

Since all employees covered under private plans are covered under social security, the future role of OASDI will obviously affect these supplementary arrangements. Flat-benefit plans, which provide a fixed monthly pension for each year of credited service and which are most common among multiemployer and union plans, are not influenced by increases in social security benefits, except as employees may lose interest in bargaining for higher supplements. This has not occurred to date because the supplementary benefits started at low levels. At some point, of course, priority might be given to other elements of total compensation.

In the more typical wage-and-service-related benefit formula characteristic of single-employer plans, the social security benefit is taken into account in determining an attainable objective as to the replacement of some fraction of final compensation. This form of integration with OASDI implies that a higher proportion of compensation above the amount creditable for social security will be replaced by the supplementary plan. The individual's salary progression and the trend of wages and salaries generally will, therefore, have an important influence on the promised retirement income, especially with the trend toward basing pensions on final average compensation.

The general assumption underlying Holland's projections is that social security benefits will be increased in the future at about the same pace as in the past. A shift from a "floor of protection" to a "level of adequacy" concept in the determination of OASDI benefits could, therefore, have a pronounced effect upon the projections used in this study: benefit payments might still follow the pattern outlined in table II-4, since they relate to commitments already made, while contributions and fund accumulations would not show the expected rate of growth during the later years of the period.

There are other factors currently at work, however, which could sustain a larger excess of contributions over benefits for a longer period of years than Holland has projected. The most important single influence in this direction might be an acceleration in the pace of increases in money wages combined with the trend toward relating benefits to final average compensation. In addition, the inclusion of larger death, disability, survivor, and early retirement benefits in pension arrangements is causing increases in contribution rates. Eventually these trends have the effect of increasing benefit payments, of course, but in the interim the pace of the maturing process is slowed.

The dynamic evolution of pension arrangements during the next decade cannot be plotted with precision. However, the accuracy of projections is not crucial to the analysis of economic effects. The direction and rates of change of income and saving flows are the important elements, rather than the timing of their incidence.

THE PENSION STRUCTURE IN PERSPECTIVE

The preceding review of salient characteristics of the public and private pension structure in being and in evolution suggests certain summary observations:

1. We have come to a pause in the creation of new types of programs and attention is being devoted primarily to refining, strengthening, and generally improving their operations.