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BLS Bulletin 1394

Unfunded Private Pension Plans

UNITED STATES DEPARTMENT OF LABOR
W. Willard Wirtz, Secretary

BUREAU OF LABOR STATISTICS
Ewan Clague, Commissioner

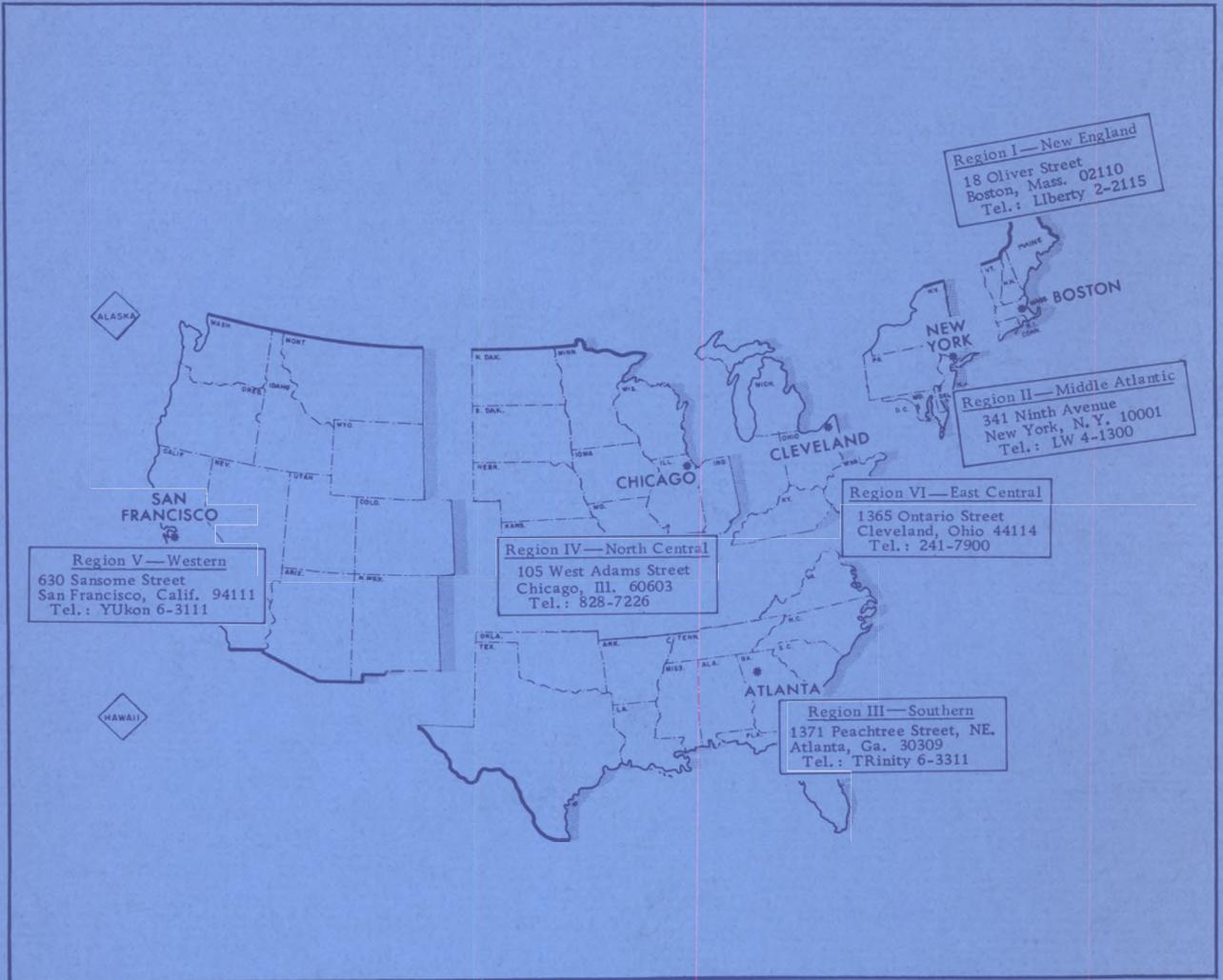
in cooperation with

UNITED STATES DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE
Anthony J. Celebrezze, Secretary

SOCIAL SECURITY ADMINISTRATION
Robert M. Ball, Commissioner



BUREAU OF LABOR STATISTICS REGIONAL OFFICES



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May 1964



The principal features of unfunded private pension plans, commonly referred to as "pay-as-you-go" plans, are analyzed in this bulletin.

The plans' coverage ranged from 26 workers (the minimum number required for reporting under the provisions of the Welfare and Pension Plans Disclosure Act) to more than 90,000 workers. In total, they covered approximately 1.4 million workers.

The study was conducted by the Bureau of Labor Statistics at the request of, and with financial assistance from, the Division of Research and Statistics of the Social Security Administration, U.S. Department of Health, Education, and Welfare. The cooperation and assistance of Joseph Krislov of the Social Security Administration, who proposed this study, is gratefully acknowledged.

The Bureau of Labor Statistics, which takes responsibility for the contents of this bulletin, is also grateful for the cooperation rendered by the staff of the Office of Labor-Management and Welfare-Pension Reports, the custodian of the Department of Labor's Disclosure Act files.

This study was conducted in the Bureau's Division of Industrial and Labor Relations by Joseph W. Bloch, Chief of the Division, under the general direction of L. R. Linsenmayer, Assistant Commissioner for Wages and Industrial Relations. The bulletin was prepared by Harry L. Levin. Walter W. Kolodrubetz planned the study and supervised the analyses of the plans and the computation of the benefit amounts. Harry E. Davis and Stanley S. Sacks assisted in the plan analyses. The entire project was under the supervision of Donald M. Landay.

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Unfunded Private Pension Plans

Introduction

Most unfunded private pension plans were established after World War II, when the pension movement as a whole grew rapidly (table 1). By the end of 1960, 23 million workers (active and retired) belonged to private pension and deferred profit-sharing plans. They included 1.4 million workers covered by the 851 unfunded pension plans that filed financial reports for 1960 under the Welfare and Pension Plans Disclosure Act (table 2).¹ However, less than half a million of these workers were covered by the 677 unfunded basic plans providing old-age pensions. The other 900,000 workers belonged to unfunded supplementary plans that provided long-term disability, death, or other benefits (table 3); virtually all members of such plans also belonged to funded plans providing old-age pensions.

The aggregate amount of benefits paid in 1960 by all 677 basic plans was \$51 million (table 4) or 3 percent of the total benefit payments made by all retirement plans, funded or unfunded. An additional \$64 million was paid by 174 supplementary plans.

The types and amounts of benefits provided by basic unfunded plans were generally similar to those provided by funded plans. Direct comparisons are difficult because of the greater concentration of unfunded plans in certain industries, the absence of employee contributions to unfunded plans, the absence of multiemployer plans, etc. Nonetheless, the differences are, on the whole, not significantly large, with one important, but expected, exception. The prevalence of vesting² in unfunded plans is so much lower than in funded plans that it must be attributed chiefly to the difference in financing.

The essential difference between funded and unfunded plans lies in the method of paying for benefits. The benefits of unfunded plans are paid, like wages, directly from an employer's general assets, often as a payroll item. On the other hand, the benefits of funded plans are paid from special funds which are administered by trustees or insurance companies, and are irretrievably segregated from the general assets of the firm. Funded plans afford the worker greater intrinsic assurance that benefits will be paid when due because once they are fully funded, payment does not depend entirely, as it does in an unfunded plan, upon the employer's willingness and ability to fulfill the terms of the plan.³

From the employer's viewpoint, too, funded basic plans have some advantages. Employers may currently reduce their Federal income taxes by obtaining tax credits as they make contributions, instead of waiting until the pensions are paid. Furthermore, the earnings of the pension trust fund, which reduce future contributions, are exempt from income taxes.

¹ The data for unfunded plans exclude small plans not required to report (i. e., those covering fewer than 26 workers and those sponsored by nonprofit organizations). On the other hand, the data for all plans, as estimated by the Social Security Administration, include estimates for all retirement plans, including nonprofit plans, those not reporting under the act, and those financed through profit sharing.

² A vesting provision guarantees the worker who has met specific requirements, a right or equity in his accrued pension based on all or part of the employer's contributions should his employment be terminated before he becomes eligible for regular retirement benefits. For additional information on vesting provisions see Pension Plans Under Collective Bargaining, Late 1958 (BLS Bulletin 1259, 1959).

³ It should be noted that the benefits for past service promised by many funded plans may not be fully funded; however, insofar as they are funded, they are presumably more secure than they would be under an unfunded plan.

Owners actively engaged in operating a business, and high paid employees whom the owners wish to attract and retain, may also prefer a funded plan because of its tax advantages to them and their families. They may, for example, reduce their personal income taxes by electing to take a lump-sum payment instead of an annuity, to obtain the favorable capital gains treatment granted such payments only if made by a funded plan. Moreover, they and their heirs are relieved of gift and estate taxes for which they might be liable under an unfunded plan. In addition, the first \$5,000 of death benefits are excluded from the taxable income of the beneficiaries.

The chief disadvantage of a funded basic pension plan is that contributions to a separate fund divert assets (chiefly cash) from the business. Where the earnings of the tax-free pension trust fund are substantially lower than the earnings of the business after payment of taxes (or the net cost, after taxes, of borrowing the funds needed to replace the contributions), this disadvantage may be great. Another drawback, in the eyes of some employers, is that a funded plan must meet the nondiscrimination test and other requirements of the Internal Revenue Service.

The relative advantages and disadvantages to employers of funding supplementary pension plans are not as great as those of funding a basic plan because supplementary plans cost far less. Moreover, some companies consider it best to treat certain benefits, such as those payable for deaths prior to retirement, as current expense items rather than as deferred charges. Furthermore, because some benefits are payable only temporarily, the advantages of funding are short lived; the possibility of certain other benefits becoming payable is so unpredictable that such benefits are difficult to fund appropriately.

Scope and Method of Study

Basic plans, as the term is used in this study, provide old-age retirement benefits (ordinarily payable at age 65) and usually also provide other benefits, such as early and disability retirement, and death benefits (table 3). The remaining plans are termed supplementary plans because they provide retirement and death benefits that supplement the old-age retirement benefits provided in virtually all instances by funded pension plans.

The study is based on a stratified random sample of the reports to the U.S. Department of Labor required under the provisions of the Welfare and Pension Plans Disclosure Act. The sample accounted for 30 percent of the reports and over 92 percent of the workers under the unfunded plans reporting to the Department of Labor. It was selected from plans filing a 1959 financial report (Form D-2). Coverage and financial data were adjusted to reflect the 1960 financial reports, and data on benefits were obtained from the plan descriptions (Form D-1) on file in the spring of 1962.

All plans covering 1,000 workers or more were included in the study. Plans covering 26 to 1,000 workers were stratified by both industry division and size (number of workers) so that data could be presented for industry divisions (1-digit SIC codes) and for some major industry groups (2-digit SIC codes) in manufacturing. These designations were based on the 1957 edition of the Standard Industrial Classification Manual prepared by the Bureau of the Budget.

Data for each sample report were weighted in accordance with the probability of selection of that report. For example, where 1 report out of 10 was selected in an industry division-size class, it was considered as representing itself as well as 9 other plans; i. e., it was given a weight of 10.

No attempt was made to adjust the totals so derived to the total number of plans or the financial data previously reported by the Department's Office of Welfare and Pension Plans (OWPP)⁴ for all unfunded retirement plans on file, because the latter were found to include some plans outside the scope of the study. OWPP data included, for example, some reports from plans with less than 26 participants, which are outside the reporting requirements of the disclosure act, reports from plans with separately maintained pension funds (funded plans), and plans not providing retirement benefits or benefits designed to supplement retirement benefits.

Administration of Plans

Less than half the plans were under collective bargaining but, because they included most of the larger plans, they covered a large majority of the workers; 7 out of 10 workers covered by unfunded plans belonged to plans that were collectively bargained as compared to 6 out of 10 workers under funded plans.⁵ This was largely because over half the workers in unfunded bargained plans were covered by several large supplementary plans in the highly organized telephone industry.

| Bargaining status | <u>Basic plan</u> | | <u>Supplementary plan</u> | |
|--------------------------------------------|-------------------|-------------------------------------|---------------------------|-------------------------------------|
| | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) |
| All plans ----- | 677 | 462 | 174 | 904 |
| Plans under collective bargaining ----- | 310 | 192 | 81 | 751 |
| Plans not under collective bargaining ---- | 367 | 270 | 93 | 153 |

¹ See footnote 1, table 1.

NOTE: Because of rounding, sums of individual items may not equal totals.

All but a tenth of the 200,000 workers covered by basic plans under collective bargaining were represented by national or international unions.⁶ The rest were represented by single-firm independent unions and, in a few cases, by local unions directly affiliated with the AFL-CIO. Only four unions represented over 10,000 workers—the Steelworkers, Mine Workers District 50, Electrical Workers (IBEW), and Teamsters—and none covered over 20,000. The Communications Workers, which represents most workers in the telephone industry, represented more workers belonging to supplementary plans than any other union.

⁴ Merged in September 1963 into the Office of Labor-Management and Welfare-Pension Reports under the Labor-Management Services Administration.

⁵ Based on data compiled for Health and Insurance, and Pension Plan Coverage in Union Contracts, Late 1960 (BLS Report 228, 1962), p. 2.

⁶ The number of workers represented by unions is somewhat overstated because many plans negotiated by unions also cover workers outside the bargaining units represented by the unions.

The national and international unions participating in unfunded basic pension plans in the spring of 1962 are shown in the following tabulation:⁷

| | |
|----------------------------------------|-------------------------------------------------|
| <u>10,000 and under 20,000 workers</u> | <u>5,000 and under 10,000 workers—Continued</u> |
| Electrical (IBEW) | Newspaper Guild (ANG) |
| Mine District 50 (UMW) (Ind.) | Packinghouse (UPWA) |
| Steelworkers (USA) | Papermakers (UPP) |
| Teamsters (TCWH) (Ind.) | Printing Pressmen (IPPA) |
| <u>5,000 and under 10,000 workers</u> | <u>2,500 and under 5,000 workers</u> |
| Cement (CLGW) | Retail Clerks (RCIA) |
| Communications (CWA) | Rubber (URW) |
| Electrical (IUE) | Street (SERMCE) |
| Longshoremens (ILA) | Textile (TWUA) |
| Machinists (IAM) | Textile (UTWA) |

Three-fifths of the plans were in manufacturing industries (table 5), particularly chemicals, textiles, and other nondurable goods industries. Among non-manufacturing industries, worker coverage was concentrated in the telephone and railroad industries.

