BLS Bulletin No. 1407

Labor Mobility and Private Pension Plans

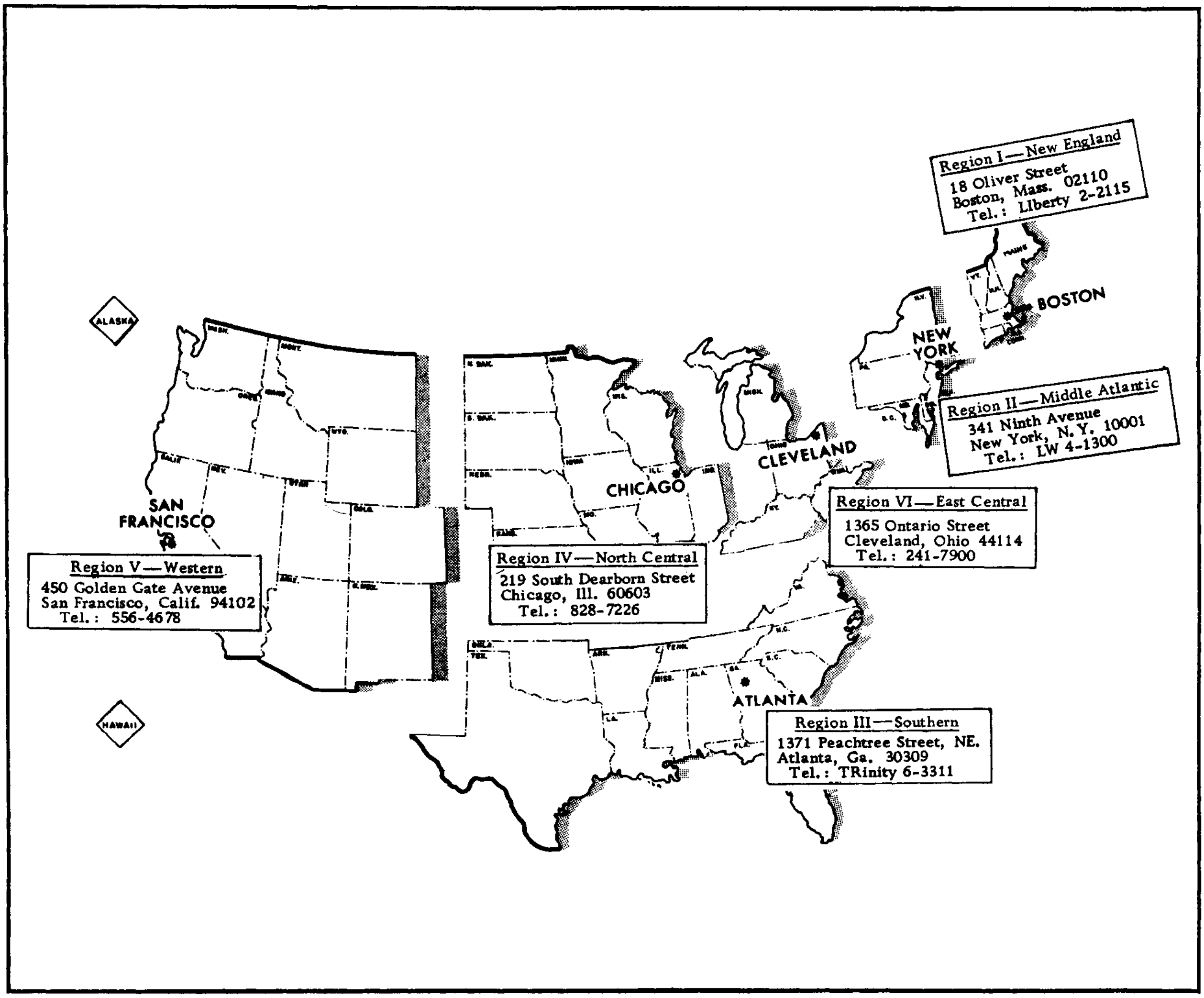
A study of vesting, early retirement, and portability provisions

UNITED STATES DEPARTMENT OF LABOR
W. Willard Wirtz, Secretary

Sponsored by
OFFICE OF MANPOWER, AUTOMATION AND TRAINING
Seymour L. Wolfbein, Director

Prepared by
BUREAU OF LABOR STATISTICS
Ewan Clague, Commissioner

BUREAU OF LABOR STATISTICS REGIONAL OFFICES



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Preface

The Manpower Development and Training Act of 1962 directed the Secretary of Labor to "establish a program of factual studies of practices of employers and unions which tend to impede the mobility of workers or which facilitate mobility." Included among the studies requested was one of "early retirement and vesting provisions and practices under private compensation plans."

To fulfill this statutory directive, the Department of Labor's Office of Manpower, Automation and Training requested the Department's Bureau of Labor Statistics to undertake this study and supported it financially. Studies of the mobility implications of other practices of employers and unions will be sponsored by the Office of Manpower, Automation and Training.

This undertaking had two major parts: (1) To describe the private pension structure in its entirety—the prevalence of plans, the types of plans, and types and characteristics of benefits provided, and (2) to set forth the implications for labor mobility inherent in the provisions and practices thus accounted for, in all their variety. The study, however, does not attempt directly to measure the effects of private pension plans on labor mobility.

An overall yet detailed view of the entire private pension structure, which had never before been attempted, became a feasible project with the enactment of the Welfare and Pension Plans Disclosure Act. This act brought into the custody of the Department of Labor a vast collection of basic documents and reports dealing with welfare and pension plans in effect throughout the United States. It is believed that this bulletin accounts for the selected provisions of virtually all private pension plans covering more than 25 workers in effect at the time of the study.

Although this study concentrates on the vesting and early retirement provisions of pension plans, it also brings into focus the pension credit portability provided by multiemployer plans and, to a limited extent, the age and service requirements for normal retirement. Other aspects of the private pension structure, such as disability retirement, level of benefits, and normal retirement, which have general manpower implications, although not as directly related to labor mobility as the practices selected for this study, will be covered in separate Bureau of Labor Statistics bulletins presently in process.

Some of the data obtained in the course of this study were made available to the President's Committee on Corporate Pension Funds and Other Private Retirement and Welfare Programs, and to the President's Advisory Committee on Labor-Management Policy. Some data for major plans also appeared in the Manpower Report of the President in 1963.

The Bureau of Labor Statistics is grateful for the assistance of the staff of its cooperating agency, the Office of Manpower, Automation and Training, in particular Mr. Robert E. Manifold. Both agencies appreciate the assistance of the staff of the Office of Labor-Management and Welfare-Pension Reports responsible for the Department's file of pension plan documents.

This study was undertaken in the Bureau's Division of Industrial and Labor Relations, Joseph W. Bloch, Chief, under the general direction of L. R. Linsenmayer, Assistant Commissioner for Wages and Industrial Relations. The bulletin was prepared by Walter W. Kolodrubetz under the supervision of Donald M. Landay.

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Chapter I. Introduction

The presumption that pension plans inhibit worker mobility is widely accepted. Indeed, a contrary view would run counter to one of the chief reasons for the establishment of many pension plans. Almost without exception, however, it is agreed that other practices—seniority, for example—are intermeshed with the accumulation of pension rights and may, on balance, be more significant deterrents to worker mobility.

In dealing with the labor mobility implications of pension plans, it is important to emphasize that a particular type of mobility of a particular category of workers is under consideration. The mobility function upon which pension plans have the greatest effect consists largely of voluntary shifts from one employer to another, not necessarily involving geographic or occupational changes. The workers principally involved in this situation are largely those between the ages of about 35 or 40 and 55 or 60 who have accumulated years of credited service under a pension plan. The mobility of young workers, occupational mobility within the company or at large, the mobility of permanently displaced workers, geographic movement, the mobility among workers who do not stay with any employer long enough to accumulate significant pension rights—these manpower-mobility situations are either not directly related to the existence of pension plans or are believed to be of secondary importance. The influence of pension plans on the willingness of middle-aged workers to change jobs (employers) is the key issue.

Mobility studies indicate that voluntary mobility among middle-aged workers is low in the economy as a whole and has been declining in recent years.[1] Empirical evidence as to the reasons for this relative immobility and, more particularly, as to the role of pension plans, requires probing into worker motivations and attitudes and an attempt to separate the multiple strands that bind workers to the company and community, a difficult area for research. Yet, with regard to pension plans, it may reasonably be argued that their impact upon worker motivations is still developing, at least for production and nonsupervisory employees. As pointed out in this report, the private pension movement in its present form is relatively new. Only about 1.2 million workers were actually receiving benefits of any amount in 1961 from the private pension plans studied; possible half of this number were receiving benefits 5 years earlier. With so few fellow workers, neighbors, or relatives receiving benefits of any substantial amount, it is questionable whether the prospects of private pensions have yet sunk into the consciousness of American workers as a primary motivating influence. Moreover, many pension plans started with a low level of benefits; as benefit levels rise, as they have in recent years and promise to do in the future, and as protective devices become more prevalent, the private pension becomes more of a reality and a goal. Finally, as this study shows, private plans tend to be concentrated in certain industries; vary greatly in their provisions; and, in total, still cover only a minority of American workers.

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[1] See "Job Mobility in 1961," Monthly Labor Review, August 1963, pp. 897-906.

Just as it is commonly believed that pension plans inhibit mobility, it is believed that vesting, early retirement, and pension credit portability loosen the ties of the worker to the pension plan without sacrificing his equity and thus enhance mobility.[2] There is a tendency, however, to overlook the restrictive or limiting features of these provisions, as they actually exist, and the separate, if lesser, ties these provisions create in the course of a worker's career. Although the private pension system cannot emulate the universal coverage and portability of the social security system, those who are concerned with the mobility of American workers will continue to assess the effects of the private system against those of social security in this regard.

Private pension plans are but one of a number of organized and traditional group arrangements designed and developed over time in answer to the quest for security. The economic climate in which their greatest growth occurred, and in which they assumed their present shape, is in the process of change. If rapid technological change will require more frequent job changes, even among mature, long-service workers, as some experts prophesy, and if a desired rate of economic growth cannot be sustained by the present rate of worker mobility, all such security arrangements will need reexamination. The Manpower Development and Training Act suggests that this process of evaluation cannot begin too soon.

The purpose of this study is to describe the private pension structure in its entirety, focusing on those aspects which have an especially significant impact on the capacity of the structure to impede or enhance mobility.[3] The study does not attempt directly to measure the effects of private pension plans on labor mobility. It must be emphasized that this study, in focusing on the mobility and manpower implications of pension plans, excludes examination of equity rights of workers, cost implications for employers, tax implications for the country, and many other values and considerations inherent in the private pension structure as it now exists. All these factors must also be taken into account in assessing the desirability for change.

Scope and Method

A private pension plan, as defined for this study, is a plan established by an employer, union, or both, that provides a cash income for life to qualified workers upon retirement. This definition includes plans introduced unilaterally by employers, jointly by employers and employees, or unilaterally by organized employee groups. Profit-sharing, stock bonus, and savings plans paying off at retirement are excluded[4] because most do not provide lifetime retirement benefits and the amount of benefits payable by those that do are not definitely ascertainable in advance. Plans of government and nonprofit organizations (other than unions) are also excluded from the scope of this study, as are very small (fewer than 26 workers) private plans.

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[2] For definition of vesting, early retirement, and pension credit portability, see pp. 11, 24, and 36, respectively.

[3] This study does not exhaust the manpower and mobility implications of private pension plans. Additional studies now in progress will cover such aspects as disability retirement, benefit levels, participation requirements, and normal retirement provisions. Some discussion of this issue along with other manpower aspects was included in Private Pension Plans and Manpower Policy, BLS Bulletin 1359, May 1963.

[4] Chiefly because of these exclusions, the number of plans and workers studied are not comparable to data on "pension benefit plans" published by the Office of Labor-Management and Welfare-Pension Reports. See appendix for details.

The chief source of data for this study were the reports and documents filed with the U.S. Department of Labor's Office of Labor-Management and Welfare-Pension Reports, pursuant to the Welfare and Pension Plans Disclosure Act, by private pension plans covering more than 25 workers. By the end of 1960, financial reports (D-2 forms) had been filed for over 25,000 plans providing retirement benefits. The plan descriptions (D-1 forms) filed for these plans were the basis for this study.

To reduce these 25,000 reports to a more manageable number for analysis, a stratified random sample was selected based on industry and size of plan (number of workers covered). The sample was designed to permit presentation of data by industry division, and in some cases, by major industry group. Within each industry-size grouping, the sample was selected to yield the most reliable results. This was done by including in the sample a higher proportion of plans covering large numbers of workers. Data for each sample report were appropriately weighted in accordance with its probability of selection so that the tables show estimates for all private pension plans with financial reports on file for 1960.[5]

The pension plans studied were limited to those submitting financial reports for 1960. Coverage data, however, were obtained for these plans from the 1961 reports. The plan provisions were analyzed in the winter of 1962–63, and were considered current at that time. For further details of scope and method of study, see appendix.

[5] Of the 16,031 private pension plans studied covering 15.8 million active workers, 213 plans with 166,600 active workers were in the process of determining their plan provisions. For these plans, little information other than size, industry, financing, and type of worker covered, were available at the time of the study. Thus, the analysis of pension plan provisions, including vesting and early retirement provisions, and benefits provided under certain assumed conditions, relate only to 15,818 plans.

