

Pension Plans Under Collective Bargaining

Bulletin No. 1147

UNITED STATES DEPARTMENT OF LABOR

James P. Mitchell, *Secretary*

BUREAU OF LABOR STATISTICS

Ewan Clague, *Commissioner*



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Vested Rights
Compulsory Retirement
Types and Amounts of Benefits

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Letter of Transmittal

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D. C., October 12, 1953.

The SECRETARY OF LABOR:

I have the honor to transmit herewith a study of various aspects of pension plans under collective bargaining in effect in the fall of 1952. The study deals with vested rights, compulsory retirement, types and amounts of benefits, and problems related to these aspects of pension plans.

This study was prepared in the Bureau's Division of Wages and Industrial Relations by Evan K. Rowe and Thomas H. Paine with the assistance of Harry E. Davis.

Ewan Clague, Commissioner.

Hon. James P. Mitchell,
Secretary of Labor.

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Preface

During the past 10 years, one of the most important developments in the field of industrial relations has been the increase in the number and coverage of pension, health, and insurance plans established by collective bargaining or brought within the scope of labor-management agreements. Although many employers had sponsored and financed such programs, few union agreements prior to 1940 made provision for such plans. By mid-1950 upwards of 5 million workers were covered by retirement programs within the scope of collective-bargaining agreements and practically every major union had, to some extent, negotiated such plans.

Interest in pension plans was stimulated during the war and immediate postwar periods by a number of factors. Among these were the Government's wage stabilization and taxation policies which made such programs feasible and less expensive to employers. Wage stabilization regulations limited the amount of wage increases which employers could grant, but, at the same time, permitted the adoption of reasonable employee insurance and pension benefits. Under Federal tax regulations employers were permitted to deduct, within specified limits, contributions to pension plans when computing their tax returns. Another factor which gave impetus to the establishment of private retirement plans was the decreasing value (in light of rising living costs) of the retirement and survivors' benefits paid under the Federal Social Security program. Benefits under this program remained unchanged from 1940 until late 1950. Concurrently, the obligation of employers to bargain on pensions, under the Labor Management Relations Act of 1947 was being contested. Early in 1949 this obligation was affirmed by the United States Supreme Court. Later that year the spread of pension plans was greatly accelerated by the report of the Steel Industry Fact-Finding Board which held that industry had both a social and economic obligation to provide workers with social insurance and pensions. The subsequent pension settlements in the steel and automobile industries further stimulated this movement. The number of workers covered by pension plans has continued to grow at a fairly rapid rate since early 1950.

With pension plans financed in whole or in part by employers firmly established as an integral part of the system of employee remuneration, considerable attention has been paid recently to the amount of benefits provided under the plans, their relationship to the Federal Social Security program, and their impact on the economy of the country. The immediate concern of many trade unions, particularly, has been to seek an upward revision in the amount of benefits to take account of rising living costs and to adjust those plans which are directly coordinated with or "off-set" against Social Security payments so as to pass on to the retired worker all or a part of the increased benefits made available under the Federal program. Many such benefit increases have occurred since 1950.

While not publicized to the same extent as benefit amounts, other provisions of pension plans have also received the attention of labor, management, and the general public. A major concern involves the loss or protection of the individual's credited service under a plan if he should change jobs. Another is the matter of compulsory retirement, i. e., whether a worker should be compelled to retire solely on the basis of age. These problems are of vital concern not only to the employer, the worker, and the union, but also to the economy as a whole. Considerable discussion has centered about the extent to which the acquisition of rights toward benefits in one company might effectively deter workers from moving to another firm if their built-up pension credits with them cannot be transferred. Thus, a practice which may provide a low turnover rate, continuity of work, and better plant morale for the individual employer, may be the decisive factor in retaining the worker. The application of a mandatory retirement age may serve to remove from the labor force workers still capable of productive work. These problems take on special significance during a period when the effective utilization of manpower is of national importance.

In meeting its responsibility in the field of industrial relations, the Bureau of Labor Statistics has, since 1945, conducted a number of studies dealing with pensions and other employee-benefit plans. These studies have included: periodic reports on the overall growth of employee-benefit plans under agreement, including data on methods of financing and types of benefits provided; reports providing details on the types and amounts of benefits for selected industries; summary digests of selected programs; the changes in programs of major companies; and analyses of provisions pertaining to employee-benefit plans in the Bureau's comprehensive file of collective-bargaining agreements. The Bureau maintains a file of current employee-benefit plans which is available for public use in the same way as the Bureau's file of current collective-bargaining agreements.

The Bureau has made the following series of studies which analyze in detail selected provisions of a representative sample of pension plans under collective-bargaining agreements. It is intended to meet the general interest in the substantive aspects of pension plans and to provide specific data to those directly concerned.

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Pension Plans Under Collective Bargaining

Part I—Vested Rights

WIDESPREAD INTEREST has been focused in recent years on private pension plans, particularly on those established through collective bargaining. The establishment of "\$100 pensions" in the steel industry in 1949 and the movement toward slightly higher pensions in other industries in 1950 served further to stimulate this interest as collectively bargained programs spread through large segments of industry. Although most attention has been directed to the rapid growth of these plans and the amounts of the benefits provided, other problems and implications also need close scrutiny.

The present article contains, first, an analysis of the extent and nature of vested rights in a significant group of pension plans under collective bargaining. An effort is made, second, to relate vesting, the development of multiemployer pension plans, and early retirement provisions to the problem of labor mobility.

The primary purpose of pension plans is to provide income for workers when they retire from the labor force. In order to receive these benefits, plans generally provide that workers must fulfill certain requirements, usually a stipulated amount of continuous membership in the plan and attainment of a prescribed normal or early retirement age. However, many workers change employers before becoming eligible for retirement benefits and, in doing so, lose all rights to their accrued pension credits.

One means of protecting a worker's credits under separate pension plans is provided by vesting. This is the guarantee to an individual of that right or equity in a pension plan based on all or part of the employer's contribution made in his behalf should his employment be terminated before becoming eligible for retirement benefits. Contributions made by an employee under a plan financed by both the company and the employee

(contributory plan) are almost invariably returned to the worker, with or without interest, should his employment be terminated prior to retirement.

The vested right in most cases is granted in the form of an annuity, the payment of which commences when the worker reaches retirement age. Occasionally, vesting provisions contain an option under which the worker can receive a lump-sum benefit when he leaves the company.

Analysis of Plans

In order to ascertain the prevalence and characteristics of vesting provisions, the Bureau of Labor Statistics analyzed 300 pension plans, all of which were under collective bargaining.¹ These programs covered approximately 5,857,000 workers.² Over three-fourths of the plans covering two-thirds of the workers were in manufacturing industries. Represented in the study was virtually every major manufacturing industry as well as many non-manufacturing industries in which collectively bargained pension plans existed. The programs varied in size from those covering well over 100,000 workers to those applying to less than 1,000 employees (table 1).

Eighty-five percent of the plans were restricted to single companies, the great majority of which had two or more plants. In some multiplant-companies, the area covered by the program was limited to one plant; generally, however, the program applied uniformly throughout all plants of the company. These single-employer plans covered slightly over three-fourths of the workers in

¹ For the purpose of this study, plans under collective bargaining include (1) those established for the first time as a result of collective bargaining and (2) those originally established by either employer or union but since brought within the scope of the agreement, at least to the extent of the agreement establishing employer responsibility to continue or provide certain benefits. All of the 300 plans covered in this analysis were in effect in early fall of 1952.

² Not all these workers are subject to collective-bargaining agreements. While every plan is under agreement, in many cases the plans are extended uniformly to cover workers outside the scope of the contract. In every instance, the figures represent the total number of workers in all units to which the plan applies.

the study. Multiemployer programs accounted for the remaining plans and workers.

Three-fourths of the plans, covering almost four-fifths of the workers, were financed solely by employer contributions (noncontributory plans). The remainder were contributory, usually with the employer paying the greater share of the cost.³

Characteristics of Vesting Provisions

The number of plans and workers covered by vesting provisions in the study and the method of financing these plans are shown in table 2. Of the 255 single-employer programs, 73, covering 27 percent of the workers under that type of plan, provided for vesting. Only two of the multiemployer plans granted workers vested rights.

Pension plans may provide for various types of vested rights. Immediate full vesting grants to the worker rights to all benefits based on the employer's contributions which are made in his behalf from the date he begins participation in the plan. A provision under which the receipt of all rights are deferred until a worker attains a certain age and/or has completed a specified period of employment or participation in the plan is known as

³ Some plans provided for a basic noncontributory pension, and workers were given an opportunity to contribute to build up a supplementary annuity. In these cases, only the noncontributory plan was analyzed. A few plans were noncontributory for workers earning less than a specified amount, e. g., \$3,000 per year, and contributions were required from those earning over that amount. These plans were classified as contributory programs.

deferred full vesting. Another type of deferred vesting grants only those benefit rights based on a certain percentage of the employer's contributions after specified conditions are met, and this percentage increases as additional conditions are fulfilled until eventually the worker is fully vested. For example, a plan may require participation for 10 years to acquire vested rights to one-third of the employer's contributions, 15 years for two-thirds and 20 years for full vesting. This type of provision is generally termed deferred graded vesting.

Deferred full vesting was the predominant type of vesting found in the study. This provision was contained in over four-fifths of the plans—covering a similar percentage of the workers—which provided for vesting (table 2). The remaining vested plans were of the deferred graded type. None of the plans gave employees full vesting rights immediately upon participation in the plan.

Only three of the vested plans granted workers cash benefits when they left their jobs after fulfilling the necessary age and service requirements; under these plans, no provision was made for deferred annuities. With the exception of two plans which offered workers the choice of receiving either cash or deferred benefits, the remaining programs specified that the vested rights would be granted in the form of a deferred annuity commencing at the normal retirement date; a few of these contained an option under which workers could begin receiving benefits when they reached early retirement age.

TABLE 1.—*Distribution of plans in survey, by workers covered and by type of employer unit*

Workers covered	All plans				Single-employer plans				Multiemployer plans			
	Plans		Workers		Plans		Workers		Plans		Workers	
	Number	Percent	Number (thousands)	Percent	Number	Percent	Number (thousands)	Percent	Number	Percent	Number (thousands)	Percent
Total.....	300	100.0	5,857.3	100.0	255	100.0	4,496.6	100.0	45	100.0	1,360.7	100.0
Over 100,000.....	10	3.3	2,590.3	44.4	7	2.7	1,791.4	40.0	3	6.7	798.9	58.7
50,000-99,999.....	12	4.0	833.8	14.2	7	2.7	485.6	10.8	5	11.1	348.2	25.6
25,000-49,999.....	26	8.7	860.1	14.7	26	10.2	860.1	19.1				
15,000-24,999.....	27	9.0	510.5	8.7	24	9.4	458.5	10.2	3	6.7	52.0	3.8
10,000-14,999.....	33	11.0	379.5	6.5	26	10.2	303.2	6.7	7	15.5	76.3	5.6
7,000-9,999.....	22	7.3	177.9	3.0	20	7.8	162.7	3.6	2	4.5	15.1	1.1
5,000-6,999.....	25	8.3	148.9	2.5	22	8.7	130.9	2.9	3	6.7	18.1	1.3
4,000-4,999.....	23	7.7	99.9	1.7	20	7.8	86.9	1.9	3	6.7	13.0	1.0
3,000-3,999.....	29	9.7	99.9	1.7	26	10.2	90.3	2.0	3	6.7	9.6	.7
2,000-2,999.....	39	13.0	96.5	1.6	31	12.3	77.3	1.7	8	17.7	19.2	1.4
1,000-1,999.....	33	11.0	47.5	.8	26	10.2	37.9	.8	7	15.5	9.6	.7
Below 1,000.....	21	7.0	12.5	.2	20	7.8	11.8	.3	1	2.2	.7	(1)

¹ Less than 0.1 percent.

