Private Pension Plans in Six Countries

INFORMATION on private pension plans in other countries has not hitherto been readily available in the United States. These plans, established to supplement the public provisions in effect to protect workers and their dependents or survivors, take many forms, varying with the country’s economy and the adequacy of the basic social insurance system. The following summary of private pension plans in effect in Denmark, Norway, Sweden, and Switzerland as of September and October 1952, and in Australia and New Zealand as of October 1951, is based on a series of surveys made by H. Walter Forster as a service to those of his firm’s clients who have branches in the countries he visited. These reports have been made available to the Social Security Administration.

This summary touches only briefly on the social insurance provisions in effect in the six countries.¹

Denmark

Public System

The social insurance system in Denmark pays male workers 65 years of age and over and female workers aged 60 and over a flat basic pension on retirement, plus a series of allowances paid under specified conditions. The basic pension varies with the size of the community of residence and is adjusted semiannually to the cost of living; it is not related to wage rates. A pension is also payable in case of total disability, but there is no provision for survivor benefits. The law sets up a restrictive income test for receipt of benefits that is a form of means test.

Private Plans

Types of plans and coverage.—Private pension plans have been in existence in Denmark for at least 50 years. A majority of the larger employers have contributory plans covering salaried employees and providing retirement, disability, and survivor benefits. Although some plans for wage earners exist, workers have not, as a rule, been interested in contributory private plans, since payment of a private pension may operate, through the income (means) test, to reduce the amount of the public pension. Such reduction in benefits is of more significance to wage earners than to salaried employees.

An Insurance Board closely supervises noninsured funded plans; although it does not supervise insured plans, it has approved an agreement between the private insurance companies and the Government’s State Insurance Company establishing actuarial standards and other provisions. At the end of 1950, there were approximately 2,500 insured plans covering 50,000 employees and 300 noninsured plans covering 43,000 employees. Additional employees are covered by informal plans, the mere announcement of which gives employees certain legal rights.

Eligibility for participation.—Before an employee becomes eligible to participate in an established private pension plan, he is usually required to have worked 1–3 years in the establishment and to have attained age 20–30 (the average is under age 25). Many plans establish a maximum age for entering the plan; for some the maximum is as low as age 40. This provision is designed to lower employer costs under funded plans, but since the older worker thus excluded is usually covered by a special plan requiring additional employer financing when and if the employee attains retirement age, the employer costs are largely shifted to the period after retirement rather than the period of employment.

Retirement age.—Following the pattern of the public system, the usual retirement age provision in private plans is 65 for men and 60 for women. Some plans provide later retirement ages, adding as much as 5 years for both sexes. There is a trend toward increasing the retirement age in private plans to 67 for men and 63 for women as a result of the increasing average age of the population.

Pension amount.—Few plans relate benefits to average earnings—the usual practice in the United States under insured plans. About half the plans are of the money-purchase type, in which an agreed percentage of current pay is invested by the employer and employee in a level-premium contract, with the sum of the purchases determining the benefit level. Under this type of funding, the older the employee upon entering the plan the smaller the pension. An approach to adequacy is sometimes achieved for older employees by a supplement for past-service credit and establishment of a reasonable minimum pension. Although this type of plan has much appeal for employers because of fixed costs, the trend is away from such plans.

Pensions under the remaining half of the private plans are based on "final" pay—that is, pay at time of retirement. The benefits amount to 50–70 percent (usually 66 percent) of average earnings in the last 3–5 years after 25–35 years of service, and they are proportionally less for shorter service. These plans reflect the influence of the public plans for the military and the civil service, which date from 1851 and which pay pensions of 70 percent of final pay after 35 years of service, with an employee contribution of 5 percent of earnings. In addition to presenting the employer with the problem of varying costs, the final-pay plans are expensive since each pay increase raises all prior-service costs.

Maximum benefits.—Many plans attempt to reduce costs by devices that limit the amount of the pension. In

¹ Based on reports made by H. Walter Forster, a director and former president of Towers, Perrin, Forster & Crosby, Inc., pension consultants. The summary was prepared by Herman B. Brotman, Division of Program Analysis, Bureau of Old-Age and Survivors Insurance.

Denmark, it is customary to provide a maximum salary base on which pensions may be computed, but the pressure is to increase such maximums as wage levels increase and as high-level employees are affected. Other plans introduce limitations by excluding from the base salary increases after age 55-60 or cost-of-living allowances.

**Employee rights on separation.** Partly as a result of legal requirements but chiefly from accepted practice, Danish workers usually have rights based not only on their own contributions but also on those of their employer at the time of separation.