Chapter II. Selected Characteristics of Private Pension Plans

About 16,000 private pension plans, as defined by this study, covering more than 15.6 million active workers and paying benefits to about 1.2 million retired workers, filed financial reports with the U.S. Department of Labor for 1960.[6] About two-thirds of the plans for which the dates of establishment were known, with half of the coverage, were established since 1949 (table 1 and chart 1).

Although pension plans in the United States date back to the late 19th century, only in recent years have private pension plans become a significant form of employee compensation and thus a significant factor in the labor market. Of the private plans in existence in 1960, only 2 percent were established in the first 4 decades of this century. Since many of these early plans, such as the telephone company plans, are now large plans, they now cover about 15 percent of the workers. These early plans were not limited to salary or production workers; rather, they usually covered all employees.[7]

Spurred at first by favorable Federal tax laws, and later by wartime wage stabilization measures, substantial growth in private plans occurred between 1940 and 1949—about 30 percent of the plans with about the same proportion of workers were established in that decade. During this period, establishment of plans solely for blue-collar workers became more prevalent.

A spurt in the introduction of plans took place after 1949. This growth was in large part attributable to: (1) Union pressures for security benefits after the favorable decision by the Supreme Court in 1949 supporting the National Labor Relations Board's determination that pensions were a proper issue for collective bargaining; (2) the Steel Industry Fact-Finding Board's recommendations in 1949 that the industry had a social obligation to provide workers with pensions; (3) wage stabilization policies during the Korean conflict period; and (4) the union drive, mainly since 1954, for negotiated multiemployer pension plans, particularly in the construction trades and trucking. Favorable tax treatment continued throughout these years. Because most plans established in this period were negotiated by unions representing production workers, a higher proportion than in earlier periods covered only blue-collar workers. Over three-fourths of the plans established in this period were mentioned in collective bargaining agreements.[8] About half of the workers belonged to multiemployer plans covering only production workers.

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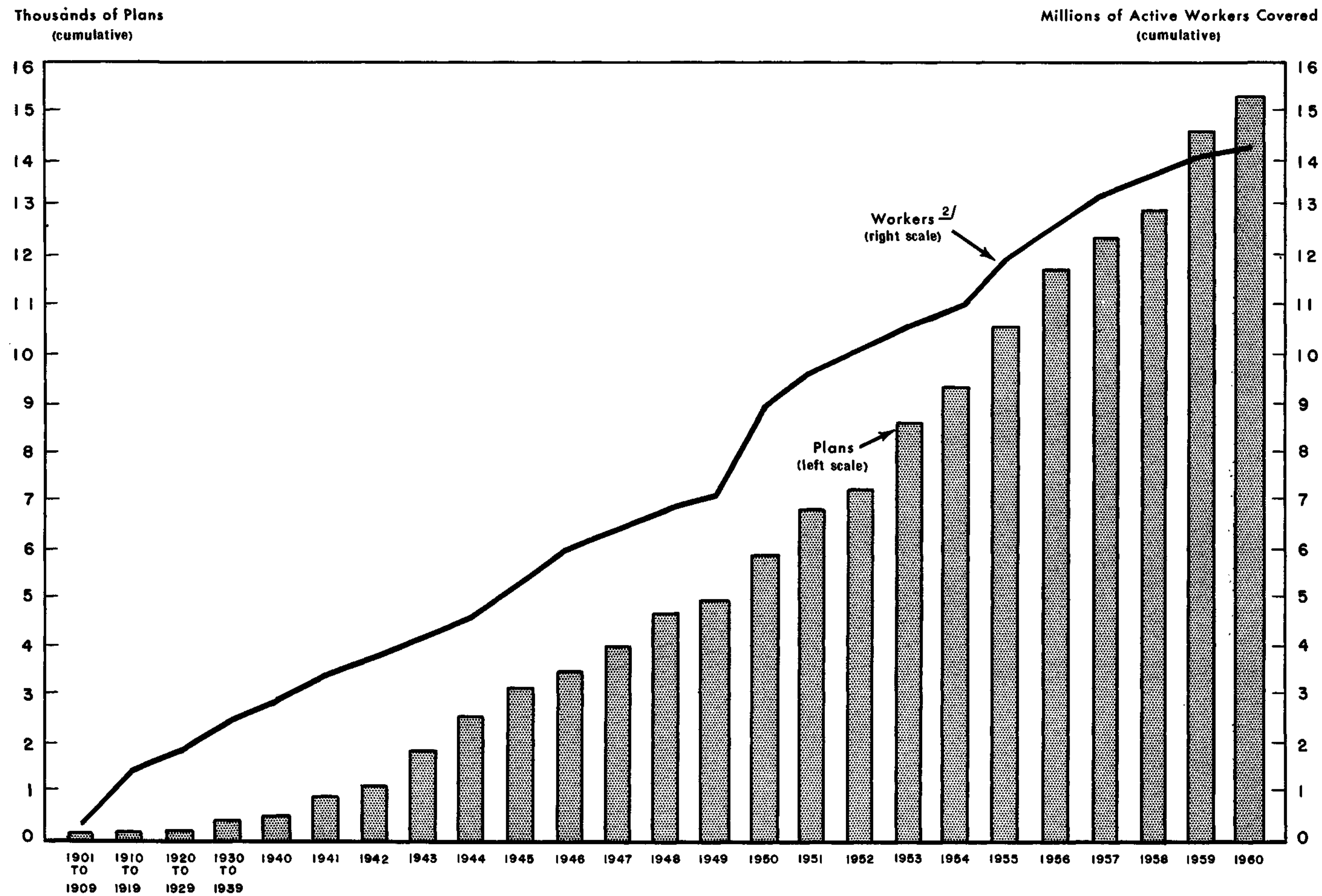
6 See appendix for a reconciliation of these data with data published by the Social Security Administration.

7 See Murray W. Latimer, Industrial Pension Systems, Industrial Relations Counselors, Inc., New York, 1932, p. 63.

8 Following the precise language of the act, the D-1 form asks this question: "Is the plan mentioned in a collective bargaining agreement?" A "no" answer can be presumed to be conclusive, that is, no part of the plan or its coverage is subject to collective bargaining. A "yes" answer would be indicated if part or all of the employees covered by the plan were in the bargaining unit covered by the agreement, and the agreement "mentioned" the plan. Although a doubt arises as to whether "mentioned" in the agreement is tantamount to bargaining on the plan, it can reasonably be presumed that "mentioned" in the agreement brings the plan within the scope of collective bargaining, at least with regard to continuing or changing the plan.

In this study, the collective bargaining coverage figures for single-employer plans covering all employees of the company are overstated because they often include employees not covered by a collective bargaining agreement, while the plan itself was subject to bargaining. Plans in the basic steel industry, for example, were negotiated by the Steelworkers' union for members of its bargaining units, but the same plans often cover all company employees, including professional, executive, sales, and other white-collar employees not represented by the union. On the other hand, coverage under multiemployer plans will more precisely account for all workers in bargaining units.

Chart 1. GROWTH IN NUMBER AND COVERAGE OF PRIVATE PENSION PLANS 1/



1/ Chart excludes 614 plans, covering 1.4 million workers, for which information was not available.

2/ Active workers in 1961, see text.

Size of Plans

The private pension plans analyzed ranged in size from 26 active and retired workers, the smallest required to file reports, to approximately 370,000 active workers. The number of persons currently drawing benefits from the plans ranged from none to over 10,000 persons and totaled about 1.2 million.

Although most private pension plans are small-scale undertakings, over 60 percent of the workers were covered by plans with 5,000 or more workers (table 2). The 15 largest plans—7 multiemployer, 7 single employer, and 1 union-operated—each with over 100,000 active workers, altogether had over a sixth of the worker coverage. Nearly 14,000 plans with fewer than 1,000 members accounted for almost 90 percent of the plans, but only 15 percent of worker coverage. Over 60 percent of the plans had fewer than 200 active members and less than 5 percent of the workers.

Industry and Type of Employer Unit

Private pension plans reach workers in all segments of the economy, but the extent of coverage varies considerably from industry to industry. About 60 percent of the plans and workers were in manufacturing industries, while approximately 40 percent of the plans and workers were in nonmanufacturing (table 3). This ratio of 3 to 2 contrasts with a ratio of 3 to 5 in total employment as between manufacturing and private nonfarm nonmanufacturing.

Construction, transportation, and communications and public utilities accounted, in all, for over 60 percent of the worker coverage of pension plans in nonmanufacturing divisions. In mining, construction, wholesale trade, and motor transportation—characterized by large numbers of small employers—most covered workers belonged to multiemployer plans, while in communications and public utilities—where large companies are common—they belonged to single-employer plans (table 4).

In manufacturing industries, pension plans in metalworking, chemicals, rubber, and petroleum industries made up 70 percent of worker coverage. Metalworking industries pension plans accounted for over a third of all workers in private pension plans and almost 60 percent of manufacturing industry coverage. While only about 1 out of 8 manufacturing workers were covered by multiemployer plans, there was a heavy concentration in the apparel, printing and publishing, and food (especially brewing and dairy products) industries. With these exceptions, single-employer plans dominated manufacturing industries.

In general, multiemployer plans predominate in industries that are marked by multiemployer bargaining patterns. Such plans represent roughly three-fifths of the coverage of all multiemployer bargaining agreements (excluding railroads).[9] Single employer plans dominate in industries in which the bargaining relationship is on an establishment or company basis, as well as in industries where collective bargaining is uncommon.

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9 Railroad workers are covered by the Railroad Retirement Act. Many firms in the railroad industry, however, have single employer plans which usually provide benefits geared to earnings in excess of those recognized under the act. See Supplementary Pension Plans in The Railroad Industry, 1961, a digest of representative plans prepared for the Subcommittee on Railroad Retirement of the Committee on Labor and Public Welfare, United States Senate.

Collective Bargaining

Reports for slightly more than 1 out of 3 plans covering about 2 out of 3 workers indicated that the plan was mentioned in a collective bargaining agreement (table 5). The large number of workers belonging to plans mentioned in collective bargaining agreements results to some degree from the inclusion of large multiemployer plans, nearly all of which are subject to collective bargaining,[10] as well as the larger single-employer plans, all but a few of which are subject to collective bargaining, at least in part, and which often include employees not in bargaining units.

The extent of union participation or influence varied considerably by industry. Worker coverage in plans mentioned in collective bargaining ranged from 10 percent of covered workers in finance to 85 percent of the covered workers in the construction industry. Seventy percent of the covered workers in manufacturing were included in plans mentioned in collective bargaining agreements.

Nonmanufacturing industries such as services, trade, transportation, and mining, with a large number of workers in multiemployer plans, had a high proportion of workers in collectively bargained plans. In communications and public utilities, where the telephone company plans predominate, over 80 percent of the covered workers were in plans mentioned in collective bargaining agreements.

Financing

Employers financed the entire cost of retirement benefits (noncontributory) of about 3 out of 4 plans covering about the same proportion of workers (table 6). A fourth of the plans with about a fourth of the workers were financed by joint employer-employee contributions (contributory), while in a small number of union sponsored and operated plans (110), with about a quarter million workers, the workers alone financed the plans. Most multiemployer plans were noncontributory, while about 30 percent of the single-employer plans with about the same proportion of the workers required the employees to contribute. Moreover, a higher proportion of nonbargained plans than bargained plans were contributory.

The industrial pattern of financing reflected the pattern of bargaining; industries with mostly negotiated plans had mostly noncontributory plans and vice versa. Noncontributory plans were, therefore, common in such manufacturing industries as apparel, and printing and publishing, with a heavy concentration of negotiated multiemployer plans, and in the highly organized metalworking industries. On the other hand, industries in nonmanufacturing, such as finance, and in manufacturing, such as chemicals, petroleum, and textiles, had a significant number of jointly financed as well as single-employer nonbargained plans.

Supplemental Pension Plans. Included in the jointly financed pension plans was a group of 489 plans covering almost 600,000 workers in which the employee might elect to make contributions to build up larger benefits than a noncontributory plan alone offered. Under these plans, the worker was given the option to make contributions, usually based on earnings in excess of a specified amount, with benefits usually determined on the same basis.[11]

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10 Ten percent of the multiemployer plans were not under collective bargaining and none of those not under collective bargaining had more than 5,000 workers.

11 See appendix for method of allocating coverage between contributory and noncontributory plans.

Geographic Area

In 30 percent of the plans covering 70 percent of the workers, workers covered by the plans were located in more than one State (table 7). This group of interstate plans was dominated by plans of large single-employer firms such as the General Motors Corp., General Electric Co., Ford Motor Co., etc., and national and regional multiemployer plans such as the International Brotherhood of Electrical Workers Pension Benefit Trust Fund, and the Western Conference of Teamsters Pension Fund. The 15 largest pension plans, all interstate plans, accounted for over a fourth of interstate coverage. On the other hand, in the construction industry, where small multiemployer plans predominate, over half the worker coverage was in the intrastate plans. In wholesale and retail trade, about three-fourths of the plans were limited to workers in a single State.

Type of Worker Covered

Plans limited to salaried workers and executive groups were among the first to be commonly established. Of the private plans studied, a fourth covering 10 percent of the workers were restricted to these groups (table 8). Almost a third of the plans, with over 45 percent of the coverage, were plans for blue-collar workers, while the remaining plans, covering 40 percent of the workers, included both production and salaried workers. Many of these all-employee plans were originally limited to white-collar groups and later were broadened to include production workers.

