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portable pensions

JOZETTA H. SRB

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KEY ISSUES SERIES NO. 4

PORTABLE PENSIONS
A Review of the Issues

by

Jozetta H. Srb

The purpose of this report is to summarize the current positions of government, labor, and management on the question of portable pensions and to review briefly the background of the issues involved. Because vesting and funding are closely related to portability and are the main thrust of current legislative proposals, these subjects will be included. A list of annotated references for further reading follows this report.

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PREFACE

When pensions were viewed as one of the rewards for long tenure, the question of fair treatment of a terminating employee was different from what it becomes when pensions are regarded as part of the wage packet. The worker who changes jobs voluntarily may not be in too unfavorable a position in forfeiting certain benefits because, presumably, he has made a kind of cost-benefit decision. But there is still the question of whether or not he forfeits part of what he has earned. The problem of equity assumes different dimensions for job changers who do not move from choice but as a result of economic and technological trends.

The development of existing practices to protect pension rights have resulted in large measure from union and management efforts to meet the problems of pension preservation and mobility. Detailed studies of multiemployer plans and reciprocal agreements indicate, so far at least, that the protection they afford is highly selective. Even the recent trend for liberalized vesting does not benefit the large percentage of workers who average less than ten years in a given job.

Pension expectations, as well as changes in pension philosophy and practice, appear to be partly responsible for pressures for a more comprehensive system of portability. Business groups that caution against mandating standards for vesting, funding, and portability do so generally on the basis of the comparative advantages of flexibility and free choice in pension planning. More specifically, they believe that: 1) Private pensions are not proved inadequate in these areas. 2) Rigid control and standardization would discourage the development of new plans and stunt the growth of existing plans, and would, of course, cost more money. 3) Because of the technical difficulties of determining transfer values for pension credits, an over-all system of portability is almost impossible to implement.

The basic difficulty of making out a case for the adequacy or inadequacy of private pension plans may be closely related to the problem of implementing portability. The private retirement system is a collection of retirement programs, structured more or less according to a basic pattern but with infinite variations and permutations. Even one plan, and most corporations have more than one, has enough variations within it to defy brief description except in terms of a particular participant, the clauses that fit his situation, and the options open to him. In addition, the pension plan is only one part of the larger packet of fringe benefits which in turn is a part of the wage agreement. There are literally thousands of different ways to assemble the bits and pieces. Therefore, deciding when, how, and where the "private pension system" immobilizes workers or treats them unfairly may be a bigger, but not much more complicated job than translating pension credits in one plan into their equivalent in another plan whose basic ingredients may be only approximately the same and in different proportions.

Despite the difficulties of implementing portability and disagreements about its comparative advantages, there is strong evidence that portable pensions will continue to be a key issue in public discussion.

WHAT MAKES PRIVATE PENSIONS PORTABLE?

AND WHO WANTS WHAT?

Congressional bills H. R. 1065 (Dingell) and S. 1103 (Javits) introduced during the first session of the 91st Congress include provisions to facilitate the portability of private pensions. Similar bills during the 89th and 90th Congresses evoked considerable discussion of portable pensions by labor, management, and the press. A union representative stated that he favored "portable pensions" but didn't support the portability provisions in pension bills introduced during the 89th and 90th Congresses. When union officials announce the successful negotiation of portable pensions for their members, they are also talking about something different from the portability implied in the proposed legislation. Many employers dismiss the whole idea of portability as costly, unworkable, and contrary to the reasons for setting up private pensions. In their opinion, portability won't work without more government regulation -- which would stunt or even destroy the private pension system. Some government agencies and their advisers, however, see portability as one answer to two of today's increasing needs -- labor mobility and pension protection.

Portability has become a key issue but there may be confusion about what is meant by the term. Over the past few years, it has become popular to refer to any pensions in which rights are retained by employees changing jobs before retirement as "portable" regardless of whether credits are actually carried to another plan, left in "cold storage," or simply result from participation in a plan concerning the employees of two or more financially unrelated employers. Semantically, the British term "pension preservation" describes the general grouping more accurately; but portable pension and portability are well-established in American journalese and, despite the more careful use of terms in the current debate over pension reform, they remain ambiguous. Therefore, it seems desirable to introduce this report with a set of fairly precise definitions which have emerged from the more sophisticated discussions of pension protection.

What is portability? The term is appropriately used to describe an employee's right to transfer pension credits from one pension plan to another. Some writers suggest that the best example of complete portability is in Social Security where pension credits accumulate for the employee no matter how many times he changes jobs during his lifetime. But most of what are now called "portable pensions" in the news result from employment by employers who participate in a multiemployer plan which has reciprocal agreements with other multiemployer plans, or, on occasion, from the introduction of vesting provisions into pension plans.

Multiemployer plans (sometimes called pooled plans) are those in which employees of financially unrelated employers have established a common fund for the benefit of all their employees. It is sometimes argued that these plans do not provide portability but rather extend coverage, i.e., for a labor force which has discontinuous employment with one employer, a multiemployer plan extends coverage and eligibility to many employers in an industry.

Multiplant or Parent Corporation Plans. Multi-establishment firms and financially related companies may provide corporation plans in which workers can move from one branch of a company to another, or change status (i.e., blue-collar to white-collar) within the organization without loss of pension rights. It should be noted, however, that some companies, especially conglomerates, have several plans and may or may not allow credit transfers from one plan to another. The kind of mobility facilitated by multiplant or parent corporation plans may be wider geographically and occupationally than in some multiemployer plans or reciprocal agreements, but it is obviously limited to one firm.

Reciprocity agreements are arrangements between plans that permit employees to move from one participating plan to another without losing pension credits. Some of these agreements provide for the transfer of pension credits -- i.e., portability. However, because multiemployer plans and reciprocal arrangements have been instituted along the lines of bargaining units, coverage is extended or credits are transferable only within the limits of these structures.

Vesting, a procedure sometimes confused with portability, describes a terminating "qualified" employee's right to a pension based on his credits in the plan. Qualifications typically include 10 to 15 years of service as well as a minimum age requirement, age 40, for example. Except in rare circumstances, vesting does not involve a transfer of credits or taking-it-with-you prerogatives; benefits are paid in the form of an annuity that starts when the former employee reaches retirement age. For this reason some writers refer to vesting as "cold storage" and suggest transfer devices to overcome some of the disadvantages.

A majority of writers in the pension field see vesting as the more practical solution to mobility problems. They maintain that more liberalized vesting requirements would negate, to a large extent, the need for portable pension credits. Senator Javits pointed out to the Joint Economic Committee that vesting and portability must go hand in hand because portability cannot operate unless the worker's right to pension credits is irrevocable, and, at the same time, he emphasized that the pension credits an employee might take with him would be meaningless unless backed up by adequate funds. (See: U.S. Congress, 89th, 2nd Session, Private Pension Plans, Hearings before the Subcommittee on Fiscal Policy of the Joint Economic Committee, Part I, pp. 25-26.)

The Government Point of View

The more precise meaning of "portability" in pension planning has received public attention through government concern over the selective effects of pensions on mobility and over protection of the rights of workers. According to the

American Enterprise Institute (See: The Debate on Private Pensions, p. 45): "In the current pension dialogue, achievement of 'portability' means the development of arrangements by which a worker could accumulate private pension credits from job to job and eventually combine them into a single pension." Merton Bernstein, in The Future of Private Pensions, 1965, (pp. 264-294) suggested institutional arrangements through which vested pension credits could be transferred from one pension plan to another. Bernstein, formerly an attorney for the NLRB and the Labor Department and a consultant for the Treasury and HEW Departments, is credited with having strongly influenced the government position on portability. Very briefly, the arrangements he suggests would collect "bits and pieces of employees' vested pension credits into one, more adequate benefit based upon contributions which have earnings and growth up to the date of retirement." The scheme would involve actuarial determination of transfer values and provisions for giving and receiving credits between plans. A pension credit clearing house is suggested, which also could serve as a pension registry, "facilitate and, in addition, supplement the transfer value provisions of individual plans...." The institutional arrangements might be private, governmental, or through joint arrangements between them.

A number of bills before the 90th Congress included provisions that would facilitate this kind of portability. In the bill entitled Pension and Profit-Sharing Plans (S1103), Senator Javits proposed the establishment of a United States Pension Commission whose duties would include the establishment of a "special portability fund" to act as a clearing house for the pension credits of employees changing employers. (See appendix.) Representative John B. Dingell of Michigan (H.R. 4462) proposed a special fund in the Health, Education and Welfare Department in which an employer could deposit the funds to finance accrued rights for an employee who left his service before retirement. The fund, in turn, could either transfer the employees credits to the new employer or pay the pension when the worker reached retirement. In both cases use of these provisions for facilitating transfers would be voluntary. Among the other bills which spoke specifically of "portability" were those introduced by Representatives Joelson, Corman, McCarthy and Fino. In addition to proposed legislation for studies of portability, some twenty other bills relating to private pensions were introduced in 1967 and 1968. These bills would propose standards for one or more of the following: funding, vesting, reinsurance, fiduciary responsibility.

This proposed legislation is based mainly on the January 1965 recommendations of the Committee on Corporate Pension Funds and Other Private Retirement and Welfare Programs* -- a cabinet-level committee set up by President Kennedy in 1962. For the most part, the bills introduced during the 90th Congress were similar to those which never came to a vote during the 89th Congress. One sees a reemergence of such proposals during the 91st Congress, for example

* Public Policy and Private Pension Programs: A Report to the President on Private Employee Retirement Plans, by President's Committee on Corporate Funds and Other Private Retirement and Welfare Programs, 1965 -- referred to in most pension articles and throughout this report as the President's Committee.

the Dingell Bill HR 1065 is the same as his 90th Congress bill HR 4462, and S 2167 introduced May 14, 1969 by Senator Javits is similar to his earlier S 1103.