Under the plans insured with an insurance company, the premiums may be continued by the employee himself or jointly with his new employer under the old contract; the contract can be amended to fit the plan with the new employer; the employee may be given a paid-up benefit; a woman leaving to marry may receive a cash payment, as may a worker who emigrates to another country; or an employee may receive in cash the surrender value of the policy arising from his own contributions or at least half the total premiums plus 4-percent interest.

Under the noninsured funded plans, minimum rights are established by a 1936 law (amended in 1950), as follows: (1) Service under the plan of less than 5 years gives the employee rights to his own contribution plus interest of 3.5-4.5 percent and less the cost of the insurance risk. (2) After 5 years of service under the plan, the employee has rights to total contributions (including the employer's) plus 4-percent interest and less the cost of the insurance risk. (3) If an employee is dismissed for an offense and is convicted to serve a prison term or convicted of a fraud against the employer, he loses all rights to the employer's contributions. (4) An employee's rights are transferred to the pension plan of the new employer, but if there is no such plan an annuity must be purchased for him (cash is paid instead of an annuity if the rights equal less than 12 months' salary).

**Survivor benefits.** Most of the private plans make provisions for regular payments to widows and orphans separately. Widows usually receive 50-60 percent of the husband's prospective pension. Under insured plans, the widow's pension is payable for life regardless of whether there are any young children, and it continues even in the event of remarriage. Noninsured plans are usually less liberal; if the marriage took place after the employee was 55-60 years old, the widow is frequently ineligible for a pension.

The orphan's pension is a flat amount in some cases. In most cases, however, it is 10 percent of the father's prospective pension for half orphans and 20 percent for full orphans. The pension is usually payable until the orphan attains age 18 but in some cases it is payable until age 21.

**Death benefits and life insurance.** In view of the provision of survivor benefits, most private plans do not include payment of death benefits. When a death benefit is provided, the benefit is limited to an amount equal to approximately 1 year's pension. Very little group life insurance exists in Denmark.

**Disability.** Almost all the private plans provide for pension payment in cases of permanent disability. Full pensions, computed on the assumption that the current rate of pay for the employee would have continued until normal retirement age, are payable if working ability has been decreased by at least two-thirds. In some instances the pension amount is graded in accordance with length of service, and a stated minimum is payable after a reasonable minimum length of service. Survivor protection remains in force.

**Contributions.** Employer contributions under the money-purchase plans average about 10 percent of payroll. For the final-pay plans, employer contributions amount to about 20 percent of payroll, although the costs are higher for the most liberal plans. In Denmark, employers usually make voluntary contributions in high profit years to cover past-service costs, to reduce future payments, to increase benefits, or to strengthen reserves.

Almost all plans (80-90 percent) require employee contributions. The standard contribution is 5 percent of earnings, but it may amount to as much as 8 percent.

**Tax provisions.** Employees are permitted to deduct their contributions to private plans for income-tax purposes up to a certain maximum, generally not sufficient to cover the entire contribution. Employers may deduct their total contributions for income-tax purposes, provided the contribution is not larger than the premium for an annuity with benefits equal to those in the pension plan. Past-service costs, if paid in lump sums, cannot in general be charged off in less than 6 years.

Pensions are considered taxable income in Denmark, where tax rates are relatively high even at low income levels.

**Norway**

**Public System**

The Norwegian public system pays all persons aged 70 or over a uniform flat pension on retirement, subject to a means test, with supplements provided by many of the municipalities (political subdivisions, including rural areas). Seamen and forestry workers are covered by special plans that omit the means test and that permit retirement at age 60 and 65, respectively. There is no national provision for payment of permanent disability pensions before retirement age, but municipalities in some cases pay such pensions. Restricted widow's pensions are payable if the pensioner dies after age 70 (following retirement), provided the widow is over age 60. Orphan's pensions are not provided, but separate children's allowances are paid to pensioners for each child under age 16.

**Private Plans**

**Types of plans and coverage.** Private plans have existed in Norway for more than 50 years. A large number of salaried employees but relatively few wage earners are covered. An Insurance Board under the Ministry of Social Affairs supervises the pension insurance companies, which have underwritten about 2,500 plans covering about 60,000 employees. In addition there are about 150 funded noninsured plans that have definite benefit schedules covering some 30,000 employees and about 1,500 funded plans that do not have definite benefit schedules. The coverage of these latter plans, established out of war profits and other types of profits and viewed by the Ministry as a step toward a definite insured or noninsured plan, is unknown.

Although it is customary to have
separate plans with different benefits for salaried employees and wage earners, a technicality in the tax law, which permits insured plans to cover either or both groups of workers, makes coverage of both groups mandatory for noninsured plans.

