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PRIVATE
PENSION
PLAN
BENEFITS

UNITED STATES DEPARTMENT OF LABOR
W. Willard Wirtz, Secretary

BUREAU OF LABOR STATISTICS
Arthur M. Ross, Commissioner



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Preface

This bulletin concludes a series of studies prepared by the Bureau of Labor Statistics describing the private pension plans of U.S. industry as a whole, the first such undertaking since private pension plans became a significant feature of the American economy and of employee welfare. The present study deals primarily with the types and levels of benefits available for normal, disability, and early retirement. Also covered are vesting provisions, supplementary pension plans, and death benefits.

Vesting, early retirement, and portability provisions, and their implications for labor mobility were analyzed in Labor Mobility and Private Pension Plans (BLS Bulletin 1407, 1964). A special study appearing in the volume of research materials accompanying the June 1965 report of the Secretary of Labor to the Congress, entitled "The Older American Worker: Age Discrimination in Employment," included aggregate data on normal retirement benefit formulas, involuntary retirement provisions, service crediting after normal retirement age, and maximum participation age provisions.

The plans analyzed for this study were those in effect during the winter 1962-63. The changes in plans negotiated in major industries, particularly automobiles and basic steel, in 1964 and 1965, were of such an order as to modify significantly much of the data presented in this study. In addition, important changes in old-age, survivors, and disability insurance benefits were enacted in 1965. These changes could not be incorporated in this study. The expected interaction and spread of these changes during the next few years is likely to alter markedly the shape of the private pension system as a whole. This study, then, serves as a benchmark against which these changes can be measured. The digests of selected pension plans issued by the Bureau of Labor Statistics at 2- or 3-year intervals provide current information on the features of major plans.

That the Bureau of Labor Statistics had the financial resources to analyze the private pension system as a whole, through this bulletin and the previous reports mentioned above, was to a large extent fortuitous. The Manpower Development and Training Act of 1962 called upon the U.S. Department of Labor to study the mobility implications of pension plans, and funds were advanced to the Bureau of Labor Statistics, by the Department's Office of Manpower, Automation and Training, to undertake this study. The interest of the U.S. Department of Health, Education, and Welfare in disability retirement provisions led to its support of a comprehensive study by the Bureau of this feature of private pension plans. Under section 715 of the Civil Rights Act of 1964, the Congress directed the Secretary of Labor to study "the factors which might tend to result in discrimination in employment because of age," and part of the funds allocated by the Congress for this study supported the Bureau in its study of those elements in pension plans that contributed to the problems of aging workers. By adding its own limited resources to those of other agencies interested in pension plans, the Bureau was able to complete the picture in this bulletin.

The Bureau is also grateful for the cooperation of the Office of Labor-Management and Welfare-Pension Reports, which is responsible for the Department's file of pension plan documents.

This study was undertaken in the Bureau's Division of Industrial and Labor Relations, Joseph W. Bloch, Chief, under the general direction of L. R. Linsenk-mayer, Assistant Commissioner, Office of Wages and Industrial Relations. This bulletin was prepared by Walter W. Kolodrubetz, Donald J. Staats, and Stanley S. Sacks under the supervision of Donald M. Landay.

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Private Pension Plan Benefits

Chapter I. Introduction

A universal public retirement system cannot take into account all the important differences among workers, occupations, and industries. This is one of the reasons a variety of methods of computing and providing retirement benefits has been developed in private pension plans that supplement the old-age, survivors, and disability (hereafter referred to as social security) program. An overwhelming number of private plans reflect, in their planning, the expectation that their beneficiaries will receive social security benefits.

A view of the private pension system as a whole reveals aspects not apparent at closer quarter. As this study shows, the greater part of the retirement income of most workers covered by private plans in effect during the early 1960's was to be paid by social security. Only for workers with high earnings and long service did private plan benefit amounts commonly begin to approach the expected social security payments. Overall, however, potential private plan benefits in relation to preretirement earnings level exhibited one basic characteristic of the social security system in favoring lower paid workers. Accordingly, when public and private benefits were combined, this tendency was accentuated.

Chapter 2 of this bulletin describes the major characteristics of normal retirement provisions and levels of normal retirement benefits. Other aspects of normal retirement dealt with in this chapter include requirements for plan participation, benefit formulas and requirements for receipt of benefits.¹ Disability retirement provisions, including minimum age and service requirements and other elements of the benefit provision, are analyzed in detail in chapter 3; disability benefit amounts under certain assumed conditions were computed. Chapter 4 includes benefits computations for hypothetical cases of early retirement.² Finally, chapter 5 summarizes data on the levels of vested benefits, provides an overall view of the prevalence of major types of retirement benefits, and analyzes supplemental plans and death benefits.

Scope and Method

A private pension plan, as defined for this study, is a plan established by an employer, union, or both, that provides a cash income for life for qualified retired workers. This definition included plans introduced unilaterally by employers, jointly by employers and employees, or unilaterally by organized employee groups. All profit-sharing, stock bonus, and savings plans, including those paying out amounts at or after a worker's retirement, were excluded because most such plans do not provide lifetime retirement benefits and, further,

¹ The implications of benefit formulas and of requirements for normal retirement for employment of older workers are examined in The Older American Worker: Age Discrimination in Employment (Report of the Secretary of Labor to the Congress under Section 715 of the Civil Rights Act of 1964), June 1965.

² A previous study, Labor Mobility and Private Pension Plans (BLS Bulletin 1407, 1964), concentrated on the vesting and early retirement provisions of pension plans.

the amounts of the benefits payable by those that do are not definitely ascertainable in advance.³ Plans of government and nonprofit organizations (other than unions) were also excluded from the scope of this study, as were very small private plans with fewer than 26 participants.

The chief source of data for this study was the reports filed with the U.S. Department of Labor's Office of Labor-Management and Welfare-Pension Reports, pursuant to the Welfare and Pension Plans Disclosure Act. By the end of 1960, financial reports (D-2 forms) had been filed for over 25,000 private plans providing retirement benefits. The plan descriptions (D-1 forms) and supporting documents filed for these plans were the basis for this study.

To reduce these 25,000 reports to a more manageable number for analysis, a random sample stratified by industry and size of plan (number of active workers covered) was selected. The sample was designed to permit presentation of data by industry division, and in some cases, by major industry group. Within each industry-size grouping, the sample was selected to yield the most reliable results. This was done by including in the sample a higher proportion of large plans than of small. Data for each sample report were weighted in accordance with its probability of selection so that the tables show estimates for all private pension plans with financial reports on file for 1960.⁴

The pension plans studied were limited to those for which financial reports were submitted for 1960. Coverage data, however, were obtained from the reports for 1961. The plan provisions analyzed were those in effect in the winter of 1962-63 and were considered current at that time. (See appendix A.)

Financial reports for about 16,000 private pension plans,⁵ as defined for this study, were filed with the U.S. Department of Labor for 1960. Over 60 percent of the workers involved were members of plans applying to 5,000 workers or more. Altogether, the 15 largest plans, each with over 100,000 active workers, had over a sixth of the coverage. Over 60 percent of the plans had fewer than 200 active members, but accounted for less than 5 percent of the total coverage.

About 60 percent of the plans and workers were in manufacturing industries, approximately 40 percent in nonmanufacturing industries (table 1). In general, multiemployer plans predominated in industries marked by multiemployer bargaining patterns, such as the construction, mining, wholesale trade, and motor transportation industries.

Employers financed the entire cost of retirement benefits in about 3 out of 4 plans and these noncontributory plans covered about the same proportion of workers. The industrial pattern of financing reflected bargaining patterns; industries with mostly negotiated plans had mostly noncontributory plans and vice versa (table 2).

³ Chiefly because of these exclusions, the numbers of plans and workers studied are not comparable to data on "pension benefit plans" published by the Office of Labor-Management and Welfare-Pension Reports, or to estimates of coverage published by the Social Security Administration.

⁴ About 30 percent fewer reports were included in this study than the number reported for the same period by the Department's Office of Labor-Management and Welfare-Pension Reports. See footnote 3 for explanation.

⁵ Of the 16,031 private pension plans studied, covering 15.8 million active workers, 213 plans with 166,000 active workers were in the process of determining their plans provisions. For these plans, little information other than size, industry, financing, and type of worker covered, were available at the time of the study. Thus, the analysis of pension plans and benefits provided under certain assumed conditions, relate only to 15,818 plans.

Table 1. Distribution of Private Pension Plans by Industry and Type of Employer Unit, Winter 1962-63

Industry	(Workers in thousands)					
	All plans		Type of employer unit			
	Number	Workers ¹	Single employer		Multiemployer	
Plans			Workers ¹	Plans	Workers ¹	
All plans studied.....	² 15,818	² 15,621	14,890	11,742	928	3,878
Mining.....	316	327	300	89	16	238
Contract construction.....	449	1,072	60	23	389	1,049
Manufacturing.....	9,257	9,678	8,995	8,426	262	1,252
Transportation.....	673	1,286	549	516	124	770
Communications and public utilities.....	849	1,270	848	1,261	1	10
Wholesale and retail trade.....	1,627	920	1,540	572	87	348
Wholesale trade.....	1,147	479	1,082	171	65	308
Retail trade.....	480	440	458	401	22	40
Finance, insurance, and real estate.....	1,853	733	1,840	719	13	15
Services.....	719	308	686	119	33	190

¹ Active workers in 1961.² Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 2. Distribution of Private Pension Plans by Industry and Collective Bargaining Status, Winter 1962-63

Industry	(Workers in thousands)					
	All plans		Collective bargaining status			
	Number	Workers ¹	Mentioned in a collective bargaining agreement		Not mentioned in a collective bargaining agreement	
Plans			Workers ¹	Plans	Workers ¹	
All plans studied.....	² 15,818	² 15,621	5,795	10,695	³ 10,023	4,926
Mining.....	316	327	43	242	273	86
Contract construction.....	449	1,072	384	908	65	164
Manufacturing.....	9,257	9,678	4,285	6,821	4,972	2,857
Transportation.....	673	1,286	384	898	289	388
Communications and public utilities.....	849	1,270	314	1,042	535	228
Wholesale and retail trade.....	1,627	920	294	498	1,333	421
Wholesale trade.....	1,147	479	249	340	898	139
Retail trade.....	480	440	45	158	435	282
Finance, insurance, and real estate.....	1,853	733	22	78	1,831	656
Services.....	719	308	54	191	665	118

¹ Active workers in 1961.² Includes industries for which data are not shown separately.³ Includes 110 plans, covering 272,000 workers, which were union sponsored and operated.

NOTE: Because of rounding, sums of individual items may not equal totals.

Chapter II. Normal Retirement

Normal retirement provisions of private pension plans contain the basic assurance of lifetime retirement benefits for eligible workers and constitute the foundation on which other provisions are based. This chapter focuses on three major elements of normal retirement provisions: (1) Minimum age and service requirements for plan participation and receipt of benefits, (2) formulas used to compute benefits, and (3) amount of benefits these formulas provide. The normal retirement age is usually defined as the earliest age at which a worker may retire at his own request and receive immediately the full (unreduced) benefit payable for his credited service and earnings up to that time. Normal retirement formulas comprise several elements, but the basic considerations in computing benefits are credited service or earnings, or both, and the relationship of plan benefits to social security benefits.

Requirements for Plan Participation

In many pension plans, participation of new employees is automatic—i.e., they become members when they complete a brief probationary period and achieve regular full-time status, and, under contributory plans which allow an option, when they agree to contribute. The majority of plans, however, specify either an age requirement or a length-of-service requirement, or both; a condition which may withhold pension coverage from a newly hired worker. Such participation requirements have been justified chiefly on grounds of administrative costs and difficulties involved in covering young workers and new employees whose tenure is uncertain. In most plans with participation requirements, however, service before participation is not counted in determining an employee's eligibility for a pension or in computing his pension benefit, or both; adoption of a participation requirement signifies something more than administrative convenience.

Almost 3 out of 5 plans (applying to 3 out of 10 workers) had participation requirements⁶ (table 3). These requirements were common in single-employer plans but rare in multiemployer plans. Few multiemployer plans had participation requirements,⁷ as compared to three-fifths of the single-employer plans. Among the latter plans, however, most workers were in plans without participation requirements.

Participation requirements were more prevalent in contributory than in noncontributory plans. Among single-employer plans, 4 out of 5 contributory plans (with a comparable proportion of workers) had participation requirements, as compared to slightly more than half of the noncontributory plans (with only a fifth of the workers).

Chiefly reflecting the inclusion of multiemployer plans, only 3 out of 10 plans mentioned in collective bargaining agreements had these requirements, as compared to 3 out of 4 plans (typically contributory) not so mentioned. Among jointly-financed plans, a group which excludes most multiemployer plans, about equal

⁶ Plan participation may be restricted to members of certain worker groups, e.g., those earning in excess of a specified amount. Although these restrictions are not specifically covered in this analysis, their magnitude may be derived from data in BLS Bulletin 1407, op. cit., p. 13. It shows, for example, that 860 plans covering about 735,000 workers were limited to workers earning in excess of a specified amount.

⁷ For details of participation requirements in multiemployer plans, see Multiemployer Pension Plans Under Collective Bargaining, Spring 1960 (BLS Bulletin 1326, 1962).

proportions of plans "mentioned" and "not mentioned" in collective bargaining agreements had participation requirements.⁸

In manufacturing industries (where a few large multiemployer plans were in effect) more than half of the plans had participation requirements, but they covered less than a third of the workers (table 4). In the construction industry, where multiemployer plans prevailed, few workers had to meet participation requirements. In contrast, in the finance industry, where single-employer contributory plans predominated, such provisions were found in almost 90 percent of the plans with 60 percent of the workers. Similarly, among other nonmanufacturing industries, the incidence of multiemployer plans was a key factor. Telephone company plans did not have participation requirements, but a large proportion of plans in other public utilities did.

Age and Service Requirements for Participation. All but about 6 percent of the plans with participation requirements had a minimum service requirement and 3 out of 5 plans had a minimum age requirement (table 5). A combination of minimum age and service was specified more frequently than an age requirement or a service requirement alone. However, a higher proportion of workers were in plans with only a service requirement than in plans with only an age requirement, as shown below:

Provision	Percent	
	Plans	Workers
All plans with participation requirements -----	100.0	100.0
Age only -----	5.6	9.8
Service only -----	40.9	50.3
Age and service -----	53.5	40.0

NOTE: Because of rounding, sums of individual items may not equal totals.

Service periods ranged from 1 to 5 years, the maximum participation requirement permissible to plans qualified⁹ under the Internal Revenue Code (SS 401(a)(3)). (See table 5.) Over a third of the plans with a fifth of the workers required 5 years of service, and a fifth of the plans with over two-fifths of the workers required 1 year. Employment requirements of 2 or 3 years were found in over a third of the plans. Minimum ages ranged from under 20 to 40, with 25 and 30 the most common requirements. The most common age and service combinations, measured in terms of numbers of covered workers, were age 25 with 1 year of service, and age 30 with 1, 3, and 5 years of service.

⁸ Following the precise language of the act, the D-1 form asks this question: "Is the plan mentioned in a collective bargaining agreement?" A "no" answer can be presumed to be conclusive; that is, no part of the plan or its coverage is subject to collective bargaining. A "yes" answer would be indicated if part or all of the employees covered by the plan were in the bargaining unit covered by the agreement, and the agreement "mentioned" the plan. Although a doubt arises as to whether "mentioned" in the agreement is tantamount to bargaining on the plan, it can reasonably be presumed that "mentioned" in the agreement brings the plan within the scope of collective bargaining, at least with regard to continuing or changing the plan.

In this study, the collective bargaining coverage figures for single-employer plans covering all employees of the company are overstated because they often include employees not covered by a collective bargaining agreement, although the plan itself was subject to bargaining. Plans in the basic steel industry, for example, were negotiated by the Steelworkers union for members of its bargaining units, but the same plans often covered all company employees, including professional, executive, sales, and other white-collar employees not represented by the union. On the other hand, coverage under multiemployer plans will more precisely account for all workers in bargaining units.

⁹ To qualify for special tax treatment, pension plans must not discriminate in favor of officers, stockholders, supervisors, or highly paid individuals. For an analysis of these and other requirements, see for example, Dan M. McGill, Fundamentals of Private Pensions, Homewood, Ill., Richard D. Irwin, Inc., 1964.

Crediting Preparticipation Service. Three-fourths of the plans with participation requirements used length of plan membership rather than length of service to compute benefits, i. e., preparticipation service was not counted (table 6). This practice was nearly as prevalent among noncontributory as among contributory plans, although the practice covered a much larger proportion of the workers in contributory (88 percent) than in noncontributory plans (67 percent).

Counting preparticipation employment to qualify workers for retirement was more common; over two-fifths of the plans with participation requirements with one-third of the workers credited such service for eligibility. Over two-fifths of the workers in noncontributory plans with participation requirements could count such service compared to one-fourth of the workers in contributory plans.

Thus, of the 15.6 million workers covered by the plans in this study, 20 percent belonged to plans in which they could lose benefits because they had to work for a period of time that was not credited towards determining the amount of their benefits. This loss is often significant. If, for example, 3 years of preparticipation employment are not credited, the benefits of workers retiring after 15 years of employment would be reduced by 20 percent. On the other hand, 80 percent of the workers were in plans which gave credit for all employment (often subject to a maximum on number of years credited), in determining eligibility for and computation of benefits.

Minimum Requirements for Normal Retirement

At the time of this survey (winter 1962-63), age 65 continued to be the standard minimum requirement for normal retirement in all but a few private plans (table 7).¹⁰ More than 10 percent of the workers, however, were in plans providing normal retirement at age 60, chiefly telephone company plans and some large multiemployer plans, such as the United Mine Workers of America Welfare and Retirement Funds and the Central States, Southeast, and Southwest Areas Pension Fund of the Teamsters (table 8).¹¹

The service requirements for normal retirement were about as liberal as those needed to qualify for benefits under other plan provisions—vesting, early retirement, and disability retirement. Half of the plans, with over two-fifths of the workers, specified a minimum service period of either 10 (or 15) years. Over a third of the plans, with slightly less than a third of the workers, required less than 10 years. A sixth of the workers were in plans that required 20 years of service to qualify; almost half of this group were in telephone company plans having a normal retirement age of 60.¹² In other plans, normal retirement before 65 also usually meant meeting a long service requirement.

Normal Retirement Benefit Formulas

The pension (benefit) a qualified worker will receive upon retirement is determined by the benefit formula of the plan. The principal elements making up the formula usually are years of credited service or earnings or both. The

¹⁰ A number of plans had a lower normal retirement age for women than men. These special provisions for women are not treated in this study.

¹¹ Significant downward adjustments in normal retirement age resulted from some major negotiations in 1964 and 1965.

¹² The telephone plans have since reduced the service requirement to 15 years for workers retiring at age 65.

plan may distinguish between service accumulated before the plan was established or amended (usually called "past service") and service after that date ("current" or "future" service). Another element sometimes explicit in the plan formula is the amount of social security benefits to which the worker is entitled. Finally, minimum and maximum limits may be set on benefits, either directly (specified dollar limits) or indirectly (by minimum and maximum service credits or by alternate formulas).

Types of Benefit Formulas. A wide variety of methods to compute retirement benefits are found among the thousands of private pension plans analyzed. Most formulas, however, can be classified into one of the following categories, depending upon the variables involved: Benefits varying by both length of service and earnings; benefits varying by length of service alone; benefits varying by earnings alone; and uniform or flat benefits for specified service.

Earnings and service benefit formulas are the most common type used in private plans.¹³ They are usually expressed as the product of three factors: Earnings, credited service, and a percentage factor, e.g., a monthly benefit equal to 1 percent of average monthly earnings times years of credited service. The definition of earnings used to compute benefits involves both the scope of earnings (e.g., whether overtime earnings are to be included, etc.) and the period over which they are to be averaged. Two-thirds of the plans with formulas based on earnings, covering half the workers, used career earnings, i.e., earnings for all years of credited service (table 9). The remainder computed basic benefits by using earnings of high or terminal years, usually the 5 or 10 highest or the last 5 or 10 years. Under normal patterns of advancing career earnings and a rising wage level, important advantages accrue to workers in plans using the latter method, all other factors being equal, because their benefits will be more closely related to preretirement earnings.

The definition of credited service usually involves the scope of the plan (i.e., employee groups covered) and the treatment of premembership service, layoffs, disability, leaves of absence, military service, and other elements. Each plan defines credited service in its own way.

Percentage factors were found to concentrate in the range of 1 to 2 percent. Many plans used "step-rate" formulas, under which a larger factor is applied to earnings in excess of a specified amount (usually the maximum earnings considered in computing social security benefits at the time the plan was adopted or amended) than to those below that amount. For example, a 2-percent factor was often applied to earnings over \$4,800 a year and 1 percent to those below. Some common step-rate formulas used percentage factors of 1.5 and 1 percent and 0.75 and 0.5 percent. Another variation was to pay no benefit on the lower portion of earnings and up to 1.5 percent on the upper.¹⁴

The next most common type of formula related benefits solely to service by multiplying a specified dollar amount by the number of years of credited service (e.g., monthly pension equals \$2.80 times years of credited service). At the time of this study,¹⁵ the dollar amounts appeared to be concentrated between \$2 and \$3 a month. As in other types of formulas, wide variation in the definition of credited service existed. Many formulas of this type also limited credited

¹³ About 50 percent of the workers in this study were in plans whose basic formulas considered earnings and service or earnings alone, and the remainder were in plans with uniform benefits or formulas based on service alone.

¹⁴ Sec. 401(a)(5) of the Internal Revenue Code sets this limit. It also prohibits the difference between the percentages from exceeding 1.5 percent.

¹⁵ In the settlement negotiated in the Fall of 1964, the automobile and farm equipment industries increased their benefits to \$4.25 (formerly \$2.80) a month for each year of service.

service (usually to 25 or 30 years) when computing benefits. Typically, these formulas were used to determine benefits in negotiated plans and minimum benefits in nonnegotiated plans.

Formulas providing a uniform percentage of earnings for all workers meeting retirement requirements are now uncommon in private plans. Typically, these formulas provide a pension equal to a specified percentage of the earnings over the last few years of employment, e.g., 25 percent of average monthly earnings during the last 10 years.

Benefit formulas in which uniform amounts are provided for all workers with the required service are virtually restricted to multiemployer plans, but they are important there. Under these formulas, no further benefits accrue once service requirements have been met; thus the benefit is both a minimum and a maximum benefit, e.g., \$50 for 20 years or more of credited service.

Minimum Benefit Formulas. Many private pension plans provide for a minimum level of benefits, either through a separate minimum formula or through the operation of the minimum service requirements in the basic formula. Minimum formulas are usually based solely on service or specify a flat minimum pension for those with a certain amount of credited service, which is often more than that needed for the basic normal retirement benefit. When the basic formula is based on both earnings and service, the minimum formula usually applies to lower income workers; when the basic plan has a social security offset, the minimum applies to nearly all short service workers, regardless of earnings. For example, the benefit formulas in the basic steel industry provided the greater of (1) 1 percent of average monthly earnings in the last 120 months of employment times years of service, less \$80 for social security, or (2) \$2.60 times years of service. The first formula applies only to higher paid workers and to those with long service.¹⁶

The second type of minimum—that stemming from the service requirements in the basic formula—denies benefits to workers who do not fulfill the service requirements. These formulas include all formulas that stipulate a minimum service period as qualification for benefits.

Past Service Benefit Formulas. Benefits based on past service formulas are often less than those based on current or future service formulas, chiefly because the employer had no stated obligation and thus had made no contributions as the benefits accrued. The past service obligation, therefore, typically results in the accumulation of an accrued liability which, in many cases, appears large relative to the plan's resources. Nevertheless, most plans granted full or partial credit for such service; only rarely was no credit granted.

Multiemployer plans almost always granted the same benefit for each year of past service as for each year of current service. In single-employer plans, however, past service benefit formulas were frequently based on different factors and provided smaller benefits for equivalent service and earnings than the current service formulas. For example, a plan may provide a worker with a benefit of \$2 a month for each year of credited service before the date of the establishment of the plan, and \$2.50 a month for each year thereafter. Because private plans are relatively new, it is probable that the majority of workers retiring from single-employer plans in the next decade will receive benefits determined, at least in part, by lower past service formulas.

In addition, many plans utilize different percentage factors or, occasionally, a different formula for service after establishment of the plan but before the

¹⁶ More specifically, the first formula applies to workers with 30 years of service and average monthly earnings over \$527, to those with 20 years and earnings over \$660, and to those with 10 years and earnings over \$1,060.

effective date of an increase in benefit levels, i. e., for "intermediate service." As earnings levels rise and plan benefits are liberalized, these interim formulas usually yield lower benefits than current service formulas. Although, as far as existing plans are concerned, the effects of past service formulas will diminish in importance or disappear in the future, the intermediate service benefits will probably be a significant factor as long as plans are subject to amendment.

Adjustment of Private Plan Benefits to Social Security Benefits. Benefits paid under the social security program may be directly included in the normal retirement formula by the following methods:

Under the offset method, the plan provides that all or part of the employee's social security benefit is to be deducted from the amount computed according to the benefit formula of the private plan. Usually the wife's benefit is ignored and only the primary social security benefit received by the worker is considered. Under this method of integration, improvements in social security benefits are withheld, at least partly, from the pensioner unless the size of the offset remains fixed, as in the Steelworkers plans. The offset method is gradually being eliminated or, as in the steel and communications industries, attenuated so as to make it less disadvantageous to prospective retirees.¹⁷

Under the step-rate method, the benefit formula provides higher benefits for earnings above a specified amount. This amount is usually equal to the maximum earnings used to compute social security benefits at the time the formula was adopted. In some plans, no plan benefits were payable on earnings below the specified amount. This method of integration attempts to equalize the ratio of total retirement benefits (private plan plus social security) to preretirement earnings for lower and higher paid workers without appearing, as the offset plans do, to withhold something from the pensioner. The relative advantage of this formula for higher paid workers diminishes as has happened in some step-rate plans; the lowest earnings to which the higher percentage factor applies are not increased when the social security taxable wage base is increased.

Level of Benefits

Normal retirement benefit formulas applicable to current and future service readily permit the computation of the amount of money promised by private plans to workers at any given earnings and service level. The combined private and public promise can be computed by adding to private plan benefits the primary social security benefit due qualified retirees at assumed earnings levels under current laws. Such computations do not reveal benefit amounts that individual workers would receive on retirement. They are modified to the extent that private plans determine retirement benefits partly on the basis of past and intermediate service formulas, that plans have not been in existence long enough for any worker to accumulate long years of service, and that public benefit amounts, likewise, fall short of the assumed figures.¹⁸ Moreover, with changes expected in both public and private plans in the future, no one can prophesy what benefit formulas may be applied 10, 20, or 30 years from now. However, the computed figures with which this study deals are, in other contexts, meaningful.

¹⁷ In the Steelworkers plans, the offset has been a fixed amount since 1954, when it was \$85 a month. It was reduced to \$80 a month in 1960 when all benefits were increased by \$5 a month. In August 1966, the \$80-social security offset will be reduced to \$60. In 1962-63, in the communications industry, it was reduced from one-half of social security benefits to one-third.

¹⁸ Because the social security benefit computation is usually based on average covered earnings since 1951, excluding those in the 5 years of lowest earnings, few workers currently qualify for the maximum primary monthly benefit.

Under uniform assumptions, all plans are placed for comparison on a common footing, so that with respect to benefits, prevailing differentials and central tendencies are revealed. The computed benefits provide benchmarks against which change can be measured. In practical terms, they represent the promise to newly hired workers of retirement income of the same nature as other long-term employment promises subject to change (career ladders, 4 weeks' vacation after 20 years of service, and others).

Assumptions. The following conditions and qualifications were assumed in computing hypothetical current service benefit amounts for each plan:

1. The worker will retire at age 65.¹⁹
2. Benefits are computed for annual earnings levels of \$3,600, \$4,800, \$6,000, and \$8,400, at service intervals of 10, 15, 20, 25, and 30 years.²⁰ Since these earnings levels are used both in formulas based on average career earnings and formulas based on average terminal earnings (such as the average of the last 10 years), what may be an important difference between plans using benefit formulas based on earnings is not taken into account.²¹
3. Current primary social security benefits will be received by each retiree. These were \$105 a month for average earnings of \$3,600 and \$127 a month for average earnings of \$4,800 or more in 1962-63.
4. Medians, quartiles, and deciles are based on the array of workers rather than plans, because of the large size differences among plans.

Slightly less than 3 out of 5 workers are in plans in which they could qualify for normal retirement at age 65 with 10 years of service. Computation of average benefits at the 10-year service level thus would exclude a sizable number of plans and workers. Approximately 8 out of 10 workers are in plans in which they could qualify with 15 years of service; virtually all could qualify with 20, 25, and 30 years of service.

Service to qualify for normal retirement benefit	Cumulative percent	
	Plans	Workers
All plans studied -----	100.0	100.0
10 years or less -----	65.3	56.6
15 years or less -----	93.4	77.8
20 years or less -----	97.7	95.6
25 years or less -----	99.0	99.4
30 years or less -----	99.0	99.5

NOTE: Because of rounding, sums of individual items may not equal totals.

Although benefit levels could be computed for all earnings levels, the possibility of workers averaging \$8,400 a year, or even \$6,000, under some plans was remote. Since such plans often provided benefits that were, in relation to those

¹⁹ A number of plans, covering approximately 100,000 workers, had a later normal retirement age. These plans, however, have been included in the computations, using their normal retirement formula.

²⁰ Current service as used in this study refers to the period of continuous employment. Thus, if a plan had a participation requirement of 3 years' employment for which credit was not given, benefits were computed for 7, 12, 17, 22, and 27 years of plan membership.

²¹ This distinction may mean a difference of as much as 30 percent in monthly pensions, where benefits were based on earnings and service. Of course, the influence on benefit levels would be least for 10 years of service and greatest for 30 years of service. The distinction would be reduced to the extent that career average plans used an average of earnings in the post-war period or a similar cutoff period instead of an average of all years.

salaries, unusually small and since such plans could not be eliminated, a certain degree of underestimation of benefits at the higher wage levels was inevitable.

All Plans. Although most pension plans recognize the principle that longer service merits a larger pension, and many recognize that higher pay merits a higher pension, the great variation among plans in the application of these principles tends to obscure these relationships among all plans combined.²² The wide range in benefit amounts for given service and earnings levels, as shown in tables 10 to 14 and in charts 1 to 4 has a characteristic similar to that of the Nation's compensation structure revealed by occupational wage studies. Moreover, just as the range of wage rates tends to widen towards the upper end of the skill or wage ladder, so does the range of pension benefits widen with longer service and higher pay.

Nevertheless, on the average, pension benefits increase with years of service and with pay levels (chart 5). For example, median monthly benefits for 20 years of service (the shortest service level at which nearly all workers would qualify for benefits) rose from \$52 at the \$3,600 level to \$76 at the \$8,400 level. Similarly, for workers earning \$4,800 a year, median monthly benefits increased from \$54 for 20 years of service to \$78 for 30 years. Median amounts for other earnings levels and service periods are shown below, along with the range of benefits provided to the middle 50 percent of the workers (interquartile range). The median represents the mid-point of the worker distribution.

Service periods (years)	Annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Median	Inter-quartile range	Median	Inter-quartile range	Median	Inter-quartile range	Median	Inter-quartile range
10 ¹ -----	\$25	\$20-\$30	\$28	\$23-\$40	\$35	\$25-\$53	\$50	\$28-\$90
15 ¹ -----	39	30- 46	42	34- 60	50	38- 76	70	39-125
20 -----	52	43- 63	54	48- 80	60	50-100	76	52-155
25 -----	63	50- 75	68	50- 99	72	61-125	111	63-194
30 -----	75	57- 90	78	56-115	86	70-150	130	75-231

¹ Excludes a substantial number of workers in plans with higher service requirements.

The private pension system as a whole—like the social security system—appears to favor low-wage workers, largely because of the greater coverage of plans that relate benefits to service alone and because of the flat benefit plans, which more than counterbalance plans with step-rate formulas. For example, the 15-percent differential in the median benefits for the \$3,600- and \$6,000-a-year worker with 20 years of service stands in sharp contrast to the 67-percent difference in their earnings.

There is, however, a closer correlation between service and benefits. The difference between 20 and 30 years of service (50 percent) may be compared with differentials of from 40 to 45 percent up to \$6,000 and 71 percent at the \$8,400 level.²³ This relationship is more clearly illustrated by reducing median benefit amounts to their monthly equivalents for each year of service,²⁴ as shown

²² For some of the discussions relating to pension theory and philosophy, see McGill, op. cit.

²³ The 10- and 15-year levels cannot be compared with the longer service periods in this manner because of the substantial number of plans under which workers cannot qualify at these lower service levels.

²⁴ Derived by dividing a monthly benefit by the years of service used to compute it. Benefits were related thus, to total service and, where credited service was less than the period of employment, monthly equivalents would be smaller than if based on plan membership alone.

in the tabulation below. The influence of plans providing flat amounts for specified service and plans with a maximum limit on service credits (e. g., 25 years) accounts for the overall decline of monthly equivalent benefits per year of service as service increased.

Service periods (years)	Annual earnings			
	\$3,600	\$4,800	\$6,000	\$8,400
10 ¹ -----	\$2.50	\$2.80	\$3.50	\$5.00
15 ¹ -----	2.60	2.80	3.33	4.66
20 -----	2.60	2.70	3.00	23.80
25 -----	2.52	2.72	2.88	4.44
30 -----	2.50	2.60	2.86	4.33

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

² The sharp decline as compared to the 15-year level is accounted for by some large plans providing uniform benefits for workers with 20 years or more of service.