TABLE 2.—*Vested and nonvested plans and workers covered, by type of vesting and method of financing*

Plans	All plans				Noncontributory plans				Contributory plans			
	Plans		Workers		Plans		Workers		Plans		Workers	
	Number	Percent	Number (thou- sands)	Percent	Number	Percent	Number (thou- sands)	Percent	Number	Percent	Number (thou- sands)	Percent
Total.....	300	100.0	5,857.3	100.0	225	100.0	4,592.0	100.0	75	100.0	1,265.3	100.0
With vesting provisions ¹	75	25.0	967.1	16.5	18	8.0	121.4	2.6	57	76.0	845.7	66.8
Deferred full vesting.....	61	20.3	829.3	14.1	14	6.2	90.6	1.9	47	62.7	738.8	58.4
Deferred graded vesting.....	14	4.7	137.8	2.4	4	1.8	30.8	.7	10	13.3	106.9	8.4
Without vesting provisions.....	225	75.0	4,890.2	83.5	207	92.0	4,470.6	97.4	18	24.0	419.6	33.2

¹ None of the 75 plans including vesting provided for immediate full vesting.

Requirements for Vesting

The requirements which workers must fulfill before being vested varied greatly among the plans. Some programs prescribed specified lengths of service before workers were vested. Others provided that vesting rights were accrued after the completion of stipulated periods of participation in the plan; these programs often did not permit a worker to join the plan when he first became employed. Frequently, he was required to work with the company for periods ranging from 1 to 5 years before he was eligible to be covered by the pension plan, and often age qualifications also had to be fulfilled. Age, service, and participation requirements of plans providing for deferred full vesting are shown in table 3.

Assuming that all workers join the plan when first eligible, the plans under which vesting is conditioned upon participation requirements may be made comparable to those specifying service qualifications by adding the required preparticipation period to the plan membership period. Using this approach, the service requirements of all deferred full vested plans ranged from 5 to 25 years, with the median plan providing that a worker must have been employed for 13 years before acquiring vested rights. It is to be remembered, however, that service qualifications were not the sole requirement for vesting. In a number of plans, as indicated above, the attainment of a specified age, almost invariably 45 years or over, was also required before vesting occurred.

The plans with deferred graded vesting also varied greatly in the requirements to be fulfilled

before a worker had vested rights. The minimum qualification before any part of the employer's share was vested ranged from 5 to 12 years' service, except for one plan, contingent upon age alone, which granted 2½ percent of the employer's share for each year of age the worker was over 25. Nine of the 14 plans with deferred graded vesting required 10 years of service before any vesting took place, and 2 of these had age restrictions as well. The methods of grading also ranged widely. The most common method was to vest half of the employer's contributions after 10 years' service, and 5 percent additional for each year of service over 10 until the worker was fully vested after 20 years' employment. Other methods were to vest the employer's contributions by quarters or thirds after specified service conditions had been fulfilled. Half the plans with deferred graded vesting required 20 years' employment before full vesting was achieved. In other cases, the maximum service period specified ranged from 15 to 30 years.⁴

Although the purpose of vesting is to protect the pension equity of those workers who leave their jobs before becoming eligible for retirement benefits, the presence of restrictive requirements to qualify for vesting found in many of the plans analyzed would tend to limit the value of this provision. The qualification of at least 10 years' service that was present in over three-fourths of the plans would restrict considerably the number who might benefit by vesting. (See chart.)

⁴ Two of these deferred graded plans conditioned vesting rights upon participation requirements. In these two cases, the period required before participation could begin was added to the plan membership period in the data presented in this paragraph.

TABLE 3.—*Plans and workers covered by deferred full vesting, by requirements for vesting¹*

Requirements for vesting ²	Plans		Workers	
	Number	Percent	Number (thous- ands)	Percent
Total.....	61	100.0	829.3	100.0
Service.....				
5 years.....	17	29.0	198.7	24.0
10 years.....	3	5.0	8.0	1.0
15 years.....	9	15.8	148.8	17.9
20 years.....	3	5.0	37.3	4.5
Participation.....	2	3.2	4.6	.6
5 years.....	14	22.6	347.4	41.9
10 years.....	6	9.8	114.3	13.8
15 years.....	5	8.0	44.8	5.4
20 years.....	1	1.6	2.8	.3
Age and service.....	2	3.2	185.5	22.4
Age 40 and 5 years' service.....	16	26.0	190.1	22.9
Age 40 and 10 years' service.....	1	1.6	42.8	5.1
Age 45 and 15 years' service.....	1	1.6	43.3	5.2
Age 50 and 10 years' service.....	4	6.4	18.1	2.2
Age 50 and 20 years' service.....	1	1.6	1.0	.1
Age 50 and 25 years' service.....	3	5.0	31.5	3.8
Age 55 and 20 years' service.....	2	3.2	33.6	4.1
Age 60 and 15 years' service.....	3	5.0	15.6	1.9
Age and participation.....	1	1.6	4.2	.5
Age 45 and 5 years' participation.....	5	8.0	24.4	3.0
Age 45 and 10 years' participation.....	1	1.6	4.7	.6
Age 45 and 15 years' participation.....	2	3.2	10.7	1.3
Age 50 and 10 years' participation.....	1	1.6	4.2	.5
Service and participation.....	1	1.6	4.8	.6
10 years' service of which 5 must be participation.....	2	3.2	20.3	2.4
15 years' service of which 5 must be participation.....	1	1.6	18.5	2.2
Service or participation.....	1	1.6	1.8	.2
25 years' service or 10 years' participation.....	1	1.6	4.5	.5
Age, service, and participation.....	1	1.6	2.2	.3
Age 55 and 15 years' service of which 2 must be participation.....	1	1.6	2.2	.3
Alternatives.....	4	6.4	34.4	4.1
Age 45 and 5 years' participation, or 10 years' participation.....	1	1.6	13.0	1.5
Age 45 and 10 years' service, or 15 years' service.....	1	1.6	4.0	.5
Age 50 and 14 years' participation, or 19 years' participation.....	1	1.6	4.1	.5
Age 50 and 20 years' service, or 15 years' participation.....	1	1.6	13.3	1.6
Other.....	1	1.6	7.3	.9

¹ Based on a study of 300 pension plans covering approximately 5,857,000 workers.

² Service refers to the period of employment of the individual, while participation includes only the plan membership time. Both may be identical or may vary if eligibility requirements prerequisite to membership in the program are specified or if the individual, although eligible to join the plan, declines to do so.

Attitudes Toward Vesting

The decision on whether to include vesting provisions in a pension plan is influenced by several factors. Favorable to the inclusion of vesting is the concept that pensions and other fringe benefits constitute withheld wage payments. As such, they represent earnings in which a worker has a vested right should he leave his job. Another consideration advanced in favor of vesting pro-

visions, aside from the influence of pension credits on labor mobility discussed later, is that the plan can be made more appealing to the younger employees, who generally are less concerned with the problems of retirement.

Certain considerations exert influence against the inclusion of vesting rights. One is the feeling that labor turnover will be increased, thereby raising replacement and training costs for the employer who provides vesting in his pension plan. A more important consideration is that the inclusion of vesting, assuming the same levels of benefits, increases the cost of the plan. In a nonvested plan, the amounts contributed in behalf of those workers who leave their jobs remain in the fund. These forfeited funds may be used either to lower the size of the contributions to the plan or to increase the size of the benefits for those who remain until retirement age.

However, in many cases, the cost of vesting is not as large as it might seem from first observation. One mitigating factor is that labor turnover is usually concentrated among the younger workers. Under plans which provide for immediate full vesting, the amounts paid to these younger workers when they terminate their employment will be relatively small. If the pension program contains provisions which require a long waiting period before benefits are vested, the ultimate cost of this provision will be lowered, since a large proportion of the individuals who change their jobs will not be entitled to any benefits and since many of those having sufficient service to possess vesting rights will remain on their jobs until retirement age is reached. Another factor influencing the cost of vesting is the percentage of the total contributions to the plan paid by the worker under a contributory program. In general, the cost of vesting becomes smaller as the proportion of the total cost of the plan paid by the employees becomes greater.

Union attitudes toward vesting have not been uniform. Many unions have worked to establish multiemployer pension plans, in which the need for vested rights diminishes as the area covered by the program increases. For these plans, the question of vesting has not been considered as one of paramount importance.

In negotiations for single-employer programs, unions have directed considerable attention to the funding of the plan and the amounts of benefits.

While vesting rights have also been considered desirable and in many cases actively sought, this feature has not been incorporated in the great proportion of negotiated plans. Many of these pension plans contained provisions that the programs will continue for a period of 3 to 5 years before further bargaining on proposed changes can be undertaken. In view of the declared intentions of many union leaders, the inclusion of vesting rights will very likely be one of the union demands when these negotiations take place. The attitude of the United Automobile Workers (CIO) was expressed by its president in a statement to the union's 1951 convention: "We have to fight to get vested rights and the ability to transfer credits. . . . The guaranteed funded program is the key to these other matters, because when the money is in a trust fund you can go after these other things much easier . . ."⁵

With reference to establishing new pension plans, the American Federation of Labor has expressed the opinion that vested rights should be provided when a plan is first put into operation, even if this inclusion results in the lowering of the level of retirement benefits. "The level of benefits can be improved through later negotiations, while the protection of earned pension rights—through a vesting provision or through a multiemployer arrangement—can be more readily accomplished at the inception of the plan than at a later date after the plan has been set up on some other basis."⁶

Pension Plans and Labor Mobility

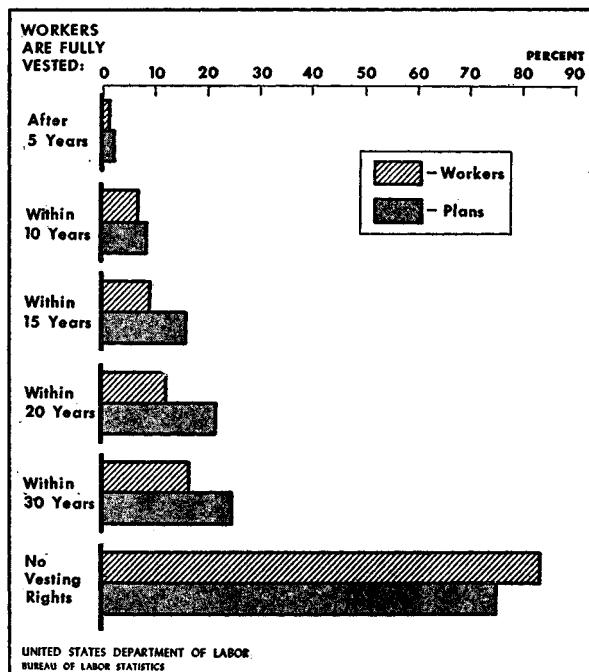
The fear has frequently been expressed that labor mobility may be restricted by pension programs that require continuous membership for long periods in order for a worker to qualify for benefits. Many workers may be unwilling to leave establishments in which they have built up substantial credits toward retirement annuities. Pension plans are, of course, only one factor to be considered in labor mobility. Many other conditions will also influence a worker's decision on whether to change jobs.

In any dynamic economy, there is a substantial amount of shifting of workers among employers.