The plans for salaried workers more frequently required employee contributions than the plans covering production workers only (salaried plans covering a third of the workers as compared with production-worker plans covering less than a tenth). In plans covering both worker groups, roughly a third of the plans with about the same proportion of workers were contributory, apparently reflecting the influence of inclusion of salaried workers within the plan.

Owing to the small number of unionized salaried employees, few of the plans limited to salaried employees were mentioned in collective bargaining agreements. On the other hand, 90 percent of the workers in plans limited to production workers were in plans noted in collective bargaining agreements. Further, in plans with both white-collar and blue-collar workers, two-thirds of the workers were in plans mentioned in collective bargaining agreements.[12]

The type of worker covered varied widely by industry, 2 out of 5 workers in manufacturing and nonmanufacturing were in plans covering all employees. In manufacturing, over 40 percent of the workers were in plans covering only production workers and less than 20 percent were in plans limited to salaried workers. Half of the workers in nonmanufacturing were in production worker plans, accounted for in large part by large multiemployer plans in the construction, transportation, and mining industries.

Administration

The administration of benefits, i.e., the final determination of eligibility, handling of appeals, and final decision, etc., was the sole responsibility of the employer in over 4 out of 5 plans covering 3 out of 5 workers (table 9). Bipartite or tripartite boards had final authority in about an eighth of the plans

[12] These figures overstate collective bargaining, as explained in footnote 8.

with over a third of the workers. Over half of these boards served in multi-employer situations. The grievance procedure of the collective bargaining agreement could be utilized in about 1,000 plans—mostly those negotiated by the Steelworkers—covering roughly a half million workers. In a small number of plans—union-operated plans—the union administered benefit determinations.

Implications for Mobility

The implications for labor mobility and manpower policy of the characteristics of private pension plans highlighted above are examined in the following chapters in relation to specific practices. Some general observations are offered at this point.

The most striking feature of the private pension structure, in assessing its influence on mobility, is its youth. As has been seen, the period of greatest growth began only 15 years ago. The influence this development has had on labor market practices, manpower policies, and worker attitudes is difficult to assess partly because the effects have not yet fully evolved; many are still in the developing stage. Furthermore, most pension plans started with much more limited benefits than they provide today. Typically, as private plans mature, they grant larger benefits and a greater range of benefits to more workers and, thereby, become increasingly influential. Provisions protecting accrued pension credits, particularly vesting and portability, are relatively new and are undergoing revision in the light of experience.

As informal and formal communication regarding pension plans spreads and workers' awareness of the plans and their provisions increases, their impact on employee attitudes and mobility decisions will undoubtedly become stronger. Each year, more and more workers will be retiring with a private pension; their firsthand knowledge of the benefits to be derived from private pensions will spread to still active workers. Thus, workers may less often view pensions as just another segment of the security package based on service and more often recognize them as unique benefits. This evolution will probably affect production and nonsupervisory employees—who comprise the greater part of private plan coverage—more than executives and salaried employees. Studies of worker attitudes toward pensions should take account of these time and experience factors.

Because of variations in the impact of collective bargaining, and of other forces affecting the growth and development of private plans, the coverage of private pensions has become concentrated in "pockets of influence" in certain industries and occupations. In addition, as will be discussed later, concentrations of plan provisions with particular mobility implications (vesting, early retirement, and portability) have also emerged. The high degree of private pension coverage in most manufacturing industries is attributable, in large measure, to union efforts. Whether it preceded or followed coverage for production workers white-collar coverage is also high in manufacturing.

On the other hand, the relatively slow and selected spread of pension plan coverage in the nonmanufacturing sector has limited its influence to workers in certain industries. In some industries, such as public utilities and finance, with a high proportion of professional and clerical workers, pension plans have been in effect for a long time. However, in the expanding trade and service industries, marked by many small employers and by high turnover both among employees and employers, there is relatively little private pension coverage. Much of the coverage that exists is attributable to a limited number of collectively bargained multiemployer plans. Similarly, only in recent years has private pension coverage been extended to significant groups of blue-collar workers in transportation (excluding railroads) and construction through collectively bargained multiemployer plans.

Concomitant with the unions' influence in expanding private pension coverage through collective bargaining, the unions' attitudes have, to a large degree, helped to shape the present structure of plan provisions. Essentially, unions view the protective provisions of private plans—vesting, early retirement, and portability—as equity devices to give their members an assurance of what is rightfully earned rather than as manpower devices. Recently, however, union attitudes appear to be changing under the impact of technological change and unemployment pressures. For example, some unions have expressed an interest in using private plans to help meet unemployment problems by facilitating earlier retirements.

Collectively bargained multiemployer plans, which account for nearly a fifth of the current private pension coverage, have different manpower effects than single-employer plans. Their most rapid growth began somewhat later than single-employer plans and has been limited mostly to industries marked by multiemployer collective bargaining relationships. One of their more important characteristics is that they have extended private pension coverage to many employers who probably could not have provided such benefits on a single company basis. Partly because of this, the characteristics and provisions of multiemployer plans often differ sharply from those of single-employer plans. The unique character of multiemployer plans is more fully examined in chapter V.

Some degree of flexibility and portability is also provided by multiestablishment firms and financially related companies which allow employees transferring within the corporate complex to transfer or retain their pension credits. The Bell Telephone System, for example, permits unlimited geographic and occupational shifts within the system without loss of plan coverage. The occupational and geographic shifts permitted within other large corporations, such as General Motors, General Electric, and U. S. Steel, are mobility assets, particularly to professional, salaried or executive groups. Even for production workers, such intracorporate transfer possibilities may open a wider scope for readier movement than small, localized multiemployer plans. Even in smaller firms, vertical mobility within a firm is enhanced by the existence of all-employee pension plans which continue pension protection to those who remain with the firm regardless of the position to which they may be promoted or transferred. Even if the firm has separate plans for blue-collar and white-collar workers, a change in status is almost always accompanied by the transfer of service credits or at least retention of accrued benefits.

Chapter III. Vesting

Vesting is defined as a guarantee to the worker of a right or equity in a pension plan based on all or part of his accrued retirement benefits should his employment terminate before he becomes eligible for retirement benefits. If his rights are vested, the worker is entitled to a future retirement benefit when he reaches retirement age, regardless of where he may be at the time. Through vesting, a worker can build up retirement benefits from more than one employer.

Although the concept and use of vesting provisions in pension plans is quite old, their incorporation into private pension plans has been limited until recent years, especially in noncontributory and collectively bargained pension plans. For example, the Bureau's study of 300 large collectively bargained plans in 1952 showed that only 25 percent of the plans had vesting (of which three-fourths were contributory); in 1958, the Bureau found that almost 60 percent of a similar group of negotiated plans had vesting.[13] This rapid growth reflects mainly the addition of vesting provisions to the noncontributory plans negotiated by the Automobile Workers and Steelworkers. Since 1958, the trend toward adding a vesting provision to existing plans has continued, especially in bargained plans.

The attitudes and values of employers and unions have shaped the development and nature of vesting provisions, including the rigidities and restrictions built into them. From the employer's viewpoint, the inherent contradiction between the concept of equity, flexibility, and mobility implied in vesting, on one hand, and the traditional purpose of a retirement plan to attract and keep workers on the job until normal retirement, on the other, is resolved mainly by restricting vesting to workers who have attained a specified age and substantial service. Unions concerned with workers' equities, and viewing pensions as deferred wages, see vesting as a desirable protection, particularly necessary in single employer plans. In the formative years of negotiated plans, however, vesting was largely set aside in favor of benefit levels, reasonable funding, benefits for workers near retirement, and financing solely by employers. In recent years, liberal vesting has been high on the list of union demands.

Prevalence of Vesting

Vesting was provided by 2 out of 3 private pension plans covering 3 out of 5 workers (table 10). Vesting was far more common in single employer plans

Type of employer unit	Total		With vesting		Without vesting	
	Plans	Workers[1] (thousands)	Plans	Workers[1] (thousands)	Plans	Workers[1] (thousands)
All plans studied	15,818	15,621	10,634	9,307	5,184	6,313
Single employer	14,890	11,742	10,340	8,393	4,550	3,349
Multiemployer	928	3,878	294	914	634	2,964

[1] Active workers in 1961.

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

[13] Pension Plans Under Collective Bargaining, BLS Bulletin 1147 (1953), and Pension Plans Under Collective Bargaining, Part I. Vesting Provisions and Requirements for Early Retirement; Part II. Involuntary Retirement Provisions, Late 1958, BLS Bulletin 1259 (1959).

than in multiemployer plans, which provide portability of pension credits among member employers. (See chapter V.) About 7 out of 10 single employer plans covering about the same proportion of workers had a vesting provision, as compared to about 1 out of 3 multiemployer plans with about 1 out of 4 workers.

Almost 80 percent of the workers covered by contributory plans had vesting protection, as against about 55 percent of the workers in noncontributory plans.

Method of financing	Total: Plans	Total: Workers[1] (thousands)	With vesting: Plans	With vesting: Workers[1] (thousands)	Without vesting: Plans	Without vesting: Workers[1] (thousands)
All plans studied	15,818	15,621	10,634	9,307	5,184	6,313
Noncontributory	11,526	11,667	7,360	6,216	4,166	5,450
Contributory	4,292	3,954	3,274	3,091	1,018	863

[1] Active workers in 1961.

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

This disparity results from the heavy concentration in the latter group of noncontributory multiemployer plans without vesting (table 11). If limited to single employer plans, 9 out of 10 workers in contributory plans had vesting as compared to about 2 out of 3 in noncontributory plans.

Vesting in contributory pension plans is usually conditional, i.e., the worker must leave his contributions in the plan in order to retain a right to the employer's portion. If the worker terminates before vesting, or if no vesting is provided, he is invariably entitled at least to the return of his own contributions, usually with interest. Many plans give these workers the option of choosing between the return of contributions or a deferred annuity based on their own contributions. Studies of the operation of vesting provisions show that most workers prefer to receive a cash settlement at time of termination rather than a deferred annuity, even at the sacrifice of a large employer-financed deferred annuity.[14]

Vesting was less prevalent for workers in negotiated than in nonnegotiated plans. About 2 out of 3 plans mentioned in collective bargaining agreements and covering 55 percent of the workers in such plans had vesting, as compared to 2 out of 3 nonbargained plans with the same proportion of the workers, as shown in the following tabulation.

Collective bargaining status	Total: Plans	Total: Workers[1] (thousands)	With vesting: Plans	With vesting: Workers[1] (thousands)	Without vesting: Plans	Without vesting: Workers[1] (thousands)
All plans studied	15,818	15,621	10,634	9,307	5,184	6,313
Mentioned in a collective bargaining agreement	5,795	10,695	3,888	5,982	1,907	4,713
Not mentioned in a collective bargaining agreement	10,023	4,926	6,746	3,326	3,277	1,600

[1] Active workers in 1961.

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

[14] "Forfeiture of Civil Service Retirement Benefits," Social Security Bulletin, October 1961, pp. 18–21.

Most of this difference between bargained and nonbargained plans stemmed from the low prevalence of vesting in multiemployer plans (almost entirely under collective bargaining). Among single employer plans, over 70 percent of the workers in plans mentioned in collective bargaining agreements had vesting, as compared to a like proportion of workers in nonbargained plans.

Plans for salaried workers only were more likely to have vesting than plans for production workers, due to the large coverage of multiemployer plans for production workers. Three-fourths of the plans covering white-collar workers, with four-fifths of the workers, had vesting as compared to three-fifths of the plans covering blue-collar workers, with fewer than half the workers. Similarly, plans including both salaried and production workers had a much higher proportion of workers with vesting than plans for production workers only—about 3 out of 5 plans with 2 out of 3 workers.

Type of worker covered	Total		With vesting		Without vesting	
	Plans	Workers[1] (thousands)	Plans	Workers[1] (thousands)	Plans	Workers[1] (thousands)
All plans studied	15,818	15,621	10,634	9,307	5,184	6,313
Salaried and production	6,038	6,263	3,775	4,127	2,263	2,135
Salaried only	3,995	1,584	3,047	1,279	948	306
Production only	4,925	7,039	3,014	3,298	1,911	3,741
Earning in excess of a specified amount	860	735	798	603	62	132

[1] Active workers in 1961.

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

Size of plans was not a significant factor in explaining variations in the prevalence of vesting among single employer plans. The proportion of single employer plans with vesting was roughly similar for all the size groups (table 12).

Among major industry groups, vesting was common in manufacturing (over 70 percent of plans and workers) mainly because of the high prevalence of vesting in the metalworking industries (table 13). In transportation, wholesale and retail trade combined, and service industries, because large proportions of covered workers were in multiemployer plans without vesting, only 40 to 50 percent of the workers were in vested plans. In finance, where nonbargained white-collar plans prevail, three-fourths of the plans and workers had vesting. In both mining and construction (predominantly multiemployer coverage), less than a third of the workers were in plans with vesting. In communications and public utilities, about 2 out of 3 workers (800,000 workers) were covered by plans of the Bell Telephone System or similar plans, which have no vesting provisions. However, these plans allow the worker to retire on an immediate unreduced benefit at an early age with the approval of the company and at age 60 (55 for women) without company approval. These and other partial substitutes for vesting are discussed in chapters IV and V.