The formulas used in computing benefits had, of course, different effects on the benefit distributions and computed medians. Formulas based on both earnings and service pushed median levels upward as earnings and service increased, while formulas based on service alone caused them to rise as service increased, but had the opposite effect as earnings increased. Uniform benefit formulas tended to raise median benefits at the lower levels of service and earnings, but depressed them as earnings and service increased.

Modifying provisions in normal retirement formulas also affect the range of benefits and average levels. A minimum benefit provision, usually based on service, creates a floor below which the benefit cannot fall. In the aggregate, such provisions pushed medians upward at the lower earnings levels and, in plans with flat benefits and offset formulas, at shorter service periods. On the other hand, flat benefits, maximum service credits, and maximum pension benefits (seldom applicable under the assumptions of this study) set benefit ceilings that tended to hold down medians at the higher earnings levels and longer service periods.

Combined Benefits. Except for long service workers with high earnings, primary social security benefits of \$105 at the \$3,600-a-year earnings level and \$127 at the \$4,800 level and above greatly exceeded median private plan benefits. As shown below, 70 percent of the median combined benefit of \$181 for the \$4,800-a-year worker with 20 years of service was accounted for by social security.

Service periods (years)	Annual earnings			
	\$3,600	\$4,800	\$6,000	\$8,400
10 ¹ -----	\$130	\$155	\$162	\$177
15 ¹ -----	144	169	177	197
20 -----	157	181	187	203
25 -----	168	195	199	238
30 -----	180	205	213	257

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

Since the social security payment represents a larger proportion of pre-retirement earnings for workers with low earnings than for those with high earnings and since private plans also tended in the same direction, lower paid workers clearly received a larger total benefit in relation to previous earnings than

higher paid workers. For example, at an assumed earnings level of \$3,600 with 30 years of service, about 9 out of 10 workers would be eligible for a combined benefit of at least half their preretirement earnings, whereas at \$8,400 a year, only about 3 out of 10 would secure that ratio or more. The proportions at the other earnings and service levels are shown below:

Service periods (years)	Annual earnings			
	\$3,600	\$4,800	\$6,000	\$8,400
10 ¹ -----	7.1	3.1	1.3	0.7
15 ¹ -----	30.1	15.0	5.2	1.5
20 -----	74.5	28.5	14.2	6.8
25 -----	84.0	41.5	26.3	16.9
30 -----	90.6	62.7	34.9	28.3

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

The median plan benefit for the \$3,600-a-year worker with 20 years of service would be only a sixth of his assumed previous earnings, but with the addition of primary social security, the combined benefit would amount to slightly more than half of preretirement earnings.²⁵ However, the median plan benefit for the \$8,400-a-year worker with the same amount of service was about a ninth of his earnings, while his combined benefit amounted to less than a third of preretirement earnings. This tendency as shown below was consistent among other earnings levels.

Item	Annual earnings and selected service periods							
	\$3,600		\$4,800		\$6,000		\$8,400	
	20 years	30 years	20 years	30 years	20 years	30 years	20 years	30 years
Including primary social security benefit:								
Monthly amount ----	\$157	\$180	\$181	\$205	\$187	\$213	\$203	\$257
Percent of earnings --	52.3	60.0	45.2	51.2	37.4	42.6	29.0	36.7
Excluding primary social security benefit:								
Monthly amount ----	\$52	\$75	\$54	\$78	\$60	\$86	\$76	\$130
Percent of earnings --	17.3	25.0	13.5	19.5	12.0	17.2	10.9	18.6

Method of Financing. Contributory plans provided, on the whole, higher pensions than noncontributory plans, reflecting, for the most part, worker payments towards benefit costs. In addition, since benefit formulas (and employee contributions) in contributory plans were usually geared to earnings, the differential between contributory and noncontributory plan benefits was greatest at the higher earnings levels. Furthermore, there was a wider dispersion of benefits at each earnings level in contributory than noncontributory plans, especially at the higher earnings levels.

Median monthly benefits in contributory plans ranged from \$27 for the \$3,600-a-year worker with 10 years of service to \$267 for the \$8,400 worker

²⁵ Primary social security benefits, under the assumed conditions, represented 35 percent of annual earnings of \$3,600, 31.75 percent of \$4,800, 25.40 percent of \$6,000, and 18.14 percent of \$8,400.

with 30 years of service. In contrast, median benefits in noncontributory plans ranged from \$25 to \$109 a month, revealing smaller differences in benefits between earnings levels than in contributory plans.

Annual earnings and method of financing	Service periods (years)				
	10 ¹	15 ¹	20	25	30
\$3,600:					
Noncontributory ----	\$25	\$39	\$52	\$63	\$75
Contributory -----	27	42	54	70	84
\$4,800:					
Noncontributory ----	28	39	52	65	75
Contributory -----	37	60	76	98	119
\$6,000:					
Noncontributory ----	28	42	53	65	84
Contributory -----	52	84	105	130	157
\$8,400:					
Noncontributory ----	34	42	70	95	109
Contributory -----	91	130	175	221	267

¹ Excludes a substantial number of workers in plans with higher qualifying requirements.

When primary social security benefits were taken into account, the differences between benefits expressed as a percent of preretirement earnings were not as great because social security added a sizable uniform amount to private plan benefits. For both contributory and noncontributory plans at all service levels, the ratio of average retirement income to preretirement earnings declined at higher earnings levels.

Method of financing and service periods	Annual earnings			
	\$3,600	\$4,800	\$6,000	\$8,400
	Percent			
Noncontributory:				
10 years -----	43.0	38.5	31.0	23.0
15 years -----	47.7	41.5	33.6	24.1
20 years -----	52.0	44.5	36.0	28.0
25 years -----	56.0	47.8	38.4	31.6
30 years -----	59.7	50.5	42.2	33.7
Contributory:				
10 years -----	43.7	40.8	35.8	31.0
15 years -----	49.0	46.5	42.0	36.6
20 years -----	53.0	50.5	46.2	43.0
25 years -----	58.0	56.0	51.2	49.6
30 years -----	62.3	61.2	56.6	58.1

Type of Employer Unit. Single-employer plans generally provided larger benefits than multiemployer plans, especially at the higher earnings levels. This was chiefly due to three factors: (1) The extensive use by multiemployer plans of flat benefits and of benefits varying by service alone, which provide substantial benefits relative to earnings for workers at lower earnings levels; (2) the extensive use by single-employer plans of earnings-related benefit formulas which produce larger benefits for workers with above-average earnings; and (3) the prevalence of employee contributions in single-employer plans and their absence

from multiemployer plans. The median benefit in multiemployer plans for the worker with 20 years of service was \$50 at both the \$4,800 and \$8,400 earnings levels. In single-employer plans, however, the benefit at the \$8,400 level was nearly twice that at the \$4,800 level. As shown below, noncontributory single-employer plans and multiemployer plans had about the same median benefit for workers with \$4,800 earnings and 20 years of service; \$52 and \$50, respectively. Differences between median benefits in contributory and noncontributory single-employer plans were far greater.

Assumed service periods, annual earnings levels, and method of financing	Median monthly benefits	
	Single employer	Multiemployer
20 years of service:		
\$4,800 -----	\$56	\$50
Noncontributory -----	52	50
Contributory -----	79	(1)
\$8,400 -----	105	50
Noncontributory -----	75	51
Contributory -----	176	(1)
30 years of service:		
\$4,800 -----	84	63
Noncontributory -----	76	65
Contributory -----	120	(1)
\$8,400 -----	163	65
Noncontributory -----	145	65
Contributory -----	267	(1)

¹ Number of workers not sufficient for selection of median.

Collective Bargaining. Nonbargained plans provided significantly higher retirement benefits than bargained plans, largely due to the heavy concentration of single-employer contributory plans, typically with benefits based on earnings. For example, in nonbargained plans, the median monthly benefit for 20 years of service for workers at the \$4,800 level was \$68 compared with \$52 in plans under collective bargaining. As expected, the relative as well as absolute difference in the median benefits of bargained and nonbargained plans was greater at the \$8,400 level. Noncontributory plans under collective bargaining had slightly lower median benefits than noncontributory nonbargained plans at the \$4,800 level, but at the \$8,400 level, the difference was substantial.

Assumed service periods, annual earnings levels, and method of financing	Median monthly benefits	
	Mentioned in a collective bargaining agreement	Not mentioned in a collective bargaining agreement
20 years of service:		
\$4,800 -----	\$52	\$68
Noncontributory -----	51	58
Contributory -----	65	85
\$8,400 -----	60	150
Noncontributory -----	58	138
Contributory -----	172	181
30 years of service:		
\$4,800 -----	75	101
Noncontributory -----	74	89
Contributory -----	102	126
\$8,400 -----	100	225
Noncontributory -----	84	203
Contributory -----	265	273

Large collectively bargained plans, such as those in the auto and steel industries and the telephone company, had a substantial effect on overall plan

levels. At the time of this study, plans following the Steelworkers pattern (which included approximately a million workers) provided a monthly benefit of \$52 for a worker earning \$4,800 with 20 years of service. For the same earnings and service, Automobile Workers plans (also covering about a million workers) provided a benefit of \$56 and telephone company plans (covering approximately 900,000 workers), a benefit of \$51. The unusual benefit amount at the \$3,600 level (and 20 years' service) under telephone company plans reflects the effect of the social security offset.

Illustrative monthly private plan pensions for selected pattern plans¹ at annual earnings of--

Current service periods (years)	\$3,600			\$4,800			\$6,000			\$8,400		
	Steel	Auto	Tele- phone									
10 -----	-	\$28	-	-	\$28	-	-	\$28	-	-	\$28	-
15 -----	\$39	42	-	\$39	42	-	\$39	42	-	\$39	42	-
20 -----	52	56	\$63	52	56	\$51	52	56	\$51	60	56	\$76
25 -----	65	70	63	65	70	51	65	70	61	95	70	111
30 -----	78	84	68	78	84	56	78	84	86	130	84	146

¹ Normal retirement formulas for current and future service at the time of this study (winter 1962-63) for steel, auto, and telephone plans were as follows:

Steel—1 percent of average monthly earnings during 120 months immediately preceding retirement times years of service, less \$80 for primary social security benefit. Minimum: \$2.60 times years of service.

Auto—\$2.80 times years of service.

Telephone—1 percent of average monthly earnings during 5 consecutive years of highest earnings times years of service, less one-half primary social security benefit when eligible. Minimum—prior to age 65 with less than 30 years' service at date of retirement—\$115; at age 65 with 30 but less than 40 years' service at date of retirement—\$120; at age 65 with 40 or more years' service at date of retirement—\$125; less one-half primary social security benefit when eligible.

Type of Worker Covered. Salaried workers could generally look forward to higher payments from private pension plans than production workers with the same service and earnings. This was mainly because salaried workers often contributed toward their pensions (usually based on earnings and service), while production workers and workers in plans covering both production and salaried workers were more likely to be in noncontributory plans that based pensions on service alone. At the \$4,800 level, for example, plans covering salaried workers only provided a median monthly benefit of \$64 for 20 years of service while plans covering production workers only (mainly multiemployer plans) provided \$50 and those covering both salaried and production workers provided \$60.

Type of worker covered	Median monthly private plan pension for workers with 20 years of service and annual earnings of--	
	\$4,800	\$8,400
Salaried and production --	\$60	\$139
Production only -----	50	55
Salaried only -----	64	147

Even if the comparison is limited to noncontributory plans, plans that included salaried workers generally provide larger benefits—especially at higher earnings levels—than those that were confined to production workers only.

Method of financing and type of worker covered	Selected annual earnings and service periods			
	\$4,800		\$8,400	
	20 years	30 years	20 years	30 years
Noncontributory:				
Salaried and production --	\$51	\$77	\$76	\$146
Production only -----	50	73	55	75
Salaried only -----	58	89	140	207
Contributory:				
Salaried and production --	78	119	175	267
Production only -----	(¹)	(¹)	(¹)	(¹)
Salaried only -----	93	141	198	297

¹ Number of workers not sufficient for selection of median.

Industry. Normal retirement benefit levels varied widely among industries as a result of substantial differences in the prevalence of employee contributions and multiemployer plans. The benefit levels also reflected the influence of the types of formulas used to compute benefits and the pattern bargaining in certain industries.

Lowest benefits were provided in industries marked by noncontributory multiemployer plans covering blue-collar workers, whose pensions were most frequently based on flat-benefit formulas. In the construction industry, for example, the median benefit for the \$4,800-a-year worker with 20 years of service was \$40 a month. Similarly, in the service industries it was \$50 a month.

Industry	Selected annual earnings and service periods			
	\$4,800		\$8,400	
	20 years	30 years	20 years	30 years
All industries ¹ -----	\$54	\$78	\$76	\$130
Mining -----	75	75	75	75
Contract construction -----	40	60	40	56
Manufacturing -----	52	78	75	130
Transportation -----	72	90	80	100
Communications and public utilities -----	51	56	76	146
Wholesale and retail trade -----	60	90	93	146
Wholesale trade -----	62	80	67	98
Retail trade -----	60	98	140	188
Finance, insurance, and real estate -----	96	150	210	313
Services -----	50	75	52	75

¹ Includes industries for which data are not shown separately.

Because of the predominance of benefit formulas based on service alone, median benefits in both these industries showed a typical increase as more service was accumulated, but not as earnings increased. One large contributory plan in the electrical construction industry with a \$30 benefit for 20 years of service (\$50 for 30 years or more) exerted substantial influence on the median and if

this plan were excluded, the median benefits for all plans in the industry would be close to that shown for noncontributory plans in the following tabulation.

Median monthly private plan pensions by method
of financing at selected annual earnings
and service periods of—

Industry	Noncontributory				Contributory			
	\$4,800		\$8,400		\$4,800		\$8,400	
	20 years	30 years	20 years	30 years	20 years	30 years	20 years	30 years
All industries ¹ -----	\$54	\$78	\$76	\$130	\$78	\$98	\$175	\$267
Mining -----	75	75	75	75	(2)	(2)	(2)	(2)
Contract construction ----	52	65	52	65	(2)	(2)	(2)	(2)
Manufacturing -----	51	75	60	100	73	116	175	267
Transportation -----	72	90	75	90	89	138	179	268
Communications and public utilities -----	38	56	76	146	92	140	209	312
Wholesale and retail trade -----	60	86	70	105	67	106	140	213
Wholesale trade -----	54	78	67	98	80	125	140	210
Retail trade -----	60	90	146	175	64	102	135	213
Finance, insurance, and real estate -----	95	136	200	291	100	153	220	330
Services -----	36	45	36	45	120	140	140	210

¹ Includes industries for which data are not shown separately.

² Number of workers not sufficient for selection of median.

Noncontributory benefits in the service industries were considerably lower than those in any other industry, but because of the contributory plans in the amusement industries, median benefits for the industry group as a whole were comparable to those in other industries.

In contrast to the relatively low benefit levels in the construction and service industries, high median benefits at the \$4,800 level were provided in the mining and transportation industries, where multiemployer plans are also predominant. The United Mine Workers plans, which provided a monthly pension of \$75²⁶ for 20 years or more of service, accounted for the relatively high benefits in mining. In the transportation industry, median benefits were strongly influenced by the Western Conference of Teamsters plan, which provided about \$72 a month and the Central States Teamsters plan which provided a benefit averaging about \$122 a month.²⁷ As was typical for other industries, contributory plans in the transportation industry (mostly in the railroad industry) provided substantially higher benefits than noncontributory plans, especially at higher earning levels.

²⁶ Recently revised in the bituminous plan to provide \$100 a month.

²⁷ Benefit amounts for workers retiring under the Central States Teamsters plan varied with the weekly contribution rate. The amount most commonly contributed by employers was \$6 a week for each worker (winter 1962-63). At this rate, a worker retiring at age 60 would receive \$200 a month for the first 60 months of retirement and \$90 a month thereafter or, given a life expectancy of about 17 years at age 60, an average benefit of \$122 a month. The Western Conference of Teamsters provided monthly benefits of 1.76 percent of total contributions made on the worker's behalf, up to a maximum of \$82.50 times the quota rating. The quota rating was \$1 for a worker in whose behalf the contribution rate was 10 cents an hour for 125 hours a month from May 1, 1955, to retirement date. For the purposes of this study, computations were based on the assumption of 2,080 hours during each year, using the above contribution rate, quota rating, and maximum benefit.

In public utilities, the median benefit was heavily influenced by the noncontributory telephone company plans, which covered about 5 out of 8 workers in the industry. For example, the median benefit for the \$4,800-a-year worker with 20 years of service was \$51 a month. The noncontributory plans in other public utilities provided benefits comparable to the telephone company plans at the same earnings and service levels. However, about a third of the workers in other public utilities were in contributory plans that had significantly higher benefits than those provided by the noncontributory plans—\$92 for 20 years of service at the \$4,800 level and more than double that amount at the \$8,400 level.

The largest monthly benefits were provided in the finance, insurance, and real estate industry due to both the greater prevalence of contributory plans and the unusually high level of benefits provided by noncontributory plans with earnings-based formulas; benefits ranged from \$100 to over \$325 a month and covered about 40 percent of the workers in this industry.

Benefit levels in retail trade were generally higher than those in wholesale trade (as well as those in many other industries) because the former were typically contributory plans while the latter usually were noncontributory multi-employer plans with service or flat benefit formulas.

Benefit levels varied widely among manufacturing industries, as shown below.

Industry	Median monthly private plan pensions for workers with 20 years of service and annual earnings of—	
	\$4,800	\$8,400
Durable goods: ¹		
Stone, clay, and glass products -----	\$45	\$55
Primary metals -----	52	60
Machinery -----	56	56
Electrical equipment --	54	112
Transportation equipment:		
Motor vehicles ----	56	56
Aircraft -----	50	130
Nondurable goods: ¹		
Food -----	73	92
Tobacco -----	96	175
Apparel -----	50	50
Printing -----	50	111
Chemicals -----	76	154
Petroleum -----	100	222
Rubber -----	50	76

¹ Includes industries for which data are not shown separately.

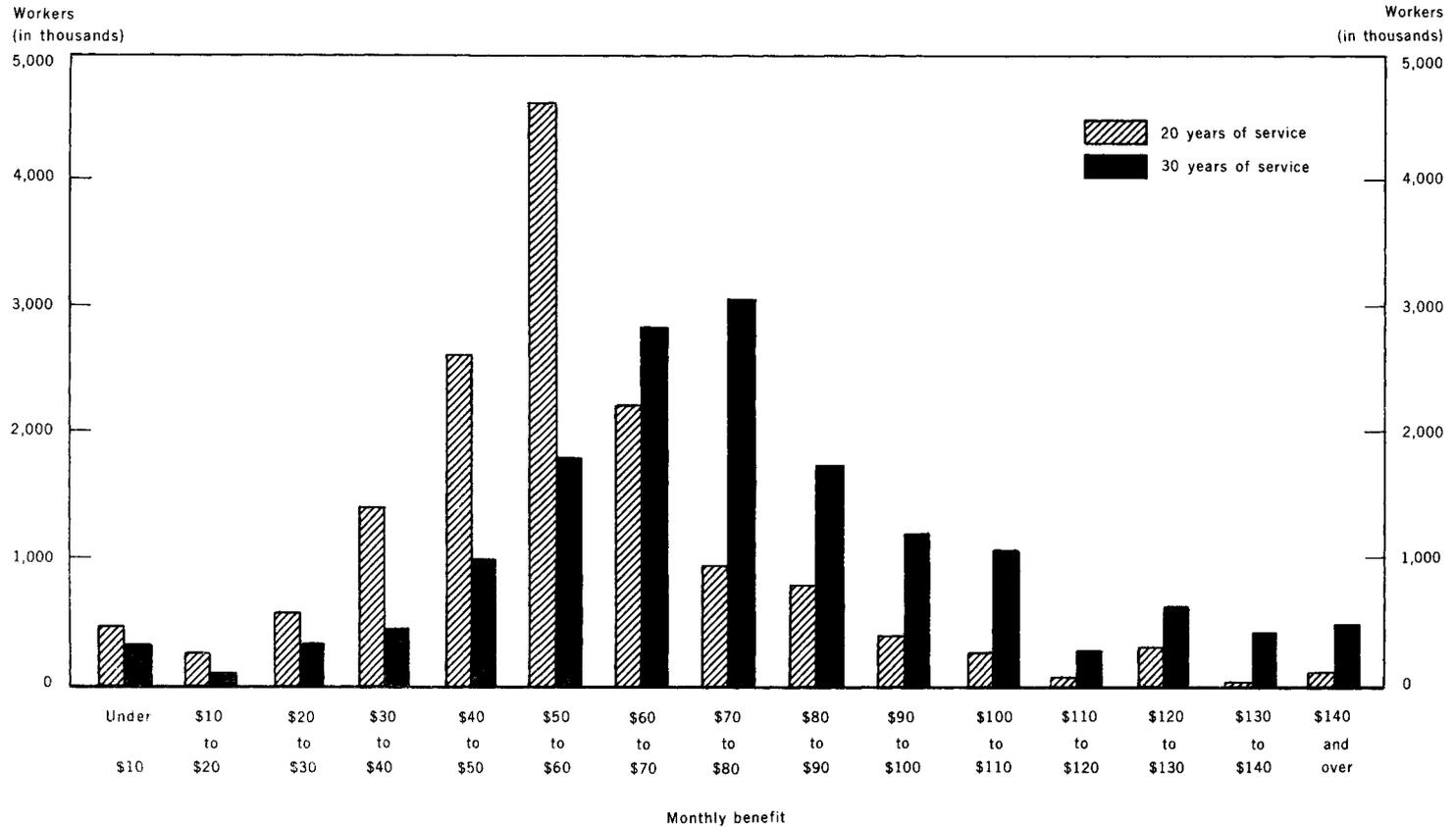
The relatively high benefits in the food, tobacco, chemicals, and petroleum industries largely reflect the prevalence of employee contributions and benefit formulas based on earnings. For example, about three-fourths of the workers in the petroleum industry plans were in contributory plans with liberal earnings-based formulas, which provided median monthly benefits of \$100 and \$222 for the \$4,800 and \$8,400 levels. Median benefits at the \$4,800 earnings level in the remaining industries were closely clustered, reflecting the influence of non-contributory plans and minimum benefit provisions, while at the \$8,400 level, more variation was evident, largely due to the influence of earnings-based formulas as well as minimum benefits based on service.

An analysis of some of these industries revealed the influence of dominant pattern plans. In the motor vehicles and the machinery industries, dominated by plans negotiated by the Automobile Workers, the median benefits for 20 years of service at both earnings levels shown was \$56—the benefit provided for 20 years of service regardless of earnings. In the apparel industry, the median benefit of \$50 resulted from plans negotiated by the Clothing Workers and Ladies' Garment Workers' unions.

In the rubber products industry, the Rubber Workers plans usually had a pension benefit based solely on length of service, but because of alternative percent-of-earnings formulas which operated only at the higher earnings levels, median benefits rose from \$50 for workers at lower levels to \$76 at the \$8,400 level. Similarly, in the primary metals industry, the difference between the median benefits of \$52 and \$60 at the \$4,800 and \$8,400 levels, respectively, resulted from the application of the alternative benefit formulas in plans negotiated by the Steelworkers.

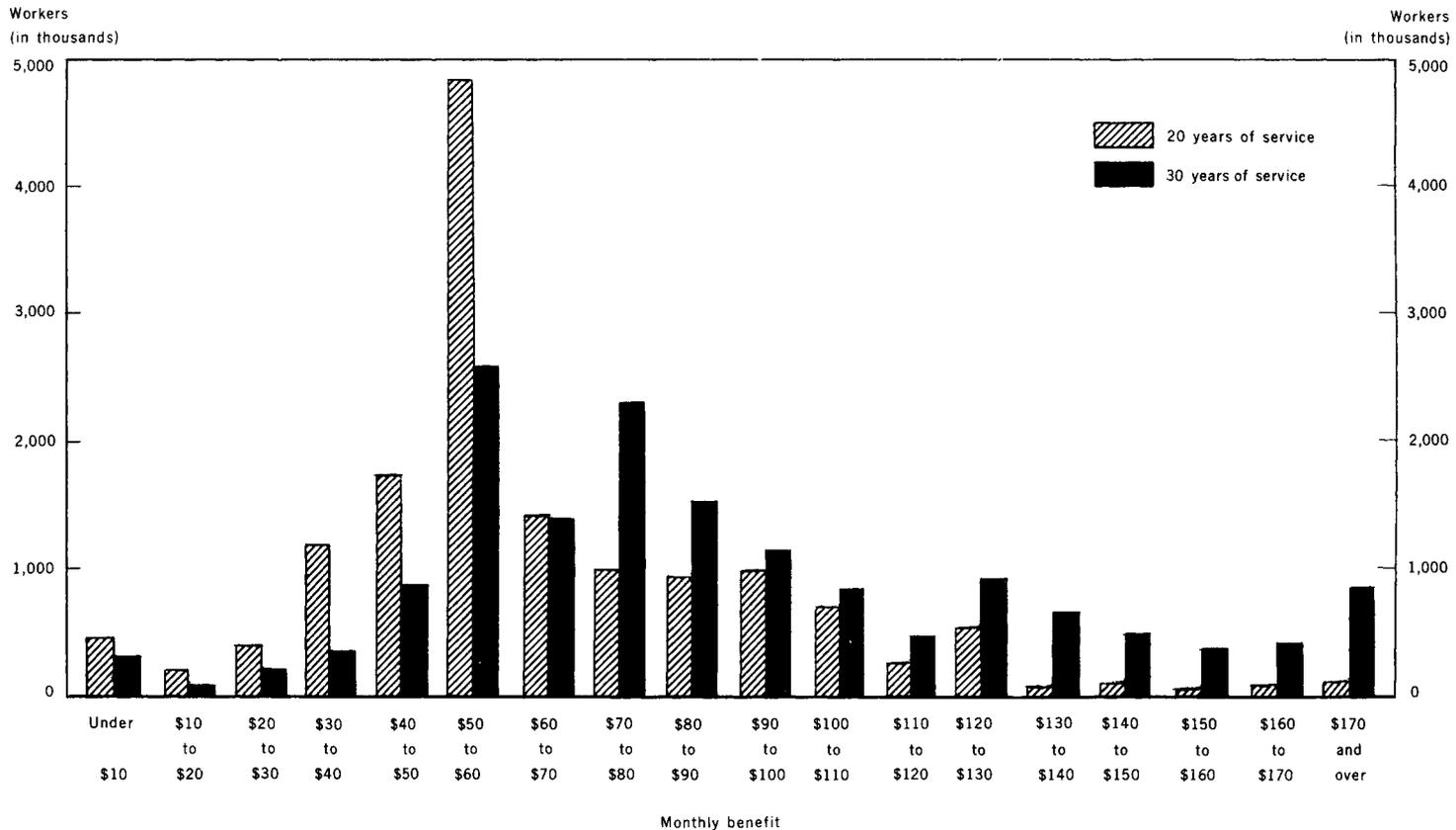
The remaining industries were similarly distinguished by noncontributory plans providing uniform benefits (printing) and plans basing benefits on service alone at the lower earnings levels (stone, clay, and glass products) and the more liberal contributory plans basing benefits on earnings as well as service at the higher earnings levels (electrical machinery).

Chart 1. Pension Benefits for Workers Earning \$3,600 Annually With 20 and 30 Years of Service



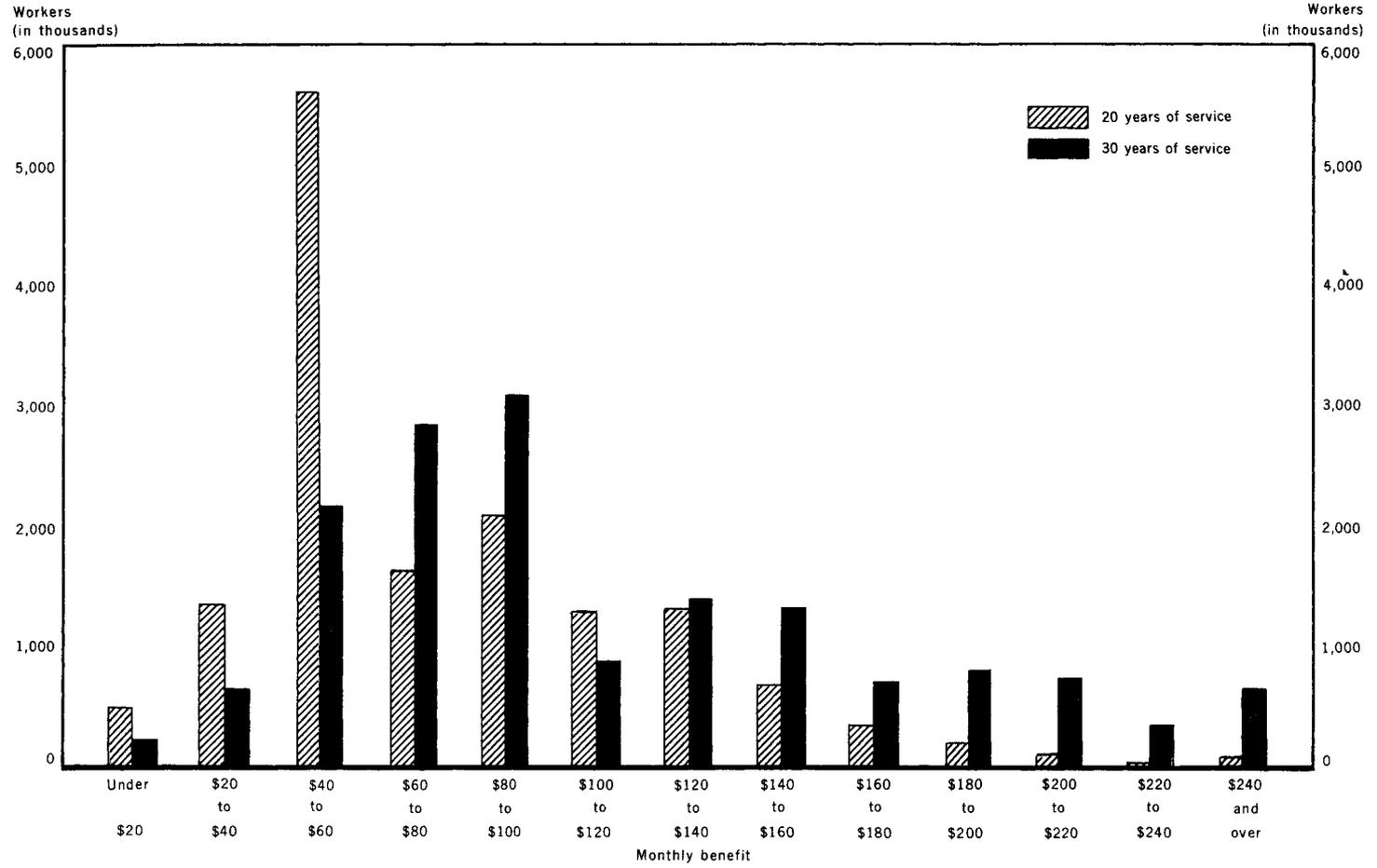
Note: This chart shows the number of workers belonging to pension plans providing the normal retirement benefit amounts indicated for 20 and 30 years of service. It does not show the actual number of workers at the different service and benefit levels. The data are based on the normal retirement benefit formulas in effect in the winter of 1962-63 found in a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

Chart 2. Pension Benefits for Workers Earning \$4,800 Annually With 20 and 30 Years of Service



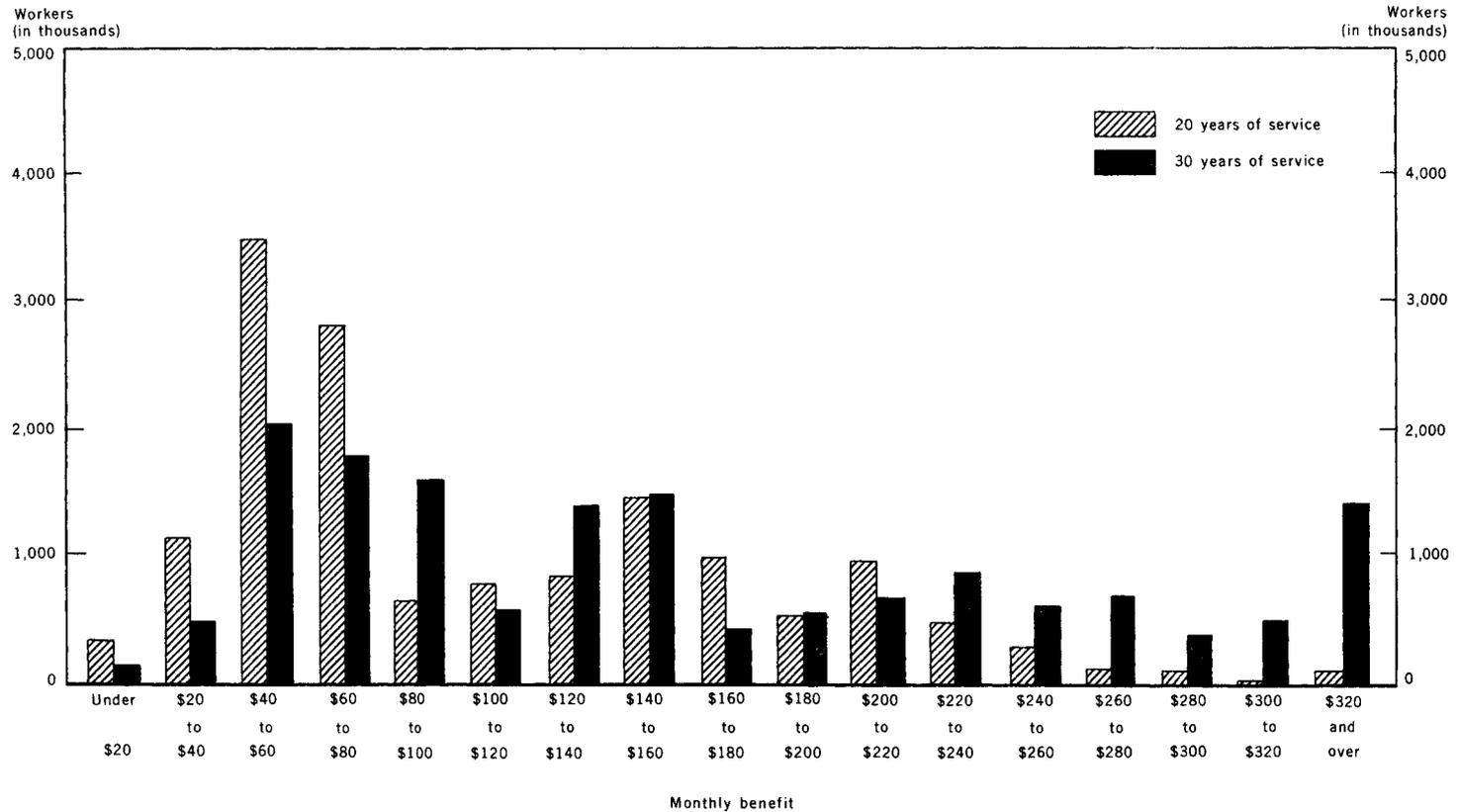
Note: This chart shows the number of workers belonging to pension plans providing the normal retirement benefit amounts indicated for 20 and 30 years of service. It does not show the actual number of workers at the different service and benefit levels. The data are based on the normal retirement benefit formulas in effect in the winter of 1962-63 found in a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