⁵ Proceedings of Thirteenth Constitutional Convention, United Automobile, Aircraft, and Agricultural Implement Workers of America, April 1-6, 1951.

⁶ Pension Plans Under Collective Bargaining: A Reference Guide for Trade Unions. American Federation of Labor (p. 74).

Vesting Rights of Workers Under Pension Plans, After Meeting Service Requirements, 1952



NOTE.—Based on a study of 300 pension plans under collective bargaining, covering approximately 5,857,300 workers. Many of these plans also specified age requirements to be fulfilled before vesting took place.

A study made by the Bureau of the Census reveals the extent to which this occurs.⁷ Of wage and salary workers employed in nonagricultural industries in January 1951, only about one out of every five had been working for the same employer a decade earlier. Stability of employment varied among these industries. Whereas only about 1 of every 10 workers in the construction industry remained with the same employer during this period, nearly a third of the workers in transportation, communication, and other public utilities did so.

The Census survey defined a break in continuous period of employment as occurring when layoff exceeded 30 days and when a worker was inducted into military service. Pension plans usually allow longer periods of layoff, as well as all authorized military service, before continuous service is

⁷ Data in this paragraph are from U. S. Department of Commerce, Bureau of the Census, released in Current Population Reports, Labor Force, December 5, 1951 (Series P-50, No. 38): Experience of Workers at Their Current Jobs, January 1951. For further discussion of this subject, see also Job Tenure of American Workers, Monthly Labor Review, September 1952 (p. 257) and The Mobility of Tool and Die Makers, Monthly Labor Review, December 1952 (p. 605).

deemed to be broken. While these practices would tend to increase median length of service figures as reported by the Census, eligibility requirements prior to participation in some pension plans would tend to reduce the amount of allowable working time counted toward pension credits. In any case, the relatively short job tenure of many workers will prevent them from accruing credits toward retirement income during much of their working life. On the other hand, once an employee has secured substantial credits in a pension plan, his willingness to shift employers might be affected by his desire to retain pension rights.

To the extent that private pension plans do in fact act as a brake upon desirable labor mobility, their retarding effect can be mitigated in several ways.

Vesting Rights

Reluctance to change employers due to loss of pension rights presumably can be reduced through vesting. Liberal provisions, particularly those under which the worker is given partial or full vesting rights in the plan immediately upon participation, would serve to reduce this reluctance. Under such provisions, should the worker change employment he would retain an equity in his accrued pension credits and, thus, the assurance of at least some income upon reaching retirement age, irrespective of his employment status. Widespread application of such provisions would permit a worker to receive retirement benefits under many different plans.

Although the immediate concern of a worker contemplating a change of employers may be the potential loss of his accrued rights, the presence or absence of vesting provisions in the plan of his prospective employer may also affect his decision to move. The existence of a plan with a liberal vesting provision would presumably make the job more attractive and would be particularly important in a defense economy where the need for additional workers in defense jobs may be only for short durations.

As has been pointed out, however, the presence of a vesting provision in a plan does not necessarily protect the accrued credits of all individuals whose employment is terminated, inasmuch as these rights are usually conditioned upon the completion of a stated period of credited service

and/or the attainment of a specified age. For workers whose job tenure is relatively short, such restrictions would tend to limit their ability to become vested.

Multiemployer Plans

Another means of protecting pension credits is to broaden the area covered by the plan, thus enabling a worker who moves from one firm to another to transfer his pension credits with him. As the number of establishments covered by a program increases, the degree of mobility that a worker is allowed without losing pension rights also becomes greater. Usually a worker must move to another job covered by the same pension plan to be able to transfer his pension credits, although examples of reciprocity arrangements between different programs do exist.

The pension plans of most multiplant companies permit workers employed in one plant or occupation to shift to other plants or occupations in the company without loss of pension credits. Under this type of plan, the freedom of movement may be restricted to a few plants within the same local area or may be extended nationwide—sometimes even across industry lines—depending upon the nature and size of the corporation involved.

Programs covering more than one employer occur in many and varied industries. The common bond which links employers, who are engaged in a particular type of work, in one program usually is collective-bargaining relations with one union.

Often the scope of these plans is confined to a metropolitan area. In the New York area, for example, many employers in the wholesale and warehouse industry contribute to one pension fund for the benefit of their workers who are members of the Distributing, Processing, and Office Workers of America (Ind.). New York and Chicago milk truckdrivers who are members of the International Brotherhood of Teamsters (AFL) are covered by pension funds to which their respective employers contribute. In cases where the fund includes most of an industry's employers within a metropolitan area, considerable freedom of movement is provided the workers with no loss in pension rights. However, multiemployer funds of this type are often restricted to companies employing workers in one occupational group.

For example, in the construction industry in the New York area, separate pension plans are in operation for the painters and decorators, electrical workers, roofers, and sheet-metal workers, and other crafts.

Collective-bargaining practices which have developed in some industries have resulted in the extension of multiemployer plans beyond a metropolitan area. In the longshore industry on the West Coast, a pension fund has been established under the coastwide agreement between the Pacific Maritime Association and the International Longshoremen's and Warehousemen's Union (Ind.). Workers under the agreement of the American Federation of Hosiery Workers (AFL) with the Full-Fashioned Hosiery Manufacturers of America, located primarily in the eastern Pennsylvania and New Jersey area, are covered by one program which protects the individual against loss of pension credits as long as he is employed by any employer member of the plan.

Plans of an even wider scope, covering a great proportion of all the workers in an industry, are rare. Perhaps the best publicized plan most nearly industrywide in scope is that found in the bituminous coal industry. The United Mine Workers Welfare and Retirement Fund covers a great proportion of the entire soft-coal industry; employers who bargain with the United Mine Workers of America (Ind.) contribute 40 cents per ton of coal mined to the fund. In the anthracite industry, a similar pension plan exists. Another example of a program which covers a high proportion of workers in an industry is found in the men's and boys' suit and coat industry. Manufacturers located in New York, Philadelphia, Chicago, and other principal cities contribute to one retirement fund for the benefit of their workers who are members of the Amalgamated Clothing Workers of America (CIO).

The right to move from one pension program to another gives a worker an additional degree of mobility without endangering his retirement credits. In the women's garment industry, a system of reciprocity between various plans of the International Ladies' Garment Workers' Union (AFL) has been established to insure retirement income to those workers who do not have the necessary service requirements to receive benefits from any one fund but who meet those requirements if their combined length of service under

various plans in the industry is taken into account. Each separate ILGWU retirement fund contributes 1 percent of its income to the Reciprocal Retirement Fund, which pays benefits to those not qualifying under any one pension plan. Among the ILGWU affiliates already participating in the reciprocal arrangement are the New York Cloak and Dress Joint Boards, the South Jersey Joint Board, the Eastern Regional Retirement Fund, and some local unions with their own separate pension programs. The union's general executive board has announced it will request the 1953 convention to make participation in the central fund mandatory upon all garment-industry retirement plans.⁸

Multiemployer pension plans operate generally within one industry, while the geographical area covered may vary considerably. The Toledo (Ohio) Area Pension Plan represents a different approach in that it covers companies in many different industries but located within one metropolitan area. Negotiated by the United Automobile Workers (CIO), the plan covered about 1,300 workers employed by 19 different companies in December 1951; the number of workers covered by each employer ranged from below 10 to above 200. Under this plan, a worker may move from one employer to another covered by the program and continue to accumulate his pension credits.

Thus, multiemployer pension plans generally afford protection to a worker shifting jobs only if he remains within the particular industry or area. In many instances, however, a worker changes occupation or location when he shifts jobs. In March 1944, one out of every six civilian workers was employed in an industry group different from the one he had been employed in the week before Pearl Harbor.⁹ In the year following the end of hostilities, a return to a peace-time economy brought a new wave of shifts in employment, affecting one of every eight civilian workers. These data refer only to shifts between broad industry groups, e. g., shifts between agriculture and manufacturing or between sales work and skilled trades. If transfers among individual industries or occupations were counted, the total number of employment changes would be increased.

⁸ International Ladies' Garment Workers' Union, *Justice*, Vol. XXXIV, No. 18, September 15, 1952.

⁹ Fact Book on Manpower, U. S. Department of Labor, Bureau of Labor Statistics, January 1951. Source: U. S. Bureau of the Census.

Shifts in geographical location also occur frequently. In March 1945, over 15 million persons in the civilian population were living in a different county from that in which they lived in December 1941.¹⁰ Of these, 7.7 million were living in a different State. From April 1948 to April 1949, over 8 million persons in the civilian population moved from one county to another, with over half of these having moved to a different State.

Early Retirement Benefits

While vesting provisions and multiestablishment plans are the primary means of protecting a worker's pension credits prior to qualifying for retirement benefits, under many plans a worker is entitled to an early retirement benefit before the attainment of the normal retirement age and after the completion of a specified number of years of service. Although the primary purpose of this benefit is to provide income to those workers who fulfill the necessary qualifications and who wish to withdraw from the labor force before reaching normal retirement age, some individuals who desire to change jobs may retire earlier, either drawing their monthly annuities while employed elsewhere or deferring the payment of benefits until normal retirement age.

The Bureau's study of pension plans showed that early retirement provisions were more prevalent than those providing for vesting. While only one-fourth of the plans, covering one out of every six workers, granted vested rights, over half the plans, with a similar proportion of workers, provided for early retirement. Over three of every five single-employer programs provided this benefit; on the other hand, multiemployer plans only rarely included it.

In the plans providing for early retirement, workers were usually eligible to retire 5 or 10 years before their normal retirement age, generally after having been covered by the plan for a

substantial period of time. The attainment of age 55 or 60 was the most prevalent requirement found, and in cases covering a majority of the workers, the completion of 15, 20, or more years of credited service was also necessary to qualify for early retirement.

In many plans, the right of a worker to retire early was contingent upon the consent of the employer. Over two-fifths of the plans, providing for early retirement and applying to more than one of every four workers covered by this benefit, required workers to obtain company approval in order to retire early.

Although early retirement provides a method whereby older workers can terminate their employment without losing pension benefits, workers in this age group usually have greater stability of employment than younger workers. Consequently, those who qualify for early retirement benefits are less likely to change jobs.

Other Benefits

Another approach to the problem of providing benefits for workers who terminate their employment is through the inclusion of severance benefits. When integrated with pension plans or established in lieu of such programs, severance benefits often provide a lump-sum benefit to those whose employment is terminated before retirement. In other instances, as in the collective-bargaining agreements of some companies in the rubber-manufacturing industry, severance pay is given to those who have reached retirement age but who have not accumulated sufficient service to qualify for a pension.

Disability provisions grant benefits to eligible workers who become permanently and totally disabled prior to normal retirement age. Since eligibility for this benefit is conditioned upon physical incapacity and is payable only as long as the worker is unable to rejoin the labor force, a discussion of this provision is outside the scope of this report.

¹⁰ Ibid.

Part II—Compulsory Retirement

AN IMPORTANT INFLUENCE upon the relationship between the number of older persons in the labor force and the number retired from work is the age at which cessation of employment occurs. As the population continues to grow older, an increase in the proportion of the total population that is no longer in the labor force can be expected. In view of the trend toward a longer life span, especially if coupled with extension in the average length of "working life" capacity, the inflexible application of mandatory retirement ages would presumably result in an increasing amount of unused manpower. Determination of when workers should be retired thus becomes an important factor affecting labor utilization.