Virtually all plans were administered by (i. e., ultimate financial responsibility resided in) the employer or an employer-appointed board.⁸ However, as shown in the tabulation below, 50 plans, with about 28,000 workers, had a joint union-management committee to handle appeals. Another 20 plans covering 15,000 workers had a joint board that was responsible for only a segment of the administration of the plan. Only one plan was jointly administered by an employer and a union.

| Type of administrator | Type of plan | | | | | |
|----------------------------------------------------------------------------------------------|--------------|-------------------------------------|-------|-------------------------------------|---------------|-------------------------------------|
| | Total | | Basic | | Supplementary | |
| | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) |
| All plans ----- | 851 | 1,367 | 677 | 462 | 174 | 904 |
| Employer or employer-appointed board ----- | 850 | 1,365 | 676 | 461 | 174 | 904 |
| Without supplementary joint board or committee ----- | 780 | 1,322 | 608 | 420 | 172 | 902 |
| With joint appeals committee appointed by employer ----- | 50 | 28 | 49 | 27 | 1 | 1 |
| With joint board having limited administrative responsibility appointed by employer ----- | 20 | 15 | 19 | 14 | 1 | 1 |
| Joint board (union and employer appointed) ----- | 1 | 2 | 1 | 2 | - | - |

¹ See footnote 1, table 1.

NOTE: Because of rounding, sums of individual items may not equal totals.

⁷ All unions are affiliated with the AFL-CIO except those followed by (Ind.). Excluded from this list are unions representing fewer than 2,500 workers under unfunded pension plans, single firm independent unions, and Federal labor and industrial unions directly affiliated with the AFL-CIO.

⁸ Plans were directed to identify their administrator according to the following definition in the Welfare and Pension Plans Disclosure Act: "(1) The person or persons designated by the terms of the plan or the collective bargaining agreement with responsibility for the ultimate control, disposition, or management of the money received or contributed; or (2) in the absence of such designation, the person or persons actually responsible for the control, disposition, or management of the money received or contributed irrespective of whether such control, disposition, or management is exercised directly or through an agent or trustee designated by such person or persons."

Appeals. All plans made provision for appeal when a claim for benefits was denied. Three-fourths of the plans required that appeals be made to the employer or his designated representative. Nearly all the remaining plans provided a joint union-management board to rule on appeals.

| Party to receive initial appeal for benefits | Type of plan | | | | | |
|-----------------------------------------------------------------------------|--------------|-------------------------------------|-------|-------------------------------------|---------------|-------------------------------------|
| | Total | | Basic | | Supplementary | |
| | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) |
| All plans ----- | 851 | 1,367 | 677 | 462 | 174 | 904 |
| Employer ----- | 648 | 1,135 | 491 | 361 | 157 | 774 |
| Joint union-management board ----- | 187 | 145 | 173 | 81 | 14 | 63 |
| Specific cases appealed to impartial umpire or arbitrator ----- | 14 | 71 | 12 | 5 | 2 | 66 |
| Tripartite appeals board ----- | 1 | 15 | 1 | 15 | - | - |
| Joint union-management board for minimums; employer for disability ----- | 1 | 1 | - | - | 1 | 1 |

¹ See footnote 1, table 1.

NOTE: Because of rounding, sums of individual items may not equal totals.

Final Decision on Appeals. The final decision regarding any claim for benefits was made by the employer in nearly all the plans where appeals were initially made to the employer or a board designated by him. However, most of the plans with joint appeal boards provided for the appointment of an impartial umpire or arbitrator if the union and management members were deadlocked. This procedure was used by one-fifth of the plans.

| Final determination of appeal | Type of plan | | | | | |
|--------------------------------------------------------------------------------------------|--------------|-------------------------------------|-------|-------------------------------------|-----------------|-------------------------------------|
| | Total | | Basic | | Supplementary | |
| | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) |
| All plans ----- | 851 | 1,367 | 677 | 462 | 174 | 904 |
| Employer ----- | 632 | 1,091 | 476 | 352 | 156 | 739 |
| Joint union-management board only (without provision for resolving disagreements) ----- | 52 | 32 | 47 | 29 | 5 | 4 |
| If union and employer cannot agree, impartial umpire or arbitrator decides ----- | 166 | 228 | 153 | 66 | ² 13 | 161 |
| Tripartite appeals board ----- | 1 | 15 | 1 | 15 | - | - |

¹ See footnote 1, table 1.

² Includes 1 plan, covering 35,000 nonunion workers, who may appeal to an impartial medical board and 1 plan in which appeals relating to disability benefits are decided by the employer.

NOTE: Because of rounding, sums of individual items may not equal totals.

Amendment of the Pension Plan. In 2 out of 3 plans, covering 2 out of 5 workers, the employer explicitly reserved the right to amend the plan at his sole discretion. A somewhat larger number of workers were covered by plans that required union consent before the worker's benefits or privileges could be diminished. In addition, in a tenth of the plans the employer also had the right

to amend the plan but agreed to make no change during the period of the collective bargaining agreement. A fifth of the plans could only be amended by collective bargaining.

| Authorization to amend plan | Type of plan | | | | | |
|-------------------------------------------------------------------------------------------------|--------------|-------------------------------------|-------|-------------------------------------|-----------------|-------------------------------------|
| | Total | | Basic | | Supplementary | |
| | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) |
| All plans----- | 851 | 1,367 | 677 | 462 | 174 | 904 |
| At company's discretion----- | 563 | 574 | 445 | 319 | 118 | 255 |
| At company's discretion, but no change during period of collective bargaining agreement----- | 103 | 662 | 78 | 53 | ² 25 | 609 |
| By collective bargaining only----- | 175 | 124 | 144 | 84 | ³ 31 | 40 |
| Information not available----- | 10 | 7 | 10 | 7 | - | - |

¹ See footnote 1, table 1.

² Includes 18 plans, covering 520,000 workers, that required union consent before benefits or privileges could be diminished.

³ Includes 1 plan, covering 1,000 workers, in which only the minimum benefit cannot be reduced other than by collective bargaining; disability benefits may be amended at company's discretion.

NOTE: Because of rounding, sums of individual items may not equal totals.

Reduction of Benefits. In more than half of the plans, affecting two-fifths of the workers, the company reserved the right to reduce the amounts of plan benefits. Almost all remaining plans prohibited a reduction or restricted its timing. Although the majority of these plans prohibited a reduction of benefits during the period of the collective bargaining agreement and another two-fifths of these plans prohibited a reduction at any time, almost two-fifths of the workers belonged to plans that were restrained from reducing benefits without the union's consent.

| Limitations on reduction of benefits | Type of plan | | | | | |
|------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------|-------|-------------------------------------|-----------------|-------------------------------------|
| | Total | | Basic | | Supplementary | |
| | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) |
| All plans----- | 851 | 1,367 | 677 | 462 | 174 | 904 |
| None—may be reduced at company's discretion----- | 477 | 533 | 377 | 297 | 100 | 235 |
| Benefits for workers already retired cannot be reduced by terms of collective bargaining agreement----- | 53 | 27 | 38 | 21 | 15 | 6 |
| Benefits cannot be reduced (not under collective bargaining)----- | 75 | 89 | 58 | 21 | 17 | 67 |
| Benefits cannot be reduced unless union agrees----- | 19 | 529 | 1 | 9 | 18 | 520 |
| Benefits cannot be reduced during period of collective bargaining agreement----- | 210 | 169 | 188 | 104 | ² 22 | 65 |
| Benefits cannot be reduced prior to a specific date----- | 6 | 10 | 5 | 3 | 1 | 7 |
| Information not available----- | 11 | 9 | 10 | 7 | 1 | 3 |

¹ See footnote 1, table 1.

² Includes 1 plan, covering 1,000 workers, in which only minimum benefits cannot be reduced at the company's discretion during the life of the agreement.

NOTE: Because of rounding, sums of individual items may not equal totals.

Suspension of Benefits. Most unfunded plans, like most single employer funded plans, place no restriction on a pensioner's employment. However, about a fourth of the plans reserved the right to suspend benefits, usually for specified reasons, such as engaging in employment prejudicial to the company's interest. An eighth of the supplementary plans provided for suspension of benefits.

| Conditions for suspension of individual's benefits | Type of plan | | | | | |
|----------------------------------------------------|--------------|-------------------------------------|-------|-------------------------------------|---------------|-------------------------------------|
| | Total | | Basic | | Supplementary | |
| | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) |
| All plans ----- | 851 | 1,367 | 677 | 462 | 174 | 904 |
| Not provided ----- | 641 | 1,089 | 489 | 192 | 152 | 897 |
| At company's discretion ----- | 38 | 23 | 28 | 20 | 10 | 3 |
| Employment prejudicial to company interest--- | 89 | 177 | 83 | 174 | 6 | 3 |
| Employed by competitor ----- | 68 | 75 | 62 | 73 | 6 | 1 |
| Any employment ----- | 10 | (²) | 10 | (²) | - | - |
| Information not available ----- | 5 | 3 | 5 | 3 | - | - |

¹ See footnote 1, table 1.

² Fewer than 500 workers.

NOTE: Because of rounding, sums of individual items may not equal totals.

Discontinuance of the Pension Plan. Most unfunded plans, like most funded plans, could be discontinued at the discretion of the company.⁹ Two-thirds of the unfunded plans covering four-fifths of the workers had such a provision. Virtually all of the remaining plans prohibited discontinuance during the term of a collective bargaining agreement. These plans comprised more than two-thirds of the plans under agreements, but covered less than 30 percent of the workers.

| Limitations on discontinuance of plan | Type of plan | | | | | |
|---------------------------------------------------------------------------------|--------------|-------------------------------------|-------|-------------------------------------|-----------------|-------------------------------------|
| | Total | | Basic | | Supplementary | |
| | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) | Plans | Workers ¹ (thousands) |
| All plans ----- | 851 | 1,367 | 677 | 462 | 174 | 904 |
| At company's discretion ----- | 571 | 1,093 | 436 | 321 | 135 | 772 |
| Plan cannot be discontinued during term of collective bargaining agreement----- | 270 | 267 | 231 | 135 | ² 39 | 132 |
| Information not available ----- | 10 | 7 | 10 | 7 | - | - |

¹ See footnote 1, table 1.

² Includes 1 plan covering 1,000 workers in which only minimum benefits cannot be discontinued at the company's discretion during the life of the agreement.

NOTE: Because of rounding, sums of individual items may not equal totals.

⁹ To meet the requirements of the Internal Revenue Code, all funded plans provide that at termination, accrued benefits are vested by plan members; only if the assets in the fund exceed the members' vested benefits can the employer recover any of his contributions. When an unfunded plan is terminated, however, the employer "recovers" the cost of all pensions not yet paid, including, if he wishes, those of workers previously retired.

Basic Plans

Four out of five basic plans reporting their date of establishment commenced operating in the period 1945-59. (See table 1.) However, due to the establishment of a few large plans during the early 1900's, about a fifth of the workers belonged to plans that had been in operation for more than half a century.

Basic plans generally covered fewer workers than supplementary plans. Seven basic plans, covering 10,000 or more workers each, accounted for 180,000 workers. An additional 67 plans covered between 1,000 and 10,000 workers each. In contrast, about three-fourths of the plans covered fewer than 300 workers each.

About three-fifths of the workers under basic plans were employed in nonmanufacturing industries, chiefly in railroad transportation (144,000) and trade (52,000) (table 5). Among manufacturing industries, two-thirds of the plans were in nondurable goods industries. About half of the coverage among durable goods industries was in primary metals (41,000).

Normal Retirement

In over 6 out of 7 basic plans, covering 9 out of 10 workers, the normal retirement age¹⁰ was the same as in nearly all private funded plans and in the Social Security Act, i. e., age 65 (table 6). Most plans also required the fulfillment of 10 years or more of service with the employer.¹¹ Three out of five workers belonged to plans requiring 15 or 20 years of service. Only 1 out of 7 plans covering about 10 percent of the workers had no service requirement or required less than 10 years of service.

Forty-nine plans provided a lower retirement age for women than for men. Most of these plans, as shown by the following tabulation, allowed women to retire on full benefits at 60.

| Normal retirement age | | Plans | Workers (thousands) |
|------------------------------------------------------------------------------|----------|-------|------------------------|
| Men | Women | | |
| All plans with earlier normal retirement age for women ¹ ----- | | 49 | 103 |
| 70 | 61 ----- | 1 | 7 |
| 68 | 65 ----- | 5 | (2) |
| 65 | 60 ----- | 37 | 78 |
| 65 | 55 ----- | 5 | 16 |
| 60 | 55 ----- | 1 | 1 |

¹ See footnote 1, table 8.

² Fewer than 500 workers.

NOTE: Because of rounding, sums of individual items may not equal totals.

Benefit Formulas. Three-fifths of the plans had only one formula for determining normal retirement benefits. The other plans, covering two-fifths of the workers, had two formulas: (1) A basic formula, by which benefits are

¹⁰ The normal retirement age is usually defined as the earliest age at which a worker, having otherwise qualified, may retire at his own volition and receive immediately the full amount of benefits to which he is entitled.

¹¹ The term "service" as used in this bulletin refers to the years of employment credited toward qualification for benefits or used in computing benefits, regardless of the definition of service in the plan. In the plan documents, it may be referred to as "continuous service," "credited service," "consecutive years of service," and, unlike our definition, may exclude service before the worker was eligible to belong to the plan. Only 38 plans, covering 65,000 workers, specified a minimum age or service requirement for participation.

usually computed, and (2) an alternate or minimum formula, guaranteeing certain benefits for specified service and/or earnings, used for workers with long service, low earnings, or both. Nine out of 10 plans (349) without minimum formulas, moreover, implicitly established a guaranteed base in their basic formulas by specifying minimum service requirements for eligibility for normal retirement benefits. For example, a plan requiring 10 years of service that provides a benefit of 1 percent of average monthly earnings for each year of service, has an implicit minimum benefit of 10 percent of average monthly earnings.

The basic benefits payable by 3 out of 10 plans were based solely on service, by 1 out of 15 solely on earnings, and 1 out of 2 on both service and earnings, as shown by the following tabulation:¹²

| Type of basic benefit formula | Plans | Workers ¹ (thousands) |
|-------------------------------------------------|-------|-------------------------------------|
| All plans providing for normal retirement ----- | 677 | 462 |
| Benefits vary by earnings and service ----- | 346 | 349 |
| Benefits vary by service alone ----- | 200 | 84 |
| Uniform benefit for specified service ----- | 61 | 9 |
| Benefits vary by earnings alone ----- | 46 | 7 |
| Other ----- | 14 | 13 |
| Information not available ----- | 10 | 1 |

¹ See footnote 1, table 1.

NOTE: Because of rounding, sums of individual items may not equal totals.

