ada, Denmark, Finland, France, Germany, Ireland, Japan, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, and the United Kingdom.[3]

TAX-DEDUCTIBLE EMPLOYEE CONTRIBUTIONS UNDER EMPLOYER-INSTITUTED PENSION PLANS

As a measure that is an affirmative response to the current and laudable interest by government officials and others in improving the performance of private pension plans, employee contributions under qualified plans should be tax deductible provided they are "locked in"; i.e., nonwithdrawable or withdrawable only with a tax penalty. Such a measure would have several distinct advantages:

(i) Discrimination against employee contributions, vis-a-vis employer contributions, would be removed;

(ii) The present discouragement of contributory plans would be discontinued;

(iii) The prospect of greater benefits would be enhanced since the level of benefits for contributory plans is generally higher than that for noncontributory plans as indicated by the report of McKinsey & Co.;[4]

(iv) Contributing employees would have identifiable and fully vested equities that are in terms of dollars and that would be properly considered by employees as their personal savings for retirement purposes;

(v) Vested benefits, derived from employer contributions, now frequently lost by withdrawal of employee contributions upon employment termination, would be preserved;

(vi) The income spreading operation would be completed since investment earnings on employee contributions under employer-instituted pension plans are now free of tax until the employee receives a benefit;

(vii) Since the contribution input of private pension plans would be treated uniformly, then, for the purpose of developing appropriate rules for integrating private plan benefits with OASDI benefits to meet the nondiscrimination requirements of the law, the question, artificial in many circumstances, of just who was paying the cost or bearing the burden is not so evident a consideration.

TAX-DEDUCTIBLE CONTRIBUTIONS FOR NONCOVERED PERSONS

Persons not covered by employer-instituted pension plans or not eligible for SEITRA plans should have the opportunity to set aside tax-deductible contributions from earned income for retirement purposes on a basis that assures dedication to such purposes. Funding arrangements should include the use of the facilities of banks, trust companies, life insurance companies, mutual funds, special Government bonds, etc. Statutory limits should be fixed and appropriately adjusted to recognize any contributions or benefits under employer-instituted pension plans. In Canada, section 79B of the Income Tax

[3] Social Security Bulletin, August 1966, p. 11.
[4] Corporate Retirement Program, McKinsey & Co., Inc., 1965.