Eligibility for participation.—To be eligible to participate in a private pension plan, an employee is usually required to have served 1-5 years and to have reached age 20-25. The maximum entry age is 50-55, but, as in Denmark, workers hired at an older age are usually paid comparable benefits by the employer through an informal pay-as-you-go plan. The result is merely to shift the timing of employer costs to the period after retirement and to protect the currently funded plan.

Retirement age.—Most plans provide a retirement age of 60-68 for men and 55-63 for women, but the average is age 65 for men and age 60 for women. In view of the retirement age of 70 in the public system (dating from 1937), there is a tendency to raise the retirement age for both men and women in the private plans. This tendency is encouraged by the Norwegian Government in view of the increasing proportion of older persons in the population, the existence of a labor shortage, and the belief that the average worker can continue on the job until the attainment of this higher age.

Pension amount.—Practically all plans are of the final-pay type. Salaried employees receive pensions equal to 40-60 percent of final pay on retirement. The usual provision is for a pension of 50 percent after 30 years of service and proportionally less for shorter service. Inclusion of this provision results from the influence of the military and civil-service retirement systems, which provide 66 percent of final pay after 30 years of service. 

Maximum benefits.—Benefit levels are limited through various devices. Many plans establish a maximum salary base or state a maximum pension amount. Other plans exclude salary increases made within 5-10 years of retirement or after ages as low as 50; some exclude from the base any cost-of-living allowances. Legislation has been introduced to limit tax credits to contributions producing a maximum pension equal to the maximum in the military and civil-service retirement systems.

Employee rights on separation.—The employee's rights on his separation from a job often include rights based on the employer's contributions as well as on his own. Noninsured definite benefit plans provide full rights even after such comparatively short service as 5 years. Indefinite benefit plans provide rights based on the employee's own contributions. Under insured plans the employee himself or jointly with a new employer may continue to carry all or some of the insurance contract. In noninsured plans the employee is entitled to a reduced, paid-up annuity. If a woman leaves employment to marry or a worker emigrates to another country, rights are paid in cash.

Survivor benefits.—Survivor benefits in plans covering wage earners, as distinguished from salaried employees, are based on the worker's prospective pension if he dies before he reaches age 70; no benefits are provided in the private plans if death occurs thereafter since in such circumstances the public system pays the pension.

Die benefits and life insurance.—Insured plans often pay death benefits equal to 1 year's pension. Such death benefits are paid on death before retirement or half at retirement and half at death after retirement.

Disability.—Payments in case of permanent disability occurring before retirement are not usual in plans covering wage earners and are provided in only half the plans covering salaried employees. In these latter plans, the payment for total disability is almost always equal to the prospective old-age pension the employee would have received if he had continued at the same rate of pay until retirement. Payments for partial disability are scaled, in proportion to the degree of disability, down to 25-percent disability.

Contributions.—Costs of private plans in Norway, practically all of which are of the final-pay type, are rather high. Employer contributions are rather high. Employer contributions

2 A revision of the tax law, in December 1962, makes new-plan coverage of the two groups of workers mandatory although the benefit provisions may be different.

5 Under the tax-law revision of December 1962, employer contributions for death benefits and life insurance features are not deductible for income-tax purposes since deductions are restricted to contributions for pensions.
vary from 20 to 25 percent of payrolls, less employee contributions.6

Approximately half the plans covering salaried employees require employee contributions, usually 5 percent of earnings. Wage earners sometimes contribute moderate sums.

Tax provisions. — For national and municipal income-tax purposes, employees may deduct contributions to private pension plans and premiums for life and voluntary sickness insurance. Employers, who are subject to a national tax of 45-50 percent of net income, may deduct the total employer contribution to an old plan except for large, lump-sum payments. Legislation restricts the maximum contribution per employee that the employer may deduct under new plans to the amount that would provide a pension equal to the maximum pension in the military and civil-service systems.7

Pensions are considered taxable income in Norway, since contributions are essentially tax free.

Sweden

Public System

The Swedish public system pays workers 67 years of age or over a flat pension as a matter of right, plus a series of supplements, some of which are subject to a means test. The supplements consist of payments to cover variations in housing costs among the different areas, a wife’s allowance, an extra allowance for blindness, and an allowance adjusted quarterly to a cost-of-living index.

