

Note

Benefits and Beneficiaries Under Public Employee Retirement Systems, Fiscal Year 1987

by Ann Kallman Bixby*

The Federal Government, the 50 States, and many localities maintain programs that provide retirement, disability, and survivor benefits to their employees. In fiscal year 1987, the amount paid out in such benefits at all levels of government was \$71.4 billion, while the number of beneficiaries totaled 7.3 million (table 1).

Federal retirement systems accounted for 62 percent of the benefits paid in 1987 and for 50 percent of the beneficiaries (table 2). The large programs for Civil Service and military personnel are responsible for the vast majority (99 percent) of Federal retirement payments.

The Civil Service Retirement System (CSRS) was the major program providing coverage for Federal civilian workers from 1920 through 1986. In 1986, Congress enacted the Federal Employees Retirement System (FERS), which covers all workers hired on or after January 1, 1984, and any workers previously covered by CSRS who elected to change to FERS. The majority of Federal workers hired before January 1, 1984, have remained covered under CSRS.

The CSRS is a pension program separate from the Social Security program. Workers covered under

CSRS contribute a fixed percent of their salary to this system and receive benefits based on their earnings and length of service. Since 1983, CSRS employees are also covered by and contribute to the Medicare program.

Unlike CSRS, the FERS program was designed to coordinate with the Social Security program. Under FERS, workers contribute to the Old-Age, Survivors, Disability, and Health Insurance (OASDHI) program on the same basis as other workers in Social Security-covered employment, and they receive the same benefits in the event of retirement, disability, or death. Workers also contribute to a Federal pension, which is paid in addition to Social Security benefits. The first payments of FERS pensions were made in January of 1987, and they are included with CSRS benefits under the rubric of "Civil Service" in the tables accompanying this note. The combined contribution rates of workers under CSRS (for Federal pension and Medicare benefits) and workers under FERS (for full OASDHI and Federal pension benefits) are approximately equal.

Under the FERS plan, workers may also participate in a voluntary tax-deferred thrift savings plan. This plan allows employees to contribute up to 10 percent of their earnings,

*Division of Statistics Analysis, Office of Research and Statistics, Office of Policy, Social Security Administration.

with the Federal Government matching their contributions up to a maximum of 5 percent. Employees who maintain their coverage under CSRS may also participate in the thrift savings plan. They are permitted to contribute up to 5 percent of their earnings, although

the Federal Government does not match any of their contributions. Since 1957, all members of the Armed Forces have been covered by Social Security. Career-service personnel with 20 years or more of service are also covered by the noncontributory military retirement

system. This system pays retirement and disability benefits, and contains an elective survivorship provision that permits a worker the option of receiving reduced retirement pay in order to provide a future benefit to his or her surviving spouse.

In contrast to the few large Federal programs, State and local

Table 1.—Benefits and beneficiaries under public employee retirement systems, by reason for benefit receipt, 1987

