

ings. The Office of Tax Analysis of the U.S. Treasury Department made the estimates for the year 1963 shown below.

	<i>Millions</i>
Revenue gain from taxation of benefits received in excess of employee contributions after the retirement income credit.....	+\$325
Revenue loss from exemption of interest earnings of pension funds at individual tax rates.....	-550
Revenue loss from not taxing to employees employer contributions as made.....	-1,150
Net revenue loss.....	-1,375

Source: *Private Pension Plans*, hearings before the Subcommittee on Fiscal Policy of the Joint Economic Committee, 89th Cong., 2d sess., p. 2, May 1966, p. 416.

Other factors equal, this treatment of qualified pension plans will increase the revenues to be collected from taxpayers in general. Presumably, those not covered by pension arrangements share in the costs without sharing in the benefits. These tax benefits are, of course, equally applicable to the retirement systems for Government employees. Also, in the case of OASDI, all of the benefit payments are exempt from taxation, with the result that there is no deferred recovery of income taxes from the recipients.⁷

Transfers: The Benefit Aspect

The most dynamic phase of the growth in private programs is the current and prospective increase in the flow of benefit payments. The record of the recent past and Holland's projections show this trend:

Year	<i>Benefits</i>
1950.....	<i>Billions</i> \$0.4
1955.....	.8
1960.....	1.8
1965.....	3.2
1970.....	4.7
1975.....	7.3
1980.....	10.6

The bulk of private pension benefits, almost by definition, go to individuals who have had regular employment for an extended period at good levels of compensation. Also, the benefit structure is moderately progressive (i.e., providing a higher proportion of higher compensation) to counterbalance the reverse pattern of OASI. A recent large sample of industrial plans shows the typical range for the growing proportion of final pay plans:

<i>Average Annual Compensation During Final Years of Service</i>	<i>Median Benefit Range Exclusive of OASI</i>
<i>Dollars</i>	<i>Percent</i>
4,500	26-30
8,000	31-35
15,000	31-35
35,000	36-40

Source: Bankers Trust Company, 1965 *Study of Industrial Retirement Plans*.

Since we are uncertain about the incidence of contributions, it is not feasible to estimate a redistribution of income between family income

⁷ A possible change in this treatment of benefits is under discussion. An anomaly in the present method of tax treatment is the increase in the value of the benefits to an individual with substantial other income in retirement.