
Retirement Annuity and Employment-Based Pension Income Among Individuals Age 50 and Over: 2007, p. 2

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Executive Summary:

Annuity and Pension Income

- ***Latest update:*** This article provides the latest data from the Census Bureau's Current Population survey on retirement annuity and pension income for the population age 50 and over. It confirms earlier findings that gender, marital status, age, education, and other demographic variables have a significant impact on the likelihood of a worker receiving a retirement annuity and/or employment-based pension income in retirement.
- ***Gender:*** In 2007, 42.6 percent of men age 65 and over received annuity and/or pension income, with a mean amount of \$18,293 per year, compared with only 27.9 percent of women age 65 and over, who had mean annual pension income of \$11,895.
- ***Plan participation gender gap is closing:*** On average, today's younger women tend to spend more time in the work force than did women who were age 50 and over in 2007. Women's participation in retirement plans has risen significantly in recent years, closing the gap in retirement plan participation with men. The aggregate pension and annuity reciprocity for women and the amounts they receive are likely to increase relative to men over time as these younger generations retire.

Employer Spending on Benefits

- ***Benefits spending continues to increase:*** The latest U.S. Commerce Department data indicate that employer spending on total compensation continues to increase, reaching almost \$8 trillion at year-end 2007. That is almost 35 percent higher than seven years earlier, in 2000. Wages and salaries accounted for the lion's share, \$6.4 trillion (or 81.4 percent), while benefits made up the remainder, \$1.5 trillion (18.6 percent).
- ***Retirement still no. 1 but health catching up fast:*** Retirement benefits remain the largest single sector of benefits expenditures by employers, although health benefits have been catching up. By 2007, retirement benefits accounted for 47.7 percent of the total spending for benefits, while health benefits had increased to 42.8 percent of total benefit spending. "Other benefits" account for 9.5 percent.

■ Retirement Annuity and Employment-Based Pension Income Among Individuals Age 50 and Over: 2007

by Ken McDonnell, EBRI

Introduction

This article looks at one slice of the income pie of the older population: retirement annuities and employment-based pensions. It analyzes the population age 50 and over in order to take into account the prevalence of early retirement options available to individuals beginning at age 50. Recent data from the March 2008 Current Population Survey, conducted by the U.S. Census Bureau, confirm earlier findings that gender, marital status, age, education, and other demographic variables have a significant impact on the likelihood of a worker receiving a retirement annuity and/or employment-based pension income in retirement.¹ There may also be a strong correlation between these same variables and the amount of pension income received from private and/or public-sector employment-based retirement plans.²

Figure 1
**Pension and Annuity Income Reciprocity, Males Age 50 and Over:
 Percentage Receiving Pension and Annuity Income, With Mean and Median
 Pension and Annuity Income, by Various Characteristics, 2007**

	Percentage Receiving Pensions And Annuities	For Those Receiving Pensions and Annuities	
		Mean annual income from pensions and annuities	Median annual income from pensions and annuities
Total Age 50 and Over	23.8%	\$19,787	\$14,400
Industry Sector			
Private sector	15.0	14,674	10,149
Public sector	7.5	29,194	24,000
Age			
Age 50–55	4.6	21,058	16,800
Age 56–60	13.6	24,034	18,900
Age 61–64	28.9	22,568	18,000
Age 65–67	36.3	21,272	15,600
Age 68–70	42.8	20,710	14,400
Age 71–75	42.0	19,245	13,200
Age 76–79	46.9	14,863	10,149
Age 80 and over	45.9	16,033	10,200
Age 65 and over	42.6	18,293	12,000
Educational level			
No high school diploma	19.8	9,037	7,200
High school diploma to associate's degree	23.7	16,376	13,000
Bachelor's degree	24.1	26,536	20,700
Graduate degree	28.7	32,309	27,600
Marital status			
Married	24.6	20,477	14,400
Widowed	41.9	15,210	10,325
Divorced or separated	16.4	19,034	14,400
Never married	13.4	21,402	16,380
Income Quintile			
Lowest	7.9	4,921	3,924
Second	28.5	7,486	6,000
Middle	34.1	15,670	14,400
Fourth	24.5	26,872	25,507
Highest	21.5	39,025	36,954

Source: Employee Benefit Research Institute estimates of the 2008 Current Population Survey, March Supplement. The past years' data are online at EBRI's *Databook on Employee Benefits*, Chapter 8, www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf

For example, in 2007, 28.7 percent of men age 50 and older with a graduate-level education received an annuity and/or pension income, compared with 19.8 percent of men without a high school diploma—a

differential of 8.9 percentage points (Figure 1). While notable, this differential in *receipt* of an annuity and/or pension income pales in comparison with the differential in the *amounts* these men received: In 2007, men with graduate-level degrees received 3.8 times the median³ annuity and/or pension income that was received by men without a high school diploma (calculated from Figure 1). Figure 1 also shows how age, education, marital status, and income are related to annuity and/or pension reciprocity and to the amounts males received in 2007; Figure 2 shows the same data for females.

