versal) practice of systematically funding them through a broad range of financial assets makes State and local government retirement systems substantially similar to private plans in their impact on the capital markets. The salient features of their past and projected growth are shown in table II-4.

TABLE II-4.—PAST AND PROJECTED GROWTH OF STATE AND LOCAL GOVERNMENT RETIREMENT SYSTEMS, 1940-80

	1940	1945	1950	1955	1960	1965	1970	1975	1980
Covered employees (million)	1.4	1.8	2.6	3.5	4.5	5.8	7.6	9.6	12.2
Beneficiaries (million)	.2	.2	.3	.4	.7	.9	.9	1.1	1.3
Benefit payments (billions of dollars)	.1	.2	.3	.6	1.1	1.8	2.0	2.6	3.4
Retirement system assets (billions of dollars)	1.6	2.5	5.2	10.6	19.7	33.6	50.7	76.9	114.9

Source: 1940-65, actual from Social Security Administration and Bureau of the Census; 1970-80, from Holland's projections adjusted to calendar years.

These retirement systems are significantly different from the other tax-supported programs. Substantial saving through the acquisition of financial assets is involved in the relatively high rate of funding in progress and in prospect. Additions to fund assets were 10.5 percent of covered payrolls in 1965 compared with about 7.4 percent for the Federal Civil Service Retirement System.

The most significant feature of the State and local government retirement systems is that they are still relatively young and, according to Holland's projections, show no signs of reaching by 1980 that stage in the maturing process when benefit payments are a high proportion of current contributions. That is to say, these programs over the future will make an increasing contribution to personal saving and to capital market flows. If the projected growth in State and local government employment materializes, these retirement systems will emerge as a major financial institution with vigorous growth and influence in the resource allocation process.

A comparison with Holland's projections for private employee pension programs, discussed below, will serve to illustrate the vigor of this growth.

COMPOUND ANNUAL RATES OF GROWTH

[In percent]

	1940-60		1960-80	
	State and local government	Private employee	State and local government	Private employee
Covered employees	6.0	8.6	5.1	3.4
Beneficiaries	6.5	11.6	3.1	7.7
Benefit payments	12.7	15.5	5.8	9.3
Fund assets	13.4	16.6	9.2	6.8

Source: Tables II-4 and II-5. Growth rates are approximate for the 1940-60 period because they are based on rough estimates for the early years for private plans.

Relative to programs covering individuals in private employment, this comparison suggests that a more rapid growth in coverage, combined with a slower rate of growth in beneficiaries and payments to them, will enable the State and local government retirement systems to sustain the higher growth rate in asset holdings which first became apparent in the early 1960's.