The majority of the plans in which benefits varied by earnings and service or by earnings alone considered earnings for all the years in which the worker belonged to the plan (i. e., career, average, or total earnings). However, more than a fourth of the plans based their benefits on earnings in selected years—usually on average earnings in the last 5 or 10 years.

| Earnings base | Plans | Workers (thousands) |
|---------------------------------------------------------------------------------------------------|------------------|------------------------|
| All plans in which benefits vary by earnings and service, or earnings alone ¹ ----- | 392 | 356 |
| Plans using earnings in all years ----- | 268 | 212 |
| Each year's earnings ----- | ² 233 | 207 |
| Total earnings ----- | 5 | (3) |
| Average earnings ----- | 30 | 5 |
| Plans using earnings in selected years ----- | 109 | 141 |
| Last 10 years' earnings ----- | ⁴ 53 | 100 |
| High 10 consecutive years' earnings ----- | 1 | 1 |
| High 5 of last 10 years' earnings ----- | 9 | 23 |
| Last 5 years' earnings ----- | 44 | 12 |
| High 5 consecutive years' earnings ----- | 5 | 4 |
| Other ----- | 15 | 3 |

¹ See footnote 1, table 8.

² Includes some plans, covering fewer than 500 workers, that computed benefits on the last year's earnings.

³ Fewer than 500 workers.

⁴ Includes plans, covering about 1,000 workers, that computed benefits on the last 15 years' earnings.

⁵ Includes plans, covering about 3,000 workers, that provided a lump-sum benefit based on earnings and service and other plans, covering fewer than 500 workers, that provided benefits at the discretion of the board of directors.

NOTE: Because of rounding, sums of individual items may not equal totals.

¹² The term "earnings" as used in this bulletin refers to that part of the cash income, derived from employment with a company, that is used in computing the worker's pension benefit. Such earnings may be termed "total earnings," "career earnings," "terminal earnings," "credited earnings," "average earnings," etc., and may exclude certain earnings, such as the first \$4,800 earned each year, or overtime and other premium pay.

Under another type of formula, a uniform amount was provided all qualified pensioners regardless of the amount of service or earnings. The attainment of age 65 and from 10 to 25 years of service were sufficient to qualify for this uniform benefit. Although 61 plans made such a benefit available, they covered only a small number of workers. The benefit amounts varied considerably from plan to plan; ranging from \$40 to \$300 a month.

Adjustment of Private to Federal Benefits. While the old-age benefits provided under the Social Security and the Railroad Retirement Acts are considered in fixing private plan benefits, they were directly incorporated into the basic normal retirement benefit formulas of about 2 out of 5 unfunded basic plans which covered almost 2 out of 3 workers.

Private plan benefit formulas are "integrated" with the public programs in three ways:

1. Under the offset method, all or part of the Federal benefits payable to the worker are "offset" against (i. e., deducted from) the amount calculated from the benefit formula under the private plan. This reduction usually applies only to the Federal benefit for the worker himself, i. e., the benefits stemming from his marital status (wife's benefits) are excluded.

2. Under the step rate method, a larger percentage factor is applied to earnings in excess of a specified amount (almost always the maximum earnings considered in computing social security or railroad retirement benefits at the time the formula was adopted or amended)¹³ than to those below that amount.

3. Under the excess earnings method, only earnings in excess of a specified amount (usually also the maximum considered in computing the Federal benefits) are used to compute private benefits. This third method, where zero percent is applied to earnings below a certain amount, is of course, a variant of the second.

The prevalence of the three integration methods among basic plans was as follows:

| Integration provision | Plans | Workers ¹ (thousands) |
|--------------------------------|------------------|-------------------------------------|
| All basic plans ----- | 677 | 462 |
| No integration provision ----- | ² 401 | 168 |
| Integrated plans ----- | 276 | 294 |
| Offset method ----- | 208 | 194 |
| Step rate method ----- | 56 | 50 |
| Excess earnings method ----- | 12 | 50 |

¹ See footnote 1, table 1.

² Includes 10 plans, covering 1,000 workers, for which no information was available.

NOTE: Because of rounding, sums of individual items may not equal totals.

¹³ The maximum ceiling placed on earnings has been raised from \$3,000 in 1935 to \$3,600 in 1951, to \$4,200 in 1955, and to \$4,800 in 1959; cf. Social Security Act, sec. 215 (e) (1). Creditable railroad earnings under the Railroad Retirement Act were raised from \$3,600 to \$4,200 in 1954, to \$4,800 in 1959, and to \$5,400 in 1963.

The prevalence of integration provisions depended largely on the factors used to determine benefits. Plans not basing their basic benefits on earnings were rarely explicitly integrated with the Government programs. On the other hand, most plans with formulas based on earnings integrated their benefits either by making deductions or by using 2 percentage factors (table 7). Overall, about 3 out of 10 plans, covering 2 out of 5 workers, had offset provisions, most commonly deducting the entire primary social security and railroad retirement benefits.

About two-thirds of the workers belonging to integrated plans were in plans that used the offset method. The largest group of these plans deducted one-half the primary social security benefit. A slightly smaller number of plans covering more than twice as many workers deducted the entire social security benefits, presumably on the theory that since the employer pays only half of social security taxes, he can claim credit for only half the benefits. Other plans followed the steel industry practice of deducting \$85 a month (the maximum primary benefit when the steel industry plans were established) or \$80 a month, so that all subsequent increases in social security benefits would go to the pensioners.¹⁴

In contrast to the offset method, which was used by plans of all except the flat benefit type, the percentage factors and excluded earnings methods of integration were limited to plans basing benefits on both service and earnings. Two plans which covered two-thirds of the workers belonging to plans using the first method provided, for each year of service, a benefit of 0.75 percent of the first \$250 of monthly earnings and 1.5 percent of the balance. For workers earning over \$375 monthly, these factors determine higher benefits than 1 percent of all earnings for each year of service—the factor most commonly used by plans with a single factor and no deductions (table 8).

The benefits of most workers in plans using the excluded earnings method, which was found only in the railroad industry, were based on monthly earnings in excess of \$350—the maximum considered under the Railroad Retirement Act when the provision was adopted or revised by the plans.

One percent was the most prevalent factor in plans that used a single percentage factor to compute benefit amounts. Among plans of this type, whose basic benefits varied by earnings, more than half integrated such benefits with primary social security or railroad retirement benefits. Of these, plans covering over half the workers reduced their benefits by all primary Federal benefits.

Eighty-five percent of the plans that based their basic benefits solely on service did not offset Federal benefits. They ranged from \$1 a month to over \$4 a month for each year of service—most frequently \$2 a month (table 9).

Maximum and Minimum Benefits. A maximum benefit was specified in about half of all basic benefit formulas. Three-eighths of these plans established a uniform monthly benefit amount that could not be exceeded regardless of earnings or length of service. They included 61 plans providing a uniform benefit for all workers with at least a specified amount of service. Another three-eighths of the plans covering half as many workers established a maximum benefit by not crediting service in excess of a specified amount—usually 30 to 35 years. In addition, a few large plans set maximum benefits varying by years of service.

¹⁴ In order to increase pensions by \$5 a month, effective Jan. 1, 1960, funded plans in the steel industry reduced from \$85 to \$80 the amount deducted for primary social security benefits from plan benefits computed by the basic benefit formula.

| Maximum benefit provision | Plans | Workers ¹ (thousands) |
|-----------------------------------------------------------|-------|-------------------------------------|
| All plans providing normal retirement benefits --- | 677 | 462 |
| Without maximum benefit----- | 287 | 251 |
| With maximum benefit----- | 380 | 211 |
| Uniform maximum regardless of service or earnings----- | 139 | 87 |
| Limits on length of service credited----- | 138 | 42 |
| Uniform percent of earnings regardless of service----- | 66 | 16 |
| Maximum graduated by length of service ---- | 18 | 58 |
| Other----- | 19 | 9 |
| Information not available----- | 10 | 1 |

¹ See footnote 1, table 1.

NOTE: Because of rounding, sums of individual items may not equal totals.

A minimum benefit determined by a formula different than that used to compute the basic benefit was provided by two-fifths of the unfunded plans covering two-fifths of the workers. Most minimum benefit provisions were one of two types: (1) A uniform benefit for each year of service, and (2) a uniform benefit for workers with a specified amount of service. The first type was provided by over half the plans with minimums and covered three-fifths of the workers (table 10).

Minimum benefit formulas, unlike basic formulas, were seldom integrated with Federal benefits. Social security benefits, for example, were deducted from the minimum benefit amount by only 25 plans. Twenty subtracted all the primary social security benefit and five subtracted half of such benefit (table 11).

Level of Benefits. To ascertain the level of normal retirement benefits relative to previous earnings and service, hypothetical benefits payable by each plan were computed under the following assumptions:¹⁵

1. Retirement at age 65.
2. Thirty years of credited service.
3. Annual earnings of \$4,800. (Since this earnings level was assumed to be constant throughout the worker's career, an important difference between plans basing benefits on career earnings and those using terminal earnings was not taken into account.)
4. Maximum primary social security benefit of \$127 a month, or, where applicable, the maximum railroad retirement benefit, for 30 years' service, of \$251 a month.

¹⁵ The computations were based on the formula for current service. However, the amounts currently payable to eligible workers are often less because they are based, at least in part, on benefit formulas for past service. See Normal Retirement, Early and Disability Retirement, Fall 1959 (BLS Bulletin 1284, 1960), p. 5. The Federal benefits were those in effect in 1962, when the information on private plan benefits was obtained.

No benefits were payable under the foregoing assumptions by 48 plans covering 71,000 railroad workers and 7,000 others—about 1 out of 6 workers belonging to the 618 plans for which plan benefits could be calculated (table 12). These plans include 23 out of 28 railroad plans covering almost half the workers belonging to plans in that industry.¹⁶ These plans were obviously designed to pay benefits only to workers with higher earnings or longer service than those of the hypothetical pensioner who is expected to receive \$251 a month under the Railroad Retirement Act. They also included plans in other industries where workers typically earn less than \$4,800 a year. Plans with offset formulas may pay significant benefits to workers with low earnings even though they do not pay any benefits to higher paid workers receiving maximum social security benefits.

Nearly three-fourths of the private plans outside the railroad industry provided, under the assumed conditions, benefits that ranged between \$50 and \$150 a month and averaged about \$89 a month.¹⁷ Because plans covering half the workers belonging to plans in the railroad industry, as previously noted, pay no benefit under the assumed conditions and because the rest pay only small benefits averaging less than \$20 a month, the average railroad plan benefit was \$10 a month.

When all plans are considered, benefit amounts (exclusive of primary social security or railroad retirement benefits) ranged upwards to more than \$250 a month (table 12). The average plan benefit amount was \$64.40 a month or about one-sixth the worker's previous average gross monthly earnings. Plans with only 1 percent of the workers paid at least 50 percent of preretirement earnings.

The total pension benefits (private plus public benefits) of retired railroad workers were usually greater than that of pensioners from other industries because private plan benefits rarely cover the difference between social security and railroad retirement benefits. Only about 1 out of 5 nonrailroad workers belong to unfunded plans that provide as large a benefit, including \$127 for maximum primary social security benefits, as railroad workers receive from the Government plan alone (i. e., \$251 a month). As a result, the average combined benefits were nearly two-thirds of preretirement earnings for railroad men and somewhat more than half for other pensioners.

Under these assumptions, total monthly retirement income (private plan benefit plus Federal benefits) payable to the hypothetical pensioner covered by the plans whose benefits were computable, ranged from \$127—his social security benefit—upward to more than \$400 a month (table 13). No private benefits were payable by plans which offset the entire Federal benefit, because the Federal benefits always equaled or exceeded the total benefit determined by the plans' benefit formulas.

The average normal retirement benefit,¹⁸ including maximum primary social security and railroad retirement benefits, was \$230.10 a month—nearly three-fifths of the hypothetical worker's gross preretirement earnings.¹⁹ For

¹⁶ Except for some small plans that based their benefits solely on earnings in excess of \$400 a month, these plans offset the entire Federal benefit.

¹⁷ Excludes 59 plans for which no benefit could be computed.

¹⁸ Arithmetic mean of normal retirement benefits, including social security or railroad retirement benefits, weighted by the number of workers covered.

¹⁹ Maximum primary social security and railroad retirement benefits are 31.75 and 62.75 percent, respectively, of average annual earnings of \$4,800.

workers eligible for social security, the weighted average was \$215.90 or 54 percent of the assumed preretirement earnings, while workers eligible for railroad retirement received an average of \$261, or almost two-thirds.²⁰

| | All plans | Railroad plans | Other plans |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------------|-------------|
| Number of unfunded plans for which benefits were computed ¹ -- | 618 | 28 | 590 |
| Average monthly normal retirement benefits for workers with constant earnings of \$4,800 per year and 30 years of credited service: ² | | | |
| Including primary social security or railroad retirement benefit ³ ----- | \$230.10 | \$261.00 | \$215.90 |
| Percent of earnings ----- | 57.5 | 65.2 | 54.0 |
| Excluding primary social security or railroad retirement benefits ----- | \$64.40 | \$10.00 | \$88.90 |
| Percent of earnings ----- | 16.1 | 2.5 | 22.2 |

¹ See footnote 1, table 8.

² Arithmetic mean of plan benefits computed from future service benefit formulas weighted by number of workers covered.

³ Includes primary social security benefit of \$127 or railroad retirement benefit of \$251.

Since Federal benefits are not subject to the personal income tax and since personal exemptions of persons over 65 are twice those of persons under 65, their after-tax postretirement incomes would be an even larger fraction of their after-tax preretirement incomes. For some railroad workers, their net incomes would be greater after retiring than when they were working.

Prenormal Retirement and Vesting

About 80 percent of the unfunded basic plans, covering 95 percent of the workers, provided monthly retirement benefits to qualified workers retiring or terminating their employment before the normal retirement age, i.e., early and/or disability retirement and vesting. (See table 4.) An immediate benefit was permitted under early and disability retirement provisions, while all but one plan, with a vesting provision, deferred payment to the normal retirement age.²¹

An early retirement provision was included in more than half the basic plans (358) covering three-fifths of the workers (table 14). Fifteen of these plans also contained a "special" early retirement provision that permitted the employer to compel early retirement. Inasmuch as the worker's retirement was involuntary, he was afforded a larger benefit than the regular early retirement benefit.²²

²⁰ The foregoing considers only benefits provided single men. If wives apply for benefits at age 65, a married couple would, under the assumed conditions, receive an additional \$63.50 under the Social Security Act and \$69.90 under the Railroad Retirement Act.

²¹ "An early retirement provision," as defined in this as in other BLS studies, refers to a provision that permits workers meeting certain age and/or service requirements to retire before attaining the normal retirement age and receive immediate benefits. It differs from the normal retirement provision in at least one of two respects: (1) A smaller benefit is payable than would be payable at the normal retirement age to a worker with the same credited earnings and service, and (2) the employer's consent may be required.

²² See p. 16.

Early Retirement

Eligibility Requirements. Age and service requirements are the principal criteria used to establish eligibility for early retirement. The employer's consent was another requirement specified by most plans.

More than 9 out of 10 workers belonged to plans with both age and service requirements (table 15). Plans covering two-fifths of the workers required 30 years of service and plans having, altogether, about the same fraction of the workers required 15, 20, or 25 years of service. Three-fourths of the workers had to attain at least age 60 (by far the most prevalent age) for eligibility. Only 2,000 workers belonged to plans with no age or service requirements.