Since 1900, the population of the United States has doubled and its age composition has undergone profound changes. One of the most significant changes has been the rise in the proportion of older persons. In 1900, about 4 percent of the population was aged 65 or over; by 1950, this proportion had doubled.¹¹ Accompanying this increase in the proportion of older persons has been a declining trend in labor-force participation among older men, especially with respect to those aged 65 or over. In 1890, about two-thirds of all men in this age group were in the labor force; the proportion had dropped to a little over 40 percent in 1950. (The proportion of women in this age group in the labor force has remained fairly constant and was about 8 percent in 1950.) As a result, the number of persons aged 65 and over

¹¹ Data in this paragraph are from Bulletin 1092: Employment and Economic Status of Older Men and Women. Washington, Bureau of Labor Statistics, May 1952.

not in the labor force has grown from less than 2 million in 1900 to 9.4 million in 1950.

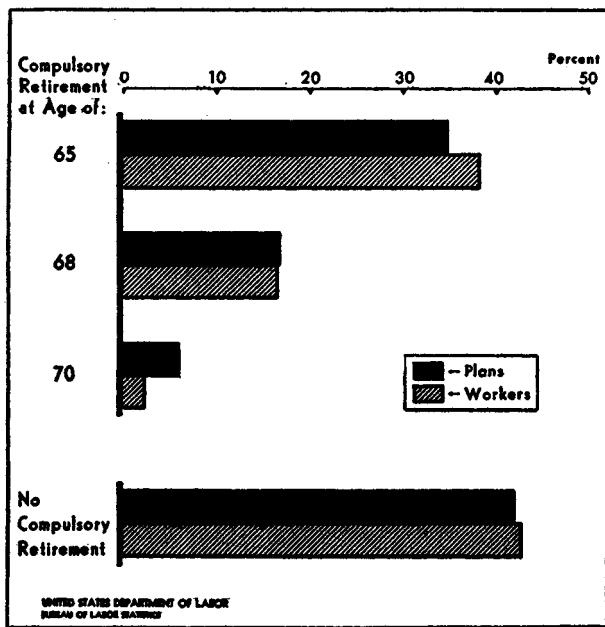
Private pension plans have helped to formalize the age at which workers retire from the labor force. Invariably, these plans provide for a normal retirement age. Generally, the normal retirement age is the earliest age at which a worker, having qualified for benefits, may retire at his own volition and receive the full amount of benefits to which his length of service or amount of earnings, or both, entitles him under the normal retirement provisions of the plan. While workers may be permitted to continue in employment past this age, the establishment of a normal age serves to formalize personnel actions with respect to retirement so that all workers covered by the program are treated alike. As pension plans come within the scope of collective bargaining, retirement ages become matters of labor-management negotiation. The widespread attention which has been focused on these plans has helped to publicize the concept of a formal, uniform retirement age, and has probably influenced the development of policies with respect to older workers in other companies which do not maintain formal pension programs.

The impact that pension plans have upon the utilization of manpower will be determined, in part, by whether retirement is made mandatory through compulsory retirement provisions and, if so, at what ages. As defined in this report, the age of compulsory retirement is that age at which a worker can be retired by reason of age alone. It is that point at which the worker loses the privilege of deciding whether he should retire or continue on his job. Retirement is not necessarily mandatory under such a provision, for a worker

TABLE 1.—*Plans and workers covered by compulsory and automatic retirement provisions, by type of employer unit*

Provision	All plans				Single-employer plans				Multiemployer plans			
	Plans		Workers		Plans		Workers		Plans		Workers	
	Number	Percent	Number (thousands)	Percent	Number	Percent	Number (thousands)	Percent	Number	Percent	Number (thousands)	Percent
	300	100.0	5,857.3	100.0	255	100.0	4,496.6	100.0	45	100.0	1,360.7	100.0
Total.....												
With compulsory retirement.....	175	58.3	3,376.5	57.6	172	67.5	3,337.7	74.2	3	6.7	38.8	2.9
With automatic retirement.....	61	20.3	679.8	11.6	60	23.5	665.5	14.8	1	2.2	14.3	1.1
Without automatic retirement.....	114	38.0	2,696.7	46.0	112	44.0	2,672.2	59.4	2	4.5	24.5	1.8
Without compulsory retirement.....	125	41.7	2,480.8	42.4	83	32.5	1,158.9	25.8	42	93.3	1,321.9	97.1

Compulsory Retirement Provisions in Pension Plans, 1952



NOTE: Based on a study of 300 pension plans under collective bargaining, covering approximately 5,857,000 workers. Three plans, covering approximately 42,300 workers and providing for compulsory retirement at ages other than those shown are excluded from the chart.

may be permitted to continue to work after reaching the compulsory age. Under some plans no provision is made for working beyond the compulsory age or beyond a specified later age. Such a provision is called automatic retirement.

This article analyzes the extent and nature of provisions for normal, compulsory, and automatic retirement in 300 pension plans under collective bargaining which were in effect in the fall of 1952 and covered approximately 5,857,000 workers.¹² In addition, an attempt is made to relate retirement practices to labor utilization.

Analysis of Plans

Prevalence of Compulsory Retirement. Provisions for compulsory retirement were contained in 175 of the 300 plans, covering almost 3 of every 5 workers in the study. Indefinite extensions beyond the compulsory age could be granted by the employer in 114 of these plans; the remainder provided that workers would be automatically retired upon reaching a specified age (table 1). Only three multiemployer plans contained compulsory retirement provisions, one of which also stipulated an automatic age.

Generally, the analysis revealed that the greater the degree of union participation in the administration of the plans the less likely were they to contain compulsory retirement provisions. Only 12 of the 55 plans in which the union had equal representation with the employer in administering the program (bipartite or tripartite) provided for compulsory retirement (table 2). On the other hand, 88 of the 111 plans which were administered solely by the company contained such provisions. In about a third of all the plans, including many of those negotiated by the United Steelworkers of America (CIO), the company had full responsibility for administering the plan; however, the individual had the right to appeal decisions con-

¹² Not all these workers were subject to collective-bargaining agreements. While every plan was under agreement, in many cases the plans were extended uniformly to cover workers outside the scope of the contract. In every instance, the figures represent the total number in all units to which the plan applies.

The programs varied in size from those covering well over 100,000 workers to those applying to less than 1,000 employees; 225 were financed entirely by the employer; the remainder were contributory, usually with the employer paying the greater share of the cost.

TABLE 2.—Plans and workers covered by provisions for compulsory retirement, by type of administration

Type of administration	All plans				Plans with compulsory retirement				Plans without compulsory retirement			
	Plans		Workers		Plans		Workers		Plans		Workers	
	Number	Percent	Number (thous-ands)	Percent	Number	Percent	Number (thous-ands)	Percent	Number	Percent	Number (thous-ands)	Percent
Total.....	300	100.0	5,857.3	100.0	175	58.3	3,376.5	57.6	125	41.7	2,480.8	42.4
Company.....	111	100.0	1,964.3	100.0	88	79.3	1,748.2	89.0	23	20.7	216.1	11.0
Company with union representation.....	3	100.0	6.2	100.0	2	66.7	2.7	43.5	1	33.3	3.5	56.5
Company with individuals' right to appeal through grievance machinery or to a bipartite committee.....	91	100.0	1,572.0	100.0	39	42.9	690.1	43.9	52	57.1	881.9	56.1
Combination of company and bipartite.....	40	100.0	606.0	100.0	34	85.0	862.2	85.2	6	15.0	43.8	4.8
Bipartite.....	48	100.0	576.1	100.0	12	25.0	73.3	12.7	36	75.0	502.8	87.3
Tripartite.....	7	100.0	832.7	100.0	—	—	—	—	7	100.0	832.7	100.0

cerning his eligibility for benefits through grievance machinery or to a bipartite committee. Well over half of the plans in this category did not contain compulsory retirement provisions.

A combination of company and bipartite administration was found in 40 programs, notably in those negotiated by the United Automobile Workers (CIO). In these plans, a bipartite committee made all decisions concerning a worker's eligibility for benefits and the amount of the benefits to be provided in accordance with the provisions of the agreement between the parties; other functions of administration, such as investment of funds, were performed by the company within the terms of the contract. Over four-fifths of the plans with this type of administration provided for compulsory retirement.

Compulsory Retirement Characteristics. The most prevalent age for compulsory retirement was 65 years and was found in 60 percent of the 175 plans including these provisions (table 3). With three exceptions, the remaining compulsory plans specified either 68 or 70 as the age at which workers could be retired by reason of age alone (see chart). Twenty of the plans with compulsory provisions stipulated a lower compulsory age for women, which was 5 years earlier than that for men in all but 2 cases. Significantly, all but 14 of the 300 plans also specified 65 as the normal retirement age; a lower normal age for women, usually 5 years earlier than for men, prevailed in 30 plans.

Generally, the lower the compulsory retirement age, the greater was the chance that the plan permitted extensions beyond that age with the consent of the employer. Of the 104 plans stipulating 65 as the compulsory age, only 9 provided for automatic retirement at that age; 18 of the 50 plans with a compulsory age of 68 specified that a worker could not be employed past that age; and 15 of the 18 plans with a compulsory age of 70 automatically retired workers at that age.

Of the 131 plans in which extensions beyond the compulsory age could be granted, 114 placed no maximum limits on the length of the extensions which were, instead, subject to the discretion of the employer. In the remaining cases, however, the plans specified that extensions beyond the compulsory age were limited to a maximum age, usually 70, at which point the worker would be automatically retired.

Under plans which allow a worker to remain in employment after normal retirement age, an important consideration to the individual is whether he is permitted to continue to build up credits toward pension benefits. This concern, of course, is less significant where maximum benefits under

TABLE 3.—*Plans and workers covered by compulsory retirement provisions, by compulsory age specified and provision for automatic retirement at the same or later age*¹

Compu- latory retire- ment age ²	Total			Without automatic retirement			With automatic retirement		
	Plans	Workers		Plans	Workers		Plans	Workers	
		Num- ber (thou- sands)	Per- cent		Num- ber (thou- sands)	Per- cent		Num- ber (thou- sands)	Per- cent
Total.....	175	3,376.5	100.0	114	2,696.7	79.9	61	679.8	20.1
65 years...	104	2,232.0	100.0	81	1,964.4	88.0	23	267.6	12.0
66 years...	1	31.5	100.0	—	—	—	1	31.5	100.0
68 years...	50	968.8	100.0	29	674.0	69.6	21	294.8	30.4
69 years...	1	7.0	100.0	1	7.0	100.0	—	—	—
70 years...	18	133.4	100.0	3	51.3	38.5	15	82.1	61.5
72 years...	1	3.8	100.0	—	—	—	1	3.8	100.0

¹ Based on a study of 300 pension plans under collective bargaining covering approximately 5,857,000 workers.

² 20 plans, covering 492,500 workers, specified a lower compulsory retirement age for women than for men. In all but 2 cases, the age differential was 5 years; the other 2 programs specified differentials of 3 and 10 years.

a plan are based on a specified number of years of service, as for example, 25 or 30 years. In many such cases, workers would have fulfilled these requirements prior to normal retirement age and thus would have no need for additional credit.

Two-thirds of the 300 plans in the study permitted the workers to continue to accumulate credited service after the normal retirement age. Of these, nearly 90 percent credited all such service worked (table 4). Generally, the plans that did not contain provisions for compulsory or automatic retirement were more likely to allow a worker to credit all service past his normal retirement age than were programs with these provisions. Of the 125 plans without compulsory features, 107 allowed all service worked to be credited. On the other hand, only 68 of the 175 compulsory plans credited all service worked.

Retirement Practices and Labor Utilization

As the trend toward a longer working life continues, retirement at a specified age, particularly on an involuntary basis, would tend to increase the number who have retired from the labor force while still capable of productive work; or it would

diminish the efficiency of those able to find substitute employment in which skills developed over long years of experience would not be utilized.