Figure 2
Pension and Annuity Income Reciprocity, Females Age 50 and Over:
Percentage Receiving Pension and Annuity Income, with Mean and Median
Pension and Annuity Income, by Various Characteristics, 2007

Characteristics	Percentage Receiving Pensions and Annuities	For Those Receiving Pensions and Annuities	
		Mean annual income from pensions and annuities	Median annual income from pensions and annuities
Total Age 50 and Over	17.5%	\$13,573	\$9,300
Industry Sector			
Private sector	9.4	9,636	6,000
Public sector	6.9	18,378	14,400
Age			
Age 50–55	4.1	15,261	11,196
Age 56–60	10.0	18,507	15,000
Age 61–64	18.5	18,249	12,108
Age 65–67	25.2	14,505	9,360
Age 68–70	25.4	12,889	9,360
Age 71–75	27.7	12,726	9,144
Age 76–79	30.2	10,590	7,284
Age 80 and over	29.8	10,151	6,759
Age 65 and over	27.9	11,859	7,920
Educational level			
No high school diploma	13.4	6,485	4,116
High school diploma to associate's degree	17.2	10,958	7,800
Bachelor's degree	17.7	18,936	14,400
Graduate degree	25.5	25,075	22,596
Marital status			
Married	11.9	14,736	10,300
Widowed	32.4	11,569	7,404
Divorced or separated	14.9	14,134	10,054
Never married	18.1	18,551	12,144
Income Quintile			
Lowest	3.2	2,411	1,596
Second	8.0	3,719	2,400
Middle	24.8	6,630	5,676
Fourth	27.4	14,383	12,288
Highest	18.8	26,948	22,356

Source: Employee Benefit Research Institute estimates of the 2008 Current Population Survey, March Supplement. The past years' data are online at EBRI's *Databook on Employee Benefits*, Chapter 8, www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf

Gender

Gender is a particularly strong factor in retirement annuity and/or employment-based pension income reciprocity. Figure 1 shows that in 2007, 42.6 percent of men age 65 and over received annuity and/or pension income, with a mean amount of \$18,293 per year. Figure 2 shows that only 27.9 percent of women age 65 and over received annuity and/or pension income that year, with mean pension income of \$11,895. Hence, a woman age 65 and over in 2007 was almost two-thirds (65.5 percent) as likely to receive an annuity and/or pension payment as her male counterpart. If she did receive one, her mean benefit was likely to be about 65 percent of that received by a man in the same age group (calculated from Figures 1 and 2).

Women age 50 and over in 2007 were born in 1957 at the latest. They are therefore part of a cohort of women who, on average, spent fewer years in the labor force than younger cohorts. Because of relatively lower labor force participation rates, women in the older age group are more likely to receive pension income through their husbands, as spouses or survivors, than through their own savings or

employment. Widows had the largest proportion of women age 50 and over receiving annuities and/or pensions in 2007, at 32.4 percent (Figure 2).

Widows received the lowest mean and median retirement annuity and/or pension income amounts among women of any marital status (Figure 2). In 2007, the mean annuity and/or pension income for widows was \$11,569, compared with \$18,551 for women who were never married (Figure 2).

Figure 3
Percentage of Population Age 50 and Over Receiving Pension and Annuity Income, by Various Characteristics, Selected Years, 1975–2007

