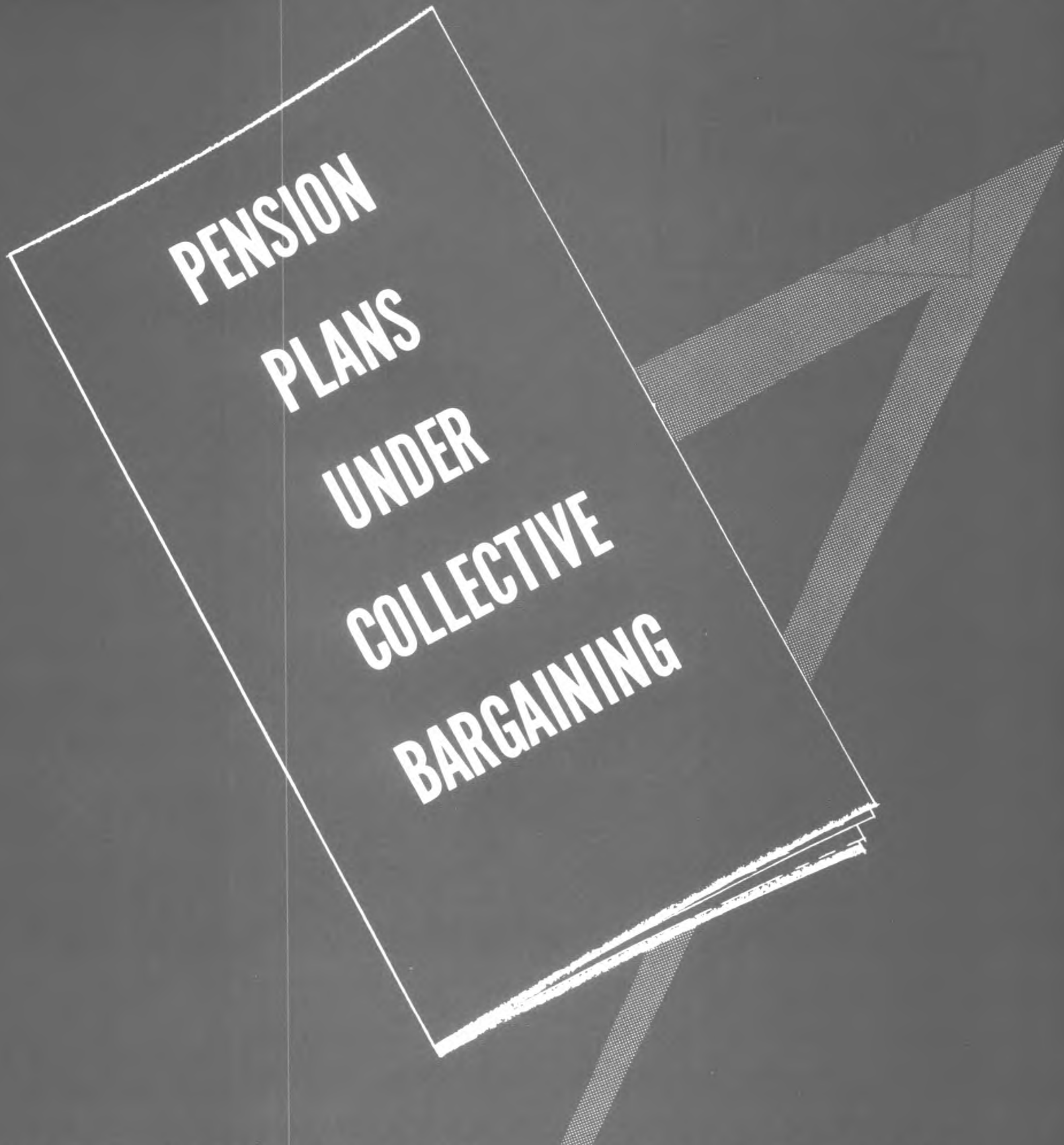
86th Congress, 1st Session - - - - - - - - - - - - - - House Document No. 177



Part I. Vesting Provisions and Requirements for Early Retirement

Part II. Involuntary Retirement Provisions

Late 1958

Bulletin No. 1259

UNITED STATES DEPARTMENT OF LABOR
James P. Mitchell, Secretary

BUREAU OF LABOR STATISTICS
Ewan Clague, Commissioner

PENSION PLANS UNDER COLLECTIVE BARGAINING

Part I. Vesting Provisions and Requirements for Early Retirement
Part II. Involuntary Retirement Provisions

Late 1958

Bulletin No. 1259

July 1959

UNITED STATES DEPARTMENT OF LABOR
James P. Mitchell, Secretary

BUREAU OF LABOR STATISTICS
Ewan Clague, Commissioner

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. - Price 25 cents

Preface

The principal features of vesting, involuntary retirement, and related provisions of 300 selected pension plans under collective bargaining are analyzed in this bulletin—the first in a new series of pension plan studies. Subsequent studies will cover the types and amounts of benefits, survivor options, death benefits, and administrative procedures.

The 300 plans studied ranged in coverage from a thousand to several hundred thousand workers. In total, approximately 4.9 million workers under collective bargaining were covered, or more than half of the estimated number of workers covered by all pension plans under collective bargaining in the United States.

The study was conducted and this bulletin was prepared in the Bureau's Division of Wages and Industrial Relations by Walter W. Kolodrubetz and Harry L. Levin under the direction of Joseph W. Bloch.

Contents

Contents — Continued

Pension Plans Under Collective Bargaining, Late 1958

Part I. Vesting Provisions and Requirements for Early Retirement

A worker who is building up pension credits under a private pension plan need not, in all cases, wait until the normal retirement age (usually age 65) in order to realize his equity in the plan. A pension plan may contain one or more of three methods of safeguarding the worker's equity should he be unable, for reasons other than total disability,[1] to continue in a particular employment until he reaches the normal retirement age—vesting, early retirement, and portable pension credits (as under multiemployer plans). In the absence of such provisions in the pension plan, or if the worker cannot qualify, he loses all of his accumulated credits in a pension upon loss of his job. Each of these methods, in different degrees, may have significant implications on the cost of pension plans and the mobility of workers.

Vesting is defined as a guarantee to the worker of a right or equity in a pension plan based on all or part of the employer's contributions made in the worker's behalf (in terms of accrued pension benefits), should his employment be terminated before he attains eligibility for regular retirement benefits.[2] The vested right typically assures the worker a future retirement benefit, to commence when he reaches retirement age, wherever he may be at that time. In some instances, vesting provisions give the worker an option to receive an immediate cash benefit. In order to qualify for vesting, the worker usually must meet specific age and/or service requirements.

The primary purpose of an early retirement provision, an older and more common practice than vesting, is to enable workers to withdraw from the labor force before normal retirement age on an assured income. However, such provisions may also be available to the worker who leaves and goes to work for another employer. He may begin receiving monthly payments immediately (usually in reduced amount), or may, in some plans, defer receiving benefits until the normal retirement age specified in the plan. Under these circumstances, early retirement takes on aspects of a vesting vehicle, where vesting is not provided. Age and/or service requirements must be met, and, in some cases, the qualified worker can retire early only with the consent of his employer.

Vesting is often considered a form of pension insurance for the relatively young worker (who is not near to, nor thinking of retiring), for whom mobility may still be an important asset. On the other hand, early retirement is commonly conceived as a device by which the worker, already thinking of retirement, or ailing but not totally disabled, can hasten his departure from the labor force, sometimes encouraged by his employer. In practice, however, vesting and early retirement have more in common than these views imply. Under current plans, as this study shows, vesting requirements are frequently such as to limit the attainment of full vesting to middle-age workers with a substantial amount of seniority, while early retirement may be available 10 or 15 years prior to normal

---

[1] This study does not cover retirement caused by disability, which will be discussed in a subsequent study, early 1960.

[2] Under contributory plans, the vested worker is invariably permitted to withdraw his own contributions, with or without interest, when terminated; however, withdrawal of contributions usually entails loss of benefits purchased by employer contributions.

retirement age at the worker's option. Although the overlapping is relatively small, in terms of minimum requirements, a description of equity safeguards available to workers would be incomplete if it were confined to an analysis of vesting provisions and neglected corresponding requirements for early retirement.

The portability of pension credits, the third device for protecting the worker's equity in a pension plan, is virtually restricted to multiemployer plans. Under these pooled arrangements, the worker carries his pension credits from employer to employer and accumulates his credits as long as he works for an employer covered by the plan. However, vesting and early retirement provisions, which are not incompatible with portability, are far less common in multiemployer than in single employer plans. In their absence, the worker's equity is not protected if he chooses, or is compelled to, seek employment outside the shelter of the employer participants in the pension plan. In some cases, a reciprocal arrangement among separate plans may extend this area of coverage. Although not a substitute for early retirement privileges, portability of pension credits probably accomplishes as much as vesting, if the worker remains in the labor market covered by the plan for his full working life.

Scope of Study

For this study, 300 selected pension plans under collective bargaining, in effect in late 1958 were analyzed.[3] All plans covered 1,000 or more workers. Other considerations in the selection of the sample were union involved, type of bargaining unit, industry representation, type of plan, and geographical location. These plans ranged in coverage from 1,000 to 100,000 or more workers—totaling approximately 4.9 million workers under collective bargaining agreements[4] or more than half of the estimated coverage of all pension plans under collective bargaining in the United States (table 1).