The Labor Point of View

Unions generally support the parts of the proposed pension legislation which are protective and "would establish new safeguards,.... (especially) for the millions of unorganized workers of the land who are covered by unilateral employer plans and do not have unions to protect their interests under such plans." (From: statement by I. W. Abel before House Labor Committee as reported in Daily Labor Report 4/10/68, p. D 1.) On portability per se, James Lynch, employee trustee of the Bergen-Rockland Retirement Fund, testified before the same committee that "portability" is only practical if workers' movements are restricted to within "the same craft, in the same union, and under the same or a similar pension plan." (Loc. cit., 5/8/68, p. A 6.)

The union point of view of a broader kind of portability appears to be essentially the same as expressed in the AFL-CIO handbook (Pension Plans Under Collective Bargaining, [1965?], p. 33) which states that extending the idea of portable private pensions necessarily implies uniformity of benefit formulas, retirement provisions, and funding "to a degree which appears impracticable in view of the wide diversity which exists in pension plans." It is suggested that: "The easiest way in which to provide for full portability of pension credits is to increase the proportion of the benefit structure paid by social security." On the question of "impracticability," labor and management appear to agree; but they are not exactly in accord with expansion of the federal social security system as a high priority alternative -- a fact which was evident in their respective positions on social security legislation during the 90th Congress. Labor well recognizes this difference of opinion and suggests that union demands for protection and continuity of pensions by way of liberal vesting provisions and portable credits may decrease employer opposition to improved social security because more liberal private plans are more costly. The pension guide cautions unions, however, not to "let preoccupation with private pensions deter their efforts from the long-term objective of improving the federal security system."

The Business Point of View

Proposed legislation as well as the President's Committee report appear to have drawn the battle lines between business and government in the current debate of private pensions. In June of 1967, Andrew Melgard (Senior Associate, Human Resources Development Group, U. S. Chamber of Commerce) issued a memorandum titled The Five Year Federal Buildup of Pension Issues in which he carefully summarized Congressional and Administration interest in the field of private pensions since 1965. Melgard also discussed the "theories and guesses" of the observers in "Washington Circles" about why "the President's Committee Report keeps destroying itself and then rising again from its own ashes." Some of these speculations add up to suspicion of interagency rivalry in a buildup to federal control over private pensions and other fringe benefits. Although he did not completely discount this possibility, Melgard stated the problems of proposed legislation in more substantive terms that reflect employer views reported in other publications. Of the position of business and industry in the current controversy, he said:

> "The current Administration bills are being carefully considered to see to what extent the changes advocated are necessary, will be helpful and can be supported. It is unfortunate that these proposals are becoming mixed up with the controversial issues of vesting, funding and reinsurance. Additional regulation should be confined strictly to areas of proven abuse."

* * *

If one assumes the probability that business interests do not favor expansion of social security and unions will continue to bargain for more liberalized vesting and portability in private pensions, the basic disagreement is over: 1) government control and regulation of private pensions, and 2) the adoption of mandatory procedures for vesting, funding, and reinsurance. The introduction of the concept of portability has sharpened the disagreement by bringing the need for standardized vesting and funding procedures into focus. Once full vesting and funding is achieved, further government activity to facilitate transfers of pension credits is relatively simple. The suggested procedures for general portability have raised additional practical problems that relate to the effect of increased turnover on funding, determining transfer values, and the overall cost to private pensions. At the same time, the question of portability has intensified differences of opinion on the role of private pensions in the economy and the adequacy of existing pension preservation practices in the private pension system. Therefore, issues related to portable pensions should be examined in the context of the public interest in private pensions, current practices, and the practical difficulties of transferring pension credits.

PUBLIC INTEREST AND PUBLIC POLICY

Public interest surrounding private pensions stems generally from the present size as well as the growth rate of the private pension system since 1940. The American Enterprise Institute for Public Policy Research in The Debate on Private Pensions, states on page one: "The public interest generates from the pension expectations of many millions of American people already enrolled or aspiring to be covered by private pension plans." In reference to the over $100 billion represented by private pension funds, Congresswoman Martha W. Griffiths suggested that interest in the question is not confined to members of plans but to everyone "because the economy with which wealth is managed affects all our livelihoods." (See Joint Economic Committee Hearings, 89th Congress, 1966 Part I, p. 2.) And according to the 1965 President's Committee Report (p. vii), the impact of private pension plans on the American economy is indicated by the following:

> "1) They represent a major element in the economic security of millions of American workers and their families. 2) They are a significant, growing source of economic and financial power. 3) They have an important impact on manpower in our economy. 4) They have a major, growing significance for Federal taxpayers because the special tax concessions reduce the tax rate base and put more burden on other tax sources."

A discussion of portability deals most directly with points 1 and 3 which will be covered at greater length in the section on Labor Mobility and Private Pensions. Other points of public interest furnish reasons for proposed pension reform and brief references to them are included to show the complexity of the problem and to furnish a framework for discussions of issues pertaining particularly to portability.

Growth of the Private Pension System

Significant growth in private pension plans has occurred since 1940 when only about one out of every twenty workers in commerce and industry were covered by a pension plan; by 1968, five out of ten employees were covered. Between 1950 and 1968, benefit payments increased from $400 million to approximately $4.5 billion due mainly to the maturing of pension plans and revisions in formulas. On May 1, 1969, the U. S. Security and Exchange Commission (Release No. 2359, Table 2) reported the book value of the assets of private pension funds for 1968 as $80.5 billion for non-insured corporate funds including non-insured multiemployer and non-profit organization funds, and $35 billion for insured private pension funds, -- a total of $115.4 billion. In 1963, these assets amounted to $69.9 billion.

The growth in the private pension movement can be attributed mainly to the economic and social concommitants of industrialization, including the philosophical changes that altered earlier paternalistic patterns. (For a description of the forces at work, see: Robert Tilove, Pension Funds and Economic Freedom, New York: Fund for the Republic, 1959, pp. 3-19.) The variety of circumstances under which plans were established and the different objectives they were designed to serve resulted in the great diversity which has drawn both praise and criticism: on the one hand it is referred to as "fragmentation" and on the other as "flexibility."

Many plans have been established because of what a pension plan can contribute to personnel management, and the competitive recruiting advantage it may give in the labor market. In addition, many employers have wished simply to reward employees for long service and to provide some old-age security for them. The sales efforts of insurance companies and trust departments of banks have stimulated the spread of retirement plans. But none of these reasons appear to be as responsible for major expansion as several specific developments in the recent past:

1) The effect of the excess profits tax. During World War II and the Korean War, excess profit taxes on corporations were high enough to induce setting up pension plans in which the contributions and the investment income were deductible for tax purposes. Employers could also increase retirement funding at comparatively small cost to the firm.

2) Wage stabilization policies. The wage "freeze" of the same war periods prevented employers offering higher wages to attract workers and left the unions with little to prove their worth to their members. The War Labor Board solved the dilemma by allowing fringe benefits, including retirement plans, instead of wage increases.

3) Union demands. In the late 1940's, private pensions became a major bargaining point in the coal, automobile and steel industries. The National Labor Relations Board opened the way in 1948 for further negotiations over retirement benefits by ruling that the Labor Management Relations Act of 1947 imposed an obligation on the employer to bargain over the terms of pension plans. This view was upheld by the U. S. Court of Appeals, 7th Circuit, however, not in terms of pension benefits as "wages" but because pension plans are "other conditions of employment." Labor's response to the NLRB ruling was responsible for the recent growth in multiemployer plans and reciprocal agreements which currently furnish many of the "portable pension" headlines.

Economic and Financial Power

In 1959, Robert Tilove (cited above) examined the growth of pension funds and the significance of their investments. He noted that pension funds are the same as other institutional investors: they buy for trading less frequently than individual investors and are apt to concentrate their common stock buying in selected or blue chip issues. He saw little danger that "control" would develop, but suggested that the public nevertheless should be able "to appraise, from time to time, whether concentration of economic power in the use of pension funds to that end has or has not developed." (Ibid., p. 86)

The President's Committee Report commented in 1965 on the savings in the economy represented by pension funds and the effect of recent shifts of new money into common stocks. They did not feel it necessary or advisable to regulate the size or rate of capital accumulation in private retirement funds. In their opinion, although the investment selections were "not always optimal from the viewpoint of the national economy," regulation for economic policy purposes would be inappropriate. However, regulation of investments for protecting the interest of employees should be considered separately and a limit of "perhaps 10% on the portion of a pension plan that may be held in stocks of the employer company or its affiliates..." is suggested.

The above comments may be considered out-of-date with the current growth in pension funds and the unprecedented investment of them in common stocks during the past few years. U. S. News and World Report (12/2/68, pp. 87-8) raises a question concerning the "Boom in Stock for Pension Funds": Since most funds other than public systems are buying more common stocks, where is all the stock to come from in the long run? The question concerned the increasing percentage of corporation pension funds in common stocks--from 24.5% in 1957 to 52% in 1968. According to the May 1969 release (No. 2359) of the SEC Statistical Series, common stockholdings of private noninsured pension funds appear to have almost doubled over the past five years: in 1964 the book value of the common stock holdings of these funds amounted to $20.8 billion, in 1968 the preliminary figure was $40.3 billion.

The question of economic and financial control is also raised by groups who do not favor government-sponsored portability. According to Ray M. Peterson (Transactions of the Society of Actuaries, April 1965, p. 125) a clearinghouse for portable pensions, such as suggested by Bernstein, would be a huge institution and if it fulfilled its objectives, "additional pension accumulations would be developed for vested benefits of millions of workers and for benefits for thousands of small employees." The additional pension funds, held in substantial part by the clearinghouse, would raise "some vital broad economic issues,"--i.e. new issues over a new influence on the stock market. Peterson foresees questions about allocation of provision for old-age security between OASDI and pension savings. He also wonders about the availability of equity investments for the accumulations. Other writers have raised the question of putting the control of private pension monies into government agencies. (See: Richard J. Levine, Pension Fund Pinch, New York Times, 1/25/68, p. 1.)