Characteristics	1975	1980	1985	1990	1995	2000	2005	2007
Total Age 50 and Over	15.3%	18.0%	21.4%	24.2%	24.0%	21.8%	21.7%	20.5%
Industry Sector								
Private sector	9.4	10.9	13.6	15.0	14.8	13.5	12.8	12.0
Public sector	6.2	7.4	8.3	9.7	8.3	7.5	7.8	7.2
Age								
Age 50–55	4.6	5.6	6.1	6.6	5.9	4.8	4.9	4.4
Age 56–60	9.4	10.8	13.3	15.8	14.3	13.7	13.8	11.8
Age 61–64	16.1	20.6	23.8	28.0	25.9	23.4	24.1	23.5
Age 65–67	25.8	29.1	31.8	37.1	34.2	32.3	30.8	30.5
Age 68–70	26.5	29.0	34.1	38.4	37.2	36.2	33.7	33.4
Age 71–75	25.4	29.2	32.5	39.2	38.0	36.4	36.2	34.0
Age 76–80	21.7	24.1	28.8	34.6	36.2	36.1	38.5	37.7
Over age 80	17.7	21.1	25.0	30.2	31.5	33.1	37.4	35.7
Over age 65	23.8	26.9	30.7	36.1	35.4	34.8	35.5	34.3
Gender								
Male	19.2	24.6	28.9	32.5	30.6	26.1	25.5	23.8
Female	11.4	12.4	15.1	19.2	18.4	18.1	18.4	17.5
Educational level								
No high school diploma	13.1	15.2	18.7	22.0	20.0	18.3	18.1	16.5
High school diploma to associate's degree	15.7	18.4	21.3	25.6	24.1	22.3	21.3	20.1
Bachelor's degree	24.6	25.5	27.8	31.0	28.2	22.0	22.4	21.0
Graduate degree	24.7	29.5	31.0	31.5	30.6	25.9	28.1	27.3
Marital status								
Married	14.9	17.4	20.3	24.1	22.9	20.1	20.4	18.9
Widowed	17.1	21.3	26.4	31.8	31.9	33.2	34.9	34.3
Divorced or separated	10.7	12.0	15.1	19.0	17.9	16.1	16.3	15.6
Never married	19.6	20.4	24.7	26.4	21.3	19.3	15.3	15.8
Income Quintile								
Lowest	1.9	1.9	2.9	4.0	4.0	4.0	4.5	4.2
Second	4.3	6.9	9.9	15.1	13.5	13.6	15.5	14.8
Middle	20.9	28.0	32.2	35.3	33.9	35.0	34.4	32.1
Fourth	25.7	30.4	35.8	40.0	39.3	30.9	27.5	25.6
Highest	15.8	19.4	22.5	27.5	25.4	21.3	22.0	21.2

Source: Employee Benefit Research Institute estimates of the 1976, 1981, 1986, 1991, 1996, 2001, 2006 and 2008 Current Population Surveys, March Supplements. The past years' data are online at EBRI's *Databook on Employee Benefits*, Chapter 8, www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf

On average, younger women today spend less time in the work force than men of similar ages and tend to have lower-paying jobs, a situation due in large part to leave taken from work to provide family caregiving. However, on average, today's younger women tend to spend more time in the work force than did women who were age 50 and over in 2007. As other EBRI research has shown, women's participation in retirement plans has risen significantly relative to men, closing the gap in retirement plan participation with men (see *EBRI Issue Brief* no. 322, "Employment-based Retirement and Pension Plan Participation: Geographic Differences and Trends, 2007," October 2008). Hence, the aggregate pension and annuity reciprocity for women and the amounts they receive are likely to increase over time as these younger generations retire. However, women older than age 50 who are in the lowest income quintiles may continue to be least likely to receive annuity and/or pension income.

Demographic characteristics such as education, marital status, and income remained steady indicators of the likelihood and amount of annuity and/or pension reciprocity from 1975 through 2007 (Figures 3, 4, and 5).

Age

The likelihood of receiving an annuity and/or pension income increases with age, until the oldest age group (those age 80 and over), where data show a lower percentage receiving annuity and/or pension income (Figures 3). However, since 1975, the percentage of individuals age 80 and over receiving annuity and/or pension income has been increasing, from 17.7 percent in 1975 to 35.7 percent in 2007.

Figure 4
Median Annual Income from Pensions and Annuities in Constant 2007 Dollars for the Population Age 50 and Over, by Various Characteristics, Selected Years, 1975–2007