Private Plans

Types of plans and coverage. — Private plans have existed in Sweden for more than 50 years. They cover salaried employees almost exclusively. Although some plans covering wage earners have been more recently introduced, labor unions have not been especially interested in such contributory plans because receipt of a private pension payment would operate to reduce the total public pension as a result of the application of the means test. In addition to the private plans described below, there is a considerable amount of individual contract insurance (annuities), especially popular among the self-employed and the professional groups since contributions (premiums) are tax-deductible. The private plans fall into four categories:

1. Svenska Personal-Pensionskassen (S.P.P.), a group insurance company, founded in 1917 by employers specifically to provide pensions. It operates as an insurance company under Government supervision and pays definite and assured benefits. It underwrites 5,065 plans covering 126,690 salaried employees.

2. Pension Funds, which may be insured. These funds operate on an actuarial basis, under the supervision of the Royal Pension Board. Assets must be invested outside the employer’s business. Benefits have a high degree of assurance. These funds cover about 200 plans and 100,000 salaried employees working in such enterprises as the cooperative movement, the merchant marine, insurance companies, and banks.

3. Pension Foundations. There are approximately 1,000 registered pension trusts, supervised by the Royal Pension Board but with less strict actuarial provisions than the Pension Funds. Employees have a real base of protection. The foundation is a preferred creditor in case of bankruptcy. The employer cannot withdraw reserves. The foundation can dispose of reserves to make actual pension payments but only to the extent that reserves for future pensions are not reduced.

4. Free Foundations, coverage unknown, not required to register, and without national governmental supervision. These foundations offer the employee less definite protection than do the Pension Foundations. The foundation is not a preferred creditor in case of liquidation, and employers can withdraw reserves at any time to cover current pension costs.

The S.P.P. and the Pension Fund plans usually require employee contributions since they assure benefit payment, but the Pension Foundation and Free Foundation plans do not. The latter types of plans were established out of high wartime and postwar profits as extremely flexible systems to provide substantial pensions to retired salaried employees, to permit adjustment of pensions to keep them below the means test level in the public system, to permit the granting of cost-of-living increases to pensioners, and to supplement insured plans under certain circumstances, such as transitory arrangements for new workers too old to participate in the regular plan.

Eligibility for participation. — An employee usually becomes eligible to participate in an existing plan after a period of service, such as 2 years, and attainment of age 21-25. Older workers are often excluded from participation and covered by another type of plan.

Retirement age. — The usual retirement age in the private plans is 65 for men and 60 for women. There is a tendency to increase the retirement age to 67, at least for men, since this is the retirement age under the public program.

Pension amount. — The S.P.P. has set the standards for pension levels. The pension amount for salaried employees is usually 60 percent of final pay after 30 years of service and proportionately less for fewer years of service. This rate is somewhat less than that for civil-service employees. Subsidaries of United States and British companies use an average-pay rather than a final-pay concept, as they would in their home countries. Pensions for the relatively small number of covered wage earners are generally on a flat (uniform) basis and are paid in full until the pensioner reaches age 67, when they are reduced to the maximum income that the means test permits the worker to receive without reducing his public pension.

Maximum benefits. — The size of the pension is limited by establishing a maximum salary base or by relating the pension amount to a lower percentage of higher earnings. In some plans, salary increases after age 55-60 are excluded from the pension computation, but cost-of-living allowances

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are generally included. In other plans, a limitation of the ratio of the employer contribution to the employee contribution causes late salary increases to have little effect on the pension finally payable.

Employee rights on separation.—In S.P.P. and Pension Fund plans, employees on separation have practically full rights based on both their own and their employer’s contributions. An old S.P.P. contract may be continued by the employee himself or jointly with his new employer; otherwise the employee receives a paid-up benefit. A woman who resigns to marry or a worker who emigrates to another country receives a lump-sum benefit. In no case does an employer receive repayment or credit for his contribution.

Survivor benefits.—S.P.P. and Pension Fund plans pay separate widow’s and orphan’s pensions on the death of the employee. The widow’s pension is usually 50 percent of the husband’s prospective pension, payable at any age whether or not there are young children. It is discontinued on remarriage. The amount of the orphan’s pension is also related to the father’s prospective pension, as shown below.

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<tr>
<th>Number of orphans</th>
<th>Percent of father’s pension</th>
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<tr>
<td></td>
<td>Half orphans</td>
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<tr>
<td>1</td>
<td>15</td>
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<td>2</td>
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<td>3</td>
<td>30</td>
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<td>4</td>
<td>35</td>
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<tr>
<td>Each additional child</td>
<td>5</td>
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These pensions are payable until the orphan reaches age 21, or later if he is incapacitated.