Types of Vesting

Three types of vesting provisions are found in pension plans, distinguished by the requirements the worker must fulfill to achieve a vested position. Under deferred full vesting, eligible workers retain a right to all accrued benefits upon meeting the specified requirements (e.g., age 40 and 10 years of service). Under deferred graded vesting, workers initially acquire a right to a certain percentage of accrued benefits upon fulfilling the stipulated requirements; the percentage increases as additional requirements are fulfilled, until workers become fully vested. A plan might, for example, provide 50-percent vesting on completing 10 years of service and an additional 10 percent for each additional year of service, up to 100 percent for 15 years or more of service. In contrast to these deferred methods, under immediate full vesting, all benefits are fully vested as soon as they are earned, i.e., starting from the day of participation. Of these three methods, deferred full vesting is the most common, followed by deferred graded vesting. Immediate full vesting is rare.

Type of vesting	Plans		Workers[1]	
	Number	Percent	Number (thousands)	Percent
All plans with vesting	10,634	100.0	9,307	100.0
Immediate full	14	0.1	40	0.4
Deferred full	7,198	67.7	7,298	78.4
Deferred graded	3,422	32.2	1,969	21.2

[1] Active workers in 1961.

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

Deferred full vesting was dominant in all industries except transportation (table 14), where one large multiemployer plan—the Western Conference of Teamsters Pension Fund—had graded vesting. Because of this, over 40 percent of the workers with vesting in multiemployer plans had graded vesting (table 15). About a third of the single employer plans with vesting, covering about a fifth of the workers, had deferred graded vesting. Many of these were large plans in the aircraft and missile industries.

Requirements for Vesting

Except for the few plans that vested workers immediately upon employment or upon plan membership, vesting provisions establish age and service requirements which must be met to qualify. In addition, vesting may be conditioned on the type of termination.

Deferred Full Vesting. Ten years of service or less was required for deferred full vesting by about 45 percent of the plans covering the same fraction of workers. Over half the plans with about the same fraction of workers required 15 years or more of service.

Minimum service requirements[1]	Percent	
	Plans	Workers[2]
All plans with deferred full vesting	100.0	100.0
No service requirement	0.2	0.2
Less than 10 years	17.5	7.7
10 years	24.8	37.9
11–14 years	3.3	2.6
15 years	30.5	37.3
16–19 years	1.2	1.0
20 years	13.8	8.1
21–24 years	.2	.4
25 years	7.6	4.0
26–29 years	.4	.3
30 years	.4	.4

[1] For those plans which specify a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.
[2] Active workers in 1961.

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

Thirty percent of the plans with 40 percent of the workers required 10 to 14 years of service. A heavy concentration of workers in plans requiring 10 (38 percent of the workers) or 15 (37 percent of the workers) years results mainly from the vesting arrangements in plans in the metalworking industries, many of which were negotiated by the Automobile Workers (10 years) and Steelworkers (15 years), or were influenced by these plans. Only 1 out of 6 plans, covering more than a half million workers, specified less than 10 years, while a fifth of the plans, covering almost a million workers, required 20 years or more of service.

In addition to service requirements, minimum age requirements were specified by 70 percent of the plans with the same proportion of workers. Attainment of age 40 was required by roughly a fourth of the plans covering over 45 percent of the workers.

Minimum age requirements[1]	Percent	
	Plans	Workers[2]
All plans with deferred full vesting	100.0	100.0
No age requirement	30.4	29.8
Age 40 and under	27.2	46.2
Age 45	8.8	8.6
Age 50	9.9	8.1
Age 55	20.8	6.5
Age 60	3.0	.8

[1] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.
[2] Active workers in 1961.

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

Other common age requirements were 45, 50, and 55 years; the two latter ages, as will be pointed out, were also commonly required for early retirement.

The combination of age 40 and 10 or 15 years of service (the minimum requirements in plans negotiated by the Automobile Workers and Steelworkers, respectively), applied to over 2 out of 5 workers covered by deferred full vesting provisions (table 16). Another 30 percent of the workers were in plans that had no age requirement. In these plans, service requirements of 10 or 15 years were most common. In general, the service requirements were longer where no age requirement was specified.

The service requirements for deferred full vesting were slightly more liberal in salaried plans than in plans covering either blue-collar workers only or both types of workers (table 17). Only 2 percent of the blue-collar workers could vest with less than 10 years' service, against 1 out of 7 white-collar workers. Where both groups were covered by the same plan, 8 percent of the workers could vest with less than 10 years' service. Age requirements were less frequently stipulated for white-collar workers than for blue-collar workers; only two-tenths of the latter did not have to meet such requirements, as compared to three-tenths of the former. Where both groups were included in the same plan, the no age requirements were found in plans with four-tenths of the workers.

Deferred Graded Vesting. The age and service requirements of plans with deferred graded vesting were more heterogeneous than those with deferred full vesting. Workers under the former procedure usually could qualify for vesting at an earlier age with less service than under the latter, but, of course, only part of the worker's equity was initially vested. To become fully vested under graded plans usually required longer service than under deferred full vesting plans.

Ten or 15 years was most often required to vest the first step (i.e., the smallest fraction) of the worker's equity in deferred graded plans (table 18). The initial percent vested varied widely, ranging from 5 percent for 5 years' service up to 75 percent for 10 years' service. The most common grading plan vested 50 percent after 10 years of service. To become fully vested, 85 percent of the workers under graded plans had to have 15 years or more of service (table 19). More than half the workers were in plans with no age requirement, but service requirements were usually 15 years or more.

Prospects of Vesting. The combined effect of the age and service requirements for vesting, as well as the absence of vesting provisions, can be seen readily by considering the probability of workers becoming vested upon entering plans at a specified age.[15] Beginning at age 25, for example, only 1 out of 5 would vest by age 35, and 1 out of 2 by age 45 (chart 2).

Type of Separation. In about 95 percent of the vesting plans of all types, with 85 percent of the workers, a worker meeting the age and service requirements would be entitled to his vested right if separated for any reason: Quit, layoff, discharge, etc.

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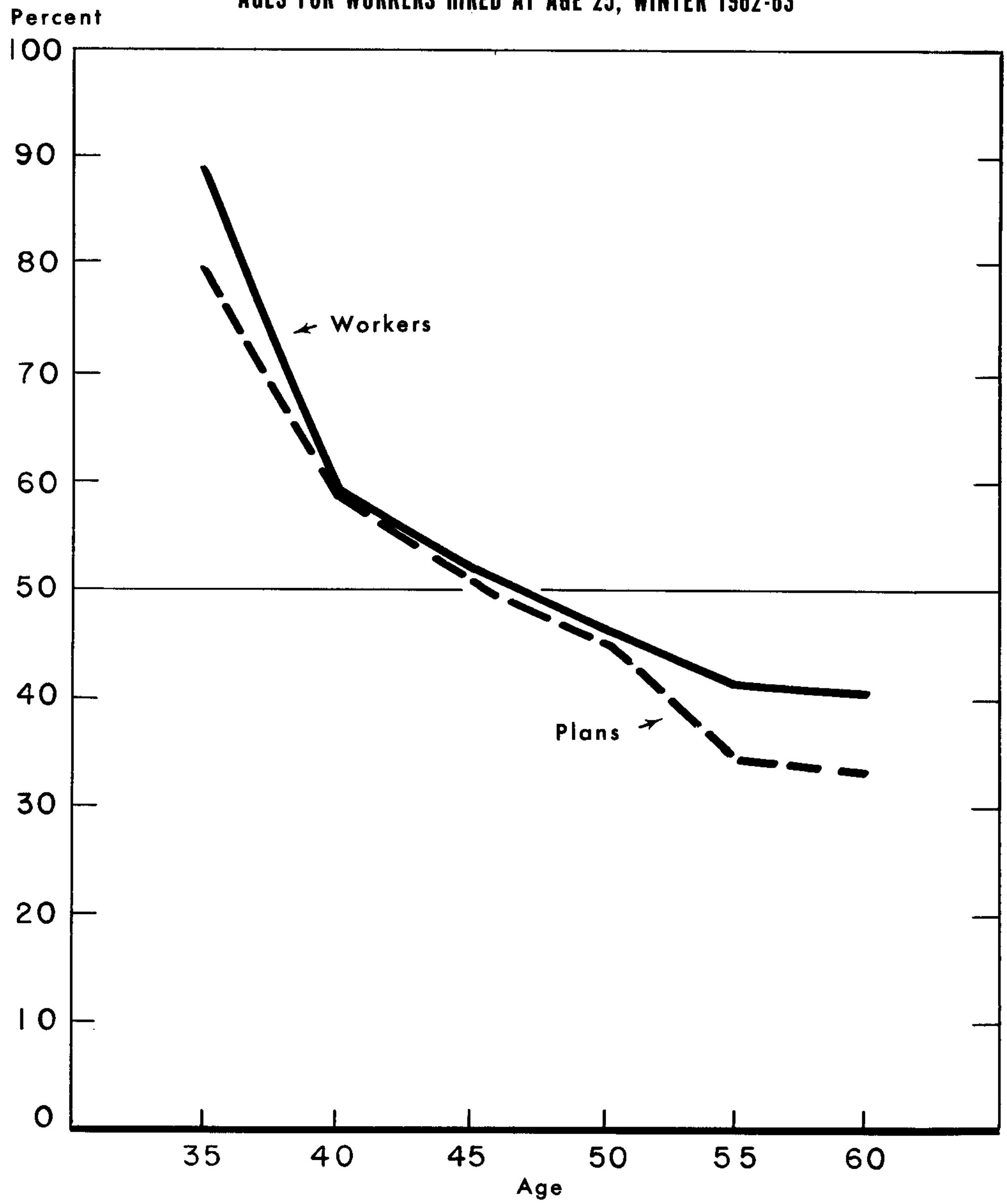
[15] Strictly speaking, he would not be covered until a later age under plans with preparticipation service requirements, but his employment would date from age 25. It should also be noted that vesting requirements other than age and service, such as type of separation, have not been considered.

CHART 2. PERCENT OF PRIVATE PENSION PLANS AND WORKERS WITHOUT VESTING AT SPECIFIED AGES FOR WORKERS HIRED AT AGE 25, WINTER 1962-63



1/ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

Conditions for vesting	Plans: Number	Plans: Percent	Workers[1]: Number (thousands)	Workers[1]: Percent
All plans with vesting----------	10,634	100.0	9,307	100.0
Any separation----------------	9,993	94.0	7,920	85.1
Involuntary separation ---------	641	6.0	1,388	14.9

[1] Active workers in 1961.

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

Under the remaining plans, all workers who leave their jobs voluntarily forfeit their pension rights. For example, plans in the basic steel and fabricated metals products industries generally limited vesting to workers terminated as the result of a permanent shutdown of a plant, department, or subdivision, or laid off and not recalled in 2 years. These restrictions were chiefly found in production worker plans and in plans covering both white-collar and blue-collar workers. Only 1 out of 7 workers in plans for white-collar workers with deferred full vesting were affected compared to over 1 out of 4 in plans for blue-collar workers and combined plans. Four out of 5 of the plans with deferred full vesting requiring that the separation be involuntary, also required the attainment of age 40 and 15 years of service.

Benefits Payable Under Vesting

The vested benefit is usually payable in the form of a monthly retirement benefit—a life annuity—commencing at normal retirement age. In about 75 percent of the plans, covering 60 percent of the workers under vested plans, the benefit was payable only in that form—the benefit usually commencing at age 65.

Time of benefit payment	Plans: Number	Plans: Percent	Workers[1]: Number (thousands)	Workers[1]: Percent
All plans with vesting---------------	10,634	100.0	9,307	100.0
At normal retirement age only -------	8,023	75.4	5,602	60.2
At normal retirement age or—				
In prior 5-year period------------	207	2.0	1,732	18.6
In prior 10-year period-----------	2,057	19.3	1,740	18.7
In prior 15-year period-----------	23	.2	103	1.1
At any time requested by worker -----	324	3.0	131	1.4

[1] Active workers in 1961.

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

On the other hand, a fourth of the plans with two-fifths of the workers allowed the vested worker to choose between starting his monthly benefits at an earlier age (usually the early retirement age) in a reduced amount, or receiving it in full beginning at the normal retirement age. The benefit could be received 5 years prior to the normal retirement age (generally age 65) in plans covering over 1 out of 6 workers, while another 1 out of 6 workers could receive it as early as 10 years before the normal age. Vesting in these plans contained some elements of regular early retirement, i.e., the alternative to receive reduced benefits at an earlier age than normal, although the worker initially qualified at an earlier age (in some cases substantially earlier) under the vesting conditions. A small group of plans with about 130,000 workers gave the vested worker the option of receiving the benefit at any time he chose. A few of these also allowed an immediate lump-sum payment.

Although the sharp reduction of benefits commencing at an earlier age than normal—where 65 is the normal retirement age, a 35-percent reduction at 60 is common—discourages the election of early benefits, the reduced benefits can partly replace income loss because of job termination. This reduction in almost all plans followed the formula used to determine regular early retirement benefits, but occasionally there was some variation because the worker was not retiring under regular early retirement conditions. As the result, an actuarial reduction[16] was specified in about 4 out of 5 plans with vesting with this option covering more than 2 out of 5 workers. Specified reduction factors, such as six-tenths, one-third, five-ninths, of 1 percent for each month the worker's age was under the normal age, were stipulated in plans covering 45 percent of the workers. A few plans made no reduction if the employer's consent was obtained.