Tax Concessions

The President's Committee estimated that the loss of revenue is more than $1 billion a year and that these special concessions "are to a significant degree subsidized by Federal Taxpayers." The National Association of Manufacturers (NAM Reports, 1/15/68) and the U. S. Chamber of Commerce do not question the calculations but argue that deductions allowed for employers' contributions in "qualified" plans are no more a special concession than deductions for other business expenses; nor is there a subsidy involved in allowing employees to defer tax payment until pension income is paid; similarly, there is no special concession in not taxing qualified pension trusts on interest earnings and capital gains because beneficiaries are fully taxed on the income from these earnings when they receive it in the form of benefits.

The President's Committee calculates that however one views the "benefit," a sponsoring employer saves 30% on the cost of a pension plan through special tax provisions. Robert C. Tyson suggests that this savings to the corporation actually benefits the taxpayer because it results in a "higher taxable net income and, in the long run, this results in even greater revenue for the government." (See: "Let's Keep Our Dual Retirement System," Harvard Business Review, March-April, 1968, pp. 2-19f.)

Government Regulation

The task force of the National Association of Manufacturers (see above) presented a formidable list of current regulations on private pension funds including those of several federal government agencies; state laws covering banking, securities, disclosure and trustees; and rules recently adopted by the American Institute of Certified Public Accountants. Robert Tyson, in addressing the Council of State Chambers of Commerce in New York City, referred to the same regulations. Both papers argued that further government regulation would destroy flexibility and prevent the further expansion of private pension plans. The NAM supports some of the objectives of proposed legislation but says that "it is not advisable to achieve them by compulsion because of the practical effect on the pension plans themselves . . . ."

Some of the testimony before Congressional Committees gave a somewhat different picture of the adequacy of government regulations. Hearings before the Senate Committee on Government Regulations in 1965 convinced Senator Javits that "The Law-such law as exists, both State and Federal--is as full of holes as Swiss cheese." A perusal of later hearings of other Congressional Committees supported the Senator's opinion. I. W. Abel, President of the United Steelworkers, for example, testified before the House Labor Committee's General Subcommittee on Labor (April 10, 1968) that legislation in the areas of funding, fiduciary responsibility, enforcement, preferred bankruptcy claims, and reinsurance and funding guarantees is badly needed. He cited a number of pension plans in which benefits were lost or in jeopardy because of abuses of elementary obligations of fiduciaries and commented: "In this era of mergers, consolidations, and trades of companies, more thought needs to be given to the protection of the rights of the employees and the benefit funds in which they have invested their wages and their lives." (Official text from Daily Labor Report 4/10/68, p. D-2.)

Although Abel's statement describes events which have an especially adverse effect on non-transferable pension rights and very well might be the basis for promoting portability, the focus of his remarks was the need for safeguards "to assure payment of earned benefits when due." Many discussants in the pension dialogue are convinced that government control over and above so-called safeguards would be necessary to implement a broad system of portable pensions. And it is in this extension of regulation that disagreement is sharpest--as a matter of principle as well as for the practical reasons raised by Tyson and the NAM. The matter of principle is stated by Hewitt Associates in "Public Policy for Private Pensions" (April 1966): In their view, proposals for legislated transferability and increased vesting can be classified as regulations for the accomplishment of national goals which may be desirable, but "it is inappropriate to try to legislate social objectives through private pensions--the government's role is more properly one of preventing non-social behavior in pension plans." In some of the arguments for mandated vesting standards and a more broadly based system of portability, a reasonable case is made for classifying these practices as "safeguards" rather than "social objectives."

Economic Security

Millions of workers have been led to expect that part of their old-age security will come from the private pension plans in which they participate. If some of the estimates of the numbers of those who will actually receive benefits are even approximately correct, many persons might well be concerned. The average worker however appears to be interested in his pension plan only when he approaches retirement age, or when he suddenly discovers that "he can't take it with him," or his job has been phased out six months before he is eligible for the benefits vaguely anticipated for a number of years. If he qualifies for a pension, he may be surprised at the smallness of the pension check compared with what he expected.

When individuals are lumped together as the public, and monies invested in their behalf reach the $100 billion mark, their interests must be more carefully defined and defended by those responsible for protecting them. And this is, in part at least, what is happening in the current move for pension reform. While those asking for legislative reform concentrate on expected benefits that are never received and the deficiencies in the private system, employer groups and their financial intermediaries emphasize the positive aspects of private pensions and their role in private capital formation. Interestingly enough, the debate focuses, not so much on differences of opinion about whether or not expectations should be or are being met, as on disagreement about the government's role in further regulating the private pension system.

Changes in Pension Philosophy

At the outset, pensions were considered rewards for a lifetime of loyal service which implied certain paternalistic responsibility but was closely related to the recognition that pension plans were good business. Pensions furnished a humane and economical way to ease out the no-longer productive older worker, improved the morale of those approaching retirement, and were helpful in attracting and holding younger workers. These aims are still considered reasonable objectives for pension plans. Even at the level of business expediency, however, for many years, pensions remained gratuities--given or denied at the discretion of the employer.

Socio-economic changes in the society and the establishment of more pension plans accounted for an increasing assumption that the employer had a moral obligation to provide some old-age security for his workers. In an effort to take pensions out of the "gratuity" class, union leaders argued that this obligation was based on a human depreciation concept. Most pension experts, however, rejected the analogy between humans and machines and looked for a better rationale.

Pension benefits as deferred wages, a theory suggested as early as 1913 by Albert de Roode (see: "Pensions as Wages," American Economic Review, June, 1913, pp. 287-295), began to gain wider acceptance in the 1940's, and a ruling of the National Labor Relations Board in 1948 strengthened the premise. Further support is found in Section 302(c) of the Taft-Hartley Act, Welfare and Pension Plan Disclosure Act, the Bacon Davis Act of 1964, and in IRS treatment of employer versus employee contributions to pension funds. Although this concept is the foundation of negotiated pension plans, the philosophy is not wholeheartedly subscribed to by all employers. There is evidence too that workers consider employer contributions, not as deferred wages, but as a subtraction from the paycheck or as another tax on earnings.

Questions also arise over how operative the concept is when some employers pay the prevailing cash wage as well as provide a pension plan; or when an employee leaving his job after a number of years has no right to the contributions made in his behalf. The suggested answer to the latter situation lies in the following interpretation: Employer contributions are calculated on the total number of employees in the plan and these contributions are irrevocable, thus the workers as a group have immediate and full rights in the fund; but, how the fund is eventually allocated to individuals is another labor-management and/or actuarial decision -- and it is considered equitable to provide differential wages to workers with long-term service.

In discussing the legal theories on which pension cases are decided, Dan M. McGill, Director of the Pension Research Council, (See: Fulfilling Pension Expectations, pp. 161-165) states that the deferred wage theory breaks down in court because it is "meaningful only in the aggregate... (and) affords little support for the benefit of a specific participant." He lists three other legal theories used to assess employees' rights in pension plans voluntarily established by employers. 1) As late as 1957, there were rulings based on the gratuity theory, i.e. the employer either made no promise or the promise was gratuitous. 2) When the court has assumed that announcing a plan is a promise that employees have a right to depend upon, claimants benefit from rulings based on promissory estoppel, which, in effect, says that justifiable expectations cannot be denied whether or not there is a contract. 3) The most frequent ruling involving unilateral, employer-instituted plans applied the unilateral contract theory under which the employer is assumed to have offered a contract which the employee has accepted, not by making promises himself (which would be bilateral), but by fulfilling the conditions set by the employer.

Lack of unanimity about deferred compensation does not preclude agreement that pensions are labor costs. This view is obvious in the fact that wage packets include pension and other fringe benefits calculated on cost-per-hour or salary base. It is also explicit in the argument that tax deductions for pension fund contributions are no more tax subsidies than deductions allowed for other expenses. Although the implications of "pensions as labor costs" are not the same as for "pensions as deferred wages," the general acceptance of the former indicates that pensions have moved out of the "gratuity" class.

Labor Mobility and Private Pensions

The relationship between labor mobility and the present movement for portability is strong and clear cut although two different but not mutually exclusive, goals are involved. President Kennedy's memorandum (3/8/62) to the Committee on Corporate Pension Funds introduced mobility in terms of how pensions might be structured for more efficient manpower utilization and mobility. The 1965 report of the Committee and subsequent discussions have broadened the focus by including questions about the effect of changing jobs on an employee's chances for adequate benefits under present pension plans. Thus the current debate over portability includes the questions of: 1) how pensions affect labor mobility, and 2) how "job-changing" affects pensions.

The Effect of Pensions on Mobility

Most experts in the field agree that there is little empirical evidence to support or deny the holding power of potential benefits on employees. The findings of the few comparative studies made of differences in the behavior of workers in firms with pensions and those without pensions while not conclusive, suggest that: 1) Lower mobility has little to do with the existence or kind of pension plans. 2) Lower mobility in firms with a pension plan is probably due to factors other than the existence of the plan. 3) The difference between mobility rates in firms with pensions and those without pensions is not statistically significant.

Earlier research on factors determining mobility trends points to the overall economic condition of the country as the most significant influence on mobility rates. Discussions of labor mobility based on changes in manufacturing quit rates over a number of years generally conclude that the steady decline in mobility rates (except in years of high economic activity) are accounted for, at different times in varying proportions, by the growth and development of: unions, large corporations, seniority provisions, fringe benefits, and unemployment benefits; as well as by the level of employment in the manufacturing sector.