The efficiency of those retired and seeking substitute work is further impaired by restrictive features in some single-company retirement programs which prohibit payment of benefits under certain conditions to those workers who are reemployed by other firms in the industry, where presumably their skills could best be utilized. Restrictions on pensioners under multicompny plans are well illustrated by a recent New York State Department of Labor study of 13 industry-wide retirement plans operating in that State. The report states: "All but two of the pension funds ban work by pensioners in the industry covered by the fund. Pensioners are permitted to work in other industries without foregoing pension rights under 8 of the 13 plans studied, but they may not earn more than \$75 a month, according to the rules of 5 programs, without losing pension eligibility. Eleven of the thirteen programs allow a retired worker to withdraw from the pension rolls and return to work in his industry."¹³

TABLE 4.—*Distribution of plans by specified normal, compulsory, and automatic retirement ages and by amount of service credited after normal retirement age*

Specified retirement age ¹			Service credited after normal retirement age				Number of plans
Normal	Compulsory	Automatic	None	Until age 68	Until age 70	All	
60	----	----	----	----	----	9	9
62	----	----	----	----	1	1	1
65	----	----	16	1	1	96	114
70	----	----	----	----	1	1	1
60	65	----	----	----	----	1	1
60	70	----	----	----	1	1	1
65	65	----	60	----	----	20	80
65	68	----	2	15	----	11	28
65	69	----	----	----	1	1	1
65	70	----	1	1	----	1	2
68	68	----	----	----	----	1	1
65	65	65	29	----	----	----	9
65	65	67	1	----	----	----	1
65	65	68	----	----	----	2	2
65	65	70	9	----	----	2	11
65	66	66	----	----	----	1	1
65	68	68	1	----	----	17	18
65	68	70	3	----	----	3	3
65	70	70	4	----	----	11	15
65	72	72	----	----	1	1	1
Total	-----	-----	103	20	2	175	300

¹ 30 plans specified a lower normal retirement age for women than for men. This differential was 5 years in all cases except 3 which stipulated 10 years; 22 of these plans provided for compulsory retirement; of these, 18 specified a 5-year differential, 2 stipulated 3 and 10 years, while the remaining 2 had no differential.

² Under 1 of these plans, an employee with 12 or more years of service at age 65 was permitted to work and accrue credit until completion of 15 years' service or age 68, whichever came earlier.

³ 2 of these plans provided that workers who had not completed a stipulated number of years of credited service at age 68 could, at the option of the employer, be permitted to work after age 68 until they had the required amount of service. The amounts of credited service stipulated were 15 years in one plan and 25 years in the other.

Provisions for a retirement age beyond which no extensions could be granted were not widely found in the 300 plans studied. Where such practices occurred, their effect upon manpower utilization was somewhat mitigated by the fact that many plans set the mandatory age for ceasing work at 3 to 5 years above normal retirement age. More prevalent were compulsory retirement provisions which did not specify an automatic retirement age. However, the presence of these provisions in a retirement plan would not indicate the impact which they might have upon labor utilization, since actual company practice might be to ignore the compulsory ages by granting indefinite periods of extension to some or all workers. Such practice would most likely occur during periods of labor shortages.

A recent Princeton University study of retirement procedures in 14 companies revealed that those firms with pension plans containing provision for extensions beyond the compulsory age did not enforce retirement. "While a number of these plans specified that employment beyond the normal retirement age was possible only at the request of and with the approval of management, in practice the request has usually come from the employee and management approval has been routine."¹⁴ On the other hand, company practice is, of course, subject to variations without any changes in retirement-plan provisions. By providing the employer the right to retire workers by reason of age alone, compulsory retirement clauses could have an effect on labor utilization if rigid adherence to the compulsory ages were observed.

Another factor influencing the use of older worker manpower is the age at which workers voluntarily retire from the labor force while still capable of productive work. If workers were to retire at 65, the minimum age for receiving social security benefits and the normal retirement age specified in most private pension programs, a considerable amount of manpower would be lost. Recent studies indicate, however, that in practice many workers continue in employment after reaching

¹² Retirement Under Industry-wide Pension Programs Established Through Collective Bargaining, New York State Department of Labor, Division of Research and Statistics, December 1952.

¹³ Retirement Procedures Under Compulsory and Flexible Retirement Policies, by Helen Baker, Industrial Relations Section, Princeton University, 1952 (p. 59).

ing age 65. Of about 3 million workers eligible for old-age insurance benefits under the Social Security program at the end of 1950, about two-fifths were not receiving such benefits. The extent to which eligible workers were receiving benefits varied with age: about 35 percent of eligible workers aged 65 to 66, 49 percent of those aged 67 to 68, 57 percent of those 69 to 70, and 82 percent of those aged 70 and over received benefits.¹⁵ Experience under the Railroad Retirement Act indicates that the average age of railroad workers awarded full-age annuities in 1950 was 67.7 years—almost 3 years above the age at which workers first became eligible for such benefits.¹⁶

Workers who voluntarily retire do not necessarily represent a complete loss of potential productive manpower. Some find other employment. A survey by the Social Security Administration in 1951 of beneficiaries under the old-age and survivors insurance program showed that 65 percent of the men and 71 percent of the women beneficiaries considered themselves unable to work.¹⁷ Only 15 percent of the men and 11 percent of the women beneficiaries reported they were able to work and wanted to work, but over half of this group desired only part-time or occasional employment. An analysis by the United Mine Workers of America Welfare and Retirement Fund of the reasons for miners retiring showed that almost half of the recipients were disabled for further mine work, a third were laid off and could not find mine employment, and only 1 of every 10 retired voluntarily.¹⁸ In the New York State Department of Labor report cited above, administrators of the pension funds studied reported that a majority of the pensioners under most of the plans had sought pensions because of ill health.

The inclusion of automatic retirement provisions in only a small proportion of pension plans as shown by this study, together with indications of relaxation in compulsory retirement rules and of decisions of individual workers to delay retirement beyond the normal retirement age, seem to be consistent with the present economic goal of utilizing all available manpower during the defense

emergency. Past experience in periods of substantially less than full employment suggests that these practices could change. Such conditions might produce automatic provisions in a greater number of pension plans, enforcement of compulsory retirement clauses, and the bringing of community social pressure to bear on older workers to retire voluntarily as soon as they can.

The effect of changing economic conditions on retirement practices is illustrated by the experience during the past two decades. During the depression of the 1930's, 65 came to be accepted generally as the age at which retirement should take place. This concept was bolstered by the establishment of the Social Security program, which provided that benefits could begin at that age. During World War II, the need for all available manpower resulted in a relaxation of compulsory retirement practices and the encouragement of older workers to remain on their jobs. Although many of these workers left the labor force at the end of hostilities, the present defense emergency has again encouraged the older worker to remain on the job past his normal retirement age and undoubtedly has contributed to a relaxation of compulsory retirement practices.

Provisions for compulsory retirement, especially those which allow extensions beyond the specified compulsory age with the employer's consent, will not necessarily have to be altered to enable industry to adapt its policies to changing manpower conditions. Probably, more important in determining future actions with respect to compulsory retirement provisions will be labor and management attitudes on whether the retirement of workers is to be the right of management or the choice of the worker. The gradually rising age of the population and the increase in the span of working life suggest that, regardless of decisions concerning the application of compulsory provisions, the age at which retirement takes place may have to be continually reevaluated.

Attitudes Toward Compulsory Retirement

Although full employment exerts an influence against the enforcement of compulsory retirement provisions, the concept of the right of management to retire a worker for reason of age alone is being challenged. Labor organizations are virtually

¹⁵ Social Security Administration, Social Security Bulletin, Vol. 14, No. 9, September 1951.

¹⁶ Railroad Retirement Board, Annual Report, 1951 (p. 10).

¹⁷ National Survey of Old-Age and Survivors Insurance Beneficiaries, 1951. Social Security Administration, May 1952. (Fact Sheet 6; mimeographed.)

¹⁸ Welfare and Retirement Fund: Four Year Summary and Review for the Year Ending June 30, 1951. United Mine Workers of America (p. 11).

unanimous in their opposition to such compulsory provisions. Some observers, interested in the problem from the standpoint of the welfare of older workers, or from the point of view of manpower utilization, also oppose such provisions as socially or economically unsound. Although management generally favors the concept of compulsory retirement, it varies the approach to its application.

Differences of opinion on the problem of compulsory retirement do not result primarily from disputes of fact, such as the increased cost of a pension plan with a mandatory provision or the ease of administration of such a policy without charges of discrimination. Instead, they indicate a basic disagreement on the question of whether retirement policy is an exclusive prerogative of management or the right of the individual worker. This disagreement may be indicative of different

concepts of the meaning and purpose of retirement plans. Compulsory retirement appears to be consistent with a concept that pensions reward long and faithful service. They provide for the regular retirement of superannuated employees without discrimination and for the orderly replacement of older workers with younger men. On the other hand, compulsory provisions seem incompatible with a concept that pensions are the right of the worker in that they constitute deferred compensation to be received when the individual desires to cease work, and are an adjunct to, rather than a replacement of, seniority rights. Although the first concept cannot be described as the consensus of all management opinions and the second as the attitude of all labor organizations, the arguments advanced on the problem of compulsory retirement by each group tend to reflect these differences of opinion.

Part III—Types of Benefits

BASIC to virtually every pension plan is a normal retirement benefit to which the worker becomes entitled, having otherwise qualified, upon reaching the normal retirement age.¹⁹ In addition to the normal benefit, many pension programs provide for two other types of retirement payments which are available under specified conditions prior to the time workers can qualify for normal benefits. These are usually termed early retirement and total and permanent disability retirement.²⁰ In order to qualify for either type under most plans, workers must have reached a specified age, or completed a stipulated number of years of service, or both.²¹

Every plan in this study²² contained provisions for normal benefits. About two-thirds of the plans covering a slightly larger proportion of all workers provided for disability benefits (chart 1). Significantly, only 24 of the 300 plans provided for normal retirement benefits only. Nearly a third of the plans covering almost half the workers contained provisions for all three benefits (table 1).

Participation

Participation in a pension plan does not always occur automatically upon employment. A fairly common requirement is that a worker be a regular, full-time employee or on the seniority rolls. Such requirements exclude from participation seasonal workers and newly hired employees for specified periods—often up to 3 months. Under contributory plans, the worker must, in most cases, choose whether he desires to participate.

TABLE 1.—*Types of retirement benefits provided, by number of plans and workers, 1952*

("X" denotes benefits provided)

Types of retirement benefits			Number of plans	Workers	
Normal	Early	Disability		Number (thousands)	Percent
X	X	X	97	2,691.3	46.0
	X		69	660.2	11.3
X		X	110	1,557.0	27.0
X			24	918.8	15.7
Total			300	5,857.3	100.0

Minimum Age and Service Requirements. In addition to these requirements, some plans also specify that the worker must have attained a certain

age or have completed a specified period of service, or both, in order to be eligible to participate in the plan. Although preparticipation requirements have become less common under recently established programs, over a fourth of the 300 plans, covering about 17 percent of the workers, contained such provisions²³ (table 2). Minimum age and service requirements, where specified, ranged from 25 to 35 years and 1 to 5 years, respectively. Service only was the most prevalent type of requirement found in plans. When combined with those plans specifying both service and age, service requirements were found to exist in 77 of the 84 programs with preparticipation requirements.

