

# Employee-Benefit Plans, 1972

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*The growth rate for employee-benefit plans providing income-maintenance payments and health expense benefits to employees and their dependents was smaller from 1971 to 1972 than the annual average increase had been since 1967. Preliminary estimates based on the data from this annual review show that in 1972 contributions increased 13 percent to \$44.8 billion, compared with a 14-percent increase in the 2 preceding years. Despite this slowdown, contributions to employee-benefit plans increased at a faster pace than wages and salaries, following the pattern of recent years. Annual benefit payments reached \$32.5 billion, showing a 12-percent increase from the previous year. Some of the slowdown in 1971 and 1972 reflects the impact of the economic stabilization program on medical care wages and prices. This article presents preliminary coverage estimates for 1972, based on a special survey of pension and health coverage of the labor force conducted in conjunction with the April 1972 Current Population Survey.*

CONTRIBUTIONS FOR employee-benefit plans rose by 12.9 percent from 1971 to 1972. This growth rate was the smallest since 1967. The annual cost to employers and employees of financing voluntary retirement, health, life, and temporary disability insurance plans reached \$44.8 billion—\$5.1 billion more than in 1971. The percentage increase was greater than the growth in wages and salaries during the year.

Benefit payments from employee-benefit plans also showed a less sharp growth rate in 1972, totaling \$32.5 billion—\$3.5 billion more than the 1971 amount. The 11.9-percent rise was somewhat lower than that recorded in any of the preceding 4 years. As in 1971, the curb on price increases under the economic stabilization program undoubtedly led to a slowing during 1972 in the growth rate of health benefits payments, which accounted for 50 percent of total benefits paid.

An "employee-benefit plan," as defined here, is any type of plan sponsored or initiated unilaterally or jointly by employers or employees and providing benefits that stem from the em-

ployment 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 for government employees, which are financed and administered directly by government, are excluded from the series.

## OVERVIEW

### New Coverage Estimates

During 1973, the results of a special survey of pension and health coverage of the labor force conducted in conjunction with the April 1972 Current Population Survey (CPS) have become available. The survey, sponsored by the Social Security Administration, the Department of the Treasury, and the Department of Labor, produced detailed analyses of the economic and demographic characteristics of persons with and without pension and health coverage.<sup>1</sup>

The survey reported that about 23 million full-time wage and salary workers said they

<sup>1</sup> Walter W. Kolodrubetz and Donald M. Landay, "Coverage and Vesting of Full-Time Employees Under Private Retirement Plans: Findings from the April 1972 Survey," *Social Security Bulletin*, November 1973, and Walter W. Kolodrubetz, "Group Health Insurance Coverage of Full-Time Employees, 1972," *Social Security Bulletin*, April 1974.

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were covered by private retirement plans on their present job in mid-April 1972; 46 million said they were covered by group health insurance on their present job in April 1972. These estimates and data available from other sources have been used here as a basis for developing the 1972 estimates of coverage of employee-benefit plans for this Social Security Administration series. The new estimates (table 1) are considerably lower than the estimates previously developed and indicate a need for a downward revision in the historical series. This revision is underway; thus the data in this article only include preliminary estimates for 1972.

As noted in earlier articles in this series, a number of factors are considered responsible for the overstatements of coverage. Estimates of health insurance, for example, were based on reports of private insurance companies and other nongovernmental agencies. Many of the reports include data for persons who—because of retirement, layoff, sickness, or job shifts—are no longer employed as wage and salary workers. In addition, such establishment reporting leads to an unknown amount of duplication in the coverage of group health insurance, especially that involving working husbands and wives.

Dual coverage is an especially critical factor with respect to retirement-plan coverage estimates. In recent years a growing number of employers have installed more than one type of pension or profit-sharing plan for some or maybe all of their employees. Workers are frequently covered by both an insured plan and a non-insured plan, or by a multiemployer plan and a union-sponsored plan. Duplicate coverage also arises from provisions for separate pension plans established for workers earning more than the social security taxable maximum.

Another factor that has produced inflated coverage estimates is the increasing number of workers entitled to vested pensions from a previous employer. Establishment reporting tends to count such workers twice if they are currently covered by a pension plan at the same time that they have deferred vested rights from a previous job.

