

quate plan. It is significant that this atmosphere will differ as between industries and over the course of time. We therefore urge that the assessment of adequacy continue to be left to employers or employers and unions, in the light of their circumstances.

Private pension plans promote the efficiency of business. It is, therefore, good public policy to promote their inception, continuance, and improvement because business efficiency is a necessary ingredient in a healthy, free economy. If pension plans were to be taxed or legislated out of existence, the U.S. Treasury might indeed realize a modestly larger immediate share of current income but it would be at the expense of sharing in a larger future income. If a pension plan is to serve the purpose of making possible the orderly retirement of employees whose usefulness to the business has declined, it must provide for higher as well as lower paid employees a scale of retirement income reasonably proportionate to their preretirement income. Pension plans, when employer contributions are limited to a scale sufficient to accomplish the business purpose of orderly retirement of older employees, do not depress the wages of younger or short-service employees. There is no pension expense associated with employees whose employment terminates before any right to a pension vests. A popular but erroneous impression is that money is accumulated for such individuals whereas, in fact, money is not accumulated on an individual basis and account is taken in advance of estimated turnover so that no funds are ever provided. Younger employees in general place little value on the long-range prospect of receiving a pension. They understandably would expect their wages to be competitive. The expense to a business of hiring and training a series of short-service employees may equal or exceed the cost of providing pensions for employees who would fill the available jobs until retirement. Under these conditions, granting such transient employees pension right in addition would unduly increase the total remuneration of such employees.

The Bell System Cos. have long favored advance funding of pensions and have themselves been doing so since 1927. However, funding involves questions of practicality for individual plans at various times. Legal requirements for rapid funding are likely to do more harm than good by inhibiting establishment of new plans and liberalizing amendments of existing plans. It cannot be assumed that the result of new funding requirements would simply be more funding. Part of the result may be fewer or less adequate plans.

While recognizing the appeal of spreading the risk of pension plan failure, the Bell System Cos. believe that reinsurance may well be impracticable of attainment without seriously limiting the desirable flexibility and variability of pension plans, both as to their terms and as to funding. The likelihood of harm to the private pension system due to ill-advised and too hasty action along these lines is so great that much more study of the need and of possible consequences is desirable. As matters stand, however, the private pension system functions extremely well and lives up to expectations for the overwhelming majority of those intended to be provided for. And their existence does not impose an economic burden on the large segment of the population who do not receive pensions.

The great variations in pension benefits, in actuarial assumptions, and in degrees and methods of funding make it difficult to conceive that it would be practical or equitable to carry a pension credit from one