VESTING PROVISIONS IN PRIVATE PENSION PLANS

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In recent years vesting—the right of a participant to receive his accrued pension benefits if he leaves the plan before he is eligible for retirement benefits—has become one of the most discussed aspects of pension plans. Comprehensive current data are needed because public discussion usually involves matters such as the prevalence of vesting, the rate at which vesting provisions are being added to plans, the requirements for vesting, and the rate at which they are being liberalized. To meet this need, the Bureau of Labor Statistics recently repeated the analysis it made nearly 5 years ago of the vesting provisions in the pension plans filed under the Welfare and Pension Plans Disclosure Act.[1]

Until the mid-1950's, vesting provisions were limited largely to contributory plans not under collective bargaining. In 1950 a Brookings Institution study disclosed that three-fourths of the members of plans with vesting contributed to the financial support of their plan. The study also revealed that nearly two-thirds of the members of plans with vesting belonged to plans installed before the 1940–50 union drive to secure pensions.[2]

The prevalence of vesting jumped sharply in 1955 when the United Automobile Workers Union succeeded in adding a vesting provision to the plans it had negotiated in the automobile, farm equipment, and other industries. Another boost occurred in late 1957 when vesting was added to plans negotiated by the United Steelworkers. As a result, BLS studies of large pension plans under collective bargaining showed that the incidence of vesting provisions had increased from 25 percent of the 300 plans analyzed in 1952 to 60 percent of a similar group studied in 1958.[3]

The Bureau's two most recent studies are based on much larger samples—around 1,200 plans—and show that the prevalence of vesting in negotiated plans rose to 67 percent in the winter of 1962–63 and to 74 percent in mid-1967.[4] However, chiefly because of the absence of vesting in many large multiemployer plans, only 56 percent of the members of negotiated plans had the protection of a vesting provision in 1962–63 and 61 percent in 1967.

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[1] See *Labor Mobility and Private Pension Plans,* BLS Bulletin 1407 (1964).

[2] Charles L. Dearing, *Industrial Pensions* (Washington: The Brookings Institution, 1954), p. 75.

[3] *Pension Plans Under Collective Bargaining,* BLS Bulletin 1147 (1953). and *Pension Plans Under Collective Bargaining, pt. I. Vesting Provisions and Requirements for Early Retirement; pt. II. Involuntary Retirement Provisions, Late 1958,* BLS Bulletin 1259 (1959).

[4] Includes some plans mentioned in collective bargaining agreements that were not negotiated; e.g., plans initiated unilaterally by employers and which the union has not bargained often are mentioned in agreements as among the conditions of employment that will be continued without change. See technical note which follows.