The estimates for plans involving smaller employers and groups constitute a third factor that may have contributed to overstatement of coverage in past years. Such plans are responsible for

TABLE 1.—Estimated number of wage and salary workers covered under employee-benefit plans,<sup>1</sup> by type of benefit, end of 1972

Type of benefit	Number of workers covered (in millions)	Percent of wage and salary workers covered <sup>2</sup>
All wage and salary workers		
Life insurance and death benefits.....	53.2	69.3
Accidental death and dismemberment.....	39.7	51.7
Hospitalization.....	54.0	70.3
<i>Written in compliance with law.....</i>	4	-----
Surgical.....	53.0	69.0
Regular medical.....	47.0	61.2
Major-medical expense.....	25.0	32.6
Wage and salary workers in private industry		
Temporary disability, including formal sick leave.....	31.8	50.5
<i>Written in compliance with law.....</i>	7.3	11.6
Long-term disability.....	8.6	13.7
Supplemental unemployment.....	2.5	4.0
Retirement.....	27.5	43.7

<sup>1</sup> 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.

<sup>2</sup> Coverage of all public and private workers relates to average number of private and government full-time and part-time employees (76.8 million in 1972) and coverage of private workers relates to average number of private full-time and part-time employees (63.0 million in 1972) from table 6.3 in *Survey of Current Business*, July 1973.

much of the growth in private plans in recent years. The estimates in this area, however, have a wide margin of error, since they are based on reports mainly from large established plans.

The survey conducted with the CPS of April 1972, by obtaining data on coverage through a household survey, permits a downward revision of coverage data to take into account those overlaps of coverage that arise from establishment reporting. In the retirement area, the survey estimate of 23 million full-time employed workers covered by pension plans may be compared with the figure of more than 30 million covered full-time and part-time workers, derived from the reports of insurance companies and business firms.

With these two figures as starting points, adjustments were made in the 1972 coverage estimates. An estimate of underreporting of pension coverage from survey data was made, as well as an estimate of coverage for part-time employees and the temporarily unemployed. Growth in employment during the year also was taken into account. The global estimate of 30 million was adjusted downward to allow for inclusion of vested workers and duplicate coverage. Reconciliation of both figures yielded a coverage figure in the range of 27–28 million active workers in private retirement plans at the end of 1972.

Similarly, in the group health insurance area,

the survey estimate of 46 million full-time employees may be compared with the coverage figure of more than 60 million for full-time and part-time workers derived from reports of insurance companies, Blue Cross-Blue Shield, and independent plans. Adjustments were first made in the 1972 survey estimate, taking into account underreporting, estimates of coverage of part-time workers, and employment growth. The global estimate of more than 60 million was adjusted downward to allow for the inclusion of persons who were not employed—the retired, the unemployed, the disabled. Reconciliation of both figures gave a coverage estimate of 56 million active workers in group hospitalization plans at the end of 1972. Similar adjustments were made in employee coverage figures for surgical, regular medical, and major-medical protection.

The survey was not designed to provide benchmarks for adjusting for duplicate coverage of dependents. Such duplication would arise when both a husband and wife were working, both were covered by a group health insurance plan as subscribers, and both also covered the rest of the family as dependents. Therefore, the combined employee and dependent coverage estimates—as well as those for dependents alone—contain some overstatement and are not presented here.

Despite the downward revision in employee coverage estimates, the group hospital insurance plans continued to be the most common type of employee-benefit protection at the end of 1972. The total number of workers covered under this type of insurance (54.0 million) was greater by about 1 million than the total coverage figure either under group life insurance or under surgical insurance. Regular in-hospital medical expense coverage for 49.2 million employees ranked next, followed by accidental death and dismemberment plans with 39.7 million covered. Temporary disability plans had 31.8 million covered workers, and retirement plans had 27.5 million. Major-medical expense insurance covered 26.3 million employees.

The employee-benefit plans providing medical care protection covered a sizable proportion of the 1972 employed wage and salary work force. About 70 percent of these workers had group hospital protection, a slightly lower proportion (69 percent) had surgical insurance, and 61 percent had regular in-hospital medical coverage.