Reduction factor	Plans		Workers [1]	
	Number	Percent	Number (thousands)	Percent
All plans with vested benefit payable early	2,611	100.0	3,705	100.0
No reduction for early retirement	110	4.2	24	0.6
Actuarial	2,097	80.3	1,619	43.7
1/4 of 1 percent for each month	9	(2)	23	.6
1/3 of 1 percent for each month	26	.1	300	8.1
5/12 of 1 percent for each month	43	.2	75	2.0
1/2 of 1 percent for each month	127	4.9	176	4.8
5/9 of 1 percent for each month	55	2.1	452	12.2
6/10 of 1 percent for each month	37	1.4	670	18.1
Table of reduction factors not uniform [3]	98	3.8	125	3.4
Other	9	(2)	241	6.5

[1] Active workers in 1961.
[2] Less than 0.05 percent.
[3] Not based on uniform monthly reduction; often an approximate actuarial reduction.

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

The vested benefit payable at normal retirement age was usually determined by the normal retirement formulas, except that the minimum normal benefit formula was often not applicable. In many plans where the minimum was applicable to vested workers, its use required additional service beyond that required for full vesting under the "regular" formula.

The Value of Vested Benefits

When a worker achieves a vested status after the years of service required by most plans, he has by this event secured a valuable asset. To illustrate the value of this asset, illustrative benefits earned up to the point of vesting were computed for all plans with deferred full vesting for assumed constant

[16] The actuarial equivalent of the normal benefit is a benefit whose ultimate cost is expected to be equal to that of the normal benefit.

earnings levels of $3,600, $4,800, $6,000, and $8,400 a year.[17] In most cases, these would be minimum benefits; service after fulfilling the vesting requirements usually would bring higher benefits.

The distribution of the monthly pensions payable at normal retirement age assured to workers earning $4,800 a year is shown below for plans providing full vesting after 10 years and after 15 years of service.[18]

Monthly pension payable at normal retirement age for workers earning $4,800 per year[1]	Plans with full vesting after— 10 years' service: Plans	10 years' service: Workers[2] (thousands)	15 years' service: Plans	15 years' service: Workers[2] (thousands)
Total[3]	3,573	3,707	2,019	2,717
No benefit[4]	35	86	69	73
Under $10	71	20	-	-
$10 and under $20	350	90	140	82
$20 and under $30	1,153	2,182	16	62
$30 and under $40	295	409	908	1,422
$40 and under $50	800	386	217	238
$50 and under $60	152	307	338	131
$60 and under $70	215	152	129	358
$70 and under $80	10	17	52	113
$80 and under $90	32	14	102	102
$90 and under $100	-	-	48	137
$100 and under $125	247	24	-	-
$125 and over	213	20	-	-

[1] Computation of benefit amounts is based on future service formulas, assuming a constant level of earnings and monthly primary social security benefits of $105 for workers earning $3,600 a year, and $127 for workers earning $4,800, $6,000, and $8,400 a year.

[2] Active workers in 1961.

[3] Excludes 46 plans, covering 31,000 workers, with deferred full vesting in which plan benefits were not computable.

[4] These are plans in which no pension from the plan was provided because of the deduction of primary social security benefits.

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

The average benefit[19] amounted to $34 for 10-year plans and $46 for 15-year plans, or $3.40 for each year of service in the 10-year plans and $3.07 for each year in the 15-year plans.

In the same manner, the average monthly benefits vested upon meeting the service requirements are shown in the tabulation on the next page for the four assumed earnings levels and the principal service requirements of deferred full vesting plans.

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[17] For the computations the future service formula was used.

[18] All plans with graded vesting have been excluded from the table, including those that grant full vesting after 10 or 15 years of service.

[19] Weighted by number of workers in the plans.

Assumed annual earnings level[1]	Average[2] monthly pensions initially vested in plans with full vesting after—			
	10 years	15 years	20 years	25 years
$3,600	$28	$41	$54	$64
$4,800	34	46	72	77
$6,000	42	55	98	95
$8,400	59	74	148	132

[1] Computation of benefit amounts is based on future service formulas, assuming a constant level of earnings and monthly primary social security benefits of $105 for workers earning $3,600 a year, and $127 for workers earning $4,800, $6,000, and $8,400 a year.

[2] Arithmetic mean of plan benefits weighted by number of active workers covered.

Another way of evaluating the vested right at the time the worker achieves it, is to determine how much it would cost the worker to purchase an individual annuity of the same amount from an insurance company. In the following tabulation, the cost of purchasing annuities payable at 65, within the range of the averages presented in the previous tabulation, has been computed for workers making such purchases at the age of 45 and at 65. These estimates relate to men; costs to women would be higher because of their longer life expectancy.

Monthly amount payable at age 65	Cost of individual annuities purchased for a man when he is[1]—	
	Age 45	Age 65
$20	$1,330	$2,840
$30	1,995	4,260
$40	2,660	5,680
$50	3,325	7,100
$60	3,990	8,520
$70	4,655	9,940
$80	5,320	11,360
$90	5,985	12,780
$100	6,650	14,200
$120	7,980	17,040
$140	9,310	19,880
$160	10,640	22,720

[1] Computed from the following nonparticipating individual premium rates of a large life insurance company. For the purchase of immediate annuities of $10 monthly at age 65, $1,420 for men and $1,630 for women, and deferred annuities purchased at age 45 of $10 monthly commencing at age 65, $665 for men and $835 for women.

Thus, to take a specific example, the 2,000 pension plans providing full vesting after 15 years of service, on the average, assure to workers at the $4,800-a-year earnings level a monthly pension of $46 payable at 65. It would cost male workers $3,059 to purchase an annuity of this amount at 45 or $6,532 at 65. In other words, the act of vesting at 45 assures to these workers an asset worth, on the average, about two-thirds of a year's pay (more if they are over age 45 when they vest). This asset, it might be noted, exceeds the amount that severance pay plans, on the average, provide to workers with 15 years of service. It amounts to more than a third of the "value" of the maximum primary social security benefit due the worker at 65. The value of this vested asset, of course, increases as more years of service are accumulated, as the worker gets nearer to retirement, and, as is typical, as the worker's earnings level rises.

Implications for Mobility

If private pension plans tend to limit labor mobility, then vesting tends to loosen or remove the barriers and, thus, to increase mobility. Except for plans that limit vesting to involuntary terminations, it does this by giving a qualified worker the chance to change employers while he is able to, without sacrificing his equity in the plan. A vesting provision also adds flexibility to the private pension system. It can ease the transitions involved in technological change, for unions and employers, by dealing equitably with the pension rights of displaced workers. Vesting makes it possible for a worker to pick up pension credits from more than one employer during his working life. All of these advantages of vesting are given added significance during a period of rapid economic change. Paradoxically, vesting provisions may also create short-term barriers to voluntary movement; that is, a worker may feel "locked-in" a plan during the period immediately before he qualifies for vesting because he is so close to assuring himself of a right to a valuable asset.

Both cost considerations and the conflict between a traditional purpose of a pension plan and the concepts of mobility and flexibility restrain the pressures for liberal vesting. Since the cost of vesting depends on many factors (such as the age and sex composition of the work force, the rate of turnover, and plan provisions) and since the above-mentioned conflict can be resolved through countless variations, wide diversity in age, service, and other requirements for vesting prevail.

The three types of vesting differ in their implications for mobility. Immediate full vesting offers the ultimate in protection of the worker's pension rights, and hence his mobility, but, it is by far the costliest method of vesting. Moreover, it assures benefits for workers with short service, a violation of one basic pension principle. Its rarity is attributable to these two factors. Under deferred full vesting (provided to most workers in vesting plans), a worker meeting the necessary requirements gains the assurance of his full accrued benefits. Of course, if he withdraws, he stands to lose future accruals of pension rights, usually at higher levels, but this is only one of the factors that may enter into decisions on job changing. Since under deferred full vesting, there is typically a single point of time when the individual worker becomes vested, the "lock-in" effect of this type of vesting provision is presumably greater than under deferred graded vesting, under which the worker is eased into a fully vested status. The graduation of vesting over long-service periods provides additional rewards for long continuous service (the traditional pension concept), and tends to reduce the costs of vesting, thereby increasing its attractiveness to employers; but if the service requirements are so lengthy as to withhold a vested status from the worker until he is too old to make use of it, the contributions to potential worker mobility may be largely annulled.

Service requirements for vesting are usually not so great as to nullify some positive effects on potential mobility. About 45 percent of the workers in plans with vesting need complete 10 or fewer years of service to qualify and an additional 2 out of 5 workers belong to plans requiring between 11 and 15 years. However, the key element for an individual worker's potential mobility is often the age requirement—usually 40 years or more. For example, the 10-year service requirement in many plans may not be as important a restriction as the attainment of age 40. Similarly, plans which require the attainment of age 45, 50, or 55, may effectively deny vesting even for workers with 15 years or more of service.

Since the propensity of workers to change jobs undoubtedly declines as they grow older and as they accumulate more service (hence security in their employments), high age and long service requirements in vesting provisions counteract the theoretical mobility potential of vesting. Age requirements, in particular, appear to be arbitrary (perhaps even from a cost standpoint), lacking the general social acceptability afforded the age of normal retirement. If vesting provisions, in their inception, are not designed by pension planners to encourage voluntary mobility, as seems to be the case, experience under the plans may suggest that they do, in fact, have such an effect. Although pressures to revise vesting provisions, particularly from collective bargaining, are primarily protective in nature, they also have mobility implications.

The preceding remarks obviously do not apply to plans that limit vesting to involuntary termination. These must be viewed as a special case. These conditions have all the earmarks of a severance arrangement; that is, they operate only under circumstances beyond the control of the employee. Although they protect the equity of the involuntarily separated worker meeting the age and service requirements, their contribution to voluntary mobility is negligible.

At the present stage of development of private pension plans, it is reasonable to question the degree to which workers understand the value of vesting. Plan documents describing pension plans to workers rarely, if ever, stress the dollar value of vesting to workers. If the values that may logically be assigned to vesting, as they were developed in this chapter, or to pension rights in general, were made more widely available to pension plan participants, one might expect an increase in the holding power of pension plans; at least up to the point of full vesting.

Chapter IV. Early Retirement

The early retirement age, like the normal retirement age, is defined by each pension plan with an early retirement provision. The technical definition of early retirement differs from the popular concept which holds that any retirement prior to age 65, the age when full social security benefits are payable, is early retirement. As the term is used in pension plans, and in this bulletin, early retirement means retirement before reaching the plan's normal retirement age, whatever it may be. The normal retirement age may be defined as the earliest age at which a worker meeting the stipulated requirements can retire on his own volition and receive the full amount of the benefits due him under the plan's normal retirement formula. This age is usually 65, but it may be 60, 62, or even 68 or 70.

In over 100 plans, covering 1.6 million workers, the normal retirement age was under age 65, usually age 60. Included in the coverage of these plans were almost a million workers in plans, like those of the Bell Telephone System, which also had early retirement provisions. Under some of these plans, including the telephone plans, workers could retire on full benefits as early as age 55, with the employer's consent; only reduced benefits were provided by the others. The remaining plans with normal retirement before 65, including the Electrical Workers (IBEW) National Plan, the United Mine Workers, and the Central States Teamsters Plan, did not have early retirement provisions. [20]

The Social Security Act was amended in 1956 to provide permanently reduced benefits for women retiring between ages 62 and 65, and in 1961 this option was extended to men. Since most private plans already had provision for early retirement, usually at earlier ages, the influence of this change in the Social Security Act on private plan provisions has probably been negligible, although it may have influenced the age at which early retirement actually occurs under private plans. [21]

Because provisions for disability retirement, which usually require that a worker be totally and permanently disabled in addition to meeting age and service requirements, have a special role in a retirement scheme, they have not been considered in this study. They may, however, be deemed a form of early retirement. These provisions, found in about 50 percent of the private plans with about 70 percent of the workers, will be covered in detail in a subsequent Bureau study.

Early retirement provisions permit workers meeting stipulated age and service requirements, or both, to retire on an immediate, although usually reduced, annuity. Although the benefits are always payable immediately, some plans allow the worker to defer benefits until he reaches normal retirement age when they are payable in the full amount.

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[20] Provisions for disability retirement before the normal or early retirement age were provided by plans in both groups.

[21] National Industrial Conference Board, Inc. Corporate Retirement Policy and Practices (Studies in Personnel Policy, No. 190). New York, 1964, pp. 28-30.

Because they protect the worker's equity, early retirement provisions are a partial substitute for vesting, where no vesting is provided.[22] In general, however, age requirements for early retirement are stricter than for vesting. In addition, the employer's consent for early retirement may be required.[23]

One of the more recent innovations in private pension plans is special early retirement provisions whereby the employer may compel a worker to retire or, in some instances, the worker may be retired under "mutually satisfactory conditions" (i.e., the employer's, the union's, and presumably, the worker's consent is required). They usually grant substantially higher benefits than regular early retirement benefits and, in some plans, even more than normal retirement benefits. Like other retirement provisions, specified age and service requirements, or both, have to be met.

Prevalence of Early Retirement Provision

Approximately 3 out of 4 private pension plans, covering the same proportion of workers, provided for early retirement (table 20). The provision was far more prevalent among single employer plans than among multiemployer plans—4 out of 5 for the former as against 2 out of 5 for the latter.