Mobility rates vary according to age groups, sex, and color -- but the pattern of this variation remains much the same over the years. Within population categories, one of the more significant differences is in the mobility rates between younger and older workers; for example, men between 45 and 54 years of age averaged almost four years longer in their current jobs than men between the ages of 35-44. (See: Harvey Hamel MLR* 1/67, Table 2, p. 33.) One of the factors assumed to be involved in this differential is the increased value workers put on pensions as retirement age approaches.

Other categorical differences in mobility rates have led to economic and sociological assumptions about the selective effect of pensions on labor mobility -- an effect often regarded as detrimental to technological and economic efficiency. However, the question of the level of mobility necessary to economic efficiency -- a part of a much larger discussion on the role of mobility in our society -- is no more conclusively answered than the question of how pension plans affect job changing. Apropos of the public policy implications of his study "Private Pensions and Labor Mobility," Hugh Folk suggested that equity is the main public policy issue connected with mobility since "there is no presumption that remedial action is needed for reasons of economic efficiency." (Folk's article appears in U. S. 90th Congress, Joint Economic Committee, Old Age Income Assurance, Part IV, pp. 132-163.)

The Effect of Mobility on Pensions

Despite the difficulties of calculating the effect of pensions on job tenure from population statistics, job tenure figures for 1966 furnish some clues to the volume of pension benefits that may never be collected because workers fail to fulfill age and service requirements. An analysis of these figures by Hamel (op. cit., pp. 31-37) indicates just how large the number of forfeitures for this reason might be and, more importantly, which segments of the working population are least apt to collect pension benefits, or at best will receive reduced benefits because they will be based on comparatively short periods of service.

For the 71 million employed in January of 1966, the average number of years on the same job was 4.2 -- with considerable variation between sexes, age groups, white and color groups, occupations, and industries. The average tenure for men was twice as long as for women and one out of three men, but only one out of five women, averaged ten or more years on one job. The average tenure of white workers was 4.3 years compared with 3.1 years for non-white; for females, the average was the same regardless of color, but Negro men averaged two years less than white male workers. The latter difference becomes more pronounced with age: for men over 45, white workers averaged 13.4 years while colored workers averaged only 10.2 years; 16% of all non-white males had held

* MLR is used through this report for the Monthly Labor Review, a publication of the U. S. Dept. of Labor, BLS indicates Bureau of Labor Statistics reports; USDL--United States Dept. of Labor.

the same job for over fifteen years, but 23% of all white males had fifteen or more years tenure. Job attachment by occupation and industry also showed wide variations with self-employed and professional groups having the longest periods of job attachment and day laborers, construction, sales, and service workers having the shortest.

The difficulties of using census statistics to support arguments for specific public policy are well illustrated by the figures given above, and pension experts are consistent in pointing out the inadequacy of such data for determining who and how many will lose pension eligibility through job changes. In an exploratory effort several pension experts have turned to actuarial estimates for help in determining the risks for pensions. Merton C. Bernstein (op. cit., pp. 54-55) concludes that as the purpose of actuarial procedures is to "estimate the potential financial liabilities" of a plan, these data are of limited use in predicting potential pension casualties. He considers actuarial figures an overestimate of the number of employees who will be around to collect and contends that public discussion neglects to take into account the full effect of automation on job displacement. Bernstein also points out the inaccuracy of the image of American economy as made of all "stable, solid, unchanging" enterprises. With even a small percentage of casualties, the number of employees involved is substantial when plans terminate, plants merge, are sold, shut down, or move. When employment is interrupted by such events, the interruption may lead to loss of pension eligibility under present private pension structures or a reduction in the size of dollar benefits at retirement age.

Tilove (N. Y. Univ., 18th Annual Conference on Labor -- pp. 421-435) argues that the effect of labor turnover in pension eligibility is "grossly exaggerated" by those who base assumptions on census and actuarial figures because their analyses do not take into account that the age at which job changing takes place permits workers to settle down in time to qualify for pensions. According to Tilove, an "overwhelming majority" of older workers now covered by pension plans will collect benefits -- and any displaced worker has more than one chance in two of moving into another job covered by a pension plan.

Bernstein is not convinced that the chances for older workers are as good as Tilove's argument implies because, although job changes for workers between 45 and 64 years of age are less frequent, the rate is still substantial. Bernstein refers to figures from a 1955 Bureau of Employment Statistics seven-area study which showed the annual rate of separations for workers 45-64 years of age to be 36 per 100 employed. (According to Hamel's 1966 study cited above, 35.9 percent of workers aged 60-64 had been in their present jobs less than ten years.) Although the separation rate is lower for employees of firms with pensions, their opportunities for reemployment are greater in non-pension jobs; for example, workers (young and old) displaced from manufacturing are frequently forced to employment in non-manufacturing sectors. (See Bernstein, op. cit., p. 83.)

Many of the critics of present private pension operations also use turn-over and actuarial statistics to support the argument that comparatively small percentages of workers will accumulate enough pension credits for adequate retirement benefits. Despite the fact that many workers may spend 25 to 30 years in jobs with retirement plans, their dollar benefits at retirement may be less if they have changed from one plan to another than if they have remained with one employer under one plan over that period of time. Although assumptions differ over the dimensions of the danger to pension eligibility or adequate retirement benefits, there is agreement that private pension coverage should be extended and devices considered to "strengthen assurances that their (employees) benefit commitments will be met in the face of employee and employer turnover." (Tilove, ibid., p. 434) Efforts for meeting this aim include further development in multiemployer plans, reciprocal agreements, vesting, and devices for facilitating actual transfers of pension credits from one job and one private pension plan to another job and another private pension plan.

The following section is a brief review of existing practices which might qualify as transfer devices in the sense that they increase the possibility that pension rights will be transferred from the employer to the employee if the latter terminates his job before retirement age.

PENSION PRESERVATION ON CHANGE OF EMPLOYMENT

Vesting

Based on a number of studies, statistics indicate that the percentage of workers covered by plans with vesting provisions increased strongly between 1952 and 1958. Since that time, the proportion of workers with the possibility of vesting protection has grown more slowly. At the same time, the terms under which a worker becomes eligible for vesting have been liberalized, i.e., age and service requirements have been reduced.

The latest analysis of vesting was based on plans covered by the Welfare and Pension Plans Disclosure Act and did not include nonprofit organization plans nor plans with less than 26 members. Excluded also were 239 other plans (with 158,000 workers) for which data were unavailable. In "Growth and Vesting Changes in Private Pension Plans," Donald M. Landay and Harry E. Davis (MLR, May 1968, pp. 29-35) reported 70 percent of the plans covering 63 percent of the workers in 1967 as having vesting provisions. Their report is of particular interest because it takes into account one of the difficulties in interpreting general trends from aggregated private pension data: For example, when "60 percent of the participants belonged to less than 3 percent of the programs," changes in one or two large segments would influence the over-all figures. The following summary is based on Landay and Davis' report and includes their references to particular contracts or circumstances that have affected growth in certain directions.

Vesting is more common in single employer plans than in multiemployer plans, and in non-negotiated than in negotiated plans. It should be made clear, however, that the picture of the relationship between bargaining status and vesting is influenced by the relatively low number of workers--2 out of 7 in 1965--in multiemployer agreements, where bargaining is most common. The authors' tabulations show that 79 percent of the negotiated, single-employer contracts also included vesting provisions compared to 68 percent of the non-negotiated contracts. And although 67 percent of the non-negotiated multiemployer agreements provided for "vesting," few multiemployer arrangements are non-negotiated; as a result only one-fourth of the participants of multiemployer plans were covered by vesting schemes compared to three-fourths of those in single-employer plans.

The distribution of vesting by industry follows closely the single- and multi-employer pattern: vesting is high in the durable goods sector, low in transportation, trade, service, mining, and construction--which are characterized by multiemployer plans. A low level of vesting exists in communications in large part because it does not exist in the Bell Telephone System plans, which, although not considered multi-employer, are similar because they are multi-plant. The Bell plans however are said to provide another kind of protection through "early retirement" options.

Rights to vested benefits usually depend on the worker leaving his contributions in the plan and sometimes upon the conditions under which he leaves the job. Eighty-eight percent of the workers were covered by plans which honored such rights regardless of whether termination was voluntary or involuntary--with certain minor exclusions covering the reasons for separation or subsequent employment by a "competitor." The remaining 12 percent could not receive vested credit unless separation was involuntary; most of these workers were covered by contracts negotiated by the Steelworkers which stipulated involuntary separation to qualify for such benefits.

Age and service requirements vary from plan to plan--the most common "service" requirement is 10-15 years, and where age requirements exist they are often between 40 and 50 years. There has been a marked decrease in the number of workers covered by vesting provisions with an age requirement. A few years ago 1 out of 17 workers could qualify for full vesting on the basis of 10 years of service regardless of age, in 1967 this changed to 1 out of 5. The change was influenced by the 1964 UAW contracts which dropped the age stipulation for automobile company employees.

Three types of vesting were in operation in 1967:

1) 82.5 percent of the employees in all vesting plans were under <u>deferred full vesting</u> provisions. Deferred full vesting implies a postponement of

rights to any pension credits until all requirements are met. For example, if ten years credited service is required, job termination after nine years and six months can mean forfeiture of rights to pension credits.

2) 10 percent had deferred graded vesting which is a system such as 5 percent of accrued benefit rights after 2 years, 15 percent after 5 years and so on. A large part of these workers were concentrated in transportation because of the graded-vesting provisions of the contracts governing the Western Conference of Teamsters Pension Trust.

3) Only 4/10 of 1 percent, or 40,000 employees, were covered by plans which provided immediate full vesting.