Major-medical plans covered a third of the labor force. The proportion of the civilian labor force with group life insurance protection was almost 70 percent, and 52 percent had coverage under accidental death and dismemberment provisions.

Private retirement programs were estimated to reach only 44 percent of the private wage and salary work force. The proportion of workers in plans providing temporary disability protection amounted to almost 51 percent. Long-term disability programs now cover almost 14 percent of the private labor force.

### Contributions

Employer and employee contributions (financing protection for employees and their dependents) under employee-benefit plans amounted to \$44.8 billion in 1972 (table 2). The 12.9-percent increase was somewhat less than the increase in any year after 1967, when growth was at an average annual rate of 14 percent.

Most of the recent slowdown in growth can be attributed to the overall decline in the rate of increase in health insurance costs—from 19.7 percent in 1970 to 14.2 percent in 1972. This drop reflects in part a slackening in inflation of hospital and other medical care prices. The 1972 increase in health insurance contributions, however, raised the cost of health insurance programs for employers and employees by \$2.2 billion to reach approximately \$17.9 billion at the year's end.

Almost matching the increase in health insurance costs was the \$1.9 billion increase in total employer and employee contributions to private retirement plans. Such contributions brought the total of pension plan contributions in 1972 to \$18.5 billion, 11.4 percent higher than the 1971 total. Although this percentage rise was considerably smaller than that experienced in 1971, it was about the same as the average for the 5 preceding years.

The percentage growth in contributions for other major types of employee-benefit plans fell between that of the retirement and health plans. Contributions for life insurance and accidental death and dismemberment exceeded \$4.5 billion in 1972—a 13.1-percent increase; for temporary disability and formal sick-leave plans in private

TABLE 2 — Estimated total employer and employee contributions<sup>1</sup> under employee-benefit plans,<sup>2</sup> by type of benefit, selected years, 1950-72

[In millions]

Type of benefit	1950	1955	1960	1965	1967	1970	1971	1972
Total.....	\$3,937 0	\$7,851.6	\$12,522 1	\$19,892 0	\$23,379 6	\$34,757 2	\$39,705.4	\$44,818 8
All wage and salary workers								
Life insurance and death benefits <sup>3</sup> .....	480 0	880 5	1,416 2	2,233 0	2,538.0	3,522 9	3,837 6	4,345.0
Accidental death and dismemberment <sup>4</sup> .....	18 4	43 4	70 0	116 0	142 0	224 0	229 0	253.0
Total health benefits.....	856 3	2,193 6	4,257 0	7,520 0	8,548 8	13,877.6	15,702.7	17,937.4
Hospitalization <sup>5,6</sup> .....	562 4	1,385.1	2,504.8	4,332 8	4,702 7	7,569.3	8,578 4	9,517.7
Surgical and regular medical <sup>5</sup> .....	293 9	769 5	1,282.2	2,109 2	2,552 1	3,998.3	4,489 3	5,202.7
Major-medical expense <sup>7</sup> .....		39 0	470.0	1,078 0	1,294.0	2,310 0	2,635 0	3,217.0
Wage and salary workers in private industry								
Temporary disability, including formal sick leave <sup>8</sup> .....	502 3	854 1	1,170.9	1,547 0	1,857.8	3,002.7	3,146.1	3,588 4
Written in compliance with law.....	75 9	178 8	238.8	258 4	310.6	417 4	442 8	488.9
Supplemental unemployment benefits <sup>9</sup> .....		40 0	118 0	116 0	113 0	130.0	140 0	155.0
Retirement <sup>10</sup> .....	2,080 0	3,840 0	5,490 0	8,360.0	10,180.0	14,000 0	16,650.0	18,540.0

<sup>1</sup> Excludes dividends in group insurance

<sup>2</sup> 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

<sup>3</sup> 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*, September 1973, modified to exclude group plans not related to employment, excludes premiums for the servicemen's group life insurance plan Self-insured death benefit costs based on data from various trade-union, mutual benefit associations, and company-administered plans

<sup>4</sup> Data from Institute of Life Insurance (see footnote 3)

<sup>5</sup> Data from "Private Health Insurance in 1972 Health Care Services, Enrollment, and Finances," *Social Security Bulletin*, February 1974, modified to exclude group plans not related to employment

<sup>6</sup> Includes private hospital plans written in compliance with State temporary disability insurance law in California, not available separately.