Systems	Total	Age and service	Disability	Survivor	
				Monthly ¹	Lump sum
Benefits (in millions)					
Total ²	\$71,412.4	\$58,178.4	\$7,812.1	\$5,365.7	\$56.2
Federal employees ²	44,026.4	33,640.4	5,995.9	4,324.7	56.2
Civil Service.....	25,163.0	16,959.2	4,562.6	3,591.2	50.0
Armed Forces ³	18,060.6	16,025.1	1,372.0	663.5	...
Other Federal programs ²	802.8	656.1	70.5	70.0	6.2
Contributory systems.....	320.8	275.2	15.8	24.8	5.0
Federal judiciary survivors ⁴	3.1	...	...	3.1	...
Foreign Service.....	228.7	201.3	11.4	13.7	2.3
Tennessee Valley Authority.....	89.0	73.9	4.4	8.0	2.7
Noncontributory systems ²	482.0	380.9	54.7	45.2	1.2
Coast Guard ^{3,5}	319.7	238.1	46.9	34.7	...
Federal judiciary ^{3,6}	23.0	23.0	...	...	...
Federal Reserve ^{7,8}	60.0	50.4	2.4	6.0	1.2
NOAA ^{3,9}	5.0	3.9	.6	.5	...
Public Health Service ^{3,10}	73.1	64.5	4.8	3.8	...
State and local employees ¹¹	27,386.0	24,538.0	1,807.0	1,041.0	...
Beneficiaries at end of year (in thousands)					
Total ²	7,323.1	5,768.3	657.6	897.2	...
Federal employees ²	3,625.1	2,499.3	461.6	664.2	...
Civil Service.....	2,032.2	1,185.7	318.4	528.1	...
Armed Forces ³	1,535.0	1,268.1	137.8	129.1	...
Other Federal programs ²	57.9	45.5	5.4	7.0	...
Contributory systems.....	18.1	13.8	1.4	2.9	...
Federal judiciary survivors ⁴.....	.2	...	...	.2	...
Foreign Service.....	8.9	7.2	.4	1.3	...
Tennessee Valley Authority.....	9.0	6.6	1.0	1.4	...
Noncontributory systems ²	39.8	31.7	4.0	4.1	...
Coast Guard ^{3,5}	24.4	18.2	3.6	2.6	...
Federal judiciary ^{3,6}.....	.3	.3	...	...	...
Federal Reserve ^{7,8}	12.4	11.1	.2	1.1	...
NOAA ^{3,9}.....	.2	.1	...	.1	...
Public Health Service ^{3,10}	2.5	2.0	.2	.3	...
State and local employees ¹¹	3,698.0	3,269.0	196.0	233.0	...

¹ Unless otherwise specified, number of survivor beneficiaries represents number of individuals.

² Totals include benefits and beneficiaries of the Federal Tax Court retirement system, not shown separately.

³ Survivor beneficiaries represent families.

⁴ Excludes annuities to widows of Supreme Court justices; see footnote 6.

⁵ Includes Lighthouse Service widows.

⁶ Includes Supreme Court justices, their widows, and other Federal judges retired on salary.

⁷ Lump-sum benefits relate to the Federal Reserve Board plan only.

⁸ Survivor beneficiaries represent widows only.

⁹ National Oceanic and Atmospheric Administration commissioned officers.

¹⁰ Commissioned officers.

¹¹ Survivor beneficiary number represents payees, not necessarily individuals. Lump-sum data not available for 1987.

governments operate some 2,414 separate retirement systems, with a combined membership of 11.8 million participants. The average annual benefit amounts for retirees under these systems are considerably lower than for Federal retirees (table 3). Among the several reasons for this discrepancy is that State and local systems are often

coordinated with Social Security—that is, they are designed with the idea that the government pension will represent only part of an employee's postretirement income. The State and local plans therefore use formulae that result in a lower ratio of earnings to benefits than is true under either the CSRS or the military systems. In addition, only

about one-half of the State and local systems include provisions for automatic cost-of-living increases. All Federal benefits are indexed for inflation, although the exact mechanism for the indexing may differ among pension systems.

As noted above, the Social Security program covers some or all

Table 2.—Percentage distribution of benefits and beneficiaries of public employee retirement systems, by reason for benefit receipt and level of administering government, 1977 and 1985–87

All levels of government, by reason for receipt	1977	1985	1986	1987	All reasons for receipt, by level of government	1977	1985	1986	1987
Age and service	79	80	80	81	Federal	67	65	63	62
Disability	13	12	12	11	Civil Service	35	36	35	35
Survivor, monthly benefits	7	7	7	8	Armed Forces	31	28	27	25
Survivor, lump-sum benefits	1	1	1	0	Other	1	1	1	1
					State and local	33	35	37	38
Beneficiaries	100	100	100	100	Beneficiaries	100	100	100	100
Age and service	73	76	77	79	Federal	55	51	50	50
Disability	12	11	11	9	Civil Service	30	28	28	28
Survivor, monthly benefits	15	13	13	12	Armed Forces	24	22	21	21
					Other	1	1	1	1
					State and local	45	49	50	50