Characteristics	1975	1980	1985	1990	1995	2000	2005	2007
Total Age 50 and Over	\$ 9,249	\$8,807	\$8,694	\$9,518	\$9,796	\$10,837	\$11,682	\$12,000
Industry Sector								
Private sector	\$ 6,937	\$ 6,291	\$ 6,498	\$ 6,663	\$ 7,069	\$ 7,224	\$ 8,039	\$ 8,400
Public sector	15,030	15,098	15,030	15,030	16,473	17,339	19,110	18,288
Age								
Age 50–55	\$15,416	\$14,091	\$15,978	\$15,071	\$15,371	\$15,894	\$16,562	14,100
Age 56–60	15,030	13,633	14,452	14,563	16,849	16,857	20,384	17,000
Age 61–64	11,496	12,078	11,562	12,031	14,715	15,533	15,288	15,600
Age 65–67	9,249	8,636	9,249	9,836	9,262	12,041	11,678	12,000
Age 68–70	8,602	7,398	7,708	8,862	9,796	10,909	11,678	12,000
Age 71–75	7,168	7,126	6,683	7,932	8,479	10,013	10,192	11,000
Age 76–80	6,937	6,291	6,715	7,044	7,028	8,669	8,918	8,760
Over age 80	6,906	6,331	5,831	6,346	6,530	7,224	8,510	8,400
Over age 65	7,816	7,287	7,045	8,065	8,163	9,348	10,192	10,000
Gender								
Male	\$10,637	\$11,021	\$11,390	\$12,613	\$13,061	\$14,449	\$15,288	\$14,400
Female	7,322	5,767	5,781	6,244	6,530	7,239	8,052	9,300
Educational level								
No high school diploma	\$ 6,845	\$ 6,039	\$ 5,781	\$ 5,711	\$ 5,828	\$ 5,939	\$ 6,179	\$ 6,000
High school diploma to associate's degree	10,629	9,632	9,249	9,518	9,518	10,114	10,192	10,000
Bachelor's degree	16,187	14,215	15,050	17,019	15,722	17,281	19,110	18,000
Graduate degree	20,426	16,356	20,601	22,083	25,131	24,997	25,480	24,000
Marital status								
Married	\$10,275	\$10,065	\$10,525	\$11,089	\$11,428	\$13,004	\$13,071	\$13,200
Widowed	6,883	6,039	5,781	6,212	6,530	7,224	7,835	8,000
Divorced or separated	8,845	7,549	9,011	9,518	9,796	10,981	12,676	12,000
Never married	11,400	9,059	9,943	10,661	10,076	12,041	14,014	14,400
Income Quintile								
Lowest	\$ 2,312	\$ 2,979	\$ 1,888	\$ 2,075	\$ 2,384	\$ 2,890	\$ 2,663	\$ 2,628
Second	3,287	2,718	2,470	2,627	2,400	2,890	3,159	3,396
Middle	4,868	5,088	5,388	5,711	5,926	7,224	8,281	9,000
Fourth	11,562	11,867	12,047	13,326	13,518	16,313	19,110	18,106
Highest	21,436	22,279	22,430	24,113	27,467	30,343	31,850	31,320

Source: Employee Benefit Research Institute estimates of the 1976, 1981, 1986, 1991, 1996, 2001, 2006 and 2008 Current Population Surveys, March Supplements. The past years' data are online at EBRI's Databook on Employee Benefits, Chapter 8, www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf

It is also worth noting that, although only 16.2 percent of persons ages 50–60 in 2007 were receiving annuity and/or pension income, those recipients had mean and median incomes that were greater than those received by persons over age 60 (Figures 3, 4, and 5). These data suggest that many persons who retired early may have done so because they were eligible for early retirement benefits and/or were able to purchase a sizable annuity, and therefore no longer needed to work for financial reasons. However, it is also likely that some persons ages 50–60 receiving retirement annuity and/or employment-based pension income were forced out of the labor force involuntarily—by disability or layoffs—and consequently had to settle for below-average pension incomes.

Industry Sector

While fewer individuals age 50 and over received pension income from a public-sector plan (7.2 percent) than from a private-sector plan (12.0 percent) in 2007, the average amount an individual received from a public-sector plan (\$23,721) was considerably larger than that received by a private-sector plan recipient (\$12,599) (Figures 3 and 5).

Figure 5
Mean Annual Income from Pensions and Annuities in Constant 2007 Dollars for Population Age 50 and Over, by Age, Gender, Industry Sector, Educational Attainment, Marital Status, and Income Quintile, Selected Years, 1975–2007

