the indexing may differ among pension systems.

As noted earlier, the Social Security program covers some or all of the employees of most State and local

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Table 1.—Benefits and beneficiaries under public employee retirement systems, by reason for benefit receipt, fiscal year 1989

Systems	Total	Age and service	Disability	Survivor ¹	
				Monthly	Lump sum
Benefits (in millions)					
Total ²	\$83,241.5	\$66,602.9	\$9,653.8	\$6,910.1	\$74.7
Federal employees ²	50,249.5	37,569.9	7,344.8	5,260.1	74.7
Civil Service.....	29,194.2	18,894.5	5,854.8	4,378.7	66.2
Armed Forces.....	20,062.8	17,824.1	1,420.5	818.2	...
Other Federal programs ²	992.5	851.3	69.5	63.2	8.5
Contributory systems.....	440.6	378.8	21.8	33.1	6.9
Federal judiciary survivors ³	4.3	...	...	4.3	...
Foreign Service.....	305.4	268.8	15.3	18.3	3.0
Tennessee Valley Authority.....	130.9	110.0	6.5	10.5	3.9
Noncontributory systems ²	551.9	472.5	47.7	30.1	1.6
Coast Guard ⁴	370.3	312.0	39.8	18.5	...
Federal judiciary ⁵	24.0	24.0	...	...	...
Federal Reserve ^{6,7}	67.9	57.3	2.6	6.5	1.6
NOAA ⁸	5.0	4.0	.5	.5	...
Public Health Service ⁹	84.6	75.2	4.8	4.6	...
State and local employees ¹⁰	32,992.0	29,033.0	2,309.0	1,650.0	...
Beneficiaries at end of year (in thousands)					
Total ²	7,692.8	5,987.7	681.4	1,023.7	...
Federal employees ²	3,782.3	2,617.3	456.1	1708.9	...
Civil Service.....	2,121.8	1,257.1	314.3	550.4	...
Armed Forces.....	1,601.7	1,315.0	136.0	150.7	...
Other Federal programs ²	58.8	45.2	5.8	7.8	...
Contributory systems.....	19.9	15.3	1.4	3.2	...
Federal judiciary survivors ³.....	.2	...	...	.2	...
Foreign Service.....	10.6	8.6	.4	1.6	...
Tennessee Valley Authority.....	9.1	6.7	1.0	1.4	...
Noncontributory systems ²	38.9	29.9	4.4	4.6	...
Coast Guard ⁴	25.6	19.0	3.7	2.9	...
Federal judiciary ⁵.....	.3	.3	...	...	...
Federal Reserve ^{6,7}	10.0	8.3	.5	1.2	...
NOAA ⁸.....	.2	.1	...	.1	...
Public Health Service ⁹	2.8	2.2	.2	.4	...
State and local employees ¹⁰	3,910.5	3,370.4	225.3	314.8	...

¹ Unless otherwise specified, number of survivor beneficiaries represents number of individuals.

² Totals include benefits and beneficiaries of the Federal Tax Court retirement system, not shown separately.

³ Excludes annuities to widows of Supreme Court justices; see footnote 5.

⁴ Includes Lighthouse Service widows.

⁵ Includes Supreme Court justices, their widows, and other Federal judges retired on salary.

⁶ Lump-sum payments relate to the Federal Reserve Board plan only.

⁷ Survivor beneficiaries represent widows only.

⁸ National Oceanic and Atmospheric Administration commissioned officers.

⁹ Commissioned officers.

¹⁰ Lump-sum data not available after 1988. Survivor beneficiary number represents payees, not necessarily individuals.

governments. In the late 1980's, about two-thirds of all workers with State or local employment at any time in the year were covered by Social Security. In 1989, that proportion represented 10.5 million persons. Legislation enacted in 1990 extended Social Security coverage on a mandatory basis to State and local government employees who were not covered under a State or local government retirement plan.

The historical data presented in table 4 show that the "age and service" category has been the largest throughout the 36 years of this series. In 1989, that category accounted for 80 percent of all benefits and 78 percent of the beneficiaries who received them.

Information on the benefits and beneficiaries of State and local government retirement systems was taken from the Bureau of the Census publication, *Finances of Employee-*

Retirement Systems of State and Local Governments: 1988-89, published in September 1991. The systems covered by this study provided data for their fiscal years "ending between July 1, 1988 and June 30, 1989." These data are therefore not exactly comparable to the fiscal year figures used for the Federal programs. Data on the Federal systems were obtained from reports of the administering agencies and from the U.S. Budget Appendix.