TABLE 1. Distribution of plans studied by workers covered and method of financing

(Workers in thousands)

Workers covered	All plans		Noncontributory		Contributory	
	Number	Workers	Plans	Workers	Plans	Workers
All plans studied	300	4,909.8	249	4,122.7	51	787.1
1,000 and under 2,000 workers	52	73.0	41	58.2	11	14.8
2,000 and under 3,000 workers	35	82.9	27	63.1	8	19.8
3,000 and under 4,000 workers	45	147.1	40	131.0	5	16.1
4,000 and under 5,000 workers	17	74.7	14	61.4	3	13.3
5,000 and under 7,500 workers	28	167.3	23	137.7	5	29.6
7,500 and under 10,000 workers	24	198.2	21	173.7	3	24.5
10,000 and under 15,000 workers	30	343.7	25	282.9	5	60.8
15,000 and under 25,000 workers	27	488.8	20	368.4	7	120.4
25,000 and under 50,000 workers	22	723.0	20	651.2	2	71.8
50,000 and under 100,000 workers	8	551.1	8	551.1	-	-
100,000 workers and over	12	2,060.0	10	1,644.0	2	416.0

[3] These plans included those established for the first time as the result of collective bargaining and plans established originally by the employer or the union but since brought within the scope of the collective bargaining agreement, at least to the extent that the agreement established employer responsibility to continue or provide certain benefits.

[4] Many plans were extended uniformly to cover workers outside the scope of the collective bargaining agreement. However, the coverage used in this study represents only the number of workers under collective bargaining agreements covered by the plans.

All major industries (excluding railroads and airlines) were represented in the sample (table 2). About 3 out of 4 of the plans (229) were in manufacturing industries and covered about 3.4 million workers. Seventy-one plans were in nonmanufacturing and covered approximately 1.5 million workers. Sixty-nine plans were established on a multiemployer basis; these plans covered more than a third of all workers in the study. Fifty-one plans were financed by both the employer and the worker (contributory plans). The remaining 249 plans were financed entirely by the employer (noncontributory plans),[5] and covered almost 85 percent of all workers in the study.

TABLE 2. Distribution of plans studied by industry group, method of financing, and type of bargaining unit

(Workers in thousands)

Industry group	All plans		Single employer		Multi-employer		Non-contributory		Contributory	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All industries	300	4,909.8	231	3,048.9	69	1,860.9	249	4,122.7	51	787.1
Manufacturing	229	3,393.8	197	2,723.6	32	670.2	194	2,991.7	35	402.1
Food and kindred products	17	194.9	12	80.1	5	114.8	11	167.7	6	27.2
Tobacco manufactures	3	27.5	3	27.5	-	-	3	27.5	-	-
Textile mill products	8	40.3	6	17.7	2	22.6	7	31.3	1	9.0
Apparel and other finished products	9	431.7	1	1.5	8	430.2	9	431.7	-	-
Lumber and wood products, except furniture	3	25.3	2	14.3	1	11.0	3	25.3	-	-
Furniture and fixtures	4	39.0	1	2.0	3	37.0	4	39.0	-	-
Paper and allied products	9	50.3	8	45.8	1	4.5	5	19.7	4	30.6
Printing, publishing, and allied industries	5	15.2	1	3.9	4	11.3	5	15.2	-	-
Chemicals and allied products	13	131.1	13	131.1	-	-	12	127.7	1	3.4
Petroleum refining and related industries	9	83.9	9	83.9	-	-	1	1.1	8	82.8
Rubber and miscellaneous plastics products	8	107.7	8	107.7	-	-	8	107.7	-	-
Leather and leather products	4	40.8	3	33.5	1	7.3	4	40.8	-	-
Stone, clay, and glass products	10	73.8	10	73.8	-	-	10	73.8	-	-
Primary metal industries	33	592.7	33	592.7	-	-	31	564.8	2	27.9
Fabricated metal products	13	115.3	13	115.3	-	-	13	115.3	-	-
Machinery, except electrical	28	187.5	27	181.0	1	6.5	26	168.9	2	18.6
Electrical machinery, equipment, and supplies	16	319.3	14	312.4	2	6.9	11	166.3	5	153.0
Transportation equipment	24	862.3	24	862.3	-	-	20	816.3	4	46.0
Instruments and related products	4	20.3	4	20.3	-	-	2	16.7	2	3.6
Miscellaneous manufacturing industries	9	34.9	5	16.8	4	18.1	9	34.9	-	-
Nonmanufacturing	71	1,516.0	34	325.3	37	1,190.7	55	1,131.0	16	385.0
Mining, crude petroleum, and natural gas production	6	231.6	4	21.6	2	210.0	5	228.0	1	3.6
Construction	12	416.8	-	-	12	416.8	11	116.8	1	300.0
Transportation[1]	17	470.8	10	49.1	7	421.7	11	437.4	6	33.4
Communications	4	171.6	4	171.6	-	-	4	171.6	-	-
Utilities: Electric and gas	14	62.0	14	62.0	-	-	8	35.0	6	27.0
Wholesale and retail trade	8	56.7	-	-	8	56.7	8	56.7	-	-
Hotels and restaurants	2	43.9	-	-	2	43.9	2	43.9	-	-
Services	4	33.6	-	-	4	33.6	4	33.6	-	-
Miscellaneous nonmanufacturing industries	4	29.0	2	21.0	2	8.0	2	8.0	2	21.0

[1] Excludes railroad and airline industries.

[5] Some plans gave the worker an option to contribute to a supplementary plan to build up additional pension benefits. In these cases, only the basic noncontributory plan was analyzed.

The vesting provisions of the selected pension plans were analyzed in detail, including types of provisions, minimum requirements for benefits, and the benefit formulas applicable. Minimum requirements for early retirement were also analyzed.[6] In addition, the significance of transferability of pension credits under multiemployer plans and its relation to vesting provisions were examined.

An earlier Bureau study of 300 pension plans in effect in 1952[7] provided a basis for a limited evaluation of major trends over the past 6 years. Of these plans, 219 were included in the present study. The substitution of 81 plans was occasioned by (1) elimination of plans covering fewer than a thousand workers; (2) mergers, companies going out of business, or plans terminated; and (3) lack of current information in some cases.

Prevalence of Vesting

Vesting provisions were included in 174, or almost 3 out of 5 plans (table 3). Of the 231 single employer plans studied, more than two-thirds (162) contained vesting provisions, compared with 12 of the 69 multiemployer plans. About 4 out of 5 contributory plans vested in the qualified worker all or part of the employer's contribution,[8] and slightly more than half of the 249 noncontributory plans contained such provisions.[9]

TABLE 3. Provisions for vesting in selected pension plans under collective bargaining, by method of financing and type of bargaining unit

(Workers in thousands)

Vesting provisions	All plans		Noncontributory		Contributory		Single employer		Multiemployer	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans studied	300	4,909.8	249	4,122.7	51	787.1	231	3,048.9	69	1,860.9
With vesting provisions	174	2,780.9	131	2,371.7	43	459.2	162	2,525.3	12	255.6
Deferred full	154	2,335.8	118	1,945.5	36	390.3	144	2,266.3	10	69.5
Deferred graded	19	441.7	13	376.2	6	65.5	17	255.6	2	186.1
Immediate full	1	3.4	-	-	1	3.4	1	3.4	-	-
Without vesting provisions	[1]126	2,128.9	118	1,801.0	8	327.9	69	523.6	57	1,605.3

[1] Includes 3 plans, covering 15,300 workers, in which the worker was granted only a cash benefit upon termination after fulfilling specified requirements. See p. 5 for discussion of these plans.

A significant increase in the prevalence of vesting provisions in collectively bargained plans was revealed by these figures. In the 1952 study, only 25 percent of 300 plans studied contained vesting provisions; and less than 10 percent of the noncontributory plans provided for vesting. Prominent among

---

[6] Subsequent studies will deal with benefits payable under early retirement provisions and with disability retirement, which are not covered in this study.

[7] Pension Plans Under Collective Bargaining, BLS Bull. 1147 (1953).

[8] Return of the worker's contributions is discussed on p. 12.

[9] A table with the distribution of vesting and early retirement provisions by industry group in the 300 plans studied is shown in the appendix.

those adopting vesting since 1952 were automobile and basic steel companies, in agreements with the United Automobile Workers and the United Steelworkers, respectively.[10]

Types of Vesting Provisions

Of the 174 plans in the present study with vesting provisions, 154 provided for deferred full vesting, 19 deferred graded vesting, and 1 immediate full vesting (table 3). Deferred full vesting constituted a somewhat larger proportion of the total in this study than in the 1952 study.

Under deferred full vesting, the worker retains a right to all accrued benefits if he is terminated after he attains a specified age and/or after he completes a designated period of service or participation in the plan. For example, one plan states that:

> An employee . . . who, upon termination of employment has attained the age of 40 and has 10 years or more of company service credit, is eligible for a pension benefit . . . with payments starting upon receipt of written request of said employee to the company at or after he attains age 65.

Under deferred graded vesting, the worker acquires a right to a certain percentage of accrued benefits when he meets specified requirements. This percentage increases as additional requirements are fulfilled, until the worker becomes fully vested. To illustrate, a plan may require 10 years of service for the worker to gain vested rights to 50 percent of accrued benefits; an additional 10 percent is vested for each year of service thereafter, until the worker is fully vested after 15 years of service.

In contrast with these methods of deferring an equity or right in employer contributions until minimum age and/or service requirements have been fulfilled, under immediate full vesting the worker secures a vested right as soon as he is covered by the pension plan. A preparticipation period of employment may, however, be required before the worker is covered by the pension plan; in the one plan providing immediate full vesting found in this study, there was no such requirement.

Three plans covering 15,300 workers provided only for the payment of immediate cash benefits to workers who are terminated after having met specified requirements. For purposes of this study, these plans were not considered as having vesting provisions, since there were no provisions for eventual retirement benefits for the displaced worker. Except for the fact that these provisions were incorporated into pension plans, they resemble, both in terms of requirements and in level of benefits paid, dismissal or severance allowances of the type stipulated in collective bargaining agreements.[11] In the steel industry, for example, both vesting and severance allowances are provided under union agreements.

---

[10] For details of individual plans, see Digest of One-Hundred Selected Pension Plans Under Collective Bargaining, Winter 1957-58, BLS Bull. 1232 (1958).

[11] See Collective Bargaining Clauses: Dismissal Pay, BLS Bull. 1216 (1957).

Requirements for Vesting

The emphasis on age and service, which are typically key elements in pension plans, is quite apparent in vesting provisions. Age and, more particularly, service requirements are restrictive devices designed to serve several purposes, not the least of which is reducing the cost of vesting.

