

may change jobs but still remain in employment covered by a bargaining agreement with the same union.

In contrast, union leaders may not place as high a priority on vesting under multiemployer plans. The nature of a multiemployer plan is such that pension credits are already protected as long as the worker is reemployed by a participating employer. If a worker is not reemployed within a specified period by a participating employer, his accumulated pension credits are forfeited. A vesting provision is needed, if protection of pension rights is to be extended to these individuals. However, in many instances, termination of covered employment means that the employee has moved to another geographical area or industry, or, at least, that he is no longer within the bargaining jurisdiction of the labor union involved. Therefore, if the union official looks upon the plan as being for the benefit of the union members and for the purpose of encouraging loyalty to the union, he may have little interest in negotiating a vested benefit.

Vesting is also consistent with the generally accepted labor view that private pensions are a form of deferred compensation. Thus, it is not surprising that the AFL-CIO argues that vesting provisions should be included in every negotiated plan because an employee's—pension credits are properly his. He has paid for them through services performed, at a lower level of wages than he should have been able to obtain if the plan had not been established—even where the plan was not deliberately negotiated in lieu of a direct wage increase.²⁰

This conclusion, as it stands, is unsound. Management and labor representatives agreed at the bargaining table to allocate, explicitly or implicitly, a portion of the total wage package to a pension fund. Since an employer's pension contributions are irrevocable, the monetary equivalent of the forgone cash wage²¹ is always fully and immediately vested in the employees, as a group. Management and labor then decide on how the deferred wage fund is to be allocated among the various employees. It may well be decided that pension contributions are to be allocated only to employees that have rendered substantial periods of service; i.e., a wage differential paid only to employees meeting a specified service requirement. Thus, it cannot be argued that employees are entitled, as a matter of right, to full and immediate vesting unless such a benefit was assumed in the labor negotiations.

The above analysis applies regardless of whether the pension plan is of the defined benefit or the defined contribution type. However, the point can be made more forcefully when pension negotiations are carried on in terms of a defined contribution rate, such as in the case of multiemployer plans. In these plans, the employer's financial commitment is usually expressed as a percentage of payroll, or in cents per hour worked. A board of trustees, composed of an equal number of management and labor representatives, then develops a benefit structure that can be supported by the negotiated contribution rate. Thus, it is obvious in these plans that vesting can be provided only by a reduction of some other benefit under the plan.

It is interesting to note that about one out of three negotiated multiemployer plans—as contrasted to over 70 percent of negotiated single-

²⁰ *Ibid.*, p. 21.

²¹ The assumption is made here that the employer's pension contribution is in fact equivalent to the forgone cash wage.