of benefits and expenses have been rising at the same pace, therefore, and will continue to do so.

In contrast, the usual concept of funding aims to keep the contribution rate unchanged over a long period for a given benefit formula. This sort of "level premium" per dollar of employee compensation, to use the analogy from ordinary life insurance, involves prepayments to be accumulated at interest. The excess of contributions over benefit payments will be relatively large in a new program, in a newly liberalized program, or in the case of a young employee group. The accumulation of these excess receipts is expected to provide the earnings necessary to close the gap between leveling contributions and rising benefit payments as the program matures.

The relation between total contributions and the benefit payments shown in table II–2, for selected programs which are wholly or partially funded, illustrates the lag of benefits behind contributions and the degree of maturity achieved at different points in time.

TABLE II–2.—CONTRIBUTIONS AND BENEFITS UNDER SELECTED PUBLIC AND PRIVATE PROGRAMS, 1940–65

[In millions of dollars]

Program	1940	1945	1950	1955	1960	1965
Railroad retirement:						
Contributions [1]	130	279	546	588	910	1,113
Benefit payments	118	147	311	577	962	1,155
Benefits as percentage of contributions	91	53	57	98	106	104
Federal civil service:						
Contributions	141	541	678	744	1,610	2,197
Benefit payments	68	94	192	380	816	1,384
Benefits as percentage of contributions	49	17	28	51	51	63
State and local government:						
Contributions	267	380	905	1,740	2,895	4,220
Benefit payments	142	193	320	595	1,083	1,780
Benefits as percentage of contributions	53	51	35	34	37	42
Private employee:						
Contributions	310	990	2,080	3,840	5,480	7,750
Benefit payments	140	220	370	850	1,750	3,180
Benefits as percentage of contributions	45	22	18	22	32	41

Source: Table II–1; "Social Security Bulletin," Statistical Supplement, 1965; Institute of Life Insurance.

[1] After 1954, contributions include transfers from OASDI under the financial interchange arrangement with the Railroad Retirement System.

While the relation between benefits and contributions is affected by a number of factors other than the maturing of the programs (such as changes in employment, extension of coverage, extent of funding, and integration with OASDI), it can be used as a very crude measure of progress toward the maturing of a system.[1] In these terms, we can identify the railroad retirement system as having matured in 1955, the Federal Civil Service Retirement System as now in middle age, State and local government retirement systems in vigorous young manhood, and programs covering individuals in private employment as having rapidly outgrown adolescence.

In short, table II–2 verifies the statement that by 1960 the pension structure had come of age. What may lie ahead is discussed in the brief reviews of the major programs which follow.

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[1] A retirement system is said to be mature when contributions plus interest earnings on fund accumulations equal the sum of benefit payments and administrative expenses. This precise definition of maturity is rarely encountered in a growing economy. More frequently, the transition from extremely rapid growth to a more moderate pace of asset accumulation, the maturing process, takes the form of an increasing proportion of contributions being immediately disbursed in the form of benefits.