Table 3.—Average annual benefit amounts, by reason for benefit receipt and level of government, 1977 and 1985–87, in current and constant (1987) dollars

Reason for receipt	1977	1985	1986	1987	Percentage increase 1977–87					Percentage increase 1977–87
						1977	1985	1986	1987	
	Current dollars					Constant (1987) dollars				
All public employee retirement systems	\$5,421	\$9,137	\$9,354	\$9,744	80	\$9,737	\$9,808	\$9,804	\$9,744	0
Age and service	5,955	9,592	9,693	10,086	69	10,696	10,297	10,159	10,086	-6
Disability	5,724	10,232	11,359	11,880	108	10,281	10,984	11,906	11,880	16
Survivor, monthly benefits	2,507	5,556	5,679	5,980	139	4,503	5,964	5,952	5,980	33
Federal employee retirement systems	6,730	11,659	11,769	12,129	80	12,088	12,516	12,335	12,129	0
Age and service	7,760	13,301	13,073	13,460	73	13,938	14,278	13,702	13,460	-3
Disability	6,246	11,053	12,591	12,989	108	11,218	11,865	13,197	12,989	16
Survivor, monthly benefits	3,074	6,150	6,179	6,511	112	5,521	6,601	6,476	6,511	18
State and local employee retirement systems ..	3,844	6,512	6,908	7,406	93	6,904	6,990	7,240	7,406	7
Age and service	4,164	6,588	6,995	7,506	80	7,479	7,072	7,332	7,506	0
Disability	4,145	8,287	8,646	9,219	122	7,445	8,896	9,062	9,219	24
Survivor, monthly benefits	1,596	3,984	4,228	4,468	180	2,867	4,277	4,431	4,468	56

of the employees of most State and local governments. In 1985, it was estimated that 72 percent of the State and local workforce was covered by Social Security. In 1987, that proportion would have represented 10.4 million workers.

The historical data given in table 4 show that the "age and service" category has been the largest throughout the 34 years of

this series. In 1987, that category accounted for about 82 percent of all benefits and about 79 percent of the beneficiaries who received them.

Revised data on State and local retirement systems, based on the quinquennial **Census of Governments**, are presented in table 5. This survey, last performed by the Bureau of the Census in

1987, is the prime source of data on State and local government retirement systems. Figures for the years 1982-87 have been revised, using the 1987 survey data as a benchmark. The major difference in the figures, observed in the revision, is a shift in the size of the benefit categories. Retirement due to "age

Table 4.—Benefits and beneficiaries of public employee retirement systems, by reason for benefit receipt, 1954–87