All but one plan permitted early retirement at least 5 years before the normal retirement age—age 65 in all but nine plans—while roughly one-fourth of the plans, covering almost the same ratio of workers, allowed as many as 10 years. Comparatively few plans permitted retirement more than 10 years before the normal age. The number of years before the normal retirement age that early retirement benefits were first payable is shown in the following cumulative tabulation:

| Difference between normal and early retirement ages | Plans | Workers (thousands) |
|----------------------------------------------------------------|-------|------------------------|
| All plans with an early retirement provision ¹ ---- | 358 | 282 |
| 3 years or more ----- | 358 | 282 |
| 5 years or more ----- | 357 | 281 |
| 8 years or more ----- | 103 | 76 |
| 10 years or more ----- | 102 | 74 |
| 13 years or more ----- | 58 | 19 |
| 15 years or more ----- | 53 | 19 |
| Not computable ² ----- | 49 | 12 |

¹ See footnote 1, table 8.

² No age requirement for early retirement.

NOTE: Where alternative requirements were specified, the earliest possible age for men was used in this tabulation regardless of whether the employer's consent was required.

Women were permitted to retire up to 5 years earlier than men in 15 plans covering 10,000 workers, and up to 10 years earlier in 4 plans with 8,000 workers. All but 1 of the 19 plans also specified a sex differential in normal ages.

Three out of five workers, as shown in the tabulation on the next page, belonged to plans permitting employees meeting the age and service requirements to retire early at their own volition. However, the employer's consent was required by many of these plans if the worker wished to retire even earlier after meeting alternative age and service requirements. In addition, 1 out of 6 workers belonged to plans under which they could be involuntarily retired.²³

²³ Excludes the "special" early retirement provision discussed in the next section.

| | Approval of action by other party— | | | | | |
|-----------------------------------------------------------------------|------------------------------------|------------------------|-----------------|------------------------|------------------|------------------------|
| | Total | | Required | | Not required | |
| | Plans | Workers (thousands) | Plans | Workers (thousands) | Plans | Workers (thousands) |
| All basic plans with an early retirement provision ¹ ----- | 358 | 282 | 198 | 104 | 160 | 178 |
| Early retirement may be initiated by ² — | | | | | | |
| Worker ----- | 289 | 236 | 153 | 85 | ³ 136 | 151 |
| Worker or employer ----- | 69 | 47 | ⁴ 45 | 19 | ⁵ 24 | 27 |

¹ See footnote 1, table 8.

² Excludes the "special" early retirement provision.

³ Includes 13 plans, covering 29,000 workers, that permitted retirement at the worker's request or under mutually satisfactory conditions.

⁴ Required the employer's consent or his request.

⁵ Includes 2 plans, covering 5,000 workers, that permitted retirement at the worker's request or employer's request or under mutually satisfactory conditions and 8 plans covering 11,000 workers requiring the employer's request.

NOTE: Because of rounding, sums of individual items may not equal totals.

"Special" Early Retirement. In addition to a regular early retirement provision, several plans in the food and primary metal industries permitted workers to retire under a "special" early retirement provision. This provision appears to combine elements of a severance arrangement and a modified disability retirement related to a worker's incapacity to perform his job satisfactorily, rather than to total and permanent disability.

Among the 15 plans providing for special early retirement, service requirements were generally less stringent than those required for regular early retirement but the age requirements were, with one exception, the same. Only 2 plans stipulated the same service requirement as for regular early, and the remaining 13 plans required 5 or 10 fewer years of service. In addition, all plans allowed retirement "under mutually satisfactory conditions,"²⁴ except one plan with 3,000 workers that permitted retirement solely at the worker's request. Full normal benefits were payable immediately on retirement by all but one plan, which paid twice the normal amount.

Disability Retirement

Disability retirement was the most prevalent benefit, apart from normal retirement, provided by basic unfunded plans.²⁵ It was provided by about two-thirds of the plans covering more than four-fifths of the workers (tables 4 and 14). In addition, 96 plans without a disability retirement benefit made available a partial substitute—early retirement benefits, or, in one instance, a vesting provision.

Eligibility Requirements. Age requirements for disability retirement were, as a rule, lower than for early retirement, but the service requirements were often greater than those for early retirement.

²⁴ This term was not defined in any of these plans.

²⁵ Under disability retirement provisions, pensions are payable to totally and permanently disabled workers meeting specified age and/or service requirements. However, considerable variation existed among the plans studied, as it does among funded plans, as to what constitutes total and permanent disability. Qualified workers generally received benefits after a 6-month waiting period.

Although the attainment of age 55 or 60 was almost always required for early retirement, almost four-fifths of the plans did not specify an age requirement for disability retirement (table 16). The remaining plans usually had a minimum age of 50 years. However, this waiver of age requirements was often qualified by long service requirements. More than nine-tenths of the workers belonged to plans with service requirements that ranged from 10 to 30 years—most often 15 years.

Benefit Formulas. Almost four-fifths of the workers belonged to plans paying the same disability benefits for comparable earnings and service as for normal retirement. Plans with about half the remaining workers modified their normal benefit formulas to provide greater benefits and the rest modified them to provide less.

Disability retirement benefits were less frequently integrated with Federal disability benefits (social security or railroad retirement benefits)²⁶ than were normal retirement benefits. About one-fourth of the plans, covering less than half of the workers, integrated disability benefits as compared with two-fifths of the plans with two-thirds of the workers that integrated normal benefits. All but one plan used the offset method for disability benefits while only three-fourths used it for normal benefits. The entire Federal benefit, as shown in the following tabulation, was deducted in about two-thirds of the integrated plans.

| Integration provision | Plans | Workers (thousands) |
|---------------------------------------------------------------------------|-------|------------------------|
| All basic plans with a disability retirement provision ¹ ----- | 432 | 375 |
| No integration provision ----- | 2327 | 205 |
| Integrated plans ----- | 105 | 170 |
| All Federal benefits deducted: | | |
| All social security disability benefit deducted ----- | 362 | 66 |
| All railroad retirement benefit deducted ----- | 46 | 36 |
| One-half social security disability benefit deducted ----- | 27 | 29 |
| \$80 for social security disability benefit deducted ----- | 4 | 28 |
| 85 percent railroad retirement benefit deducted ----- | 1 | 1 |
| Other ----- | 55 | 10 |

¹ See footnote 1, table 8.

² Includes a few plans, covering about 1,000 workers, for which no information was available.

³ Includes 10 plans, covering fewer than 500 workers, that used allowances provided under the 1936 Social Security Act.

⁴ Includes 1 plan, covering fewer than 1,000 workers, that utilized the excess earnings method.

⁵ Plans provide the greater of alternative benefits, with social security disability benefits deducted from 1 or more of the alternatives.

NOTE: Because of rounding, sums of individual items may not equal totals.

²⁶ Social security disability benefits are payable to disabled workers, regardless of age, with 5 years of social security credit in the 10 years preceding disablement. The benefits are the same as those payable for old-age retirement at age 65. Railroad retirement disability benefits are payable to disabled workers regardless of age with 20 years of service or at age 60 with 10 years of service. Railroad benefits, like social security benefits, are computed in the same way as those for old-age retirement.

Level of Benefits. The level of benefits was computed under certain uniform assumptions similar to those used in computing normal retirement benefits. The assumptions were:

1. Retirement at age 50.
2. Twenty years of credited service.
3. Annual earnings of \$4,800. (Since such earnings were assumed to be constant throughout the worker's career, an important difference between plans basing benefits on career earnings and those using terminal earnings was not taken into account.)
4. Eligibility for and receipt of maximum social security disability benefits of \$127 a month or of railroad retirement benefits of \$167 a month.²⁷

Benefits were computed for 55 percent of the basic plans (237) that permitted retirement for total and permanent disability. These plans covered a slightly larger fraction of workers (a total of 210,000) (table 17). Benefits could not be computed for the other plans either because their minimum age or service requirements were greater than those assumed for this study (94 plans with 137,000 workers) or because of unspecified actuarial reductions, unknown amounts of integrated funded benefits, or unavailability of formula information (101 plans with 28,000 workers).

Plans with one-fourth of the workers for which the hypothetical benefits could be computed would, under the assumed conditions, pay \$50 to \$60 a month exclusive of social security disability or railroad retirement benefits. Plans with about two-fifths of the workers provided over \$60 a month.²⁸ The average disability benefits payable, weighted by the number of workers covered, was \$56.40.²⁹

The total monthly benefit amount, including a maximum social security disability benefit of \$127 or \$167 from a railroad retirement benefit, whichever was applicable, ranged from \$127 (less than one-third of the assumed \$400-a-month preretirement earnings level) to over \$265, or at least two-thirds of preretirement earnings (table 18). The weighted average was \$190.20 a month, or almost half the assumed preretirement earnings.

Vesting Provisions

Less than 1 out of 8 workers covered by unfunded plans belonged to one with a vesting provision (table 14).³⁰ The relatively low frequency of vesting, as compared with funded plans, presumably stems from the difference in financing. Perhaps because vesting is less of a potential financial strain on employers who have regularly set aside funds as benefits accrued, funded plans are more inclined to include vesting. However, about half the unfunded plans without a vesting provision (296 plans covering more than a quarter million workers) had early retirement provisions, under which the accrued benefits of terminated older workers with long service may be vested. Plans with vesting provisions

²⁷ An exception to the social security maximum was made in a few instances where a plan was self-terminating, i. e., applying to workers who had retired prior to some past date, and whose plan benefits were integrated with the maximum social security benefit at that time, e. g., \$108.50 a month.

²⁸ Four plans, covering about 7 percent of the workers, provided no benefit under the assumed conditions because of the railroad retirement benefit integration. These plans, do, however, pay benefits to workers entitled to less than the maximum Federal benefit.

²⁹ Weighted by the number of workers covered.

³⁰ For definition of "vesting," op. cit., footnote 2, p. 2.

covered about three-tenths of the workers belonging to unfunded plans in manufacturing industries. Most of them were employed in the primary metals and food industries (table 14). Only a few thousand workers employed in nonmanufacturing industries belonged to plans with vesting.

Eligibility Requirements. In addition to meeting age and service requirements somewhat more liberal than those for early retirement, workers had to be involuntarily separated to qualify under the vesting provisions of 39 of the 64 plans with vesting. However, somewhat over half the workers (31,000 out of 57,000) belonged to plans without this restriction. Many of the unfunded plans conditioning vesting on a permanent shutdown were in the metalworking industries where funded plans have similar vesting requirements.

Terminated workers usually also had to attain 15 years of service, age 40, or (more often) both, to qualify (table 19). Four plans, covering a significant number of workers, required both age 55 and 20 years of service.

Benefit Formulas. All vested workers were eligible for the full benefits to which their earnings and service entitled them under the normal retirement formula. These benefits were payable commencing at the normal retirement age—age 65 in every plan. One plan, covering 1,366 workers, permitted workers to choose, instead, an immediate benefit in a reduced amount.

Death Benefits ³¹

Death benefits were provided by 116 basic plans covering about 88,000 workers, or nearly 1 out of 5 workers (table 20). The survivors of over 95 percent of the covered workers were eligible for benefits if death occurred after retirement and of more than 70 percent if death occurred before retirement.

A payment-certain guarantee ³² was provided by very few more plans than a lump-sum benefit, but the latter was applicable to 70 percent of the workers with death benefits while the former covered 20 percent. The remaining workers were provided a widow's benefit. ³³ A widow's benefit was the only type of death benefit that was payable only before retirement. The prevalence of the three types of death benefits, and the type of workers covered, are shown in the following tabulation:

| Type of death benefit | Type of workers | | | |
|---------------------------------------------------------|--------------------|------------------------|--------------|------------------------|
| | Active and retired | | Retired only | |
| | Plans | Workers (thousands) | Plans | Workers (thousands) |
| All basic plans with a death benefit ¹ ----- | 67 | 65 | 49 | 25 |
| Lump-sum payment ----- | 35 | 51 | 16 | 10 |
| Payment-certain guarantee ----- | 22 | 6 | 32 | 12 |
| Widow's benefit ----- | ² 10 | 8 | 1 | 3 |

¹ See footnote 1, table 8.

² Includes 7 plans with 4,000 workers that covered active workers only.

NOTE: Because of rounding, sums of individual items may not equal totals.

³¹ A death benefit is a payment or payments made automatically to survivors upon the death of a covered worker or pensioner. See Pension Plans Under Collective Bargaining: Benefits for Survivors, Winter 1960-61 (BLS Bulletin 1334, 1962), p. 3.

³² A payment-certain guarantee assures a plan member and his beneficiary that they jointly will receive a minimum number of monthly benefit payments regardless of when the member dies.

³³ A widow's benefit continues the deceased member's benefit, all or in part, to his widow for the rest of her life or until she remarries.

Survivor Options

Another method of protecting the survivors of retirees is to permit workers to choose a reduced annuity with specified benefits for their survivors in place of the straight life annuity normally paid by the plan. As in funded plans, two types of survivor options were offered: (1) Joint and survivor, and (2) period certain.³⁴ Unlike death benefits, the cost of these options was typically borne solely by the retiree, because the optional annuity provided a smaller monthly benefit of the same actuarial value as the regular pension payable to him. The reduction in benefits to the retiree selecting the joint and survivor option depends on the age and sex of both the retiree and joint annuitant at the time of retirement, as well as the amount of benefit to be continued after the retiree's death. The reduction in the monthly benefit for a guarantee of a given duration depends solely on the age and sex of the pensioner. The principal difference between this option and the joint and survivor option is that the latter guarantees payment of benefits over the combined life spans of two persons, regardless of how long that may be.

Survivor options were made available by 107 plans with 107,000 workers, or almost 1 out of 4 workers. All but one plan, covering 20,000 workers, provided a joint and survivor option. A period-certain option was offered by eight plans to about 30,000 workers.

| Type of survivor option | Plans | Workers (thousands) |
|------------------------------------------------------------------|-------|------------------------|
| All supplementary plans with a survivor option ¹ ---- | 107 | 107 |
| Joint and survivor only ----- | 99 | 76 |
| Period certain only----- | 1 | 20 |
| Joint and survivor and period certain----- | 5 | 4 |
| Any "standard" option----- | 2 | 6 |

¹ See footnote 1, table 22.

NOTE: Because of rounding, sums of individual items may not equal totals.

³⁴ A joint and survivor option pays the retiree a reduced annuity until his death, after that, a previously specified annuity is paid for life to his designated beneficiary or, more technically, "joint annuitant." A period-certain option insures payment of an annuity for a specified period of time, thereby assuring the retiree and his survivor that they and/or their heirs, will jointly receive a minimum number of payments specified by the guarantee.

Supplementary Plans

Supplementary plans—plans that supplement funded pension plans—applied to 904,000 workers, or two-thirds of the workers in all unfunded plans.³⁵ Although three-fourths of the plans in this group were established since World War II, the 113 plans represented only about one-fifth of the workers because about 12 large plans established in 1913 in the telephone industry now cover nearly 500,000 workers.