Maximum Age Requirements. In addition to minimum participation requirements, plans may specify an age beyond which the worker cannot become a member of the plan, or be employed and still qualify for normal benefits. Generally, this maximum age was established by the stipulation of a specific age (e. g., 45) or by the application of the requirements to receive normal benefits. Under the latter method, no age was specified; however, by requiring that the worker must have had a certain number of years of service in order to receive benefits upon reaching normal retirement age, and by providing that service could not be accrued beyond the normal age or a specified

¹⁹ Generally, this age is defined as the earliest age at which a worker, having qualified for benefits, may retire at his own volition and receive the full amount of monetary benefits to which his length of service or amount of earnings, or both, entitles him under the normal retirement provisions of the plan.

²⁰ Cash severance benefits or retirement separation pay and vested rights are not included within the scope of this report. These are usually paid in the form of a lump sum or, as in the case of vesting, represents rights accruing to the individual prior to qualifying under the various benefit formulas of the plan. For a discussion of these benefits see Part I.

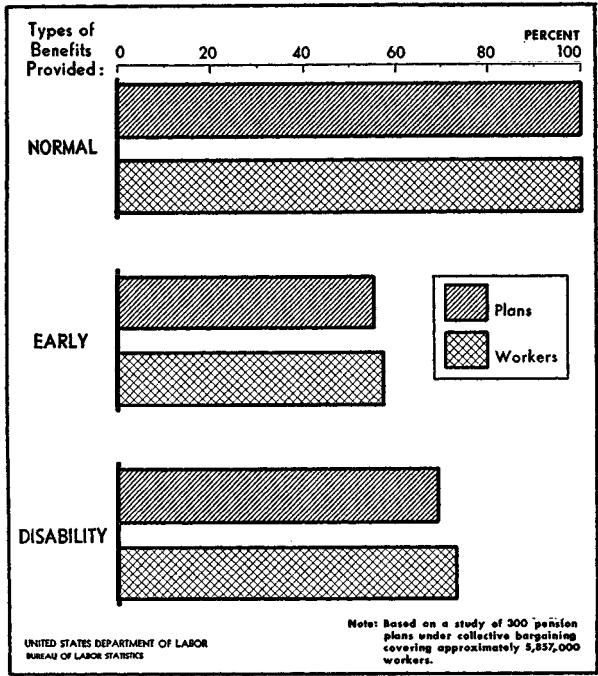
²¹ To receive disability retirement benefits, usually the individual must also have been totally disabled for a specified period of time, very often 6 months. Most pension agreements are very specific with respect to the qualifications for this benefit and spell out in detail the procedure to be followed in determining a worker's original eligibility as well as his continued eligibility.

²² This article is based on an analysis of 300 pension plans under collective bargaining covering approximately 5,857,000 workers. Not all of these workers were subject to collective bargaining agreements. While every plan was under agreement, in many cases the plans were extended uniformly to cover workers outside the scope of the contract. In every instance, the figure represents the total number in all units to which the plan applies.

For the purpose of the study, plans under collective bargaining include: (1) those established for the first time as a result of collective bargaining; and (2) those originally established by either employer or union but since brought within the scope of the agreement, at least to the extent of the agreement establishing employer responsibility to continue or provide certain benefits. All of the plans covered in the analysis were in effect in early fall of 1952.

²³ In order to be considered as having a service requirement for plan participation or benefit eligibility for the purpose of this study, a program must have required a period of 1 or more years.

Chart 1.—Types of Retirement Benefits Under Pension Plans, 1952



later age, a maximum age was, in effect, established. To illustrate: a plan required a minimum of 15 years' credited service in order for the worker to become eligible for normal benefits at age 65. In addition, it did not permit the accrual of service beyond that age. As a result, age 50 became the age beyond which a person could not be employed or join the plan and still qualify for normal retirement benefits. If there was, in addition, a pre-participation service requirement, the maximum age was further reduced.

More than half (163) of the plans, covering about 40 percent of the workers, had a maximum

participation age. Of these, 70 plans covering upwards of 650,000 workers set a definite age and the remaining contained benefit requirements which operated to establish maximum ages in the manner described above. Although the maximum ages varied from 40 to 70 years, only slightly more than one-fourth of the plans containing such provisions set the limit for participation under age 55.

Requirements for Benefits

An almost universal requirement for normal retirement benefits is the attainment of a specified age. Another feature which has received considerable emphasis under collectively bargained programs is the requirement that workers have a stipulated minimum amount of credited service in order to qualify for normal benefits.

Similarly, the great majority of all pension plans providing early retirement benefits specify the attainment of a certain age in order to qualify. Minimum service requirements to qualify for this type of benefit are also found in many plans, such requirements being very common under negotiated plans.

Both age and service requirements are common for disability retirement. The greater emphasis, however, is placed on service; many recently bargained programs specify the completion of a minimum amount of service as the sole qualification for this type of benefit. Under many plans, the stipulated minimum credited service necessary to qualify for benefits does not always provide an accurate picture of the actual service or employment prerequisite to qualification for benefits because a preparticipation period may also be required and not credited toward retirement benefits.

TABLE 2.—Minimum age and service requirements for participation

Service requirements	All plans		Age requirements							
			None		Age 25		Age 30		Age 35	
	Number	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)
Total.....	300	5,857.3	259	5,517.8	11	80.6	18	188.3	12	70.6
None.....	223	4,872.6	216	4,842.9	1	0.5	3	12.9	13	16.3
1 year.....	23	434.9	18	408.7	1	5.5	3	13.4	1	7.3
2 years.....	12	194.4	6	82.6	2	21.8	2	63.5	2	26.5
3 years.....	16	129.6	11	102.3	3	15.3	2	12.0	-----	-----
4 years.....	1	1.0	1	1.0	-----	-----	-----	-----	-----	-----
5 years.....	25	224.8	7	80.3	24	37.5	8	86.5	6	20.5

¹ One plan provided an alternative requirement of 4 years' service.

² One plan provided an alternative requirement of age 35 with 1 year's service.

Normal Retirement. Although differences of opinion exist as to just when a worker should be able to retire, the present survey revealed that 65 continues to be the age specified for normal retirement in the overwhelming proportion of plans (table 3). Only 14 of the 300 plans analyzed provided for normal retirement at ages other than 65. However, 11 plans, containing provisions for normal retirement at age 60, accounted for one-fifth of all workers in the study. A lower normal age for women, usually 5 years earlier than for men, prevailed in 30 plans.

In addition to age requirements, over 90 percent of the plans also required the completion of a minimum length of service in order to qualify for normal retirement.²⁴ These periods ranged from 1 to 30 years; about half of these plans, covering a slightly greater proportion of the workers, required 15 years or more.

Early Retirement. Although requirements for early retirement varied widely among the 166 plans containing these provisions, workers were usually required to be at least age 55, to have been covered by the plan for a substantial period of time, or to fulfill both age and service requirements in order to qualify (table 3). The attainment of age 55 or 60 was the most prevalent requirement found; a majority of workers under early retirement provisions were also required to complete 15 or more years of service in order to qualify.

In contrast to normal retirement under which the right to retire was at the option of the individual, early retirement under many plans was contingent upon the consent of the employer. Over two-fifths of the plans providing for early retirement, applying to more than one of every four workers covered by this benefit, required workers to obtain company approval in order to retire early. Generally, those plans which called for longer periods of service and higher age requirements were less likely to condition retirement upon the employer's consent.

²⁴ In the discussion on eligibility requirements, references to minimum service requirements include both the plan membership and the preparticipation period where applicable. In addition, the requirements are the minima necessary merely to qualify for the particular type of benefit. In the great majority of plans, fulfillment of these requirements would provide only the minimum benefits. However, under those plans providing for a flat benefit upon the attainment of a certain age and the completion of a specified amount of service, the amount provided would be both the minimum and maximum under the plan. An example of this type of plan is that of the United Mine Workers of America, which provides for \$100 monthly upon the completion of 20 years of service at age 60.

Disability Retirement. Although a number of plans established in earlier years made provision for retirement in case of total and permanent disability, greater emphasis has been placed on this type of benefit by labor unions in their drive for negotiated programs. Over two-thirds of the plans in this study, covering nearly three-fourths of the workers, made provision for this benefit (table 3).

In comparison with the minimum requirements necessary for early retirement benefits, a much greater emphasis was placed on service as a sole qualification for disability benefits. Relatively few plans failed to specify some service requirements for both disability and early benefits; however, disability benefit requirements included age as well as service in less than 35 percent of the 207 plans containing this benefit whereas this combination appeared in about 90 percent of the 166 plans providing for early retirement.²⁵ The study revealed that 15 or more years of service were required to qualify for benefits under a significantly larger proportion of disability provisions than under early retirement provisions. Furthermore, the age requirements for disability benefits were generally lower than those for early retirement.

Normal Retirement Benefits

The amount of the monthly pension to which a worker is entitled upon retirement is determined by the benefit formula provided in the plan.²⁶ This formula takes into consideration the employee's earnings, his credited service under the plan, or both. A feature which has received added emphasis under negotiated pension plans is the provision for guaranteed minimum benefits. Such benefits are generally based on the completion of specified periods of credited service.

Basic Benefit Formula. Although many variations existed in the basic benefit formulas in the study, the overwhelming majority could be classified under

²⁵ The number of pension plans which include a specific provision for retirement in case of total and permanent disability does not necessarily reflect the extent to which this practice actually exists. Under some plans which do not have formal disability provisions, it is known that the early retirement provisions are used for the purpose of granting retirement benefits to disabled workers. Moreover, provisions for disability benefits exist outside of some retirement plans.

²⁶ The amount of benefit under some plans is discretionary with the company. No plans of this type are included in this study.

TABLE 3.—Minimum age and service requirements for normal, early, and disability retirement benefits

Minimum service requirements ¹	All plans		Age requirements ²													
			None		Age 45		Age 50		Age 55		Age 60		Age 65			
	Number	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)		
Normal retirement ³																
All plans.....	300	5,857.3									11	1,203.3	286	4,640.9	3	13.1
None.....	25	346.0											25	346.0		
1 to 4.9 years.....	43	702.1											43	702.1		
5 to 9.9 years.....	30	244.0											28	238.6		
10 to 14.9 years.....	57	1,105.2											54	1,078.7		
15 to 19.9 years.....	99	1,500.3											99	1,500.3		
20 to 24.9 years.....	31	1,805.8											23	623.9	2	12.5
25 to 29.9 years.....	14	153.3											14	153.3		
30 years and over.....	1	0.6													1	0.6
Early retirement ³																
All plans.....	166	3,351.5	8	104.3	2	15.2	6	32.4	77	1,660.0	71	1,534.8			2	4.8
None.....	9	50.5							7	44.5	1	1.5			1	4.5
1 to 4.9 years.....	35	493.6	3	34.5				2	4.6	27	267.6	3	186.9			
5 to 9.9 years.....	21	205.3						2	13.7	16	183.1	3	8.5			
10 to 14.9 years.....	19	568.9	1	25.7				1	8.0	6	102.8	11	432.4			
15 to 19.9 years.....	14	355.9						1	11.6	2	4.5	11	339.8			
20 to 24.9 years.....	26	267.7	1	2.5				1	6.1	8	161.7	14	93.5			
25 to 29.9 years.....	33	1,123.5	2	35.1						9	823.0	22	265.4		1	0.3
30 years and over.....	9	286.1	1	6.5						2	72.8	6	206.8			
Disability retirement ³																
All plans.....	207	4,278.3	135	2,708.4	4	69.7	10	739.5	33	441.4	13	312.2	1	2.0	2	5.1
None.....	5	50.3	45	50.3					1	1.8	1	0.7				
1 to 4.9 years.....	9	123.8	7	121.3					1	11.0	2	10.2				
5 to 9.9 years.....	8	56.6	5	35.4					1	2.8	1	57.4				
10 to 14.9 years.....	23	197.6	20	136.7	1	0.7			1	20	379.5	1	1.6	1	2.0	4.5
15 to 19.9 years.....	119	3,373.9	80	2,204.0	2	67.7		14	714.6	4	17.1	11	253.2		1	0.6
20 to 24.9 years.....	28	378.3	9	95.3				3	12.1	4	29.3					
25 to 29.9 years.....	14	96.0	9	65.4	1	1.3				1	1.8					
30 years and over.....	1	1.8														

¹ For those plans which specified a period of employment to be served before participation in the plan could begin, the service requirement includes both the preparticipation period and the required minimum plan membership period.

