

divided in varying degrees between Government and business, but the challenge of increasing the productivity of the private sector so vital to the public interest has to be met by private enterprise and the least and the most the Government can do is to be sure that its system of taxation and enforcement of free competition constitute a favorable climate and incentive for the greatest productivity in private enterprise.

Deferred profit-sharing plans would seem to warrant more encouragement by tax policy, since there are inherently less discriminatory than pensions. We see a great loss if deferred profit-sharing plans open to salaried or clerical workers only, were prohibited per se. A company may not wish to include plant or hourly workers because it may have a serious limitation in managerial sensitivity or skill needed to create a profit relationship with hourly or plant employees. Vesting in deferred profit-sharing plans is usually quite rapid because it is found that too slow vesting dims the commonly sought productivity incentive. In regard to funding, under deferred sharing plans, there is no real practical issue as to adequacy of funds to pay benefits for there are no guarantees, nor as to the pay-as-you-go alternative, for the accumulations belong to the participants who would be extremely unamenable to any legislation that did not require segregation of such funds from employer funds.

The availability of portability would not be of interest to the great majority of deferred profit-sharing plan participants because of the predominant choice of lump-sum withdrawals on early terminations. A vast amount of the social interest in many areas is successfully delegated to the private sector. I don't think that any government agency can become as expert in making private sharing plans work as can the private companies operating the plans together with their various types of advisers.

It is my opinion that in most cases a small firm with apparent good prospects, as soon as it has passed a few years of age, ought to seriously consider a deferred profit-sharing program. Later, it could add a private pension plan, when it became confident it had the stability to assume the long-term fixed financial commitment inherent therein. If profit sharing is not adopted early, as ever-increasing employee benefit costs make for increased employment cost rigidity, the need for a teamwork incentive program like profit sharing will become increasingly more acute. Only through increasing productivity are higher and higher compensation costs bearable, and the best assurance of continuing the requisite productivity improvement lies in productivity motivation.

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NATIONAL FOUNDATION OF HEALTH, WELFARE, AND PENSION PLANS, INC.: THE ROLE OF JOINTLY TRUSTEED PENSION PLANS

This may be the ultimate issue concerning the future role of the private pension system: Will the growth of the private pension system, through the establishment of new plans and improvement of present ones, continue in an environment of greatly expanded Federal requirements that would substantially increase the costs of plans and eliminate private sector goals for them? Private pension plans have