Chart 3. Pension Benefits for Workers Earning \$6,000 Annually With 20 and 30 Years of Service



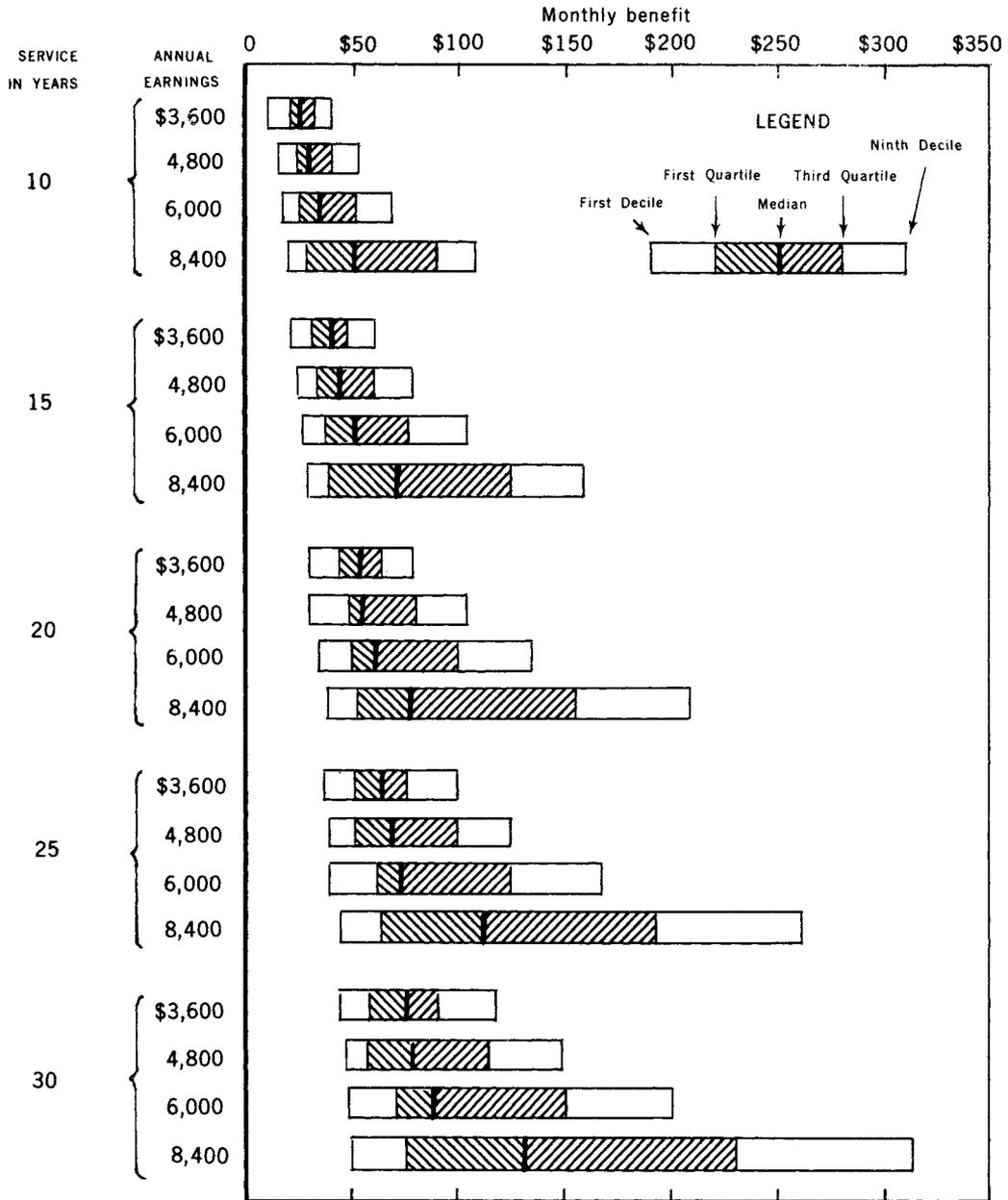
Note: This chart shows the number of workers belonging to pension plans providing the normal retirement benefit amounts indicated for 20 and 30 years of service. It does not show the actual number of workers at the different service and benefit levels. The data are based on the normal retirement benefit formulas in effect in the winter of 1962-63 found in a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

Chart 4. Pension Benefits for Workers Earning \$8,400 Annually With 20 and 30 Years of Service



Note: This chart shows the number of workers belonging to pension plans providing the normal retirement benefit amounts indicated for 20 and 30 years of service. It does not show the actual number of workers at the different service and benefit levels. The data are based on the normal retirement benefit formulas in effect in the winter of 1962-63 found in a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

Chart 5. Monthly Normal Retirement Benefits,¹ by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²



¹ Median monthly benefits and ranges within which fell 50 percent and 80 percent of the workers.

² Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

Table 3. Provisions for Participation Requirements in Private Pension Plans by Type of Employer Unit, Method of Financing, and Collective Bargaining Status, Winter 1962-63

Item	(Workers in thousands)					
	All plans		With participation requirements		Without participation requirements	
	Number	Workers ¹	Plans	Workers ¹	Plans	Workers ¹
All plans studied.....	15,818	15,621	9,129	4,460	6,689	11,161
Single employer.....	14,890	11,742	9,100	4,329	5,790	7,414
Noncontributory.....	10,657	8,455	5,693	1,777	4,964	6,678
Mentioned in a collective bargaining agreement.....	3,933	5,668	802	569	3,131	5,099
Not mentioned in a collective bargaining agreement.....	6,724	2,787	4,891	1,208	1,833	1,579
Contributory.....	4,233	3,288	3,407	2,552	826	736
Mentioned in a collective bargaining agreement.....	1,034	1,495	850	1,235	184	261
Not mentioned in a collective bargaining agreement.....	3,199	1,793	2,557	1,317	642	476
Multiemployer.....	928	3,878	29	131	899	3,747
Noncontributory.....	869	3,212	10	97	859	3,115
Mentioned in a collective bargaining agreement.....	810	3,176	5	83	805	3,093
Not mentioned in a collective bargaining agreement.....	59	36	5	14	54	22
Contributory.....	59	666	19	34	40	632
Mentioned in a collective bargaining agreement.....	18	356	3	8	15	348
Not mentioned in a collective bargaining agreement.....	41	310	16	26	25	284

¹ Active workers in 1961.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 4. Provisions for Participation Requirements in Private Pension Plans by Industry, Winter 1962-63

Industry	(Workers in thousands)					
	All plans		With participation requirements		Without participation requirements	
	Number	Workers ¹	Plans	Workers ¹	Plans	Workers ¹
All plans studied.....	² 15,818	² 15,621	9,129	4,460	6,689	11,161
Mining.....	316	327	138	62	178	266
Contract construction.....	449	1,072	60	23	389	1,049
Manufacturing.....	9,257	9,678	4,338	2,838	4,319	6,840
Transportation.....	673	1,286	285	214	388	1,072
Communications and public utilities.....	849	1,270	391	286	458	985
Wholesale and retail trade.....	1,627	920	1,362	501	265	418
Wholesale trade.....	1,147	479	943	193	204	286
Retail trade.....	480	440	419	308	61	132
Finance, insurance, and real estate.....	1,853	733	1,622	445	231	288
Services.....	719	308	258	65	461	243

¹ Active workers in 1961.

² Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 7. Minimum Age and Service Requirements for Normal Retirement in Private Pension Plans, Winter 1962-63

Minimum service requirements ¹ (years)	All plans		Minimum age requirements ²					
			60		65		Other	
	Number	Workers ³	Plans	Workers ³	Plans	Workers ³	Plans	Workers ³
All plans studied.....	15,818	15,621	103	1,614	15,269	13,807	446	200
No service requirement	1,078	1,617	2	3	1,026	1,589	50	25
1-4	2,652	2,277	19	59	2,621	2,205	12	12
5	2,038	946	-	-	2,028	933	10	13
6-9	310	84	3	3	307	80	-	-
10	4,067	3,794	10	12	4,055	3,766	2	16
11-14	860	153	-	-	759	134	101	19
15	3,682	3,042	3	24	3,577	2,980	102	38
16-19	1	9	-	-	1	9	-	-
20	692	2,844	39	1,267	599	1,546	54	31
21-24	3	5	-	-	3	5	-	-
25	394	587	2	28	292	552	100	8
30	39	248	23	204	1	6	15	38
Over 30	2	15	2	15	-	-	-	-

¹ For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.

² Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.

³ Active workers in 1961.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 8. Minimum Age Requirements for Normal Retirement in Private Pension Plans, by Industry, Winter 1962-63

Industry	All plans		Minimum age requirements ¹					
			60		65		Other	
	Number	Workers ²	Plans	Workers ²	Plans	Workers ²	Plans	Workers ²
All plans studied.....	³ 15,818	³ 15,621	103	1,614	15,269	13,807	446	200
Mining	316	327	2	206	314	121	-	-
Contract construction	449	1,072	3	24	444	1,037	2	11
Manufacturing	9,257	9,678	29	405	8,961	9,161	267	112
Transportation	673	1,286	20	224	639	1,011	14	50
Communications and public utilities	849	1,270	26	708	773	555	50	7
Wholesale and retail trade	1,627	920	6	23	1,618	892	3	5
Wholesale trade	1,147	479	5	12	1,139	463	3	5
Retail trade	480	440	1	11	479	429	-	-
Finance, insurance, and real estate	1,853	733	7	12	1,836	715	10	6
Services	719	308	10	12	609	289	100	8

¹ Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.

² Active workers in 1961.

³ Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 9. Earnings Base Utilized in Earnings Formulas in Private Pension Plans, by Industry, Winter 1962-63¹

Industry	All plans		Earnings base									
			Career		Last or high 5 years		Last or high 10 years		Less than 5 years		2 formulas: different bases	
	Num-ber	Work-ers	Plans	Work-ers	Plans	Work-ers	Plans	Work-ers	Plans	Work-ers	Plans	Work-ers
All plans with basic benefit formulas based on earnings.....	² 10,531	² 9,238	7,002	4,753	1,714	1,714	1,236	2,110	150	223	477	438
Mining	310	111	143	68	1	3	106	30	-	-	60	10
Contract construction	64	21	60	17	-	-	-	-	-	-	4	4
Manufacturing	5,527	5,997	3,704	3,359	652	711	831	1,698	74	58	266	171
Transportation	422	486	160	150	135	65	71	193	4	11	52	67
Communications and public utilities	783	1,227	429	349	254	743	29	29	3	44	68	62
Wholesale and retail trade	1,310	543	1,117	317	50	35	96	86	37	23	10	82
Wholesale trade	875	162	760	103	31	12	77	26	-	-	7	21
Retail trade	435	381	357	214	19	23	19	60	37	23	3	61
Finance, insurance, and real estate	1,653	724	1,210	409	297	120	103	73	32	87	11	36
Services	387	102	104	58	277	38	-	-	-	-	6	6

¹ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

² Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 10. Monthly Private Pension Plan Normal Retirement Benefits¹ by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²

Monthly benefit	Assumed annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
	10 years of service							
Total	10,335	8,839	10,335	8,839	10,335	8,839	10,335	8,839
None ³	210	417	245	410	185	265	134	202
Under \$10	526	237	414	137	368	168	334	105
\$10 and under \$20	3,109	1,423	2,342	812	1,330	534	1,074	410
\$20 and under \$30	3,517	4,132	2,809	3,489	2,912	2,621	1,668	2,166
\$30 and under \$40	1,239	1,598	1,327	1,526	1,227	1,312	716	691
\$40 and under \$50	293	604	966	1,205	788	1,155	1,478	581
\$50 and under \$60	199	182	664	659	1,023	937	661	603
\$60 and under \$70	422	91	385	252	863	917	559	420
\$70 and under \$80	150	45	43	119	281	473	703	1,007
\$80 and under \$90	4	8	204	77	194	152	457	338
\$90 and under \$100	200	9	136	31	9	59	382	794
\$100 and under \$125	⁴ 466	93	545	51	423	128	970	1,114
\$125 and under \$150	-	-	29	23	277	38	321	177
\$150 and under \$175	-	-	⁴ 226	47	201	16	87	95
\$175 and under \$200	-	-	-	-	29	23	154	52
\$200 and over	-	-	-	-	225	40	637	85

See footnotes at end of table.

Table 10. Monthly Private Pension Plan Normal Retirement Benefits¹ by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²—Continued

Monthly benefit	(Workers in thousands)							
	Assumed annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
	15 years of service							
Total	14,777	12,161	14,777	12,161	14,777	12,161	14,777	12,161
None ³	204	359	268	397	226	261	213	221
Under \$10	193	84	137	26	104	28	-	-
\$10 and under \$20	1,735	606	1,091	417	1,006	468	1,028	364
\$20 and under \$30	2,696	1,281	1,722	891	596	519	450	498
\$30 and under \$40	4,374	4,588	3,770	3,440	3,142	2,887	2,112	2,345
\$40 and under \$50	2,056	2,599	2,142	2,687	2,224	1,890	858	1,557
\$50 and under \$60	647	1,036	1,173	964	1,297	811	402	626
\$60 and under \$70	1,456	889	1,674	1,327	1,587	1,343	1,673	450
\$70 and under \$80	435	434	617	791	951	1,065	1,584	572
\$80 and under \$90	75	71	325	452	536	544	682	367
\$90 and under \$100	180	61	557	361	542	757	630	437
\$100 and under \$125	664	92	761	258	1,454	1,114	1,983	1,676
\$125 and under \$150	462	60	227	55	530	291	978	1,177
\$150 and under \$175	-	-	4313	93	67	86	853	1,115
\$175 and under \$200	-	-	-	-	214	26	446	371
\$200 and under \$225	-	-	-	-	4301	69	202	182
\$225 and under \$250	-	-	-	-	-	-	357	58
\$250 and over	-	-	-	-	-	-	326	106
	20 years of service							
Total	15,462	14,947	15,462	14,947	15,462	14,947	15,462	14,947
None ³	162	335	188	408	152	277	132	233
Under \$10	161	133	102	37	3	13	-	-
\$10 and under \$20	537	253	374	204	372	180	355	93
\$20 and under \$30	1,818	561	1,265	402	832	419	791	361
\$30 and under \$40	2,406	1,409	1,472	1,154	756	918	659	784
\$40 and under \$50	2,736	2,592	2,557	1,718	1,661	1,238	1,236	1,110
\$50 and under \$60	2,629	4,606	2,111	4,835	2,172	4,374	945	2,382
\$60 and under \$70	1,969	2,195	1,843	1,408	1,878	745	810	1,156
\$70 and under \$80	603	935	875	994	886	858	409	1,647
\$80 and under \$90	204	781	1,004	926	856	920	708	363
\$90 and under \$100	770	379	1,390	960	1,243	1,142	1,149	269
\$100 and under \$125	1,307	626	1,180	1,387	2,226	1,796	2,182	1,111
\$125 and under \$150	6	23	171	260	1,068	1,175	1,450	1,110
\$150 and under \$175	97	69	775	165	531	550	1,650	1,391
\$175 and under \$200	19	7	5	9	173	164	856	928
\$200 and under \$225	438	42	94	37	498	94	887	1,053
\$225 and under \$250	-	-	435	43	6	10	328	438
\$250 and under \$275	-	-	-	-	4149	73	228	258
\$275 and under \$300	-	-	-	-	-	-	315	123
\$300 and over	-	-	-	-	-	-	372	124

See footnotes at end of table.

Table 10. Monthly Private Pension Plan Normal Retirement Benefits¹ by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²—Continued

Monthly benefit	(Workers in thousands)							
	Assumed annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
25 years of service								
Total	15,659	15,541	15,659	15,541	15,659	15,541	15,659	15,541
None ³	124	311	147	276	110	158	82	129
Under \$10	26	20	13	35	10	22	-	-
\$10 and under \$20	251	122	184	188	139	140	764	91
\$20 and under \$30	1,337	426	798	321	686	328	629	254
\$30 and under \$40	1,260	798	1,014	583	630	506	480	430
\$40 and under \$50	1,957	1,351	1,029	1,096	562	925	1,322	922
\$50 and under \$60	2,700	2,741	2,116	2,998	1,679	1,645	852	1,572
\$60 and under \$70	2,848	4,083	2,411	2,429	1,684	2,975	261	974
\$70 and under \$80	1,464	2,318	1,167	2,218	1,183	1,769	559	1,381
\$80 and under \$90	737	806	1,403	805	1,032	523	359	354
\$90 and under \$100	362	775	981	715	850	486	2,300	1,128
\$100 and under \$125	1,893	1,311	2,535	2,185	2,790	2,148	1,003	1,840
\$125 and under \$150	166	285	463	934	1,427	1,458	1,782	849
\$150 and under \$175	453	102	884	466	1,355	1,135	1,374	692
\$175 and under \$200	43	49	91	125	336	660	1,023	1,243
\$200 and under \$225	428	43	143	94	682	355	1,050	1,194
\$225 and under \$250	-	-	224	28	289	157	493	549
\$250 and under \$275	-	-	456	444	132	85	591	709
\$275 and under \$300	-	-	-	-	483	66	501	589
\$300 and under \$350	-	-	-	-	-	-	139	434
\$350 and over	-	-	-	-	-	-	95	208
30 years of service								
Total	15,660	15,547	15,660	15,547	15,660	15,547	15,660	15,547
None ³	116	289	137	254	82	129	82	129
Under \$10	26	16	20	44	12	14	-	-
\$10 and under \$20	189	96	119	78	34	35	15	16
\$20 and under \$30	897	329	449	197	472	275	309	160
\$30 and under \$40	994	436	1,134	339	808	369	885	324
\$40 and under \$50	1,088	983	531	853	556	770	438	696
\$50 and under \$60	2,120	1,786	1,240	2,557	715	1,384	405	1,344
\$60 and under \$70	2,729	2,821	1,776	1,361	1,328	881	1,172	822
\$70 and under \$80	1,815	3,040	2,080	2,295	1,187	1,965	662	967
\$80 and under \$90	1,579	1,726	1,286	1,517	913	2,336	658	1,185
\$90 and under \$100	944	1,183	1,051	1,139	1,075	731	267	412
\$100 and under \$125	1,588	1,776	2,286	1,970	1,973	1,339	846	869
\$125 and under \$150	942	672	1,646	1,333	2,457	1,333	1,643	2,269
\$150 and under \$175	392	230	889	872	1,173	1,468	1,189	593
\$175 and under \$200	208	75	413	364	859	850	1,574	643
\$200 and under \$225	463	90	192	172	1,151	823	957	810
\$225 and under \$250	-	-	338	114	387	377	1,181	900
\$250 and under \$275	-	-	473	87	251	248	944	1,047
\$275 and under \$300	-	-	-	-	77	80	831	436
\$300 and under \$350	-	-	-	-	4150	140	978	1,188
\$350 and under \$400	-	-	-	-	-	-	357	476
\$400 and over	-	-	-	-	-	-	267	261

¹ Computation of benefit amounts was based on current benefit formulas, assuming a constant level of earnings.

² Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

³ No pension was provided because of the deduction of assumed social security benefits.

⁴ Where higher benefit amounts were relatively few and widely scattered they were accumulated in this interval.

NOTE: Because of rounding, sums of individual items may not equal totals.

Chapter III. Disability Retirement

Disability benefits, like old-age benefits, supplement social security (OASDI) benefits; together they are expected to provide an income which reasonably meets the needs of the disabled worker and his family. Almost half of the plans, however, covering 3 out of 10 workers, did not provide disability retirement benefits. When provided, the amount of disability benefits is sometimes too small to be a significant supplement to social security benefits. This is especially true for short-service workers. Moreover, the requirements for social security disability benefits are often more restrictive than those for private plan benefits, so that workers eligible for the latter may not be eligible for the former. While the difference between income before and after disability for workers receiving both private and public benefits is usually substantial, for those not eligible for social security it is, of course, far greater.

Disability retirement provisions usually require that a worker be totally and permanently disabled (as defined in the plan) before normal retirement age, to qualify for a lifetime benefit commencing after a short waiting period. They apply chiefly to workers who are so severely incapacitated that, with few exceptions, they must withdraw from the labor force. As with other benefits, such as early retirement and vesting, the attainment of a certain amount of service or a specified age, or both, may also be required. The benefits to be paid are most often related to the normal retirement formula, but more liberal disability formulas are frequently provided, especially for workers who do not qualify for public disability benefits. In addition, disability benefits payable under the Social Security Act are often taken into account in the benefit formula of the private plan.

The Social Security Act was amended in 1956 to provide monthly disability retirement benefits to totally and permanently disabled workers between ages 50 and 65 who were covered by the act for at least 5 of the 10 years prior to disability. A 1960 amendment removed the minimum age requirement. Since many private plans already had a disability retirement provision before these changes, the influence of the Social Security Act on extending the coverage in private plans is difficult to gauge. A BLS study of 300 negotiated pension plans,²⁸ for example, showed very little change in the prevalence of disability retirement provisions in the period 1953-58. Nevertheless, by increasing the awareness of the problem, the act has probably stimulated pressure for the inclusion of permanent and total disability benefits in private plans, both negotiated and nonnegotiated. Two direct influences of social security disability benefits on private plans, as will be shown, are more easily determined: (1) The extent of disability required to qualify for private plan benefits, and (2) the interrelationship of benefits.

Since a disability provision provides a permanent, though partial, replacement of lost wage income, it is a desirable and valuable aspect of a private pension plan. The protection afforded by social security (and other public programs) is often regarded by workers and their unions as inadequate. From the employer's viewpoint, the cost of disability protection has to be weighed against

²⁸ Pension Plans Under Collective Bargaining: Normal Retirement, Early and Disability Retirement, Fall 1959 (BLS Bulletin 1284, 1961).

the cost of retaining disabled workers on the payroll or, in its stead, the problem of terminating them without the supplement to public benefits promised by the pension plan as a whole.

Plans not having disability retirement provisions frequently provide early retirement or vesting. As will be shown later, the latter are often poor substitutes, because vesting does not confer immediate benefits, which are needed by the disabled worker, and early retirement benefits are usually smaller than disability benefits.

Prevalence of Disability Retirement Provision

Over half of the plans studied, with about 7 out of 10 workers, contained disability retirement provisions (table 11). Three-fourths of the multiemployer plans provided for disability retirement, compared to only half the single-employer plans. However, a higher proportion of workers in a single-employer plans than in multiemployer plans were covered, because several of the largest multiemployer plans (such as those negotiated by the United Mine Workers, the Clothing Workers, and the Central States Teamsters) had no disability provision.²⁹

Type of employer unit	Total		With disability retirement		Without disability retirement	
	Percent					
	Plans	Workers	Plans	Workers	Plans	Workers
All plans studied -----	100.0	100.0	51.8	69.7	48.2	30.3
Single employer -----	100.0	100.0	50.3	74.0	49.7	26.0
Multiemployer -----	100.0	100.0	76.4	56.9	23.6	43.1

NOTE: Because of rounding, sums of individual items may not equal totals.

A higher proportion of noncontributory plans had a disability provision than contributory plans. This disparity stems, in part, from the lack of disability protection in contributory plans covering salaried workers (for whom this protection often has a low priority).³⁰

Method of financing	Total		With disability retirement		Without disability retirement	
	Percent					
	Plans	Workers	Plans	Workers	Plans	Workers
All plans studied -----	100.0	100.0	51.8	69.7	48.2	30.3
Noncontributory -----	100.0	100.0	54.0	73.5	46.0	26.5
Contributory -----	100.0	100.0	45.9	58.6	54.1	41.4

NOTE: Because of rounding, sums of individual items may not equal totals.

Because of the high prevalence of the provision in large negotiated plans and its low incidence in the smaller, more numerous (typically white-collar)

²⁹ Several large multiemployer plans provided disabled workers with deferred pensions which were not payable until age 65 (Clothing Workers) or cash termination benefits for disability (Central States Teamsters). These benefits were not regarded as disability retirement provisions in this study.

³⁰ Other employee benefit plans may provide substantial short-term disability protection for these workers (e.g., accident and sickness insurance), and long-term disability income insurance.

plans, the provision was more common in plans mentioned in a collective bargaining agreement than in those not so mentioned.

Collective bargaining status	Total		With disability retirement		Without disability retirement	
	Plans	Workers	Percent			
			Plans	Workers	Plans	Workers
All plans studied -----	100.0	100.0	51.8	69.7	48.2	30.3
Mentioned in a collective bargaining agreement --	100.0	100.0	64.4	74.1	35.6	25.9
Not mentioned in a collective bargaining agreement -----	100.0	100.0	44.5	60.3	55.5	39.7

NOTE: Because of rounding, sums of individual items may not equal totals.

Reflecting the lesser emphasis of disability retirement provisions for white-collar workers, disability protection was more prevalent in production worker plans than in plans for salaried workers only.

Type of worker covered	Total		With disability retirement		Without disability retirement	
	Plans	Workers	Percent			
			Plans	Workers	Plans	Workers
All plans studied -----	100.0	100.0	51.8	69.7	48.2	30.3
Salaried and production --	100.0	100.0	41.1	70.0	58.9	30.0
Production only -----	100.0	100.0	69.5	69.1	30.5	30.9
Salaried only -----	100.0	100.0	37.0	59.8	63.0	40.2

NOTE: Because of rounding, sums of individual items may not equal totals.

Among major industry groups, disability provisions were most common in manufacturing (over half of the plans with over three-fourths of the workers), reflecting their inclusion in the large negotiated plans in the metalworking industries (table 12). The proportion of covered workers protected in each manufacturing industry rarely fell below 60 percent (except for printing). However, chiefly because many small plans did not provide it, less than half the plans in chemicals, instruments, and paper products, and less than a third of the plans in the electric machinery, leather, rubber, textile, transportation equipment, and stone, clay, and glass products industries had the provision. On the other hand, almost all of the plans in the tobacco, lumber, furniture, and miscellaneous manufacturing industries had the provision. Although multiemployer plans predominated, plans in the apparel industry typically provided disability retirement. Both in transportation and in communications and public utilities, three-fourths of the workers were in plans with disability retirement. In the former industry, the workers without such protection were mostly in multiemployer plans in the trucking industry. In the latter, most of the covered workers belonged to the telephone company plans.

Only about 40 to 50 percent of the workers in the trade and the service industries had disability protection. In mining, because the plans negotiated by the United Mine Workers had no disability retirement provision, only a small proportion of workers were covered. Despite typically heavy and arduous working conditions, 45 percent of the workers in the multiemployer plans in the construction industry were without disability protection. On the other hand, in the finance industry, where almost all workers are in sales, clerical, and other

white-collar occupations, only a slightly smaller proportion (40 percent) of the workers were unprotected.

The higher prevalence in large plans of disability provisions is shown in table 13. About three-fourths of the large plans (5,000 workers and over) and workers—mostly negotiated plans—had the provision, while only about half of the smallest plans (under 200 workers), covering two-fifths of the workers, had it.

Minimum Requirements for Disability Retirement

Key elements of disability retirement provisions are the definitions of disability and the age and service requirements. Ordinarily, benefits are continued only as long as a worker remains disabled, as defined.

Definition of Disability. Most plans defined disability in their own terms, which resembled but were not identical to the wording of the Social Security Act's definition which, prior to July 30, 1965, read as follows: "Inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be a long-continued and indefinite duration." The remaining plans either used the act's definition, or delegated substantial discretion to the plan administrator (usually the employer). The act's definition was most frequently used in plans under collective bargaining. On the other hand, except for several large multi-employer plans in the garment industry,³¹ almost all plans using the discretionary procedure were nonbargained.

Definition of disability	Total		Mentioned in a collective bargaining agreement		Not mentioned in a collective bargaining agreement	
	Plans	Workers	Plans	Workers	Plans	Workers
	Percent					
All plans with disability retirement -----	100.0	100.0	100.0	100.0	100.0	100.0
Social Security Act's definition -----	8.7	5.5	15.8	6.5	2.8	2.8
Private plans own definition -----	71.1	86.6	76.5	88.3	66.6	82.2
Discretionary—no definition -----	17.6	7.3	2.1	4.5	30.6	15.0

¹ Includes 211 plans, covering 61,000 workers, for which information on definition of disability was not available.

NOTE: Because of rounding, sums of individual items may not equal totals.

The social security definition and the broad, discretionary definition of disability were mostly restricted to single-employer plans.

A recent study by the Social Security Administration analyzed the definition of disability in private pension plans in detail.³² The study, which was based

³¹ Plans in the garment industry were generally administered by tripartite boards composed of union, employer, and neutral representatives. The documents filed for these plans under the Welfare and Pension Plans Disclosure Act, which are the basis for this analysis, did not include a definition of disability, although standards may have been established in plan operation.

³² Joseph Krislov, "Definition of Disability in Private Pension Plans," Social Security Bulletin, May 1964, pp. 13-19.

on data supplied by the Bureau of Labor Statistics, showed that where plans defined disability, most workers were in plans "that provide benefits for a member who is unable to work at any job and whose disability is judged to be permanent or long-lasting—roughly the same individual who is likely to be able to qualify for benefits from the Social Security Administration." The article cautioned, however, that little is known about the practical application of the plan definition. Interpretations may vary widely with the result that "decisions . . . will differ from one plan to another even though the definitions of disability may be identical."³³

In 1965, the scope of the social security definition was broadened by eliminating the requirement that a worker's disability must be expected to be of long-continued and indefinite duration; it is now sufficient that the disability is expected to last for a continuous period of not less than 12 months.³⁴ Many pension experts predict that private pension plans will alter their definitions to conform to this change, especially since it will not affect most alternate disability income programs.³⁵

The main difference between private plans' and Social Security Act's definitions related to the extent to which an applicant must be disabled. For example, the act requires that the claimant be unable to perform any job, while about a seventh of the private plans with about a fourth of the workers, required only that the worker be unable to perform a job for which he is qualified or any job in the company or industry. Presumably, such workers would not be prohibited from obtaining another type of employment. (Liberalization of the social security definition in 1965 permitted workers disabled because of blindness to collect benefits while working at other employment.)

Extent of disability	Percent	
	Plans	Workers
All plans with disability retirement -----	100.0	100.0
Unable to perform any job ¹ --- Unable to perform own or related job -----	52.6	59.3
Unable to perform any job in the company or industry --- No specific reference to extent ² -----	8.6	10.3
	5.5	15.5
	33.3	14.8

¹ Includes plans following the Social Security Act definition.

² Includes "discretionary" plans and plans for which information on extent of disability was not available.

NOTE: Because of rounding, sums of individual items may not equal totals.

Furthermore, social security benefits are provided for both physical and mental disabilities, regardless of cause, while private plans were usually silent as to whether they cover disabilities stemming from mental disorders (three-

³³ Ibid., p.14 . This is illustrated by the changes in Social Security Administration's own interpretation and application of its definition. See, for example, Social Security Regulation 404.1502(c).

³⁴ For a fuller summary of the changes, see Wilbur J. Cohen and Robert M. Ball, "Social Security Amendments of 1965: Summary and Legislative History," Social Security Bulletin, September 1965, pp. 3-21.

³⁵ Long-term disability insurance programs are likely to be affected by the amended social security definition because they are commonly integrated with both social security and applicable private pension plans. For a discussion of the effects of recent changes in the social security definition on disability insurance programs, see Richard J. Mellman, "Impact of New Social Security Disability Definition on Existing Employee Benefits," Pension and Welfare News, New York, N. Y., January 1966, pp. 49-61.

fourths of the plans with 4 out of 5 workers) and frequently did not grant benefits for self-inflicted injuries or willful misconduct³⁶ (about 2 out of 5 plans' and workers).

Cause of disability	Percent	
	Plans	Workers
All plans with disability retirement ¹ -----	100.0	100.0
Physical and mental -----	14.7	15.2
Physical, excluding mental -----	.5	1.7
Physical, silent on mental -----	31.4	39.3
Discretionary -----	17.6	7.3
As prescribed by the Social Security Act -----	8.7	5.5
No specific reference to cause -----	24.5	30.5

¹ Includes a few plans for which information on cause of disability was not available.

