

vesting in private plans, there is also an urgent need for a simple recording arrangement so that those benefits which are vested for individuals are not forfeited through inaction. Since practically everyone is covered by the social security system and will almost certainly apply for his benefits under that system, it would help if each social security record included information about private plan benefit rights. Therefore, I propose that the Social Security Administration establish a procedure whereby each plan would notify it whenever an individual acquires a vested right to a benefit. When the individual subsequently applies for social security benefits, he would then be given a list of the private plans under which he has accrued vested benefits.

B. Determination of ground rules concerning the design of private plans in order to assure equity to individual participants.

1. *Nondiscrimination requirements.*—While it is quite clear under the present tax laws that pension benefits may not be discriminatory in favor of highly paid employees as compared with lower paid employees covered by the same plan, it is still common for separate plans to be established covering different classes of employees and for the program covering lower paid employees to be less favorable than the one covering higher paid employees. Similarly, plans covering hourly paid employees frequently are less favorable than plans covering salaried employees with comparable earnings levels. As a general principle, pension benefits, including social security, should not be discriminatory in favor of highly paid employees, even if such benefits are provided by plans separate from those covering other employees, unless such differences are due to recognized exceptional circumstances.

2. *Minimum vesting requirements.*—The establishment of minimum vesting requirements is long overdue since the present tax and other legislative restrictions permit plans which disproportionately favor those employees who continue to be active participants under the plan until they obtain retirement age. A group pension plan should not be merely a forced savings arrangement. A pension plan represents wages which are earned by a group of employees and used for the benefit of that group as a whole. Using an acceptable concept of a "pension benefit," Congress should require vesting of all accrued pension benefits for employees with 10 or more years service.

C. Supervision of the handling and administration of the assets of private pension plans.

1. *Minimum funding requirements.*—We believe that funding through an insurer or a trust fund independent of the employment unit involved is generally the best method which has been available for assuring that benefit payments will be made. Too often, however, termination occurs before sufficient assets have been accumulated to assure such benefit payments. A Federal reinsurance program is the only feasible way of providing such assurance. Funding serves other purposes. Both management and labor need a generally acceptable estimate of the long-run cost of a pension plan, since it would be equally undesirable to establish a plan which initially appears to involve fairly low costs only to discover after some years that such costs are seriously under-