<sup>7</sup> Unpublished data from the Health Insurance Association of America Represents premiums for group supplementary and comprehensive major-medical insurance underwritten commercial insurance carriers

<sup>8</sup> Data from "Cash Benefits for Short-Term Sickness, 1948-72," *Social Security Bulletin*, January 1974 Includes private plans written in compliance with State temporary disability insurance laws in California, Hawaii, New Jersey, and New York, shown separately in next line Includes contributions under long-term disability plans, not available separately.

<sup>9</sup> 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

<sup>10</sup> Estimated by the 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 the Federal railroad retirement program

industry, contributions totaled \$3.6 billion, or 14.1 percent more than the 1971 figure.

Contributions to employee-benefit plans have had an average annual growth rate of almost 14 percent since 1967. In the short span of 5 years this rapid growth has almost doubled employee and employer contributions to these plans—from \$23.4 billion in 1967 to \$44.8 billion in 1972.

These contribution increases stem from a number of factors, including the general effect of growth in coverage and improvement in benefit provisions. Furthermore, rising wage levels have specific effects on the costs of such programs as temporary disability, retirement, and life insurance programs where benefits are often closely intertwined with wage levels. Such factors as rising costs and inflation in the health benefits area, technological change, and increasing use of health care services have also resulted in higher contributions for health care. It is difficult to assess the effect of most of these factors on health care contributions because they are so interrelated. Only a small portion of the acceleration in contributions, however, can be attributed to expanded coverage because this factor has leveled off in recent years.

When contributions to employee-benefit plans are related to aggregate wage and salary payroll, real advances are shown, continuing the long-term

upward trend. In 1972, contributions for health insurance amounted to 3.0 percent of all wages and salaries, compared with 2.1 percent in 1967 (table 3). Employer-employee contributions for retirement rose from 3.0 percent of private wage and salary payroll in 1967 to 3.8 percent in 1972. The rising ratio of contributions to wages in recent years reflects in part the fact that the rate of growth of wages and salaries has leveled off. At the same time, the scope and coverage of employee-benefit plans has grown, and the cost of providing such benefits has also risen.

## Benefits

An estimated \$32.5 billion was disbursed by employee-benefit plans in 1972 (table 4). This amount was 11.9 percent higher than 1971 expenditures, but the growth rate was somewhat smaller than that experienced in the past few years. Much of this slowdown in 1972 reflects the impact of the economic stabilization program on medical care wages and prices. The \$16.5 billion paid out for health benefits for employees and their dependents under employee-benefit plans in 1972 was 10.3 percent higher than the figure for the previous year, but the growth was substantially less than that in 1970 (21.3 percent) and 1971 (12.3 percent).

TABLE 3.—Contributions under employee-benefit plans,<sup>1</sup> by type of benefit in relation to wage and salary payroll, selected years, 1950-72

Year	Life insurance and death	Accidental death and dismemberment	Hospitalization	Surgical and regular medical <sup>2</sup>	Major medical expense	Temporary disability, including formal sick leave <sup>3</sup>	Supplemental unemployment	Retirement
	Employer and employee contributions as percent of all wages and salaries <sup>4</sup>					Employer and employee contributions as percent of wages and salaries in private industry <sup>5</sup>		
1950.....	0.34	0.01	0.40	0.21	-----	0.40	-----	1.67
1955.....	.44	.02	.69	.35	0.02	.49	0.02	2.19
1960.....	.54	.03	.96	.49	.18	.53	.05	2.47
1961.....	.58	.03	1.06	.54	.24	.53	.05	2.48
1962.....	.59	.03	1.11	.56	.26	.54	.06	2.51
1963.....	.62	.03	1.16	.56	.28	.53	.06	2.55
1964.....	.63	.03	1.21	.58	.30	.51	.04	2.70
1965.....	.64	.03	1.25	.61	.31	.54	.04	2.89
1966.....	.62	.03	1.20	.61	.31	.54	.04	2.92
1967.....	.62	.03	1.16	.63	.32	.55	.03	3.02
1968.....	.66	.04	1.24	.65	.36	.62	.03	3.03
1969.....	.66	.04	1.29	.69	.39	.65	.03	3.15
1970.....	.67	.04	1.45	.77	.44	.70	.03	3.28
1971.....	.69	.04	1.55	.81	.47	.70	.03	3.70
1972.....	.72	.04	1.56	.86	.53	.73	.03	3.76