Eighteen plans, each with 10,000 or more workers, accounted for over 700,000 workers (table 2). Over two-fifths of the plans covered fewer than 300 workers each.

Seven-tenths of the workers were employed in nonmanufacturing industries, chiefly in telephone communications (table 5). Two-thirds of the plans, covering three-fourths of the workers in manufacturing industries, were in non-durable goods, with the largest number of workers employed in chemicals.

Three principal provisions applicable to a significant number of workers were found in supplementary plans: Disability retirement benefits, death benefits, and additional benefit amounts. Chiefly because only the first two benefits were provided by the large telephone company plans, over 750,000 workers were covered by disability retirement plans and over 600,000 by death benefits.

Disability Retirement

Slightly more than two-fifths of the supplementary plans, covering more than four-fifths of the workers in such plans, provided disability retirement benefits (table 21). Most of the covered workers were employed in telephone companies. There were also significant numbers employed in chemicals (70,000), electric and gas utilities (48,000), and petroleum refineries (35,000).

Eligibility Requirements. Almost a fifth of the plans merely required the worker to show that he was sufficiently disabled to qualify for a pension. At least 15 years of service was the most common requirement (table 22), but, in contrast with many basic plans (both funded and unfunded) only six plans had an age requirement.

Benefit Formulas. As under basic plans (both funded and unfunded) disability benefits were based, at least in part, on the normal retirement formula. Plans covering 9 out of 10 workers had formulas that provided benefits equal to or greater than the normal retirement benefits provided workers with the same earnings and service by the associated funded basic plan.

Half the plans, covering four-fifths of the workers, integrated their benefits with social security disability benefits as shown in the tabulation on the following page. Almost all used the offset method, which provides larger benefits to workers who are eligible for private plan benefits, but not for social security benefits, than do the other methods. Most plans, including the large telephone plans,³⁶ offset half the public benefit—the same offset as they used in their normal benefit formula.

³⁵ The administrators of these plans apparently regarded them as part of their pension program because they all checked item 3B, "Pension Benefit Plan," or, in a few instances, item 36, "Combination of Welfare and Pension Plan," on disclosure Form D-1. Moreover, the close relationship of benefits provided by the supplementary plans to those provided by the funded program was often shown by the use of the same or similar benefit formula, eligibility requirements, etc.

³⁶ In 1963, the telephone companies announced that the offset would be reduced to one-third of primary social security benefits.

| Integration provision | Plans | Workers (thousands) |
|---------------------------------------------------------------------------------|-----------------|------------------------|
| All supplementary plans with a disability retirement provision ¹ --- | 73 | 752 |
| No integration provision ----- | ² 36 | 153 |
| Integrated plans ----- | 37 | 598 |
| All social security disability benefit deducted----- | 5 | 28 |
| One-half social security disability benefit deducted----- | 27 | 557 |
| One-fourth social security disability benefit deducted----- | 1 | 1 |
| \$30 for social security disability benefit deducted ----- | 1 | 7 |
| Other ----- | 3 3 | 6 |

¹ See footnote 1, table 22.

² Includes 1 plan, covering 3,000 workers, for which no information was available.

³ Plans offer the greater of alternative benefits, with social security disability benefits deducted from 1 or more of the alternatives.

NOTE: Because of rounding, sums of individual items may not equal totals.

Level of Benefits. Plans covering three-fourths of the workers provided disability benefits of \$20 to \$30 a month to disabled workers with the same age, service, and earnings assumed in computing disability benefits under basic plans (table 17).³⁷ Benefits would be larger under nearly all of the remaining plans.³⁸ The weighted average benefit of \$29.70 a month was about half the average disability benefit computed under the same conditions for unfunded basic plans.³⁹ The average was largely determined by the telephone plans which provided \$21.50 a month under the assumed conditions.

Total monthly benefits, including maximum social security disability benefits of \$127, would range from \$127 to \$270; from less than one-third to more than two-thirds of preretirement earnings (table 18). The weighted average benefit would be \$156.70 (two-fifths of preretirement earnings) or four-fifths of the average total benefit amount payable by the basic plans. Chiefly because the large telephone company plans would provide \$148.50 a month (including social security), plans covering 70 percent of the workers would provide \$140 to \$150 a month.

Death Benefits

Although only 34 plans granted a death benefit, they covered two-thirds of the workers under supplementary plans. Nearly all plans, as shown in the tabulation on the next page, provided benefits for both active and retired workers, and all but two made lump-sum payments.

Lump-sum payments were paid by 18 plans in the communications industry (520,000 workers) and by 14 small plans—all but 1 of which were in manufacturing industries. The 1-year payment-certain guarantee was provided by a petroleum refining company (35,000 workers) and the widow's benefit by an electric utility (28,000 workers).

³⁷ Benefits were computed for 52 plans covering nine-tenths of the workers in the 73 plans that permitted disability retirement. Benefits could not be computed for 21 plans, usually for the same reasons they could not be computed for basic plans. (See p. 18.)

³⁸ Six plans, covering the great majority of workers provided no benefit because of social security disability offset. These plans do, however, pay benefits to workers entitled to less than the maximum Federal benefit.

³⁹ Basic plans under the Railroad Retirement Act have been excluded from this and subsequent comparisons because no plans in the railroad industry provided supplementary benefits.

| Type of death benefit | Type of workers | | | |
|-----------------------------------------------------------------|--------------------|------------------------|-------------|------------------------|
| | Active and retired | | Active only | |
| | Plans | Workers (thousands) | Plans | Workers (thousands) |
| All supplementary plans with a death benefit ¹ ----- | 27 | 595 | 7 | 9 |
| Lump-sum payment ----- | ² 25 | 532 | 7 | 9 |
| Payment-certain guarantee----- | 1 | 35 | - | - |
| Widow's benefit ----- | 1 | 28 | - | - |

¹ See footnote 1, table 22.

² Includes 1 plan, with 3,000 workers, that covered only retired workers.

The amount of the lump-sum benefit paid by the telephone pension plans depends on when the worker dies.⁴⁰ If he dies before he retires, the benefit equals 4 months' earnings for service of 6 months but less than 2 years, increased by 2 months' earnings for each additional year of service to 12 months' earnings for 5 or more years, or \$250, whichever is greater. If he dies after retiring, the benefit is the greater of his annual earnings at retirement reduced 10 percent for each full year elapsed since retirement and his annual pension.

Additional Benefit Amount

Some unfunded plans supplemented the benefits under funded plans and, occasionally, the benefits under unfunded plans, by paying additional benefits for the same cause (e. g., normal retirement or disability retirement). These additional payments, provided by nearly 3 out of 5 supplementary plans covering 1 out of 5 workers under such plans, increased the amount of benefits payable to a beneficiary but, unlike the supplementary plans previously described, did not affect the number of different types of benefits provided.

The additional benefit amounts were provided in several different ways. The group of plans with the largest number of workers (93,000) guaranteed a minimum retirement benefit applicable to specified funded benefits or often to all benefits, funded and unfunded.⁴¹ Other plans supplemented their funded benefits by granting pensioners additional benefits, such as cost-of-living allowances. Pensions (normal, early, and disability) based on past service—i. e., service prior to the adoption of a funded pension plan—were provided by a number of unfunded plans. Still others supplemented funded plans by paying pensions to workers who retired before a specified date—usually the effective date of the associated funded plan—or to workers who were ineligible for benefits under the funded plan, such as retired workers with insufficient service to qualify for a funded pension. And, finally, a small number of plans paid social security adjustment allowances to workers retiring early under a funded plan. These allowances temporarily take the place of social security benefits that are not payable immediately on retirement.

⁴⁰ Additional benefits are usually payable under the company's life insurance plans; cf. Digest of One Hundred Selected Health and Insurance Plans Under Collective Bargaining, Winter 1961-62 (BLS Bulletin 1330, 1962), pp. 168-173.

⁴¹ If the minimum was applicable only to unfunded benefits it would be classified as part of the unfunded benefit(s) to which it applied, rather than to supplementary benefits, here.

Table 1. Year of Establishment of Unfunded Pension Plans by Type of Plan, Spring 1962

| Year of establishment | (Workers in thousands) | | | |
|--------------------------------------|------------------------|----------------------|--------------------|----------------------|
| | Basic plan | | Supplementary plan | |
| | Plans | Workers ¹ | Plans | Workers ¹ |
| All plans..... | 677 | 462 | 174 | 904 |
| Before 1920..... | 11 | 98 | 17 | 515 |
| 1920 through 1944..... | 73 | 47 | 21 | 84 |
| 1945 through 1959 ² | 375 | 204 | 113 | 164 |
| Not available..... | 218 | 114 | 23 | 141 |

¹ Includes both active and retired workers covered in 1960.

² Since only plans that filed financial reports (Form D-2) for 1959 are included in the study, plans established in 1960 and subsequent years are omitted.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 2. Unfunded Pension Plans by Number of Workers Covered and Type of Plan, Spring 1962

| Number of workers covered | (Workers in thousands) | | | |
|---------------------------|------------------------|----------------------|--------------------|----------------------|
| | Basic plan | | Supplementary plan | |
| | Plans | Workers ¹ | Plans | Workers ¹ |
| All plans..... | 677 | 462 | 174 | 904 |
| 26-99..... | 313 | 18 | 50 | 3 |
| 100-299..... | 187 | 33 | 25 | 7 |
| 300-499..... | 27 | 12 | 20 | 6 |
| 500-999..... | 76 | 51 | 13 | 9 |
| 1,000-4,999..... | 62 | 131 | 36 | 84 |
| 5,000-9,999..... | 5 | 38 | 12 | 88 |
| 10,000-24,999..... | 4 | 62 | 5 | 73 |
| 25,000-49,999..... | 3 | 118 | 8 | 261 |
| 50,000 or more..... | - | - | 5 | 373 |

¹ See footnote 1, table 1.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 3. Benefits Provided by Unfunded Pension Plans by Type of Plan, Spring 1962

| Type of benefit | (Workers in thousands) | | | |
|-------------------------------------------|------------------------|----------------------|--------------------|----------------------|
| | Basic plan | | Supplementary plan | |
| | Plans | Workers ¹ | Plans | Workers ¹ |
| All plans..... | 677 | 462 | 174 | 904 |
| Normal retirement..... | 677 | 462 | - | - |
| Early retirement..... | 358 | 282 | 1 | 28 |
| Disability retirement..... | 432 | 375 | 73 | 752 |
| Vesting..... | 64 | 57 | - | - |
| Death benefits..... | 116 | 88 | 34 | 604 |
| Survivor options..... | 107 | 107 | - | - |
| Special early retirement..... | 15 | 33 | - | - |
| Special vacation pay..... | 19 | 18 | - | - |
| Additional benefit amounts..... | - | - | 100 | 189 |
| Supplement (not a minimum)..... | - | - | 42 | 48 |
| Minimum..... | - | - | 29 | 93 |
| Past service..... | - | - | 20 | 35 |
| Social security adjustment allowance..... | - | - | 13 | 49 |
| Other..... | - | - | 8 | 77 |

¹ See footnote 1, table 1.

NOTE: Because many plans provide more than 1 benefit, the totals are less than the sums of the individual items.

Table 4. Amount of Benefits Paid in 1960 by Type of Benefits Provided by Unfunded Pension Plans, Spring 1962

| Type of benefit | (Workers in thousands) | | | | | | | | |
|--------------------------------------------------------------------------|------------------------|----------------------|-------------------------------------|--------------------|----------------------|-------------------------------------|-----------------------|----------------------|-------------------------------------|
| | Total | | | With death benefit | | | Without death benefit | | |
| | Plans | Workers ¹ | Amount of benefits paid (thousands) | Plans | Workers ¹ | Amount of benefits paid (thousands) | Plans | Workers ¹ | Amount of benefits paid (thousands) |
| All plans | 851 | 1,367 | \$115,447 | 150 | 692 | \$64,390 | 701 | 675 | \$51,057 |
| Basic plans | 677 | 462 | \$51,304 | 116 | 88 | \$13,036 | 561 | 374 | \$38,268 |
| Normal retirement | 148 | 25 | 11,946 | 21 | 3 | 1,840 | 127 | 22 | 10,106 |
| Normal, early, and disability retirement, and vesting ² | 62 | 53 | 1,823 | 5 | 5 | 50 | 57 | 48 | 1,773 |
| Normal, early, and disability retirement | 200 | 170 | 17,614 | 33 | 31 | 3,413 | 167 | 139 | 14,201 |
| Normal and early retirement | 96 | 60 | 3,835 | 26 | 35 | 2,141 | 70 | 25 | 1,694 |
| Normal and disability retirement | 170 | 153 | 16,034 | ³ 31 | 15 | 5,592 | 139 | 138 | 10,442 |
| Normal retirement and vesting | 1 | 2 | 52 | - | - | - | 1 | 2 | 52 |
| Supplementary plans | 174 | 904 | 64,143 | 34 | 603 | 51,354 | 140 | 301 | 12,789 |
| Disability retirement | 61 | 639 | 51,117 | ⁴ 26 | 591 | 50,261 | 35 | 48 | 856 |
| Disability retirement and additional benefits | 7 | 41 | 1,802 | 2 | 11 | 1,084 | ⁵ 5 | 30 | 718 |
| Disability retirement and other benefits | 5 | 72 | 2,911 | - | - | - | 5 | 72 | 2,911 |
| Death benefits | 6 | 2 | 9 | 6 | 2 | 9 | - | - | - |
| Additional benefits | 93 | 149 | 8,129 | - | - | - | 93 | 149 | 8,129 |
| Other benefits | 2 | 2 | 175 | - | - | - | 2 | 2 | 175 |

¹ See footnote 1, table 1.

² Includes 15 plans that also provided "special" early retirement.

³ Includes 1 plan, covering 2,000 workers, that also provided vesting.

⁴ Includes 1 plan, covering 28,000 workers, that also provided early retirement.

⁵ Includes 1 plan, covering 3,000 workers, that also provided other benefits.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 5. Unfunded Pension Plans by Industry and Type of Plan, Spring 1962

| Industry | (Workers in thousands) | | | |
|---------------------------------------------------|------------------------|----------------------|--------------------|----------------------|
| | Basic plan | | Supplementary plan | |
| | Plans | Workers ¹ | Plans | Workers ¹ |
| All industries ² | 677 | 462 | 174 | 904 |
| Manufacturing | 404 | 188 | 92 | 226 |
| Durable goods | 136 | 81 | 32 | 54 |
| Stone, clay, and glass products | 31 | 6 | (³) | (³) |
| Primary metal industries | 22 | 41 | 9 | 17 |
| Fabricated metal products | 37 | 9 | 12 | 9 |
| Other durable goods | ⁴ 46 | 24 | 11 | 28 |
| Nondurable goods | 268 | 107 | 60 | 172 |
| Food and kindred products | 17 | 18 | (⁵) | (⁵) |
| Textile mill products | 56 | 9 | (⁵) | (⁵) |
| Printing, publishing, and allied industries | 22 | 14 | (⁵) | (⁵) |
| Chemicals and allied products | 85 | 29 | 5 | 82 |
| Petroleum refining and related industries | (⁵) | (⁵) | 25 | 60 |
| Other nondurable goods | 88 | 37 | 30 | 31 |
| Nonmanufacturing | 263 | 274 | 81 | 642 |
| Railroad transportation | 28 | 144 | (⁶) | (⁶) |
| Motor transportation | 30 | 20 | (⁶) | (⁶) |
| Communications | 25 | 11 | 18 | 520 |
| Utilities: Electric and gas | 51 | 21 | 22 | 70 |
| Wholesale and retail trade | 21 | 52 | 2 | 30 |
| Finance, insurance, and real estate | 46 | 20 | 27 | 8 |
| Other nonmanufacturing industries | ⁴ 62 | 7 | 12 | 14 |

¹ See footnote 1, table 1.