NOTE: Because of rounding, sums of individual items may not equal totals.

Age and Service Requirements. As in the case of other plan provisions, age or service requirements, or both, were essential parts of disability retirement provisions.

Three-fourths of the plans, like social security, had no age requirements. Where they existed, they were usually low enough to permit coverage of most permanent and total disabilities,³⁷ and were generally lower than those applicable to early retirement.³⁸ Age 50, the earliest age at which social security disability benefits were payable until 1960, was the most common age requirement for disability retirement, as compared with age 55 or 60 for early retirement.

Minimum age requirements ¹	Percent	
	Plans	Workers
All plans with disability retirement -----	100.0	100.0
Without age requirements -----	74.8	71.3
With age requirements -----	25.2	28.7
45 and under -----	2.4	3.8
50 -----	12.3	14.9
55 -----	8.6	7.6
60 and over -----	1.9	2.4

¹ Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.

NOTE: Because of rounding, sums of individual items may not equal totals.

Service requirements for disability retirement were also generally lower than for other retirement benefits. Forty-five percent of the plans, with almost

³⁶ Included within this area is alcoholism, addiction to narcotics, and criminal activity.

³⁷ Social security data show that 70 percent of the disabilities among men occur after age 49 and 82 percent after age 44. See Social Security Administration, Actuarial Note No. 18 (April 1965).

³⁸ See BLS Bulletin 1407, 1964, op. cit., p. 27.

3 out of 5 of the workers, required 15 years of service. This concentration was chiefly due to plans negotiated by the Automobile Workers and Steelworkers, and to the plans in the communications industries. The only other large concentration of workers (1 out of 5) was in the plans that required 10 years of service. Nearly a third of the plans, covering only a tenth of the workers, required fewer than 10 years of service, while only a seventh of the workers were in plans requiring over 15 years.

Minimum service requirements ¹ (years)	Percent	
	Plans	Workers
All plans with disability retirement -----	100.0	100.0
No service requirement -----	3.8	3.8
Less than 5 years -----	10.4	2.9
5 -----	17.6	2.2
6-9 -----	1.9	.4
10 -----	11.6	19.0
11-14 -----	.8	1.2
15 -----	45.1	57.0
16-19 -----	1.8	1.2
20 -----	4.7	8.7
25 -----	2.0	2.7
26-29 -----	(²)	.2
30 -----	(²)	.7

¹ For those plans which specify a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.

² Less than 0.05 percent.

The most common combinations of age and service were 15 years of service and ages 50 to 55, which, altogether, applied to a seventh of the workers (table 14). Plans without age requirements typically had service requirements of 10 to 15 years.

Waiting Period. Disability retirement benefits were payable by 3 out of 5 plans, with 2 out of 3 workers, only after a waiting period had elapsed.

Provision	Percent	
	Plans	Workers
All plans with disability retirement ¹ -----	100.0	100.0
No waiting period -----	39.3	33.2
1 and less than 6 months -----	7.7	8.5
6 months -----	35.6	46.0
7 and less than 12 months -----	5.9	4.2
When accident and sickness benefits cease -----	8.8	7.6

¹ Includes a few plans for which information on waiting period was not available.

NOTE: Because of rounding, sums of individual items may not equal totals.

In nearly all industries the waiting period usually ran 6 months from the onset of disability (the same waiting period required to qualify for social security disability benefits), although in some plans it was as short as a month and in others as long as a year (table 15).

Waiting periods were often related to the duration of accident and sickness benefits (temporary disability benefits). In the steel industry plans, for example, disability pension benefits began after 6 months, during which time temporary disability benefits were usually payable. Other plans related the timing of the two benefits even more closely by specifying that pensions would be payable only after accident and sickness benefits were exhausted.³⁹

Disability Retirement Benefit Formulas

For workers eligible for social security disability benefits, most plans used the same formula for disability benefits as they used for normal retirement benefits. For ineligible workers, however, many negotiated single-employer plans—chiefly those in the metalworking industries—had a special disability formula. For example, instead of benefits based on the normal benefit computation, the Automobile Workers' plans provided double the normal benefit and the Steelworkers plans provided \$100 a month. Other single-employer plans (usually nonbargained) seldom used a different or special formula for workers ineligible for social security, but when they did, they usually added the amount of the potential social security benefit, as they also did for early retirement.⁴⁰ Typically, multiemployer plans applied the same formula regardless of the social security status of the worker.

Integration With Social Security and Workmen's Compensation Benefits

Federal social security benefits are often incorporated into disability retirement benefit formulas in the same manner as in normal retirement benefit formulas, i. e., by step-rate formulas or by direct offset.⁴¹ Furthermore, where applicable, workmen's compensation benefits are almost always deducted in full. Because disability retirees generally have lower earnings and less service than normal retirees, the application of direct offsets affects their benefits more acutely. In fact, the offsets may reduce the plan benefits to zero. Some plans, therefore, have alternate benefit formulas not subject to deductions for statutory benefits.

The benefits provided by slightly more than two-fifths of the plans with disability retirement, with over half the workers, were directly integrated with either social security benefits or workmen's compensation, or with both, by the offset method (table 16). About half these plans deducted only workmen's compensation, as compared with about a fourth that deducted only social security benefits; each group of plans covered about 2 out of 5 workers belonging to plans with offset formulas. The remaining fourth of the plans deducted both.

In addition to deducting all workmen's compensation benefits, over 7 out of 10 of these latter plans, with a similar proportion of workers, also deducted all social security benefits; the rest deducted half.⁴²

³⁹ For illustrative information on accident and sickness benefits see Digest of One Hundred Selected Health and Insurance Plans Under Collective Bargaining, Winter 1961-62 (BLS Bulletin 1330, 1962), and Digest of 50 Selected Health and Insurance Plans for Salaried Employees, Spring 1963 (BLS Bulletin 1377, 1964).

⁴⁰ See p. 75, for a discussion of social security adjustment options.

⁴¹ See p. 10.

⁴² The 1965 amendments to the Social Security Act have limited the concurrent receipt of social security disability benefits and workmen's compensation to 80 percent of a worker's average monthly earnings credited to his social security account before he became disabled.

Provision	Plans		Workers	
	Number	Percent	Number (thousands)	Percent
All plans with disability retirement ¹ -----	8,193	-	10,895	-
Plans without offset formulas ---	4,405	-	5,040	-
Plans with offset formulas -----	3,459	100.0	5,773	100.0
Deducting social security benefits only -----	815	23.6	2,437	42.2
Deducting workmen's compensation only -----	1,673	48.4	2,265	39.2
Deducting both social security and workmen's compensation -----	971	28.1	1,071	18.6

¹ Includes 329 plans covering 79,000 workers for which data were not available.

NOTE: Because of rounding, sums of individual items may not equal totals.

Recognizing that workers and employers contribute equally to the social security system, plan benefits for about 2 out of 5 workers in plans with offset formulas were reduced by one-half of social security disability benefits—the amount attributable to the employers' contributions. Three out of 10 workers were in plans deducting all social security benefits. A similar proportion were in plans that followed the basic steel industry pattern of reducing benefits computed under the basic benefit formula by \$80 a month. Most of these latter plans had an alternate minimum benefit formula without a deduction for public benefits (i. e., the normal minimum benefit of \$2.50 or \$2.60 a month for each year of service).

Provision	Percent	
	Plans	Workers
All plans with social security deduction -----	100.0	100.0
All social security disability benefit deducted -----	55.2	31.4
One-half social security disability benefit deducted -----	23.4	38.6
\$80 for social security disability benefit deducted -----	20.9	29.6
Other ¹ -----	.5	.4

¹ Various deductions ranging between 50 and 100 percent of the social security disability benefit.

NOTE: Because of rounding, sums of individual items may not equal totals.

Offsets were more common in the manufacturing industries (about half the plans) than in the nonmanufacturing industries (about a third of the plans). (See table 16.) However, owing to the social security deduction in the telephone company plans and the frequent deductions of workmen's compensation payments in the transportation and finance industries' plans, over 3 out of 5 workers in the nonmanufacturing industries, as compared to about half in the manufacturing industries, were in plans with offset provisions.

The deduction of \$80 for social security was found almost exclusively in plans in the primary metals industries. Most manufacturing plans with offsets,

however, reduced plan benefits only for workmen's compensation benefits (three-fifths of the plans with about 2 out of 5 workers), while the remaining plans either deducted only social security (about a sixth of the plans with 2 out of 5 workers) or deducted both (a fifth of the plans and workers).

In nonmanufacturing, as a whole, the most common deductions were one-half the social security benefit and the entire workmen's compensation benefit. Together, they accounted for about two-fifths of the plans and about three-fourths of the workers.

Administrative Procedures

A determination of the extent and expected duration of disability, as defined by the plan, is required; hence, most plans set forth administrative procedures governing this decision.

The determination was made by a doctor selected by the employer or administrator in 45 percent of the plans; by the claimant in 12 percent; and by a bipartite board in a small number of plans. Although a medical determination was required, the party making the selection of the doctor was not identified in 17 percent of the plans. The remaining 23 percent of the plans had no formal procedure described in the documents on file.

Party providing medical evidence	Percent	
	Plans	Workers
All plans with disability retirement -----	100.0	100.0
Claimant's doctor -----	11.7	4.6
Company or plan doctor -----	45.1	46.0
Neutral doctor -----	.1	.4
Bipartite committee ¹ -----	3.2	2.3
Doctor—no information on selection----	17.1	30.2
Information not available -----	22.8	16.4

¹ Includes a few plans in which a doctor is appointed by a tripartite board.

NOTE: Because of rounding, sums of individual items may not equal totals.

If an application was denied on the basis of medical evidence, an appeal could usually be made to the employer (or his representatives) in single-employer plans, or to a bipartite board in multiemployer plans. The normal grievance procedure was used by some large plans. About an eighth of the plans had a special procedure for making the final decision. For example, the Steelworkers plan provided that in case of disagreement—

The employee shall be examined by a physician appointed for the purpose by the Company and a physician appointed for the purpose by a duly authorized representative of the Union. If they shall disagree concerning whether the employee is permanently incapacitated, that question shall be submitted to a third physician selected by such two physicians. The medical opinion of the third physician, after examination of the employee and consultation with the other two physicians, shall decide such question.

Appeals channels	Percent	
	Plans	Workers
All plans with disability retirement ¹ -----	100.0	100.0
Employer -----	82.4	70.0
Bipartite board -----	2.7	8.4
Grievance procedure -----	1.3	6.7
Trio of doctors, 1 neutral ² -----	13.0	13.5
Clinic -----	.1	.2

¹ Includes a few plans for which information was not available.

² Appeals are directed to a panel of doctors consisting of 1 employer designated doctor and 1 employee designated doctor. If they cannot agree the 2 doctors selected a neutral doctor whose decision is final.

NOTE: Because of rounding, sums of individual items may not equal totals.

Except for large negotiated plans, the employer's determination was final in most plans.

Final authority for appeals	Percent	
	Plans	Workers
All plans with disability retirement ¹ -----	100.0	100.0
Employer -----	82.4	59.4
Bipartite board -----	13.5	35.5
Insurance company -----	2.1	.7
Union employees-bipartite board; nonunion employees-employer -----	.7	2.4
Other -----	.8	.7

¹ Includes a few plans for which information was not available.

NOTE: Because of rounding, sums of individual items may not equal totals.

Levels of Disability Benefits

Workers forced into retirement because of total disability and who also qualified for social security benefits would usually receive the same amount of benefits, regardless of their age at retirement, as they would be entitled to for the same earnings and service at normal retirement age.⁴³ However, because some plans reduced benefits on account of age (i.e., provided the actuarial equivalent of the accrued normal benefit⁴⁴), average benefits for all covered workers were somewhat lower than the corresponding average normal retirement benefits.

⁴³ Although benefit levels for both normal and disability retirement have increased since the date of this study, the relationship between the two, as discussed in this report, is still valid.

⁴⁴ The actuarial equivalent of the normal benefit is a benefit whose ultimate cost is expected to be equal to that of the normal benefit.

On the other hand, workers qualified for disability benefits under a private plan, but not under social security, would receive substantially higher benefits, on the average, than those provided under normal retirement provisions. The generous benefits payable under such circumstances by many negotiated single-employer plans in the automobile, steel, and rubber industries largely account for the difference.

Although private plans on the whole generally provided disability benefits roughly equal to normal retirement benefits for the same earnings and service levels, as discussed below, there were important variations among groups of plans depending upon worker contributions, collective bargaining status, and industry.

To compare disability retirement benefit levels among plans and to relate the levels of benefits to predisablement earnings, illustrative benefits were computed under the same conditions as those for normal retirement (see page 11), except that disability retirement was assumed to be at age 60.⁴⁵ Because many private plans keyed the benefit to the receipt of social security benefits, the computations were made under two alternative assumptions: (1) The worker receives both plan benefits and social security benefits, and (2) the worker receives only plan benefits.

Workers Qualified for Private Plan Benefit and Social Security Benefit. The distributions of disability benefits exhibited the same characteristics as those for normal retirement. For example, as shown in tables 21-25, distributions of disability benefits, like those for normal retirement, shifted upward with increases in both earnings and service.⁴⁶ Since the increases in benefits were less than proportionate, the lower paid and short service workers fared relatively better than higher paid and long service workers.

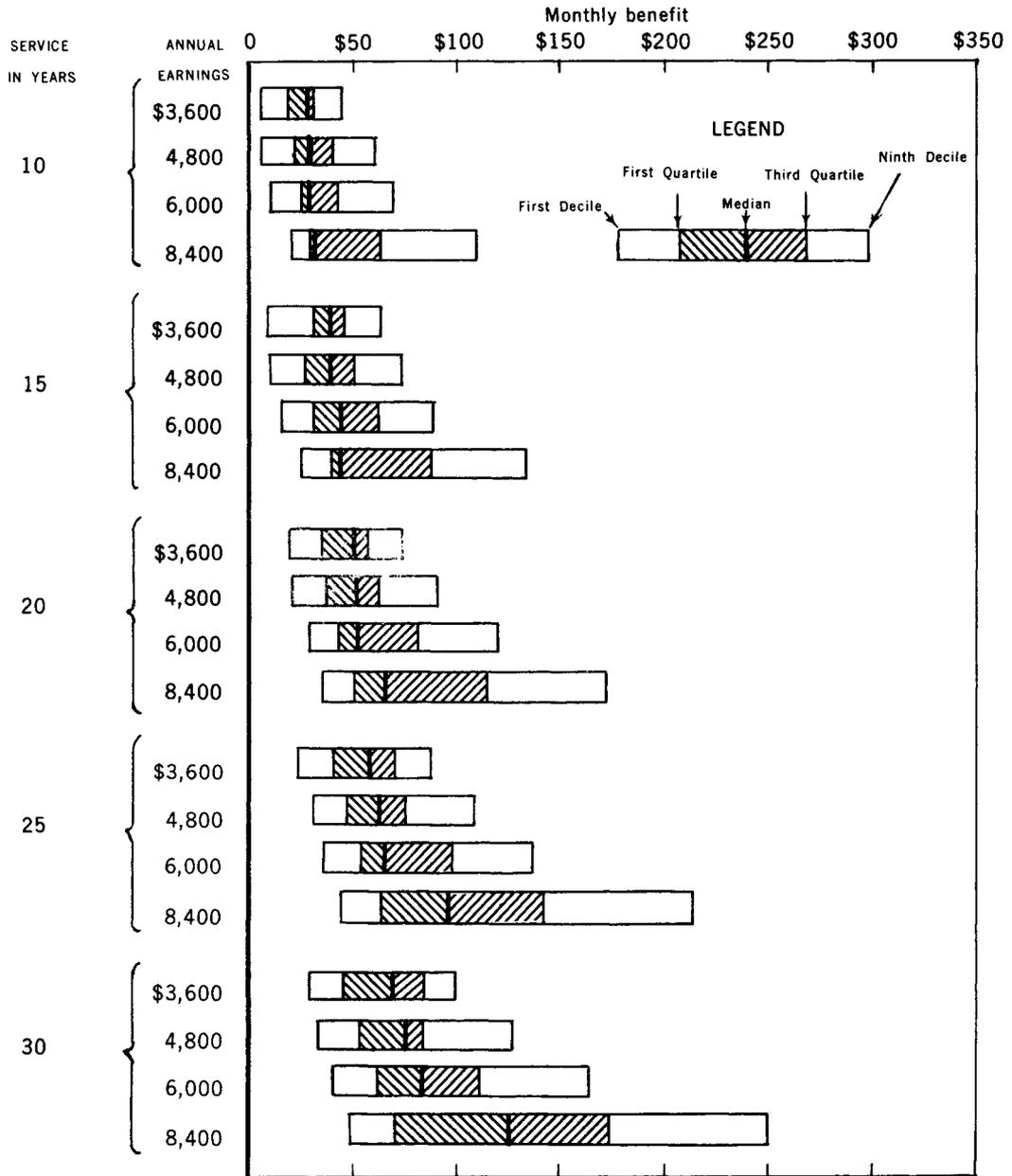
Chart 6 shows that benefits were greater at the higher earnings and service levels, as well as more widely dispersed. For example, the benefit for the middle 80 percent of the workers ranged from \$20 to \$91 a month for a worker with average annual earnings of \$4,800 and 20 years of service. On the other hand, the range was \$37-\$172 a month for a worker with earnings of \$8,400 and the same amount of service.

The distributions were marked by concentrations of workers in collectively bargained plans, particularly in manufacturing industries. Plans negotiated by the Steelworkers (which caused a concentration of workers at the \$39, \$52, \$65, and \$78 monthly benefit level for 15, 20, 25, and 30 years of service, respectively), provided benefits based on the normal monthly benefit formula: 1 percent of average monthly earnings in the 10 years preceding disability times years of service, less \$80—the social security offset—but a minimum of \$2.50 or \$2.60 a month times years of service. The minimum formula generally applied except for workers with earnings of \$8,400 a year and 20 years' service

⁴⁵ Retirement at age 60 was selected so that a maximum number of plans would be included in the computation. Few plans had a higher age requirement. Furthermore, a report by the Social Security Administration, Arthur E. Hess, "Five Years of Disability Insurance Benefits; A Progress Report," Social Security Bulletin, July 1962, found that, prior to the 1960 amendments to the act, more than 80 percent of the workers receiving social security disability payments were over age 50 when the onset of disability occurred and had a median age of 59. Later studies of the Social Security Administration ("Disability Applicants, 1962, Selected Data"; Division of the Actuary, April 1964 and Actuarial Note 18) showed a decrease in the median age of applicants at the time of the onset of disability.

⁴⁶ A few plans covering special classes of highly paid employees (e.g., airline pilots) paid even higher benefits than those shown in the distributions.

Chart 6. Monthly Disability Retirement Benefits¹ for Workers Eligible for Social Security Disability Benefits, by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²



¹ Median monthly benefits and ranges within which fell 50 percent and 80 percent of the workers.

² Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

or more.⁴⁷ Similarly, the normal formula (\$2.80 a month times years of service) was used in the disability retirement computation in the plans negotiated by the Automobile Workers.⁴⁸

The distribution of median monthly benefits in the following tabulation clearly shows the effects of the formula types, as well as of pattern plans. Median monthly benefits under the assumed conditions ranged from \$28⁴⁹ at the \$3,600, 10-year level to \$125 at the \$8,400, 30-year level.

Service periods (years)	Annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Median	Inter-quartile range	Median	Inter-quartile range	Median	Inter-quartile range	Median	Inter-quartile range
10 ¹ -----	\$28	\$18-\$30	\$28	\$20-\$38	\$28	\$25-\$42	\$30	\$28-\$62
15 -----	38	30- 45	39	26- 50	42	30- 61	42	39- 86
20 -----	50	35- 56	51	37- 62	52	42- 80	65	50-115
25 -----	58	40- 70	64	46- 75	65	54- 98	95	63-141
30 -----	68	45- 84	75	53- 84	84	61-111	125	69-173

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

The proportion of predisablement income represented by median benefits was somewhat greater at the \$3,600 level than at the other levels, due mainly to the influence, as previously noted, of relatively high disability benefits provided by plans with minimum benefits and flat benefit formulas. For example, as shown in the tabulation below, plan disability benefits replaced about a fifth of previous earnings for the workers with 25 years of service earning \$3,600 a year and about a seventh at earnings levels of \$6,000 a year and above.

Service periods (years)	Annual earnings			
	\$3,600	\$4,800	\$6,000	\$8,400
	Percent			
10 ¹ -----	9.3	7.0	5.6	4.3
15 -----	12.7	9.8	8.4	6.0
20 -----	16.7	12.8	10.4	9.3
25 -----	19.3	16.0	13.0	13.6
30 -----	22.7	18.8	16.8	17.9

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

Except for workers with high earnings and long service, plan benefits were generally far less than social security disability benefits which, at the time of the study, were \$105 a month for workers earning \$3,600 a year and \$127 for those earning \$4,800 a year and over. Generally, social security benefits amounted to from three-fifths to four-fifths of combined retirement income.

⁴⁷ The basic formula applies to workers with 30 years of service and earnings over \$527 a month, 20 years of service and earnings over \$660 a month, and 10 years of service and earnings over \$1,060 a month. These plans also had a minimum disability benefit of \$100 a month, including social security, but it is generally applicable only to those not qualifying for social security.

⁴⁸ The disability formula in the plans negotiated by the Automobile Workers has been substantially liberalized since the time of the study. These changes as well as others have not been incorporated in the computation. Although they will affect the distributions of benefit amounts, they do not significantly affect the median benefits.

⁴⁹ Because few workers belong to plans that provide disability benefits for 10 years or less of service, median benefits for workers earning \$6,000 a year or less chiefly reflected the amounts provided by the Automobile Workers plans.

Retirement income at the low earnings levels was mostly accounted for by social security benefits.

Combined median monthly benefits—the sum of median private plan disability benefits and social security disability benefits—ranged from \$133 to \$252 under the assumed conditions.

Service periods (years)	Annual earnings			
	\$3,600	\$4,800	\$6,000	\$8,400
10 ¹ -----	\$133	\$155	\$155	\$157
15 -----	143	166	169	169
20 -----	155	178	179	192
25 -----	163	191	192	222
30 -----	173	202	211	252

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

Both the social security disability benefits and private plan benefits, for the most part, were higher fractions of previous earnings for workers at the lower earnings levels than at the higher earnings levels.⁵⁰ The combined median benefits of workers with annual earnings of \$3,600 and \$4,800 were, therefore, a larger proportion of their pre-disablement monthly income than for those at higher earnings levels.

Service periods (years)	Annual earnings			
	\$3,600	\$4,800	\$6,000	\$8,400
	Percent			
10 ¹ -----	44.3	38.8	31.0	22.4
15 -----	47.7	41.5	33.8	24.1
20 -----	51.7	44.5	35.8	27.4
25 -----	54.3	47.8	38.4	31.7
30 -----	57.7	50.5	42.2	36.0

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

Workers Qualified for Private Plan Benefits Only. Since not all workers qualified for disability retirement under a private pension plan will receive OASDI disability benefits, computations were made for the same plans assuming the worker would not qualify for social security benefits.⁵¹ Another reason for making this distinction was that, as previously noted, some of the larger plans provided special disability plan benefits for workers not receiving social security benefits. It must be emphasized that these special disability pensions were usually temporary, and that the pension reverted to the regular disability formula computation if eligibility for social security benefits was established. However, these formulas were the exception; most plans used the same disability formula, regardless of the worker's social security status.

⁵⁰ Maximum social security disability benefits were 35.0, 31.8, 25.4, and 18.1 percent of the average annual earnings of \$3,600, \$4,800, \$6,000, and \$8,400, respectively.

⁵¹ See "Assumptions," p. 11. A study of disability retirees in the automobile companies showed that a fifth of those qualified for the private pension did not qualify for social security. See "Disability Insurance Under Social Security," by Jerome Pollack, in Occupational Disability and Public Policy, Earl Cheit and Margaret Gordon, editors (John Wiley and Son, New York, 1963), p. 175. The recent liberalization of the disability definition in the automobile company plans should cause this fraction to increase.

Under the given assumptions, the distributions of monthly plan benefits (table 18) were at substantially higher levels than those for the same plans for workers eligible for social security benefits, mainly because of the special disability pensions provided in manufacturing industries. Plans following the Automobile Workers and Rubber Workers patterns, for example, provided double the amount computed by the regular disability formula. Plans following the Steelworkers pattern provided a special disability benefit of \$100 a month.⁵² Another large group of plans—the telephone company plans—based their benefits on the greater of (1) 1 percent of average monthly earnings⁵³ times years of service, or (2) \$85.⁵⁴

The ranges of private plan benefits for the middle 80 percent of the worker distribution, as shown in chart 7, were considerably higher as well as wider than the benefits for workers eligible for social security disability benefits. (See chart 6.) Because of the previously cited special disability formulas, 9 out of 10 workers were in plans that had benefits of \$48 a month or more for workers earning \$4,800, \$6,000, or \$8,400 annually with 25 or 30 years of service.

Median benefits under these assumptions were about \$30 a month higher than the benefits provided by the same plans to workers eligible for social security benefits. Median benefits ranged from \$56 to \$150 a month for workers ineligible for social security, as contrasted to a range of \$28 to \$125 for workers who qualified.

Service periods (years)	Annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Median	Inter-quartile range	Median	Inter-quartile range	Median	Inter-quartile range	Median	Inter-quartile range
10 ¹ -----	\$56	\$20-\$56	\$56	\$25-\$60	\$56	\$34-\$70	\$56	\$46-\$101
15 -----	64	45- 84	68	50- 90	75	50-100	90	55- 105
20 -----	85	50-100	85	50-100	100	56-112	100	65- 140
25 -----	85	53-113	100	63-125	113	70-140	126	75- 175
30 -----	90	61-128	100	68-150	125	75-165	150	80- 210

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

On the whole, however, private plan benefits were not sufficiently higher to offset the absence of social security benefits which, as noted above, were \$105 or \$127 a month for workers earning \$3,600 and \$4,800 a year or over, respectively. As a result, median benefits represented—depending upon length of service—only 35 to 60 percent (most often about 50 percent) of the amount provided by private plans and social security combined.

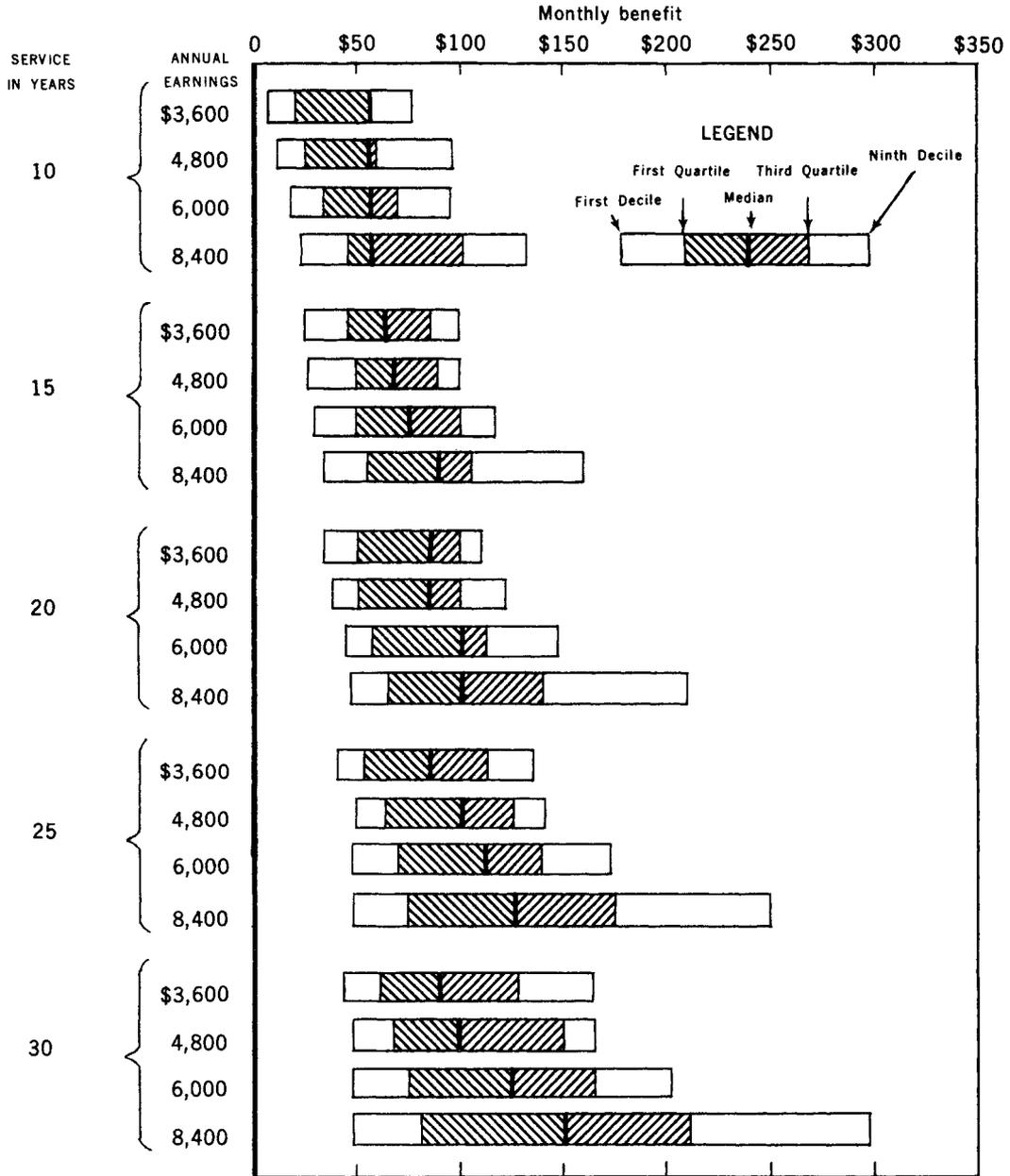
The protection afforded by social security benefits and the favoring of lower paid workers by private plans are strikingly illustrated by relating median disability benefits to preretirement earnings. Not more than 30 percent of previous earnings could be expected by workers ineligible for social security benefits under the assumed conditions, and only long service, lower paid workers could generally receive one-fourth or more of their earnings.

⁵² Only workers with long service and high earnings would get more. In the illustrative examples used in this bulletin, only the \$8,400-a-year worker with 30 years of service would be in that group.

⁵³ Based on average monthly earnings during the 5 consecutive years immediately preceding retirement or, at the discretion of the benefit committee, the 5 consecutive years of highest earnings.

⁵⁴ For disabled workers with 20 years or more of service only.

Chart 7. Monthly Disability Retirement Benefits¹ for Workers Ineligible for Social Security Disability Benefits, by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²



¹ Median monthly benefits and ranges within which fell 50 percent and 80 percent of the workers.

² Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

In contrast, for workers eligible for social security, total retirement benefits (private plan plus social security benefit) ranged from 22 percent to almost 60 percent of preretirement earnings. (See tabulation on p. 47.)

Service periods (years)	Annual earnings			
	\$3,600	\$4,800	\$6,000	\$8,400
10 ¹ -----	18.7	14.0	11.2	8.0
15 -----	21.3	17.0	15.0	12.9
20 -----	28.3	21.3	20.0	14.3
25 -----	28.3	25.0	22.6	18.0
30 -----	30.0	25.0	25.0	21.4

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

Method of Financing. Just as jointly financed plans had higher normal benefits than entirely employer-financed plans, they also had higher disability benefits. Benefits in contributory plans were mostly computed on the basis of earnings and service formulas (a percentage of earnings or contributions),⁵⁵ while noncontributory plans reflected the computation of benefits by formulas stressing service (uniform amounts for specified service or a fixed dollar amount multiplied by years of service) or by a percentage-of-earnings formula which was generally reduced in whole or in part by social security.

Workers at the \$4,800, 20-year level who also qualified for social security benefits would receive median benefits of \$49 a month from noncontributory plans as compared with \$62 from contributory plans. The disparity was far greater for \$8,400-a-year workers with similar service—\$59 and \$147, respectively.

Selected annual earnings and service periods	Workers eligible for social security disability benefit		Workers ineligible for social security disability benefit	
	Noncontributory	Contributory	Noncontributory	Contributory
\$4,800:				
10 years ¹ -----	\$28	\$40	\$51	\$55
15 years -----	39	43	65	81
20 years -----	49	62	84	96
25 years -----	63	74	97	118
30 years -----	73	87	100	135
\$8,400:				
10 years ¹ -----	28	70	54	88
15 years -----	41	108	84	110
20 years -----	59	147	99	153
25 years -----	78	183	110	190
30 years -----	88	220	130	226

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

Both contributory and noncontributory plans provided greater benefit amounts for workers ineligible for social security than for eligible workers. Owing, however, to the inclusion in the noncontributory plans of the Automobile Workers and Steelworkers plans that provided special disability benefits, the percentage differences were greater than in contributory plans.

Although contributory plans almost always provided a higher proportion of preretirement earnings than noncontributory plans, the proportion provided the

⁵⁵ Since worker contributions are mostly based on yearly earnings, any computation of benefits based on such contributions would be considered as being based on earnings.

\$8,400 worker in both contributory and noncontributory plans was smaller than for the \$4,800 worker, as shown below. This stemmed, as it also does in normal retirement benefits, from provisions in many plans favoring lower paid workers.