<sup>1</sup> 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

<sup>2</sup> Data on contributions for surgical and regular medical benefits not available separately

<sup>3</sup> Includes contributions for long-term disability, data not available separately.

<sup>4</sup> Amounts for private and public employees relate to private and government civilian wages and salaries (\$607.1 billion in 1972) from table 6.2 in *Survey of Current Business*, July 1973, and from the *National Income and Product Accounts of the United States, 1929-1965 Statistical Tables (Supplement to the Survey of Current Business)*, 1966

<sup>5</sup> Amounts for private employees related to wages and salaries in private industry (\$493.3 billion in 1972) from table 6.2 in source listed in footnote 4.

Temporary disability payments to workers in private industry in 1972 totaled \$2.8 billion—a 12-percent increase from 1971. Retirement payments estimated at \$10.0 billion during 1972 were 16.4 percent more than the 1971 figure. The growth rate was about the same as that for recent years.

employee-benefit plans continued during 1972, as measured by claims paid for specified services. Major-medical protection showed a marked increase in the past 10 years. The vast portion of total health benefit expenditures is still concentrated, however, on hospital care and physicians' services.

Broadening of the health benefit structure of

Table 5 presents estimates of the amount of

TABLE 4.—Estimated benefits paid under employee-benefit plans,<sup>1</sup> by type of benefit, selected years, 1950-72

[In millions]

Type of benefit	1950	1955	1960	1965	1967	1970	1971	1972
Total.....	\$1,812.5	\$4,070.9	\$7,804.5	\$13,543.7	\$16,265.0	\$25,878.1	\$29,077.1	\$32,547.5
All wage and salary workers								
Life insurance and death benefits <sup>2</sup> .....	310.0	581.5	1,017.6	1,550.0	1,899.0	2,435.1	2,700.8	2,899.7
Accidental death and dismemberment <sup>3</sup> .....	16.0	26.1	47.3	89.5	101.4	151.4	170.6	182.2
Total health benefits.....	708.7	1,902.9	3,898.2	7,012.1	7,836.6	13,322.7	14,961.6	16,500.2
Hospitalization <sup>4,5</sup> .....	477.5	1,241.8	2,355.0	4,160.5	4,389.1	7,344.0	8,253.0	8,852.5
Surgical and regular medical <sup>4</sup> .....	231.2	637.1	1,116.2	1,847.6	2,141.5	3,563.7	3,959.6	4,460.7
Major-medical expense <sup>6</sup> .....		24.0	427.0	1,004.0	1,306.0	2,415.0	2,749.0	3,187.0
Wage and salary workers in private industry								
Temporary disability, including formal sick leave <sup>7</sup> .....	407.8	710.4	1,030.4	1,310.1	1,519.0	2,483.9	2,524.1	2,825.4
Written in compliance with law.....	54.3	135.2	196.1	197.6	222.4	307.2	310.4	328.5
Supplemental unemployment benefits <sup>8</sup> .....			91.0	62.0	119.0	125.0	130.0	140.0
Retirement <sup>9</sup> .....	370.0	850.0	1,720.0	3,520.0	4,790.0	7,360.0	8,590.0	10,000.0

<sup>1</sup> 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

<sup>2</sup> Group and wholesale life insurance benefits based on data from Institute of Life Insurance, *Life Insurance Fact Book, 1973*, modified to exclude group plans not related to employment, excludes benefits paid under the servicemen's group life insurance plan Self-insured death benefit costs based on data for various trade-union, mutual benefit association, and company-administered plans

<sup>3</sup> Unpublished data from the Institute of Life Insurance

<sup>4</sup> Data from "Private Health Insurance in 1972 Health Care Services, Enrollment, and Finances," *Social Security Bulletin*, February 1974, modified to exclude group plans not related to employment

<sup>5</sup> Includes private hospital plans written in compliance with State temporary disability insurance law in California, with benefits amounting to \$2.5 million in 1972.

