In some plans, individual employers' cost factors are recognized, and a contribution rate differential is charged accordingly. Also, the cost characteristics of new entrants into the plan may directly affect their contribution rates.

Inflexibility of Benefit Structure.—The practice in multiemployer plans of providing a uniform benefit structure may be disadvantageous for some employers. Certain employers may be willing and capable of providing larger and broader benefits. A compulsory retirement age may be very desirable for one employer but of little or no interest to other participating employers. An individual employer may find the early retirement benefit or a disability benefit to be a useful management tool in resolving certain personnel problems. Although these features can be found in multiemployer plans, the board of trustees must administer these provisions impartially. The board cannot liberalize the administration of the disability provision to solve a personnel problem for a particular employer; that is, the liberalization must be applied uniformly for all employers. The emphasis upon uniformity in these plans does introduce a degree of rigidity.

Inflexibility of Financing Arrangement.—In defined benefit plans the benefits are determined in advance by the use of a formula, and contributions to the fund vary with the experience of the plan. The employer can vary his contributions with changes in financial circumstances and changes in his estimates of future costs of the plan.[16] This approach is used in most single employer plans.

Multiemployer plans are usually fixed contribution—fixed benefit plans. This restricts the ability of the individual employer to vary his contributions with economic circumstances. Decisions as to the rate of funding of pension costs is made for the plan as a whole. The plan may permit prepayment of contributions, but this is seldom done.

FROM STANDPOINT OF UNION

Assuming that the circumstances are suitable for the establishment of a multiemployer plan, the disadvantages to the union of an arrangement of this type are few. The major drawback of these plans is that they prevent the union from negotiating more liberal benefits from the more economically favored employers. The negotiated contribution rate is not a true average of the various employers' abilities to pay. Labor must pitch its contribution demands at a level which can be supported by the economically weaker employers in the group, unless differentials in contribution and benefit rates are permitted. The union must, therefore, sacrifice certain economic gains which could be realized from the other employers.

Vesting and Private Pension Plans

Approximately two out of every three private pension plans covering three out of five workers provide some form of vesting. Practically all plans impose an age and service requirement to qualify for vested benefits. About 75 percent of the plans require 10 or 15 years service. Approximately 70 percent of the plans require a minimum age, with

[16] The deduction of contributions to a qualified pension trust is, of course, subject to the provisions of sec. 404(*a*) of the 1954 Internal Revenue Code.