Table 2.—Percentage distribution of benefits and beneficiaries under public employee retirement systems, by reason for benefit receipt and level of administering government, selected years 1979-89

Reason for receipt and level of government	1979	1987	1988	1989
	Reason for receipt			
Benefits, total.....	100	100	100	100
Age and service.....	80	81	81	80
Disability.....	12	11	11	12
Survivor:				
Monthly benefits.....	7	8	8	8
Lump-sum benefits.....	1	0	0	0
Beneficiaries, total.....	100	100	100	100
Age and service.....	73	79	78	78
Disability.....	12	9	9	9
Survivor monthly benefits.....	15	12	13	13
Level of government				
Benefits, total.....	100	100	100	100
Federal.....	67	62	62	60
Civil Service.....	36	35	36	35
Armed Forces.....	30	25	25	24
Other.....	1	1	1	1
State and local.....	33	38	38	40
Beneficiaries, total.....	100	100	100	100
Federal.....	53	50	50	49
Civil Service.....	29	28	28	28
Armed Forces.....	23	21	21	21
Other.....	1	1	1	1
State and local.....	47	50	50	51

Table 3.—Average annual benefit amounts, by reason for benefit receipt and level of government, selected years 1979-89, in current and constant (1989) dollars

Reason for receipt	Benefits in current dollars				Benefits in constant (1989) dollars			
	1979	1987	1988	1989	1979	1987	1988	1989
All public employee retirement systems, total.....	\$6,269	\$ 9,743	\$10,395	\$10,821	\$10,571	\$10,630	\$10,884	\$10,821
Age and service.....	6,865	10,086	10,877	10,472	11,576	11,004	11,388	10,472
Disability.....	6,511	11,859	12,001	12,297	10,979	12,938	12,565	12,297
Survivor (monthly).....	3,039	5,982	6,330	6,750	5,124	6,526	6,628	6,750
Federal employee retirement systems, total.....	7,994	12,127	12,771	13,285	13,480	13,231	13,372	13,285
Age and service.....	9,221	13,461	14,154	14,354	15,549	14,686	14,820	14,354
Disability.....	7,273	12,978	13,671	16,103	12,264	14,159	14,314	16,103
Survivor (monthly).....	3,795	6,514	7,009	7,420	6,399	7,107	7,339	7,420
State and local employee retirement systems, total.....	4,305	7,406	8,016	8,437	7,259	8,080	8,393	8,437
Age and service.....	4,657	7,506	8,239	8,614	7,853	8,189	8,626	8,614
Disability.....	4,442	9,219	8,893	10,249	7,490	10,058	9,311	10,249
Survivor (monthly).....	1,849	4,468	4,605	5,241	3,118	4,875	4,822	5,241

Table 4.—Benefits and beneficiaries under public employee retirement systems, by reason for benefit receipt, 1960-89

Year	Benefits (in millions)					Beneficiaries (in thousands)			
	Total	Age and service	Disability	Survivor		Total	Age and service	Disability	Survivor (monthly)
				Monthly	Lump sum				
1960	\$2,674	\$1,921	\$492	\$185	\$76	1,448	977	247	224
1961	3,008	2,181	530	208	88	1,578	1,072	263	243
1962	3,303	2,401	571	229	97	1,688	1,150	280	259
1963	3,754	2,763	625	266	101	1,838	1,263	294	280
1964	4,253	3,151	693	296	113	1,984	1,372	310	301
1965	4,720	3,520	751	324	125	2,117	1,472	326	319
1966	5,479	4,104	857	382	135	2,293	1,607	346	340
1967	6,172	4,636	942	448	145	2,474	1,744	364	366
1968	6,926	5,250	1,022	492	162	2,666	1,890	378	388
1969	7,920	6,052	1,135	554	179	2,854	2,049	398	406
1970	9,355	7,210	1,312	645	189	3,050	2,204	419	427
1971	10,947	8,553	1,491	734	200	3,265	2,375	439	451
1972	12,783	10,039	1,687	837	220	3,474	2,543	456	476
1973	14,975	11,867	1,907	965	236	3,796	2,785	487	525
1974	18,052	14,382	2,241	1,171	258	4,136	3,035	518	583
1975	21,617	17,200	2,707	1,439	271	4,428	3,243	549	636
1976	24,526	19,506	3,096	1,641	282	4,739	3,747	577	688
1977	27,429	21,795	3,500	1,842	292	5,006	3,660	611	735
1978	30,873	24,452	3,985	2,111	324	5,175	3,791	648	737
1979	35,068	27,730	4,560	2,445	333	5,409	3,982	679	749
1980	41,060	32,416	5,371	2,896	377	5,659	4,200	708	751
1981	46,821	36,806	6,219	3,382	414	5,969	4,427	751	791
1982	59,906	40,234	6,896	3,735	438	6,202	4,611	778	813
1983	55,371	43,666	7,165	4,049	491	6,447	4,825	781	841
1984	59,024	46,735	7,360	4,495	434	6,639	5,056	745	838
1985	63,499	50,562	7,623	4,856	544	6,890	5,271	745	874
1986	67,438	53,866	7,747	4,986	840	7,120	5,557	682	878
1987	71,412	58,178	7,812	5,366	56	7,323	5,768	658	897
1988	77,242	62,704	8,379	6,072	87	7,422	5,765	698	959
1989	83,242	66,603	9,654	6,910	75	7,693	5,979	681	1,024