<sup>6</sup> 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

<sup>7</sup> Data from "Cash Benefits for Short-Term Sickness, 1948-72," *Social Security Bulletin*, January 1974 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 benefits under long-term disability plans, not available separately

<sup>8</sup> 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

<sup>9</sup> Estimated by the 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 the Federal railroad retirement program.

TABLE 5.—Estimated health insurance benefits paid under employee-benefit plans, by type of service, 1967 and 1972

(In millions)

Type of service	1972		1967	
	Amount	Percentage distribution	Amount	Percentage distribution
Total health benefits.....	\$16,500.2	100 0	\$7,836 6	100 0
Hospital care.....	10,194.5	61.8	4,937.1	63.0
Physicians' services.....	5,229 7	31.7	2,516 8	32.1
Other types of care.....	1,076 0	6 5	382.7	4.9

benefits paid, by type of service under employee-benefit plans for 1967 and 1972. The data show that the proportion of benefits represented by medical services other than hospital care and physicians' services has been rising steadily. It was less than 5 percent of the total 5 years ago, but in 1972 it reached 6.5 percent.

## PRIVATE PENSION TRENDS

### Contributions

A significant increase in employer and employee contributions to private retirement plans (including deferred profit-sharing plans) occurred in 1972. Contributions to finance current and future benefit commitments under these plans reached \$18.5 billion, or more than three times the level 10 years ago (table 6). The 11.4-percent increase from the preceding year's total was smaller than the rise in 1971 but was near the average experience for recent years.

Employer contributions continue to rise faster than employee contributions. Private pensions cost employers an estimated \$16.9 billion in 1972, and employees paid about \$1.6 billion. The employer share constituted 91 percent of the total in 1972, compared with 86 percent 10 years ago.

### Benefits and Beneficiaries

Benefit payments by private pension plans amounted to an estimated \$10.0 billion in 1972. The 16.4-percent increase was similar to the growth experienced during the past 5 years. Nearly 5.6 million persons (retired workers and survivors) received these payments during 1972—

almost 9 percent above the preceding year's total.

Underlying the 1972 figures and the rate of growth during the past few years are benefit improvements, higher wage and salary levels, and the steadily growing number of individuals qualifying for private pensions. Calculating average payments may provide a rough guide to the degree of benefit improvements. Estimates of the annual outlay per beneficiary show an average of about \$1,880 in 1972. Ten years ago the average was \$1,160. When adjustments are made in terms of constant dollars, the average annual benefit shows an increase of only about 15 percent between 1962 and 1972.

### Reserves

The total in reserves set aside for current or future benefit commitments under private pension plans rose to \$168 billion in 1972. This amount represented a net addition of \$16.4 billion to reserves during the year. The relative rate of growth—10.8 percent—was in keeping with that experienced for the past decade.

## SOURCES OF DATA AND DEFINITIONS

### Coverage

Estimates of coverage under life insurance, death, and accidental death and dismemberment plans are based, for the most part, on group and wholesale life insurance data from the Institute of Life Insurance, modified to exclude workers in plans not associated with employment. Excluded is servicemen's group life insurance issued to cover members of the Armed Forces.

Estimates on private health insurance of workers derive from data compiled by the Blue Cross Association, the National Association of Blue Shield Plans, and Health Insurance Association of America; these data have been adjusted to exclude workers not actively employed, on the basis of the special survey of group health insurance coverage of employed workers conducted in April 1972.