Death benefits and life insurance.—The S.P.P. plans usually include endowment life insurance covering about 50 percent of the annual salary. The maximum endowment policy written is the sum of the prospective pension and the widow’s pension, which could amount to 90 percent of the annual salary. The benefits are paid in full in a single payment if death occurs before retirement. Otherwise half is paid on retirement (early, disability, or normal retirement) and the other half on death. Group life insurance is available from several insurance companies largely or solely at the expense of the employee. There are between 600 and 700 such plans covering about 125,000 employees. Benefits range up to two-thirds of annual earnings.

Disability.—All S.P.P. plans and most Pension Fund plans provide permanent disability pensions, usually after 90 days of at least 50-percent disability. The amount of the pension is related to the degree of disability and ranges from 50 percent to 100 percent of the prospective retirement pension, computed on the assumption that the employee would have continued at the same rate of pay until retirement. The disability pension usually may begin at any age, regardless of cause, except that workmen’s compensation payments are deducted from the pension in the case of work injuries or illnesses.

Contributions.—In view of the high costs of final-pay plans (the usual type in Sweden), employer contributions range up to 30 percent of payroll, less any employee contributions. In those plans that assure benefit payments, employee contributions are required. The rates are usually 6 percent for women and unmarried men and 8 percent for married men. The higher rate for married men covers the provision for a widow’s pension.

Tax provisions.—Employee contributions and some insurance and annuity premiums are deductible for income-tax purposes. Employers may deduct all pension payments made out of current income and/or all contributions to private plans, including contributions for past service, in any amount.

Pensions from private plans as well as those from the public system constitute taxable income to the pensioner—subject, however, to liberal deductions.

Switzerland

Public System

The Swiss public system pays pensions, on retirement, to men and unmarried women aged 65 and over. A couple may receive a pension if the employee is aged 65 and his wife is at least 60 years old. The pension is related to length of covered service, with the maximum payable after 20 years of service. Because the law became effective in 1948, maximum pensions will not be payable until 1968. The law requires no means test and pays pensions as a matter of right, regardless of income. Survivor benefits are provided. No provision for disability is made in the public pension system.

Private Plans

Types of plans and coverage.—Private plans have existed in Switzerland for more than 50 years. About 2,000 insured and 1,000 noninsured plans are in effect. Wage earners as well as salaried employees of the major employers are usually covered, although some plans are restricted to the salaried employees. There is no Federal supervision, but most Cantons check to ensure that funds are used for the purposes specified. Most noninsured plans are employer-administered and allow some latitude as to amounts paid and persons benefited.

The three major types of plans in use are final-pay, money-purchase, and average-earnings. The early private plans, strongly influenced by the Federal employee and railroad plans, were of the final-pay type but have gradually changed to the money-purchase type. Since money-purchase plans penalize the employees hired at an older age, supplementary and minimum pensions have been introduced that partly wipe out the savings in costs. The subsidiaries of United States and British companies usually employ average earnings, as in the plans common in their home countries.

Eligibility for participation.—Employees generally must serve 1–5 years and be over age 20 before becoming eligible to participate in an existing private plan. The usual provision requires 3 years’ service and age 23. The maximum entry age for newly hired employees ranges from 35 to 55, with an average of 45. The older workers are, however, often covered by a modified plan.

Retirement age.—Most plans provide for retirement at age 65 for men and 60 for women. A few plans use age 62 for women, but the recent trend is to raise the retirement age for women to 65 since the public system provides for retirement at that age for both sexes.
Pension amount.—Most of the final-pay plans, with benefits proportional to length of service, provide pensions ranging up to 50 percent of final pay, though some pay as high as 70 percent. Some plans provide pensions of 30-40 percent of final pay after a minimum length of service. The money-purchase plans pay whatever the contributions (usually 10–15 percent of earnings) bought in annuities. Average-earnings plans, as in the United States, pay pensions related to wage rate, earnings levels, and length of service. A few plans give the retiring employee rights to the entire capital accumulated at time of retirement, payable as a lump sum.

A limiting factor is usually introduced through establishment of a maximum salary base.

Employee rights on separation.—While the separated employee has rights based on his own contributions, rights based on the employer contributions are rare. Some few plans do award such rights in case of separation for ill health (when no disability pension is provided) or when the employee is discharged because of lack of work.

Survivor benefits.—At least two-thirds of the private plans provide a widow’s pension, but only if the husband died before retirement. Under the usual provision, the widow’s benefit is about 50 percent of the husband’s prospective pension. Some plans compute the widow’s pension as 20–40 percent of the husband’s pay at time of death.

Limitations may be introduced. A plan may require, for example, that the marriage must have taken place before the husband reached a specified age. Under some plans, if the widow was more than 10 years younger than the husband, the pension is reduced by 2–4 percent for each such year in excess of 10. If the widow remarries, it is usual to pay her a lump sum equal to her pension for 1–3 years and to discontinue the pension.