It is generally agreed that "a vested right to accrued pension benefits is a valuable asset" although it is not possible to capitalize the pension value to retirants under vesting provisions. But, there is evidence that many employees pass up the longer term, larger benefits based on employer contributions in favor of a cash settlement consisting only of their own contributions plus interest. However, the value of a vested pension which pays benefits at retirement age has been estimated as follows: An agreement which stipulates $5.00 monthly for each year of service ultimately would provide $50 a month--starting at normal retirement age, say 65--to an employee leaving after ten years, $100 to an employee terminating after 20 years, and so on. To purchase a paid-up-deferred annuity at age 45 to pay off at age 65 at the same rate, a man would have to pay $3,500 and a woman would pay $4,400. These figures are only close approximations; more exact amounts would depend upon the interest assumptions. Other variations in the value of vested pension credits would reflect the percentage of the fringe-benefit packet assigned to the retirement benefit plan. (Landay and Davis, op. cit., p. 35)

Many pension experts consider vesting the most promising arrangement for preserving pension rights of an employee who changes jobs before retirement age. Once "vested," an employee has certain irrevocable rights to retirement benefits based on service credits. Compared to portability, the advantages of this type of arrangement to the employer lie in the comparative ease of determining costs and retaining funds under a given set of assumptions. The disadvantages for employees under many current vesting clauses reflect the poor relationship between eligibility-for-vesting requirements and present job-changing patterns, the sharp cut-in point for qualification (see "deferred full vesting" above), and the "cold-storage" aspect of the benefits. Another problem pertains to the generally included provision that vested claims are limited to funds already contributed. Thus if a pension plan is only partially funded, the so-called "irrevocable" rights also are only partially funded. Hence future obligations can only be partially met--they might continue for a term or they might be reduced. Admitting some drawbacks to his proposal, Dan M. McGill (Fulfilling Pension Expectations, p. 276, 278) suggested that if vested rights were made enforceable against the general assets of the firm (presumably by deleting the limiting clause), employers would be inclined toward fuller funding for vested benefits. The greatest danger in mandating such a move, McGill says, would be that employers might avoid the whole problem by a "wholesale shift to discretionary informal plans."

The disadvantages of any government-mandated vesting have been defined by Hewitt Associates (op. cit., pp. 8-9) mainly as interference with union-management priority decisions and limited degrees of freedom for management in pursuing business objectives which would also benefit employees. Whereas the employee might profit from liberalized vesting, the gain in equity would probably have to be paid for by some reduction in benefits and at the expense of those who do not leave until retirement age. (The same arguments apply even more strongly to transfer of pension credits.) Hewitt Associates point out, however, that vesting and other supplemental retirement benefits are usually added to old plans (which are usually in a more solid funding position), but in new plans adequate benefits for those who retire after long years of service will have preference over equity for persons who leave. As between widows' protection or survivors benefits, disability pensions and pensions for early retirement--vesting may be low among union and/or management priorities.

Multiemployer Plans

The claim that multiemployer plans are responsible for most of the growth in pension plans since 1961 is substantiated by Landay and Davis' analysis. But although multiemployer plans increased by 25 percent, and single employer plans by 6 percent, the latter still covered more than two-thirds of all workers participating in private pension plans.

Multiemployer or pooled plans are commonly found in industries characterized by many small enterprises and seasonal or irregular employment: food, printing, mining, wholesale trade, clothing, and contract construction. Having originated through negotiation, they follow closely the lines of bargaining units. About one-half of the workers covered can change jobs without loss of pension credits only within one industry, craft, or occupation in one locality.

Employees may benefit from these plans because of uniform benefits and increased possibilities of job change without loss of pensions. Unions profit from the control they have in these arrangements and their closer identification with the benefits. And these attractions to unions may be disadvantages to employers who lose some of their control over the plan and lose employee loyalty because firms are not closely identified with the plan.

Advantages to the employer include uniform contribution rates and, especially in small business, savings in administration expense and the opportunity to use more flexible funding arrangements. The contributions required in most arrangements may be proportionately more costly for the smaller firm or the new one which finds itself contributing to, or sharing, past-service liabilities piled up by older firms. In some cases, adjustments are made to compensate for these higher costs when a joint plan includes firms poorly matched as to resources. A major drawback for unions under these circumstances can be the inability to bargain for more liberal benefits from the economically stronger employer. (See: J. Melone, Collectively Bargained Multi-Employer Plans, pp. 162-175 for a more detailed discussion.)

Although multiemployer plans give workers more job-changing opportunities, their potential for restricting mobility also has been considered. The infrequency of vesting provisions and the intra-union nature of the plans may create barriers to moving up the occupational ladder, changing crafts, or working in another industry. Geographic movement is also inhibited because over 90 percent of the plans cover no more than local, metropolitan or state-wide areas. However, an earlier BLS study in 1961 (No. 1407) showed that 45 percent of the workers under all joint plans at that time were covered by 3 percent of the plans which were interregional. The latter included many of the agreements with the UAW, IAM, Electrical Workers, National Eelctrical Contractors, and the Bakery and Confectionery Workers. It should also be noted that some plans as early as 1958 were not restricted by industry or occupation, for example: Northwest Ohio Area Industries and Western Conference of Teamsters Pension Plans (USDL Bulletin No. 1259).

Reciprocity Agreements

Although reciprocal agreements considerably widen the scope of multi-employer plans--especially geographically--they tend to be most common between plans negotiated by one union and to follow in other ways the pattern of joint plans. Most of the recent "portable pension" headlines have headed announcements of reciprocity arrangements involving workers in unions such as: Teamsters, Carpenters, Hotel and Restaurant Employees, Retail Clerks, and Meatcutters. In his article on "Reciprocity and Pension Portability," (MLR, 9/68, pp. 22-28: summarized below), Walter Kolodrubetz comments that the current increase in reciprocal agreements has "scarcely touched the large number of autonomous plans operating in a single craft or occupational group in one locality."

Reciprocity arrangements operate generally in one of two ways:

1) The pro-rata arrangement in which eligibility depends on combined service credits in each plan pays benefits at retirement from both funds. The amount of the payment is based on the number of credits earned with each employer and calculated according to their respective formulas. There are variations on this theme.

2) The money-transfer system also uses service with all employers to establish eligibility but benefits are paid at retirement by either the "home fund" or the "terminal fund." The reciprocal fund pays its share by remitting to the other fund the contributions made during the worker's period of employment under it.

Although plans with these arrangements have been able to retain their respective formulas for benefit level and eligibility, evaluation of service prior to the establishment of a plan differs. In some cases such service is credited in proportion to the amount of time under each plan after a given date--usually the beginning of the plan. Other arrangements stipulate that the first plan covering the worker pay the benefits on the years the worker was employed before the plan was created.

The effectiveness of reciprocity in pension protection is difficult to evaluate because many of the arrangements are fairly recent. In the agreements that have been in effect for a number of years, the results (which may not be typical or prognostic) suggest that few retirees are receiving benefits based on reciprocal agreements. For example, the Amalgamated Clothing Workers have had reciprocal pensions since 1950, but in 1965 only one out of a hundred retired workers were receiving "split pensions." Masters, Mates, Pilots and Marine Engineers reported 10 percent of their retirees were receiving "integrated pensions," i.e., pensions based on service with several private pension plans.

In discussing the pro's and con's of reciprocal agreements, Kolodrubetz refers to some of the same road blocks discussed in connection with a more general system of portability: cost, lack of uniformity among plans, and labor's resistance to broadening the scope of protection beyond union jurisdiction. The limitations of both multiemployer plans and reciprocal agreements are not overly restrictive for workers whose working lives are spent in one industry or occupation, but neither arrangement benefits workers in declining industries, nor workers who move from unskilled to skilled jobs. Despite some objections, however, reciprocity is seen as an arrangement which "permits integration of coverage despite wide diversity in plan provisions." Protection is not as broad as in vesting, but, in general, most agreements permit shorter periods of service to be credited without regard to age and reflect benefit formulas at retirement rather than at separation.

* * *

Vesting, multiemployer plans, and reciprocal agreements have been reviewed without reference to the legal arrangements under which plans operate. These arrangements in "qualified plans" are either through an insurance company, a self-administered corporation trust, or a combination of the two. Several references to the use of insurance companies to facilitate portability suggest that a detailed study of vesting and transferability in <u>insured</u> plans would be of value in the current discussions. Insofar as I have been able to discover, a broadly-based study of this kind has not appeared.

<u>Other Approaches -- Foreign and U. S.</u>

At least three European countries have achieved portable private pensions through the use of insurance companies. (See: <u>Preservation of Pension Rights</u>

on Change of Employment, Ministry of Labour, (Great Britain), National Advisory Council, App. II, 1966.) Although it would be necessary to examine these systems more comprehensively to determine their comparative advantages to the worker, they do illustrate one kind of transfer mechanism. (It should be kept in mind that these arrangements operate in the context of far less complicated insurance regulations than exist in the U.S. -- and pertain to comparatively small numbers of workers.) In Denmark, occupational pension schemes for salaried workers over and above state social assurance are sponsored by employers through the Pensionsforsikringsanstalten (PFA) and other insurance companies. On change of employment, pension contracts are transferred to the company used by the new employer. A similar procedure is followed in Norway. Private pensions in the Netherlands may be through industry, industry-wide company funds, or with an insurance company fund. The largest percentage of employers use insurance companies and are required to take out policies in the name of the individual employees. These policies can be transferred as in the above cases.

Transferability and preservation through paid up annuities become simpler when policies are in the name of individuals as they are in several European systems. Models of this type do exist in the United States, but they are primarily in professional associations or through some individual policy plans used by employers with small work forces. For most industrial pensions, and within the broader context of this report, the sponsor and not the employee holds the contract until age and service requirements for vesting or pension benefits are met. Therefore, private plans whose legal arrangements are through an insurance company may not have significantly different practices from self-administered plans. However, two "association" plans show how two U. S. systems guarantee and long have guaranteed transferability and immediate vesting.