Characteristics	1975	1980	1985	1990	1995	2000	2005	2007
Total								
Age 50 and over	\$13,540	\$12,843	\$13,193	\$13,856	\$14,876	\$16,167	\$16,890	\$16,989
Industry Sector								
Private sector	9,720	9,238	10,087	10,328	11,021	12,063	12,191	12,599
Public sector	19,674	18,570	18,965	18,131	20,418	21,391	23,172	23,721
Age								
Age 50–55	20,131	16,897	18,265	17,406	20,153	20,773	19,914	18,348
Age 56–60	19,545	17,478	18,094	18,086	20,601	22,330	24,242	21,703
Age 61–64	15,712	15,944	16,084	16,967	20,546	20,507	20,754	20,832
Age 65–67	12,558	12,602	13,800	14,824	13,930	17,403	17,016	18,364
Age 68–70	11,953	10,978	11,758	12,874	14,515	15,406	16,162	17,493
Age 71–75	10,777	10,265	10,737	12,288	13,046	14,314	14,772	16,252
Age 76–79	10,295	10,217	10,134	10,663	11,865	13,179	13,744	12,968
Age 80 and over	10,297	9,436	8,572	9,543	10,057	11,469	12,678	12,922
Age 65 and over	11,371	10,847	11,224	12,261	12,724	14,148	14,568	15,311
Gender								
Male	15,398	15,335	15,840	17,049	18,168	19,608	20,110	19,787
Female	10,337	8,640	8,943	9,320	10,226	11,364	12,942	13,573
Educational level								
No high school diploma	9,129	8,345	8,149	7,819	7,990	8,608	8,810	7,942
High school diploma to associate's degree	14,317	13,164	13,130	13,380	13,462	14,050	14,202	13,799
Bachelor's degree	21,172	20,642	20,841	21,773	21,952	23,517	22,933	23,412
Graduate degree	26,016	22,989	25,491	26,211	29,167	29,994	28,902	29,319
Marital status								
Married	14,958	14,441	15,126	15,558	16,850	18,449	18,673	18,835
Widowed	10,131	8,978	8,613	9,696	10,085	11,236	12,205	12,470
Divorced or separated	12,461	11,360	12,805	13,449	13,816	15,436	16,575	16,265
Never married	14,100	12,961	13,510	14,775	17,674	16,765	19,673	19,767
Income Quintile								
Lowest	3,310	3,167	2,762	2,800	2,937	3,291	3,224	3,506
Second	4,340	3,466	3,715	3,804	3,773	4,385	4,992	4,906
Middle	6,248	6,263	6,723	7,182	7,099	8,581	9,529	10,150
Fourth	13,313	13,000	13,494	14,333	14,908	17,528	19,806	19,260
Highest	26,442	26,169	27,234	28,492	31,644	35,240	35,153	34,943

Source: Employee Benefit Research Institute estimates of the 1976, 1981, 1986, 1991, 1996, 2001, 2006 and 2008 Current Population Surveys, March Supplements. The past years' data are online at EBRI's *Databook on Employee Benefits*, Chapter 8, www.ebri.org/pdf/publications/books/databook/DB.Chapter%2008.pdf

Future Trends

Will today's workers have a steady income stream when they retire? This is an important policy question for government, employers, and employees alike. Current trends show future retirees may not have a steady income stream in retirement. Fewer employees are participating in a defined benefit (DB) plan, which, in the past, almost always paid benefits in the form of an annuity upon retirement. In today's work place, an increasing number of DB plans are offering a lump-sum distribution option at retirement. Also, increasing numbers of employees are participating in a defined contribution (DC) plan, primarily a 401(k) plan. This trend has had a positive impact, in that many workers who previously had no retirement plan at all now at least have access to a tax-favored plan. However, DC plans are far less likely to offer an annuity option to retirees than are DB plans.

According to data from Hewitt Associates,⁴ in 2007 only 15 percent of surveyed employers that offered a 401(k) plan offered an annuity option to retirees, while 100 percent offered a lump-sum distribution option. Furthermore, according to the same Hewitt data, only 6 percent of retirees who were offered an annuity option in their 401(k) plan chose to take that option. Consequently, future retirees will likely be more reliant on assets they must manage themselves instead of receiving a stream of income for life (i.e., an annuity). For further research on future retirees' income, see *EBRI Issue Brief*, no. 263, "Can America Afford Tomorrow's Retirees: Results From the EBRI-ERF Retirement Security Projection Model," November 2003, and results from the May 2008 EBRI-ERF policy forum on "Defined Contribution Plans in a Post-PPA Environment."⁵

Endnotes

¹ The data in this article were tabulated from the March Current Population Survey, published annually by the U.S. Census Bureau. Of all datasets reporting income of the older population, the March CPS allows the most detailed breakouts of individual incomes, allowing differences correlated with individual demographic characteristics such as age, gender, marital status, and education to be identified. However, there is some controversy surrounding the validity of the March CPS data in relation to its information about pension income and total income of the older population. For example, the 2007 National Income and Product Accounts (NIPA) survey reports more than \$234.0 billion more income from private pensions and \$145.6 billion more income from public pensions than the March CPS. Part of this disparity arises from NIPA's accounting of lump-sum distributions paid to younger workers as pension income. In addition, because some pension plans are administered by third parties or are paid out in lump-sum distributions and managed by another party or by the retiree (e.g., in the form of an individual retirement account (IRA), pension income may be misreported by respondents as coming from other sources (e.g., assets, personal savings). Nevertheless, although March CPS data may understate pension income, it does not necessarily follow that it underestimates total income of the elderly, especially if pension income is simply misreported as originating from other sources in the March CPS. However, the fact that NIPA reports \$83.0 billion more income from Old-Age, Survivors, and Disability Insurance (OASDI) than the March CPS suggests that the March CPS does not only underestimate pension income but may also underestimate total income received by the older population. The extent to which the March CPS underestimates total income or certain types of income is unknown because of the limitations in directly comparing the income of individuals using the CPS with that of other datasets.