In some pension plans, the concept of length of plan membership rather than length of service is used. This substitution has significance for the present study when the worker is not covered by the plan immediately upon hire or shortly thereafter, but must serve a preparticipation period which may range up to 5 years. This preparticipation period, where required, must be taken into account in evaluating service requirements of vesting provisions.[12]

Preparticipation Service.—Of the 300 plans studied, 73 established preparticipation requirements which in most cases withheld pension coverage from newly hired workers. Of these 73 plans, 61 had vesting provisions. In 26 of the 61 plans, the preparticipation service could be counted in determining eligibility for vesting, but in 35 plans only plan membership service could be credited. The preparticipation requirements of these 35 plans are shown in table 4.

Of the 35 plans, 16 established a minimum age requirement for participation, only 2 of which exceeded age 30. All but three specified service requirements, of from 1 to 5 years. Seven of the 35 plans provided deferred

TABLE 4. Preparticipation requirements not credited as service for vesting[1]

(Workers in thousands)

Minimum service requirements	All plans		Minimum age requirements							
			None		Age 25		Age 30		Age 35	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
Plans with preparticipation requirements not credited for vesting[2]	35	284.4	19	135.2	6	36.2	8	101.2	2	11.8
None	3	12.5	-	-	[3]2	6.0	1	6.5	-	-
1 year of service	14	73.4	11	63.6	1	5.8	2	4.0	-	-
2 years of service	4	43.8	1	16.4	-	-	2	17.4	1	10.0
3 years of service	7	103.9	5	45.7	1	5.4	1	52.8	-	-
5 years of service	7	50.8	2	9.5	[4]2	19.0	2	20.5	1	1.8

[1] Based on a study of 300 selected pension plans under collective bargaining covering approximately 4,910,000 workers.

[2] Preparticipation requirements were found in 73 of the plans studied, covering 634,700 workers. Of these, 12 plans covering 38,400 workers did not provide for vesting; 26 plans covering 311,900 workers provided vesting but credited the worker with preparticipation years of service for purposes of determining eligibility; and the remaining 35 plans are analyzed in this table. Of these 35 plans, 28 provided deferred full and 7 deferred graded vesting.

[3] 1 plan provided a minimum requirement of age 21.

[4] 1 plan provided an alternative requirement of age 35 and 1 year of service.

[12] In plans with preparticipation requirements, such service is not usually used for computing accrued benefits, whether or not it counts toward determining eligibility for benefits.

graded vesting; and 28 plans provided deferred full vesting. To reflect total employment required for vesting under these 35 plans, their minimum service requirements as presented here (except in table 5), include both the preparticipation service and the plan membership service.

Minimum Requirements for Deferred Full Vesting.—The minimum requirements stipulated in the 154 plans providing deferred full vesting are shown in table 5, as they were expressed in the plans—that is, without adjustments in the 28 plans which excluded preparticipation service. As will be seen later, the wide variety of provisions, a feature also found in the 1952 study, reflects, in part at least, the ways in which vesting requirements merge into early retirement requirements. The concentration of plans and workers covered in two categories—age 40 and 10 years' service, and age 40 and 15 years' service—is attributable to the influence of plans in the automobile and steel industries, respectively.

TABLE 5. Minimum requirements for deferred full vesting [1]

(Workers in thousands)

Minimum requirements [2]	Plans	Workers
All plans with deferred full vesting	154	2,335.8
Service	21	189.1
5 years	1	7.5
10 years	12	125.8
15 years	5	42.0
20 years	2	3.8
25 years	1	10.0
Participation	13	94.4
5 years	6	66.6
10 years	4	18.8
15 years	3	9.0
Age	1	6.5
Age 55	1	6.5
Age and service	101	1,836.4
Age 40 and 10 years	28	864.7
Age 40 and 15 years	49	828.0
Age 45 and 10 years	1	5.0
Age 45 and 15 years	5	11.0
Age 50 and 15 years	2	4.9
Age 50 and 20 years	5	36.7
Age 50 and 25 years	2	23.2
Age 55 and 10 years	1	1.5
Age 55 and 15 years	3	9.3
Age 55 and 25 years	3	47.2
Age 60 and 15 years	2	4.9
Age and participation	8	37.5
Age 45 and 5 years	1	4.4
Age 45 and 10 years	2	3.8
Age 45 and 15 years	1	3.0
Age 50 and 10 years	2	16.5
Age 50 and 15 years	1	4.0
Age 50 and 20 years	1	5.8
Service or participation	1	3.0
25 years of service or 10 years participation	1	3.0
Service and participation	2	17.8
10 years of service including 5 years of participation	1	16.4
15 years of service including 5 years of participation	1	1.4
Alternatives	6	148.0
Age 45 and 10 years of service, or 15 years of service	1	2.5
Age 45 and 10 years of service, or 20 years of service	1	116.0
Age 50 and 15 years of service, or 20 years of service	1	1.5
Age 50 and 20 years of service, or 15 years of participation	1	9.0
Age 45 and 5 years of participation or 10 years of participation	1	9.0
Age 50 and 5 years of participation, or later of age 55 or 10 years of service (age plus service must equal 65)	1	10.0
Other	1	3.1
15 years of vesting service, where 1 year is given for each year of service to age 40, 2 years for each year between age 40 and 50, and 3 years for each year over age 50	1	3.1

[1] Based on a study of 300 pension plans under collective bargaining covering approximately 4,910,000 workers.
[2] Service refers to the period of employment, whereas participation includes period of plan membership only. Periods may be identical or may vary if eligibility requirements prior to membership in the plan are specified. (See table 4.)

With the necessary adjustments in 28 plans to take account of preparticipation requirements, length-of-service requirements for deferred full vesting ranged from 5 to 25 years (table 6). Approximately 75 percent of the plans specified either 10 or 15 years of service. Only 6 percent of the plans required less than 10 years, whereas 14 percent required more than 15 years.

TABLE 6. Minimum age and service requirements for deferred full vesting[1]

(Workers in thousands)

Minimum service requirements[2]	All plans		Minimum age requirements[3]					
			None		Age 40		Age 45	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans with deferred full vesting	154	2,335.8	43	445.4	77	1,692.7	10	27.2
5 years of service	2	14.0	1	7.5	-	-	-	-
6 years of service	3	14.2	2	9.8	-	-	1	4.4
7 years of service	2	22.4	1	12.4	-	-	-	-
8 years of service	2	32.9	2	32.9	-	-	-	-
10 years of service	47	1,035.2	15	160.2	28	864.7	3	8.8
11 years of service	4	25.3	3	10.3	-	-	-	-
12 years of service	1	5.0	1	5.0	-	-	-	-
13 years of service	1	1.5	-	-	-	-	-	-
15 years of service	71	920.1	9	58.0	49	828.0	5	11.0
16 years of service	3	9.1	2	6.1	-	-	1	3.0
18 years of service	1	2.9	1	2.9	-	-	-	-
20 years of service	10	167.0	5	130.3	-	-	-	-
21 years of service	1	5.8	-	-	-	-	-	-
25 years of service	6	80.4	1	10.0	-	-	-	-

Minimum service requirements[2]	Age 50		Age 55		Age 60	
	Plans	Workers	Plans	Workers	Plans	Workers
All plans with deferred full vesting	14	101.1	8	64.5	2	4.9
5 years of service	-	-	1	6.5	-	-
6 years of service	-	-	-	-	-	-
7 years of service	1	10.0	-	-	-	-
8 years of service	-	-	-	-	-	-
10 years of service	-	-	1	1.5	-	-
11 years of service	1	15.0	-	-	-	-
12 years of service	-	-	-	-	-	-
13 years of service	1	1.5	-	-	-	-
15 years of service	3	8.9	3	9.3	2	4.9
16 years of service	-	-	-	-	-	-
18 years of service	-	-	-	-	-	-
20 years of service	5	36.7	-	-	-	-
21 years of service	1	5.8	-	-	-	-
25 years of service	2	23.2	3	47.2	-	-

[1] Based on a study of 300 selected pension plans under collective bargaining covering approximately 4,910,000 workers.

[2] For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service. (See table 4.)

[3] In a few cases, alternative requirements were specified. In each case, the one with the earliest age or no age requirement was selected.

Minimum age requirements for deferred full vesting were also stipulated in almost three out of four plans. Age 40 was by far the most common age at which the worker with the required service became vested. In 24 plans, the minimum was age 50 or over—the age, as discussed later, at which early retirement provisions may apply.

Minimum Requirements for Deferred Graded Vesting.—Among the 19 plans providing deferred graded vesting, minimum age and service requirements also varied considerably (table 7). The minimum service necessary before any part of the employer's contribution was vested ranged from 5 to 15 years (including preparticipation service in seven plans which required plan membership service for deferred graded vesting). Fifteen plans conditioned partial vesting on meeting a requirement of 10 or more years of service. Six of the plans provided that a specified age also must be attained.

TABLE 7. Deferred graded vesting provisions in selected pension plans [1]

Plans	Minimum age	Minimum years of service[2]	Initial percent vested	Grading: Service steps (years)	Grading: Additional percent vested	Years of service for full vesting
1	-	5	25	5	25	20
1	-	6	5	1	5	25
1	-	8	45	1	15	12
1	-	10	25	First 5 Next 5	25 50	20
1	-	10	25	5	25	25
1	-	10	5	1	5	29
1	-	11	25	For each of first 5 For each of next 5	5 10	21
1	-	11	50	1	5	21
1	-	13	50	1	10	18
1	-	13	25	5	25	28
2	-	15	50	1	5	25
1	-	15	50	5	25	25
2	40	10	50	1	10	15
1	40	10	33⅓	5	33⅓	20
1	45	5	10	1	10	[3] 14
1	50	10	50	1	10	[4] 15
1	52	15	50	([5])	5	[5] 15

[1] Based on a study of 300 selected pension plans under collective bargaining covering approximately 4,910,000 workers.

[2] For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service. (See table 4.)

[3] In this plan, the worker was 10 percent vested at age 45 with 5 or more years of service, plus 10 percent for each additional year of service thereafter until age 54.

