

A vesting requirement necessarily involves a careful definition of the types of benefits subject to that requirement. Simply because a particular benefit is, or is not, included in what is formally labeled a pension plan is not an adequate basis for deciding whether or not it should be vested. Only plans qualified for special tax treatment and only those benefits which are intended to be paid during the whole of an employee's lifetime or that of a designated survivor, even if their commencement date is sometime in the future—for example, the employee's attainment of age 65—should be affected. Furthermore, since the funds available to finance some pension plans provide very low benefits even if they are restricted to those who remain as active employees until they retire, plans which provide benefits that are less than some specified minimum level—which might be defined as a percentage of pay per year of service—should be exempt from the vesting requirement. In order to encourage the development of new benefits to meet problems as they emerge, the agency administering the vesting requirement should have authority to exempt benefits which are clearly "experimental." Using an acceptable concept of a "pension benefit," *Congress should require vesting of all accrued pension benefits for employees with 10 or more years service.*

(C) SUPERVISION OF THE HANDLING AND ADMINISTRATION OF THE ASSETS OF PRIVATE PENSION PLANS

My recommendations cover three items: Minimum funding requirements, regulation of investments, and a procedure to assure that plan administration will correctly reflect plan provisions.

(1) MINIMUM FUNDING REQUIREMENTS

As you know, the UAW was a pioneer in negotiating funded pension plans, and has consistently entered into collective bargaining agreements which require the employer to pay the full current costs of pensions accrued and to provide for the amortization of past service liabilities over periods of approximately 30 years. We believe that funding through an insurer or a trust fund independent of the employment unit involved is generally the best method which has been available for assuring that benefit payments will be made. Too often, however, termination occurs before sufficient assets have been accumulated to assure such benefit payments. A Federal reinsurance program is the only feasible way of providing such assurance.

Funding serves other purposes, and would be a valuable adjunct to a Federal reinsurance program even though it does not appear to be a necessary prerequisite for the successful operation of such a program. For example, it is clear that mandatory funding would reduce the absolute size of the potential drain on the reinsurance fund, and may be desirable for that purpose alone. Furthermore, the requirement of making substantial annual contributions whenever a pension plan is established or improved could serve as an additional deterrent against any attempt to abuse the reinsurance program.

There is, in addition, another important reason for the establishment of minimum funding standards. That is the need for a generally acceptable estimate of the longrun cost of a pension plan. Both management and labor need such an estimate since it would be equally