² In a few plans alternative age and service requirements were specified; in each case, that with the lower age was selected.

³ Age requirements to qualify for benefits were lower for women than men

in a number of plans. Thirty plans, covering approximately 1,266,000 workers, specified a differential for normal retirement—5 years in all but 3 plans which stipulated 10 years; 17 of 18 plans, covering approximately 1,115,000 workers, specified a differential of 5 years for early retirement; 2 plans, covering 32,500 workers provided a 5-year differential for disability retirement.

⁴ One of these plans specified "long service" as the only requirement.

three broad categories. The most prevalent type was that in which the benefits varied with the worker's earnings and length of credited service (table 4). Among the programs which used this method were many of those negotiated in the basic steel industry. These plans provided for a normal pension of 1 percent of average annual compensation in the 10 years preceding retirement multiplied by the years of credited service. From the computed amount, the worker's primary Social Security benefit was deducted.

The second most prevalent type of formula was that in which benefits varied only with length of credited service. Illustrative of this type were a number of major programs in the automobile industry; the normal monthly benefit in these plans

was computed by multiplying a flat sum, for example \$1.50, by the number of years of credited service (not exceeding 30). The resulting amount was exclusive of the primary Social Security benefit to which the worker was entitled. A variation of this type of formula was the common provision under which a flat amount (e. g., \$100 or \$125 monthly), including primary Social Security benefits, was provided workers who completed a specified amount (25 or 30 years) of credited service. For those with less service, the benefit was proportionately reduced to a stipulated minimum (e. g., 15 years).

Least prevalent of the three types were those plans which provided a flat benefit to all workers who completed a stipulated period of service upon

TABLE 4.—*Types of basic normal benefit formulas,¹ by method of financing*

Type of benefit formula	All plans		Noncontributory plans		Contributory plans	
	Number	Workers (thousands)	Number	Workers (thousands)	Number	Workers (thousands)
Total.....	300	5,857.3	225	4,592.0	75	1,265.3
Benefits vary with workers' earnings and length of credited service ¹	184	3,346.7	118	2,380.0	66	966.7
Benefits vary only with workers' length of credited service.....	75	1,121.7	72	1,108.0	3	13.7
Flat benefit provided to all workers who fulfill specified service requirements.....	39	1,300.9	33	1,016.0	6	284.9
Other.....	2	88.0	2	88.0	—	—

¹ These plans may specify a minimum service requirement to be fulfilled before a worker is eligible for benefits.

reaching normal retirement age. Under this type of formula, the fixed amount was both the minimum and maximum. With two exceptions, all programs of this type included in the study provided for a flat benefit exclusive of Social Security payments. Many programs in the garment industry contained this type of normal benefit provision.

Minimum Benefits. Nearly 85 percent of the 300 plans in the study guaranteed a minimum pension to all workers upon the completion of a specified period of service at normal retirement age. The majority of these minima (about 60 percent) were provided through a formula separate and distinct from the basic normal benefit formula. Among these plans were those in which the basic normal benefit was geared to earnings and service while the minimum guarantee was based on service only and varied accordingly. Common examples of this type were those plans which provided for a normal yearly benefit, including Social Security, of 1 percent of average annual earnings times years of credited service with a minimum guarantee of \$1,200 yearly, including Social Security, for a worker with 25 years of credited service. This guarantee was proportionately reduced for those workers with less than 25 years' service, down to a minimum of 15 years. A variation of this type of minimum was found in those plans in which the normal formula was likewise based on earnings and service, but the minimum guarantee was in the form of a flat benefit which did not vary with the amount of credited service. The remaining plans which guaranteed minimum benefits did so under the

basic formulas which, in many cases, were similar to the minimum formulas described above. In short, if normal benefits were based on earnings and service, the minimum guarantee, if provided for, was generally based on service alone through a separate formula. For those plans in which the benefit was based on service alone, the overwhelming proportion of minimum guarantees were inherent in their basic formulas.

Adjustment to Social Security Benefits. Following the establishment of the Federal Social Security program in 1935, many retirement plans were revised or amended to take into account the payments which a worker was to receive under the public program. In some cases, programs were eliminated entirely, presumably for the reason that retirement income was available through a public program.

Generally, consideration of Social Security benefits is reflected in the provisions of pension plans in two ways. The benefit provisions, without direct reference, may be designed to take into account the amount of Social Security benefits which the worker is expected to receive. On the other hand, the benefit formula may specifically include all or a part of the Social Security payment. (The latter approach is generally referred to as the "off-set" method of integrating or coordinating Social Security benefits under a private retirement plan.) Many variations exist within these two general approaches.

A considerable number of plans negotiated or revised through collective bargaining contain provisions in their benefit formulas for "offsetting" Social Security payments. This feature has certain consequences in light of the substantial benefit increases which have been provided under the Social Security program since the plans were negotiated. Because total benefit levels were fixed under many of these programs, the increase in Social Security payments results in a decrease in the amount of money to be paid from the private plan.²⁷

Other plans, while containing "off-set" provisions, specify different techniques in applying the

²⁷ To illustrate: a plan provides for \$100 monthly, including primary Social Security benefits, upon retirement at age 65 with 25 years or more of service. If the worker's Social Security benefit amounts to \$35, the plan will be obligated to pay \$65 in order to meet the guarantee. In such cases, the effect of any increase in Social Security benefits is obvious.

feature. Under some programs only one-half the Social Security benefit is included in the formula. In this case, the worker benefits to that extent from a rise in Social Security payments. Another approach is to include only those Social Security benefits in effect at the time the plan is established; that is, all future changes are excluded in the calculation of the plan benefits. A variation of this type is found in those plans which include

TABLE 5.—*Provisions for including primary Social Security benefits in basic normal benefit formulas, by plans and workers covered*

Provision	Plans	Workers covered (thousands)
Total.....	300	5,857.3
Social Security included.....	140	2,871.6
Full benefit.....	116	1,762.6
One-half benefit.....	18	967.6
Other.....	6	141.4
Social Security excluded.....	160	2,985.7

only one-half of future Social Security benefit increases in computing the benefit.

One hundred and forty of the plans in the study, covering nearly 50 percent of the workers, included all or a part of the worker's Social Security payments in the calculation of the basic normal benefit (table 5). More than 80 percent of these plans specified that the full benefit was to be included. With few exceptions, the remainder provided that one-half the benefit was to be off-set. Furthermore, 92 of the 140 plans also contained minimum benefit guarantees, virtually all of which made provision for including the full Social Security payment. Of the 160 plans which did not include the Social Security benefits in the basic formula, over one-fourth had minimum benefit guarantees which included these payments.

Amounts of Benefits. Workers and their unions are concerned with the amount of retirement income, the relationship between retirement and working income (and the resultant effect on standards of living),²⁸ and how much the plan itself actually provides exclusive of Social Security payments. Analysis²⁹ of the 300 pension plans revealed monthly retirement income ranging from \$77.50 (Social Security payments only) for a \$3,000 a year man with 10 years' service to over \$250 monthly for workers earning \$4,000 a year after 30 years' service (table 6). In a majority of the

plans under both the \$3,000 and \$4,000 earnings classifications, workers with 10 years' service upon retirement received no benefit from the private plan, their only income being their Social Security benefit. In part, this was attributable to the fact that a majority of the plans required the worker to have more than 10 years of service in order to qualify for retirement benefits. On the other hand, plans rarely provided less than \$100 monthly to workers with 30 years' service (charts 2 and 3). This reflects, in part, the impact of the many negotiated plans that provided \$100 to \$125 (including Social Security) upon the completion of 25 or more years' service. Furthermore, the study revealed that for the assumed earnings level of \$3,000, approximately 40 percent of all plans provided more than \$125 monthly to workers having 30 years of service; a majority of these provided \$150 monthly or more. For a worker with the same amount of service and average earnings of \$4,000 the proportion which paid more than \$125 increased to 57 percent, nearly half of which provided \$175 or more.

The average normal benefit,³⁰ including primary Social Security, provided workers with 10 years of service and earnings of \$3,000, amounted to \$77.50 or 31 percent of their yearly income prior to retirement (table 7). In other words, only the Social Security benefit was available to such workers. For workers with 30 years of service, this percentage increased to 47. Employees with the same periods of service, but earning \$4,000, received smaller proportions of their yearly income, largely because of a combination of the following factors: a greater percentage increase in the amounts of the selected earnings levels (33 percent) than in the amounts of Social Security benefits (10 percent) provided for these levels; the determina-

²⁸ In all computations throughout this study, the current maximum primary Social Security benefits have been used. They are \$77.50 and \$85 monthly for workers with average incomes of \$3,000 and \$3,600 (or more), respectively. The wife of a man receiving Social Security benefits is entitled to one-half his primary payment providing she is at least age 65.

²⁹ In order to provide data illustrative of the benefits provided under pension plans, the normal benefits under all programs were computed on the basis of selected levels of earnings and lengths of credited service. Chosen for this purpose were service periods of 10, 20, and 30 years and earnings levels of \$3,000 and \$4,000 annually. With respect to the latter, it was assumed that earnings levels were constant throughout the period of credited service under the plan. Furthermore, in computing the total monthly pension amount to which the worker was entitled, the primary Social Security benefit was included in all cases so as properly to compare those plans which included or excluded this benefit in their formula.

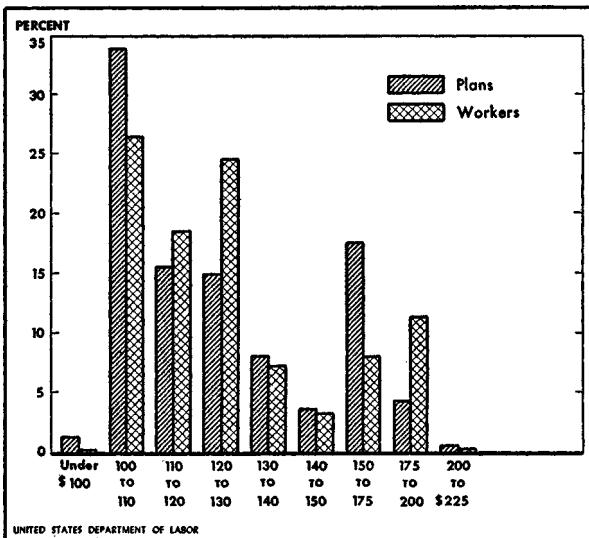
³⁰ Average retirement benefits are unweighted median levels of the 300 plans in each earnings and service category.

tion of the retirement benefit solely on the basis of service under many plans (thus, an increase in earnings did not increase the benefit); and the maximum limits placed on the amount of service which could be used in computing the benefit, i. e., many plans provided maximum benefits upon completion of 20 to 25 years of service.