[4] In this plan, the worker was 50 percent vested at age 50 with 10 or more years of service, plus 10 percent for each additional year of service thereafter until fully vested.

[5] In this plan, the worker was 50 percent vested at age 52 with 15 or more years of service, plus 5 percent for each year his age was over 52. A worker age 62 with 15 or more years of service was fully vested.

The methods of grading also varied widely. Among these 19 plans, the most common types of grading were 25 or 50 percent vesting after minimum service requirements had been fulfilled, with an additional 5 or 10 percent vested for each subsequent year of service. Other methods were to vest accrued benefits by more substantial increases over longer intervals. In some plans, service was not the only determinant for additional vesting. For example, in one plan, the worker was 10 percent vested if he had 5 or more years of service at age 45. Additional vesting was on the basis of 10 percent for each year of service after first vesting until age 54. No further vesting was possible after that age.

In 12 of the 19 plans, 20 or more years of service were required before the worker was fully vested. In the remaining plans, the service needed for full benefits ranged from 12 to 18 years.

Other Requirements.—In some plans, the nature of the termination or separation was a factor in determining eligibility for vesting rights. The predominant standard in the plans studied was to permit retention of vested pension credits in case of termination for any reason if the worker were otherwise qualified (table 8). However, slightly more than a fourth of the programs stipulated conditions under which vesting would be conferred. For example, one plan stated that:

> Any employee who shall be laid off and not recalled within 2 years, or whose employment is terminated as a result of a permanent shutdown of a plant, department, or subdivision thereof, and who at the end of such 2 years or the date of his termination shall have reached his fortieth birthday and at such time shall have 15 or more years of continuous service, shall be eligible, upon making application therefor as specified herein, to receive a deferred vested retirement pension.

TABLE 8. Conditions under which vesting is permitted[1]

(Workers in thousands)

Provision	Plans	Workers
All plans with vesting	174	2,780.9
Terminated for any reason	125	2,052.7
Laid off and not recalled	2	18.0
Terminated as result of permanent shutdown or technological change	1	35.0
Terminated as result of permanent shutdown or technological change or laid off and not recalled	45	666.8
Terminated for any reason except dishonesty	1	8.4

[1] Based on a study of 300 selected pension plans under collective bargaining covering approximately 4,910,000 workers.

Benefits Payable Under Vesting Provisions

The vested benefit in the plans in this study was usually in the form of an assured retirement benefit commencing at or after normal retirement age (table 9). In the great majority of plans in this study, normal retirement age was 65. Thus, a substantial time interval—up to 25 years in some plans—was possible between separation and the time the worker could begin receiving his vested retirement benefit. However, a number of plans (almost one out of four plans providing vesting) offered the worker a choice of either receiving the vested benefit at an earlier age (usually early retirement age) in a reduced amount, or at normal retirement age in the full amount. This choice was most commonly offered by contributory plans; about half of such plans provided an option. For example, one plan provided that the worker shall:

> . . . receive a deferred pension commencing at age 65 and equal to the normal pension to which he would have been entitled on the basis of his credited service and contributions to the date he ceased to be a member, or a pension of the same actuarial value, commencing at such earlier date as the member may designate, provided such date be not prior to his 55th birthday and not less than 1 year after the date on which such designation was made.

TABLE 9. Age at which benefits are payable under vesting provisions by method of financing[1]

(Workers in thousands)

Provision	All plans		Noncontributory		Contributory	
	Number	Workers	Plans	Workers	Plans	Workers
All plans with vesting	174	2,780.9	131	2,321.7	43	459.2
Benefits payable at normal retirement age	133	2,040.9	112	1,916.8	21	124.1
Benefits payable at normal retirement age, or in prior 5-year period	5	180.9	4	64.9	1	116.0
Benefits payable at normal retirement age, or in prior 10-year period	26	303.4	10	128.9	16	174.5
Benefits payable at normal retirement age, or in prior 15-year period	2	4.0	-	-	2	4.0
Benefits payable at normal retirement age, or any time prior	3	40.6	-	-	3	40.6
Benefits payable at normal retirement age, or immediately	5	211.1	5	211.1	-	-

[1] Based on a study of 300 selected pension plans under collective bargaining covering approximately 4,910,000 workers.

TABLE 10. Benefit formulas applicable under vesting provisions by method of financing[1]

(Workers in thousands)

Benefit formula	All plans		Noncontributory		Contributory	
	Number	Workers	Plans	Workers	Plans	Workers
All plans with vesting	174	2,780.9	131	2,321.7	43	459.2
Normal benefit formula	129	1,512.7	95	1,256.2	34	256.5
Normal benefit formula (minimum not applicable)	13	120.7	6	44.0	7	76.7
Normal benefit formula (only years after age 30 used to compute)	17	744.3	17	744.3	-	-
Normal benefit formula (minimum and supplement not applicable)	2	126.0	-	-	2	126.0
Normal benefit formula (only years after age 30 used to compute and minimum not applicable)	4	34.2	4	34.2	-	-
Normal benefit formula or cash	4	191.1	4	191.1	-	-
Normal benefit formula (future service only)	1	9.0	1	9.0	-	-
Normal benefit formula (minimum only)	1	4.9	1	4.9	-	-
Different than normal benefit	1	3.0	1	3.0	-	-
Different than normal benefit or cash	1	20.0	1	20.0	-	-
Normal benefit formula (only years of service after age 25)	1	15.0	1	15.0	-	-

[1] Based on a study of 300 selected pension plans under collective bargaining covering approximately 4,910,000 workers.

The benefits ultimately payable to the terminated vested worker were to be computed by using the normal retirement benefit formula, without modification, by about three-fourths of the plans providing vesting (table 10). In the remaining plans, the computation was based on a different formula or, more commonly, restrictions were placed on the use of the normal benefit formula. For example, in some plans, the vested pension was to be determined by the minimum benefit formula only; in other plans, only the basic benefit formula was to be used, that is, the minimum was not applicable. In five plans, the vested worker was offered the choice of receiving either a deferred retirement benefit or an immediate cash benefit. In three of these plans, separated workers who did not qualify for vesting were paid an immediate cash benefit.

Return of Worker Contributions

In all but 1 of the 51 contributory plans in this study the nonvested worker, if separated, received his own contributions, with or without interest. In 32 of these plans, the terminated nonvested worker had a choice of taking either his contributions in cash or a retirement benefit that could be purchased with this money. Under all the contributory plans in this study with vesting (43 of the 51), the vested worker had the option of withdrawing his own contributions, with or without interest, when terminated. However, in all cases, withdrawal of contributions meant loss of the benefits purchased by employer contributions.

Prevalence of Early Retirement

Among the 300 plans studied, early retirement provisions were found to be much more prevalent than vesting provisions—218 plans as against 174 plans.

Type of plan	Plans	Workers
All plans studied	300	4,909.8
All plans with early retirement provisions	218	3,071.0
Noncontributory plans	170	2,587.0
Contributory plans	48	484.0
Single employer plans	201	2,848.7
Multiemployer plans	17	222.3

Almost 9 out of 10 single employer plans studied contained early retirement provisions, whereas only a fourth of the multiemployer plans had such provisions. Early retirement was available under almost all contributory plans and about two-thirds of the noncontributory plans.

Early retirement and vesting provisions were most commonly found associated with each other in the plans, with 163 plans covering about 2.5 million workers containing both provisions (table 11). About one out of four plans in the study had no provision either for early retirement or vesting. More than two-thirds of these were multiemployer plans.

TABLE 11. Provisions for vesting and early retirement in selected pension plans under collective bargaining, by method of financing and type of bargaining unit[1]

(Workers in thousands)

Provision	All plans		Non-contributory		Contributory		Single employer		Multi-employer	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans studied	300	4,909.8	249	4,122.7	51	787.1	231	3,048.9	69	1,860.9
With provisions for vesting or early retirement	229	3,345.1	181	2,861.1	48	484.0	208	2,922.9	21	422.2
Vesting and early retirement	163	2,506.8	120	2,047.6	43	459.2	156	2,454.1	7	52.7
Vesting only	11	274.1	11	274.1	-	-	7	74.2	4	199.9
Early retirement only	[1] 55	564.2	50	539.4	5	24.8	45	394.6	10	169.6
No provision for vesting or early retirement	[2] 71	1,564.7	68	1,261.6	3	303.1	23	126.0	48	1,438.7

[1] Includes 1 plan covering 4,300 workers in which the worker in addition to an early retirement, also had available a cash benefit upon termination after meeting specified requirements.

[2] Includes 8 plans covering 328,000 workers under which women could retire early, and 2 plans covering 11,000 workers under which the worker was given a cash benefit after meeting specified requirements.

Requirements for Early Retirement

In order to retire before the normal retirement age, the worker was required to meet specified age and/or service requirements, as in the case of vesting. On the whole, length-of-service requirements for early retirement were not significantly different from those for vesting. Fifteen years of service[13] was the most common specification, and 10 and 20 years were also frequently required (table 12). Thirty-seven plans required less than 5 years of service and 10 required none—only 1 of the plans providing vesting (that with immediate full vesting) fell in this latter category.

On the other hand, minimum age requirements for early retirement were generally substantially higher than for vesting (as would be expected). All but 17 plans stipulated age 55 or over; age 60 was established as the minimum age for early retirement in more than half of the plans.

A requirement not found in vesting provisions was specified in 68 early retirement plans—the worker could retire early only with the consent of, or at the request of, his employer (table 13). Provisions of this type were presumably designed to reduce or control early retirement, not to bar it. What such provisions mean in actual practice undoubtedly varies widely among companies, and within the same company at different times; the wording of pension plans offers no measure of practice in this regard.

---

[13] In plans which specified plan membership requirements in order to retire early, the preparticipation period has been added to plan membership service for purposes of this analysis.

