

years of credited service at the time of the legislation would achieve a vested status after 1 more year of service but only the benefits that accrued during the 10th year would be vested. Benefits for all subsequent years would, of course, be fully vested. All employees with 10 or more years of credited service at the time mandatory vesting became effective would be vested in all benefits accruing thereafter. A participant with 5 years of service would achieve a vested status after 5 more years but only with respect to the benefits accruing during the last 5 years and thereafter.

Under this concept the question arises as to whether the guaranty would attach only to the benefits that would be vested under the proposed minimum standard or to those that have vested on a more liberal standard pursuant to the terms of the pension plan. While relatively few plans other than those funded through individual insurance or annuity contracts vest benefits with less than 10 years of credited service many vest past service as well as future service benefits. Moreover, all benefits of retired persons are considered to be vested and all those of employees eligible to retire may be so regarded. Any plan that has had a vesting provision for a number of years is likely to have a greater volume of vested benefits that would be generated by the proposed minimum standard. High governmental sources indicate that the Administration will take the position that benefits vested by plan provisions more liberal than the mandatory minimum should be subject to the guaranty.

Other distinctions among accrued benefits could be justified. In a privately circulated memorandum, an official of a major automobile company proposed that the guarantee attach to all the accrued benefits of persons in a retired status and those within 10 years of normal retirement. With respect to all other employees, the guaranty would attach in annual increments, reaching 100 percent only after the plan had participated in the guaranty program for 10 years.

There would have to be a determination as to the types of benefits to which the guaranty would attach. It is obvious that it would apply to retirement benefits but would it cover death, disability, special early retirement, and other ancillary benefits? It would seem that the guaranty ought to cover only such ancillary benefits that have matured and are in an active-payment status.

It would be necessary to deal specifically with plan liberalizations that increase the unfunded liability of the plan, especially increases in the scale of benefits. The threat to the solvency of the fund is apparent. The guaranty should not attach to newly created benefits for a period of years. It would make sense to impose the same probationary period as that applicable to newly established plans.

It would probably be desirable to place a dollar limit on the benefits that would be guaranteed for any one participant, since there is an element of social insurance in the whole undertaking and some employers would inevitably subsidize the pension plans of other employers to some extent. The limit should be stated in terms of the monthly income provided at a retirement age specified in the law.