

put in only one plan in 7 years which did not open membership to all categories of regular employees). A company may not wish to include plant or hourly workers because it may have a serious limitation in managerial sensitivity or skill needed to create a profit relationship with hourly or plant employees. Since requests for approval of salaried only plans are coming from smaller and smaller companies on the average each year, the IRS has quantitatively changed its attitude in effect from the position that a salaried plan is not per se qualifiable to the present position that it is not per se nonqualifiable. The confusion as to qualification requirements and variance in attitudes of different district offices has been very vexing to firms and consultants involved, for its guidelines both for salaried only plans standing on their own and for satisfactory comparability of benefits of hourly plans with such salaried plans are very confusing, but I feel that a pure and simple exclusion of salaried and clerical only plans would be much worse. The IRS is capable of some better administrative guidelines for use in this critical area. I was glad to note that the interagency task force had, on better understanding of the diversity and complexity of situations, decided not to recommend a ban on salaried or clerical plan coverages per se. Small firms which install deferred profit sharing for salaried and clerical only find the going without any retirement program for hourly and plant people harder and harder as time goes on, and tend to settle for a pension program for the plant and hourly, yielding a combination which is usually less discriminating in favor of high pay (as well as less stimulating) than the reverse combination of a pension plan for salaried and a deferred profit-sharing plan for the hourly.

More than anything else in the committee report, its interest in requiring that forfeitures under deferred profit-sharing plans not be reallocated to other participants but saved to reduce future company contributions, is based on a failure to discern one very major difference between deferred profit-sharing and pension plans. In a pension the company contributions are determined actuarially as sufficient for accumulation of funds needed to pay each specific predetermined benefit. In a deferred profit-sharing plan, the company contributions are first contributed in toto to the plan members as a whole, before allocations are made to individual members, and it would cause considerable employee ill will if the company were required to "take back" amounts forfeited. Naturally, tests of discrimination may have to consider the effect of forfeitures as well as current company contributions. But, changing the rule on forfeitures in deferred profit-sharing plans would not prevent any sustained discrimination which cannot be prevented in the IRS qualification and reviews procedures. Of course, a company could declare a discretionary booster contribution under a deferred profit-sharing plan to restore the expropriation of forfeitures belonging to plan members, but this seems a needlessly sophisticated way of achieving equity.

Vesting in deferred profit-sharing plans is usually quite rapid because it is found that too slow vesting dims the commonly sought productivity incentive. The vesting provisions which are specified in Senator Javits' bill, S. 1103: 100 percent after 15 years' service and reaching age 45, and 50 percent after 10 years' service and reaching age 45, seem practical in our experience. We would not favor a regulatory