TABLE 12. Minimum age and service requirements for early retirement[1]

(Workers in thousands)

Minimum service requirements[2]	All plans		Minimum age requirements[3]			
			None		Age 50	
	Number	Workers	Plans	Workers	Plans	Workers
All plans with early retirement	[4]218	3,071.0	10	200.6	6	14.8
None	10	28.9	-	-	1	1.0
1 year of service	16	211.9	-	-	2	4.0
2 years of service	2	21.4	1	5.0	-	-
3 years of service	9	85.2	-	-	-	-
5 years of service	10	107.8	-	-	-	-
6 years of service	1	8.8	-	-	-	-
7 years of service	1	12.4	-	-	-	-
10 years of service	43	1,157.4	1	3.6	-	-
11 years of service	3	19.7	1	15.8	1	2.6
15 years of service	74	929.5	-	-	-	-
18 years of service	1	31.8	-	-	-	-
20 years of service	31	219.6	-	-	2	7.2
21 years of service	3	9.2	-	-	-	-
25 years of service	8	66.1	2	24.2	-	-
30 years of service	5	153.8	4	144.5	-	-
35 years of service	1	7.5	1	7.5	-	-

	Minimum age requirements[3]					
	Age 55		Age 60		Other[5]	
All plans with early retirement	79	774.8	120	2,059.7	3	21.1
None	6	18.6	2	6.6	1	2.7
1 year of service	13	91.9	1	116.0	-	-
2 years of service	1	16.4	-	-	-	-
3 years of service	7	67.7	1	3.5	1	14.0
5 years of service	8	95.6	2	12.2	-	-
6 years of service	1	8.8	-	-	-	-
7 years of service	1	12.4	-	-	-	-
10 years of service	10	122.8	32	1,031.0	-	-
11 years of service	1	1.3	-	-	-	-
15 years of service	9	123.1	64	802.0	1	4.4
18 years of service	-	-	1	31.8	-	-
20 years of service	17	173.6	12	38.8	-	-
21 years of service	1	2.5	2	6.7	-	-
25 years of service	3	30.8	3	11.1	-	-
30 years of service	1	9.3	-	-	-	-
35 years of service	-	-	-	-	-	-

[1] Based on a study of 300 selected pension plans under collective bargaining covering approximately 4,910,000 workers.

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

[3] In some plans, alternative requirements were specified for each case, the one with the earliest age or no age requirement was selected. Age requirements were lower for women in a number of plans: 5 years in 6 plans covering 60,800 workers, and 10 years in 1 plan covering 2,900 workers.

[4] Excludes 8 plans, covering 328,000 workers, in which women could retire early. In 6 plans, covering 313,500 workers, the minimum requirements were age 62 and 20 years of service; in 1 plan, covering 2,700 workers, the requirement was age 62; in the remaining plan with 10,000 workers, the requirements were age 62 and 5 years of service.

[5] In these plans the minimum requirements were age 62, age 58 and 3 years of service, and age 45 and 15 years of service.

TABLE 13. Consent necessary for early retirement by method of financing[1]

(Workers in thousands)

Provision	All plans		Noncontributory		Contributory	
	Number	Workers	Plans	Workers	Plans	Workers
Plans with early retirement	218	3,071.0	170	2,587.0	48	484.0
With employer's consent	58	522.3	34	398.3	24	124.0
With employer's consent or request	9	186.7	5	144.6	4	42.1
At employer's request	1	2.9	1	2.9	-	-
Mutual consent	1	1.2	1	1.2	-	-
At worker's or employer's request	7	150.4	5	29.7	2	120.7
At worker's request	142	2,207.5	124	2,010.3	18	197.2

[1] Based on a study of 300 selected pension plans under collective bargaining covering approximately 4,910,000 workers.

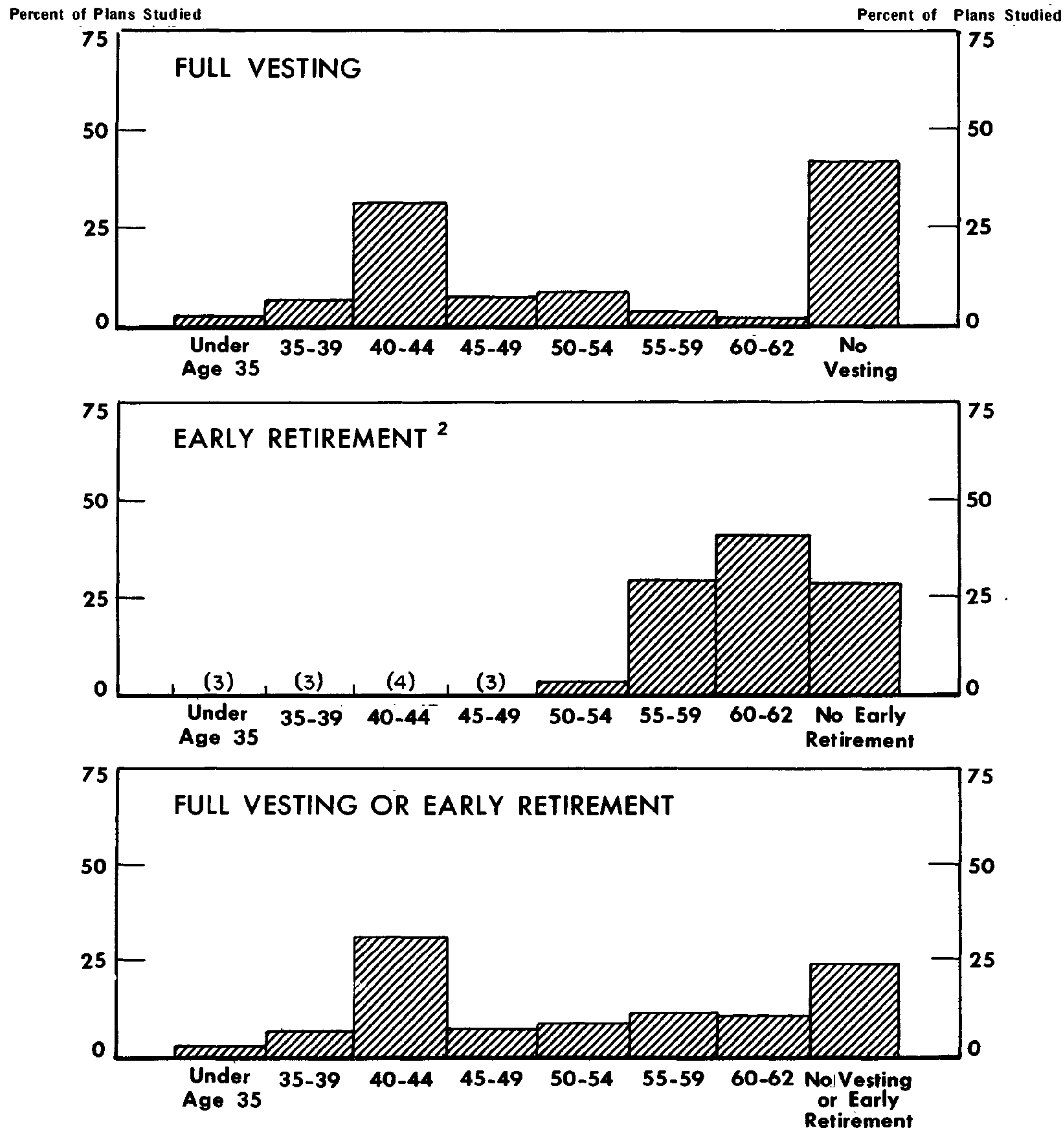
Prospects of Vesting or Early Retirement for the Young Worker

Age and service requirements were basic to the vesting provisions studied; in most cases, different age and service requirements were stipulated for early retirement. With all these variables, it is difficult to evaluate the significance of these provisions to the workers covered by pension plans. Yet, under certain assumptions, a unified picture can be obtained. For this purpose, the prospects for full vesting or early retirement, or neither, for a worker hired at age 25 were computed for each of the 300 plans studied. All measurable factors such as minimum age, length of service, plan membership, and preparticipation requirements were taken into account. It was assumed that the worker would remain in the same employment for all of his working life. The results (purely hypothetical, it must be emphasized) are presented in the accompanying chart.

The earliest age at which the newly hired 25-year-old worker could expect to become fully vested ranged up to 62 years. In 40 percent of the 300 plans, the worker would be fully vested by the time he reached age 45. Before he reached his 60th birthday, the possibility of early retirement would be available to the worker under 32 percent of the plans.

The integration of vesting and early retirement indicated in the chart reveals the prospects which face a 25-year-old worker in eventually realizing the pension credits he is beginning to accumulate. In 24 percent of the plans, he will have to reach normal retirement age, typically 65, in the same employment (or under the coverage of a multiemployer plan) to secure any return. Prior to reaching age 55, he will have become fully vested or will have met the requirements for early retirement in a little more than half of the plans.

Earliest Age at Which a Worker Hired at Age 25 Can Expect To Become Fully Vested or Qualify for Early Retirement[1]



Based on a study of 300 selected pension plans under collective bargaining covering approximately 4,910,000 workers.

[2] In 10 plans, women can expect to qualify for benefit 5 years earlier than men

[3] Less than 1.0 percent.

[4] None.

UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

Portability Under Multiemployer Plans

Perhaps the ideal method of protecting pension rights of workers who transfer from one employer to any other employer with a pension plan is to allow them to carry their previously earned pension credits as under the Federal Social Security program. Problems of great magnitude are posed by such an approach, and proposals along these lines have been thus far confined chiefly to theoretical discussions. Yet, a limited portability of pension credits is implicit in multiemployer plans which may provide all the protection most workers under these plans need during their working life.

The scope of multiemployer plans tends to, but need not necessarily, parallel the scope of the collective bargaining agreement. A number of employers (e. g., an association) under a single agreement with a union, or a number of employers under separate contracts, agree to contribute specified amounts to a pooled central fund. For example, one agreement calls for the payment of a specified percent of payroll into a pension fund:

> The employer shall . . . pay . . . to the trustees . . . a sum of money equal to 2 percent of the wages payable to the employees of the employer for the preceding pay period, to be administered and expended by the trustees . . . for the purpose of providing pensions to the members of the union employed by the employer.