² The term *employment-based pension income* refers to income coming from employment-based retirement plans (both defined benefit and defined contribution plans, including 401(k) plans) sponsored by both private- and public-sector employers, whether received in the individual's own name or as a survivor, as well as any income from individual retirement accounts (IRAs). *Annuities* are added because of the prevalence of lump-sum distributions from employment-based plans that could have been a source of these annuities. A retiree may take some or all of the lump-sum distribution and purchase an annuity. Data on annuities and IRAs are included in an attempt to give a complete picture of income generated from employment-based retirement plans throughout an individual's working career. According to data published in the September 2008 *EBRI Notes*, rollovers from 401(k) and other types of DC plans account for the largest share of IRA asset growth aside from market gains.

³ The midpoint: 50 percent above and 50 percent below.

⁴ Hewitt Associates LLC, *Survey Findings: Trends and Experience in 401(k) Plans: 2007* (Lincolnshire, IL: Hewitt Associates LLC, 2007).

⁵ www.ebri.org/programs/policyforums/index.cfm?fa=pfMay2008

■ *Employer Spending on Benefits, 2007*

by Ken McDonnell, EBRI

Overview

The latest data from the U.S. Commerce Department's Bureau of Economic Analysis (BEA) indicate that employer spending on total compensation continues to increase, reaching almost \$8 trillion at year-end 2007. That is almost 35 percent higher than seven years earlier, in 2000.

The following article provides the latest available data on employer spending on total compensation, which includes both wages and salaries and benefits, of which retirement and health benefits are the largest component.

In 2007, employers spent \$7.8 trillion on total compensation, according to the most recent data from the U.S. Commerce Department's Bureau of Economic Analysis (BEA). Wages and salaries accounted for the lion's share, \$6.4 trillion (or 81.6 percent), while benefits made up the remainder, \$1.5 trillion (18.4 percent) (Figure 1).

Figure 1
Employer Spending for Benefits, 1960–2007

	1960	1970	1980	1990	2000	2007
	(\$ billions)					
Total Compensation	\$296.5	\$617.1	\$1,651.1	\$3,337.5	\$5,781.8	7,810.7
Wages and Salaries ^a	272.8	551.5	1,377.4	2,754.0	4,829.8	6,355.7
Total Benefits	23.6	65.5	273.7	583.5	952.6	1,454.9
Retirement income benefits	14.1	40.1	160.1	292.9	458.8	693.9
Social Security (OASDI)	5.6	16.2	55.6	137.3	233.3	307.5
Private employers	4.9	13.1	55.3	63.8	113.5	199.9
Public employers	3.7	10.8	49.2	91.8	112.0	186.4
State and local governments	1.8	5.1	19.1	33.0	39.6	69.2
Federal government	1.9	5.7	30.1	58.8	72.4	117.2
Civilian Retirement	0.8	2.0	15.9	28.7	41.3	54.3
Military retirement	0.8	3.2	12.5	27.5	28.2	60.2
Railroad retirement	0.3	0.5	1.7	2.6	2.9	2.7
Health benefits	3.4	14.6	73.0	211.9	399.6	623.1
Medicare hospital insurance	0.0	2.3	11.6	33.5	67.0	88.5
Group health insurance	3.4	12.1	61.0	176.9	331.4	532.1
Military medical insurance ^b	0.0	0.2	0.4	1.5	1.2	2.5
Other Benefits	6.1	10.8	40.6	78.6	94.2	138.0
Unemployment insurance	3.0	3.8	17.2	24.5	29.8	42.5
Workers' compensation	2.0	4.6	19.3	46.9	52.0	78.2
Group life insurance	1.1	2.4	4.1	7.2	12.4	17.3