TIAA. Teachers Insurance and Annuity Association is a legal reserve life insurance company whose services are restricted to nonprofit, tax-exempt educational and scientific institutions. It is an outgrowth of a pension plan for teachers which was established and endowed by Andrew Carnegie in 1905. According to the employee booklet of the program: "Ownership of TIAA ... benefits is fully vested in you. This full vesting allows teachers, research personnel and scientists to move freely among more than 1,400 (now 1,858) educational institutions that have TIAA plans, all the while accumulating retirement benefits." If a participant moves to a job without a TIAA plan, he can continue premiums on his own but, even if no further premiums are paid, the sums already set aside for him continue to participate in earnings. Employee benefits are paid at retirement according to options selected by the policy holder. (From: Your Retirement Annuity, TIAA-CREF, 1966.)

In at least some institutions, (for professional staff at Cornell, for example,) there is no age limit for participation in TIAA. One year service is required to fulfill the continuing employment requirement but after the first year the contract becomes the property of the employee and his vested credits start with the date he entered the plan, i.e., one year earlier.

NHWRA, Inc. The National Health and Welfare Retirement Association, also a nonprofit organization, was established in 1945 to serve employers and employees in nonprofit hospital, health, and welfare organizations. According to Howard Lichtenstein, Economics Research Analyst, (Conference at Cornell University, 4/69) the Association was organized under the leadership of Ralph Blanchard in response to the needs of welfare workers who at that time did not qualify for social security and for whom private plans were costly because of the comparatively small number of employees in each organization. From the beginning, the Association recognized that the health and welfare field is one in which a high rate of mobility is considered desirable by employers and employees. An office memo written in 1957 by Paul E. Mais, former Senior Vice President, stated: "It is evident that if health and welfare agencies attempt to penalize individuals in that field by forcing a sacrifice of their accrued retirement benefit when they change jobs, they will be harming the public interest as much as the individual social worker."

Because the class of employees covered is more heterogeneous than for TIAA, a great variety of plans is used in which eligibility and other provisions differ from plan to plan. In general, however, the Association has set guidelines and standards for eligibility requirements and vesting provision. Eligibility for plan participation varies from 1-5 years and from ages 25-35; it is waived if the employee has worked in the health and welfare field for a period of time or has been a participant in another plan under NHWRA. Full and immediate vesting of an eligible employee is advocated, and a liberal graded vesting scheme is the minimum allowed. (Cash-surrender value in lieu of vested credit is allowed when an employee is no longer with a member organization, but it is not encouraged.) In the preliminary report of a Pilot Market Study (by Howard Lichtenstein, 1/16/69), it was shown that 99 percent of the NHWRA member agencies in three sample cities had full, immediate vesting privileges for their participating employees. Under some conditions, transfers of credit are allowed, but in general the retirement benefits reflect pension credits for the periods spent with all employers preserved through vesting.

* * *

Existing practices to protect pensions on change of employment have resulted in large measure from union and management efforts to meet the problems of pension preservation and labor mobility. Federal encouragement (and a degree of control) has existed in the area of taxation by making it less costly to provide segregated monies for benefits. Tax qualification requirements have also discouraged plans which favor high-salaried employees. (However, these practices have nothing to do with the size of dollar benefits.) Detailed studies of multiemployer plans, reciprocal agreements, and vesting indicate, so far at least, that the protection they afford is highly selective. Even the recent trend for liberalized vesting does not benefit the large percentage of workers who average less than ten years in a given job. Exceptional plans do exist, but they usually cover specialized or professional groups of workers. In effect, unfulfilled pension expectations, as well as changes in philosophy and practice appear to be responsible for continuing pressures for a more comprehensive system of portability and/or pension preservation.

Employer groups and pension experts who have cautioned against mandating standards for vesting, funding, and transferability have done so generally on the basis of the advantages of flexibility and free choice in pension planning. Some have argued that private pension plans are young and the "pay-off" is just beginning. More specifically, they have objected because they believe that: 1) private pensions are not proved adequate in these areas; 2) rigid control and standardization would discourage the development of new plans and stunt the growth of existing plans; 3) they all cost more money; and 4) portability on a broad scale is far too difficult to implement.

THE PRACTICAL DIFFICULTIES

Plan Structure

The basic difficulty of making out a case for adequacy or inadequacy of private pension plans is closely related to the problem of implementing portability. The private retirement system is a collection of retirement programs, structured with nearly infinite variations and permutations. Even one pension plan, and most corporations have more than one, has enough variation in it to defy brief description except in terms of a particular participant, the clauses that fit his situation, and the options open to him. In addition, the pension plan is only one part of the larger packet of fringe benefits which in turn is a part of the wage agreement. There are literally thousands of different ways to assemble the bits and pieces. Therefore, deciding when, how, and where the "private pension system" immobilizes workers or treats them unfairly may be a bigger, but not much more complicated, job than translating the value of a pension credit in one plan into equivalent benefits in another plan whose basic ingredients may be only approximately the same and in quite different proportions.

Cost

Portable pensions are not widely enough used to estimate costs, however, because most portability schemes include vesting as a prerequisite, one can start there. When age and service requirements for vesting are lowered, more employees who change jobs gain rights to credits formerly forfeited -- forfeitures which reduce the employers' contributions and are known as "turnover savings." Thus the gain to the employee is a cost to the employer in any preservation arrangement, and despite no real agreement about their magnitude, costs are an important factor in discussions of portability.

An excellent summary presentation of the financial factors in vesting is contained in a 1960 N. Y. State Dept. of Labor report entitled Vesting and Transferability of Pension Rights (Part C, pp. 12-18). The authors define the two most important costs to the employer as 1) the likely additions to normal contributions which would result from loss of turnover savings, and 2) additional outlay necessary to fund benefits promised on service before the plan was in operation (i.e., past service benefits) if eligibility rules are liberalized enough to include short-service employees or wherever turnover is high. Lack of agreement about the size of these costs stems from the variety of schemes being discussed, diversity of the plans themselves, and the unpredictability of turnover which in itself varies from firm to firm.

Where portable rights are concerned, costs of final-year formulas and death benefits would be redistributed among employers. The cost of past service benefits however would have to be considered carefully to determine fairness to both sets of employers. (See section on Reciprocity Agreements above.) In discussing "Vesting and Portability," (Pension and Welfare News, March 1969, pp. 37-38, 53), Sir Leslie Melville of Australia states: "until all employers make provisions for mobility there will be problems and there will be costs that will be significant for those who do." A study of Canadian experience under the Ontario Portable Pension Plan Legislation of 1965 might prove valuable in determining costs to employers as well as airing the pro's and con's of a governmental institution for portability.

Funding

Funding is the process through which a pension plan sponsor or grantor furnishes the money necessary to pay future benefits. To qualify for tax benefits, the private plan must be funded through an irrevocable trust fund or an insurance program. In the case of self-administered plans, the assets are in the form of a trust fund which is regularly examined by an actuary, and investments are made through a pension trust, usually with a bank as trustee. Plans through insurance companies may use group annuity policies which the grantor buys at a fixed rate per unit of pension or they may use one of the several kinds of deposit administration contracts. Large corporations sometimes utilize various combinations of these methods.

Although much has been written on the funding of pension plans and the husbandry of pension resources, the discussion of the direct relationship of funding procedures to portability and other types of pension preservation has been confined to the more technical articles or to very general statements. When employer groups and their financial intermediaries speak of overall portability as impractical or as strait-jacketing the private pension system, one of the major issues involved is the effect of portability on the budgeting procedures for accumulating enough assets to pay future benefits. Another major problem they have in mind is the difficult and complex business of establishing transfer values. A brief look at the funding practices built into the present private pension system is therefore in order. (The brief summary which follows is based on the 1955 edition of Fundamentals of Private Pensions by Dan M. McGill, pp. 126-136.)*

In general the methods for meeting the costs of a pension program fall into three categories: 1) Pay-as-you-go disbursement; 2) Terminal funding; 3) Advance funding.

1) Pay-as-you-go financing is a simple method of paying retirement benefits to the retiree as they come due and handling them as payroll disbursements. Assets may be earmarked for meeting future benefit payments, but these assets do not go outside the employer's control as in segregated funds. Few large employers use the method now although it was widely used in the past.

2) Terminal financing provides for the purchase of an immediate annuity or deposit of a sum in trust for each employee as he reaches retirement. Because this method is used often in negotiated contracts, an employer's financial commitment may be in terms of coverage for employees expected to qualify for benefits during the period covered by the bargained agreement or it may be only enough to meet the pensions of actual retirees. The only advance provision an employer might make would be through "a balance sheet reserve."

3) Advance funding, which is the present "conventional financing technique," provides for the setting aside of funds in a separate trust or with an insurance company. This arrangement may include contributing only enough monies each year to pay pension credits earned in that year plus the interest on past service credits, i.e. credits earned by the employee before the plan was set up. This system is sometimes referred to as "freezing" the initial accrued liability. More often each year's contributions cover credits earned during the year plus a large enough part of the past service obligation to amortize it within a reasonable period of time. The Internal Revenue Code, however, sets a limit on the rate at which employers can contribute. With some few exceptions annual contributions can receive tax advantages if they range from "a minimum of the normal cost plus interest on the initial past service liability to a maximum of the normal cost plus 10 percent of the past service liability." (Ibid., p. 136) A plan in which funds are thus being accumulated may be fully funded or only partially funded; it may remain permanently partially funded by freezing initial liability.

The advantages of advance funding stem from: 1) the interest earned by the fund which reduces the overall cost of providing pensions; 2) a buffering system

* A more detailed and technical discussion of funding and financing practices can be found in a later edition (1964) of this book. Both editions were published by Richard D. Irwin, Inc. of Homewood, Illinois.

that permits an employer to vary the size of his contributions (within IRS limits) depending on business conditions; 3) the protection of a qualifying employee's future benefits through the segregated funds; 4) the added degrees of freedom for providing or liberalizing vesting. The last two advantages, however, are effective only to the degree the plan is funded.