Plans that provide a widow’s pension also provide orphan’s pensions; some plans pay pensions for the orphan but not for the widow. The pension for a half orphan is generally 50–100 percent more than that for a full orphan. Most plans carry a maximum provision that stipulates that the total of the widow-and-orphan payments may not exceed the employee’s prospective pension or 50–60 percent of his pay at death.

Death benefits and life insurance.—Under final-pay plans, a death benefit equal to three to five times the pension amount is usually paid. Money-purchase plans provide a death benefit, through an endowment contract, that is equal to the capital sum expected at retirement. Other plans include group life insurance contracts.

Disability.—Not all the private plans pay disability pensions. Of those that do, some provide a scale of benefits based on length of service, others pay the amount of the retirement pension computed on the assumption that the employee’s wages would have remained unchanged to age 65, and still others pay 10 percent of the death benefit annually.

Contributions.—The more liberal final-pay plans require an employer contribution of 20–30 percent of payroll. Money-purchase plans cost the employer 10–15 percent of payroll, the higher figure being the usual one, plus the additional costs of past-service credits and minimum pensions where provided.

Employee contributions are always required, but the formulas vary. Some plans determine employee contributions as a percentage of earnings—usually less than 5 percent; others provide for employee contributions equal to one-third to one-half of benefit costs. Plans that provide uniform benefits require a flat-sum employee contribution.

Tax provisions.—Under the Federal income-tax laws, the employee may deduct his total contributions. Practice among the Cantons varies. Treatment of the employer’s deduction also varies among the Cantons, but the deduction of his contributions is unlimited under Federal tax provisions (except during World War II, when the deduction was limited to 15 percent of the payroll amount).

Pensions are regarded as taxable income, but most pensioners pay no income tax as a result of the high level of tax-free income.

Australia and New Zealand

Because of the high degree of similarity in the basic systems in Australia and New Zealand, these two countries are treated together. Significant differences are indicated.

Public System

In both countries, uniform old-age benefits, based on a means test, are paid at specified ages without regard to previous employment and earnings. This approach, and the nature of the tax laws, have to a large degree determined the kind of private plans that have developed.

Australia pays a uniform pension to men aged 65 and over and women aged 60 and over. The combined pension for a couple approximates 50 percent of the average earnings in the Nation.

In New Zealand a uniform pension (the age benefit) is payable, subject to a means test, after age 60. For a couple, both aged 60, the age benefit may, in the case of a worker with low earnings, exceed his final wage. At age 65, a new uniform payment (the universal superannuation benefit) becomes payable as a matter of right without an income test. This benefit, though uniform, is progressive—that is, although all pensioners receive the same amount ($85 per year in 1953), the amount increases by 25 on April 1 of each calendar year for all pensioners, and it is scheduled to reach a maximum of £149 10s. per year (equaling the age benefit) in 1966. If the age benefit exceeds the universal superannuation benefit, the worker continues to receive the former after age 65.

Private Plans

Types of plans and coverage.—The nature of the public system in both countries has encouraged the development of private plans that more nearly resemble contributory savings plans with life insurance coverage than plans that pay regular monthly pensions. There are about 1,200 insured plans in New Zealand and about 4,800 insured plans and 1,200 noninsured plans in Australia. The average number of persons covered by each plan is low, since most establishments are small and plans tend to cover only male employees.
Most plans are on an individual-contract basis, since little group insurance is written in these countries. Ninety percent of the plans are endowment contracts of a given face amount, maturing at a stipulated (retirement) age and providing life insurance for the same face amount (for men) to the maturity date. For women and for those men who cannot pass the medical examination, a special endowment contract is written that, in the event of death before the maturity date, refunds premiums plus interest. The endowment contract at maturity (retirement age) can pay a lump sum or can be used to purchase an annuity for the employee or for the employee and his beneficiaries, or part of the lump-sum payment may be used by the employee for voluntary purchase of such annuities. The noninsured plans usually are established as a trustee corporation, often investing in the employer's business. Even under insured plans, an individual trustee is set up to act as counselor to the employee in view of the complex decisions he must make at the time of retirement.

Eligibility for participation.—Some plans require up to 3 years of service before an employee can participate, but the tendency is to make him eligible soon after employment.

Retirement age.—In Australia the age qualification for retirement matches the retirement age under the public system—65 for men and 60 for women. In New Zealand, in the provisions for retirement of male employees, about half the plans match the age for the age benefit under the public system (60) and half match the age for the universal superannuation benefit (65). The provision for female employees in New Zealand is usually age 50 or 55, with only a few plans requiring attainment of age 60 for retirement.