Type of employer unit	Total		With early retirement		Without early retirement	
	Plans	Workers[1] (thousands)	Plans	Workers[1] (thousands)	Plans	Workers[1] (thousands)
All plans studied	15,818	15,621	12,099	11,786	3,719	3,835
Single employer	14,890	11,742	11,735	10,657	3,155	1,085
Multiemployer	928	3,878	364	1,129	564	2,750

[1] Active workers in 1961.

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

This marked difference between single employer and multiemployer plans reflected the greater prevalence of early retirement provisions in contributory plans, in plans not mentioned in collective bargaining agreements, and in salaried workers' plans. The greater prevalence of early retirement provisions in industries in which single employer plans were predominant also reflected the influence of these factors (table 21).

Among the single employer plans without early retirement, most were smaller noncontributory plans—chiefly in trade, service, and manufacturing industries. Early retirement provisions, or normal retirement before age 65, in multiemployer plans were found mainly in industries characterized by heavy and arduous working conditions, such as mining, motor transportation, and water transportation.[24]

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22 See chapter VI.

23 Since 1957, plans requiring employer's consent for early retirement had to provide vesting under the same age and service requirements to receive Internal Revenue Service approval (Revenue Rulings 57-163 and 58-151).

24 The significance of early retirement in multiemployer plans is discussed in chapter V.

A number of private plans, accounting for less than a million workers, allowed early retirement for women only, usually starting at age 62. A large proportion of these plans with most of the workers were in the apparel industry, where a large number of women employees are found, and most of them were in multiemployer plans negotiated by the Amalgamated Clothing Workers and the International Ladies' Garment Workers' Union.

Minimum Requirements for Early Retirement

As in the case of vesting and other benefit requirements, a worker must meet an age requirement, a service requirement, or both, to retire under an early retirement provision. However, many plans have a requirement not found in other benefit provisions, that is, early retirement may depend upon employer approval or, in some plans, his request.

In general, the minimum length of employment for early retirement was not significantly longer than for vesting. Specified minimum amounts of service, however, were found more often in early retirement provisions than in normal retirement.

Fifteen years was the most common service requirement for early retirement—more than 1 out of 4 plans with over 1 out of 4 workers.

Minimum service requirements[1]	Percent	
	Plans	Workers[2]
All plans with early retirement	100.0	100.0
No service requirement	4.0	4.7
Less than 10 years	30.9	18.5
10 years	17.7	24.3
11–14 years	2.3	1.3
15 years	27.0	26.8
16–19 years	.3	.5
20 years	12.0	9.6
21–24 years	.1	.2
25 years	3.5	3.0
26–29 years	.4	.1
30 years	1.6	10.8
Over 30 years	.2	.3

[1] For those plans which specify a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.
[2] Active workers in 1961.

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

Ten years was needed in a sixth of the plans with a fourth of the workers. However, almost a third of the plans, with about a fifth of the workers, specified less than 10 years and a fourth of the workers were in plans requiring 20 years or more of service.

Minimum age requirements were more likely to be specified for early retirement than for vesting and were also typically at a higher age. As shown below, almost two-thirds of the plans with almost half the workers stipulated age 55, while another two-fifths of the workers were in plans requiring age 60. Less than 5 percent of the plans specified an age below 55.

Minimum age requirements [1]	Percent	
	Plans	Workers [2]
All plans with early retirement	100.0	100.0
No age requirement	2.4	9.5
Age 50	1.0	2.9
Age 55	64.1	47.3
Age 60	30.1	38.4
Age 61–64	1.1	1.7
Age 65	1.2	.3

[1] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.
[2] Active workers in 1961.

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

The combinations of age 55 and 10 to 15 years' service were stipulated for over 20 percent of the workers covered by plans with early retirement, while attainment of age 60 and 10 or 15 years was necessary for another 30 percent (table 22).

The minimum age requirements for early retirement in plans with vesting provisions were, in general, higher than in the plans that did not have vesting. For example, a fourth of the workers with early retirement in nonvesting plans had no age requirement to meet, while almost all the workers in plans with vesting had such requirements. On the other hand, the service required under the early retirement—vesting plans was less than in plans in which no vesting was provided. The overall picture of age and service requirements of normal and early retirement and vesting is discussed in chapter VI.

A requirement that the worker could retire only with the consent of, or at the request of, the employer was contained in almost half of the plans with early retirement, covering 2 out of 5 workers.

Conditions for early retirement	Plans		Workers [1]	
	Number	Percent	Number (thousands)	Percent
All plans with early retirement	12,099	100.0	11,786	100.0
Solely at employee's option	6,327	52.3	7,133	60.5
Employer's consent or request required	5,772	47.7	4,653	39.5
With employer's consent	5,369	44.4	3,729	31.6
At employer's request	89	.7	273	2.3
At employer's request or consent	247	2.0	389	3.3
Under mutually satisfactory conditions	55	.5	219	1.8
Other	12	.1	43	.4

[1] Active workers in 1961.

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

While multiemployer plans seldom required employer consent for early retirement, it was common in single employer plans, particularly in nonmanufacturing industries. In addition, white-collar workers were more likely to need employer consent to retire early than blue-collar workers.

Benefits Payable Under Early Retirement

Early retirement benefits were always payable immediately, but in half the plans with over half the workers, the benefit could be deferred by the worker until normal retirement age or, in some plans, any time up to that age.

Time of benefit payment	Plans Number	Plans Percent	Workers[1] Number (thousands)	Workers[1] Percent
All plans with early retirement	12,099	100.0	11,786	100.0
Immediately only	6,063	50.1	5,605	47.6
Immediately or at age 65	2,660	22.0	4,110	34.9
Immediately or any time up to 65	3,376	27.9	2,071	17.6

[1] Active workers in 1961.

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

To avoid increasing costs excessively, early retirement benefits are almost always less than normal retirement benefits for equivalent service, because of the longer period of time over which they are likely to be paid. The worker who chooses to retire early will receive a smaller benefit than he would receive if he remained until the normal retirement age. For early retirement at age 60, the actuarial equivalent[25] of accrued benefits was payable as shown below, by two-thirds of the plans with half the workers.

Reduction factor for early retirement at age 60	Plans Number	Plans Percent	Workers[1] Number (thousands)	Workers[1] Percent
All plans with early retirement	12,099	100.0	11,786	100.0
No reduction	[2] 169	1.4	1,162	9.9
Actuarial	8,067	66.7	5,821	49.4
Uniform percent for each month prior to age 65	2,837	23.4	4,193	35.6
1/4 of 1 percent	32	.3	108	.9
1/3 of 1 percent	52	.4	545	4.6
4/10 of 1 percent	62	.5	193	1.6
1/2 of 1 percent	934	7.7	1,245	10.6
5/9 of 1 percent	179	1.5	710	6.0
6/10 of 1 percent	1,006	8.3	1,290	10.9
5/8 of 1 percent	520	4.3	71	.6
3/4 of 1 percent	52	.4	31	.3
Table of reduction factors not uniform[3]	836	6.9	419	3.6
Table of reduced benefit amounts[3]	31	.3	91	.8
Other	159	1.3	102	.9

[1] Active workers in 1961.
[2] Includes 57 plans, covering 966,000 workers, with normal retirement at age 60 and early retirement at ages earlier than 60.
[3] Not based on uniform monthly reduction; often an approximate actuarial reduction.

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

[25] Op. cit., footnote 16.

The actuarial reduction typically results in the male worker retiring at age 60 receiving about two-thirds of the benefit amount payable at 65 for equivalent service. Thus, if he postponed receipt of benefits until normal age, he would increase his monthly retirement income by about one-half. Most of the remaining plans reduced benefits by other factors, ranging from one-fourth to three-fourths of 1 percent for each month the pensioner was under age 65 when he retired. These factors often resulted in a somewhat greater than actuarial reduction at age 60. For example, more than 10 percent of the workers were in plans with a reduction of six-tenths of 1 percent for each month under age 65, or a total of 36 percent at age 60. On the other hand, over 1 million workers were in plans which provided a reduction of 30 percent (one-half of 1 percent for each month under age 65) for workers retiring at age 60.

Not all workers retiring at 60, however, would receive smaller benefits than they would be entitled to at 65, apart from the reduction due to their service. About 1,200,000 workers were in plans that did not require a reduction in benefits at age 60; about a million were in plans with normal retirement at 60 (usually with early retirement at lower ages), and almost 200,000 were in plans that paid the same benefits at age 60 as at age 65.[26]

The reduction of benefits for plans allowing early retirement as early as age 55 generally followed the pattern for the reduction at age 60, i.e., the actuarial equivalent of benefits was most frequently specified.

Reduction factor for early retirement at age 55	Plans		Workers[1]	
	Number	Percent	Number (thousands)	Percent
All plans with early retirement	12,099	-	11,786	-
No provision for early retirement between 55 and 60	3,930	-	4,726	-
All plans with early retirement at age 55	8,169	100.0	7,060	100.0
No reduction	93	1.1	878	12.4
Actuarial	6,592	80.7	4,149	58.8
Uniform percent for each month prior to age 60	890	10.9	1,565	22.2
1/3 of 1 percent	44	.5	305	4.3
2/5 of 1 percent	73	.9	241	3.4
1/2 of 1 percent	406	5.0	561	7.9
5/12 of 1 percent	172	2.1	212	3.0
3/5 of 1 percent	175	2.1	174	2.5
7/12 of 1 percent	20	.2	72	1.0
Table of reduction factors not uniform[2]	580	7.1	377	5.3
Other	14	.2	92	1.3

[1] Active workers in 1961.
[2] Not based on uniform monthly reduction; often an approximate actuarial reduction.

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

[26] The normal retirement age in these plans was 65 because the employer's consent was required to retire prior to that age.

The sharpness of the actuarial reduction of benefits at age 55—typically over 50 percent for men—due to increased longevity and foregone interest suggests that the provision of early retirement at that age is designed for extreme circumstances. An even greater reduction was often required. For example, a reduction of one-half of 1 percent for each month under age 65 leaves the worker at 55 with 40 percent of his accrued monthly benefit.

However, a significant number of workers belonged to plans permitting retirement as early as 55 without a reduction because of age. Most of these workers were in telephone company plans, which require 25 years of service and the employer's consent for such a benefit. They also have normal retirement at age 60.

Social Security Adjustment Option. In most plans, early retirement is permitted prior to eligibility for benefits (full or reduced) under the Social Security Act. Consequently, the worker retiring early will usually suffer an immediate and substantial reduction in income and then, a few years later, a substantial increase, when social security becomes payable. To counteract these fluctuations, more than a fourth of the plans with almost a third of the workers in plans with early retirement offered a social security adjustment option. Under this option, workers receive a larger-than-usual benefit before social security benefits are payable, which they pay for by getting smaller benefits afterwards. The private plan benefits are in such amounts that, when added to the social security benefits, an approximately uniform combined benefit is received by the pensioner throughout his life. Employers paid the cost of larger initial benefits in a few plans that provided supplemental retirement benefits (usually equal to anticipated social security) until social security benefits were payable. These supplemental provisions are similar to special early retirement provisions discussed in detail below.

Provision	Plans		Workers [1]	
	Number	Percent	Number (thousands)	Percent
All plans with early retirement---	12,099	100.0	11,786	100.0
With level income option -------	3,203	26.5	3,668	31.1
Without level income option-----	8,896	73.5	8,118	68.9

[1] Active workers in 1961.

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

Special Early Retirement

In recent years, "special early" retirement provisions have been incorporated into many plans, mostly in manufacturing industries. Because of their compulsory nature, as opposed to the voluntarism usually associated with regular early retirement; the worker is usually granted benefits substantially higher than under regular early retirement.[27] In general, these special benefits have resulted from union-management bargaining to meet special circumstances, rather than unilateral employer action. For that reason, although they are found chiefly in negotiated plans covering production workers or both salaried and production workers, they have often been extended to plans for nonunion salaried workers in the same firm.

Prevalence of Special Early Retirement Provisions. A fifteenth of the plans with over a sixth of the workers had special early retirement benefits.

Provision	Plans		Workers[1]	
	Number	Percent	Number (thousands)	Percent
All plans studied	15,818	100.0	15,621	100.0
With special early retirement	1,051	6.6	2,674	17.1
Without special early retirement	14,767	93.4	12,947	82.9

[1] Active workers in 1961.

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

They were concentrated in manufacturing (table 23) and single employer, noncontributory plans in these industries, particularly metalworking, rubber products, and food products (meatpacking). They were most common in plans negotiated by the Steelworkers, Automobile Workers, Rubber Workers, and United Packinghouse Workers unions.

The distribution of these special provisions were dominated by the pattern plans in manufacturing industries. Plans following the steelworkers pattern, mostly under collective bargaining, covered about a fourth of the workers with special early retirement. Under these plans, the worker could qualify at age 60 and 15 years of service (the same as regular early retirement at the worker's request) if he retired under mutually satisfactory conditions, or at age 55 and 20 years of service, if terminated as result of a plant shutdown, layoff, or a disability not serious enough to qualify under the regular disability retirement provision.[28] The normal benefit based on accumulated service is payable immediately. A variation was found in other Steelworkers plans permitting special early retirement as early as age 50 and 15 years under mutually satisfactory conditions, or layoff, and for age 55 and 15 years, in case of permanent shutdown or partial disability, and/or age 60 and 30 years, under mutually satisfactory conditions. The normal benefit formula also applied.