The supposition that pension plans are long-lived, on-going arrangements, implicit in the idea of advance funding, has led to a system of long-term budgeting based on actuarial computations. The pension actuary first calculates the expected costs to the plan using any place from five to a dozen actuarial assumptions about future obligations for pension benefits. (The number of assumptions that must be included over five or six depends mainly on the features of the entire benefit formula.) For determining when and how much the employer must contribute to the plan, the actuary then suggests one of five or more approved actuarial cost methods which differ so widely from each other in the rate they provide for the accumulation of assets that: "Assuming identical populations but different funding methods, the contributions to a plan in the first 10 years will vary from 20 to 47 percent of the total outlays in a 50-year period." (See: Joseph Krislov, "A Study of Pension Funding," MLR, 6/66, p. 639.)

Implications for Portability. The implications of funding and budgeting practices for portability pertain to the effect of portability on pension funds and the difficulties the diversity of practices create in determining the transfer value of a pension credit. Peterson points out that cash demands in an over-all portability system "could require such a state of liquidity as to impair the investment return unless such cash outflow were offset by cash that new employees brought with them." (Op. cit., p. 124) Other writers have suggested that as much would be coming in as going out. But there still remains the problem posed by new entries into the labor market and by those workers who change from jobs in which they had no pension rights.

Where transfers of credits are concerned, Bernstein claims that pension credits can be carried between dissimilar plans through the medium of money and that actuarial methods exist for "making such valuations which, while intricate, can be done routinely." (See: The Future of Private Pensions, p. 265.) Peterson maintains that Bernstein has based his remarks on a study by British actuaries and that the views of American actuaries about plans in this country would be quite different. Among the problems in evaluating pension credits are: 1) Assumptions as to life expectancy and investment experience in one plan do not hold for another plan. 2) Disability, widow's and death benefits, and other features are adjuncts to some plans and not to others. 3) The funding positions of private plans differ widely from each other at any given period of time. These are only a few of the problems in determining how much a pension credit from one plan is worth in another plan. The situation has been described by experts in the field as an "actuarial nightmare."

Bernstein also indicates that the degree of funding in the plan from which the employee moves could be reflected in the transfer value of his pension credits.

Although this procedure would offer some safeguards, there are serious questions about how this could be determined. And at what point and for how long is a pension plan fully or even in a given part funded? Changes in demands on the fund pertain not only to future service of the participating employee but to his previous years of service as well. Thus, liabilities can accrue at a rapid rate with even small changes in formula. Inflation imposes a heavier and even more unpredictable liability on the funding position of a plan, not only because most pensions are based in one way or another on earning levels, but also because secular inflation cum funding mean that unfunded past service liabilities in some cases never can be amortized.

Employee Attitudes

The discussions of portable pensions have gone on for several years without any new or substantive data on the attitudes of employees. It has been argued that many employees show little interest in their pension rights until they find they can't take them with them -- nor do they recognize the value of vested benefits. However inconclusive the evidence for these assumptions might be, they could have something to do with pension expectations.

Dan M. McGill and Edwin W. Patterson (see annotated references) have referred to the inadequacy of communication of the "essential features" of benefit plans to the participants. McGill underlines the necessity for a clear statement of the benefits provided, the requirements to be fulfilled before benefits can be received, circumstances that will result in forfeiture, limitations on the employer's commitment (which should include the employer's right to modify or terminate the plan), and the priorities of the benefit claims for different groups of employees and the allocation of funds in case of plan termination. McGill notes that many plan booklets are designed to create "employee satisfaction" and may emphasize the "positive features" and omit or deemphasize "limitations and restrictions." Thus unwarranted benefit expectations are created. (See: McGill, Fulfilling Pension Expectations, pp. 249-252.) Given the appropriate information, would employees take a more active part in evaluating their pension plans in terms of their own job-changing patterns and in protecting their own legitimate pension expectations?

CONCLUSION

Despite the difficulties of implementing portability and disagreement about its comparative advantages, there is strong evidence that portable pensions will continue to be a key issue. In a Cornell Forum discussion (Spring, 1969), Senator Yarborough, chairman of the Joint Labor and Welfare Committee of the 91st Congress, stated that the most important issue in pension protection is portability. Other individuals and groups expressed similar opinions much earlier, but the pro and con arguments have continued, essentially unchanged, over the past four years.

Ray M. Peterson of the Equitable Life Assurance Society (cited earlier) suggested in 1965 that insofar as portable pensions "may be expected to be an active subject of public discussion.... The life insurance industry may be moved to examine the creation of a strictly private institution established by the companies (and even banks)...." He pointed out that such an institution would require federal legislation for exemption from anti-trust laws. (Op. cit., p. 125) One might reasonably assume that it would require also further study and discussion among the insurance and banking industry, employers, unions, and government agencies to determine its feasibility. Whereas this alternative would alleviate some of the problems of government regulation and control, the inherent technicalities would still need to be solved. The question also arises over the possibility that the issue of government regulation (state as well as federal) would be shifted to another arena rather than avoided.

Throughout the literature on pensions, there is evidence that pension preservation and not portability per se is the issue. Frank Cummings, labor-management lawyer and prime author of the Javits bill, for example, maintains that: 1) The real pension problem associated with mobility is forfeiture and the problem can be met by early vesting and sound funding, without which portability cannot work and with which it is unnecessary. 2) Present vesting practices fall short, especially in using an all-or-nothing choice when early graduated vesting might very well attract new employees as well as protect those who leave before retirement age. Viewing pension legislation as "plainly needed" and likely this year or next, Cummings suggests that private industry spend time "studying it and suggesting amendments to the proposals so that legislation will achieve its legitimate purposes without putting private plans in an administrative straightjacket." (See: Frank Cummings, "Private Pensions," Columbia Journal of World Business, Sept. - Oct. 1968, pp. 77-81.)

Senator Javits also asked for facts and "precise details" about pension plans from those with "specific knowledge" in the field. In his judgment, the way to these facts is "to focus on a particular bill, a precise legislative proposal, and see exactly how it works." (See: Congressional Record, May 14, 1969, p. S5185.) These remarks were made in introducing S 2167, "The Employee Benefit Act of 1969," which is very similar, except in the vesting section, to S1103 introduced in 1967. (For sections of Senator Javits' current bill, see appendix follow- this report.)

* * *

The purpose of this report has been to examine a fairly broad spectrum of opinion about portability and related issues rather than to draw conclusions about the comparative advantages of different ways to preserve pensions. Much of the current debate on portability has suggested one general conclusion: Further research into the comparative advantages of different preservation practices and their cost is necessary before it is possible to institute changes which will effectively alleviate the problems of labor mobility and pension protection without limiting the development of the private pension system. Basically, this report reflects that conclusion, but at the same time one other point about information emerges -- employees need to know more about what benefits their pension plans set out to provide and upon what conditions these benefits are contingent.

APPENDIX

The following excerpts are taken from Senator Javits' introduction of S 2167 on May 14, 1969. (See: Congressional Record, May 14, 1969, p. S5185.)

Pension and Employee Benefit Act of 1969

First, the bill would establish minimum vesting standards for pension plans, thereby giving assurance that no pension plan could set its eligibility standards so high as to deny pension eligibility to all but a few employees.

(As to vesting, the bill requires that an employee after 6 years of service must receive a nonforfeitable right to at least 10 percent of his pension benefits, and an additional 10 percent for each additional year of service under the plan, so that full vesting would occur after 15 years. From: p. S5186)

Second, the bill would establish minimum funding standards, thereby giving assurance that pension funds will be operated on a sound and solvent basis, enabling the fund to deliver the benefits which have been promised.

(As to funding, again this bill is minimal, for it gives existing plans 40 years to amortize their unfunded liabilities, and 30 years for new plans. That is a long time, but it is considered a reasonable amortization period by most pension planners. From: p. S5186)

Third, the bill would establish a program of pension plan reinsurance so that plans meeting the vesting and funding standards of the bill would be insured against termination, and retirees would be insured against loss of benefits if an employer goes out of business before the plan has been fully funded.

Fourth, the bill would provide for the establishment of a special central portability fund, participation in which would be on a voluntary basis, enabling pension plans to have a central clearinghouse of pension credits for persons transferring from one employer to another.

Fifth, the bill would establish certain minimum standards of conduct, restrictions on conflicts of interest, and other ethical criteria which are to be followed in the administration of pension plans and other plans providing benefits for employees.

Sixth, the bill would establish a U. S. Pension and Employee Benefit Plan Commission to administer the requirements of this bill. The Commission would be given sufficient enforcement powers to insure compliance, but the bill also provides for judicial review, insuring to the maximum feasible extent against arbitrary exercise of the Commission's powers.

Seventh, the bill consolidates in the Commission most existing Federal regulatory standards relating to pension and welfare plans, thereby relieving employers, unions, insurance companies, and banks of the necessity of dealing with multiple Federal agencies-such as the Labor Department under the Disclosure Act or the Treasury Department under the pension provisions of the tax code. Under this bill, a qualification certificate from the Pension Commission will be sufficient to satisfy substantially all Federal regulatory statutes governing employee benefit plans.

And eighth, the bill establishes Federal court jurisdiction of suits involving pension plans, and provides a simplified method for enforcement and recovery of pension rights.

* * *

The following section on portability is contained in S2167 -- the "Pension and Employee Benefit Act of 1969." I have underlined the clauses which tie in with some of the points raised in this report.

TITLE III - PENSION PORTABILITY PROGRAM

ACCEPTANCE OF DEPOSITS

Sec. 301. (a) It is declared to be the policy of the Congress that a system of pension portability should be established by the Federal Government to facilitate the voluntary transfer of credits between registered pension or profit-sharing-retirement plans having similar benefit features and actuarial assumptions. Nothing in this title nor in the regulations issued by the Commission hereunder shall be construed to require participation in such portability system by a plan as a condition of registration under this Act.