Pension amount and contributions.—Benefits and contributions are linked together in a wide variety of formulas, of which the following are examples:

In indefinite benefit (money-purchase) plans, for benefits based on future service, a fixed employee contribution rate is established, with the employer matching or exceeding the employee contribution. Under an alternate method sometimes used, the employee is given a range of contribution rates (2.5–10.0 percent of earnings), from which he chooses the rate he wishes to pay. The employer matches the contribution. For benefits based on past service, a supplemental to future service contributions is added. If, for example, a supplemental contribution rate of 0.2 percent for each year of past service is to be added to a 5-percent rate for future service and the employee has had 15 years of past service, the total employer contribution rate would be 8 percent (5 percent plus 15 times 0.2 percent).

In definite benefit plans, for benefits based on future service, the plan provides an endowment of 100–200 percent of current annual pay. The employee pays half the costs, not to exceed 5 percent of earnings, while the employer pays the remaining costs up to the tax-free limit. If the plan provides a regular pension, such as the sum of 1/4 percent of each year's pay, the employee pays a fixed percentage of earnings—say, 4 percent—and the employer pays the rest of the cost. For benefits based on past service, an addition to the regular pension plan benefit is provided—3/4 of 1 percent of pay at the time of the plan's introduction, multiplied by years of service, paid for by an additional employer contribution. In some plans the endowment amount is determined by adding, for each year of past service, an amount equal to 1 week's earnings at the time the plan was established.

At retirement age, except in the few regular pension plans, the trustee and the employee must decide how to dispose of the capital sum (endowment) available. The disposition is usually made in the following order: (1) Applying to purchase of home (or paying off mortgage), and to debt on such items as furniture and personal effects, which do not enter into the means test for the public pension; (2) purchase of annuity equal to allowable (maximum) income in the means test for public pension; (3) building capital up to permissible limit for receipt of full public pension; and (4) making permissible investments.

Many plans include a special welfare fund, derived from special employer contributions, recaptured dividends, capital gains from investment of funds, collection fees paid to trustees by insurance companies, and like. Large reserves of this type can be used to increase the employee's retirement benefits.

A number of plans provide that employees who commit a dishonorable act or cause the employer a loss can be deprived of some or all of their rights in order to reimburse the employer. In some cases, dismissals for other forms of misconduct may reduce payments to an employee.

In the operation of some plans, an estimate is made of the anticipated dividends up to the time the employee will retire. This "bonus" is then used either to increase the employee's benefits or to reduce the employer's contributions in anticipation of the effect of the accumulated bonus.

Employee rights on secession.—The general practice in private plans is to guarantee the employee, as a minimum, the return of his own contributions at any time, plus a gradual increase in rights based on the employer contribution, in proportion to the length of service. High turnover after short employment causes high net employer costs since the guarantee of the return of the employee's contributions to the employee uses up the total surrender value of the policy and results in a loss to the employer of the contribution that he has made.

Survivor benefits.—Survivor benefits are not normally provided directly. The life insurance feature of the endowment contract (to maturity under the plan) and the voluntary purchase of beneficiary annuities by the employee at retirement substitute for this benefit. The welfare funds mentioned above sometimes make payments to widows.

Disability.—Some noninsured plans provide permanent disability payments, usually equal to the prospective retirement benefit. A number of employers provide disability benefits as a supplement to the insured endowment plan.

Tax provisions.—In both countries, employer and employee contributions...
are deductible for income-tax pur-
poses, up to specified limits.
Australia considers tax-free the por-
tion of a regular pension benefit that represents capital but treats the interest as taxable income. In New Zealand, a regular pension for life is taxable income, but if the pension is purchased for a specified number of years (not for life), the employee gets his capital back tax free. The employee must, however, pay the social security tax (7.5 percent) on his pension, even if his exemptions cause little or no income tax to be payable on the pension.
In both Australia and New Zealand, if the benefit is paid as a capital sum, only 5 percent of the capital sum received in the year is considered taxable income.