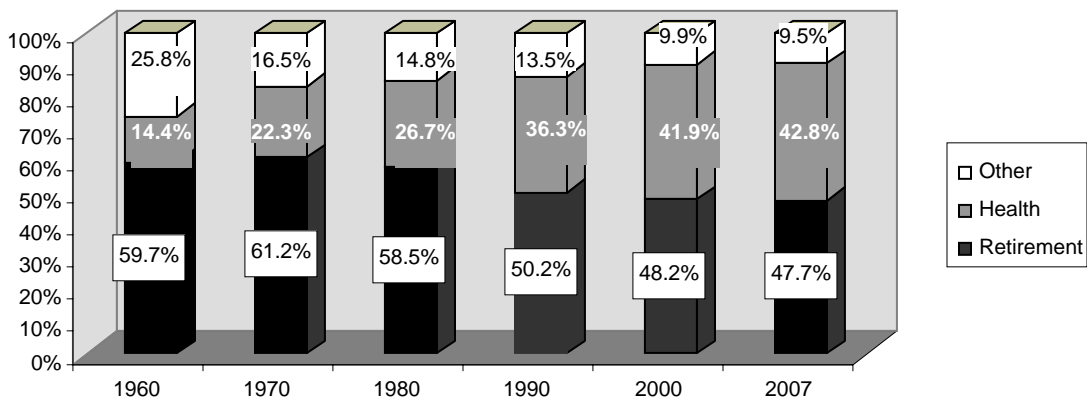
Source: Employee Benefit Research Institute tabulations of data from the U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts of the United States*. www.bea.doc.gov/bea/dn/nipaweb/index.asp
For additional years of data, see EBRI's *Databook on Employee Benefits*, chapter 2, which contains data in current dollars and inflation-adjusted dollars: www.ebri.org/pdf/publications/books/databook/DB.Chapter%2002.pdf

^a Includes paid holidays, vacations, and sick leave taken.

^b Consists of payments for medical services for dependents of active duty military personnel at nonmilitary facilities.

Retirement benefits remain the largest single sector of benefits expenditures by employers, although health benefits have been catching up. In 1960, retirement benefits accounted for the majority of total benefit spending (59.7 percent), followed by other benefits (25.8 percent) and health benefits (14.4 percent). By 2007, retirement benefits were still the largest component of all benefit spending, but had declined to 47.7 percent of the total; spending on health benefits had increased to 42.8 percent of total benefit spending, while “other benefits” declined the most, to 9.5 percent (Figure 2).

Figure 2
Employer Spending on Benefits as a Percentage of Total Benefit Spending, 1960–2007

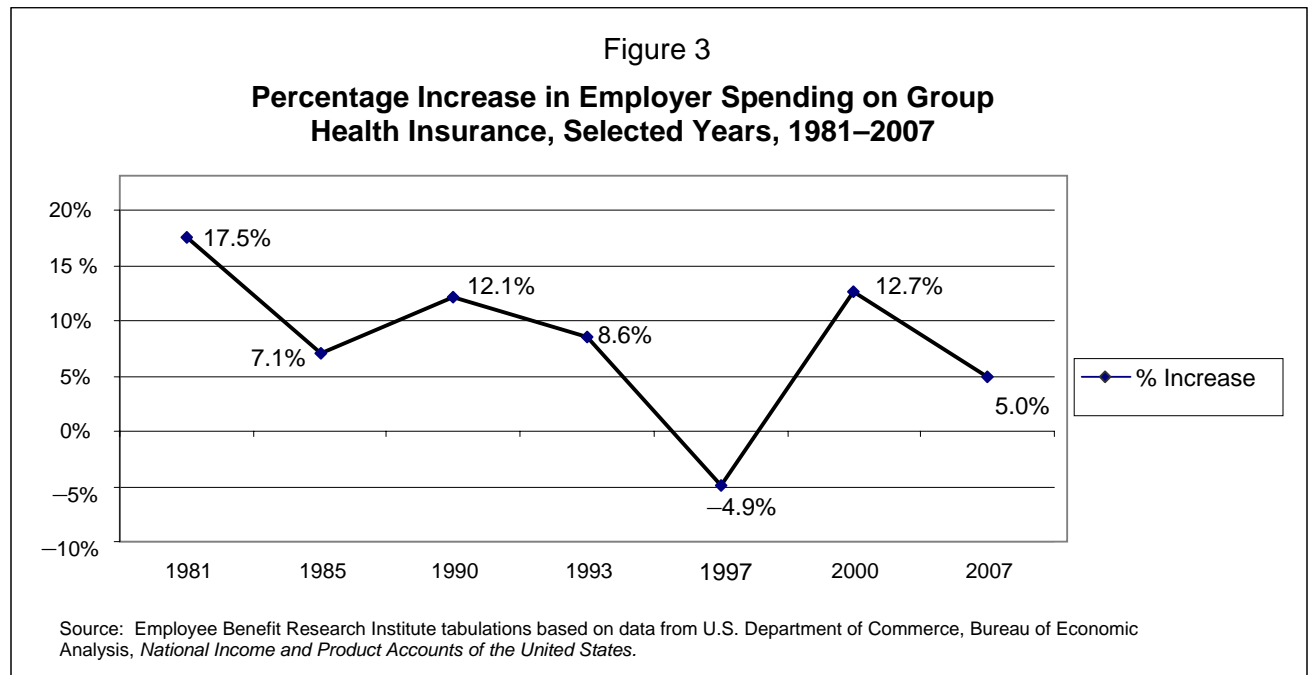


Source: Employee Benefit Research Institute tabulations based on data from U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts of the United States*.