In the automobile industry (Automobile Workers), special early retirement usually requires the attainment of age 60 and 10 years of service (the same as for regular early retirement at the worker's request), but is conditioned upon

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27 Employers may also informally supplement regular early retirement benefits to encourage some workers to retire. The extent of this practice is unknown. However, formal lifetime supplementation of early retirement benefits for workers retiring during specified time periods, e.g., 6 months, to encourage early retirement, has been used by several firms in the past few years. Also see National Industrial Conference Board, Inc., op. cit., pp. 30-34.

28 Special early retirement for at least half of these workers has been improved since the information for this study was obtained. The plans now provide early retirement with full benefits under the same conditions, but the workers can qualify if the combination of age plus service equals 75 (minimum of age 50 and 15 years' service), or if age plus service equals 80 (at any age).

the employer's request or upon mutually satisfactory conditions. In these plans, with over a third of the workers (1 million) covered by special early retirement, the special benefits are double the amount of accrued normal benefits. They are payable from retirement until the worker is eligible for unreduced social security benefits (age 65, unless he qualified for disability benefits); afterwards, the normal benefit is payable. Most salaried workers' plans in this industry allow both regular and special early retirement after age 55 and 10 years of service. However, to obtain the twice-normal special benefits, the salaried worker has to retire under the same conditions as the production worker and be at least 60. If he is under 60, his benefit is reduced actuarially.

In the rubber products industry, as in the automobile industry, special early retirement is possible only at the employer's request or under mutually satisfactory conditions. However, unlike automobile plans, the rubber plans require the attainment of age 55 and 20 years of service. They also provide double the normal benefit for accrued service, until the worker is eligible for social security, when the normal benefits are payable. In the meatpacking industry, more variation was evident. Some plans provided for double the normal benefit at age 60 and 10 years, if retirement because of inability to perform work satisfactorily was at employer's request or worker's option. In addition to this benefit for workers over 60, other plans provided that those over age 55 with 20 years of service terminated because of plant shutdown, would be paid an amount equal to or one and one-half times the normal benefit until eligible for social security.

Requirements for Special Early Retirement. The minimum age and service requirements for special early retirement[29] were concentrated, like those for regular early retirement, at age 55 and 20 years of service (a third of the workers) and age 60 and 10 years of service (two-fifths of the workers) (table 24), owing largley to the plans in the steel and auto industries described above. Another tenth of the workers, altogether, could qualify at age 55 with 10 or 15 years of service.

Unlike regular early retirement, which usually was at the worker's request, special early retirement usually depends, to some degree, upon the employer. Special early retirement was possible, as shown in the following summary, at the employer's request in plans covering over half the workers.

Conditions for special early retirement	Total: Plans	Total: Workers[1] (thousands)
All plans with special early retirement	[2] 1,051	[2] 2,674
At employer's request	818	1,429
Under mutually satisfactory conditions	498	1,886
Terminated as a result of plant shutdown	128	1,013
Disability (not qualifying under regular disability provision)	227	1,095
Layoff	121	943
Other	37	170

[1] Active workers in 1961.
[2] Because alternative conditions may be specified, sums of individual items do not equal totals.

[29] Where alternative requirements were specified, the one with the earliest age was used for this analysis.

A somewhat greater number of workers in plans with special early retirement would qualify under mutually satisfactory conditions, i.e., either the worker or employer could request retirement, but the consent of the other party had to be obtained. Termination because of the permanent shutdown of a plant, because of permanent layoff, or because of disability not qualifying for a pension under the regular disability provision—covered roughly a million workers each.

Benefits Payable Under Special Early Retirement. Half of the workers were in plans providing the same special benefit as for normal retirement, and a slightly lesser number of workers received double normal benefits until normal age or until eligible for social security benefits. Most of the remainder belonged to plans that gave benefits slightly in excess of the normal formula.

Special early retirement benefit amount	Plans		Workers[1]	
	Number	Percent	Number (thousands)	Percent
All plans with special early retirement	1,051	100.0	2,674	100.0
Same as normal	391	37.2	1,337	50.0
Double normal	646	61.5	1,303	48.7
Different but larger than normal	14	1.3	34	1.3

[1] Active workers in 1961.

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

Implications for Mobility

To some extent, an early retirement provision, like a vesting provision, counteracts the potential immobilizing effects of a private pension plan by retaining the rights to accrued benefits for qualified workers who leave a job before normal retirement age, regardless of whether they leave the labor force, become self-employed, or go to work for another employer. Early retirement provisions have other manpower or personnel management implications. They introduce flexible retirement ages into the pension system and complement the flexibility imparted by optional early retirement after age 62 under social security. They provide an equitable device for easing older workers into retirement when their capacities deteriorate. These provisions also lead to the opening or retaining of jobs for young workers when other opportunities are not available. Thus, in recent years, more and more attention has been given to early retirement, in collective bargaining and in unilateral actions of management.

Early retirement partially substitutes for vesting in plans without a vesting provision. Because of high age requirements, however, early retirement is in most cases available only to an older worker with long service. Thus, workers vest through early retirement when their potential mobility has been substantially reduced. Since they are also apt to be high seniority employees with a proven inclination to stay with the employer, the provision seems most valuable in case of employer directed, rather than voluntary, termination. Therefore, the potential lock-in effects observed for vesting hardly seem to apply to the same degree to early retirement provisions.

One reason for the prevalence of early retirement provisions in single employer plans is their low cost to the employer. Setting aside other employment and replacement costs, it would seem that the retirees bear the entire cost of early retirement in most plans, because their benefits are actuarially reduced. Further, because it applies mostly to workers a few years away from normal retirement, it is consistent with the traditional concept of pensions as a reward for long service and assurance of continued income. Were these the only factors to be taken into account, early retirement provisions would probably be universal. Some employers, however, desire to hold their employees until normal retirement age or later, and often justify their pension plans in such terms. Where early retirement is automatically granted at the worker's request, which is true for most private plans, the employer has relinquished, as in vesting, some measure of control over his personnel policy. In multiemployer plans, where early retirement provisions are not common, a similar consideration may influence employers, although the unions are more likely to be guided by the desire to reward loyal, long-service union members.

The employer retains a measure of control over his long service workers in plans where his consent is necessary for early retirement. Whether the employer, in practice, does exercise his preference among applicants for early retirement or must bow to expediency and treat all alike at any given time is not known, but even if the latter situation prevailed, an element of flexibility, from his point of view, is preserved. That is, consent may be loose or tight, depending upon the current needs of the business.

From the worker's standpoint, assuming his capacities remain unchanged, there usually is little incentive voluntarily to apply for early retirement. Retirement itself, even at age 65, brings with it a sharp drop in income. Early retirement, as demonstrated in this chapter, means a substantially greater loss, although many plans allow the worker to defer benefits until normal retirement age so that he may be able to avoid the reduction of benefits because of age (but not for service). Some workers, however, may desire or may have to retire early, or change jobs, because of reduced physical or mental capacity, loss of skill, difficulty in learning a new job, or other personal reasons. In some occupations and industries, older workers may wish to change heavy jobs for lighter ones which would permit them to work longer.

To counteract the heavy cost of early retirement to the worker and to make voluntary retirement or withdrawal desirable, or at least less undesirable, the employer may, in some circumstances, informally "sweeten" the benefit. In the past few years, some employers have encouraged voluntary early retirement by providing increased lifetime benefits for workers retiring during a particular period of labor force adjustment, occasioned by technological change or for other reasons. The extent of this practice is unknown. The substantial cost of supplementing benefits in this way, however, discourages its general and extensive use, although selectivity, as in the case of special early retirement provisions, controls and lessens these costs.

Despite serious drawbacks in early retirement provisions, some unions regard early retirement as an appropriate, though limited, device to encourage or enable older, high seniority union members to retire early so as to open up job opportunities for younger union members, particularly in industries undergoing extensive technological change or during periods of high unemployment.[30]

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30 For example, see Resolutions Committee, Final Report, 19th Constitutional Convention, United Automobile Workers, March 20-27, 1964, Atlantic City, New Jersey, p. 11.

Unions have attempted to take some of the benefit-reduction sting out of early retirement by negotiating liberal reduction schedules. For example, some of the UAW negotiated plans adopted less-than-actuarial reduction schedules for early retirees, so that employers now share a greater part of the cost of regular early retirement with the worker.

While costs, rather than manpower considerations, account for the sharp benefit-reduction factors in nearly all regular early retirement provisions, the reverse is true in special early retirement provisions. The more generous benefits provided by these plans were adopted to solve manpower-personnel problems resisting other equitable and conventional means of resolution. On the whole, special early retirement provisions were not designed to foster voluntary job change or to encourage early retirement. Rather, they were designed to help involuntarily separated workers, and to provide a suitable, equitable method of easing out workers unable by reason of age to cope with changed job requirements, partially disabled workers, and workers with obsolete skills. Manpower-personnel problems of this nature have always concerned managements and unions, and will likely become even more pressing as technological change becomes more pervasive; the unique feature of special early retirement is its use of the pension mechanism as a lever. These provisions have given the employer additional flexibility with increased pension costs, but offsetting these costs are the relative costs of other solutions (e.g., retraining workers).

It must be emphasized that comprehensive information on the practical application of early retirement provisions is not available. Undoubtedly, during periods of high unemployment, pressures upon employers, unions, and workers toward earlier retirement tend to mount. A recent study of retirees under several plans in the auto industry indicated that early retirements constituted a higher proportion of total retirements in recent years than had been true in the past. [31] Whether this is indicative of a trend in the economy is unknown.

Another factor to be taken into account is the influence of early retirement under the Social Security Act. In view of the reduction in pension benefits entailed by early retirement under most private plans, the effective operation of such provisions depends, in part, on the earliest retirement age under social security. Since social security now allows retirement at age 62, it would appear that this may become the age at which early retirement will occur most often under private plans, although age requirements for early retirement in private plans are usually lower. If early retirement under social security were lowered to age 60, retirement at that age under private plans would probably be encouraged, despite the reduction in benefits in most plans. Below this age, the sharp actuarial reduction in both private or public programs would probably discourage its use in typical situations.

[31] Harold L. Orbach, "Social Values and Institutionalization of Retirement," in Richard H. Williams, Clark Tibbitts, and Wilma Donahue (editors). Processes of Aging: Social and Psychological Perspectives (Prentice-Hall, Inc., 1963) Vol. II, pp. 399-400.

Chapter V. Multiemployer Plans [32]

The ultimate in the protection of the pension rights of workers who transfer from one employer with a pension plan to another with a pension plan is to allow them to carry along their previously earned pension credits, as they do under the national social security system. Although several approaches have been suggested to attain this objective, they have been limited largely to theoretical discussions. Multiemployer plans provide the closest approach to the achievement of full portability of pension credits in private pension plans. Workers belonging to multiemployer plans have an advantage not enjoyed by workers covered by single employer plans—they may change jobs and employers as frequently as they wish and get full credit for all their service, regardless of age, length of service, or type of separation, as long as their new employment is with an employer participating in the plan. The scope of the plan, i.e., the employers participating, thus establishes the boundaries to its portability features.

Multiemployer plans characteristically were created out of existing multiemployer bargaining arrangements. Thus, they assumed their place among other uniform conditions of employment which were developed out of, and accommodated, the ability of workers readily to shift from one employer to another within the bargaining unit. Since multiemployer pension plans cover only about three-fifths of the workers under multiemployer collective bargaining agreements, some growth in pension plan coverage may be expected. In the longer run, however, the spread of multiemployer pension plans will depend largely upon the spread of multiemployer bargaining.

Multiemployer plans are relatively young. Less than 10 percent of the plans were established before 1950. A spurt in development took place after 1954, so that 60 percent of the plans were less than 6 years old in 1960. As these relatively new plans mature, it is likely that many will add early and disability retirement benefits, as single employer plans did. Also some new characteristics and provisions that are uncommon today are likely to increase. For example, with growing awareness of the desirability of extended pension credit protection, pressure for reciprocity of pension credits between different plans may increase, particularly among plans covering workers in similar occupations and unions in the same or contiguous geographic areas. Whether provision for vesting will ultimately become as prevalent among multiemployer plans as among single employer plans is, however, another matter.

In general, multiemployer plans are procedurally more flexible than negotiated single employer plans because their joint union-management boards are usually authorized to amend the plan at any time. Many changes can be made that do not depend upon formal collective bargaining negotiations at specified contract expiration dates. Thus, within the limits of the broad mandate to provide retirement benefits, and the availability of funds, a multiemployer plan may be more readily adapted to help meet particular needs and problems of the covered group.

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[32] In addition to the data presented in previous chapters, this chapter draws upon a comprehensive study of multiemployer plans presented in Multiemployer Pension Plans Under Collective Bargaining, Spring 1960 (BLS Bulletin 1326, 1962).

Scope of Plans

Portable pension credits, the distinguishing characteristic of multiemployer plans, means that the individual worker remains covered and builds up service credits as long as he is employed by one of the employer participants.[33] As discussed later, additional protection may be provided by the adoption of reciprocity arrangements between plans. Basically, the latitude of possible job change with unimpaired pension credit coverage depends on the scope of the plan.

Multiemployer pension plans tend to parallel the scope of multiemployer collective bargaining agreements. A number of employers under a single contract with a union, or in some cases, a number of employers under separate agreements, contribute specified amounts to a pooled central fund. Typically, as has been discussed, these plans are found in industries characterized by seasonal or irregular employment, frequent job changes or turnover in firms, making it difficult, if not impossible, for a worker to remain with a single firm long enough to qualify for a pension. Thus, major groupings of covered workers were found in food and apparel manufacturing, in coal mining, contract construction, motor transportation, services, and trade.

