

the current contribution rate may not be a proper reflection of the ultimate cost of the plan. Changes in contribution levels may be made on occasion, the impact of which may fall unequally on participating employers over time.

*Adaptability to Needs of Small Employers.*—An industry composed of many small employers is indeed one ideal condition for a multi-employer plan. Several advantages may accrue to small-size firms in a plan of this type.

1. *Expense Savings.*—The rather large legal and actuarial expenses incurred at the inception of a pension plan do not increase proportionally with the size of the fund. A certain portion of these initial expenses would have to be duplicated in establishing individual plans for each employer.

A large plan can also benefit from the use of specialized and mechanized recordkeeping devices and procedures. However, some of the advantages of modern data-processing techniques are available to smaller plans through computer centers now operating in larger cities. The demand for administrative assistance has also given rise to service organizations known as plan administrators.

Potential expense savings in a multiemployer plan can easily be dissipated through poor plan management. Caution must be exercised particularly in regional and national plans. These plans must be careful to avoid duplicating local administrative activities at the regional or national level. If properly administered, the broader regional plan may effect savings in operating costs.

2. *Wider Choice of Funding Instruments.*—The combining of several employers into one plan results in a larger group of covered employees, and, therefore, a greater variety of funding instruments may be available. If the plan is to be insured, a multiemployer plan may qualify for a group-deferred annuity contract. The larger plans may be eligible for one of the types of deposit administration group annuity contracts.

Under single-employer plans the smaller companies desirous of insuring their pension benefits may be limited to individual policy contracts with their attendant higher expense component, or to group annuity contracts subject to a special administrative charge. In addition to the expense saving, more favorable investment opportunities may be available. The larger insured plans may permit greater investment flexibility of the nonallocated fund. Group pensions are now available that permit the investment of these funds in equities in amounts far greater than permitted for insurance company assets as a whole. Also, an increasing number of insurance companies credit investment income to the experience fund of group annuity contracts based on yields available on new investments at the time pension contributions are made. This is particularly attractive during a period of rising interest rates.

Certain advantages, due to size, are also enjoyed under noninsured plans. The corporate trustee's investment fee normally declines proportionately with the size of the fund. If an investment advisory service is utilized, its fee is relatively less costly in relation to a larger fund. Also, a larger fund permits greater investment diversification and fund liquidity, which might result in a more favorable rate of return.