In the 1980s, the average annual growth rate of employer spending on all benefits was 7.9 percent. In the 1990s, this growth rate fell substantially, to 5.0 percent, due to the adoption of managed care among employment-based health plan sponsors. So far, in the first decade of the new century, the average annual growth rate in employer spending on benefits has increased to 6.2 percent from 2000 to 2007.

Health Benefits

- The slower growth rate in employer spending on group health insurance accounted for a large part of the slower growth rate in overall spending on employee benefits. In the 1980s, employer spending on group health insurance grew at an average annual rate of 11.2 percent, increasing to \$176.9 billion in 1990 from \$61.0 billion in 1980. In the 1990s, the average annual growth rate in employer spending on group health insurance slowed to 6.5 percent, which represents an increase to \$331.4 billion in 2000 from \$176.9 billion in 1990.
- The rate of employer spending on group health insurance declined from 1981 (when spending on group health insurance increased 17.5 percent) to 1985. In the late 1980s the rate of increase in employer spending on health insurance rose, reaching 12.1 percent in 1990. Since 1990, the rate of increase declined reaching -4.9 percent in 1997. But since 1997, the growth rate of employer spending on group health insurance has been increasing, reaching 12.7 percent in 2000 (Figure 3). The first decade of the new century has seen the rate of increase in health spending decline, reaching 5.0 percent in 2007.



Retirement Benefits

- Employer spending on retirement income benefits, less Social Security, increased at a slightly faster rate in the 1980s than in the 1990s. In the 1980s, employer spending on retirement income benefits, less Social Security, increased at an average annual rate of 4.1 percent, growing to \$155.6 billion in 1990, up from \$104.5 billion in 1980. In the 1990s, employer spending on retirement income benefits, less Social Security, grew at an average annual rate of 3.8 percent, growing to \$225.5 billion in 2000, up from \$155.6 billion in 1990.
- Private-sector employers spent \$55.3 billion on retirement income benefits, not including Social Security, in 1980. This amount increased to \$63.8 billion in 1990, and to \$199.9 billion in 2007.
- State and local governments spent \$19.1 billion on retirement income benefits for their employees, not including Social Security, in 1980. This amount increased to \$33.0 billion in 1990, and to \$69.2 billion in 2007.

- The federal government spent \$30.1 billion on retirement income benefits for its employees, not including Social Security, in 1980. This amount increased to \$58.8 billion in 1990, and to \$117.2 billion in 2007.
- In the 1980s, the growth rate in employer spending for retirement income benefits, less Social Security, was faster for state and local governments than it was for the private sector. Private-sector spending on retirement income benefits increased at an average annual rate of 1.4 percent, compared with 5.6 percent for state and local governments during the 1980s. This trend reversed in the 1990s, when private-sector spending on retirement income benefits increased at an average annual rate of 5.9 percent, while rate of increase in this spending among state and local governments slowed to 1.8 percent.

Other Benefits

- Employer spending on other benefits (i.e., unemployment insurance, life insurance, and workers' compensation) increased to \$138.0 billion in 2007 from \$78.6 billion in 1990, growing at an average annual rate of 3.4 percent.
- Employer spending on Social Security, Old-Age, Survivors, Disability, and Hospital Insurance (OASDHI), grew at an average annual rate of 9.8 percent in the 1980s, and 5.8 percent in the 1990s. In 1980, employers spent \$67.2 billion on the OASDHI program. This amount increased to \$170.8 billion in 1990 and to \$396.0 billion in 2007.

For more information, contact Ken McDonnell, (202) 775-6367, or see EBRI's Web site at www.ebri.org

Source: *EBRI Databook on Employee Benefits*, Chapter 2 at

www.ebri.org/pdf/publications/books/databook/DB.Chapter%2002.pdf and U.S. Department of Commerce, Bureau of Economic Analysis, tables from the *National Income and Product Accounts of the United States* at www.bea.gov/bea/dn/nipaweb/SelectTable.asp?Selected=N

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