

Employees could elect to receive the actuarial equivalent of vested benefits before normal retirement age in one out of three plans covering four out of nine workers. An actuarial reduction was specified in slightly more than three out of four plans, covering about half the workers, that allowed the employee to receive his vested benefit before normal retirement age. Most of the remaining plans had specific reduction factors, such as 6 percent a year for each year before age 65. A few plans made no reduction because of the early receipt of the benefit. The vesting provision in these plans provided a type of early retirement benefit—often at an earlier age than under the early retirement provision. Conversely, early retirement provisions also protect accrued benefits—usually under stricter age requirements than the vesting provision.⁵

TABLE 9

Reduction factor	Plans		Workers	
	Number	Percent	Number (thousands)	Percent
All plans commencing payment of vested benefits before normal retirement age.....	3,718	100.0	4,636	100.0
No reduction for early retirement.....	141	3.8	44	1.0
Actuarial reduction.....	2,843	76.5	2,278	49.1
1/4 of 1 percent for each month.....	13	.3	28	.6
1/3 of 1 percent for each month.....	44	1.2	303	6.5
1/2 of 1 percent for each month.....	43	1.2	75	1.6
3/4 of 1 percent for each month.....	253	6.8	387	8.3
5/8 of 1 percent for each month.....	241	6.5	573	12.4
3/4 of 1 percent for each month.....	25	.7	170	3.7
5/8 of 1 percent for each month.....	20	.5	508	11.0
1 percent for each month.....	95	2.6	270	5.8
Table of reduction factors not uniform.....				

NOTE ON SCOPE AND METHOD

A private pension plan is defined for this study as a plan established by an employer, union, or both that provides a cash income for life to qualified employees upon retirement. Profit sharing, stock bonus, and savings plans are excluded because the amount of benefits they provide are not computable in advance. Plans of Government and non-profit organizations, other than unions, are also excluded from the scope of this article. Plans with less than 26 participants, active or retired, are excluded because they are not required to file reports under the Welfare and Pension Plans Disclosure Act, the chief source of the data. This exclusion does not seriously effect the data, since small plans account for only a minute part of the total coverage of all pension plans. Because of these exclusions and certain other adjustments, the number of plans and workers are not comparable to data published by the Office of Labor-Management and Welfare-Pension Reports.

This article was based, as noted above, on the reports and documents filed with the U.S. Department of Labor's Office of Labor-Management and Welfare-Pension Reports, pursuant to the Disclosure Act, by private pension plans covering more than 25 participants. Two probability samples of these plans were drawn. One sample, stratified by industry division and size, was drawn from a complete

⁵ See BLS Bulletin 1407, p. 25.