Many of these plans are in industries characterized by seasonal or irregular employment, or frequent job changes, making it difficult for the worker to remain with a single employer long enough to qualify for a pension. The multiemployer plan provides a solution to this problem—as long as the worker remains employed by one of the employer members, his coverage under the pension plan continues. In addition, the only way small employers may be able to provide pensions is to combine their resources with others.

As previously indicated, only 12 of the 69 multiemployer plans provided for full vesting, and 17 plans provided for early retirement. Workers covered by multiemployer plans may not have the complete protection offered by formal vesting, nor an equal opportunity to retire early, but they do have what workers under single employer plans lack—as long as they remain within the scope of the pension plan they may move from one employer to another and continuously build up credits toward retirement.

Types of Multiemployer Plans.—The scope and coverage of multiemployer pension plans determine the latitude the worker has in changing employers and retaining pension credits previously earned. The plans may vary in coverage by industry, area, and occupational group.

In the limited case, a plan may cover a specific occupational group (craft) in a metropolitan area. Typically, multiemployer pension plans in the construction and printing and publishing industries cover only workers in a specific craft in an area. For example, in the construction industry in the New York City area, separate pension plans have been established by the painters, carpenters, sheet-metal workers, etc., and the worker must remain in the same craft in that area in order to retain pension credits.

Multiemployer pension programs have expanded in some industries beyond the metropolitan area. In the longshore industry on the West Coast, a pension fund has been established under a coastwide agreement between the Pacific Maritime Association and the International Longshoremen's and Warehousemen's Union (Ind.).

Plans have also been negotiated on a national basis covering almost all workers in an industry. A well-known plan of this type is the United Mine Workers Welfare and Retirement Fund in the bituminous coal industry. A similar type of plan exists in the anthracite coal industry.

Some plans have developed which are not restricted by industry or occupation. An interesting illustration is the Northwest Ohio Area Industries-UAW Retirement Income Plan. Negotiated by the United Automobile Workers, the plan covers about 2,000 workers employed by about 40 companies in a number of different industries. An even broader approach is found in the Western Conference of Teamsters Pension Plan. Not only can the worker move from employer to employer in the trucking industry in an 11-State area, but he can also move to other industries in the area where employers have agreed to contribute to the fund.

The right to move from one multiemployer pension plan to another enhances the mobility of the worker and provides additional protection. For example, reciprocity arrangements have been established among the different plans negotiated by the Ladies' Garment Workers (AFL-CIO) in women's apparel industries. Thus, the worker who does not qualify under the requirements of one fund can use service accumulated in the other programs to attain eligibility for retirement benefits. Reciprocal arrangements of this type are still uncommon. This approach has seldom been used between pension plans established by different unions, but one multiemployer plan negotiated by the carpenters states that:

> It is understood that occasionally and from time to time, employees may transfer from employment covered by this plan to employment covered by the Teamsters Retirement Plan or by a plan established for contributing employers to provide retirement benefits to supervisors, office employees and management employees. It is also understood that occasionally and from time to time employees may transfer employment from either of the above outlined plans to this plan, providing these other funds agree and provide for a similar reciprocal arrangement with this fund, then . . . the committee shall authorize and direct the trustee in conformity with whichever reciprocal arrangement may exist with the applicable other fund either to (1) transfer to the designated fund all moneys (less 4 percent for administrative costs incurred) contributed and accumulated to the credit of such employee, or (2) retain in the fund all moneys contributed and accumulated to the credit of such employee, but without loss of rights thereto so far as the payment of future benefits to said employee as such rights accrue.

Part II. Involuntary Retirement Provisions

Important mileposts to workers covered by private pension plans, depending upon plan provisions, are the ages at which they may qualify for vesting for early retirement and for normal retirement; the age at which they may be retired at the discretion of the employer; and the age which the plan established as the maximum limit to employment in the company. This study deals with the status of workers at the normal retirement age who do not seek retirement—their prospects for involuntary retirement and accumulation of additional pension credits.

Involuntary retirement, as the term is used in this study, is retirement, with an annuity, imposed upon the worker against his volition, under provisions of a pension plan. The connotation of compulsion applies to the workers affected, not necessarily to the general purpose of the employer, or of the union. The involuntary aspect bears most heavily upon the worker who is fully capable and willing to work, who is not psychologically ready for retirement, or who needs his wage income. On the other hand, such provisions may be conceived by the employer as an equitable device for dealing with the problem of superannuated workers and for orderly replacement of older workers by younger workers. Involuntary retirement, as defined in this study, applies only to workers eligible for pension benefits, and is not intended to cover discharge for reason of age. Several of the plans studied expressly waived involuntary retirement provisions for workers who were not qualified to receive pension benefits. It is possible that companies whose pension plans did not specifically exempt such workers from involuntary retirement provisions nevertheless followed such practices.

Two types of involuntary retirement provisions, compulsory and automatic, were analyzed in this study. A compulsory retirement provision is one which requires retirement, subject, however, to the consent or approval of the employer or a designated body[14] for the continued employment of workers unwilling to retire. The compulsory retirement age is that age at which the worker loses the privilege of deciding whether he should retire, which he has the right to do, or to continue work. At the discretion of the employer, the worker may continue in his job, subject to his meeting job requirements, health requirements, or such other standards as may be imposed. For example, one plan provided that:

> . . . an employee shall be retired on the last day of the month in which he attains age 70, provided that the administrative body may defer any such required retirement for such period or periods as it determines to be reasonable and appropriate, upon finding that such employee is able to perform properly his regular work assignment. . . .

Under an automatic retirement provision, the door is closed to expectations of continuing employment. Retirement is mandatory at the maximum age fixed by the plan, as in the following example:

> . . . An employee who attains or has attained age 67 will not be permitted to remain in the service of the company beyond the first day of the calendar month coinciding with or next following his birthday. . . . This date shall be his automatic retirement date.

---

[14] In some cases, a joint management-union board makes the decision.

In a plan which combines compulsory and automatic retirement provisions, the worker must retire upon reaching the specified compulsory retirement age, unless the employer consents to his continuing on the job; however, a later automatic retirement age places a limit on employment extension. The following clause illustrates a combined compulsory and automatic retirement provision:

> . . . Only on a specific year-to-year approval of the company will an employee be continued in active service after age 65, and in no case beyond age 70.

Also of particular concern to workers who have reached the normal retirement age[15] stipulated in pension plans are service crediting provisions, discussed in this report, which permit or bar the accrual of additional pension credits should employment be continued.

Scope of Study

For this study, 300 selected pension plans under collective bargaining in effect in late 1958, each covering 1,000 or more workers, were analyzed.[16] The plans covered approximately 4.9 million workers under collective bargaining, or more than half of the estimated coverage of all pension plans under collective bargaining.

An earlier Bureau study of 300 pension plans in effect in 1952[17] permitted a limited review of trends over a 6-year interval. Of these plans, 219 were also included in the present study.

Prevalence of Involuntary Retirement Provisions

Involuntary retirement was provided for in 179 plans, or about 3 out of 5 plans studied (table 14). Among the selected plans, wide variations in industry practices were found. For example, none of the apparel and construction industry plans studied contained involuntary retirement provisions; but all of the plans in the chemical; products of petroleum; rubber; stone, clay, and glass industries; and electric and gas utilities had such provisions. Only 5 relatively small plans among the 33 in the primary metal industries provided for involuntary retirement; on the other hand, in the transportation equipment industry, only 5 small plans of the 24 studied did not contain such provisions.

Of the 179 plans with involuntary retirement provisions, 109 provided for compulsory retirement, with no automatic feature; 52 provided for automatic retirement, with no earlier requirement for compulsory retirement; and 18 plans provided for a combination of both at different ages.[18]

---

[15] The normal retirement age, a feature of virtually all private pension plans, may be defined as the earliest age (usually 65 years) 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 formula of the plan. Inference that this age is the "right" age at which to retire, the "average" age, or similar generalities, should not be read into the word "normal."

[16] For details of the scope and coverage of the 300 plans studied, see p. 2.

[17] Op. cit., footnote 7, p. 4.

[18] Three of the 127 plans with compulsory retirement features required joint employer and union approval for working beyond the compulsory retirement age, with a later age stipulated that required only employer consent for workers to remain employed. Another plan required the consent of a bipartite board for further employment. The remainder of the plans (123) required only the employer's consent.

TABLE 14. Provisions for involuntary retirement in selected pension plans under collective bargaining by industry group

(Workers in thousands)

