First, the social security system and private pension plans must be kept in proper balance. A social security system which provides a floor of protection is vital for retirement purposes. But inordinate increases in the social security wage base and in social security benefit levels could impair the private pension system by invading areas which can be better serviced by the private sector. We believe that the average earnings of regularly employed male workers represents an appropriate dividing line between the area in which the Government should have primary responsibility to provide basic economic security and the area in which the individual and his employer should have full responsibility to provide security through private media such as pension plans.

Once basic retirement needs are met, it is undesirable to compel individuals to finance additional retirement benefits under the social security system by paying higher taxes. Instead, at this point the individual should retain freedom of choice to determine both the extent to which he wishes to set aside additional funds to provide higher retirement income for himself as well as the particular form that such retirement protection should take. Such supplementary savings for retirement can best be achieved through voluntary means in the private sphere of the economy.

Second, it is important that all interested parties continue to search for ways to accelerate the growth and improvement of private pension plans. In recent years, there has been considerable interest in this area. The hearings on pensions which the Joint Economic Committee held last year, the present document on Old Age Income Assurance prepared by the Committee's staff, and the 1965 Report of the President's Committee on Corporate Pension Funds—all represent part of an examination of pension plans, and a search for ways to improve them. The life insurance business welcomes this examination since, as one of the major funding media for pension plans, we have a direct concern in their improvement. However, we urge that this examination be placed in proper perspective by taking cognizance of the fact that the whole history of pension plans has been one of continued improvement over the years—in coverage, in vesting, in funding, and in the level of benefits. The President's Committee on Corporate Pension Funds, though recommending far-reaching changes in pension plans, explicity recognized the value of these plans by stating ". . . public policy should continue to provide appropriate incentives to private plan growth. . . ."

THE GROWTH OF THE PRIVATE PENSION SYSTEM

The vitality of the private pension system is shown by its rapid growth. By the end of 1965, there were over 150,000 private pension plans qualified under the Internal Revenue Code. These plans covered more than 25 million employees—about one-half the total private nonagricultural work force. Over 66,000 of these plans, covering 6.3 million employees, were insured with life insurance companies.[1]

In 1965, total employee and employer contributions to private pension plans reached $7.8 billion, and 2.7 million beneficiaries received $3 billion in pension payments. At the end of 1966, the assets of pri-

[1] Institute of Life Insurance, *Private and Public Pension Plans in the United States*, March 1967.