

2. "Money Purchase" Plans. These plans do not depend on cost differences by age. Contributions are a fixed percentage of the employee's annual pay. The size of benefits depends on how much the employer has contributed to the worker's account by the time of retirement.

The costs of pensions can be lowered by raising the normal retirement age above 65. A raise of one year can reduce costs by as much as eight percent, since the longer the worker is employed, the shorter the period of retirement will be. Even when added pension credit is given for work past 65, "increased probability of mortality combined with the continued interest return on funds held tend to more than balance out the value of additional pension credit."^{2/}

The Cost of Other Group Insurance

Misconceptions are frequent about the costs of such group insurance as workmen's compensation, life and health coverage.

Workmen's Compensation: The costs of this insurance are based on previous accident experience of the group covered and the type of work. Rates may be higher for occupations where hazards are involved. Age is not a factor in the costs.

Group Life Insurance: The cost is based on the average age of the group covered at a given time within the year. Age at entry into the system is not important. The cost varies little unless there is a large change in the age distribution within the group - for instance, a rise of three years in the average age might increase the cost a few pennies per worker per week. The costs are high when such insurance is carried into retirement, but in general, benefits are reduced sharply instead.

Health Insurance: Costs are based on the group's experience, the number of women included, and the benefits provided. Older workers may have longer illnesses, as some sources indicate, but younger people have more dependents and their coverage increases the costs of the group. Women are generally more expensive than men, and experience indicates that young women are more expensive than older workers if maternity benefits are included. In retirement, benefits may be reduced or the retired worker may assume all or most of the costs.

Coverage of Pension Plans

Two-thirds of all workers in a study by the Bureau of Employment Security in seven labor market areas were employed in firms with fifty

^{2/} Ibid.