Industry group	All plans		Involuntary retirement provisions								No involuntary retirement	
			Plans with involuntary retirement provisions		Compulsory only		Automatic only		Compulsory and automatic at different ages			
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All industries	300	4,909.8	179	2,743.5	109	1,823.7	52	815.6	18	104.2	121	2,166.3
Manufacturing	229	3,393.8	143	2,073.5	90	1,593.8	40	391.8	13	87.9	86	1,320.3
Food and kindred products	17	194.9	12	134.8	3	10.8	6	113.7	3	10.3	5	60.1
Tobacco manufactures	3	27.5	3	27.5	2	21.0	-	-	1	6.5	-	-
Textile mill products	8	40.3	6	17.7	4	14.4	1	2.0	1	1.3	2	22.6
Apparel and other finished products	9	431.7	-	-	-	-	-	-	-	-	9	431.7
Lumber and wood products, except furniture	3	25.3	2	14.3	1	5.0	-	-	1	9.3	1	11.0
Furniture and fixtures	4	39.0	1	33.0	-	-	1	33.0	-	-	3	6.0
Paper and allied products	9	50.3	8	45.8	5	37.1	3	8.7	-	-	1	4.5
Printing, publishing, and allied industries	5	15.2	1	3.9	1	3.9	-	-	-	-	4	11.3
Chemicals and allied products	13	131.1	13	131.1	9	96.4	3	14.7	1	20.0	-	-
Petroleum refining and related industries	9	83.9	9	83.9	5	27.7	2	25.4	2	30.8	-	-
Rubber and miscellaneous plastics products	8	107.7	8	107.7	3	37.5	5	70.2	-	-	-	-
Leather and leather products	4	40.8	1	3.5	1	3.5	-	-	-	-	3	37.3
Stone, clay, and glass products	10	73.8	10	73.8	7	68.1	1	1.4	2	4.3	-	-
Primary metal industries	33	592.7	5	38.4	4	33.4	1	5.0	-	-	28	554.3
Fabricated metal products	13	115.3	4	23.7	3	20.2	1	3.5	-	-	9	91.6
Machinery, except electrical	28	187.5	22	166.9	14	131.2	8	35.7	-	-	6	20.6
Electrical machinery, equipment, and supplies	16	319.3	11	299.0	9	281.9	1	16.0	1	1.1	5	20.3
Transportation equipment	24	862.3	19	843.8	14	784.4	5	59.4	-	-	5	18.5
Instruments and related products	4	20.3	3	7.9	1	2.0	1	1.6	1	4.3	1	12.4
Miscellaneous manufacturing industries	9	34.9	5	16.8	4	15.3	1	1.5	-	-	4	18.1
Nonmanufacturing	71	1,516.0	36	670.0	19	229.9	12	423.8	5	16.3	35	846.0
Mining, crude petroleum, and natural gas production	6	231.6	3	18.3	2	14.7	-	-	1	3.6	3	213.3
Construction	12	416.8	-	-	-	-	-	-	-	-	12	416.8
Transportation[1]	17	470.8	11	387.1	6	40.6	4	345.0	1	1.5	6	83.7
Communications	4	171.6	4	171.6	2	133.3	2	38.3	-	-	-	-
Utilities: Electric and gas	14	62.0	14	62.0	8	35.3	4	16.5	2	10.2	-	-
Retail and wholesale trade	8	56.7	2	10.0	-	-	1	9.0	1	1.0	6	46.7
Hotels and restaurants	2	43.9	-	-	-	-	-	-	-	-	2	43.9
Services	4	33.6	-	-	-	-	-	-	-	-	4	33.6
Miscellaneous nonmanufacturing industries	4	29.0	2	21.0	1	6.0	1	15.0	-	-	2	8.0

[1] Excludes railroad and airline industries.

TABLE 15. Provisions for involuntary retirement in selected pension plans under collective bargaining, by method of financing and type of bargaining unit

(Workers in thousands)

Type of provision	All plans		Non-contributory		Contributory		Single employer		Multi-employer	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans studied	300	4,909.8	249	4,122.7	51	787.1	231	3,048.9	69	1,860.9
With involuntary retirement provisions	179	2,743.5	133	2,284.1	46	459.4	169	2,251.0	10	492.5
Compulsory only	109	1,823.7	79	1,463.5	30	360.2	108	1,817.2	1	6.5
Automatic only	52	815.6	43	760.8	9	54.8	45	333.9	7	481.7
Compulsory and automatic at different ages	18	104.2	11	59.8	7	44.4	16	99.9	2	4.3
No involuntary retirement provisions	121	2,166.3	116	1,838.6	5	327.7	62	797.9	59	1,368.4

Almost three-fourths (169) of the 231 single employer plans studied contained involuntary retirement provisions, compared with only 10 out of 69 multiemployer plans (table 15). Only 1 of the 10 multiemployer plans with involuntary retirement provisions had no provision for automatic retirement. All but 5 of the 51 contributory plans, but slightly more than half of the 249 noncontributory plans, provided for involuntary retirement.

In the 1952 study, 175 plans had involuntary retirement provisions. Although the 1952 and 1958 samples of 300 plans were not identical, it would appear that no significant change in the prevalence of involuntary retirement provisions has occurred over the 6-year interval.

Compulsory and Automatic Retirement Ages

In 82 plans or almost two-thirds of the 127 plans stipulating a compulsory retirement age (including 18 plans which also provided for automatic retirement at a later age), the designated age was 65 (table 16). Thirty-five plans set age 68 as the compulsory retirement age; 8 of the remaining 10 plans specified age 70.

Significantly, in all but 6 of the 82 plans which designated 65 as the compulsory retirement age, 65 was also the normal retirement age. In the six exceptions, a normal retirement age of 60 was specified. All of the 35 plans with compulsory retirement at age 68 provided for normal retirement at age 65. In the remaining 10 plans, the compulsory retirement age was 4 or more years later than the normal retirement age.

Among the 70 plans containing automatic retirement provisions (including 18 plans which specified an earlier compulsory age), 24 stipulated age 65, 17 age 68, and 22 age 70 (table 16). Six of the remaining seven automatic retirement ages fell between 65 and 68. In the 24 plans which specified age 65 for automatic retirement, all but 1 also set 65 as the normal retirement age. All plans with automatic retirement at age 68, and 19 of the 22 with automatic age at 70, also designated 65 as the normal retirement age.

In the 18 plans providing for a compulsory age with a later stipulated automatic age, 13 provided for compulsory retirement at age 65 and automatic retirement at age 70. In two plans, the respective ages were 68 and 70. The remaining three plans provided for compulsory retirement at 65 and automatic retirement at 66 or 67.

TABLE 16. Normal, compulsory, and automatic retirement ages in selected pension plans under collective bargaining

(Workers in thousands)

Age[1]	Normal retirement		Compulsory retirement		Automatic retirement	
	Plans	Workers	Plans	Workers	Plans	Workers
All plans with retirement provisions	300	4,909.8	127	1,927.9	70	919.8
Age 55	1	3.0	-	-	-	-
Age 60	15	579.6	-	-	-	-
Age 65	282	4,289.2	82	1,006.9	24	170.0
Age 66	-	-	-	-	2	19.7
Age 67	-	-	-	-	4	21.8
Age 68	-	-	35	888.1	17	169.9
Age 69	-	-	1	1.0	-	-
Age 70	1	7.8	8	28.0	22	453.4
Age 74	-	-	-	-	1	85.0
Age 75	-	-	1	3.9	-	-
Other[2]	1	30.2	-	-	-	-

[1] An earlier normal, compulsory, or automatic retirement age for women was provided in some plans. See tabulation below.
[2] Normal retirement benefit provided when age plus years of service equal 80.

Of the 300 plans studied, 21 provided a lower normal retirement age for women than for men. Ten compulsory retirement provisions and four automatic retirement provisions also stipulated a lower age for women. The ages thus specified are shown below.

Age		Normal retirement	Compulsory retirement	Automatic retirement
All plans with earlier retirement age for women		21	10	4
Men	Women			
60	55	3	-	-
65	55	3	-	-
65	60	12	5	1
65	62	3	-	-
68	58	-	1	-
68	65	-	2	2
70	65	-	2	1

The prospects for involuntary retirement facing a male worker on his 65th birthday can be computed by considering the compulsory retirement ages, or automatic retirement ages if no prior compulsory retirement age was stipulated in the 300 plans studied. Based on these plans, the number of years of work which lie ahead of the 65-year-old worker (if he chooses to work) before he faces the possibility that a company decision can force him to retire are as follows:

Years	Plans	
	Number	Percent
All plans studied	300	100.0
None (involuntary retirement at age 65)	106	35.3
At least 1 year	194	64.7
At least 2 years	193	64.3
At least 3 years	191	63.7
At least 4 years	139	46.3
At least 5 years	138	46.0
At least 6 years	123	41.0
At least 10 years	122	40.7
No limit (no involuntary retirement)	121	40.3

Based on the 300 plans studied, the number of years before automatic retirement would occur for a 65-year-old male worker can be similarly illustrated as follows:

Years	Plans	
	Number	Percent
All plans studied	300	100.0
None (automatic retirement at age 65)	24	8.0
At least 1 year	276	92.0
At least 2 years	274	91.3
At least 3 years	270	90.0
At least 4 years	253	84.3
At least 6 years	231	77.0
No limit (no automatic retirement)	230	76.7

Service Credits After Normal Retirement Age

An important consideration for the worker covered by a plan permitting extension of employment beyond the normal retirement age is whether such employment can be counted to build up credits for pension benefits. Some workers may be able to qualify for a pension only by working additional years of credited service beyond the normal retirement age stipulated in the plan. For example, a plan may require the worker to have at least 15 years of credited service in order to qualify for benefits; hence, workers reaching age 65 (normal retirement age) with less than 15 years of service would never be able to qualify if no service after age 65 is credited.

Furthermore, the worker who meets minimum service requirements for benefits at the normal retirement age may materially raise his future pension level if he is allowed to accrue credited service beyond the normal retirement age. This is of less concern under plans which provide maximum benefits for a specified number of years of service (e. g., 25 or 30 years). Workers who have fulfilled those requirements prior to normal retirement age would have no need for additional service credits.

The three principal methods of dealing with service after normal retirement age are: (1) No service is credited, (2) all service is credited, or (3) service is credited up to a specified age. Following are examples of each type:

> . . . In no event shall a member receive credit for service after the year in which he reaches age 65.

* * *

> . . . An employee who [continues to work after age 65] . . . shall be credited with his continuous service . . . for the purpose of calculating any subsequent benefits to which he may become entitled.

* * *

> . . . The normal retirement age under this plan shall be the 65th birthday of an employee. . . . No service shall be credited after an employee's 70th birthday. . . .

Whereas the previous clauses pertained to plans without involuntary retirement provisions, the following examples are taken from plans with such provisions:

> . . . An employee shall retire at the end of the month in which he attains 65 years of age . . . credited service shall not include service with the employer after the employee attains 65 years of age. . . .

* * *

> . . . A member may continue in active service beyond the normal retirement age [65] with the consent of the employer. . . . For computing benefits with respect to service, a member's total [continuous] years of service after attaining age 65 and completing 2 years of service . . . will be credited.

* * *

> At the option of an employee who attains the age of 65 or more, and who is physically and mentally able . . . may continue in employment up to age 68. Subject to consent of the company, an employee who has attained the age of 68 may continue in employment but not beyond age 70. No service beyond age 68 shall be credited in determining the amount of an employee's pension.

* * *

Prevalence of Service Crediting Provisions.—Slightly less than two-thirds (195) of the 300 plans studied allowed the worker to continue to accumulate credit for all or part of his employment after normal retirement age (table 17). Of the plans that permitted further crediting of service, approximately 3 out of 5 (120) counted all employment after normal retirement age. The remaining 75 plans credited service to a specified age, most commonly age 68.