Notes and Brief Reports
Applicants for Account Numbers, 1952
The issuance of 4.4 million new em-
ployee account numbers in 1952 brought to 106.8 million the total number of accounts established since the beginning of the program (table 1). While the 1952 total was 564,000 fewer than the number established in 1951, the first year to show the sub-
stantial impact of registrations resulting from the 1950 amendments, it exceeded the average number in the years 1945-50 by more than 1.5 million (table 2).
In 1952 the volume of account num-
bbers issued was maintained at a rela-
tively high level chiefly because of the large registration of the nonfarm self-
employed covered by the 1950 amend-
ments. It is estimated that approxi-
mately 1 million account numbers were issued in 1952 to this group. Although the provisions for their coverage became effective on January 1, 1951, most self-employed persons needing account numbers did not apply until shortly before they paid their first social security contributions when filing their income-tax returns for 1951, which were due March 1952. Many account numbers also were issued to the self-employed during the latter half of 1952; during this period a number of persons who had failed to report a social security account num-
ber on their income-tax returns were requested by the Bureau of Old-Age and Survivors Insurance to obtain their number and forward this information.
Two other factors affected the vol-
ume of account numbers issued in 1952—the expansion of employment opportunities in consumer and defense industries, and the receipt of applica-
tions from persons employed either by State and local governments or by nonprofit organizations who were brought into coverage in 1952 under the voluntary coverage provisions of the 1950 amendments.
Fewer accounts were established in

Table 1.—Number of applicants for account numbers and the cumulative number as of the end of each period, by sex and by year, 1940-52

<table>
<thead>
<tr>
<th>Period</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total during period</td>
<td>Cumulative total as of end of period</td>
<td>Total during period</td>
</tr>
<tr>
<td>1940</td>
<td>5,227</td>
<td>54,225</td>
<td>3,984</td>
</tr>
<tr>
<td>1941</td>
<td>6,678</td>
<td>60,908</td>
<td>3,707</td>
</tr>
<tr>
<td>1942</td>
<td>7,288</td>
<td>68,541</td>
<td>3,548</td>
</tr>
<tr>
<td>1943</td>
<td>7,428</td>
<td>76,967</td>
<td>3,964</td>
</tr>
<tr>
<td>1944</td>
<td>7,267</td>
<td>80,594</td>
<td>3,926</td>
</tr>
<tr>
<td>1945</td>
<td>7,571</td>
<td>83,825</td>
<td>4,194</td>
</tr>
<tr>
<td>1946</td>
<td>8,023</td>
<td>86,847</td>
<td>4,492</td>
</tr>
<tr>
<td>1947</td>
<td>7,728</td>
<td>89,575</td>
<td>3,505</td>
</tr>
<tr>
<td>1948</td>
<td>7,720</td>
<td>92,283</td>
<td>3,105</td>
</tr>
<tr>
<td>1949</td>
<td>7,940</td>
<td>94,633</td>
<td>1,115</td>
</tr>
<tr>
<td>1950</td>
<td>7,891</td>
<td>97,526</td>
<td>1,405</td>
</tr>
<tr>
<td>1951</td>
<td>4,927</td>
<td>102,453</td>
<td>2,420</td>
</tr>
<tr>
<td>1952</td>
<td>4,968</td>
<td>106,510</td>
<td>2,292</td>
</tr>
</tbody>
</table>

Table 2.—Distribution of applicants for account numbers, by race, age group, and sex, and by year, 1940-52

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>1940</td>
<td>5,296,688</td>
<td>3,680,032</td>
<td>1,616,656</td>
</tr>
<tr>
<td>1941</td>
<td>5,677,584</td>
<td>3,701,497</td>
<td>1,976,087</td>
</tr>
<tr>
<td>1942</td>
<td>5,237,410</td>
<td>3,547,376</td>
<td>1,690,034</td>
</tr>
<tr>
<td>1943</td>
<td>7,415,394</td>
<td>5,401,723</td>
<td>2,013,671</td>
</tr>
<tr>
<td>1944</td>
<td>4,520,770</td>
<td>3,031,179</td>
<td>1,489,591</td>
</tr>
<tr>
<td>1945</td>
<td>3,321,334</td>
<td>1,855,829</td>
<td>1,465,505</td>
</tr>
<tr>
<td>1946</td>
<td>3,023,057</td>
<td>1,431,760</td>
<td>1,591,297</td>
</tr>
<tr>
<td>1947</td>
<td>3,777,910</td>
<td>1,296,992</td>
<td>2,480,918</td>
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<tr>
<td>1948</td>
<td>2,710,942</td>
<td>1,234,625</td>
<td>1,476,317</td>
</tr>
<tr>
<td>1949</td>
<td>2,555,850</td>
<td>1,153,696</td>
<td>1,402,154</td>
</tr>
<tr>
<td>1950</td>
<td>2,980,070</td>
<td>1,405,348</td>
<td>1,574,722</td>
</tr>
<tr>
<td>1951</td>
<td>4,907,100</td>
<td>2,430,498</td>
<td>2,065,602</td>
</tr>
<tr>
<td>1952</td>
<td>4,385,301</td>
<td>2,029,309</td>
<td>2,072,092</td>
</tr>
</tbody>
</table>

1 Includes a small number of applicants whose ages were not reported.

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