

undesirable to establish a plan which initially appears to involve fairly low costs only to discover after some years that such costs were seriously underestimated, as it would be to avoid establishing any plan at all because of unfounded fears concerning the possible costs.

Since most pension plans only cover those who retire after the plan is established, the total initial benefit payout is generally very low. By making contributions larger than the benefit payout, a fund can be accumulated to help meet the increasing total of such payments as the number of retirees increases. On the other hand, we in the UAW have met many situations in which management cited the total potential future benefit payout for all employees as an objection to establishing a pension plan, implying that this would be an immediate lump-sum obligation; when we point out that this obligation can be met by annual contributions at a reasonable level over a 30-year period, this objection is eliminated.

There is, of course, no magic in the specific figure of 30 years, and it may be that some more flexible requirement is appropriate. It is my understanding that the accounting profession has adopted for their purposes the use of a 40-year period for such amortization.

The major point is that funding is not an end, but a means to an end. We adopted 30 years as an amortization period with security of benefit expectations as our major goal. The accountants seem primarily concerned with assessing the cost impact. In special situations, for example, a multiemployer plan covering a highly diversified group or a large segment of a healthy industry, some other requirement may be acceptable.

In any event it would appear that the implementation of a funding requirement will involve the judgment of competent actuaries, since they must determine the assumptions concerning future experience appropriate for the particular program. It, therefore, appears necessary for standards to be established in order to determine the qualifications of individuals offering to act as actuaries.

There is clearly room for further technical exploration, but that does not diminish the need for a funding standard which will guide all plans in the future.

(2) REGULATION OF INVESTMENTS

I generally support the bills introduced by Senator Yarborough (S. 1024) and Congressman Perkins (H.R. 5741) which would make explicit the fiduciary responsibilities of persons handling pension funds.

Clearly these funds should be managed for the exclusive benefit of the plan participants, and any manipulation by a fund manager to enhance his own self-interest is reprehensible.

In addition, the long-term nature of pension obligations and the flexibility that exists in valuing the assets of pension funds may encourage some fund managers to indulge in highly speculative investments in the hope of obtaining a large return, since any losses which may result from poor judgment can be ignored for many years by continuing to value the investment at its original purchase price. If those investments are held until the plan terminates, it is generally the employees who suffer the loss involved. The clarifying of fiduciary responsibility should eliminate this type of occurrence. Any additional