Plans without involuntary retirement provisions were more likely to count service after normal retirement age for pension benefit purposes. Of the 121 plans with no involuntary retirement provisions, more than 4 out of 5 (102) permitted all service beyond the normal retirement age to be credited. Only 11 plans did not allow additional service credit. The remaining eight plans credited service to a stipulated age of 68, 70, or 72.

On the other hand, only 18 of the 179 plans with involuntary retirement provisions allowed unlimited service credit for employment after the normal retirement age. About half of the plans (94) with involuntary retirement provisions (including 23 plans in which retirement at the normal age was mandatory) did not permit any further crediting of service. The remaining 67 plans allowed service credit up to a certain age, including 28 plans with automatic retirement provisions. In most of the other 39 plans, service crediting was allowed up to the compulsory retirement age. Age 68 was the most common age when service crediting stopped.

In the 300 plans studied, the number of years a plan will allow a 65-year-old male worker to continue to accumulate credited service are as follows:

Years	Plans: Number	Plans: Percent
All plans studied	300	100.0
None	111	37.0
At least 1 year	189	63.0
At least 2 years	187	62.3
At least 3 years	186	62.0
At least 4 years	142	47.3
At least 5 years	141	47.0
At least 6 years	126	42.0
At least 8 years	121	40.3
No limit	120	40.0

Of the 111 plans which permitted no further service credit accumulation to the 65-year-old worker, about 90 percent contained involuntary retirement provisions. Conversely, of the 120 plans which permitted unlimited service crediting, about 90 percent had no involuntary retirement provisions.

TABLE 17. Normal and involuntary retirement ages by service credited after normal retirement age, in selected pension plans under collective bargaining

(Workers in thousands)

Specified retirement age[1]			All plans		Service credited after normal retirement age to—													
					None		Age 65		Age 68		Age 70		Age 72		Other[2]		All	
Normal	Compulsory	Automatic	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans studied			300	4,909.8	105	916.9	6	182.9	44	996.3	15	440.6	5	61.4	5	107.7	120	2,204.0
Age 55	-	-	1	3.0	-	-	-	-	-	-	-	-	-	-	-	-	1	3.0
Age 60	-	-	7	230.7	-	-	-	-	-	-	-	-	-	-	-	-	7	230.7
Age 60	65	-	5	194.3	-	-	4	173.3	-	-	-	-	-	-	-	-	1	21.0
Age 60	-	65	1	8.1	-	-	1	8.1	-	-	-	-	-	-	-	-	-	-
Age 60	65	70	1	1.5	-	-	1	1.5	-	-	-	-	-	-	-	-	-	-
Age 60	-	70	1	145.0	-	-	-	-	-	-	1	145.0	-	-	-	-	-	-
Age 65	-	-	112	1,924.8	11	62.4	-	-	[3] 3	31.5	[4] 3	51.2	[5] 2	56.0	-	-	[6] 93	1,723.7
Age 65	65	-	61	712.7	49	533.4	-	-	[7] 1	1.2	1	1.8	-	-	-	-	10	176.3
Age 65	-	65	23	161.9	23	161.9	-	-	-	-	-	-	-	-	-	-	-	-
Age 65	65	66	1	4.7	-	-	-	-	-	-	-	-	-	-	1	4.7	-	-
Age 65	65	67	2	18.3	2	18.3	-	-	-	-	-	-	-	-	-	-	-	-
Age 65	65	70	12	75.4	10	70.1	-	-	-	-	[8] 2	5.3	-	-	-	-	-	-
Age 65	-	66	1	15.0	-	-	-	-	-	-	-	-	-	-	1	15.0	-	-
Age 65	-	67	2	3.5	1	1.5	-	-	-	-	-	-	-	-	1	2.0	-	-
Age 65	68	-	33	883.8	5	50.4	-	-	[9] 20	792.5	-	-	3	5.4	-	-	5	35.5
Age 65	-	68	17	169.9	1	9.0	-	-	[10] 16	160.9	-	-	-	-	-	-	-	-
Age 65	68	70	2	4.3	-	-	-	-	2	4.3	-	-	-	-	-	-	-	-
Age 65	69	-	1	1.0	-	-	-	-	-	-	-	-	-	-	1	1.0	-	-
Age 65	70	-	8	28.0	1	3.0	-	-	2	5.9	3	13.1	-	-	-	-	2	6.0
Age 65	-	70	5	197.0	2	6.9	-	-	-	-	3	190.1	-	-	-	-	-	-
Age 65	-	74	1	85.0	-	-	-	-	-	-	-	-	-	-	1	85.0	-	-
Age 65	75	-	1	3.9	-	-	-	-	-	-	1	3.9	-	-	-	-	-	-
Age 70	-	-	1	7.8	-	-	-	-	-	-	-	-	-	-	-	-	1	7.8
Other[11]	-	70	1	30.2	-	-	-	-	-	-	1	30.2	-	-	-	-	-	-

[1] An earlier normal, compulsory, or automatic retirement age for women was provided in some plans. See tabulation on p. 23.
[2] Includes 4 plans under which service is credited to the automatic retirement age, and 1 plan with compulsory retirement, under which service is credited until the earlier of age 69 or date eligible for a benefit.
[3] Includes 2 plans in which service is credited until the later of age 68 or date eligible for a benefit.
[4] Includes 1 plan in which service is credited until the later of age 70 or date eligible for a benefit.
[5] Service credited until the later of age 72 or date eligible for a benefit.
[6] Includes 1 plan in which all service is credited after normal age until eligible for a benefit.
[7] Service credited until the earlier of age 68, or attainment of 25 years of service.
[8] Includes 1 plan in which service is credited until the earlier of age 70 or attainment of 25 years of service.
[9] Includes 1 plan in which service is credited until the earlier of age 68 or attainment of 25 years of service.
[10] Includes 1 plan in which service is credited until the earlier of age 68 or date eligible for a benefit.
[11] Normal retirement provided when age plus service equals 80.

Appendix

Vesting and early retirement provisions in pension plans studied by industry

(Workers in thousands)

Industry group	All plans studied		Plans with vesting		Type of vesting				Plans with early retirement		Plans without vesting or early retirement	
					Deferred full		Deferred graded					
	Number	Workers	Number	Workers	Plans	Workers	Plans	Workers	Number	Workers	Number	Workers
All industries	300	4,909.8	[1] 174	2,780.9	154	2,335.8	19	441.7	218	3,071.0	71	1,564.7
Manufacturing	229	3,393.8	156	2,485.2	140	2,243.6	15	238.2	183	2,698.1	37	607.7
Food and kindred products	17	194.9	11	83.6	10	78.9	1	4.7	14	171.9	2	19.7
Tobacco manufactures	3	27.5	2	22.5	2	22.5	-	-	2	22.5	1	5.0
Textile mill products	8	40.3	2	19.0	2	19.0	-	-	6	17.7	1	12.6
Apparel and other finished products	9	431.7	-	-	-	-	-	-	-	-	9	431.7
Lumber and wood products, except furniture	3	25.3	1	5.0	1	5.0	-	-	3	25.3	-	-
Furniture and fixtures	4	39.0	1	2.0	1	2.0	-	-	2	3.5	2	35.5
Paper and allied products	9	50.3	5	35.7	4	34.2	1	1.5	7	43.5	2	6.8
Printing, publishing, and allied industries	5	15.2	2	5.2	2	5.2	-	-	2	5.2	3	10.0
Chemicals and allied products	13	131.1	[1] 8	76.2	6	52.8	1	20.0	9	59.9	2	40.2
Petroleum refining and related industries	9	83.9	8	82.8	4	34.0	4	48.8	8	82.8	1	1.1
Rubber and miscellaneous plastics products	8	107.7	2	20.9	2	20.9	-	-	7	106.4	1	1.3
Leather and leather products	4	40.8	2	30.0	2	30.0	-	-	1	3.5	1	7.3
Stone, clay, and glass products	10	73.8	7	40.2	5	29.8	2	10.4	7	54.1	2	11.3
Primary metal industries	33	592.7	31	584.3	31	584.3	-	-	33	592.7	-	-
Fabricated metal products	13	115.3	13	115.3	12	112.3	1	3.0	13	115.3	-	-
Machinery, except electrical	28	187.5	20	164.3	19	160.9	1	3.4	25	181.2	3	6.3
Electrical machinery, equipment, and supplies	16	319.3	12	308.5	11	307.3	1	1.2	14	312.4	2	6.9
Transportation equipment	24	862.3	23	859.3	20	714.1	3	145.2	22	857.5	1	3.0
Instruments and related products	4	20.3	3	16.0	3	16.0	-	-	4	20.3	-	-
Miscellaneous manufacturing industries	9	34.9	3	14.4	3	14.4	-	-	4	22.4	4	9.0
Nonmanufacturing	71	1,516.0	18	295.7	14	92.2	4	203.5	35	372.9	34	957.0
Mining, crude petroleum, and natural gas production	6	231.6	2	6.9	2	6.9	-	-	4	21.6	2	210.0
Construction	12	416.8	1	6.1	-	-	1	6.1	1	1.4	10	409.3
Transportation[2]	17	470.8	3	193.5	1	1.5	2	192.0	7	79.0	9	211.8
Communications	4	171.6	-	-	-	-	-	-	3	141.4	1	30.2
Utilities: Electric and gas	14	62.0	7	32.2	6	26.8	1	5.4	13	60.5	1	1.5
Retail and wholesale trade	8	56.7	3	36.0	3	36.0	-	-	4	41.0	4	15.7
Hotels and restaurants	2	43.9	-	-	-	-	-	-	-	-	2	43.9
Services	4	33.6	-	-	-	-	-	-	1	7.0	3	26.6
Miscellaneous nonmanufacturing industries	4	29.0	2	21.0	2	21.0	-	-	2	21.0	2	8.0

[1] Includes 1 plan with 3,400 workers which provided immediate full vesting.
[2] Excludes railroad and airline industries.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1959 O - 516989