² Includes 10 basic and 1 supplementary plan, with a total of 36,000 workers, which covered both manufacturing and nonmanufacturing establishments.

³ Included in other durable goods.

⁴ Includes plans covering firms engaged in both durable and nondurable goods manufacturing.

⁵ Included in other nondurable goods.

⁶ Included in other nonmanufacturing industries.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 6. Minimum Age and Service Requirements for Normal Retirement in Unfunded Basic Pension Plans, Spring 1962

| Minimum service requirement ¹ | (Workers in thousands) | | | | | | | | | |
|----------------------------------------------|------------------------|-------|--------------------------------------|-------|----------------------|-------|----------------------|-------|----------------------|---|
| | Total | | Minimum age requirement ² | | | | | | | |
| | | | Age 60 | | Age 65 | | Age 70 | | Other | |
| Plans | Workers ³ | Plans | Workers ³ | Plans | Workers ³ | Plans | Workers ³ | Plans | Workers ³ | |
| All plans with a normal retirement provision | 4 677 | 462 | 42 | 22 | 569 | 416 | 31 | 21 | 20 | 1 |
| No service requirement | 45 | 34 | - | - | 33 | 29 | ⁵ 12 | 5 | - | - |
| Less than 10 years | 48 | 16 | - | - | 33 | 15 | 15 | 1 | - | - |
| 10 years | 122 | 51 | - | - | 121 | 51 | 1 | 1 | - | - |
| 15 years | 177 | 114 | ⁶ 30 | 1 | 147 | 113 | - | - | - | - |
| 20 years | 165 | 173 | 3 | 8 | 159 | 150 | 3 | 14 | - | - |
| 25 years | 82 | 68 | 6 | 9 | 76 | 59 | - | - | - | - |
| 30 years | 3 | 4 | 3 | 4 | - | - | - | - | - | - |
| Other | 20 | 1 | - | - | - | - | - | - | 20 | 1 |

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

² In 21 plans, covering 25,000 workers, alternative requirements were specified; the 1 with the earliest age requirement at the worker's option is shown, or the earliest age or no age requirement is used if no worker option was permitted. In 49 plans, covering about 103,000 workers, age requirements were lower for women. Age differences ranged from 3 to 10 years with a 5-year sex differential the most prevalent.

³ See footnote 1, table 1.

⁴ Includes 15 plans for which minimum age and service requirements were not available.

⁵ Includes 6 plans, covering about 2,500 workers, that specified a minimum age requirement of 68.

⁶ Includes plans, covering nearly 1,000 workers, that specified no age requirement.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 7. Provision for Integration of Primary Social Security or Railroad Retirement Benefit With Basic Benefit by Type of Basic Benefit Formula, Spring 1962

| Integration provision | (Workers in thousands) | | | | | | | | | | | |
|------------------------------------------|------------------------|-------|---------------------------------|-------|----------------------|------------------|----------------------|-------|----------------------|-------|----------------------|----|
| | Total | | Basic benefit formula based on— | | | | | | | | | |
| | | | Earnings and service | | Earnings | | Service | | Uniform amount | | Other | |
| Plans | Workers ¹ | Plans | Workers ¹ | Plans | Workers ¹ | Plans | Workers ¹ | Plans | Workers ¹ | Plans | Workers ¹ | |
| All plans with a basic benefit provision | 2 677 | 462 | 346 | 349 | 46 | 7 | 200 | 84 | 61 | 9 | 14 | 13 |
| No integration provision | ² 401 | 168 | 137 | 71 | 10 | (³) | 170 | 80 | 61 | 9 | 13 | 8 |
| Integrated plans | 276 | 294 | 209 | 278 | 36 | 7 | 30 | 4 | - | - | 1 | 5 |
| Offset method | 208 | 194 | 141 | 178 | 36 | 7 | 30 | 4 | - | - | 1 | 5 |
| All primary social security benefit | 94 | 110 | 43 | 100 | 30 | 2 | 20 | 2 | - | - | 1 | 5 |
| One-half primary social security benefit | 86 | 47 | 70 | 41 | 6 | 5 | 10 | 2 | - | - | - | - |
| \$85 for primary social security benefit | 22 | 7 | 22 | 7 | - | - | - | - | - | - | - | - |
| \$80 for primary social security benefit | 5 | 29 | 5 | 29 | - | - | - | - | - | - | - | - |
| 85 percent railroad retirement benefit | 1 | 1 | 1 | 1 | - | - | - | - | - | - | - | - |
| Step rate method | 56 | 50 | 56 | 50 | - | - | - | - | - | - | - | - |
| Excess earnings method | 12 | 50 | 12 | 50 | - | - | - | - | - | - | - | - |

¹ See footnote 1, table 1.

² Includes 10 plans, covering 1,000 workers, for which no information was available regarding what basic benefit formula was based on.

³ Fewer than 500 workers.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 8. Percentage Factors Used in Uniform Percent Formulas and the Reduction of Plan Benefits by Either Primary Social Security or Railroad Retirement Benefit, by Earnings Computation Utilized, Spring 1962¹

(Workers in thousands)

| Offset provision and percentage factor applied to earnings | Total | | Years of earnings utilized— | | | | | | | | | |
|--------------------------------------------------------------------------------|-------|---------|-----------------------------|------------------|-----------------|------------------|----------------------------|---------|-----------------|------------------|------------------|------------------|
| | | | Each year | | Last 10 years | | 5 highest of last 10 years | | Last 5 years | | Other | |
| | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers |
| All plans with uniform percentage formulas ----- | 336 | 306 | 214 | 166 | 41 | 95 | 9 | 23 | 44 | 12 | 28 | 9 |
| All primary social security benefit deducted ----- | 69 | 96 | 44 | 19 | 15 | 77 | - | - | - | - | 10 | (²) |
| 1.0 percent ----- | 18 | 91 | 13 | 15 | 5 | 76 | - | - | - | - | - | - |
| 2.0 percent ----- | 21 | 3 | 21 | 3 | - | - | - | - | - | - | - | - |
| Other ----- | 30 | 2 | ³ 10 | (²) | ⁴ 10 | 1 | - | - | - | - | ⁵ 10 | (²) |
| One-half primary social security benefit deducted ----- | 75 | 44 | 53 | 40 | 21 | 3 | - | - | 1 | 1 | - | - |
| 1.0 percent ----- | 36 | 10 | 26 | 7 | 10 | 3 | - | - | - | - | - | - |
| 1.5 percent ----- | 35 | 23 | 24 | 22 | 10 | (²) | - | - | 1 | 1 | - | - |
| 1.67 percent ----- | 2 | 7 | 2 | 7 | - | - | - | - | - | - | - | - |
| 2.0 percent ----- | 1 | 4 | 1 | 4 | - | - | - | - | - | - | - | - |
| Other ----- | 1 | 1 | - | - | 1 | 1 | - | - | - | - | - | - |
| \$85 for primary social security benefit deducted ----- | 22 | 7 | 22 | 7 | - | - | - | - | - | - | - | - |
| 1.0 percent ----- | 12 | 6 | 12 | 6 | - | - | - | - | - | - | - | - |
| 1.25 percent ----- | 10 | 1 | 10 | 1 | - | - | - | - | - | - | - | - |
| \$80 for primary social security benefit deducted ----- | 5 | 29 | 1 | 15 | 4 | 14 | - | - | - | - | - | - |
| 1.0 percent ----- | 4 | 14 | - | - | 4 | 14 | - | - | - | - | - | - |
| 1.25 percent ----- | 1 | 15 | 1 | 15 | - | - | - | - | - | - | - | - |
| All railroad retirement benefit deducted ----- | 2 | 4 | - | - | - | - | - | - | 1 | 2 | 1 | 2 |
| 1.1 percent ----- | 1 | 2 | - | - | - | - | - | - | - | - | ⁶ 1 | 2 |
| 1.5 percent ----- | 1 | 2 | - | - | - | - | - | - | 1 | 2 | - | - |
| 85 percent for railroad retirement benefit deducted ----- | 1 | 1 | 1 | 1 | - | - | - | - | - | - | - | - |
| No deduction for primary social security or railroad retirement benefits ----- | 162 | 126 | 93 | 85 | 1 | 1 | 9 | 23 | 42 | 9 | 17 | 7 |
| 0.7 percent ----- | 1 | 1 | - | - | - | - | - | - | - | - | ⁷ 1 | 1 |
| 0.75 percent ----- | 7 | 12 | ⁸ 6 | 8 | - | - | - | - | 1 | 4 | - | - |
| 1.0 percent ----- | 44 | 83 | 32 | 66 | - | - | 2 | 17 | 10 | (²) | - | - |
| 1.1 percent ----- | 42 | 16 | 35 | 10 | - | - | 7 | 6 | - | - | - | - |
| 1.25 percent ----- | 10 | 1 | 10 | 1 | - | - | - | - | - | - | - | - |
| 1.5 percent ----- | 16 | 3 | - | - | - | - | - | - | 16 | 3 | - | - |
| 1.75 percent ----- | 1 | 1 | - | - | 1 | 1 | - | - | - | - | - | - |
| 2.0 percent ----- | 15 | 2 | 10 | (²) | - | - | - | - | 5 | 1 | - | - |
| Other ----- | 26 | 6 | - | - | - | - | - | - | ⁹ 10 | (²) | ¹⁰ 16 | 6 |

¹ Based on a study of 677 unfunded basic pension plans covering approximately 462,000 active and retired workers in 1960.

² Fewer than 500 workers.

³ Includes, for example, plans providing 40 percent of average monthly earnings during last full year of employment.

⁴ Includes, for example, plans providing 40 percent of average annual earnings during last 15 years of employment.

⁵ Includes, for example, plans providing benefit amounts entirely at discretion of board of directors.

⁶ Benefit is based on 5 highest consecutive years' earnings.

⁷ Benefit is based on 10 highest consecutive years' earnings.

⁸ Includes some plans, covering fewer than 500 workers, that based the benefit on total earnings.

⁹ Includes, for example, plans providing 25 percent of average annual earnings during last 5 years of employment.

¹⁰ Includes, for example, plans providing a lump-sum benefit graduated by earnings and service.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 9. Basic Monthly Normal Retirement Benefit for Each Year of Credited Service by Maximum Years of Service Allowed, Spring 1962¹

| Monthly benefit for each year of service | (Workers in thousands) | | | | | | | | | | | |
|----------------------------------------------------------|------------------------|------------------|-------------------------------------------|------------------|----------|-------|----------|-------|-----------------|------------------|------------------|------------------|
| | Total | | Maximum years of credited service allowed | | | | | | | | | |
| | | | No maximum | | 20 years | | 25 years | | 30 years | | 35 years or more | |
| Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | |
| All plans in which normal benefits vary by service ----- | 200 | 84 | 27 | 37 | 20 | 6 | 35 | 5 | 65 | 20 | 53 | 16 |
| \$1.00----- | 26 | 7 | 1 | 1 | - | - | - | - | ² 25 | 6 | - | - |
| \$1.50----- | 12 | 8 | 1 | 1 | 10 | 4 | - | - | 1 | 2 | - | - |
| \$1.75----- | 1 | 3 | 1 | 3 | - | - | - | - | - | - | - | - |
| \$1.80----- | 1 | (³) | - | - | - | - | - | - | - | - | 1 | (³) |
| \$2.00----- | 55 | 21 | 3 | 4 | 10 | 1 | 10 | 1 | 16 | 8 | 16 | 8 |
| \$2.25----- | 16 | 6 | 6 | 6 | - | - | - | - | 10 | 1 | - | - |
| \$2.50----- | 2 | (³) | 1 | (³) | - | - | - | - | 1 | (³) | - | - |
| \$3.33----- | 11 | 2 | - | - | - | - | - | - | ⁴ 11 | 2 | - | - |
| \$4.33----- | 5 | 3 | - | - | - | - | 5 | 3 | - | - | - | - |
| Other ⁵ ----- | 71 | 33 | 14 | 23 | - | - | 20 | 1 | 1 | 1 | ⁶ 36 | 8 |

¹ See footnote 1, table 8.

² Includes plans covering about 2,000 workers for which one-half primary social security is deductible.

³ Fewer than 500 workers.

⁴ Includes plans covering about 2,000 workers for which all primary social security is deductible.

⁵ Includes plans providing a uniform monthly benefit in addition to a benefit graduated by years of service.

⁶ Includes plans covering fewer than 500 workers for which all primary social security is deductible.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 10. Minimum Benefit Provisions by Type of Basic Benefit Formula in Unfunded Pension Plans, Spring 1962¹

| Type of minimum benefit provision | (Workers in thousands) | | | | | | | | | |
|-------------------------------------------------|------------------------|-------|---------------------------------|-------|----------|-------|---------|-------|---------|----|
| | Total | | Basic benefit formula based on— | | | | | | | |
| | | | Earnings and service | | Earnings | | Service | | Other | |
| Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | |
| All plans with a minimum benefit provision ---- | 279 | 195 | 240 | 170 | 25 | 6 | 1 | 8 | 13 | 11 |
| Flat benefit varying by service ----- | 144 | 116 | 137 | 104 | 5 | 4 | - | - | 2 | 8 |
| Flat benefit for specified service ----- | 105 | 77 | 83 | 65 | 20 | 1 | 1 | 8 | 1 | 3 |
| Other ² ----- | 30 | 2 | 20 | 1 | - | - | - | - | 10 | 1 |

¹ See footnote 1, table 8.

² Includes plans with fewer than 1,000 workers, for which information was not available.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 11. Provision for Deduction of Primary Social Security Benefit From Minimum Benefit by Type of Minimum Benefit Formula in Unfunded Basic Pension Plans, Spring 1962¹

| Integration provision | (Workers in thousands) | | | | | | | |
|---------------------------------------------------------|------------------------|-------|-----------------------------------|-------|-----------------------------------|-------|-----------------|---|
| | Total | | Minimum benefit formula based on— | | | | | |
| | | | Flat amount varying by service | | Flat amount for specified service | | Other | |
| Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | |
| All plans with a minimum benefit provision---- | 279 | 195 | 144 | 116 | 105 | 77 | ² 30 | 2 |
| No integration provision ² ----- | 254 | 163 | 130 | 106 | 94 | 55 | 30 | 2 |
| Integrated plans ----- | 25 | 32 | 14 | 9 | 11 | 22 | - | - |
| All primary social security benefit deducted ----- | 20 | 21 | 14 | 9 | 6 | 11 | - | - |
| One-half primary social security benefit deducted ----- | 5 | 11 | - | - | 5 | 11 | - | - |

¹ See footnote 1, table 8.