(b) The Commission is authorized and directed, in accordance with regulations prescribed by it, to receive amounts which are transferred to it from a registered pension or profit-sharing-retirement plan and which are in settlement of an individual's rights under the plan when such individual is separated from employment covered by the plan before the time prescribed for payments under the plan to such individual or to his beneficiaries.

SPECIAL FUND

Sec. 302. Amounts received by the Commission pursuant to section 301 shall be deposited in a special fund which shall be established by it for the purposes of this title. The amounts in the fund which are not needed to meet current withdrawals shall be invested as provided under regulations prescribed by the Commission.

INDIVIDUAL ACCOUNTS

Sec. 303. There shall be established and maintained in accordance with regulations prescribed by the Commission, an account for each individual with respect to whom the Commission receives amounts under this title. The amount credited to each such account shall be adjusted at the times and in the manner provided by such regulations to reflect earnings of the special fund and transfers from the special fund for costs of administration.

PAYMENTS FROM INDIVIDUAL ACCOUNTS

Sec. 304. Amounts credited to the account of any individual under this title may, in accordance with regulations prescribed by the Commission, be paid by the Commission -

(1) to a registered plan, if such individual becomes an employee covered by such plan and <u>if such plan has benefit features and actuarial assumptions similar to those of the plan from which such amount was originally transferred</u>, or

(2) to such individual or his beneficiaries, if he dies or reaches the age of sixty-five.

Payments under this section shall be made at such times, in such manner, and in such amounts in a lump sum or otherwise as may be determined under such regulations. The amount of any periodic payments shall be determined on an actuarial basis.

COST OF ADMINISTRATION

Sec. 305. There are authorized to be made available out of the special fund established pursuant to section 302 such amounts as the Congress may deem appropriate to pay the costs of administration of this title.

EFFECTIVE DATE

Sec. 306. No amount may be transferred to the Commission pursuant to section 301 of this title before the first day of the twelfth month following the month in which this Act is enacted.

TECHNICAL ASSISTANCE

Sec. 307. The Commission and the Secretary of Labor are authorized to provide technical assistance to employers, trade unions, and administrators of pension and profit-sharing-retirement plans in their efforts to provide greater retirement protection for individuals who are separated from employment covered under such plans. Such assistance may include, but is not limited to (1) the development of reciprocity arrangements between plans in the same industry or area, and (2) the development of special arrangements for portability of credits within a particular industry or area.

ANNOTATED REFERENCES FOR FURTHER READING

American Federation of Labor and Congress of Industrial Organizations. Pension Plans Under Collective Bargaining. Washington: AFL-CIO, [1965?]. 131 pp. A guide book on pensions and pension planning for trade unions prepared by Richard Shoemaker, Assistant Director of the AFL-CIO Department of Social Security.

Allen, Donna. Fringe Benefits: Wages or Social Obligation? Ithaca: New York State School of Industrial and Labor Relations, Cornell University, 1965. 273 pp. Subtitled "Analysis with Historical Perspectives from Paid Vacations," this treatise is highly applicable to the question of pension benefits as deferred wages.

American Enterprise Institute for Public Policy Research. The Debate on Private Pensions. Washington: AEI, 1968. 58 pp. The first of a series of AEI studies on the private pension system and other aspects of old-age security. An analysis of legislative proposals in the 90th Congress.

Arends, Verne J. "A Few Kind Words (And Some Not So Kind) About the Javits Bill." Pension and Welfare News: September 1967, pp. 29ff. The author, Assistant Secretary of Northwestern Mutual Life Insurance Company, believes the Javits Bill "was drafted in terms that do not recognize the admirable peculiarities of the individual insurance and annuity policy method of funding pension plans." (Plans of this type cover about a million workers--about 3.5 percent of those covered by private pensions.)

Bartell, H. Robert Jr. and Elizabeth T. Simpson. Pension Funds of Multiemployer Industrial Groups, Unions and Nonprofit Organizations. New York: National Bureau of Economic Research, 1968. Occasional Paper 105. 52 pp. Two separate studies published together, which according to Roger F. Murray (in the Foreword), help to shed light on the "main stream of developments" in public and private pensions.

Bernstein, Merton C. The Future of Private Pensions. New York: Free Press of Glencoe, 1964. 385 pp. A comprehensive study of private pensions which agrees that there has been remarkable progress in the development of private pensions but concentrates on the problems--particularly those connected with employee and employer mobility. See Chapter X, "Transferable Credits and Clearing House Devices."

Cummings, Frank. "Private Pension Plans." Columbia Journal of World Business: September-October 1968, pp. 77-81. Suggests alternatives if the employer cannot pay for "a reasonable pension benefit level, well funded and vested at as early a date as possible."

Curtis, James A. "Actuarial Implications of Pending Pension Legislation." Pension and Welfare News: April 1969, pp. 28-30. A member of the American Academy of Actuaries estimates the costs of vesting and "vested liability insurance." He concludes that costs of proposed changes would result in reducing the funds available for benefits to retirants, especially in negotiated plans.

Green, Mark R. The Role of Employee Benefit Structures in the Manufacturing Industry. Eugene, Oregon: School of Business Administration, University of Oregon, 1964. 112 pp. See particularly Chapter 5, "Attitudes of Employees Toward Non-Salary Benefits."

Institute of Life Insurance. Handbook on Negotiated Multi-Employer Pension Plans. New York: 1964. 56 pp. Contains a summary of the legal aspects of insurance company plans. See particularly: Chapters III and VI -- "Elements of Plan Design Which Affect Cost" and Chapter VI -- "Facilities of a Life Insurance Company...."

Marples, William F. Actuarial Aspects of Pension Security. Homewood, Illinois: Richard D. Irwin, Inc., 1965. 210 pp. The role of the actuary in pension plan design, guidance, and evaluation.

McConnell, J. W., Charles A. Pearce, James M. McNulty and Robert Aronson. Vesting and Transferability of Pension Rights. Albany: New York State Department of Labor, 1960. 35 pp. A still timely study, applicable beyond New York State. Part G, pp. 30-31, is a summary of suggestions for further research. The authors suggest that pending that research "the state government might very well give serious thought to ways and means of increasing public understanding of the relation of vesting and transferability to the effectiveness of private pensions...."

McGill, Dan M. Fulfilling Pension Expectations. Homewood, Illinois: Richard D. Irwin, Inc., 1962. 314 pp. A description of functions associated with private pension plans, the agencies performing them, and the effect of the interrelationship between these functions and agencies on the security of retirement benefit rights. The last three chapters are the author's suggestions for "steps that might logically be taken to assure a reasonable probability of benefit fulfillment in all cases."

McNulty, James E., Jr. Decision and Influence Processes in Private Pension Plans. Homewood, Illinois: Richard D. Irwin, Inc., 1961. 128 pp. Describes the implications for pension benefit security of pension plan management and the working procedures of plan sponsors or grantors, funding agencies, and service agencies.

Melone, J. J. Collectively Bargained Multi-Employer Pension Plans. Homewood, Illinois: Richard D. Irwin, Inc., 1963. 191 pp. A comprehensive study of multiemployer plans and their role in the private pension system.

Miljus, Robert C. and Alton C. Johnson. "Multi-Employer Pensions and Labor Mobility." Harvard Business Review: September - October 1963, pp. 147-161. The authors' data result from a project sponsored by Ford Foundation and carried out at the University of Wisconsin, School of Commerce. Multiemployer plans are viewed as vehicles for "portable pension credits." The "restrictions on mobility" in these plans are discussed in the second half of the article.

Murray, Roger F. Economic Aspects of Pensions: A Summary Report. New York: National Bureau of Economic Research, 1968. 132 pp. A review of public and private pensions with reference to their impact on savings, economic stability, capital markets, and financial institutions.

National Foundation of Health, Welfare, and Pension Plans, Inc. Textbook for Welfare, Pension Trustees and Administrators, Volume X, 1969. 495 pp. The proceedings of the 14th annual conference held in 1968 in San Francisco. See pp. 147-276 for the "Pension Sessions."

Patterson, Edwin W. Legal Protection of Private Pension Expectations. Homewood, Illinois: Richard D. Irwin, Inc., 1960. 286 pp. A comprehensive study of the subject. One of the author's proposals in a "moderate program of regulation" is that a copy of every pension plan be reviewed by a regulatory agency to prevent "deceptive or misleading provisions."

Peterson, Ray M. Review of The Future of Private Pensions by Merton Bernstein in "Book Reviews and Notices," Transactions of the Society of Actuaries: Vol. XVII, April 1965, pp. 121-134. Covers some of the difficulties of pension credit transfers and the clearing-house idea.

Scanlon, Burt K. "Effects of Pension Plans on Labor Mobility and Hiring Older Workers." Personnel Journal: January 1965, pp. 27-34. The practical considerations from the point of view of personnel management.

Trowbridge, Charles L. "ABC's of Pension Funding." Harvard Business Review: March-April 1966, pp. 115-127. An explanation of the technical aspects of pension funding designed to clarify the subject. Avoids overly technical language and concentrates on the objectives of funding. The author is a Fellow of the Society of Actuaries and is associated with Bankers Life Company.

U. S. Congress Joint Economic Committee, Subcommittee on Fiscal Policy. Old Age Income Assurance. 90th Congress, 1st Session, Joint Committee Print. Washington: GPO, 1967. "A Compendium of Papers on Problems and Policy Issues in the Public and Private Pension System," in six parts: I--General Policy Guidelines; II--The Aged Population and Retirement Income Programs; III--Public Programs; IV--Employment Aspects of Pension Programs; V--Financial Aspects of Pension Plans; VI--Abstracts of the Papers. See particularly Parts IV, V, and VI.