

because private incentives are not sufficient; recent legislation has improved the incentives for establishing such plans.

Private pension plans have differing goals that arise out of the needs of each work group. The effectiveness of a particular pension plan cannot be measured by its achievement of the goals of other plans or of social security. If we are to have a private society at any level of social or economic activities, private groups must be allowed to work toward their goals unencumbered by Government dictation.

It is generally recognized that there must be assurance that pension plans are not established for the benefit of a few favored persons. Thus, for example, there is a requirement that plans not discriminate in favor of the highly compensated employees. The suggestion that plans vest participants in their earned benefits after a reasonable period of service also appears to be based upon the desire that benefits (or tax advantages) do not go only to a favored few. More will be said later about vesting being required of all tax qualified plans.

The idea that tax incentives provide the Government with all the rationale necessary for any conceivable requirement may be less palatable than it appears at first examination. The possibility that new requirements will slow the growth of the private pension system has been noted. But, there is another issue involved that goes to the heart of Government involvement in private activities.

Private pensions are not the only organizations that receive certain tax preferences. So also do schools, churches, hospitals, charitable organizations, and research organizations, as examples. The last paragraph of the staff document states:

Categorical taxation, like categorical public assistance, is faulty in principle. Just as we would do well to abandon the category of aged for tax purposes we would gain from an elimination of the category of nonprofit organizations, among which are pension plans. The receipt of income is an economic activity. Applying a general rule that all income received by any person or organization is subject to taxation, outlays by any person or organization in the support of activities of a genuinely public character would be recognized as deductions in computation of tax.

Does this mean that the threat of withdrawal of tax incentives will, in this new world, be used to assure that churches or educational institutions as well as private pension systems carry on "activities of a genuinely public nature?" Who indeed will define these?

MISCONCEPTIONS CONCERNING THE OPERATION OF THE PRIVATE PENSION SYSTEM

Certain misconceptions in the area of the jointly trusted portion of the private pension system seem to be revealed by the staff document. Two of these are discussed here.

UNION ADMINISTRATION OF PENSION PLANS

The staff document states that "some jointly managed plans are in effect administered by the union and this practice raises again the possible conflict of interest between the union as plan administrator and as representatives of the members." It further states that "it must require great force of character on the part of union officials to not load the pension plan payroll with helping hands for general union tasks."