

are likely to be small. No doubt, this is one of the contributing influences in the spread of voluntary vesting among plans.

It is a paradox that, if pensions reduce turnover in a firm, the adoption of vesting is not very costly but, if turnover is high, then vesting is not needed to counter excessively low mobility. Thus, if public policy is to regulate pension plans with respect to vesting, it should do so on grounds of equity and fairness, rather than for supposed reasons of economic efficiency. Such grounds are hardly new. Public policy has long expressed itself on a similar question by requiring the payment of wages in cash, conceiving that the enhancement of the liberty of the many more than outweighed loss of liberty suffered by the employers. With respect to pensions, of course, the question is much clearer because tax deferral of contributions to a qualified pension fund is a privilege rather than a right.

ALLEN J. LENZ: EARLY RETIREMENT AND INCOME MAXIMIZATION

The military retirement system functions to encourage and permit withdrawal of career personnel from the military forces at relatively young ages, in order that the military organization may maintain a desired degree of "youth and vigor." Most military retirees enter the civilian labor force after completing their military careers. During the second career years, the retirement annuity is not an old age pension. Rather, at least in part, it serves to compensate military retirees for reduced civilian employment income levels which stem from a late entry into civilian employment.

The existing retirement system and the 20-year retirement option have maintained "youth and vigor" in the military forces and assisted in attaining a more rapid and regular promotion flow. However, there are some indications that short (20-year) military careers may be more economically rewarding than longer careers, and indeed, provide a positive economic incentive to early retirement for certain categories of personnel, including the more highly educated officers.

Most civilian employers do not permit retirement at such early ages that the employee can "retire" and transfer to another employer, thereby earning an active employment wage and simultaneously drawing a retirement annuity from the prior employer. However, a recent lowering of the minimum retirement age now permits civil servants with 30 years of service to retire from civil service and draw an unreduced annuity at age 55. There is reason to expect that this early retirement option may, in the future, imperfectly serve the best interest of the civil service organization, tending to encourage early withdrawal of the more valuable employees but doing much less to encourage egress of the less productive workers.

A retirement system which provides a positive incentive for early retirement from the work force of one employer in order to transfer to the work force of another employer not only may be undesirable from the standpoint of the original employer but may be undesirable