² Includes plans with fewer than 1,000 workers, for which information was not available.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 12. Normal Retirement Benefits Payable by Basic Unfunded Pension Plans to Workers Earning \$4,800 Per Year for 30 Years of Future Service, Spring 1962

| Monthly benefit | (Workers in thousands) | | | | | |
|-------------------------------------------------|------------------------|----------------------|----------------------|-------|----------------------|------------------|
| | Total | | Type of plan | | | |
| | Plans | Workers ¹ | Railroad | | Other | |
| Plans | | | Workers ¹ | Plans | Workers ¹ | |
| All plans with normal retirement | 677 | 462 | 28 | 144 | 649 | 318 |
| Plans for which benefit was not computable..... | 59 | 11 | - | - | 59 | 11 |
| Plans for which benefit was computed | 618 | 451 | 28 | 144 | 590 | 307 |
| No benefit provided ² | 48 | 78 | 23 | 71 | 25 | 7 |
| \$1 and less than \$25..... | 12 | 50 | 2 | 50 | 10 | (³) |
| \$25 and less than \$50..... | 99 | 56 | 2 | 21 | 97 | 35 |
| \$50 and less than \$75..... | 187 | 67 | 1 | 3 | 186 | 64 |
| \$75 and less than \$100..... | 82 | 70 | - | - | 82 | 70 |
| \$100 and less than \$125..... | 103 | 63 | - | - | 103 | 63 |
| \$125 and less than \$150..... | 48 | 61 | - | - | 48 | 61 |
| \$150 and less than \$175..... | 5 | (³) | - | - | 5 | (³) |
| \$175 and less than \$200..... | 7 | 2 | - | - | 7 | 2 |
| \$200 and less than \$225..... | 12 | 2 | - | - | 12 | 2 |
| \$225 and less than \$250..... | 5 | 1 | - | - | 5 | 1 |
| \$250 and over..... | 10 | (³) | - | - | 10 | (³) |
| Average monthly benefit ⁴ | \$64.40 | | \$10.00 | | \$88.90 | |

¹ See footnote 1, table 1.

² No plan benefit was provided under assumed conditions because of the deduction of primary social security or railroad retirement benefits. These plans do, however, pay benefits to workers entitled to less than the maximum Federal benefit.

³ Fewer than 500 workers.

⁴ Weighted by number of workers covered.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 13. Normal Retirement Benefits Including Primary Social Security or Railroad Retirement Benefit, Payable by Unfunded Basic Pension Plans to Workers Earning \$4,800 Per Year for 30 Years of Future Service, Spring 1962

| Monthly benefit including social security or railroad retirement | (Workers in thousands) | | | | | |
|------------------------------------------------------------------|------------------------|----------------------|----------------------|-------|----------------------|------------------|
| | Total | | Type of plan | | | |
| | Plans | Workers ¹ | Railroad | | Other | |
| Plans | | | Workers ¹ | Plans | Workers ¹ | |
| All plans with normal retirement | 677 | 462 | 28 | 144 | 649 | 318 |
| Plans for which benefit was not computable..... | 49 | 11 | - | - | 49 | 11 |
| Plans for which benefit was computed | 628 | 451 | 28 | 144 | 600 | 307 |
| Less than \$150..... | 55 | 12 | - | - | 55 | 12 |
| \$150 and less than \$175..... | 97 | 31 | - | - | 97 | 31 |
| \$175 and less than \$200..... | 174 | 54 | - | - | 174 | 54 |
| \$200 and less than \$225..... | 93 | 77 | - | - | 93 | 77 |
| \$225 and less than \$250..... | 104 | 66 | - | - | 104 | 66 |
| \$250 and less than \$275..... | 73 | 181 | 25 | 120 | 48 | 61 |
| \$275 and less than \$300..... | 7 | 22 | 2 | 21 | 5 | (²) |
| \$300 and less than \$325..... | 8 | 4 | 1 | 3 | 7 | 2 |
| \$325 and less than \$350..... | 2 | 2 | - | - | 2 | 2 |
| \$350 and less than \$400..... | 5 | 1 | - | - | 5 | 1 |
| \$400 and less than \$450..... | 10 | (²) | - | - | 10 | (²) |
| Average monthly benefit ³ | \$230.10 | | \$261.00 | | \$215.90 | |

¹ See footnote 1, table 1.

² Fewer than 500 workers.

³ Weighted by number of workers covered.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 14. Provisions for Early and Disability Retirement and Vesting in Unfunded Basic Pension Plans by Industry, Spring 1962

(Workers in thousands)

| Industry | Total | | Early retirement | | Disability retirement | | Vesting | |
|------------------------------------------------------|-------|----------------------|------------------|----------------------|-----------------------|----------------------|---------|----------------------|
| | Plans | Workers ¹ | Plans | Workers ¹ | Plans | Workers ¹ | Plans | Workers ¹ |
| All industries ² ----- | 677 | 462 | 358 | 282 | 432 | 375 | 64 | 57 |
| Manufacturing----- | 404 | 188 | 224 | 122 | 253 | 147 | 52 | 54 |
| Durable goods----- | 136 | 81 | 58 | 57 | 57 | 60 | 25 | 41 |
| Stone, clay, and glass products----- | 31 | 6 | 20 | 5 | 20 | 2 | - | - |
| Primary metal industries----- | 22 | 41 | ³ 19 | 36 | 21 | 40 | 18 | 34 |
| Fabricated metal products----- | 37 | 9 | 1 | 2 | 1 | 2 | 1 | 2 |
| Other durable goods ⁴ ----- | 46 | 24 | 18 | 14 | 15 | 15 | 6 | 5 |
| Nondurable goods----- | 268 | 107 | 166 | 65 | 196 | 87 | 27 | 12 |
| Food and kindred products----- | 17 | 18 | ⁵ 14 | 13 | 14 | 13 | 12 | 7 |
| Textile mill products----- | 56 | 9 | 35 | 8 | 35 | 7 | - | - |
| Printing, publishing, and allied industries----- | 22 | 14 | 1 | 2 | 12 | 12 | - | - |
| Chemicals and allied products----- | 85 | 29 | 78 | 19 | 74 | 24 | 10 | 1 |
| Other nondurable goods----- | 88 | 37 | 38 | 22 | 61 | 32 | 5 | 4 |
| Nonmanufacturing----- | 263 | 274 | 134 | 161 | 179 | 228 | 12 | 3 |
| Railroad transportation----- | 28 | 144 | 22 | 82 | 28 | 144 | 1 | 2 |
| Motor transportation----- | 30 | 20 | 1 | 2 | 30 | 20 | - | - |
| Communications----- | 25 | 11 | 25 | 11 | 25 | 11 | - | - |
| Utilities: Electric and gas----- | 51 | 20 | 21 | 19 | 31 | 19 | - | - |
| Wholesale and retail trade----- | 21 | 52 | 8 | 37 | 2 | 12 | - | - |
| Finance, insurance, and real estate----- | 46 | 20 | 36 | 9 | 31 | 18 | 1 | 1 |
| Other nonmanufacturing industries ⁴ ----- | 62 | 7 | 21 | 2 | 32 | 4 | 10 | (⁶) |

¹ See footnote 1, table 1. Early and disability retirement benefits are also provided by supplementary unfunded pension plans.

² Includes plans covering firms operating in both manufacturing and nonmanufacturing industries not shown separately below.

³ Includes 4 plans, covering 28,000 workers, that also provided "special" early retirement.

⁴ Includes interindustry.

⁵ Includes plans covering 5,000 workers that also provided "special" early retirement.

⁶ Fewer than 500 workers.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 15. Minimum Age and Service Requirements for Early Retirement in Unfunded Basic Pension Plans, Spring 1962¹

(Workers in thousands)

| Minimum service requirement ² | Total | | Minimum age requirement ³ | | | | | | | | | |
|-----------------------------------------------|-------|---------|--------------------------------------|---------|--------|---------|------------------|---------|--------|----------------|--------|---------|
| | | | No age requirement | | Age 50 | | Age 55 | | Age 60 | | Age 65 | |
| | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers |
| All plans providing for early retirement----- | 358 | 282 | 49 | 12 | 4 | 8 | 49 | 55 | 252 | 198 | 4 | 10 |
| No service requirement----- | 29 | 12 | 20 | 2 | - | - | - | - | 9 | 11 | - | - |
| 3 years----- | 1 | 3 | - | - | - | - | - | - | 1 | 3 | - | - |
| 5 years----- | 10 | 4 | - | - | - | - | - | 10 | 4 | - | - | |
| 7 years----- | 10 | 2 | - | - | - | - | - | 10 | 2 | - | - | |
| 10 years----- | 55 | 23 | - | - | - | 15 | 6 | 39 | 16 | 1 | 1 | |
| 15 years----- | 72 | 70 | 22 | 8 | - | 9 | 34 | 41 | 28 | - | - | |
| 20 years----- | 72 | 39 | 6 | 1 | 4 | 8 | 23 | 12 | 37 | 10 | 2 | |
| 25 years----- | 56 | 15 | - | - | - | 1 | (⁴) | 54 | 13 | ⁵ 1 | 2 | |
| 30 years----- | 53 | 113 | 1 | 1 | - | - | 1 | 2 | 51 | 110 | - | - |

¹ See footnote 1, table 8.

² For those plans which specified that a period of employment 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 23 plans, covering 30,000 workers, alternative requirements were specified; the alternative with the earliest age requirement at the worker's option is shown, or the earliest age or no age requirement is used if no worker option was permitted. In 19 plans, covering 17,000 workers, age requirements were 5 years lower for women.

⁴ Fewer than 500 workers.

⁵ Plan specified age 62.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 16. Minimum Age and Service Requirements for Disability Retirement in Unfunded Basic Pension Plans, Spring 1962¹

| Minimum service requirement ² | Total | | Minimum age requirement ³ | | | | | | | | | | Information not available | |
|-------------------------------------------|-------|---------|--------------------------------------|---------|--------|---------|--------|---------|--------|---------|--------|---------|---------------------------|---------|
| | | | No age requirement | | Age 45 | | Age 50 | | Age 55 | | Age 60 | | | |
| | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers |
| All plans with disability retirement..... | 432 | 375 | 339 | 323 | 3 | 8 | 53 | 34 | 22 | 7 | 5 | 3 | 10 | 1 |
| No service requirement..... | 29 | 30 | 29 | 30 | - | - | - | - | - | - | - | - | - | - |
| 10 years..... | 71 | 36 | 44 | 26 | 1 | 11 | 4 | 10 | 2 | 5 | 3 | - | - | |
| 15 years..... | 197 | 115 | 154 | 101 | - | - | 33 | 14 | 10 | (7) | - | - | - | |
| 20 years..... | 67 | 66 | 56 | 43 | 2 | 6 | 8 | 13 | 1 | 3 | - | - | - | |
| 25 years..... | 54 | 70 | 52 | 66 | - | - | 1 | 3 | 9 | 1 | - | - | - | |
| 30 years..... | 4 | 57 | 4 | 57 | - | - | - | - | - | - | - | - | - | |
| Information not available..... | 10 | 1 | - | - | - | - | - | - | - | - | - | - | 10 | 1 |

¹ See footnote 1, table 8.² For those plans which specified that a period of employment be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service. The service requirement was 5 years lower for women in 4 plans that covered 7,000 workers.³ In 17 plans, covering 24,000 workers, alternative requirements were specified; the one with the earliest age requirement at the worker's option is shown, or the earliest age or no age requirement is used if no worker option was permitted.⁴ Includes 7 plans, covering 13,000 workers, that differentiated between nonoccupational and occupational disability benefit requirements.⁵ Includes 1 plan with 17,000 workers that required 12½ years of service.⁶ Plan specified age 30 for participation.⁷ Fewer than 500 workers.⁸ Includes 1 plan with 1,000 workers that specified age 40 for participation.⁹ Plan specified age 56.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 17. Disability Retirement Benefits Payable by Unfunded Pension Plans to Workers Retiring at Age 50 and Earning \$4,800 Per Year for 20 Years of Future Service by Type of Plan, Spring 1962¹

| Monthly benefit | (Workers in thousands) | | | | | | | | | |
|-------------------------------------------------|------------------------|---------|------------|---------|---------|---------|---------|---------|---------------------------------|---------|
| | All plans | | Basic plan | | | | | | Supplementary plan ² | |
| | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers |
| All plans with disability retirement..... | 505 | 1,127 | 432 | 375 | 28 | 144 | 404 | 231 | 73 | 752 |
| Plans for which benefit was not computable..... | 216 | 245 | 195 | 165 | 22 | 109 | 173 | 57 | 21 | 80 |
| Plans for which benefit was computed..... | 289 | 882 | 237 | 210 | 6 | 36 | 231 | 174 | 52 | 672 |
| No benefit provided ³ | 10 | 45 | 4 | 15 | 4 | 15 | - | - | 6 | 30 |
| \$1 and less than \$20..... | 2 | 10 | 1 | 5 | - | - | 1 | 5 | 1 | 5 |
| \$20 and less than \$30..... | 46 | 559 | 23 | 28 | 2 | 20 | 21 | 8 | 23 | 531 |
| \$30 and less than \$40..... | 39 | 31 | 28 | 18 | - | - | 28 | 18 | 11 | 13 |
| \$40 and less than \$50..... | 23 | 12 | 21 | 10 | - | - | 21 | 10 | 2 | 2 |
| \$50 and less than \$60..... | 53 | 74 | 47 | 52 | - | - | 47 | 52 | 6 | 22 |
| \$60 and less than \$70..... | 14 | 14 | 13 | 12 | - | - | 13 | 12 | 1 | 3 |
| \$70 and less than \$80..... | 1 | 8 | 1 | 8 | - | - | 1 | 8 | - | - |
| \$80 and less than \$90..... | 48 | 78 | 47 | 20 | - | - | 47 | 20 | 1 | 58 |
| \$90 and less than \$100..... | 22 | 13 | 22 | 13 | - | - | 22 | 13 | - | - |
| \$100 and less than \$110..... | 12 | 20 | 12 | 20 | - | - | 12 | 20 | - | - |
| \$110 and less than \$130..... | 16 | 3 | 16 | 3 | - | - | 16 | 3 | - | - |
| \$130 and less than \$140..... | 1 | 3 | 1 | 3 | - | - | 1 | 3 | - | - |
| \$140 and over..... | 2 | 10 | 1 | 1 | - | - | 1 | 1 | 1 | 8 |
| Average monthly benefit ⁴ | \$36.00 | | \$56.40 | | \$14.20 | | \$65.10 | | \$29.70 | |