Selected annual earnings and service periods	Workers eligible for social security disability benefit		Workers ineligible for social security disability benefit	
	Noncontributory	Contributory	Noncontributory	Contributory
	Percent			
\$4,800 per year:				
10 years ¹ -----	38.8	41.8	12.8	13.8
20 years -----	44.0	47.2	21.0	24.0
30 years -----	50.0	53.5	25.0	33.8
\$8,400 per year:				
10 years -----	22.1	28.1	7.7	12.6
20 years -----	26.6	39.1	14.1	21.8
30 years -----	30.7	49.6	18.6	32.2

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

Type of Employer Unit. Median benefits provided by single-employer plans for workers with 20 years of service and also eligible for social security benefits were much greater at the higher earnings level (\$8,400) than those provided by multiemployer plans; overall, at the \$4,800 earnings level, they were about the same. As shown below, multiemployer plans paid about the same benefits at the two earnings levels because they usually provided uniform benefits for all pensioners with the same amount of service or for all who qualified for a pension.

Selected service periods, annual earnings, and method of financing	Workers eligible for social security disability benefit		Workers ineligible for social security disability benefit	
	Single employer	Multiemployer	Single employer	Multiemployer
	15 years:			
\$4,800 per year -----	\$39	\$42	\$76	\$46
Noncontributory -----	39	42	76	46
Contributory -----	44	(¹)	84	(¹)
\$8,400 per year -----	42	45	100	46
Noncontributory -----	41	42	100	46
Contributory -----	110	(¹)	111	(¹)
20 years:				
\$4,800 per year -----	52	50	90	50
Noncontributory -----	52	50	90	50
Contributory -----	61	(¹)	100	(¹)
\$8,400 per year -----	76	50	112	50
Noncontributory -----	60	50	112	50
Contributory -----	147	(¹)	156	(¹)

¹ Number of workers not sufficient for selection of median.

The method of financing also had little effect on benefit levels in single-employer plans. Only the median benefit for the \$8,400, 20-year man eligible for social security reflected the influence of contributory plans.

Single-employer plans provided significantly higher benefits for workers ineligible for social security benefits than for qualified workers. For example, benefits for ineligible workers with 15 years of service were about twice those provided eligible workers. A similar but smaller difference was found at the 20-year level. As previously noted, these differences reflect, for the most part, special disability benefits provided in single-employer pattern plans negotiated by the Automobile Workers, Steelworkers, and Rubber Workers. On the other hand, since multiemployer plans rarely took social security benefits

into account in the disability benefit formula, benefits were identical whether the worker was eligible or ineligible for social security benefits.

As a result, total disability retirement income (plan benefit plus social security) for the \$4,800-a-year worker with 20 years of service was about 45 percent of predisablement income under both single-employer and multiemployer plans. On the other hand, at the \$8,400 earnings level (which would include few blue-collar workers covered by multiemployer plans), single-employer plans provided almost 30 percent of predisablement earnings while multiemployer plans provided only about 25 percent. Furthermore, the proportion of preretirement earnings provided workers ineligible for social security benefits was considerably lower in multiemployer plans. Single-employer plans provided a more favorable portion of preretirement earnings for the ineligible group, but only about half of the total retirement income payable to workers in the same plans who qualified for social security benefits.

Selected service periods, annual earnings, and method of financing	Workers eligible for social security disability benefit		Workers ineligible for social security disability benefit	
	Single employer	Multiemployer	Single employer	Multiemployer
	Percent			
15 years:				
\$4,800 per year -----	41.5	42.2	19.0	11.5
Noncontributory -----	41.5	42.2	19.0	11.5
Contributory -----	42.8	(¹)	21.0	(¹)
\$8,400 per year -----	24.1	24.6	14.3	6.6
Noncontributory -----	24.0	24.1	14.3	6.6
Contributory -----	33.9	(¹)	15.9	(¹)
20 years:				
\$4,800 per year -----	44.8	44.2	22.5	12.5
Noncontributory -----	44.8	44.2	22.5	12.5
Contributory -----	47.0	(¹)	25.0	(¹)
\$8,400 per year -----	29.0	25.3	16.0	7.1
Noncontributory -----	26.7	25.3	16.0	7.1
Contributory -----	39.1	(¹)	22.3	(¹)

¹ Number of workers not sufficient for selection of median.

Collective Bargaining. Benefits in nonbargained plans were greater than in bargained plans for workers with the same service and earnings, except for production workers earning \$4,800 a year. Differences were much more pronounced, for workers qualified for social security, at the \$8,400 level than at the \$4,800 level.

Selected service periods, annual earnings, and method of financing	Workers eligible for social security disability benefit		Workers ineligible for social security disability benefit	
	Mentioned in a collective bargaining agreement	Not mentioned in a collective bargaining agreement	Mentioned in a collective bargaining agreement	Not mentioned in a collective bargaining agreement
	15 years:			
\$4,800 per year -----	\$39	\$40	\$75	\$64
Noncontributory -----	39	34	68	60
Contributory -----	38	56	88	65
\$8,400 per year -----	41	86	84	105
Noncontributory -----	41	68	84	100
Contributory -----	110	113	110	140
20 years:				
\$4,800 per year -----	51	56	85	80
Noncontributory -----	50	50	85	75
Contributory -----	54	76	107	86
\$8,400 per year -----	60	113	100	141
Noncontributory -----	56	94	100	140
Contributory -----	147	158	140	187

These differences, as was previously demonstrated, were attributable to the greater prevalence of formulas based on service only in negotiated plans and the more frequent inclusion of employee contributions in nonnegotiated plans.

Because of the special disability benefits in large negotiated plans, benefits for \$4,800-a-year workers ineligible for social security payments did not differ significantly in bargained as in nonbargained plans. On the other hand, at the \$8,400 level, benefits for ineligible workers in nonbargained plans were substantially higher than those in bargained plans. On the whole, benefits for ineligible workers in nonbargained plans reflected the level set by the application of the standard 1-percent formula (e.g., \$60 and \$80 monthly for the \$4,800-a-year worker and \$105 and \$140 monthly for the \$8,400-a-year worker with 15 and 20 years of service, respectively). The slight decrease in benefits for workers in nonbargained plans at the \$4,800 level was due to the absence of the previously mentioned special benefits provided workers in bargained plans, while, at the \$8,400 level, benefits were 33 to 40 percent greater.

As a result, total retirement benefits (private plan plus social security) at the \$4,800, 20-year level, as shown below, were close to 45 percent of pre-retirement earnings for workers eligible for social security payments in both bargained and nonbargained plans. Workers ineligible for social security in both types of plans would, on the average, receive about half this amount.

Selected service periods, annual earnings, and method of financing	<u>Workers eligible for social security disability benefit</u>		<u>Workers ineligible for social security disability benefit</u>	
	<u>Mentioned in a collective bargaining agreement</u>	<u>Not mentioned in a collective bargaining agreement</u>	<u>Mentioned in a collective bargaining agreement</u>	<u>Not mentioned in a collective bargaining agreement</u>
	Percent			
15 years:				
\$4,800 per year -----	41.5	41.8	18.8	16.0
Noncontributory -----	41.5	40.2	17.0	15.0
Contributory -----	41.2	45.8	22.0	16.2
\$8,400 per year -----	24.0	30.4	12.0	15.0
Noncontributory -----	24.0	27.8	12.0	14.3
Contributory -----	33.9	34.3	15.7	20.0
20 years:				
\$4,800 per year -----	44.5	45.8	21.2	20.0
Noncontributory -----	44.2	44.2	21.2	18.8
Contributory -----	45.2	50.8	26.8	21.5
\$8,400 per year -----	26.7	34.3	14.3	20.1
Noncontributory -----	26.1	31.6	14.3	20.0
Contributory -----	39.1	40.7	20.0	26.7

Types of Workers Covered. Plans exclusively for salaried workers—mostly nonbargained contributory plans—provided larger disability benefits than those for production workers or those for both salaried and production workers, chiefly due, as previously discussed, to the differences in formulas used to compute benefits.

Selected service periods, annual earnings, and method of financing	Type of worker covered		
	Salaried and production	Production	Salaried
15 years:			
\$4,800 per year -----	\$38	\$39	\$43
Noncontributory -----	34	39	41
Contributory -----	39	(¹)	65
\$8,400 per year -----	42	42	81
Noncontributory -----	41	41	75
Contributory -----	110	(¹)	124
20 years:			
\$4,800 per year -----	51	50	60
Noncontributory -----	48	50	56
Contributory -----	60	(¹)	90
\$8,400 per year -----	76	56	108
Noncontributory -----	76	55	86
Contributory -----	147	(¹)	171

¹ Number of workers not sufficient for selection of median.

Disability plan benefits for workers ineligible for social security benefits were greater, as shown by comparing the tabulation below with the previous one, than for eligible workers, in all cases because of the influence of the special disability benefits already discussed. The difference for production worker plans (except for those with 15 years of service or less) was usually smallest because a large proportion of the workers in such plans belong to multi-employer plans, which generally provided the same benefits for both eligible and ineligible workers.

Selected service periods, annual earnings, and method of financing	Type of worker covered		
	Salaried and production	Production	Salaried
15 years:			
\$4,800 per year -----	\$60	\$70	\$75
Noncontributory -----	60	70	75
Contributory -----	89	(¹)	90
\$8,400 per year -----	105	75	113
Noncontributory -----	105	75	106
Contributory -----	110	(¹)	147
20 years:			
\$4,800 per year -----	85	70	90
Noncontributory -----	85	66	88
Contributory -----	100	(¹)	95
\$8,400 per year -----	140	75	150
Noncontributory -----	140	74	142
Contributory -----	150	(¹)	195

¹ Number of workers not sufficient for selection of median.

Reflecting these factors, the highest proportions of predisability earnings would be provided by salaried worker plans, regardless of social security status; the lowest proportions would be provided by plans covering production workers only.

Industry. As in the case of normal retirement benefit levels, the pattern of benefits by industry group showed wide disparity. Industries distinguished by collective bargaining, entire financing by employer, and multiemployer plans for production workers that usually based benefits on service alone, generally

revealed the lowest benefits. Industries with a large number of nonbargained, contributory, single-employer plans, typically with benefits based on earnings as well as service, usually revealed the highest benefits. For example, benefits for workers qualified for social security in the finance industry (primarily nonbargained plans) were the highest and showed the widest dispersion at the selected earnings levels (table 19). The construction industry (dominated by multiemployer plans) generally had the lowest benefits and showed little variation in benefits at the selected earnings levels.

A similar pattern of benefits prevailed for workers not eligible for social security benefits (table 20). The disparity between benefits provided eligible as compared to ineligible workers was likewise chiefly due to formula differences. For example, in the communications industry (predominantly telephone company plans), the application of the unreduced normal or minimum formulas (page 48) resulted in three times the benefit provided eligible workers with 15 years of service. The remaining industries, except for mining, manufacturing, and finance, showed little variation from benefits provided eligible workers, due mainly to the high prevalence of plans with benefits based on service alone. In one industry—wholesale trade—benefits for ineligible workers declined slightly because some plans did not pay benefits unless the worker was also eligible for social security.

Total retirement income (private plan benefit plus social security benefit) as a proportion of predisability income followed the same pattern as private plan benefits. The proportions at the 15-year service level ranged for the \$4,800-a-year worker, as shown below, from 40 percent in the construction industry to 50 percent in finance; for the \$8,400-a-year worker, from nearly 25 percent to 40 percent, respectively.

Industry	Selected annual earnings and service periods			
	\$4,800		\$8,400	
	15 years	20 years	15 years	20 years
	Percent			
All industries ¹ -----	41.5	44.3	24.1	27.4
Mining -----	41.3	44.8	23.7	29.0
Contract construction -----	40.8	43.8	23.3	25.0
Manufacturing -----	41.3	44.5	24.0	26.7
Transportation -----	44.3	44.3	25.3	25.3
Communications and public utilities -----	37.0	37.0	24.0	29.0
Wholesale and retail trade -----	41.5	41.8	23.8	25.8
Wholesale trade -----	41.3	41.3	23.7	23.7
Retail trade -----	42.0	45.3	31.0	34.0
Finance, insurance, and real estate -----	48.8	55.5	40.7	48.0
Services -----	37.8	43.3	21.6	26.1

¹ Includes industries for which data are not shown separately.

The proportions of predisability income replaced, assuming the worker was ineligible for social security benefits, were, except in finance, much lower—rarely exceeding 25 percent.

Table 11. Disability Retirement Provisions in Private Pension Plans by Type of Employer Unit, Method of Financing, and Collective Bargaining Status, Winter 1962-63

Item	(Workers in thousands)					
	All plans		With disability retirement		Without disability retirement	
	Number	Workers ¹	Plans	Workers ¹	Plans	Workers ¹
All plans studied.....	15,818	15,621	8,193	10,895	7,625	4,726
Single employer.....	14,890	11,742	7,484	8,688	7,406	3,055
Noncontributory.....	10,657	8,454	5,544	6,595	5,113	1,859
Mentioned in a collective bargaining agreement.....	3,933	5,668	2,643	4,622	1,290	746
Not mentioned in a collective bargaining agreement.....	6,724	2,787	2,901	1,674	3,823	1,113
Contributory.....	4,233	3,288	1,940	2,093	2,293	1,195
Mentioned in a collective bargaining agreement.....	1,034	1,495	452	994	562	502
Not mentioned in a collective bargaining agreement.....	3,199	1,793	1,488	1,099	1,711	693
Multiemployer.....	928	3,878	709	2,207	219	1,671
Noncontributory.....	869	3,212	679	1,984	190	1,228
Mentioned in a collective bargaining agreement.....	810	3,176	625	1,962	185	1,214
Not mentioned in a collective bargaining agreement.....	59	36	54	22	5	14
Contributory.....	59	666	30	223	29	443
Mentioned in a collective bargaining agreement.....	18	356	14	48	4	308
Not mentioned in a collective bargaining agreement.....	41	310	16	175	25	135

¹ Active workers in 1961.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 12. Disability Retirement Provisions in Private Pension Plans by Industry, Winter 1962-63

Industry	(Workers in thousands)					
	All plans		With disability retirement		Without disability retirement	
	Number	Workers ¹	Plans	Workers ¹	Plans	Workers ¹
All plans studied.....	² 15,818	² 15,621	8,193	10,895	7,625	4,726
Mining.....	316	327	153	52	163	275
Contract construction.....	449	1,072	301	597	148	475
Manufacturing.....	9,257	9,678	5,183	7,342	4,074	2,336
Transportation.....	673	1,286	448	962	225	324
Communications and public utilities.....	849	1,270	215	944	634	326
Wholesale and retail trade.....	1,627	920	533	386	1,094	534
Wholesale trade.....	1,147	479	412	243	735	236
Retail trade.....	480	440	121	143	359	298
Finance, insurance, and real estate.....	1,853	733	1,001	436	852	298
Services.....	719	308	350	163	369	145

¹ Active workers in 1961.

² Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 13. Disability Retirement Provisions in Private Pension Plans by Number of Active Workers Covered, Winter 1962-63

Number of workers covered	(Workers in thousands)					
	All plans		With disability retirement		Without disability retirement	
	Number	Workers ¹	Plans	Workers ¹	Plans	Workers ¹
All plans studied.....	15,818	15,621	8,193	10,895	7,625	4,726
Under 200.....	9,914	704	4,709	297	5,205	407
200 and under 500.....	2,595	810	1,396	445	1,199	366
500 and under 1,000.....	1,336	905	781	529	555	377
1,000 and under 5,000.....	1,490	3,229	955	2,143	535	1,086
5,000 and under 10,000.....	241	1,677	159	1,117	82	560
10,000 and under 25,000.....	145	2,171	114	1,685	31	486
25,000 and under 50,000.....	65	2,209	56	1,923	9	286
50,000 and under 100,000.....	17	1,172	13	913	4	259
100,000 and over.....	15	2,742	10	1,843	5	899

¹ Active workers in 1961.

NOTE: Because of rounding, sums of individual items may equal totals.

Table 14. Minimum Age and Service Requirements for Disability Retirement in Private Pension Plans, Winter 1962-63¹

Minimum service requirements ² (years)	(Workers in thousands)											
	All plans		Minimum age requirements ³									
			No age requirement		45 and under		50		55		60	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans with disability retirement ..	8,193	10,895	6,127	7,766	⁴ 194	419	1,011	1,624	708	823	153	263
No service requirement.....	309	410	263	328	1	13	15	45	15	18	15	6
Less than 5.....	857	317	612	197	11	7	156	70	78	42	-	-
5.....	1,445	236	1,399	203	-	-	10	7	36	27	-	-
6-9.....	156	42	156	42	-	-	-	-	-	-	-	-
10.....	947	2,074	743	1,683	66	143	105	207	26	36	7	5
11-14.....	70	128	42	107	-	-	27	16	1	5	-	-
15.....	3,695	6,214	2,507	4,401	108	161	533	1,074	541	516	6	61
16-19.....	150	132	45	27	-	-	103	42	-	-	2	63
20.....	384	944	207	558	6	55	39	63	9	142	123	127
25.....	170	301	145	191	2	39	21	34	2	38	-	-
26-29.....	1	25	-	-	-	-	⁵ 1	25	-	-	-	-
30.....	9	72	8	31	-	-	1	42	-	-	-	-

¹ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.² For those plans that specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.³ Some plans specified alternative requirements; in each case, the one with the earliest age or no age requirements was selected.⁴ Includes 11 plans, covering 10,000 workers that specified age 25, and 5 plans, covering 34,000 workers that specified age 40.⁵ This plan specified age 47.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 15. Waiting Period for Disability Retirement Benefits in Private Pension Plans by Industry, Winter 1962-63¹

Industry	(Workers in thousands)											
	All plans		Waiting period									
			No waiting period		1 and less than 6 months		6 months		7 and less than 12 months		When accident and sickness benefits cease	
Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	
All plans with disability retirement ² -----	³ 8,193	³ 10,895	3,219	3,619	633	926	2,923	5,012	486	454	721	823
Mining -----	153	52	64	14	-	-	85	28	4	10	-	-
Contract construction -----	301	597	58	230	112	58	124	287	7	21	-	-
Manufacturing -----	5,183	7,342	1,681	1,755	230	765	2,256	3,859	165	291	⁴ 640	612
Transportation -----	448	962	284	412	25	26	130	482	4	7	5	36
Communications and public utilities -----	215	944	162	794	21	12	20	119	3	10	4	8
Wholesale and retail trade ---	533	386	164	148	211	40	127	136	5	23	26	39
Wholesale trade -----	412	243	63	75	209	23	115	106	1	9	24	29
Retail trade -----	121	143	101	72	2	17	12	30	4	14	2	10
Finance, insurance, and real estate -----	1,001	436	477	198	31	17	159	48	291	85	43	88
Services -----	350	163	329	67	-	-	16	48	2	6	3	41

¹ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

² Include 211 plans, covering 61,000 workers, for which information was not available.

³ Includes industries for which data are not shown separately.

⁴ Includes 2 plans, covering 106,000 workers, that deferred payment until permanent and total disability benefits under the company's group life insurance program were exhausted.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 16. Provisions for Deduction of Social Security Disability Benefits and Workmen's Compensation Benefits From Private Pension Plan Disability Benefits, by Industry, Winter 1962-63¹

Industry	(Workers in thousands)													
	All plans		No deductions		Plans deducting social security only									
					Total		All social security disability benefits		One-half social security benefits		\$80 a month (subject to minimum formula) ²			
Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers			
All plans with disability retirement -----	3,193	10,895	4,405	5,040	815	2,437	307	357	127	1,030	381	1,051		
Mining -----	153	52	4	10	37	20	2	2	-	-	35	18		
Contract construction -----	301	597	262	499	21	18	21	18	-	-	-	-		
Manufacturing -----	5,183	7,342	2,464	3,384	423	1,531	155	218	45	306	223	1,007		
Transportation -----	448	962	309	437	80	81	79	76	1	5	-	-		
Communications and public utilities -----	215	944	156	113	45	703	4	8	33	683	8	12		
Wholesale and retail trade -----	533	386	276	301	17	6	2	(⁴)	-	-	15	6		
Wholesale trade -----	412	243	167	183	17	6	2	(⁴)	-	-	15	6		
Retail trade -----	121	143	109	118	-	-	-	-	-	-	-	-		
Finance, insurance, and real estate -----	1,001	436	693	159	87	58	39	22	48	36	-	-		
Services -----	350	163	238	128	105	20	5	12	-	-	100	8		
	Plans deducting social security and workmen's compensation													
					Total		All social security disability benefits and workmen's compensation		One-half social security benefits and workmen's compensation		Plans deducting workmen's compensation only		Information not available	
All plans with disability retirement -----			971	1,071	680	745	291	328	1,673	2,265	329	79		
Mining -----			111	17	111	17	-	-	1	4	-	-		
Contract construction -----			-	-	-	-	-	-	8	69	10	10		
Manufacturing -----			546	799	280	606	266	193	1,437	1,572	313	56		
Transportation -----			25	60	25	60	-	-	34	383	-	-		
Communications and public utilities -----			10	108	3	23	7	85	4	19	-	-		
Wholesale and retail trade -----			212	30	200	5	12	25	26	41	2	8		
Wholesale trade -----			212	30	200	5	12	25	14	16	2	8		
Retail trade -----			-	-	-	-	-	-	12	25	-	-		
Finance, insurance, and real estate -----			62	49	56	25	6	24	155	165	4	5		
Services -----			5	8	5	8	-	-	2	6	-	-		

¹ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

² Includes 8 plans covering 12,000 workers that used other deductions, such as \$85 a month.

³ Includes industries for which data are not shown separately.

⁴ Fewer than 500 workers.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 17. Monthly Private Pension Plan Disability Retirement Benefits¹ for Workers Eligible for, Social Security Disability Benefits, by Selected Assumed Annual Earnings Levels, and Service Periods, Winter 1962-63²

Monthly benefit	(Workers in thousands)							
	Assumed annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
10 years of service								
Total	3,774	3,116	3,774	3,116	3,774	3,116	3,774	3,116
None ³	216	244	262	237	232	164	226	109
Under \$10	887	185	117	109	116	110	95	70
\$10 and under \$20	554	398	1,172	302	788	208	36	94
\$20 and under \$30	566	1,483	452	1,487	626	1,404	623	1,251
\$30 and under \$40	285	314	340	215	399	386	759	231
\$40 and under \$50	644	218	685	294	592	162	709	307
\$50 and under \$60	212	82	193	149	375	79	358	225
\$60 and under \$70	143	38	207	67	213	194	208	131
\$70 and under \$80	44	88	13	116	82	175	83	138
\$80 and under \$90	5	13	69	49	10	31	63	28
\$90 and under \$100	200	9	10	16	6	23	139	65
\$100 and under \$125	*18	45	*254	77	86	137	132	270
\$125 and under \$150	-	-	-	-	36	23	27	79
\$150 and under \$175	-	-	-	-	*213	20	10	16
\$175 and under \$200	-	-	-	-	-	-	41	41
\$200 and over	-	-	-	-	-	-	265	63
15 years of service								
Total	7,643	9,605	7,643	9,605	7,643	9,605	7,643	9,605
None ³	601	857	650	850	555	523	552	417
Under \$10	103	109	119	77	122	123	22	42
\$10 and under \$20	1,561	583	601	273	153	436	65	190
\$20 and under \$30	644	705	1,141	1,489	1,060	1,197	249	465
\$30 and under \$40	1,846	3,532	1,760	2,744	1,881	2,285	1,262	2,033
\$40 and under \$50	943	1,884	993	1,679	766	1,710	1,096	2,374
\$50 and under \$60	507	821	472	649	852	765	945	736
\$60 and under \$70	746	305	1,061	721	918	713	903	350
\$70 and under \$80	103	419	126	372	375	395	332	385
\$80 and under \$90	124	126	203	311	242	375	390	224
\$90 and under \$100	192	132	193	159	259	439	569	291
\$100 and under \$125	*273	131	50	186	141	393	560	995
\$125 and under \$150	-	-	230	54	26	105	247	330
\$150 and under \$175	-	-	*44	39	40	90	64	403
\$175 and under \$200	-	-	-	-	*253	58	20	146
\$200 and under \$225	-	-	-	-	-	-	89	122
\$225 and under \$250	-	-	-	-	-	-	215	30
\$250 and over	-	-	-	-	-	-	63	70
20 years of service								
Total	7,930	10,603	7,930	10,603	7,930	10,603	7,930	10,603
None ³	421	545	526	579	493	458	480	330
Under \$10	227	162	107	60	26	71	20	30
\$10 and under \$20	744	332	158	178	38	109	14	78
\$20 and under \$30	1,055	474	695	1,222	233	361	127	318
\$30 and under \$40	746	1,482	1,399	700	831	1,348	256	333
\$40 and under \$50	945	1,524	731	935	1,343	749	531	616
\$50 and under \$60	1,330	3,788	1,359	3,985	1,485	3,630	889	2,551
\$60 and under \$70	1,073	891	936	709	703	640	1,487	1,242
\$70 and under \$80	169	353	260	421	333	438	444	1,342
\$80 and under \$90	187	529	491	540	438	671	338	294
\$90 and under \$100	562	173	663	509	842	395	1,067	386
\$100 and under \$125	412	278	279	520	643	893	655	561
\$125 and under \$150	15	32	39	110	181	473	655	692
\$150 and under \$175	*44	39	229	78	40	196	319	736
\$175 and under \$200	-	-	14	18	23	55	162	254
\$200 and under \$225	-	-	*44	39	225	69	151	436
\$225 and under \$250	-	-	-	-	10	16	30	210
\$250 and under \$275	-	-	-	-	*43	33	18	63
\$275 and under \$300	-	-	-	-	-	-	220	58
\$300 and over	-	-	-	-	-	-	67	75

See footnotes at end of table.

Table 17. Monthly Private Pension Plan Disability Retirement Benefits¹ for Workers Eligible for Social Security Disability Benefits, by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²—Continued

(Workers in thousands)

Monthly benefit	Assumed annual earnings							
	\$ 3,600		\$ 4,800		\$ 6,000		\$ 8,400	
	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
	25 years of service							
Total -----	8,080	10,811	8,080	10,811	8,080	10,811	8,080	10,811
None ³ -----	436	490	443	591	409	391	377	361
Under \$ 10 -----	66	151	22	39	20	30	20	30
\$ 10 and under \$ 20 -----	505	145	178	145	129	179	137	71
\$ 20 and under \$ 30 -----	1,010	508	544	234	132	294	99	202
\$ 30 and under \$ 40 -----	868	1,301	808	1,346	565	301	246	269
\$ 40 and under \$ 50 -----	445	602	911	438	388	332	84	250
\$ 50 and under \$ 60 -----	985	2,224	779	1,780	1,204	1,517	585	1,400
\$ 60 and under \$ 70 -----	1,482	2,011	1,418	2,170	1,404	2,724	1,028	802
\$ 70 and under \$ 80 -----	584	1,866	611	1,709	693	1,604	410	1,293
\$ 80 and under \$ 90 -----	502	505	564	447	523	464	795	245
\$ 90 and under \$ 100 -----	125	294	208	210	291	302	733	1,101
\$ 100 and under \$ 125 -----	835	519	1,039	1,089	1,218	1,074	1,288	1,711
\$ 125 and under \$ 150 -----	40	112	95	342	422	661	440	510
\$ 150 and under \$ 175 -----	153	38	364	131	298	397	407	283
\$ 175 and under \$ 200 -----	444	43	22	37	81	303	621	996
\$ 200 and under \$ 225 -----	-	-	31	66	214	93	265	347
\$ 225 and under \$ 250 -----	-	-	43	37	12	46	114	142
\$ 250 and under \$ 275 -----	-	-	-	-	477	102	67	252
\$ 275 and under \$ 300 -----	-	-	-	-	-	-	255	303
\$ 300 and under \$ 350 -----	-	-	-	-	-	-	29	141
\$ 350 and over -----	-	-	-	-	-	-	80	103
	30 years of service							
Total -----	8,084	10,871	8,084	10,871	8,084	10,871	8,084	10,871
None ³ -----	418	496	422	457	385	313	366	305
Under \$ 10 -----	12	16	42	174	43	100	31	86
\$ 10 and under \$ 20 -----	419	136	9	72	11	40	7	29
\$ 20 and under \$ 30 -----	458	352	545	256	200	305	184	196
\$ 30 and under \$ 40 -----	1,138	1,372	638	299	510	245	178	198
\$ 40 and under \$ 50 -----	589	558	356	383	329	305	172	252
\$ 50 and under \$ 60 -----	561	1,294	905	2,147	541	1,228	233	1,061
\$ 60 and under \$ 70 -----	1,031	1,457	831	1,000	919	697	803	601
\$ 70 and under \$ 80 -----	1,201	1,968	1,157	2,110	1,180	1,692	607	754
\$ 80 and under \$ 90 -----	740	1,474	900	1,482	785	2,282	628	1,195
\$ 90 and under \$ 100 -----	296	651	448	507	456	565	453	261
\$ 100 and under \$ 125 -----	429	720	614	844	577	761	854	479
\$ 125 and under \$ 150 -----	565	217	693	588	1,174	821	1,158	2,304
\$ 150 and under \$ 175 -----	26	58	262	242	316	567	414	439
\$ 175 and under \$ 200 -----	157	58	168	141	270	360	698	400
\$ 200 and under \$ 225 -----	444	43	27	79	262	250	409	680
\$ 225 and under \$ 250 -----	-	-	467	90	29	143	217	511
\$ 250 and under \$ 275 -----	-	-	-	-	20	81	182	225
\$ 275 and under \$ 300 -----	-	-	-	-	10	28	272	104
\$ 300 and under \$ 350 -----	-	-	-	-	467	90	105	490
\$ 350 and under \$ 400 -----	-	-	-	-	-	-	27	160
\$ 400 and over -----	-	-	-	-	-	-	86	142

¹ Computation of benefit amounts was based on current benefit formulas, assuming a constant level of earnings.

² Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

³ No pension was provided because of the deduction of assumed social security disability benefits.

⁴ Where higher benefit amounts were relatively few and widely scattered they were accumulated in this interval.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 18. Monthly Private Pension Plan Disability Retirement Benefits¹ for Workers Ineligible for Social Security Disability Benefits, by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²

(Workers in thousands)								
Monthly benefit	Assumed annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
10 years of service								
Total.....	3,774	3,116	3,774	3,116	3,774	3,116	3,774	3,116
None ³	695	181	695	181	684	154	680	145
Under \$10.....	812	137	38	52	39	60	20	27
\$10 and under \$20.....	499	373	1,175	281	764	135	30	55
\$20 and under \$30.....	484	302	370	340	555	359	558	236
\$30 and under \$40.....	280	161	333	192	391	223	754	201
\$40 and under \$50.....	135	95	180	110	77	122	186	184
\$50 and under \$60.....	289	1,288	238	1,118	440	1,093	403	1,089
\$60 and under \$70.....	137	153	194	111	186	136	123	108
\$70 and under \$80.....	45	106	25	227	85	148	146	186
\$80 and under \$90.....	7	74	87	161	21	91	66	90
\$90 and under \$100.....	215	36	10	16	7	100	134	17
\$100 and under \$125.....	152	126	404	231	247	298	291	326
\$125 and under \$150.....	3	13	1	11	43	76	36	172
\$150 and under \$175.....	7	56	2	13	211	31	16	110
\$175 and under \$200.....	⁴ 14	16	2	6	4	24	48	54
\$200 and under \$225.....	-	-	⁴ 20	67	-	-	262	38
\$225 and under \$250.....	-	-	-	-	1	13	-	-
\$250 and under \$275.....	-	-	-	-	6	43	1	11
\$275 and under \$300.....	-	-	-	-	⁴ 13	11	6	1
\$300 and under \$350.....	-	-	-	-	-	-	7	19
\$350 and over.....	-	-	-	-	-	-	7	46
15 years of service								
Total.....	7,643	9,605	7,643	9,605	7,643	9,605	7,643	9,605
None ³	683	269	683	269	668	233	668	233
Under \$10.....	41	21	51	38	51	38	21	35
\$10 and under \$20.....	1,219	430	477	175	68	167	49	128
\$20 and under \$30.....	567	534	886	544	848	348	120	262
\$30 and under \$40.....	937	866	932	751	1,001	712	544	576
\$40 and under \$50.....	628	1,415	672	530	430	494	731	369
\$50 and under \$60.....	795	942	651	930	1,017	880	910	871
\$60 and under \$70.....	790	689	1,107	1,596	671	527	637	395
\$70 and under \$80.....	707	948	699	767	1,142	1,831	857	712
\$80 and under \$90.....	182	1,239	261	1,458	330	1,286	418	1,071
\$90 and under \$100.....	396	625	429	499	431	583	789	423
\$100 and under \$125.....	520	1,446	335	1,593	447	1,630	968	2,975
\$125 and under \$150.....	13	36	252	209	41	306	223	262
\$150 and under \$175.....	149	114	179	140	207	335	267	481
\$175 and under \$200.....	⁴ 16	29	7	26	266	136	32	278
\$200 and under \$225.....	-	-	8	55	2	15	99	272
\$225 and under \$250.....	-	-	⁴ 14	24	2	11	226	53
\$250 and under \$275.....	-	-	-	-	6	43	53	109
\$275 and under \$300.....	-	-	-	-	⁴ 6	35	-	-
\$300 and under \$350.....	-	-	-	-	-	-	-	-
\$350 and over.....	-	-	-	-	-	-	31	100

See footnotes at end of table.

