

addition, supplement the transfer value provisions of individual plans—and thereby stimulate them. Indeed, such an arrangement might be the indispensable condition of a workable system of transferring pension credit values.

A pension clearinghouse could perform one or more of the following functions: (1) Maintain records of “cold storage” vested credits, with the credits themselves remaining with the plan under which they were earned. (2) Facilitate the actual transfer of the value of vested credits for employees leaving one plan and entering another. (3) Receive transfer values for separated employees who do not enter a new plan, thereby providing the advantages of a developing group plan. (4) Provide basic coverage for small groups of employees for whom regular plan coverage is impractical due to high cost and the uncertain longevity of the job or indeed of the employer.

A clearinghouse probably would effect economies in the administration of vesting. More importantly, if a clearinghouse were widely used, the cost of vesting could be reduced, perhaps substantially. Presently the cost of any vested rights conferred by a plan is borne by that plan alone. Whatever the pattern of employee turnover, under conventional vesting all the money is outbound. Under a clearinghouse (or mutual bilateral) arrangement some incoming employees would bring funds with them. Of course, the incoming employee would get the full benefit of any funds he brings and so there is no “profit” to the plan he joins on that account. But to the extent that employees arrive with money for credits, the receiving employer is required to contribute less in order to provide any given level of benefits. Therefore, the receiving employer can base his plan on a longer period during which pension credits are earned.

Employers would “contract” for a period of time to provide clearinghouse coverage for employees separated from private plans. The contract would provide that all employees separated under age and service conditions specified by the employer (entirely at its option or in conformity with a collective bargaining agreement) would be given transfer value credits computed in a specified fashion which would be paid over to the clearinghouse. In the event of plan termination, the value of vested credits could be transferred to the clearinghouse rather than dissipated in cash payments or paid-up annuities for small amounts. The contract requirement of equal treatment would not be so much to protect the clearinghouse as to insure fair operation of each employer’s plan. Small companies could contract for clearinghouse group plan coverage for all of their employees.

The clearinghouse would not serve its purposes if cash withdrawal were permitted, as is now the practice when employees are separated from jobs under contributory plans. Recognizing that sometimes participants may have urgent needs for cash which their other savings are insufficient to meet, some consideration might be given to limited grounds for borrowing against the contributions made on behalf of an employee. Such an arrangement would be terribly awkward under OASDI; however, as private plans represent supplementary and more voluntary savings, consideration should be given to such a feature. There would seem little purpose to forcing a participant into charity while he has thousands of dollars to his credit in the clearinghouse group plan. But the exigencies should be limited to bona fide emer-