¹ Based on a study of 851 unfunded pension plans, including 677 basic plans, covering approximately 462,000 active and retired workers in 1960, and 174 supplementary plans, covering approximately 904,000 active and retired workers in 1960.² Includes nonrailroad plans only; no supplementary plans were reported by employers who are under the Railroad Retirement Act.³ No plan benefit was provided under assumed conditions because of the deduction of social security or railroad retirement disability benefit. These plans do, however, pay benefits to workers entitled to less than the Federal benefit payable under the assumed conditions.⁴ Weighted by number of workers covered.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 18. Disability Retirement Benefits, Including Social Security or Railroad Retirement Disability Benefit, Payable to Workers Retiring at Age 50 and Earning \$4,800 Per Year for 20 Years of Future Service Under Unfunded Pension Plans, by Type of Plan, Spring 1962¹

| Monthly benefit | (Workers in thousands) | | | | | | | | | |
|-------------------------------------------------------|------------------------|---------|------------|-------|-----------|-------|-----------|-----|---------------------------------|---------|
| | All plans | | Basic plan | | | | | | Supplementary plan ² | |
| | Plans | Workers | Total | | Railroad | | Other | | Plans | Workers |
| Plans | | | Workers | Plans | Workers | Plans | Workers | | | |
| All plans with a disability retirement provision..... | 505 | 1,127 | 432 | 375 | 28 | 144 | 404 | 231 | 73 | 752 |
| Plans for which benefit was not computable..... | 216 | 245 | 195 | 165 | 22 | 109 | 173 | 57 | 21 | 80 |
| Plans for which benefit was computed..... | 289 | 882 | 237 | 210 | 6 | 36 | 231 | 174 | 52 | 672 |
| Less than \$ 140..... | 6 | 30 | - | - | - | - | - | - | 6 | 30 |
| \$ 140 and less than \$ 150..... | 40 | 537 | 17 | 9 | - | - | 17 | 9 | 23 | 528 |
| \$ 150 and less than \$ 160..... | 19 | 28 | 8 | 16 | - | - | 8 | 16 | 11 | 12 |
| \$ 160 and less than \$ 170..... | 47 | 38 | 45 | 27 | 4 | 15 | 41 | 12 | 2 | 11 |
| \$ 170 and less than \$ 180..... | 48 | 55 | 42 | 37 | - | - | 42 | 37 | 6 | 18 |
| \$ 180 and less than \$ 190..... | 13 | 26 | 12 | 20 | 1 | 1 | 11 | 20 | 1 | 5 |
| \$ 190 and less than \$ 200..... | 14 | 33 | 13 | 30 | 1 | 20 | 12 | 11 | 1 | 2 |
| \$ 200 and less than \$ 210..... | 37 | 24 | 37 | 24 | - | - | 37 | 24 | - | - |
| \$ 210 and less than \$ 220..... | 24 | 75 | 23 | 17 | - | - | 23 | 17 | 1 | 58 |
| \$ 220 and less than \$ 235..... | 22 | 21 | 22 | 21 | - | - | 22 | 21 | - | - |
| \$ 235 and less than \$ 250..... | 16 | 3 | 16 | 3 | - | - | 16 | 3 | - | - |
| \$ 250 and less than \$ 265..... | 1 | 3 | 1 | 3 | - | - | 1 | 3 | - | - |
| \$ 265 and over..... | 2 | 10 | 1 | 1 | - | - | 1 | 1 | 1 | 8 |
| Average monthly benefit ³ | \$ 164.70 | | \$ 190.20 | | \$ 181.20 | | \$ 192.10 | | \$ 156.70 | |

¹ See footnote 1, table 17.

² See footnote 2, table 17.

³ Weighted by number of workers covered.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 19. Minimum Age and Service Requirements for Vesting in Unfunded Basic Pension Plans, Spring 1962¹

| Minimum service requirement ² | (Workers in thousands) | | | | | | | |
|------------------------------------------|------------------------|---------|-------------------------|-------|----------------|-------|----------------|----|
| | Total | | Minimum age requirement | | | | | |
| | Plans | Workers | No age requirement | | Age 40 | | Age 55 | |
| Plans | | | Workers | Plans | Workers | Plans | Workers | |
| All plans with vesting..... | 64 | 57 | 15 | 5 | 33 | 31 | 16 | 21 |
| 10 years of service..... | 11 | 11 | 5 | 4 | ³ 6 | 7 | - | - |
| 11 years of service..... | 1 | 1 | - | - | ⁴ 1 | 1 | - | - |
| 15 years of service..... | 37 | 25 | 10 | 1 | 26 | 23 | ⁵ 1 | 1 |
| 20 years of service..... | 4 | 15 | - | - | - | - | 4 | 15 |
| 25 years of service..... | 11 | 5 | - | - | - | - | 11 | 5 |

¹ See footnote 1, table 8.

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

³ Includes 1 plan with 2,400 workers that specified age 45.

⁴ Plan participation age 30.

⁵ Plan specified age 50.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 20. Type of Death Benefit Provided by Unfunded Basic Pension Plans, by Industry, Spring 1962¹

| Industry | Total | | Type of death benefit | | | | | |
|-------------------------------------------|-------|------------------|-----------------------|------------------|-----------------|---------|-----------------|------------------|
| | | | Lump sum | | Payment certain | | Widow's benefit | |
| | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers |
| All industries | 116 | 88 | 51 | 60 | 54 | 18 | 11 | 10 |
| Manufacturing | 77 | 36 | 23 | 18 | 54 | 18 | - | - |
| Durable goods | 28 | 18 | 7 | 10 | 21 | 8 | - | - |
| Fabricated metal products | 1 | 2 | - | - | 1 | 2 | - | - |
| Electrical equipment and supplies | 2 | 5 | 2 | 5 | - | - | - | - |
| Transportation equipment | 15 | 9 | 5 | 4 | 10 | 4 | - | - |
| Other durable goods | 10 | 2 | - | - | 10 | 2 | - | - |
| Nondurable goods | 49 | 18 | 16 | 8 | 33 | 10 | - | - |
| Chemicals and allied products | 1 | 2 | - | - | 1 | 2 | - | - |
| Petroleum refining and related industries | 10 | (²) | 10 | (²) | - | - | - | - |
| Other nondurable goods | 38 | 15 | 6 | 8 | 32 | 7 | - | - |
| Nonmanufacturing | 39 | 53 | 28 | 43 | - | - | 11 | 10 |
| Railroad transportation | 6 | 10 | - | - | - | - | 6 | 10 |
| Communications | 15 | 10 | 15 | 10 | - | - | - | - |
| Wholesale and retail trade | 1 | 29 | 1 | 29 | - | - | - | - |
| Finance, insurance, and real estate | 6 | 1 | 1 | 1 | - | - | 5 | (²) |
| Other nonmanufacturing industries | 11 | 3 | 11 | 3 | - | - | - | - |

¹ See footnote 1, table 8.² Fewer than 500 workers.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 21. Types of Benefit Provisions in Unfunded Supplementary Pension Plans by Industry, Spring 1962

| Industry | Total | | Type of benefit | | | | | | | | | | | | | |
|-------------------------------------------|-----------------|---------|-----------------------|---------|---------------|------------------|-------------------|---------|--------------------------------------|---------|--------------------------------------|---------|--------------|---------|-------|---------|
| | | | Disability retirement | | Death benefit | | Minimum guarantee | | Social security adjustment allowance | | Supplemental benefit (not a minimum) | | Past service | | Other | |
| | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers |
| All industries | 174 | 904 | 73 | 752 | 34 | 603 | 29 | 93 | 13 | 49 | 42 | 48 | 20 | 35 | 8 | 77 |
| Manufacturing | 92 | 226 | 47 | 173 | 9 | 50 | 17 | 51 | 1 | 1 | 19 | 31 | 12 | 20 | 5 | 65 |
| Durable goods | 32 | 54 | 25 | 42 | 6 | 6 | 2 | 5 | - | - | 5 | 9 | 1 | 1 | 4 | 7 |
| Primary metals industries | 9 | 17 | 8 | 16 | 5 | 3 | - | - | - | - | 1 | 2 | - | - | 1 | 1 |
| Fabricated metal products | 12 | 9 | 11 | 7 | - | - | 1 | 1 | - | - | 1 | 1 | - | - | - | - |
| Other durable goods | 11 | 28 | 6 | 19 | 1 | 3 | 1 | 3 | - | - | 3 | 6 | 1 | 1 | 3 | 6 |
| Nondurable goods | 60 | 172 | 22 | 132 | 3 | 44 | 15 | 46 | 1 | 1 | 14 | 22 | 11 | 19 | 1 | 58 |
| Chemicals and allied products | 5 | 82 | 3 | 70 | 1 | 7 | 2 | 12 | - | - | 2 | 11 | - | - | 1 | 58 |
| Petroleum refining and related industries | 25 | 60 | 1 | 35 | 1 | 35 | 11 | 13 | 1 | 1 | 2 | 10 | 10 | 1 | - | - |
| Other nondurable goods | 30 | 31 | 18 | 27 | 1 | 1 | 2 | 21 | - | - | 10 | 1 | 1 | 18 | - | - |
| Nonmanufacturing | 81 | 642 | 26 | 578 | 25 | 553 | 12 | 42 | 11 | 11 | 23 | 16 | 8 | 14 | 3 | 12 |
| Motor transportation | 1 | 3 | 1 | 3 | - | - | - | - | - | - | - | - | 1 | 3 | 1 | 3 |
| Communications | 18 | 520 | 18 | 520 | 18 | 520 | 18 | 520 | - | - | - | - | - | - | - | - |
| Utilities: Electric and gas | ² 22 | 70 | 5 | 48 | 1 | 28 | 6 | 15 | - | - | 12 | 6 | 2 | 11 | 1 | 8 |
| Wholesale and retail trade | 2 | 30 | 1 | 5 | 1 | 5 | 1 | 25 | - | - | - | - | - | - | - | - |
| Finance, insurance, and real estate | 27 | 8 | 1 | 2 | 5 | (³) | 5 | 2 | - | - | 10 | 2 | 5 | 1 | 1 | 1 |
| Other nonmanufacturing industries | 11 | 11 | - | - | - | - | - | - | 11 | 11 | 1 | 8 | - | - | - | - |
| Interindustry | 1 | 37 | - | - | - | - | - | - | 1 | 37 | - | - | - | - | - | - |

¹ See footnote 1, table 1.² Includes 1 plan, covering 28,000 workers, that also contained an early retirement provision.³ Fewer than 500 workers.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 22. Minimum Age and Service Requirements for Disability Retirement in Unfunded Supplementary Pension Plans, Spring 1962¹

| (Workers in thousands) | | | | | | | | | | |
|-------------------------------------------|-------|---------|--------------------------------------|---------|----------------|---------|--------|---------|--------|---------|
| Minimum service requirement ² | Total | | Minimum age requirement ³ | | | | | | | |
| | | | No age requirement | | Age 45 | | Age 50 | | Age 55 | |
| | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers | Plans | Workers |
| All plans with disability retirement..... | 473 | 752 | 67 | 691 | 1 | 28 | 4 | 29 | 1 | 4 |
| No service requirement | 14 | 56 | ⁵ 14 | 56 | - | - | - | - | - | - |
| 10 years | 3 | 20 | 3 | 20 | - | - | - | - | - | - |
| 15 years | 42 | 636 | ⁶ 39 | 611 | - | - | 2 | 22 | 1 | 4 |
| 20 years | 13 | 11 | 11 | 4 | - | - | 2 | 7 | - | - |
| 30 years | 1 | 28 | - | - | ⁷ 1 | 28 | - | - | - | - |

¹ Based on a study of 174 unfunded supplementary pension plans, covering approximately 904,000 active and retired workers in 1960.

² For those plans which specified that a period of employment be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service. The service requirement was 3 years greater for women in 1 plan that covered 28,000 workers.

³ In 21 plans, covering 61,000 workers, alternative requirements were specified; the one with the earliest age requirement at the worker's option is shown, or the earliest age or no age requirement is used if no worker option was permitted.

⁴ Includes 9 plans, covering 28,000 workers, that differentiated between nonoccupational and occupational disability requirements.

⁵ Includes 1 plan with 7,000 workers that required 2 years of service.

⁶ Includes 1 plan with 2,000 workers that required 16 years of service.

⁷ Plan provided that age plus service must equal 75, with initial minimums of age 45 and 8 years of service.

NOTE: Because of rounding, sums of individual items may not equal totals.

Recent BLS Publications on Employee Benefit Plans

| Bulletin number | Pensions | Price |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1284 | Pension Plans Under Collective Bargaining: Normal Retirement, Early and Disability Retirement, Fall 1959. | 40 cents |
| 1307 | Digest of One-Hundred Selected Pension Plans Under Collective Bargaining, Spring 1961. | 50 cents |
| 1326 | Multiemployer Pension Plans Under Collective Bargaining, Spring 1960. | 65 cents |
| 1334 | Pension Plans Under Collective Bargaining: Benefits for Survivors, Winter 1960-61. | 25 cents |
| 1373 | Digest of 50 Selected Pension Plans for Salaried Employees, Spring 1963. | 35 cents |
| | Recent Changes in Negotiated Pension Plans. <u>Monthly Labor Review</u> , May 1962. (Reprint 2392.) | Free |
| | Preliminary Release: Prevalence of Multiemployer Pension Plans Under Collective Bargaining, Spring 1960. (February 1961.) | Free |
| Health and Insurance | | |
| 1250 | Health and Insurance Plans Under Collective Bargaining: Accident and Sickness Benefits, Fall 1958. | 25 cents |
| 1274 | Health and Insurance Plans Under Collective Bargaining: Hospital Benefits, Early 1959. | 30 cents |
| 1280 | Health and Insurance Plans Under Collective Bargaining: Surgical and Medical Benefits, Late Summer 1959. | 30 cents |
| 1293 | Health and Insurance Plans Under Collective Bargaining: Major Medical Benefits, Fall 1960. | 20 cents |
| 1296 | Health and Insurance Plans Under Collective Bargaining: Life Insurance and Accidental Death and Dismemberment Benefits, Early Summer 1960. | 25 cents |
| 1330 | Digest of One Hundred Selected Health and Insurance Plans Under Collective Bargaining, Winter 1961-62. | \$1.25 |
| 1377 | Digest of 50 Selected Health and Insurance Plans for Salaried Employees, Spring 1963. | \$1.00 |
| | Recent Changes in Negotiated Health and Insurance Plans, <u>Monthly Labor Review</u> , September 1962. (Reprint 2402.) | Free |
| Other | | |
| 1325 | Digest of Profit-Sharing, Savings, and Stock Purchase Plans, Winter 1961-62. (20 Selected Plans.) | 30 cents |
| 1365 | Digest of Nine Supplemental Unemployment Benefit Plans, Early 1963. | 25 cents |
| | Health, Insurance, and Pension Plan Coverage in Union Contracts, Late 1960. BLS Report 228. | Free |