Table 18. Monthly Private Pension Plan Disability Retirement Benefits¹ for Workers Ineligible for Social Security Disability Benefits, by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²—Continued

Monthly benefit	(Workers in thousands)							
	Assumed annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
	20 years of service							
Total -----	7,930	10,603	7,930	10,603	7,930	10,603	7,930	10,603
None ³ -----	624	229	624	229	606	160	606	160
Under \$10 -----	60	26	50	33	25	64	20	30
\$10 and under \$20 -----	561	221	77	68	18	60	8	63
\$20 and under \$30 -----	930	347	542	241	152	200	96	175
\$30 and under \$40 -----	578	514	1,212	536	673	363	197	291
\$40 and under \$50 -----	795	748	620	550	1,032	408	423	358
\$50 and under \$60 -----	360	1,418	473	1,372	672	1,451	239	1,222
\$60 and under \$70 -----	1,539	897	1,107	761	912	626	1,573	534
\$70 and under \$80 -----	314	542	428	531	449	411	360	382
\$80 and under \$90 -----	414	1,451	749	1,541	564	460	398	320
\$90 and under \$100 -----	436	489	427	511	490	526	712	464
\$100 and under \$125 -----	974	3,077	964	3,072	1,317	4,168	1,106	2,518
\$125 and under \$150 -----	36	423	52	439	297	628	692	1,767
\$150 and under \$175 -----	152	150	389	494	214	367	613	788
\$175 and under \$200 -----	9	36	23	81	38	227	153	403
\$200 and under \$225 -----	135	23	173	96	394	319	331	299
\$225 and under \$250 -----	⁴ 13	11	5	14	19	43	54	242
\$250 and under \$275 -----	-	-	1	13	43	87	19	134
\$275 and under \$300 -----	-	-	⁴ 14	22	-	-	240	231
\$300 and under \$350 -----	-	-	-	-	⁴ 15	36	20	80
\$350 and under \$400 -----	-	-	-	-	-	-	45	84
\$400 and over -----	-	-	-	-	-	-	25	57
	25 years of service							
Total -----	8,080	10,811	8,080	10,811	8,080	10,811	8,080	10,811
None ³ -----	623	227	623	227	605	159	586	150
Under \$10 -----	10	13	20	30	20	30	20	30
\$10 and under \$20 -----	414	106	53	53	9	85	22	36
\$20 and under \$30 -----	681	241	361	115	63	109	33	93
\$30 and under \$40 -----	661	384	641	334	492	219	182	201
\$40 and under \$50 -----	381	422	689	319	329	237	66	216
\$50 and under \$60 -----	875	1,644	706	1,529	1,084	1,375	524	1,310
\$60 and under \$70 -----	712	464	681	453	494	470	637	361
\$70 and under \$80 -----	883	1,072	847	765	776	689	619	532
\$80 and under \$90 -----	641	1,362	526	444	523	349	808	302
\$90 and under \$100 -----	480	506	396	371	607	358	574	337
\$100 and under \$125 -----	784	1,894	1,034	3,176	775	1,730	870	1,465
\$125 and under \$150 -----	570	1,916	762	2,002	1,173	3,387	721	1,617
\$150 and under \$175 -----	74	436	336	325	354	532	357	327
\$175 and under \$200 -----	39	49	48	244	155	301	734	2,147
\$200 and under \$225 -----	105	50	171	325	329	167	502	341
\$225 and under \$250 -----	⁴ 147	27	16	37	40	237	125	236
\$250 and under \$275 -----	-	-	155	27	199	286	289	209
\$275 and under \$300 -----	-	-	⁴ 15	35	7	20	254	242
\$300 and under \$350 -----	-	-	-	-	⁴ 46	73	43	294
\$350 and under \$400 -----	-	-	-	-	-	-	54	266
\$400 and over -----	-	-	-	-	-	-	60	99

See footnotes at end of table.

Table 18. Monthly Private Pension Plan Disability Retirement Benefits¹ for Workers Ineligible for Social Security Disability Benefits, by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²—Continued

		(Workers in thousands)							
Monthly benefits		Assumed annual earnings							
		\$3,600		\$4,800		\$6,000		\$8,400	
		Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
		30 years of service							
Total -----		8,084	10,871	8,084	10,871	8,084	10,871	8,084	10,871
None ³ -----		625	279	624	238	605	159	586	150
Under \$10 -----		10	13	20	30	20	30	20	30
\$10 and under \$20 -----		363	74	3	63	2	21	2	21
\$20 and under \$30 -----		293	139	339	97	32	150	19	81
\$30 and under \$40 -----		712	312	560	233	493	202	167	175
\$40 and under \$50 -----		497	339	193	260	225	204	93	157
\$50 and under \$60 -----		549	1,340	765	1,219	548	1,209	242	1,119
\$60 and under \$70 -----		1,112	797	841	653	860	441	830	447
\$70 and under \$80 -----		616	639	575	546	492	547	356	470
\$80 and under \$90 -----		537	333	716	341	579	263	476	216
\$90 and under \$100 -----		759	1,817	781	722	874	635	687	419
\$100 and under \$125 -----		879	1,774	872	2,914	606	1,477	666	562
\$125 and under \$150 -----		216	732	330	629	741	710	660	1,219
\$150 and under \$175 -----		578	1,854	971	1,980	923	3,287	767	1,592
\$175 and under \$200 -----		54	312	85	267	299	386	688	370
\$200 and under \$225 -----		14	38	77	275	296	198	367	1,774
\$225 and under \$250 -----		⁴ 270	79	136	263	187	313	416	561
\$250 and under \$275 -----		-	-	15	56	68	207	292	255
\$275 and under \$300 -----		-	-	⁴ 181	86	14	151	259	148
\$300 and under \$350 -----		-	-	-	-	170	205	328	428
\$350 and under \$400 -----		-	-	-	-	⁴ 50	78	55	312
\$400 and under \$500 -----		-	-	-	-	-	-	55	269
\$500 and over -----		-	-	-	-	-	-	53	95

¹ See footnote 1, table 17.

² See footnote 2, table 17.

³ No pension was provided to workers ineligible for social security disability benefits.

⁴ See footnote 4, table 17.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 19. Median Monthly Private Pension Plan Disability Benefits for Workers Eligible for Social Security Disability Benefits, at Selected Assumed Annual Earnings Levels and Service Periods, by Industry, Winter 1962-63

Industry	Assumed annual earnings levels and service periods			
	\$ 4,800		\$ 8,400	
	15 years	20 years	15 years	20 years
All industries ¹ -----	\$ 39	\$ 51	\$ 42	\$ 65
Mining -----	39	52	39	76
Contract construction -----	36	48	36	48
Manufacturing -----	39	52	42	60
Transportation -----	50	50	50	50
Communications and public utilities -----	21	21	41	76
Wholesale and retail trade -----	39	40	42	54
Wholesale trade -----	38	40	39	40
Retail trade -----	42	55	91	111
Finance, insurance, and real estate -----	75	100	165	209
Services -----	24	46	24	56

¹ Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 20. Median Monthly Private Pension Plan Disability Benefits for Workers Ineligible for Social Security Disability Benefits, at Selected Assumed Annual Earnings Levels and Service Periods, by Industry, Winter 1962-63

Industry	Assumed annual earnings levels and service periods			
	\$ 4,800		\$ 8,400	
	15 years	20 years	15 years	20 years
All industries ¹ -----	\$ 68	\$ 85	\$ 90	\$ 100
Mining -----	90	100	100	100
Contract construction -----	36	48	38	50
Manufacturing -----	80	90	90	100
Transportation -----	50	50	50	50
Communications and public utilities -----	60	85	105	140
Wholesale and retail trade -----	36	40	39	51
Wholesale trade -----	29	36	30	36
Retail trade -----	42	56	94	120
Finance, insurance, and real estate -----	120	133	210	233
Services -----	30	60	50	73

¹ Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Chapter IV. Early Retirement

In contrast to disability retirement, which may be regarded as a special type of early retirement designed expressly for workers who are permanently incapacitated, regular early retirement provisions cover situations where, for other reasons, retirement before normal retirement age (usually age 65) appears desirable or necessary. For example, some workers may desire to retire early because of ill health, loss of skill, or other personal reasons. For these and other reasons related to changes in manpower requirements, employers may also wish to retire workers before the normal retirement age.

Early retirement provisions permit workers meeting specified age or service requirements, or both, to retire on an immediate, reduced monthly retirement benefit payable for life.⁵⁶ The benefits are usually much less than those for disability retirement because, as pointed out in the previous chapter, disability retirement benefits are frequently equal to or greater than normal retirement benefits for equivalent earnings and service. Although early retirement benefits are always payable immediately, some plans allow the worker to defer the receipt of benefits until he reaches normal retirement age, when they are payable in the full amount.

Prevalence of Early Retirement Provision and Minimum Requirements⁵⁷

About 3 out of 4 private pension plans, with the same proportion of workers, provided early retirement (table 21). The provision was far more common among single-employer plans than among multiemployer plans. This marked difference was also reflected in the greater prevalence of early retirement provisions in contributory plans, in plans not mentioned in collective bargaining agreements, and in salaried workers' plans. The prevalence of early retirement provisions among industries was also strongly influenced by the presence of multiemployer plans.

In general, length-of-service requirements for early retirement were not significantly different from those for disability retirement. Fifteen years of service was the most common requirement for early retirement as it was for disability retirement—more than 1 out of 4 plans and workers (table 22). Ten years were needed in a sixth of the plans with a fourth of the workers. A fourth of the workers were in plans requiring 20 years or more of service, and a fifth of the workers were in plans specifying less than 10 years.

Minimum age requirements, on the other hand, were much more common for early than for disability retirement, and where specified, were at higher ages. Almost 95 percent of the plans with early retirement, with over 85 percent of the workers, stipulated age 55 or 60. The combinations of age 55 and 10 or 15 years of service were specified in plans with over 20 percent of the workers. Another 30 percent were in plans requiring the attainment of age 60 and 10 or 15 years of service.

⁵⁶ If the full accrued benefit is payable before the normal retirement age specified in the plans, it is regarded in this study as a normal retirement benefit unless the employer's consent is required. (See definition of normal retirement age on p. 5.)

⁵⁷ This section summarizes detailed data appearing in BLS Bulletin 1407, 1964, op. cit., pp. 24-35.

The employer's consent or his request—a condition not present in disability retirement—was required by almost half the plans with early retirement, covering two-fifths of the workers.

Conditions for early retirement	Plans		Workers	
	Number	Percent	Number (thousands)	Percent
All plans with early retirement -----	12,099	100.0	11,786	100.0
Solely at employee's option -----	6,327	52.3	7,133	60.5
Employer's consent or request required -----	5,772	47.7	4,653	39.5
With employer's consent -----	5,369	44.4	3,729	31.6
At employer's request -----	89	.7	273	2.3
At employer's request or consent -----	247	2.0	389	3.3
Under mutually satisfactory conditions -----	55	.5	219	1.8
Other -----	12	.1	43	.4

NOTE: Because of rounding, sums of individual items may not equal totals.

Almost all of these plans were single-employer plans, because only a small number of multiemployer plans had early retirement provisions. Furthermore, in multiemployer plans with early retirement provisions, there would be great difficulty in deciding which employer's consent must be obtained.

Benefits Payable Under Early Retirement

To compensate for the longer period of time over which they are likely to be paid, early retirement benefits were usually computed by reducing the accrued normal retirement benefit by a factor determined by the worker's age at retirement. In addition, early retirement benefits were smaller than normal benefits because the worker would, of course, have less service accumulated at early retirement. However, not all workers retiring at age 60 would receive smaller benefits than they would be entitled to at 65, apart from the reduction due to shorter service. About 1,200,000 workers were in plans that did not require a reduction in benefits at age 60; about a million were in plans with normal retirement at 60 (usually with early retirement at lower ages); and almost 200,000 were in plans that paid the same benefits at age 60 as at age 65.⁵⁸

Early retirement benefits were always payable immediately upon retirement, and in about half the plans, covering the same proportion of workers, monthly benefits had to start at that time.⁵⁹ The remaining plans permitted the worker to defer the receipt of benefits until normal retirement age or, in some plans, until any earlier age at which he was eligible.

Time of benefit payment	Percent	
	Plans	Workers
All plans with early retirement -----	100.0	100.0
Immediately only -----	50.1	47.6
Immediately or at age 65 -----	22.0	34.9
Immediately or any time up to age 65 -----	27.9	17.6

NOTE: Because of rounding, sums of individual items may not equal totals.

⁵⁸ The normal retirement age in these plans was 65 because the employer's consent was required to retire prior to that age.

⁵⁹ Includes 169 plans with 1.2 million workers which provided unreduced benefits. Since benefits are not increased (except for service) in the event of postponement, in most instances, workers retiring early in these plans would receive benefits immediately.

The chief advantage of postponing the receipt of benefits until normal retirement age is, of course, that a higher benefit would be paid. For example, an actuarial equivalent⁶⁰ typically results in a male worker receiving at age 60 roughly two-thirds of the benefit payable at age 65. If the benefit was deferred until age 65, he would receive the full benefit based on service to early retirement date, an increase of about 50 percent.

The type of employer unit and the method of financing did not appear to be related to the availability of the deferment privilege; about half the plans of each type permitted deferments (table 23). Benefits could not be deferred, however, in a third of the negotiated plans and in three-fifths of those not under collective bargaining. In most industries, at least half the plans permitted deferment (table 24). However, in construction, transportation, and wholesale and retail trade, two-fifths or less of the plans permitted it. Still fewer plans in the communications and public utilities industry permitted a choice, chiefly because the deferment of benefits would not result in larger monthly benefits.

The size of the reduction of the normal benefit payable at age 65 varied widely for retirement between ages 60 and 65. Actuarial reductions were most common, accounting for two-thirds of the plans and nearly half the workers. Another fourth of the plans with over a third of the workers provided benefits reduced by a uniform percentage factor, most frequently one-half of 1 percent or six-tenths of 1 percent for each month prior to normal retirement age. (See tables in appendix B.) For the remainder, a table of factors for reduced benefit amounts was usually applied that showed no uniformity from age to age.⁶¹

Reduction factor for early retirement at age 60	Percent	
	Plans	Workers
All plans with early retirement -----	100.0	100.0
No reduction ¹ -----	1.4	9.9
Actuarial -----	66.7	49.4
Uniform percent for each month prior to age 65 -----	23.4	35.6
Table of reduction factors not uniform ² -----	6.9	3.6
Table of reduced benefit amounts ² -----	.3	.8
Other -----	1.3	.9

¹ Includes 57 plans, covering 966,000 workers, with normal retirement at age 60 and early retirement at ages earlier than 60.

² Not based on uniform monthly reduction; often an approximate actuarial reduction.

NOTE: Because of rounding, sums of individual items may not equal totals.

The reduction factors for retirement as early as age 55 were usually the same as at age 60 since most plans applied a uniform reduction factor regardless of age at early retirement. Among plans using different factors, however, many plans using a uniform percentage factor at age 60 applied an actuarial reduction to determine benefits below that age.

As previously discussed, full benefits were provided at age 60 by 169 plans covering 1.2 million workers, or about 1 out of 10 workers in plans with retirement at age 60.⁶² In some of these plans, such as those in the Bell Telephone System, workers could also retire on full benefits as early as age 55 (provided service requirements are met).

⁶⁰ For definition of actuarial equivalent, see footnote 44.

⁶¹ For greater detail on actuarial factors, see BLS Bulletin 1407, 1964, op. cit., pp. 28-29.

⁶² Some plans, such as the Electrical Workers (IBEW) National Plan, the United Mine Workers, and the Central States Teamsters Plan, did not have early retirement but had normal retirement at age 60 or earlier. These are not included in the discussion above.

Illustrations of early retirement benefits computed with several types of reduction factors are shown below as a percentage of the normal retirement benefit.

Retirement age	Type of reduction and percent of normal retirement benefit				
	Actuarial (steel)	Actuarial (other plan)	0.6 percent per month (auto)	0.25 percent per month ages 65-60; 0.583 percent per month ages 59-55	Table of factors (not uniform)
	Percent				
65 (normal) -----	100.00	100.00	100.00	100.00	100.00
64 -----	91.84	90.90	92.80	97.00	90.59
63 -----	84.60	82.90	85.60	94.00	82.36
62 -----	79.14	75.90	78.40	91.00	75.14
61 -----	72.36	69.70	71.20	88.00	68.76
60 -----	67.18	64.20	64.00	85.00	63.12
59 -----	-	59.40	-	78.00	58.09
58 -----	-	55.00	-	71.00	53.61
57 -----	-	51.10	-	64.00	49.59
56 -----	-	47.60	-	57.00	45.98
55 -----	-	44.40	-	50.00	42.72

Reduction factors in single-employer plans differed sharply from those in multiemployer plans. Single-employer plans usually provided that the actuarial equivalent be paid to early retirees, while multiemployer plans most frequently specified the percentage reduction. This difference in treatment of early retirement benefits was also reflected in the distributions by collective bargaining status and method of financing. Plans under collective bargaining usually used uniform reduction factors, and nonbargained plans usually used an actuarial reduction. (See appendix B.) Similarly, noncontributory plans usually specified percentage reduction factors while contributory plans more frequently used actuarial reductions.

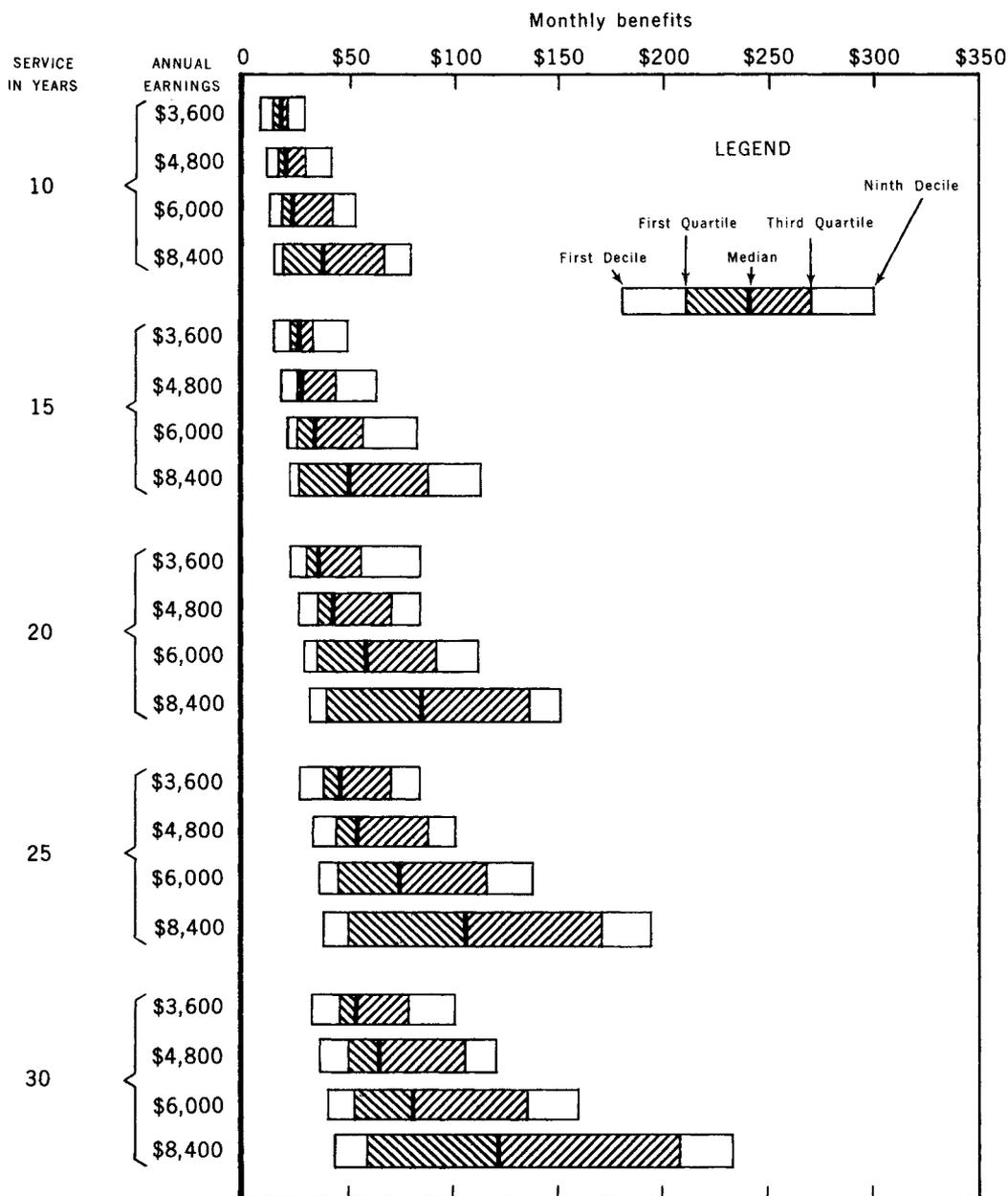
Level of Benefits

Benefits were computed for retirement at ages 60 and 55 under assumptions similar to those previously used for normal and disability retirement. (See p. 11.) In addition, where benefits were reduced actuarially and the factors to be applied were not stated, the actuarial reduction factors commonly used for male workers were applied (32.8 percent at age 60 and 51.8 percent at age 55).

Retirement benefits at age 60 for assumed earnings levels and service periods⁶³ are shown in table 25. The dispersion of early retirement benefits at age 60 for the middle 50 percent and middle 80 percent of the worker distribution resembled that for normal retirement benefits (chart 8). Benefits for the middle 80 percent of workers with 20 years of service and earning \$4,800, for example, ranged from \$26 to \$89 a month, while the middle 50 percent of the range was between \$35 and \$70 a month. These ranges (the middle 50 and middle 80 percent) were, of course, wider at higher earnings and service levels. Similarly, chart 9 and table 26 show the range of benefits for workers retiring at age 55 at various earnings and service levels. The smaller benefits provided for retirement at age 55 tended to narrow the range of benefits; nevertheless, the reductions in the size of benefits were, on the whole, too slight to have much effect on the range.

⁶³ Includes some plans with normal retirement at age 60 and early retirement at earlier ages, and a few plans with normal retirement at age 60 and no early retirement provisions. However, money purchase plans and other plans for which benefits could not be computed were excluded.

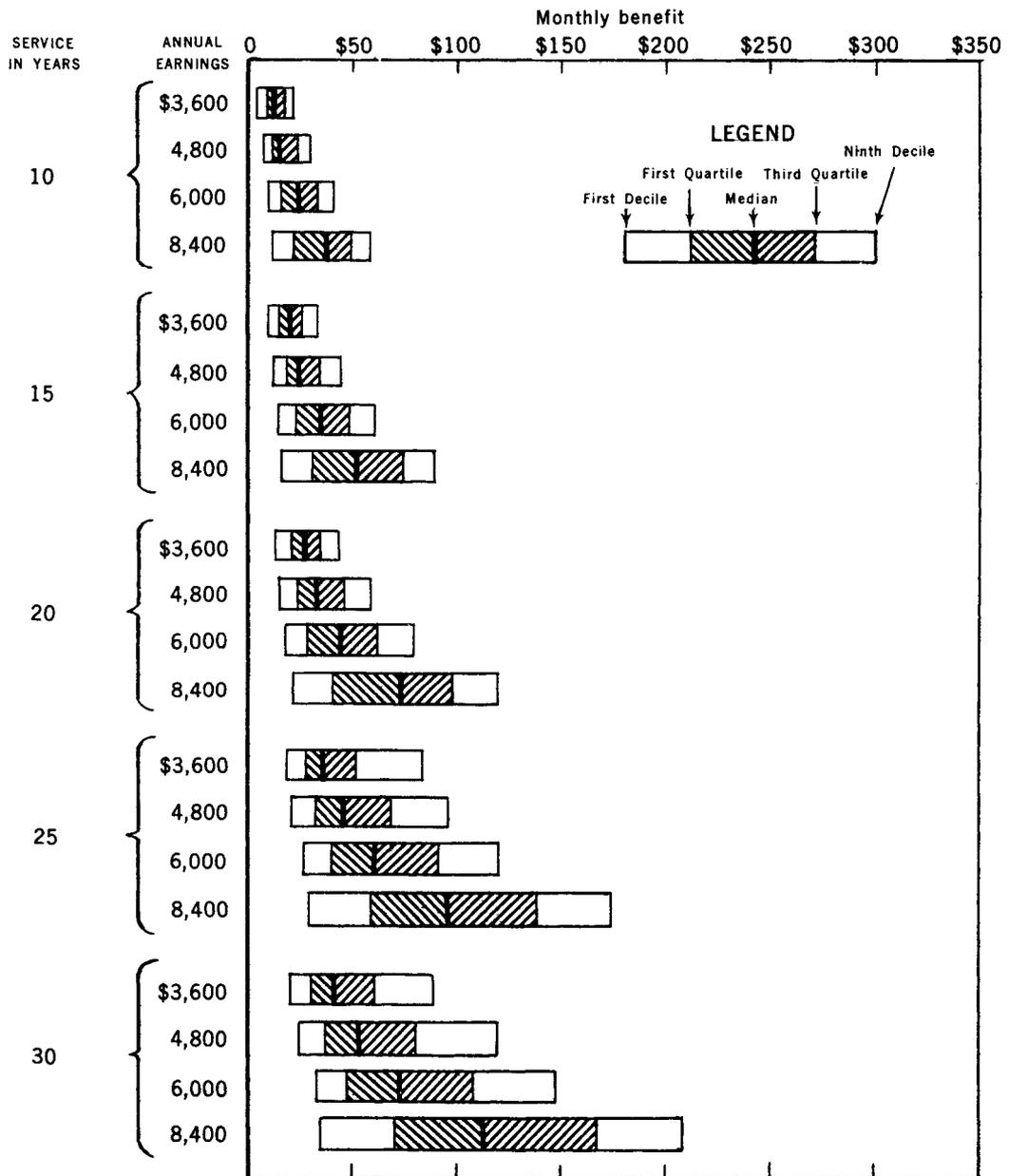
Chart 8. Monthly Early Retirement Benefits¹ for Workers Retiring at Age 60, by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²



¹ Median monthly benefits and ranges within which fell 50 percent and 80 percent of the workers.

² Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

Chart 9. Monthly Early Retirement Benefits¹ for Workers Retiring at Age 55, by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²



¹ Median monthly benefits and ranges within which fell 50 percent and 80 percent of the workers.

² Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

Median monthly benefits under the assumed conditions ranged from \$18 to \$122 for retirement at age 60.

Service periods (years)	Annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Median	Inter-quartile range	Median	Inter-quartile range	Median	Inter-quartile range	Median	Inter-quartile range
10 ¹ -----	\$18	\$13-\$20	\$19	\$16-\$29	\$23	\$18-\$42	\$37	\$18-\$66
15 ¹ -----	27	22- 33	28	25- 44	34	26- 57	50	26- 88
20 -----	36	30- 56	42	35- 70	58	35- 92	85	39-136
25 -----	46	38- 70	54	44- 88	74	45-116	107	50-171
30 -----	54	46- 79	65	50-106	82	53-136	122	59-208

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

They ranged only slightly less (i. e., from \$12 to \$113) for retirement at age 55.

Median early retirement benefits after 30 years of service did not exceed 18 percent of preretirement earnings at age 60.

Service periods (years)	Annual earnings			
	\$3,600	\$4,800	\$6,000	\$8,400
	Percent			
10 ¹ -----	6.0	4.8	4.6	5.3
15 ¹ -----	9.0	7.0	6.8	7.1
20 -----	12.0	10.5	11.6	12.1
25 -----	15.3	13.5	14.8	15.3
30 -----	18.0	16.3	16.4	17.4

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

Because of the longer time over which payments are to be made, as has been discussed, early retirement payments are generally lower than normal retirement payments. Median early retirement benefits, however, were generally higher than they would be if accepted actuarial factors were used. Actuarially reduced pensions commencing at age 60 are usually about two-thirds of the normal retirement benefit payable at age 65, and about half the normal pension if they begin at age 55. The reasons for the higher-than-expected early retirement benefit levels are: (1) About 10 percent of the workers were in plans that did not reduce benefits; (2) about 5 percent of the workers were in plans that reduced benefits by less than the actuarial equivalent; and (3) a small number of workers were in plans providing supplements until the worker was eligible for social security benefits.

Similarly, the median benefits payable at age 55 were higher than if the actuarial factors were used in computations for all plans, chiefly because many large industrywide plans providing benefits to workers retiring voluntarily at age 60 did not provide for voluntary early retirement at age 55. As a result, median benefits at age 55 reflected to a greater degree the generous benefits provided by contributory plans.

For the first few years of early retirement, the worker often must rely on plan benefits plus employment income and savings since social security benefits are not payable until age 62, when the worker may elect to receive a permanently reduced benefit. Since primary social security benefits payable at age 62 were \$84 and \$101.60 a month to workers averaging \$3,600 and \$4,800 a year or more at the time of this study, the combined public and private benefits at age 62 provided a median monthly income ranging from \$102 to \$224.⁶⁴

Service periods (years)	Annual earnings			
	\$3,600	\$4,800	\$6,000	\$8,400
10 ¹ -----	\$102	\$121	\$125	\$139
15 ¹ -----	111	130	136	152
20 -----	120	144	160	187
25 -----	130	156	176	209
30 -----	138	167	184	224

¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

Thus, pensioners who retired at age 60 would receive, upon attaining age 62, from 20 to 46 percent of their preretirement earnings. Deferment of primary social security benefits until age 65 would raise the range an additional 5 to 10 percent.

Retirement benefits payable at age 60 differed widely among industries, influenced by methods of financing and types of formulas, as well as by pattern plans in some industries. The highest benefits were provided in the transportation, communications and public utilities, and finance, insurance, and real estate industries.

Industry	Selected annual earnings and service periods			
	\$4,800		\$8,400	
	20 years	30 years	20 years	30 years
All industries ¹ -----	\$42	\$65	\$85	\$122
Mining -----	75	75	75	75
Contract construction -----	32	42	32	42
Manufacturing -----	36	55	66	112
Transportation -----	80	90	118	109
Communications and public utilities -----	80	119	138	209
Wholesale and retail trade ----	43	57	75	113
Wholesale trade -----	45	66	45	84
Retail trade -----	37	59	84	122
Finance, insurance, and real estate -----	69	107	147	221
Services -----	50	76	88	133

¹ Includes industries for which data are not shown separately.

⁶⁴ Had the worker actually retired at age 62, his private plan pension based on actuarial factors would most likely be about 13 percent greater. Private plan benefits for retirement at age 62 were not computed. The inclusion of plans paying normal retirement benefits and supplemental benefits in the computations of benefits for retirement at age 60 does not lend itself to application of an across-the-board actuarial increase.

Two of these industries ranked high because they included many plans that paid unreduced benefits at age 60. The \$80 median benefit in the communications industry for 20 years of service and annual earnings of \$4,800, for example, was largely determined by the \$85 benefit provided by the telephone company plans. The large Teamsters and railroad plans which also provided normal benefits at age 60 exerted a similar influence in the transportation industry.

Generally, benefits for 30 years of service were about 50 percent higher than benefits for 20 years. In the transportation industry, however, median benefits for the longer service periods were not proportionately higher than for the shorter service periods because the former included a number of large plans which provided no benefit for less than 25 years of service. Because the Mine Workers plans provided a uniform benefit of \$75 for 20 or more years of service only, the median benefit in the mining industry at the various earnings and service levels was \$75—high in relation to the benefits at the lower earnings level, provided in other industries. On the other hand, benefits in the finance industry, marked by contributory plans, were among the highest despite the fact that they were usually actuarially reduced.

Benefits in manufacturing, trade, and service industries were somewhat lower than in the industries just discussed mainly because most plans had actuarially reduced benefits. Median benefits ranged from \$37 for 20 years' service to \$133 a month for 30 years. The construction industry, dominated by non-contributory multiemployer plans, had the lowest benefits.

At the \$3,600 and \$4,800 earnings levels, the industrial pattern of median benefits payable at age 55 was generally similar to that payable at age 60, i. e., the same industries had relatively high median benefits. A few variations did occur at the high earnings and low service levels, mainly because some large plans, such as the Teamsters⁶⁵ and Mine Workers plans, did not provide retirement benefits at age 55. Other plans, such as the telephone company plans, required such long service to qualify for benefits at age 55 that they are included only in data for long service workers.

Social Security Adjustment Option

About a fourth of the plans with early retirement, covering approximately a third of the workers, provided a "social security adjustment option,"⁶⁶ under which workers may elect to receive larger-than-usual benefits from the plan before social security benefits are payable, in return for receiving smaller benefits afterwards.

Private plan benefits are adjusted so that, when added to social security benefits, the pensioner receives an approximately uniform combined benefit for life. For example, if the option is elected by a worker retiring at age 60 when eligible under the plan for a monthly benefit of \$95 until age 65, his monthly plan benefit will be increased to \$189 until age 65 and reduced to \$62 there-

⁶⁵ After this study was completed the Central States Teamsters plan was amended to permit retirement as early as age 47. For details, see Digest of 100 Selected Pension Plans Under Collective Bargaining, Late 1964 (BLS Bulletin 1435, 1965), p. 62.

⁶⁶ May be referred to in a plan as a "level income option," "adjustment for Federal old-age benefit," "early retirement equalization income," etc.

after (when the \$ 127 social security benefit is payable). Thus, instead of starting with a lower benefit and having total income increased sharply at age 65, the election of the option gives the pensioner a level income of \$ 189 commencing at age 60 and continuing for life.

In a number of plans, the employer paid the entire cost of the larger initial benefits (usually equal to anticipated social security benefits) until social security benefits were payable. A few plans with normal retirement before age 65, such as the Central States Teamsters plan, have an approximation to the social security adjustment built into the normal retirement benefit formula.⁶⁷

More than a fourth of the single-employer plans with early retirement as compared to nearly two-fifths of the multiemployer plans provided a level income option.

