

PRIVATE PENSION PLANS

The development of private pension programs by business firms, labor unions, and nonprofit organizations has been especially rapid since 1940. Holland's projections are shown in table II-5; they illustrate the extent of the possible maturing of private plans by 1980. The preceding comparison of the principal indicators of growth projected for the 1960-80 period with the record of the preceding 20 years shows evidence of the maturing process. Possibly this comparison overstates the case. Holland took no account of retirement plans for the self-employed and their employees, which may begin to grow from a very small base over the next decade. Annual contributions to such plans in excess of \$1 billion might be attained by 1975.⁶

TABLE II-5.—PAST AND PROJECTED GROWTH OF PRIVATE PENSION PLANS, 1940-80

	1940	1945	1950	1955	1960	1965	1970	1975	1980
Covered employees (million).....	4.1	6.4	9.8	15.4	21.2	25.4	32.6	37.2	41.4
Beneficiaries (million).....	.2	.3	.5	1.0	1.8	2.8	4.1	6.0	8.0
Benefit payments (billions of dollars)...	.1	.2	.4	.8	1.8	3.2	4.7	7.3	10.6
Fund assets (billions of dollars).....	2.4	5.4	12.0	27.4	52.0	85.4	116.9	155.2	193.1

Note: Because of instances of coverage under more than 1 plan, it is believed that coverage data for 1965 and previous years may overstate the number of covered employees. See Walter W. Kolodrubetz, "Growth in Employee-Benefit Plans, 1950-65," *Social Security Bulletin*, April 1967, pp. 10-27.

Source: 1940-65, actual from Institute of Life Insurance, Social Security Administration, and author's estimates; 1970-80, from Holland's projections.

The projected slowdown in the rate of growth of coverage reflects the fact that a high proportion of potentially eligible employees has already been included. Of all employees on nonagricultural payrolls, excluding government, 47.1 percent had been covered by the end of 1960, compared with only 25.0 percent at the end of 1950. If this group of employees is further reduced to exclude part-time workers and young workers (under age 25), the coverage ratio approximated 65 percent in 1960. High coverage already prevails in transportation, public utilities, finance and insurance, mining, and many sectors of manufacturing. In short, the large groups most readily covered by group plans have already been included. Future extensions of coverage will have to come increasingly from multiemployer and other plans designed to accommodate small employers and small groups of employees.⁷

In addition to this "saturation" factor, trends over the years in pension arrangements have caused some shift of individuals from coverage in active employment to beneficiary status. Increased disability coverage, earlier vesting, greater use of the normal retirement age as a mandatory retirement age, and considerable liberalization of the provisions governing early retirement have been among the major developments.⁸ The effect has been to accelerate the maturing of these programs for individuals in private employment.

⁶ This estimate is based on studies made by the author, for testimony before the Committee on Finance of the U.S. Senate, regarding the Self-Employed Individuals' Retirement Act. See *Hearings on H.R. 10, 86th Congress, 1st sess.*, June 18, 1959, pp. 210-215 and *Hearings on H.R. 10, 87th Congress, 1st sess.*, July 28, 1961, pp. 144-152.

⁷ See Holland's projections, ch. 2.

⁸ See Bankers Trust Co., *1965 Study of Industrial Retirement Plans*, for an analysis of recent trends.