For all selected earnings and service classifications, the average retirement benefit provided under contributory plans exceeded those provided under noncontributory plans. In most cases, this difference was fairly significant. For example, the average benefit provided under contributory plans to workers with 30 years of service and \$4,000 earnings amounted to nearly 60 percent of their preretirement earnings, whereas under noncontributory plans this figure was 36 percent.

In view of the widespread practice of "off-setting" Social Security benefits in the plan formula, a question is often posed concerning the proportion of the worker's total retirement income accounted for by the private plan. These proportions under selected earnings and service categories are shown in table 8. Although actual plan payments ranged from zero to as high as 70 percent of the total income to which the worker was entitled upon retirement, the majority of plans under all earnings and service categories did not pay in excess of 40 percent of his total benefit; rarely did they pay in excess of 60 percent of the total benefit. Significant differences existed between the proportions

Chart 2.—Amounts of Normal Monthly Retirement Benefits Under Pension Plans for \$3,000 a Year and 30 Years' Service, 1952



Note.—Based on a study of 300 pension plans under collective bargaining covering approximately 5,857,000 workers. Benefit amounts are based on future service formulas, assuming a constant level of earnings and including monthly primary Social Security benefits of \$77.50 for workers earning \$3,000 a year.

paid by contributory and noncontributory plans, particularly with respect to benefits based on 20 or more years of service for both the \$3,000 and \$4,000 earnings levels. Whereas less than 10 percent of the 225 noncontributory plans (based on 20 years' service and \$3,000 earnings level) provided 40 percent or more of the total benefit, up-

TABLE 6.—Amount of normal retirement benefits, including primary Social Security, for selected levels of earnings and years of credited service¹

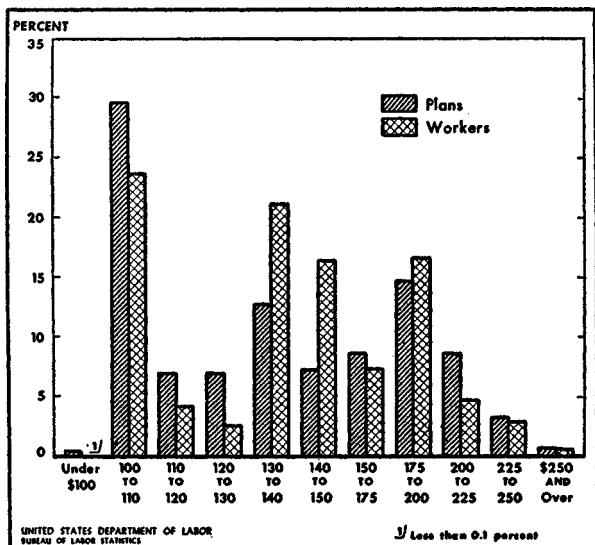
Amounts of monthly benefits	\$3,000 per year earnings						\$4,000 per year earnings					
	With 10 years' service		With 20 years' service		With 30 years' service		With 10 years' service		With 20 years' service		With 30 years' service	
	Plans	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)	Plans	Workers (thousands)
	300	5,857.3	300	5,857.3	300	5,857.3	300	5,857.3	300	5,857.3	300	5,857.3
Total...	300	5,857.3	300	5,857.3	300	5,857.3	300	5,857.3	300	5,857.3	300	5,857.3
\$77.50 to \$79.99	* 179	3,985.2	* 27	196.7	1	2.5	* 179	3,985.2	* 101	1,473.2	1	1.9
\$80.00 to \$89.99	11	102.4	89	1,536.5	1	1.9	11	96.9	89	1,381.6		
\$90.00 to \$99.99	45	1,123.7	21	325.6	2	3.2	15	116.6	11	96.9		
\$100.00 to \$109.99	50	446.1	41	1,571.3	102	1,556.3	24	712.9	25	1,075.2	21	245.2
\$110.00 to \$119.99	9	165.7	41	475.9	47	1,088.1	28	279.7	36	913.1	21	154.9
\$120.00 to \$129.99	5	24.2	52	855.9	44	1,440.7	34	500.5	18	74.1	21	
\$130.00 to \$139.99			6	86.4	24	420.5	16	215.6	23	642.4	38	1,236.7
\$140.00 to \$149.99			12	243.7	11	194.8	3	36.8	14	213.3	22	953.7
\$150.00 to \$174.99	1	10.0	6	80.9	53	465.8	1	10.0	52	647.5	26	428.5
\$175.00 to \$199.99			4	483.3	13	666.4			18	715.6	44	972.2
\$200.00 to \$224.99			1	1.1	2	17.1			2	6.0	26	269.6
\$225.00 to \$249.99										10	176.4	
\$250.00 and over										2	35.6	

¹ Benefit amounts are based on future service formulas, assuming a constant level of earnings and monthly primary Social Security benefits of \$77.50 and \$85.00 for workers earning \$3,000 and \$4,000 per year, respectively.

² Under all of these plans, the only benefit to which the worker was entitled was his primary Social Security benefit.

³ Under all but 3 of these plans, the only benefit to which the worker was entitled was his primary Social Security benefit.

Chart 3.—Amounts of Normal Monthly Retirement Benefits Under Pension Plans for \$4,000 a Year and 30 Years' Service, 1952



Note.—Based on a study of 300 pension plans under collective bargaining covering approximately 5,857,000 workers. Benefit amounts are based on future service formulas, assuming a constant level of earnings and including monthly primary Social Security benefits of \$35.00 for workers earning \$4,000 a year.

wards of 25 percent of the contributory plans did so. Comparable figures for benefits based on 30 years of service and \$4,000 earnings were approximately 26 and 90 percent, respectively.

Early Retirement Benefits

Generally, the benefit provided a worker under the early retirement provisions of a plan is smaller than that which he would receive if he continued

to work until normal age. Primarily, two factors account for this: first, he would have fewer years in which to accumulate credit under the plan and, secondly, on the average, a worker retiring early would draw his pension for a longer period of time.

In the overwhelming proportion of plans in the study which contained early retirement provisions, the basic normal formulas were used to compute the early retirement benefits. These benefits, in the great majority of cases, were then reduced to take into account the longer period of time over which they were to be paid. For example, under its normal formula a plan provided for a monthly amount equal to \$1.50 multiplied by years of credited service, exclusive of Social Security benefits. For a worker who retired prior to age 65, this benefit was reduced by one-half of 1 percent for each month by which he was younger than that age. Under this plan, a worker who retired at age 60 with 30 years of service received \$45.00 less 30 percent, or \$31.50.

In another method used when the normal formula included Social Security benefits, the estimated Social Security payment to which the worker would be entitled upon reaching age 65 was deducted from the computed benefit. The resulting amount was then reduced by one-half of 1 percent for each month by which the worker was under age 65 at date of early retirement.

The early retirement provisions of some plans contained an optional method of computing the benefit under which the amount of monthly retirement income a worker received before and after age 65 was equalized. This method involved the

TABLE 7.—Average normal retirement benefits expressed as percentage of selected earnings level ¹

Selected earnings and service categories	All plans				Noncontributory plans				Contributory plans			
	Excluding Social Security		Including Social Security		Excluding Social Security		Including Social Security		Excluding Social Security		Including Social Security	
	Monthly amount	Percent of earnings level										
\$3,000 yearly with—												
10 years' service.....	\$27.00	10.8	\$77.50	31.0	\$77.50	31.0	\$25.00	10.0	\$102.50	41.0		
20 years' service.....	40.00	16.0	104.50	41.8	\$12.50	5.0	90.00	36.0	20.0	51.0		
30 years' service.....			117.50	47.0	35.00	14.0	112.50	45.0	30.0	61.0		
\$4,000 yearly with—												
10 years' service.....	30.00	9.0	85.00	25.5	85.00	25.5	36.70	11.0	121.70	36.5		
20 years' service.....	30.00	9.0	115.00	34.5	15.00	4.5	100.00	30.0	73.40	22.0	158.40	47.5
30 years' service.....	48.76	14.6	136.76	40.1	35.00	10.5	120.00	36.0	110.10	33.0	195.10	58.5

¹ Based on a study of 300 pension plans under collective bargaining covering approximately 5,857,000 workers. Benefit amounts are based on future service formulas, assuming a constant level of earnings and monthly primary

Social Security benefits of \$77.50 and \$85.00 for workers earning \$3,000 and \$4,000 per year, respectively. Averages are unweighted median levels of the plans in each earnings and service category.

granting of a larger pension up to age 65 than was actually due the employee under the regular formula. Upon reaching that age, the benefit was reduced so that when combined with the

TABLE 8.—*Distribution of plans by percentage of total monthly benefit (including primary Social Security) paid by the plan for selected earnings and service categories, by method of financing¹*

Selected earnings and service categories ¹	Number of plans paying percentage of total benefit (including primary Social Security)						
	0 to 9.9 per cent	10 to 19.9 per cent	20 to 29.9 per cent	30 to 39.9 per cent	40 to 49.9 per cent	50 to 59.9 per cent	60 to 69.9 per cent
All plans (300)							
\$3,000 yearly with—							
10 years' service.....	180	44	57	18	-----	1	-----
20 years' service.....	105	27	45	90	25	7	1
30 years' service.....	2	-----	105	90	68	31	4
\$4,000 yearly with—							
10 years' service.....	186	32	37	41	3	1	-----
20 years' service.....	102	24	52	38	60	23	-----
30 years' service.....	1	89	30	54	37	73	16
Noncontributory plans (225)							
\$3,000 yearly with—							
10 years' service.....	171	31	15	7	-----	1	-----
20 years' service.....	102	26	38	46	7	5	1
30 years' service.....	2	-----	103	80	28	10	2
\$4,000 yearly with—							
10 years' service.....	177	28	13	6	-----	1	-----
20 years' service.....	100	21	49	29	17	8	1
30 years' service.....	1	88	28	49	30	27	2
Contributory plans (75)							
\$3,000 yearly with—							
10 years' service.....	9	13	42	11	-----	2	-----
20 years' service.....	3	1	7	44	18	21	2
30 years' service.....	-----	-----	2	10	40	21	2
\$4,000 yearly with—							
10 years' service.....	9	4	24	35	3	-----	-----
20 years' service.....	2	3	3	9	43	15	-----
30 years' service.....	1	2	5	7	46	14	-----

¹ Based on a study of 300 pension plans under collective bargaining covering approximately 3,857,000 workers. Total benefit amounts are based on future service formulas, assuming a constant level of earnings and monthly primary Social Security benefits of \$77.50 and \$85.00 for workers earning \$3,000 and \$4,000 per year, respectively.

worker's Social Security payment, the total amount was equal to that received prior to age 65.

Disability Retirement Benefits

A wide variety of formulas were used to determine the disability benefits under plans in the study. Similar to early retirement provisions, a considerable number of plans based the benefit on the normal benefit formula. A far greater proportion, however, utilized other approaches to determine the benefit.

The amounts of disability benefits were generally more liberal than those under the early retirement provisions. In part, this was a recognition of the fact that the worker was being forced to retire for reasons beyond his control. Whereas in early retirement provisions the estimated Social Security payment often was included in the benefit computation, under the disability provisions a common practice was to establish a minimum or flat benefit exclusive of Social Security payments.

Due largely to the inclusion of Social Security benefits in the normal benefit formula, these flat or minimum disability pensions often were greater than the amounts paid by the plan under the normal retirement provisions. Upon reaching age 65, the flat or minimum disability benefits were either continued in the same amount or the worker's benefit was recomputed according to the normal formula. In some plans, the disability benefit was the same as that for normal retirement, but payment was deferred until the worker reached normal retirement age. This simply relieved the employee of the requirement that he work until normal retirement age in order to be eligible for benefits.