Type of employer unit	Total		With social security adjustment option		Without social security adjustment option	
	Percent					
	Plans	Workers	Plans	Workers	Plans	Workers
All plans with early retirement -----	100.0	100.0	26.5	31.1	73.5	68.9
Single employer -----	100.0	100.0	26.1	31.6	73.9	68.4
Multiemployer -----	100.0	100.0	37.9	26.3	62.1	73.7

NOTE: Because of rounding, sums of individual items may not equal totals.

The prevalence of the option was higher in contributory plans than in non-contributory plans.

Method of financing	Total		With social security adjustment option		Without social security adjustment option	
	Percent					
	Plans	Workers	Plans	Workers	Plans	Workers
All plans with early retirement -----	100.0	100.0	26.5	31.1	73.5	68.9
Noncontributory -----	100.0	100.0	23.3	28.9	76.7	71.1
Contributory -----	100.0	100.0	34.7	37.1	65.3	62.9

NOTE: Because of rounding, sums of individual items may not equal totals.

⁶⁷ The Central States Teamsters plan provided \$200 a month for the first 60 months of retirement and \$90 a month thereafter.

A greater percentage of collectively bargained plans than nonbargained plans contained a level income provision, but the proportion of workers covered was slightly higher in the latter plans.

Collective bargaining status	Total		With social security adjustment option		Without social security adjustment option	
	Plans	Workers	Plans	Workers	Plans	Workers
	Percent					
All plans with early retirement -----	100.0	100.0	26.5	31.1	73.5	68.9
Mentioned in a collective bargaining agreement -----	100.0	100.0	37.2	30.4	62.8	69.6
Not mentioned in a collective bargaining agreement -----	100.0	100.0	20.1	32.6	80.0	67.5

NOTE: Because of rounding, sums of individual items may not equal totals.

The distribution of the option by industry was fairly uniform; about a third of the plans in the manufacturing, transportation, and retail trade industries provided the option. However, approximately 45 percent of the plans with only about 20 percent of the workers in the construction industry had the option. Only about 20 percent of the plans in mining, communications and public utilities, and service industries had the provision.

Industry	Total		With social security adjustment option		Without social security adjustment option	
	Plans	Workers	Plans	Workers	Plans	Workers
	Percent					
All plans with early retirement ¹ -----	100.0	100.0	26.5	31.1	73.5	68.9
Mining -----	100.0	100.0	21.5	22.7	78.5	77.3
Contract construction -----	100.0	100.0	46.2	21.9	53.8	78.1
Manufacturing -----	100.0	100.0	30.9	33.9	69.1	66.2
Transportation -----	100.0	100.0	33.1	30.7	66.9	69.3
Communications and public utilities -----	100.0	100.0	19.0	16.0	81.0	83.9
Wholesale and retail trade -----	100.0	100.0	14.2	34.9	85.8	65.1
Wholesale trade -----	100.0	100.0	11.6	35.3	88.4	65.0
Retail trade -----	100.0	100.0	28.1	34.9	71.9	65.1
Finance, insurance, and real estate -----	100.0	100.0	12.0	26.2	88.0	73.8
Services -----	100.0	100.0	21.1	27.1	78.9	72.9

¹ Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 21. Early Retirement Provisions in Private Pension Plans by Industry, Winter 1962-63

Industry	(Workers in thousands)					
	All plans		With early retirement		Without early retirement	
	Number	Workers ¹	Plans	Workers ¹	Plans	Workers ¹
All plans studied	² 15,818	² 15,621	12,099	11,786	3,719	3,835
Mining	316	327	312	119	4	208
Contract construction	449	1,072	156	343	293	729
Manufacturing	9,257	9,678	7,409	7,981	1,848	1,697
Transportation	673	1,286	496	644	177	642
Communications and public utilities.....	849	1,270	600	1,184	249	87
Wholesale and retail trade	1,627	920	1,271	690	356	230
Wholesale trade	1,147	479	1,075	337	72	142
Retail trade	480	440	196	352	284	88
Finance, insurance, and real estate	1,853	733	1,439	660	414	73
Services	719	308	341	140	378	168

¹ Active workers in 1961.² Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 22. Minimum Age and Service Requirements for Early Retirement in Private Pension Plans, Winter 1962-63¹

Minimum service requirements ² (years)	(Workers in thousands)											
	All plans		Minimum age requirements ³									
			No age requirement		50		55		60		Other	
Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	
All plans with early retirement	12,099	11,786	289	1,120	115	345	7,761	5,567	3,647	4,522	287	233
No service requirement	489	552	12	43	15	14	379	378	33	91	50	25
1-4	2,492	1,536	157	52	17	58	1,931	1,067	387	359	-	-
5	936	547	11	23	1	5	811	455	112	55	1	10
6-9	313	93	-	-	-	-	313	93	-	-	-	-
10	2,140	2,859	1	7	51	57	937	1,019	1,045	1,673	106	103
11-14	273	155	-	-	-	-	150	106	121	30	2	18
15	3,270	3,157	1	4	16	66	2,108	1,469	1,020	1,556	125	62
16-19	40	57	-	-	-	-	29	30	11	26	-	-
20	1,446	1,135	4	16	8	61	867	738	564	305	3	15
21-24	10	24	-	-	-	-	7	18	3	5	-	-
25	429	355	3	45	5	20	150	133	271	158	-	-
26-29	49	10	19	7	-	-	30	3	-	-	-	-
30	191	1,273	61	907	2	63	48	40	80	263	-	-
Over 30	21	33	20	16	-	-	1	17	-	-	-	-

¹ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.² For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.³ Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 23. Time of Benefit Payment for Early Retirement in Private Pension Plans by Type of Employer Unit, Method of Financing, and Collective Bargaining Status, Winter 1962-63¹

(Workers in thousands)

Item	All plans		Time of benefit payment					
			Immediately only		Immediately or at age 65		Immediately or any time up to age 65	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans with early retirement----	12,099	11,786	6,063	5,605	2,660	4,110	3,376	2,071
<u>Type of employer unit</u>								
Single employer-----	11,735	10,657	5,876	4,829	2,596	3,897	3,263	1,931
Multiemployer-----	364	1,129	187	778	64	213	113	140
<u>Method of financing</u>								
Noncontributory-----	8,763	8,589	4,325	3,842	1,922	3,445	2,516	1,302
Contributory-----	3,336	3,197	1,738	1,763	738	665	860	769
<u>Collective bargaining status</u>								
Mentioned in a collective bargaining agreement-----	4,511	7,680	1,571	3,587	1,624	3,090	1,316	1,003
Not mentioned in a collective bargaining agreement-----	7,588	4,106	4,492	2,018	1,036	1,020	2,060	1,068

¹ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 24. Time of Benefit Payment for Early Retirement in Private Pension Plans by Industry, Winter 1962-63¹

(Workers in thousands)

Industry	All plans		Time of benefit payment					
			Immediately only		Immediately or at age 65		Immediately or any time up to age 65	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans with early retirement --	² 12,099	² 11,786	6,063	5,605	2,660	4,110	3,376	2,071
Mining-----	312	119	104	43	15	17	193	59
Contract construction-----	156	343	95	313	4	3	57	27
Manufacturing-----	7,409	7,981	3,466	2,994	2,277	3,536	1,666	1,451
Transportation-----	496	644	324	476	95	82	77	87
Communications and public utilities-----	600	1,184	484	1,038	32	76	84	70
Wholesale and retail trade-----	1,271	690	919	347	131	221	221	121
Wholesale trade-----	1,075	337	791	170	121	123	163	44
Retail trade-----	196	352	128	177	10	98	58	77
Finance, insurance, and real estate-----	1,439	660	613	337	98	137	728	186
Services-----	341	140	49	45	8	38	284	57

¹ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

² Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 25. Monthly Private Pension Plan Early Retirement Benefits¹ for Workers Retiring at Age 60 by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²

Monthly benefit	(Workers in thousands)							
	Assumed annual earnings							
	\$ 3,600		\$ 4,800		\$ 6,000		\$ 8,400	
	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
10 years of service								
Total -----	6,502	5,722	6,502	5,722	6,502	5,722	6,502	5,722
None ³ -----	246	180	181	169	153	110	104	72
Under \$10 -----	1,404	479	1,158	254	418	183	374	122
\$10 and under \$20 -----	2,889	3,372	2,368	2,729	2,593	2,140	1,481	1,763
\$20 and under \$30 -----	897	1,122	1,143	1,194	911	932	1,279	574
\$30 and under \$40 -----	562	236	812	731	925	655	823	452
\$40 and under \$50 -----	103	78	275	240	660	992	402	437
\$50 and under \$60 -----	136	55	123	104	226	274	556	518
\$60 and under \$70 -----	10	115	178	189	117	149	221	514
\$70 and under \$80 -----	224	27	1	19	51	57	529	676
\$80 and under \$90 -----	420	58	8	9	183	51	191	157
\$90 and under \$100 -----	-	-	24	18	1	19	16	81
\$100 and under \$125 -----	-	-	4231	68	36	15	212	189
\$125 and under \$150 -----	-	-	-	-	4228	45	57	101
\$150 and over -----	-	-	-	-	-	-	257	66
15 years of service								
Total -----	9,647	8,947	9,647	8,947	9,647	8,947	9,647	8,947
None ³ -----	243	213	191	207	169	143	163	119
Under \$10 -----	642	138	352	50	218	40	215	32
\$10 and under \$20 -----	1,923	1,087	1,483	775	687	434	535	380
\$20 and under \$30 -----	3,664	4,633	2,896	3,909	2,802	3,482	1,672	3,001
\$30 and under \$40 -----	1,555	1,272	1,849	1,224	1,593	761	886	407
\$40 and under \$50 -----	843	680	1,651	1,106	1,513	1,167	1,406	430
\$50 and under \$60 -----	430	273	385	592	1,070	791	1,135	568
\$60 and under \$70 -----	57	131	363	342	546	628	496	571
\$70 and under \$80 -----	224	180	125	115	184	425	603	637
\$80 and under \$90 -----	2	28	30	150	382	300	750	606
\$90 and under \$100 -----	8	9	55	90	119	141	311	366
\$100 and under \$125 -----	38	277	213	329	97	420	826	1,146
\$125 and under \$150 -----	418	24	7	16	205	149	284	293
\$150 and under \$175 -----	-	-	47	43	15	25	85	197
\$175 and under \$200 -----	-	-	-	-	429	43	18	104
\$200 and over -----	-	-	-	-	-	-	262	89
20 years of service								
Total -----	11,272	11,422	11,272	11,422	11,272	11,422	11,272	11,422
None ³ -----	205	161	122	234	105	183	105	183
Under \$10 -----	92	130	51	39	5	12	-	-
\$10 and under \$20 -----	1,312	441	902	261	449	258	425	179
\$20 and under \$30 -----	2,836	1,723	2,271	1,299	1,495	675	1,025	609
\$30 and under \$40 -----	3,167	4,316	2,199	3,455	1,971	3,140	1,033	1,934
\$40 and under \$50 -----	1,556	1,219	2,026	1,221	1,775	780	861	1,127
\$50 and under \$60 -----	922	826	1,471	861	1,414	721	1,134	375
\$60 and under \$70 -----	520	483	743	968	789	1,127	616	411
\$70 and under \$80 -----	331	408	264	782	904	850	849	611
\$80 and under \$90 -----	42	928	283	1,234	729	738	851	423
\$90 and under \$100 -----	190	201	455	265	463	514	704	562
\$100 and under \$125 -----	51	268	377	377	691	1,669	1,625	1,613
\$125 and under \$150 -----	18	267	35	337	335	429	952	2,156
\$150 and under \$175 -----	430	49	29	21	73	216	530	473
\$175 and under \$200 -----	-	-	15	26	1	19	178	361
\$200 and under \$225 -----	-	-	429	42	36	45	274	157
\$225 and under \$250 -----	-	-	-	-	437	34	28	131
\$250 and under \$275 -----	-	-	-	-	-	-	5	26
\$275 and over -----	-	-	-	-	-	-	77	91

See footnotes at end of table.

Table 25. Monthly Private Pension Plan Early Retirement Benefits¹ for Workers Retiring at Age 60 by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²—Continued

(Workers in thousands)

Monthly benefit	Assumed annual earnings							
	\$ 3,600		\$ 4,800		\$ 6,000		\$ 8,400	
	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
25 years of service								
Total -----	11,677	11,791	11,677	11,791	11,677	11,791	11,677	11,791
None ³ -----	117	186	118	165	97	115	72	101
Under \$10 -----	80	37	25	109	20	97	10	75
\$10 and under \$20 -----	746	243	316	158	261	106	256	77
\$20 and under \$30 -----	1,843	882	1,285	510	535	344	526	292
\$30 and under \$40 -----	2,476	1,774	1,987	1,242	1,378	722	965	654
\$40 and under \$50 -----	2,740	3,876	1,961	3,219	1,466	2,966	791	1,709
\$50 and under \$60 -----	1,414	1,156	1,704	1,064	1,709	738	633	350
\$60 and under \$70 -----	728	638	1,238	848	693	434	638	1,027
\$70 and under \$80 -----	934	843	1,228	1,064	1,693	1,085	1,027	528
\$80 and under \$90 -----	193	1,084	439	651	860	910	649	328
\$90 and under \$100 -----	86	157	365	328	559	461	437	427
\$100 and under \$125 -----	226	510	740	1,754	1,433	1,416	2,082	1,325
\$125 and under \$150 -----	39	291	109	398	674	1,738	1,329	1,289
\$150 and under \$175 -----	23	50	105	150	131	257	745	727
\$175 and under \$200 -----	11	22	5	45	63	248	766	1,806
\$200 and under \$225 -----	⁴ 21	40	22	38	51	77	424	406
\$225 and under \$250 -----	-	-	⁴ 30	48	-	-	138	237
\$250 and under \$275 -----	-	-	-	-	⁴ 54	78	55	129
\$275 and under \$300 -----	-	-	-	-	-	-	74	211
\$300 and over -----	-	-	-	-	-	-	60	93
30 years of service								
Total -----	11,802	12,205	11,802	12,205	11,802	12,205	11,802	12,205
None ³ -----	147	292	144	265	93	151	93	151
Under \$10 -----	32	24	20	44	27	22	-	-
\$10 and under \$20 -----	639	178	254	99	252	125	230	58
\$20 and under \$30 -----	1,080	392	661	327	326	329	298	276
\$30 and under \$40 -----	1,717	926	1,101	714	719	376	398	311
\$40 and under \$50 -----	2,261	1,743	2,035	1,183	1,233	736	1,114	657
\$50 and under \$60 -----	2,716	3,711	1,987	2,983	1,519	2,767	958	1,656
\$60 and under \$70 -----	1,179	1,079	1,080	948	1,035	598	525	234
\$70 and under \$80 -----	608	843	1,065	875	728	790	97	506
\$80 and under \$90 -----	716	459	1,265	735	1,500	604	911	1,071
\$90 and under \$100 -----	237	1,221	730	685	792	669	289	169
\$100 and under \$125 -----	188	751	853	2,149	1,633	1,502	1,523	1,102
\$125 and under \$150 -----	192	188	329	490	1,233	993	1,520	978
\$150 and under \$175 -----	47	307	141	421	322	1,746	1,248	996
\$175 and under \$200 -----	11	30	51	138	190	330	1,003	611
\$200 and under \$225 -----	⁴ 32	62	46	87	68	143	821	1,944
\$225 and under \$250 -----	-	-	⁴ 40	61	48	191	295	537
\$250 and under \$275 -----	-	-	-	-	44	74	243	357
\$275 and under \$300 -----	-	-	-	-	-	-	63	196
\$300 and under \$350 -----	-	-	-	-	⁴ 40	60	85	289
\$350 and over -----	-	-	-	-	-	-	88	107

¹ Computation of benefit amounts was based on current benefit formulas, assuming a constant level of earnings.

² Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

³ No pension was provided because of the deduction of assumed social security benefits.

⁴ Where higher benefit amounts were relatively few and widely scattered they were accumulated in this interval.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 26. Monthly Private Pension Plan Early Retirement Benefits¹ for Workers Retiring at Age 55
by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²

Monthly benefit	(Workers in thousands)							
	Assumed annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
10 years of service								
Total	4,651	3,397	4,651	3,397	4,651	3,397	4,651	3,397
None ³	104	136	139	128	121	79	72	40
Under \$10	1,804	829	1,346	389	841	220	499	135
\$10 and under \$20	1,741	1,851	1,585	1,592	1,476	1,133	732	567
\$20 and under \$30	538	464	855	915	909	847	1,206	627
\$30 and under \$40	217	53	252	229	601	758	662	617
\$40 and under \$50	1	19	197	76	185	213	287	580
\$50 and under \$60	219	16	31	23	110	57	498	493
\$60 and under \$70	⁴ 27	28	29	19	161	33	138	119
\$70 and under \$80	-	-	⁴ 217	26	-	-	93	116
\$80 and under \$90	-	-	-	-	29	19	166	22
\$90 and under \$100	-	-	-	-	-	-	51	24
\$100 and under \$125	-	-	-	-	⁴ 218	38	29	19
\$125 and over	-	-	-	-	-	-	218	38
15 years of service								
Total	6,904	5,057	6,904	5,057	6,904	5,057	6,904	5,057
None ³	89	132	137	130	122	72	122	72
Under \$10	965	305	503	156	165	86	157	65
\$10 and under \$20	3,408	2,187	2,334	1,397	2,099	1,008	1,081	632
\$20 and under \$30	1,493	1,512	2,262	1,656	1,480	970	896	494
\$30 and under \$40	520	627	772	936	1,317	1,123	889	462
\$40 and under \$50	138	154	407	424	720	782	929	651
\$50 and under \$60	231	17	121	113	270	485	926	674
\$60 and under \$70	12	66	78	111	334	230	481	520
\$70 and under \$80	12	32	240	20	88	104	485	659
\$80 and under \$90	⁴ 36	24	2	59	29	69	312	340
\$90 and under \$100	-	-	11	21	30	4	203	122
\$100 and under \$125	-	-	⁴ 37	35	213	89	128	211
\$125 and under \$150	-	-	-	-	⁴ 37	35	248	107
\$150 and over	-	-	-	-	-	-	47	47
20 years of service								
Total	7,833	5,898	7,833	5,898	7,833	5,898	7,833	5,898
None ³	51	81	47	75	42	51	42	51
Under \$10	441	183	66	71	15	32	14	7
\$10 and under \$20	2,296	1,193	1,606	867	655	497	578	348
\$20 and under \$30	3,580	2,441	2,494	1,483	2,138	1,028	1,033	632
\$30 and under \$40	593	1,020	1,744	1,227	1,181	647	278	355
\$40 and under \$50	274	607	843	1,127	1,253	1,285	935	404
\$50 and under \$60	306	116	268	414	930	673	918	416
\$60 and under \$70	188	96	302	262	800	809	972	614
\$70 and under \$80	41	15	295	104	193	242	724	706
\$80 and under \$90	24	86	76	123	177	256	858	514
\$90 and under \$100	10	12	1	5	88	117	210	496
\$100 and under \$125	⁴ 30	50	52	79	270	122	772	830
\$125 and under \$150	-	-	20	27	52	79	370	274
\$150 and under \$175	-	-	⁴ 20	35	21	38	29	99
\$175 and under \$200	-	-	-	-	⁴ 18	23	37	80
\$200 and over	-	-	-	-	-	-	63	73

See footnotes at end of table.

Table 26. Monthly Private Pension Plan Early Retirement Benefits¹ for Workers Retiring at Age 55 by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²—Continued

Monthly benefit	(Workers in thousands)							
	Assumed annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
25 years of service								
Total -----	8,025	7,030	8,025	7,030	8,025	7,030	8,025	7,030
None ³ -----	51	81	47	75	42	51	42	51
Under \$10-----	76	65	64	52	14	27	4	5
\$10 and under \$20-----	1,366	629	756	378	343	206	332	167
\$20 and under \$30-----	2,808	1,616	1,966	859	1,054	552	590	390
\$30 and under \$40-----	2,354	1,764	1,970	1,469	1,626	898	716	455
\$40 and under \$50-----	455	909	1,298	1,059	1,046	597	357	304
\$50 and under \$60-----	448	589	776	809	1,048	1,089	629	404
\$60 and under \$70-----	123	169	231	616	1,021	746	1,039	389
\$70 and under \$80-----	233	148	497	320	450	541	488	305
\$80 and under \$90-----	60	910	137	160	558	534	1,070	576
\$90 and under \$100-----	15	26	78	63	171	224	313	610
\$100 and under \$125-----	5	66	161	1,051	455	423	1,160	1,095
\$125 and under \$150-----	431	59	12	56	153	1,025	846	767
\$150 and under \$175-----	-	-	432	63	15	76	203	304
\$175 and under \$200-----	-	-	-	-	429	43	164	1,070
\$200 and under \$225-----	-	-	-	-	-	-	35	32
\$225 and over-----	-	-	-	-	-	-	37	108
30 years of service								
Total -----	8,121	7,094	8,121	7,094	8,121	7,094	8,121	7,094
None ³ -----	50	81	47	75	42	51	42	51
Under \$10-----	26	34	14	27	4	5	4	5
\$10 and under \$20-----	1,036	421	516	214	220	152	210	130
\$20 and under \$30-----	2,197	1,218	1,276	831	735	436	370	313
\$30 and under \$40-----	2,555	1,668	2,231	949	1,141	639	912	362
\$40 and under \$50-----	975	1,277	1,194	1,185	1,349	728	457	362
\$50 and under \$60-----	654	535	917	757	903	513	116	269
\$60 and under \$70-----	148	430	564	695	1,096	827	474	248
\$70 and under \$80-----	102	169	602	564	627	653	440	316
\$80 and under \$90-----	101	144	237	231	293	572	1,107	377
\$90 and under \$100-----	239	978	196	204	622	450	732	298
\$100 and under \$125-----	5	36	279	1,183	745	619	1,345	1,320
\$125 and under \$150-----	2	44	14	75	199	339	768	799
\$150 and under \$175-----	431	59	4	24	112	1,005	702	641
\$175 and under \$200-----	-	-	5	46	7	28	228	335
\$200 and under \$225-----	-	-	425	37	2	46	148	1,074
\$225 and under \$250-----	-	-	-	-	42	31	29	87
\$250 and under \$275-----	-	-	-	-	-	-	3	47
\$275 and over-----	-	-	-	-	-	-	34	61

¹ See footnote 1, table 25.² See footnote 2, table 25.³ See footnote 3, table 25.⁴ See footnote 4, table 25.

NOTE: Because of rounding, sums of individual items may not equal totals.

Chapter V. Other Features

Private pension plans are tailored to meet the needs of particular individual workers and groups of workers, particular companies, and special situations, such as those arising out of technological change. This chapter deals with vesting, another major benefit; the combinations of benefit provisions in plans; the practice of providing supplementary pensions; and finally, death benefits. While this chapter does not exhaust the unique features of private pension plans, it illustrates their potential flexibility, and highlights several important and growing facets of private plans.

Vested Benefits ⁶⁸

Vesting protects the worker's equity in what may be one of his more valuable assets—the right to a deferred pension benefit if his employment terminates before he is eligible for retirement. In addition, vesting may permit the worker to accumulate and, thus, build up pension benefits from more than one plan. Chances of acquiring rights to benefits from more than one pension plan, however, are limited by age and service requirements and by the far-from-universal adoption of private plans. ⁶⁹

There is a close relationship between vested and normal retirement benefit amounts because both benefits are almost always computed by the same formula. Thus, vested and normal retirement benefits will be equal if earnings and length of service are the same. In some instances, however, the vested pension will be less than the normal pension, even if earnings and service are the same, because some plans provide graded vesting, and the worker may not qualify for a full benefit at termination. In addition, some plans set a minimum benefit for normal benefits but have none for vesting.

For this study, vested benefits were computed for each plan using the same assumptions as for normal retirement benefits. It was also assumed that vested benefits would be payable at normal retirement age, although a fourth of the plans with two-fifths of the workers provided that workers could elect to receive vested benefits in a reduced amount (usually the actuarial equivalent) at an earlier age, most frequently 10 years before normal age.

At the 10-year service level, benefits were computable for almost three-fifths of the plans with vesting covering slightly more than half the workers. In more than 4 out of 5 plans, covering 9 out of 10 workers, vesting was possible with 15 years of service.

Service to qualify for vesting	Percent	
	Plans (cumulative)	Workers (cumulative)
All plans with vesting -----	100.0	100.0
10 years or less -----	57.4	54.1
15 years or less -----	83.8	89.1
20 years or less -----	91.8	96.5
25 years or less -----	99.1	99.6
30 years or less -----	99.6	99.8

⁶⁸ This section supplements detailed data appearing in BLS Bulletin 1407, op. cit., pp. 11–23.

⁶⁹ Ibid., p. 46.

As expected, vested benefits ranged widely at the different service and earnings levels displaying the same characteristics exhibited by the normal benefit distributions. For the middle 80 percent of the workers earning \$4,800 with 20 years of service, the range was \$38 to \$105 a month (chart 10). In contrast, at the \$8,400 level, with the same service, the range was \$48 to \$219 a month.

Median benefits ranged from \$25 for a worker earning \$3,600 with 10 years of service to \$169 for a worker earning \$8,400 with 30 years of service.

Service periods (years)	Annual earnings							
	\$3,600		\$4,800		\$6,000		\$8,400	
	Median	Inter-quartile range	Median	Inter-quartile range	Median	Inter-quartile range	Median	Inter-quartile range
10 ¹ -----	\$25	\$16-\$28	\$28	\$22-\$36	\$28	\$25-\$48	\$37	\$28-\$81
15 ¹ -----	39	34- 45	42	38- 60	50	39- 78	68	39-125
20 -----	52	45- 63	56	50- 82	72	52-110	106	56-175
25 -----	65	56- 80	70	63-108	90	65-139	140	70-221
30 -----	78	68- 90	84	75-127	105	78-165	169	84-267

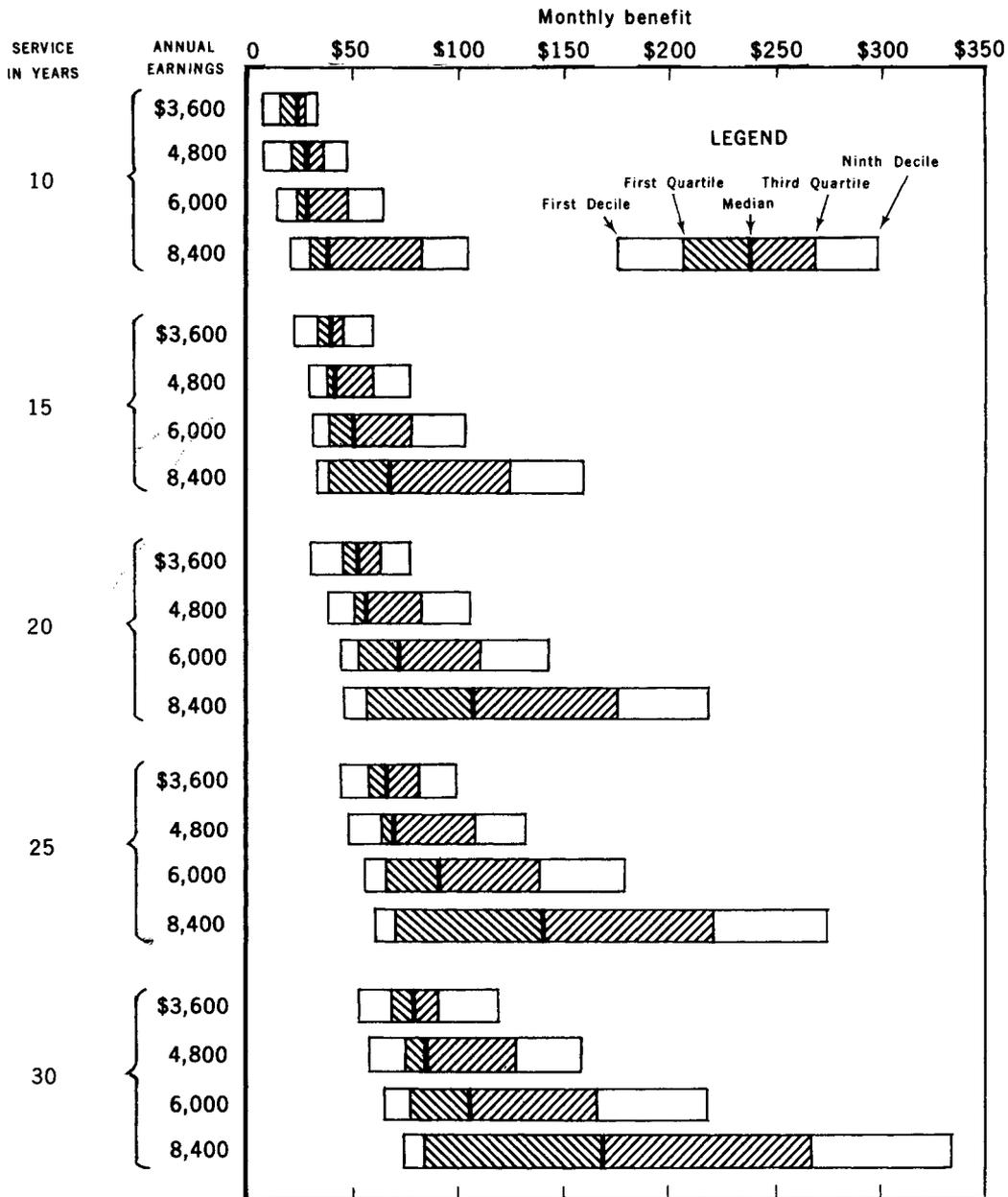
¹ Excludes a substantial number of workers in plans with higher qualifying service requirements.

The point of initial vesting marks an important milestone in the worker's career because he has gained the right to a valuable asset. The value of the median vested benefit to the \$3,600-a-year male worker with 10 years of service would be about \$1,662 if it were purchased for him at age 45, or \$3,550 if purchased at age 65.⁷⁰ At the other end of the scale, the \$8,400-a-year worker with 30 years of service would have the right to an asset amounting to \$11,238 if the median benefit were purchased at age 45, or \$23,998 if purchased at age 65. Other illustrative amounts can be derived from the following tabulation.

Monthly amount payable at age 65	Cost of individual annuities purchased for a man when he is —	
	Age 45	Age 65
\$20 -----	\$1,330	\$2,840
\$30 -----	1,995	4,260
\$40 -----	2,660	5,680
\$50 -----	3,325	7,100
\$60 -----	3,990	8,520
\$70 -----	4,655	9,940
\$80 -----	5,320	11,360
\$90 -----	5,985	12,780
\$100 -----	6,650	14,200
\$120 -----	7,980	17,040
\$140 -----	9,310	19,880
\$160 -----	10,640	22,720

⁷⁰ Computed from the following nonparticipating individual premium rates of a large life insurance company. For the purchase of immediate annuities of \$10 monthly at age 65, \$1,420 for men and \$1,630 for women, and deferred annuities purchased at age 45 of \$10 monthly commencing at age 65, \$665 for men and \$835 for women.

Chart 10. Monthly Vesting Benefits,¹ by Selected Assumed Annual Earnings Levels and Service Periods, Winter 1962-63²



¹ Median monthly benefits and ranges within which fell 50 percent and 80 percent of the workers.

² Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

Combinations of Major Benefit Provisions

The combinations of major benefit provisions—normal, disability, and early retirement, and vesting—determine the extent of protection afforded covered workers by private pension plans. Although one retirement provision may serve as a substitute for another—for example, early retirement for disability retirement, or early retirement for vesting—the substitution usually lacks a key element that may be of great importance in individual situations.

The independent decisions of thousands of employers and unions responsible for private pension plans led to wide variety in plan provisions. Union interest at the inception of a plan usually centers on normal retirement benefit levels. Later, in the light of plan experience and developments in other plans, interest spreads to other provisions, such as total disability protection. Similarly, non-negotiated plans have expanded the variety of benefits. Regardless of the presence or absence of collective bargaining, costs continue to be the overriding constraint on such pension planning decisions.

Prevalence of Major Benefit Provisions. At least one of the major benefits supplementing normal retirement—early and disability retirement and vesting—was found in most plans (table 27). In about a tenth of the plans, however, with about a tenth of the workers, a worker had to reach normal retirement age to receive any plan benefits. On the other hand, a high degree of protection was afforded by 30 percent of the plans with 40 percent of the workers that had all three major benefits that supplement normal retirement. Another sixth of the plans with over a fifth of the workers had disability retirement plus vesting or early retirement, while a small number had disability retirement only. In almost 40 percent of the plans with a fifth of the workers, a disabled worker had to substitute, if possible, early retirement or vesting for the regular disability provision.

Major benefits provided in addition to normal retirement	Percent	
	Plans	Workers
All plans studied -----	100.0	100.0
No other benefit -----	9.4	10.0
Disability, early and vesting -----	30.9	39.1
Disability and early -----	9.9	17.2
Disability and vesting -----	6.0	4.9
Disability only -----	5.0	8.5
Early and vesting -----	27.3	14.4
Early only -----	8.5	4.7
Vesting only -----	3.1	1.1

NOTE: Because of rounding, sums of individual items may not equal totals.

Multiemployer plans were less likely to have major supplemental benefits than single-employer plans; about an eighth of the multiemployer plans with about a third of the workers provided only normal retirement benefits as compared to less than 10 percent of the single-employer plans with fewer than 5 percent of the workers.