Year	Benefits (in millions)					Beneficiaries (in thousands)			
	Total	Age and service	Disability	Survivor		Total	Age and service	Disability	Monthly survivor
				Monthly	Lump sum				
1954	\$1,300	\$831	\$301	\$69	\$50	850	559	180	110
1955	1,463	993	335	81	50	917	606	189	122
1956	1,665	1,153	360	96	56	1,004	672	197	136
1957	1,881	1,331	377	112	62	1,108	756	201	150
1958	2,156	1,534	419	135	68	1,222	835	217	170
1959	2,424	1,736	459	162	67	1,341	907	232	203
1960	2,674	1,921	492	185	76	1,448	977	247	224
1961	3,008	2,181	530	208	88	1,578	1,072	263	243
1962	3,303	2,401	571	229	97	1,688	1,150	280	259
1963	3,754	2,763	625	266	101	1,838	1,263	294	280
1964	4,253	3,151	693	296	113	1,984	1,372	310	301
1965	4,720	3,520	751	324	125	2,117	1,472	326	319
1966	5,479	4,104	857	382	135	2,293	1,607	346	340
1967	6,172	4,636	942	448	145	2,474	1,744	364	366
1968	6,926	5,250	1,022	492	162	2,666	1,890	378	388
1969	7,920	6,052	1,135	554	179	2,854	2,049	398	406
1970	9,355	7,210	1,312	645	189	3,050	2,204	419	427
1971	10,947	8,553	1,491	734	200	3,265	2,375	439	451
1972	12,783	10,039	1,687	837	220	3,474	2,543	456	476
1973	14,975	11,867	1,907	965	236	3,796	2,785	487	525
1974	18,052	14,382	2,241	1,171	258	4,136	3,035	518	583
1975	21,617	17,200	2,707	1,439	271	4,428	3,243	549	636
1976	24,526	19,506	3,096	1,641	282	4,739	3,747	577	688
1977	27,429	21,795	3,500	1,842	292	5,006	3,660	611	735
1978	30,873	24,452	3,985	2,111	324	5,175	3,791	648	737
1979	35,068	27,730	4,560	2,445	333	5,409	3,982	679	749
1980	41,060	32,416	5,371	2,896	377	5,659	4,200	708	751
1981	46,821	36,806	6,219	3,382	414	5,969	4,427	751	791
1982	50,906	40,234	6,896	3,735	438	6,202	4,611	778	813
1983	55,371	43,666	7,165	4,049	491	6,447	4,825	781	841
1984	59,024	46,735	7,360	4,495	434	6,639	5,056	745	838
1985	63,499	50,562	7,623	4,856	544	6,890	5,271	745	874
1986	67,438	53,866	7,747	4,986	840	7,120	5,557	682	878
1987	71,412	58,178	7,812	5,366	56	7,323	5,768	658	897

and service” accounted for 89.6 percent of the State and local benefits paid in 1987, compared with 81.4 percent in 1982. The percent of beneficiaries in this category increased from 83.0 to 88.4 percent, with concomitant declines in the “disability” and “survivor” categories.

Sources of Data

Information on the benefits and beneficiaries of State and local government retirement systems was taken from the Bureau of the Census publication, **Employee Retirement Systems of State and Local Governments**, Volume 4, Number 6, of the 1987 **Census of Governments**, published in December 1989. The systems covered by this study provided data for their fiscal years “ending between July 1, 1986 and June 30, 1987.” These data are therefore not exactly comparable to the fiscal year figures used for the Federal programs. Data on the Federal systems were obtained from reports of the administering agencies and from the **U.S. Budget Appendix**.

Table 5.—Benefits, beneficiaries, and average annual benefits under State and local government retirement programs, revised estimates, 1982–87¹

Reason for receipt	1982	1983	1984	1985	1986	1987
Benefits (in millions)						
Total	\$16,059	\$17,936	\$20,205	\$22,501	\$25,220	\$27,386
Age and service	13,077	14,809	17,020	19,183	21,607	24,538
Disability	1,754	1,801	1,863	1,848	1,833	1,807
Survivor, monthly	830	874	931	968	1,002	1,041
Survivor, lump sum	398	452	391	502	778	(2)
Beneficiaries (in thousands)						
Total	2,897	3,057	3,217	3,378	3,538	3,698
Age and service	2,405	2,571	2,741	2,912	3,089	3,269
Disability	249	241	232	223	212	196
Survivor, monthly	243	245	244	243	237	233
Average annual benefits (current dollars)						
Total	\$5,406	\$5,719	\$6,159	\$6,512	\$6,908	\$7,406
Age and service	5,437	5,760	6,209	6,588	6,995	7,506
Disability	7,044	7,473	8,030	8,287	8,646	9,219
Survivor, monthly	3,416	3,567	3,816	3,984	4,228	4,468
Average annual benefits (constant 1987 dollars)						
Total	\$6,476	\$6,582	\$6,826	\$6,990	\$7,240	\$7,406
Age and service	6,514	6,629	6,881	7,072	7,332	7,506
Disability	8,439	8,600	8,899	8,896	9,062	9,219
Survivor, monthly	4,092	4,105	4,229	4,277	4,431	4,468

¹ Revised according to the 1987 **Census of Governments**, Bureau of the Census, Department of Commerce, December 1989.

² Lump-sum data not available for 1987.