Coverage estimates for temporary and long-term disability are based on data from the In-

TABLE 6.—Private pension and deferred profit-sharing plans:<sup>1</sup> Estimated contributions, beneficiaries, benefit payments, and reserves, 1950, 1955, 1960-72

Year	Employer contributions (in millions)			Employee contributions (in millions)			Number of beneficiaries, end of year (in thousands)			Amount of benefit pay- ments (in millions)			Reserves, end of year (in billions)		
	Total	Insured	Non- insured	Total	Insured	Non- insured	Total	Insured	Non- insured	Total <sup>2</sup>	Insured	Non- insured <sup>3</sup>	Total	Insured	Non- insured
1950.....	\$1,750	\$720	\$1,030	\$330	\$200	\$130	450	150	300	\$370	\$80	\$290	\$12.1	\$5.6	\$6.5
1955.....	3,280	1,100	2,180	560	280	280	980	290	690	850	180	670	27.5	11.3	16.1
1960.....	4,710	1,190	3,520	780	300	480	1,780	540	1,240	1,720	390	1,330	52.0	18.8	33.1
1961.....	4,830	1,180	3,650	780	290	490	1,910	570	1,340	1,970	450	1,520	57.8	20.2	37.5
1962.....	5,200	1,240	3,960	830	310	520	2,100	630	1,470	2,330	510	1,820	63.5	21.6	41.9
1963.....	5,560	1,390	4,170	860	300	560	2,280	690	1,590	2,590	570	2,020	69.9	23.3	46.6
1964.....	6,370	1,520	4,850	910	310	600	2,490	740	1,750	2,990	640	2,350	77.7	25.2	52.4
1965.....	7,370	1,770	5,600	990	320	670	2,750	790	1,960	3,520	720	2,800	86.5	27.3	59.2
1966.....	8,210	1,850	6,360	1,040	330	710	3,110	870	2,240	4,190	810	3,380	95.5	29.3	66.2
1967.....	9,050	2,010	7,040	1,130	340	790	3,410	930	2,480	4,790	910	3,880	106.2	31.9	74.2
1968.....	9,940	2,240	7,700	1,230	340	890	3,770	1,010	2,760	5,530	1,030	4,500	117.8	34.8	83.1
1969.....	11,420	2,930	8,490	1,360	350	1,010	4,180	1,070	3,110	6,450	1,160	5,290	127.8	37.2	90.6
1970.....	12,580	2,860	9,720	1,420	350	1,070	4,720	1,220	3,500	7,360	1,330	6,030	137.1	40.1	97.0
1971.....	15,160	3,840	11,320	1,490	370	1,120	5,100	1,300	3,800	8,590	1,510	7,080	151.4	45.0	106.4
1972.....	16,940	4,200	12,740	1,600	400	1,200	5,550	1,350	4,200	10,000	1,700	8,300	167.8	50.3	117.5

<sup>1</sup> Includes pay-as-you-go, multiemployer, and union-administered plans, those of nonprofit organizations, and railroad plans supplementing the Federal railroad retirement program. Excludes pension plans for Federal, State, and local government employees as well as pension plans for the self-employed. Insured plans are underwritten by insurance companies, non-insured plans are, in general, funded through trustees.

<sup>2</sup> Includes refunds to employees and their survivors and lump sums paid under deferred profit-sharing plans.

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

stitute of Life Insurance and the Health Insurance Association of America, adjusted to exclude credit accident and health insurance. These estimates include private plans written in compliance with State temporary disability insurance laws in California, Hawaii, New Jersey, and New York.

Supplemental unemployment benefit coverage estimates are based on trade union and industry reports and exclude dismissal-wage and separation allowances, except when such payments are financed by supplemental unemployment benefit funds covering temporary and permanent layoffs.

Retirement coverage is estimated by the Social Security Administration from data furnished primarily by the Institute of Life Insurance and the Securities and Exchange Commission. The estimate 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. It excludes plans for Federal, State, and local government employees, as well as plans of the self-employed. The data exclude annuitants.

### Contributions and Benefits

The estimates of contributions and benefits in this series are based for the most part on reports

by private insurance companies and other non-government agencies.

Contributions under insured pension plans are on a net basis, with dividends and refunds deducted. Contributions 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.

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 amount shown for retirement benefits under noninsured plans does include (1) refunds of employee contributions to individuals who withdraw from the plans before retirement and before accumulating 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 data from which the estimates have been developed do 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.