Major benefits provided in addition to normal retirement	Single employer		Multiemployer	
	Percent			
	Plans	Workers	Plans	Workers
All plans studied -----	100.0	100.0	100.0	100.0
No other benefit -----	9.2	2.2	12.8	33.6
Disability, early and vesting ---	32.1	49.7	10.8	7.0
Disability and early -----	9.3	18.5	19.0	13.4
Disability and vesting -----	5.4	2.8	15.9	11.3
Disability only -----	3.4	3.0	30.7	25.3
Early and vesting -----	28.7	17.7	3.7	4.6
Early only -----	8.6	4.8	5.8	4.2
Vesting only -----	3.2	1.3	1.3	.7

NOTE: Because of rounding, sums of individual items may not equal totals.

The highest degree of protection was found in single-employer plans—1 out of 3 single-employer plans with 1 out of 2 workers, compared to only 1 out of 10 multiemployer plans with about the same proportion of workers, had all major supplemental benefits. Multiemployer plans concentrated on providing at least disability benefits—30 percent of the multiemployer plans with a fourth of the workers had only disability retirement.

Major supplemental benefits were more prevalent in contributory plans, almost all of which are single-employer plans. About 50 percent of the workers in contributory plans, compared to about 35 percent in noncontributory plans, had all major benefit provisions. On the other hand, about equal proportions of workers—10 percent—in both types of plans had no major supplemental benefits. Most of the remaining contributory plans provided early retirement, or vesting, or both, while the noncontributory plans showed wider variations in pension benefits, typically including disability retirement protection.

Major benefits provided in addition to normal retirement	Noncontributory		Contributory	
	Percent			
	Plans	Workers	Plans	Workers
All plans studied -----	100.0	100.0	100.0	100.0
No other benefit -----	10.1	9.8	7.5	10.5
Disability, early and vesting ---	30.6	36.2	31.7	47.5
Disability and early -----	11.8	21.7	4.9	3.9
Disability and vesting -----	6.3	5.8	5.1	2.2
Disability only -----	5.4	9.7	4.1	4.9
Early and vesting -----	24.8	10.2	33.9	26.9
Early only -----	8.9	5.4	7.1	2.5
Vesting only -----	2.2	1.0	5.5	1.6

NOTE: Because of rounding, sums of individual items may not equal totals.

About 10 percent of the workers in plans mentioned in collective bargaining agreements—mostly multiemployer plans—as compared to about 5 percent of the workers in nonbargained plans had only normal retirement.

About 40 percent of the workers in collectively bargained plans had all major supplemental benefits (mostly accounted for by plans negotiated by the Automobile Workers and Steelworkers) as against about a third of the workers in nonbargained plans. Plans not mentioned in collective bargaining agreements usually had at least vesting and early retirement (about a fourth of the workers were covered), while plans mentioned in collective bargaining agreements usually added early and disability retirement (about a fifth of the workers).

Major benefits provided in addition to normal retirement	Mentioned in a collective bargaining agreement		Not mentioned in a collective bargaining agreement	
	Percent			
	Plans	Workers	Plans	Workers
All plans studied -----	100.0	100.0	100.0	100.0
No other benefit -----	10.4	12.7	8.8	4.2
Disability, early and vesting ---	42.3	40.3	24.3	36.4
Disability and early -----	10.8	18.7	9.4	14.1
Disability and vesting -----	3.6	5.7	7.4	3.3
Disability only -----	7.8	9.4	3.4	6.5
Early and vesting -----	20.8	9.5	31.0	25.3
Early only -----	4.0	3.3	11.1	7.6
Vesting only -----	0.4	0.4	4.6	2.6

NOTE: Because of rounding, sums of individual items may equal totals.

Small plans were less likely than large ones to provide supplemental benefits. Ten percent of the plans with under 1,000 workers as compared to less than 5 percent of the larger plans provided only normal retirement (table 28). All three major benefits—early and disability retirement and vesting—were provided by 2 out of 5 of the largest plans; by over 1 out of 3 of the plans in the 1,000–5,000 size group; and by less than 1 out of 3 of the smaller plans. About 1 out of 5 of the larger plans had early retirement and disability, compared to only 1 out of 10 plans with fewer than 1,000 workers.

Salaried workers' plans generally provided more types of supplemental benefits than those covering only production workers. Chiefly reflecting the lack of protective provisions in multiemployer plans, a fifth of the workers in blue-collar plans were in plans with only normal retirement (table 29). However, blue-collar plans commonly provided all major supplemental benefits (plans with a third of the workers). Many had only disability retirement (plans with a sixth of the workers) or early and disability retirement (plans with a seventh of the workers). On the other hand, only a few salaried workers' plans had only normal retirement, while half the workers were covered by plans with all three major supplemental benefits. Another tenth of the workers in white-collar plans were protected by at least a disability retirement provision. Where both white- and blue-collar workers were covered in the same plan, 2 out of 5 workers were in plans with all major supplemental benefits. Nearly all of the remaining workers belonged to plans with early retirement plus either vesting or disability retirement.

The industry distribution of supplemental benefits exhibited wide diversity, chiefly accounted for by the pattern of coverage of collectively bargained plans, particularly multiemployer plans (table 30).

Supplementary Plans

Since social security old-age benefits comprise a larger fraction of the retirement income of lower paid than of higher paid workers, many private plans¹ counteract this imbalance by making additional pension benefits available to higher paid workers. As has been discussed in chapter II, the normal benefit formula may be designed to integrate with social security by the offset method or the step-rate method. Another method similar to the step-rate method provides extra retirement benefits to eligible employees covered by a basic pension plan (which is usually noncontributory) who elect to make voluntary contributions to a supplementary plan. This method has the advantage of permitting a change in the sources of financing, which is not usually practicable in a single plan. Moreover, the basic plan is often the result of collective bargaining while the supplementary plan is not. Although some supplementary plans are available to all employees, they are usually limited to white-collar workers or to employees with earnings exceeding the amount subject to social security taxes (\$4,800 a year at the time of the study).

About 600,000 workers were covered by more than one plan of a single employer. About 75 percent of these workers were in plans with over 5,000 workers—a greater concentration than was found in basic plans.

Number of workers covered	Plans	Percent	Workers	
			(thousands)	Percent
All supplementary plans -----	489	100.0	596	100.0
Under 200 -----	260	53.2	23	3.9
200 and under 500 -----	154	31.5	42	7.0
500 and under 1,000 -----	15	3.1	12	2.0
1,000 and under 5,000 -----	37	7.6	67	11.2
5,000 and under 10,000 -----	8	1.6	57	9.6
10,000 and under 25,000 -----	10	2.0	139	23.3
25,000 and under 50,000 -----	3	.6	102	17.1
50,000 and over -----	2	(1)	154	25.8

¹ Less than 0.05 percent.

NOTE: Because of rounding, sums of individual items may not equal totals.

Supplementary plans were most common in manufacturing industries—almost 70 percent of the plans with over 90 percent of the workers in supplementary plans. Among manufacturing industries, large firms in the automobile, steel, chemical, and rubber products offered these plans to salaried employees or, less frequently, to all employees with earnings over a certain amount. In nonmanufacturing, such plans were most common in public utilities, covering both salaried and production workers.

Only a small number of supplementary plans covered only production workers; where they did, a separate plan was usually available to salaried workers. About two-fifths of the plans with a third of the workers were combined production and salaried worker plans, and the remainder were limited solely to salaried workers.

Type of worker covered	Percent	
	Plans	Workers
All supplementary plans -----	100.0	100.0
Salaried and production -----	37.6	34.1
Salaried only -----	60.1	62.8
Production only -----	2.2	3.1

NOTE: Because of rounding, sums of individual items may not equal totals.

Regardless of the type of worker covered, these plans usually required that participating employees earn in excess of a specified amount and contribute a specified percentage of their "excess earnings." Benefits in turn were also based solely on excess earnings. The minimum earnings level varied widely because the maximum amounts used to compute social security benefits at the time the plans were adopted or amended have ranged from \$3,000 to \$4,800. However, there were also several plans that based both contributions and supplementary benefits on all earnings.

Benefits Payable Under Supplementary Plans. While the benefit provisions and the age and service requirements of the optional supplementary plan typically differed from those of the associated basic plan, requirements and other provisions (although not the benefit amounts) were identical in 180 plans with about 120,000 workers. These supplementary plans merely added on additional benefits for covered employees. The other supplementary plans often had more liberal provisions than their associated basic plan. For example, 20 percent of the workers in basic plans associated with supplementary plans did not have a vesting provision, but for half these workers, the supplementary plan did have vesting. Almost all of these plans without vesting had an early retirement provision. However, since early retirement required the attainment of a later age than vesting, to vest in full in both plans members would probably have to wait until they qualified for early retirement under the basic plan.

Normal retirement benefit amounts were usually geared to earnings as well as service. For example, for workers earning \$8,400 a year they ranged from \$1.50 to over \$8 for each year of participating service. In most plans, the supplementary plan benefits equaled or exceeded those provided by the basic plan at the same earnings level especially where, as commonly occurred, the basic formula was based solely on service, while the supplementary plan formula was based on both earnings and service.

Death Benefits

Private pension plans, as a rule, do not approach the protection afforded surviving dependents under the Federal social security system.⁷¹ But a substantial number of private plans do offer two means of protecting the survivors of retired as well as active plan members. In some plans the worker directly bears the entire burden of protection by electing a pension with survivor benefits (an option) in place of his earned annuity at the cost of a reduced annuity for himself.⁷² In other plans pensions are automatically continued to the survivors upon the death of retired or active workers.

The two most common options provided by private pension plans are joint and survivor and period-certain. Under the first type, the worker receives a reduced annuity until his death, after which a specified annuity is paid for the lifetime of a designated joint annuitant. A period-certain option assures a reduced annuity for a specified number of payments, but if the pensioner lives beyond the guarantee period, he continues to receive reduced monthly amounts.

⁷¹ In addition to providing lump-sum death benefits, OASDI provides extensive survivors' benefits. See, for example, U.S. Department of Health, Education, and Welfare, Social Security Administration, Your Social Security (OASDI-35, May 1963).

⁷² In some plans, notably those negotiated by the Automobile Workers, the worker only pays part of the cost if he names his spouse as a joint annuitant because the reduction in his benefit is less than actuarial; i.e., the joint and survivor benefit he may elect is of greater actuarial value than the straight life annuity payable if he makes no election.

The analysis in this study was limited to the second of the two methods that private plans use to protect survivors of covered workers, i. e., to the type not dependent upon the workers' election. This includes: (1) Lump-sum payments made to a worker's beneficiary, (2) automatic lifetime continuation of pension payments to survivors of active and retired workers, and (3) automatic continuation of pension payments to survivors for a guaranteed period of time (payment certain guarantee).⁷³

Life insurance protection under a separate health and insurance plan is generally provided for active workers covered by private pension plans but less frequently for survivors of retired workers.⁷⁴ In addition, workers in contributory pension plans are afforded some protection through guaranteed return of their own contributions to the plan.

Death benefit provisions, as defined above, were found in a third of the pension plans covering slightly more than a third of the workers (table 31). While about equal proportions of single-employer and multiemployer plans had them, a somewhat higher percentage of workers in multiemployer plans had this added protection.

Type of employer unit	Total		With death benefits		Without death benefits	
	Plans	Workers	Plans	Workers	Plans	Workers
All plans -----	100.0	100.0	33.1	35.0	66.8	65.0
Single employer -----	100.0	100.0	33.0	33.5	66.9	66.4
Multiemployer -----	100.0	100.0	34.2	39.6	65.7	60.3

NOTE: Because of rounding, sums of individual items may not equal totals.

Death benefits were, however, less common in negotiated plans than in plans not under collective bargaining. Despite this fact, owing to the greater fraction of workers in multiemployer plans with death benefits about equal proportions of workers in plans of both types had some death benefit protection. (See table 31.)

Collective bargaining status	Total		With death benefits		Without death benefits	
	Plans	Workers	Plans	Workers	Plans	Workers
All plans -----	100.0	100.0	33.1	35.0	66.9	65.0
Mentioned in collective bargaining agreement -----	100.0	100.0	20.5	34.2	79.5	65.8
Not mentioned in collective bargaining agreement -----	100.0	100.0	40.4	36.8	60.0	63.1

NOTE: Because of rounding, sums of individual items may not equal totals.

⁷³ Optional survivor benefits were not included in the analysis for this study. For details of the options in a selected group of 300 negotiated plans, see Pension Plans Under Collective Bargaining, Benefits For Survivors, Winter 1960-61 (BLS Bulletin 1334, 1962).

⁷⁴ For example, see Health and Insurance Plans Under Collective Bargaining, Life Insurance and Accidental Death and Dismemberment Benefits, Early Summer 1960 (BLS Bulletin 1296, 1961).

Although jointly-financed plans invariably promise at least the return of worker contributions in the form of pension payments or lump sums (usually with interest) in case of death, a slightly higher porportion of contributory plans had death benefits than did entirely employer-financed plans.

Method of financing	Total		With death benefits		Without death benefits	
	Percent					
	Plans	Workers	Plans	Workers	Plans	Workers
All plans -----	100.0	100.0	33.1	35.0	67.7	65.0
Noncontributory -----	100.0	100.0	31.4	34.2	68.6	65.8
Contributory -----	100.0	100.0	37.8	37.6	62.2	62.4

NOTE: Because of rounding, sums of individual items may not equal totals.

The industry patterns of death benefits provisions showed wide differences. Plans in manufacturing industries had the lowest prevalence of death benefits; less than 30 percent of the plans and workers (table 32). In contrast, in communications and public utilities, a third of the plans with over two-thirds of the workers had them, chiefly because they were provided by all of the telephone company plans. Because several large Teamster plans had death benefits, almost 30 percent of the plans with over half the workers in the transportation industry had this protection. In finance, over half the plans with a slightly lower proportion of workers had a death benefit. In the mining industry, because the Mine Workers plan provides death benefits from another part of the welfare and retirement fund, only a limited number of workers were in plans with survivor protection. While only 30 to 40 percent of the workers in construction, trade, and service industry plans were in plans with death benefits, the proportion was greater than in plans in manufacturing industries.

Table 28. Provisions for Major Supplemental Benefits in Private Pension Plans, by Number of Active Workers Covered, Winter 1962-63

Major supplemental benefits provided	All plans		Number of workers covered					
			Under 1,000		1,000 and under 5,000		5,000 and over	
	Number	Workers ¹	Plans	Workers ¹	Plans	Workers ¹	Plans	Workers ¹
All plans studied -----	15,818	15,621	13,845	2,420	1,490	3,229	483	9,972
No supplemental benefits -----	1,485	1,561	1,393	214	61	129	31	1,218
Disability retirement and—								
No additional benefits-----	796	1,328	643	120	111	227	42	981
Early retirement and vesting--	4,885	6,104	4,166	737	518	1,198	201	4,169
Early retirement-----	1,566	2,693	1,209	295	266	615	91	1,783
Vesting-----	946	770	868	119	60	103	18	548
Without disability retirement with—								
Early retirement and vesting--	4,311	2,257	3,883	603	357	714	71	940
Early retirement-----	1,337	732	1,236	253	74	159	27	320
Vesting-----	492	176	447	79	43	84	2	12

¹ Active workers in 1961.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 29. Provisions for Major Supplemental Benefits in Private Pension Plans by Type of Worker Covered, Winter 1962-63

Major supplemental benefits provided	All plans		Type of worker covered					
			Salaried and production		Production only		Salaried only	
	Number	Workers ¹	Plans	Workers ¹	Plans	Workers ¹	Plans	Workers ¹
All plans studied -----	² 15,818	² 15,621	6,038	6,263	4,925	7,039	3,995	1,584
No supplemental benefits -----	1,485	1,561	827	103	505	1,424	153	33
Disability retirement and—								
No additional benefits-----	796	1,328	241	166	551	1,105	2	5
Early retirement and vesting--	4,885	6,104	950	2,461	1,989	2,316	1,254	794
Early retirement-----	1,566	2,693	634	1,546	672	940	200	127
Vesting-----	946	770	655	215	212	500	21	22
Without disability retirement with—								
Early retirement and vesting--	4,311	2,257	1,841	1,385	791	446	1,651	402
Early retirement-----	1,337	732	561	320	183	271	593	141
Vesting-----	492	176	329	66	22	37	121	60

¹ Active workers in 1961.² Includes workers for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 30. Provisions for Major Supplemental Benefits in Private Pension Plans by Industry, Winter 1962-63

Industry	(Workers in thousands)											
	All plans		No supplemental benefits		Disability retirement and—							
					No additional benefits		Early retirement and vesting		Early retirement		Vesting	
Number	Work-ers ¹	Plans	Work-ers ¹	Plans	Work-ers ¹	Plans	Work-ers ¹	Plans	Work-ers ¹	Plans	Work-ers ¹	
All plans studied	215,818	215,621	1,485	1,561	796	1,328	4,885	6,104	1,566	2,693	946	770
Mining	316	327	2	206	-	-	101	46	50	4	2	2
Contract construction	449	1,072	101	371	141	217	46	94	72	168	42	118
Manufacturing	9,257	9,678	784	638	233	665	3,425	5,080	967	1,313	558	284
Transportation	673	1,286	7	188	169	213	182	253	96	255	1	242
Communications and public utilities	849	1,270	201	13	21	47	143	143	50	748	1	5
Wholesale and retail trade	1,627	920	121	57	80	123	281	139	150	86	22	38
Wholesale trade	1,147	479	7	30	59	78	220	75	130	62	3	28
Retail trade	480	440	114	27	21	45	61	64	20	24	19	10
Finance, insurance, and real estate	1,853	733	5	17	49	13	479	304	164	86	309	33
Services	719	308	264	71	103	49	225	39	11	27	11	47
							Without disability retirement with—					
All plans studied							4,311	2,257	1,337	732	492	176
Mining							59	46	102	23	-	-
Contract construction							27	63	11	18	9	22
Manufacturing							2,345	1,378	672	210	273	110
Transportation							120	50	98	87	-	-
Communications and public utilities							313	206	94	86	26	21
Wholesale and retail trade							702	269	138	196	133	13
Wholesale trade							644	159	81	41	3	6
Retail trade							58	110	57	155	130	7
Finance, insurance, and real estate							580	185	216	85	51	10
Services							99	46	6	28	-	-

¹ Active workers in 1961.² Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 31. Death Benefit Provisions in Private Pension Plans by Type of Employer Unit, Method of Financing, and Collective Bargaining Status, Winter 1962-63

Item	(Workers in thousands)					
	All plans		With death benefit		Without death benefit	
	Number	Workers ¹	Plans	Workers ¹	Plans	Workers ¹
All plans studied	15,818	15,621	5,241	5,472	10,577	10,149
Single employer	14,890	11,742	4,923	3,934	9,967	7,808
Noncontributory	10,657	8,454	3,329	2,520	7,328	5,935
Mentioned in a collective bargaining agreement	3,933	5,668	760	1,554	3,173	4,114
Not mentioned in a collective bargaining agreement	6,724	2,787	2,569	966	4,155	1,821
Contributory	4,233	3,288	1,594	1,415	2,639	1,873
Mentioned in a collective bargaining agreement	1,034	1,495	127	621	907	875
Not mentioned in a collective bargaining agreement	3,199	1,793	1,467	794	1,732	999
Multiemployer	928	3,878	318	1,538	610	2,340
Noncontributory	869	3,212	290	1,467	579	1,745
Mentioned in a collective bargaining agreement	810	3,176	290	1,467	520	1,710
Not mentioned in a collective bargaining agreement	59	36	-	-	59	36
Contributory	59	666	28	71	31	595
Mentioned in a collective bargaining agreement	18	356	11	17	7	339
Not mentioned in a collective bargaining agreement	41	310	17	55	24	256

¹ Active workers in 1961.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 32. Death Benefit Provisions in Private Pension Plans by Industry, Winter 1962-63

Industry	(Workers in thousands)					
	All plans		With death benefit		Without death benefit	
	Number	Workers ¹	Plans	Workers ¹	Plans	Workers ¹
All plans studied	² 15,818	² 15,621	5,241	5,472	10,577	10,149
Mining	316	327	4	35	312	293
Contract construction	449	1,072	264	313	185	759
Manufacturing	9,257	9,678	2,534	2,811	6,723	6,867
Transportation	673	1,286	194	676	479	610
Communications and public utilities	849	1,270	301	873	548	398
Wholesale and retail trade	1,627	920	551	284	1,076	636
Wholesale trade	1,147	479	441	103	706	377
Retail trade	480	440	110	181	370	259
Finance, insurance, and real estate	1,853	733	947	345	906	388
Services	719	308	374	118	345	190

¹ Active workers in 1961.

² Includes industries for which data are not shown separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

Appendix A. Scope and Method of Survey

The chief sources of information for this study were reports and supporting documents filed with the U.S. Department of Labor pursuant to the Welfare and Pension Plans Disclosure Act (PL 85-836, as amended). The administrators of any employee welfare or pension benefit plan, as defined by the act, covering more than 25 workers were required to file with the Department two copies of a description of the plan (D-1 form) within 90 days after the effective date of the act (January 1, 1959) or plan (whichever occurs later), and two copies of the annual financial report (D-2 form) within 120 days (now 150 days) after the end of each calendar, policy, or other fiscal year. By the fall of 1960, annual reports had been filed for over 25,000 pension plans.

The private pension plan and worker coverage estimates in this report differ substantially from similar data for plans on file with the Department's Office of Labor-Management and Welfare-Pension Plan Reports for the same period. About 30 percent fewer plans and about 12 percent fewer workers are included in this study. The fundamental reason for this difference is that many plans reporting that they provided retirement benefits were rejected from the study because they did not provide pension benefits as defined in this study.⁷⁵ Most rejected plans were deferred profit-sharing plans; some were stock bonus and savings plans.⁷⁶

Similarly, coverage estimates in this report differ from estimates of pension benefit coverage by the Department of Health, Education, and Welfare (HEW). The HEW estimates include deferred profit-sharing plans, those of nonprofit organizations and plans with fewer than 26 workers, all of which were excluded from this study. However, as in this study, they also do not include stock bonus and savings plans.

Types of Documents Studied. The D-1 description plan form requires that the following information and documents be submitted:

1. Name and address of the plan.
2. Accounting period of the plan.
3. Type of plan (i.e., welfare, pension, or combination).
4. Group(s) covered by the plan (hourly rate, salaried, or all employees).
5. Industry in which most participants are employed (8 industry divisions are listed).
6. Whether the plan is mentioned in a collective bargaining agreement.
7. Parties making contributions (employer, participants, union).
8. The name and address of the administrator (in multiemployer plans, usually a board of trustees) and the names and addresses of person(s) constituting the administrator, their official positions with respect to the plan, their relationship to the employer and employee organization, and any other offices, positions, or employment held by them.
9. A detailed description of the administration of the plan, including the names of the party or parties performing the following functions: Maintaining records; determining eligibility; processing claims; making determination on appeals; authorizing payments; making payments; authorizing expenses; selecting the insurance carrier, corporate trustee, or service organization; and determining investment policy.
10. The name and address of the party or organization through which benefits are provided.
11. Names, titles, and addresses of any trustee(s) not mentioned under items 8 or 10.
12. Copies of plan documents under which the plan is established and operated, schedule of plan benefits, and a statement of the procedures to be followed under the plan in presenting claims for benefits and for appealing the denial of claims.

⁷⁵ For definition of a pension plan used in this study, see p.1.

⁷⁶ In addition, since sec. 4(b)(4) of the act exempted plans with 25 or fewer employees (amended to "participants" by the 1962 amendments), they were omitted from the study even though reports were voluntarily filed for many of them.

The D-2 form, which in this study was used only to obtain the number of members (active and retired) covered by each plan, also shows, among other items, the assets, liabilities, contributions, benefits paid, and salaries and commissions paid.

The standard documents used in this study are briefly described below. Although these documents are usually necessary to provide a complete description of the establishment and operation of a pension plan as required by the act, other documents or descriptive materials may have been and often were substituted.

1. Collective bargaining agreement between the union(s) and the employer(s) (or association of employers) describing, among other things, the employers' obligation either to make specified contributions to a trust fund or provide specified pension benefits or both.

2. Pension plan stating in full the pension plan adopted by the board of trustees or negotiated by the employers and union, or unilaterally established by the employer. Only simplified booklets issued to plan participants, rather than the full text of the plan, were typically available for insured plans.

3. Master group annuity contract setting forth the full text of the insured pension plan and obligations of the parties.

4. Individual certificates of participation issued to participants under some insured plans.

5. The D-1 and D-2 forms and attachments which give an overall description of the plan and summary financial information.

For certain key characteristics, as explained below, the analysis was based on supporting documents filed by the administrators, rather than on the form itself, supplemented by other sources of information available to the Bureau of Labor Statistics.

Plan administrators indicated on the D-1 form (item 5) the industry division in which most of the participants were employed. Eight broad divisions were listed: Manufacturing; mining; construction; transportation; communications and utilities; wholesale and retail trade; finance, insurance, and real estate; and services. To provide a more informative and meaningful breakdown of the plans studied and to correct errors in reporting (probably mostly due to the lack of industry definitions), each plan was classified into the 2-digit industry groups of the Standard Industrial Classification.⁷⁷ Guidance for this classification was obtained from the D-1 form, and was checked against supporting plan documents. For some plans it was also necessary to check other sources available to the Bureau of Labor Statistics.

Time Periods. Due to a lag in filing and processing reports, the study involved several time periods. The reports studied were selected from a list of all 1960 D-2 reports filed with the U. S. Department of Labor—the latest complete list available at the time of the study. The worker coverage data, however, were obtained from the latest annual financial report (D-2 form) on file. This usually showed average worker coverage during calendar year 1961 or a fiscal year ending in 1961. However, the major characteristics and plan provisions relate to 1962–63, since the plan provision analysis was based on the D-1 plan description form which was up to date at time of the analysis, the winter of 1962–63.⁷⁸

Sampling Method. The study was based on a stratified random sample. The sample was stratified by two key characteristics reported by plan administrators and tabulated by the Office of Labor-Management and Welfare-Pension Reports: (1) The industry division in which most participants are employed, and (2) the number of active and retired workers. All plans with 5,000 participants or more were included in the study, regardless of industry. In mining, all with 3,000 participants or more were included. A random sample of reports, stratified by industry and worker coverage, was selected for those with fewer workers.

The large plans selected with certainty represented less than 3 percent of the plans and over 60 percent of the workers covered by pension plans that filed reports with the Labor Department for 1960.

⁷⁷ Bureau of the Budget, Standard Industrial Classification Manual, 1957.

⁷⁸ Sec. 6(b), as amended, requires the reporting of amendments within 60 days after they have been effectuated.

Data for each plan selected in the sample were weighted in accordance with the probability of selecting its report. For example, where 1 report out of 5 was sampled in an industry-size group, it was considered as representing itself and four other plans and was given a weight of 5. Therefore, if the plan provided vesting, it would be counted as 5 plans providing vesting in the total estimates.

Because of legal, administrative, and financial arrangements and preferences of administrators, the scope of the submissions varied widely. For example, a firm with separate plans for production and salaried workers and common financial and administrative techniques might file only a single report. On the other hand, separate reports might be made for the two plans because different administrative arrangements were used. For this study, combined reports of the first type were examined and analyzed, and separate coverage figures (reported or estimated) were assigned to each plan. On the other hand, if, as in the second case, separate reports were made, both plans were analyzed only if both were selected for the sample.

In addition, some firms or major divisions offer supplemental plans to all or certain groups of workers covered by a basic plan. Again, separate submissions for each plan might be made, or they might be combined. If the basic plan fell in the scope of the sample (whether by certainty or chance) the subordinate plan was also analyzed even if it was described in another report. However, if the report selected in sampling was that of a subordinate plan, it was dropped from the sample and considered out of scope unless the associated basic plan was also selected. By this method, the plans for which there were two submissions were not given a better chance of being selected than those where the basic and subordinate plan were included in one submission (in which both cases were analyzed).

For plans in which a basic and subordinate plan were analyzed, it was found that certain benefits were included in one plan but not the other and, in some instances, requirements for benefits were different, e.g., the basic plan had vesting while the subordinate plan did not. For the tabulations in this study, the requirements of the plan which applied to and yielded the highest benefit for a worker assumed to earn \$500 a month were used. A group of 286 plans with 475,000 workers had to be adjusted in this manner. In the remaining cases the requirements for benefits of the basic and subordinate plans were identical so that no adjustment was needed.

Appendix B. Tables

Table B-1. Reduction Factors for Early Retirement Between Ages 60 and 65, in Private Pension Plans by Employer Unit, Collective Bargaining Status, and Method of Financing, Winter 1962-63¹

Reduction factors	(Workers in thousands)							
	All plans with early retirement		Single employer		Multiemployer		Mentioned in a collective bargaining agreement	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans with early retirement-----	12,099	11,786	11,735	10,657	364	1,129	4,511	7,680
No reduction ² -----	169	1,162	169	1,162	-	-	51	977
Actuarial-----	8,067	5,821	7,968	5,540	99	281	2,150	3,072
Uniform percent for each month prior to age 65-----	2,837	4,192	2,635	3,552	202	640	1,898	3,185
1/4 of 1 percent-----	32	108	32	108	-	-	11	51
1/3 of 1 percent-----	52	545	50	529	2	16	24	439
1/10 of 1 percent-----	62	193	60	181	2	12	8	130
1/2 of 1 percent-----	934	1,245	821	727	113	518	462	989
2/9 of 1 percent-----	179	710	166	672	13	38	91	493
6/10 of 1 percent-----	1,006	1,294	937	1,242	69	47	781	997
2/8 of 1 percent-----	520	71	517	62	3	9	520	71
3/4 of 1 percent-----	52	31	52	31	-	-	1	15
Tables of reduction factors not uniform ³ -----	836	419	804	284	32	135	324	289
Table of reduced benefit amounts-----	31	91	1	25	30	66	31	91
Other-----	159	102	158	94	1	8	57	67
			Not mentioned in a collective bargaining agreement		Noncontributory		Contributory	
All plans with early retirement-----			7,588	4,106	8,763	8,589	3,336	3,197
No reduction ² -----			118	186	132	1,042	37	120
Actuarial-----			5,917	2,749	5,593	3,869	2,474	1,952
Uniform percent for each month prior to age 65-----			939	1,006	2,575	3,228	262	965
1/4 of 1 percent-----			21	57	20	46	12	62
1/3 of 1 percent-----			28	106	41	152	11	393
1/10 of 1 percent-----			54	63	61	180	1	13
1/2 of 1 percent-----			472	256	736	1,044	198	201
2/9 of 1 percent-----			88	217	162	592	17	118
6/10 of 1 percent-----			225	292	983	1,112	23	178
2/8 of 1 percent-----			-	-	520	71	-	-
3/4 of 1 percent-----			51	15	52	31	-	-
Table of reduction factors not uniform ³ -----			512	130	374	289	462	129
Table of reduced benefit amounts-----			-	-	31	91	-	-
Other-----			102	34	58	71	101	31

¹ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

² Includes 57 plans covering 966,000 workers with normal retirement at age 60 and early retirement at ages earlier than 60.

³ Not based on a uniform monthly reduction; often an approximate actuarial reduction.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table B-2. Reduction Factors for Early Retirement Between Ages 55 and 60, in Private Pension Plans by Employer Unit, Collective Bargaining Status, and Method of Financing, Winter 1962-63¹

Reduction factors	(Workers in thousands)							
	All plans with early retirement		Single employer		Multiemployer		Mentioned in a collective bargaining agreement	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans with early retirement ---	12,099	11,786	11,735	10,657	364	1,129	4,511	7,680
No provision for early retirement between ages 55 and 60 -----	3,930	4,726	3,748	4,300	182	426	2,101	3,641
All plans with early retirement at age 55 -----	8,169	7,060	7,987	6,357	182	703	2,410	4,039
No reduction -----	93	878	93	878	-	-	27	825
Actuarial -----	6,592	4,149	6,532	4,012	60	137	1,540	1,730
Uniform percent for each month prior to 60 -----	890	1,565	801	1,148	89	417	516	1,135
1/3 of 1 percent -----	44	305	43	296	1	9	18	143
2/5 of 1 percent -----	73	241	71	229	2	12	9	161
1/2 of 1 percent -----	406	563	322	214	84	347	329	513
2/12 of 1 percent -----	173	212	170	163	2	49	42	144
3/5 of 1 percent -----	175	174	175	174	-	-	115	149
7/12 of 1 percent -----	20	72	20	72	-	-	3	25
Table of reduction factors not uniform ² -----	580	377	549	249	31	128	319	276
Other -----	14	91	12	69	2	22	8	73
			Not mentioned in a collective bargaining agreement		Noncontributory		Contributory	
All plans with early retirement -----			7,588	4,106	8,763	8,589	3,336	3,197
No provision for early retirement between ages 55 and 60 -----			1,829	1,085	3,198	4,000	732	726
All plans with early retirement at age 55 -----			5,759	3,022	5,565	4,588	2,604	2,470
No reduction -----			66	53	83	865	10	13
Actuarial -----			5,052	2,419	4,387	2,255	2,205	1,893
Uniform percent for each month prior to age 60 -----			374	430	768	1,156	122	407
1/3 of 1 percent -----			26	162	36	153	8	152
2/5 of 1 percent -----			64	80	71	197	2	44
1/2 of 1 percent -----			77	48	385	502	21	58
2/12 of 1 percent -----			130	68	111	135	61	77
3/5 of 1 percent -----			60	25	154	150	21	23
7/12 of 1 percent -----			17	47	11	19	9	53
Table of reduction factors not uniform ² -----			261	101	318	254	262	123
Other -----			6	19	9	58	5	34

¹ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

² Not based on a uniform monthly reduction; often an approximate actuarial reduction.

NOTE: Because of rounding, sums of individual items may not equal totals.

BLS PUBLICATIONS ON EMPLOYEE BENEFIT PLANS

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