Multiemployer plans vary widely in size; in this study, they range from 26 workers to over 250,000 workers. Although many multiemployer plans are large scale enterprises—the eight largest covered a third of the workers under multiemployer plans—a third covered fewer than 500 workers each. The largest multiemployer pension plans, each with over 100,000 workers, were as follows: The Central States, Southeast and Southwest Areas Pension Fund (Teamsters); Western Conference of Teamsters Pension Fund; The Amalgamated Insurance Fund-Pension Fund (Clothing Workers); Amalgamated Cotton Garment and Allied Industries Retirement Fund (Clothing Workers); International Brotherhood of Electrical Workers Pension Benefit Trust Fund; The International Ladies' Garment Workers' Cloak and Suit Pension Fund; The United Mine Workers of American Welfare and Retirement Fund (covering the bituminous coal industry); and Structural Iron Workers Pension Fund (a union operated plan).

Only about 13 national unions represented as many as 50,000 or more workers in multiemployer plans. The Teamsters (Ind.), with plans mainly in motor transportation, had the largest number of individual plans and about a fifth of the coverage. The International Ladies' Garment Workers and the Amalgamated Clothing Workers accounted for almost all of the pension plans' coverage in the apparel manufacturing industries. In the construction industry, the Carpenters, Electrical Workers (IBEW), Bricklayers, Plumbers, and Iron Workers all were heavily represented in multiemployer plans. Unions in the maritime industry had a high proportion of their members covered by these plans, but only one (International Longshormen's Association) represented over 50,000 workers. The Brewery Workers, both Bakery Workers' unions, the Retail Clerks, the Retail, Wholesale and Department Store Union, and the Meat Cutters commonly negotiated multiemployer plans in their respective industries.

With this high proportion of involvement in multiemployer plans, an equally high proportion of members of certain unions have multiemployer pension plan protection. For example, nearly the entire membership of the International Ladies' Garment Workers, Amalgamated Clothing Workers, and United Mine Workers (Ind.) (excluding District 50), and several marine unions, belonged to

[33] A few plans allow the worker to continue his coverage if he contributes the employer's share to the fund in case of unemployment.

these plans. In others, such as Teamsters (Ind.), both Bakery unions, Carpenters, Electrical Workers (IBEW), and Plumbers, union membership was substantially represented in multiemployer plans. On the other hand, some large unions such as the Automobile Workers, Steelworkers, and Electrical Workers (IUE) were rarely involved in multiemployer plans.

Nearly half the workers in multiemployer plans belonged to plans that were limited to a single craft, occupational group, or industry in a locality. Of the remainder, worker coverage was about equally divided between regional plans and industrywide national programs.

The most limited multiemployer plan, and the most common, is a local one which covers a craft or occupational group in a specific industry in a specific city or metropolitan area. Typically, multiemployer plans in the construction, dairy, and printing and publishing industries are of this type. In many instances, virtually all the workers in the entire industry in the area are included in a plan or plans; in other instances, however, only the unionized section, which may exclude a substantial area of employment, is covered.

Some plans, such as those usually found in the retail, apparel manufacturing, and service industries, include a wide range of skills and occupations, while some include more than one union, but these, too, are usually confined to a limited geographic area. In some industries and occupations, multiemployer pension plans have expanded to cover an entire region. The very nature of the hiring arrangements in the water transportation industry virtually dictates such plans. Similar broad regional plans are found in the trucking industry.

A broader occupation and industry coverage is provided by a few plans which cover workers in a number of firms engaged in different industries in the area. A plan such as the Western Conference of Teamsters Pension Fund, which covers employers in different industries in different areas, permits the worker to move to any signatory employer and still carry his accumulated pension protection.

Nationwide portability of pension credits within an industry is possible only under a few large plans that are national in scope; they involve about a fourth of all workers under multiemployer plans. Among these are the Mine Workers Fund, the Electrical Workers (IBEW) Pension Fund, plans of both Bakery Workers unions, two plans of the Amalgamated Clothing Workers, the Furniture Workers, and the Upholsterers' International Union plans. In addition, union financed and operated pension plans, such as those of the International Typographical Union and the Iron Workers, include members throughout the Nation.

Reciprocity Between Plans

The possibility of moving from the coverage of one multiemployer plan to another through reciprocal arrangements provides additional portable pension credit protection. However, only about a tenth of the plans had reciprocal arrangements and these rarely covered pension plans established by different unions.

Reciprocal arrangements usually provide that the worker who does not qualify for a benefit under the requirements of one fund can use service accumulated in other programs to attain eligibility for retirement benefits. In others, the worker may actually transfer the monies accumulated in his account under one plan to another fund which will pay him, on retirement, a monthly benefit based on the amount transferred.[34] About a fourth of the workers covered by multiemployer plans belonged to plans with reciprocity arrangements. However, a large proportion of these workers were covered by the International Ladies' Garment Workers' Union plans, which, in practice, operate as a large pension plan covering nearly all members of the union.

The joint boards of trustees of a relatively few plans are specifically empowered to work out reciprocal arrangements with plans of their own union, and in some cases, other unions as well. As has been pointed out, the joint board administering a multiemployer pension plan usually has the power to formulate and amend the pension plans, including, presumable, the power to enter into reciprocal arrangements. Suitable arrangements, which may be difficult to achieve, must first be negotiated. Additional cost to the plan is also an important deterrent.

Restrictions on Employment After Termination

After termination of employment because of retirement, single employer plans rarely restrict the individual worker's choice of employment, should he wish to continue working, except that which would be injurious to the firm. Thus, the retired worker is free to pursue a job quest, even in the same occupation or industry. On the other hand, multiemployer plans usually do not permit the worker to remain in his trade or industry and still receive his pension. The employers as a group assume the role of single employers who, typically, do not provide both employment and a pension benefit to workers at the same time. The craft interests of national unions, moreover, would not be protected if retired members were to compete with other members for jobs or were to carry their skills into the nonunion sectors of the industry.

Implications for Mobility

Multiemployer pension plans were, in most cases, developed in industries and employments where workers characteristically shift from employer to employer within the industry. Portability of pension rights, therefore, evolved as a natural and readily acceptable feature of multiemployer plans.

The worker who feels destined to spend his entire work career in one company and to retire at 65 or later may feel no need for vesting or early retirement provisions or any other device to protect his pension credits before retirement. The same is true of a worker under a multiemployer plan, except that it is likely that, in general, a substantially higher proportion of workers actually will spend their working lives within the scope of the plan. For skilled craftsmen or other specialized workers, the portability inherent in a multiemployer plan may provide all of the protection against loss of pension credits through mobility that the individual worker may need or desire during his working life, barring a substantial change or decline in the sector of the industry in which he is employed. But such changes and declines do take place, as exemplified by the experience of coal miners. Moreover, multiemployer plans also operate in industries where there is little craft or trade attachment on the part of workers; in these instances, turnover or the need for job change may be so high that portability alone affords little pension protection to most covered workers.

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[34] To a lesser extent, the worker's age at the time of the transfer, the earnings of the fund, and other actuarial considerations will also affect the size of his benefit.

The portability of pension credits inherent in all multiemployer pension plans, desirable as it is, often tends to overshadow the possible restraints on outward worker mobility implicit in the plans. No multiemployer plan answers all criteria of truly portable pension credits, for the scope of portability is limited, although a few grant substantial protection within the limits of existing institutional and labor market practices. Reciprocity arrangements extend these limits. Basically, the right to portable credits was not designed to maintain protection for, or enhance the movement of, workers beyond the area of the collective bargaining relationship. In effect, multiemployer plans accommodate the maximum amount of voluntary or involuntary movement within the scope of the plan, but where they lack vesting and early retirement provisions, they discourage movement to other industries, other areas, and, more generally, employers outside the plan.

Although many single employer plans originated, in part, from a desire to encourage workers to stay with the company until retirement, the widespread adoption of vesting and early retirement provisions represents a substantial relaxation of this purpose. The growth of pension plans in multiemployer situations may not have been motivated by a similar desire to hold workers, but it is consistent with the concern on the part of an employers' group to conserve its labor force and on the part of the union to conserve its membership. These reasons may be amplified in such industries as construction, where the unions, employers, and workers often have a heavy investment in training. Reciprocity arrangements typically represent a shift of these interests to a higher and broader level. Restrictions on employment after retirement reflect another facet of these concerns. Just as the absence of vesting and early retirement provisions in single employer plans, or rigidities and restrictions in these provisions, tend to tie the employed worker to his company, a similar tendency would be present in multiemployer plans, except that the worker's attachment would be to a particular group of employers rather than a single employer.

The tendency to tie a worker to a particular group of employers is far less significant where multiemployer plans cover all jobs in a particular industry or occupation, since, in many cases, the worker is already bound to the employer group by the specialized nature of his training or experience. For example, a journeyman electrician in a large city, or a skilled cutter in a clothing center may never contemplate the possibility of another career, or of moving elsewhere, and may never have to. Such workers traditionally have a strong inclination to cling to their trades and their markets, even after the likelihood of steady employment has passed. A pension plan without vesting and early retirement may reinforce these ties, especially among workers with a sizable stake in the plan. Thus, it may well be that the immobilizing influence of a multiemployer pension plan chiefly effects unemployed members rather than those employed. As in the case of single employer plans, the better the plan (i.e., benefit levels, etc.), the greater is its potential influence on workers' decisions on leaving its shelter.

Chapter VI. Prospects of Benefits

The vesting, early retirement, portable credits, and normal retirement provisions determine whether workers will eventually receive benefits from participation in a pension plan. Two aspects of the interrelationships among these provisions are discussed in this chapter: (1) The extent to which these provisions supplement each other or substitute for another, and (2) the earliest ages, and the required service, at which workers are assured of a benefit by the provisions of the plans, whether in the form of a vested right or retirement income.

Prevalence of Protective Provisions

As previously mentioned, of the 15.6 million workers in the pension plans studied, 9.3 million or 60 percent belonged to a plan with a vesting provision (table 25). About 1 out of 7 workers in these vesting plans could qualify only if involuntarily separated. However, slightly over half of the workers in plans without vesting belonged to plans that had an early retirement feature, as shown below. Almost a fifth of the workers had neither vesting nor early retirement.

Provision	Percent	
	Plans	Workers [1]
All plans	100.0	100.0
With vesting	67.2	59.6
Any separation	63.2	50.7
Involuntary separation	4.1	8.9
Without vesting	32.8	40.4
With early retirement	18.4	21.9
Without early retirement	14.4	18.5

[1] Active workers in 1961.

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

In single employer plans without vesting (about 30 percent of the plans with almost 30 percent of the workers), over 4 out of 5 workers had an early retirement provision. An eighth of the single employer plans with about 600,000 workers (5 percent) had neither vesting nor early retirement.

Provision	Percent	
	Plans	Workers [1]
All single employer plans	100.0	100.0
With vesting	69.4	71.5
Any separation	65.2	59.9
Involuntary separation	4.2	11.6
Without vesting	30.6	28.5
With early retirement	18.0	23.4
Without early retirement	12.6	5.2

[1] Active workers in 1961.

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

On the other hand, only 1 out of 4 of the workers in multiemployer plans without vesting had an early retirement provision. More than 2 out of 5 multiemployer plans, covering about 2.3 million workers (3 out of 5 workers), had neither vesting nor early retirement.

Provision	Percent	
	Plans	Workers[1]
All multiemployer plans	100.0	100.0
With vesting	31.7	23.6
Any separation	30.3	22.8
Involuntary separation	1.4	.7
Without vesting	68.3	76.4
With early retirement	24.8	17.6
Without early retirement	43.5	58.9

[1] Active workers in 1961.

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

Taking into account the portability features of multiemployer plans, the degree of pension protection offered to all covered workers by their plans can be arrayed, as illustrated below, in scale. At the bottom (least protection) are those workers who must retain their employment with a single employer until normal retirement age if they are to qualify for any retirement benefits. Failure to do this, whether voluntarily or involuntarily, would cost them all of their pension rights. Only about 4 percent of the workers were in this category. If workers who must remain within the scope of a multiemployer plan, although not dependent on one employer, were added to this, over a fifth of the workers would be included. Protection of accrued pension rights after meeting early retirement qualifications was available to another fifth of the workers. Vesting upon involuntary separation after qualifying, a protection apparently lost upon voluntary job change, was available to a tenth. Finally, enjoying the protection of vesting upon any type of separation was half of the coverage of private plans. At all stages, protection was usually conditioned on meeting age and service requirements.

How workers become assured of pension benefits	Workers[1]	
	Number (thousands)	Percent
All workers	15,621	100.0
Must remain with particular employer or within coverage of multiemployer plan until—		
Qualifying for vesting[2]	7,920	50.7
Qualifying for vesting and involuntary separation[3]	1,388	8.9
Qualifying for early retirement	3,424	21.9
Normal retirement age	[4] 2,889	[4] 18.5
Must remain with particular (individual) employer until normal retirement age	606	3.9

[1] Active workers in 1961.
[2] About 3 million workers were in contributory plans in which vesting for qualified workers was conditioned upon nonwithdrawal of employer contributions.
[3] Nearly all of the workers in this category (about 1,300,000) belonged to plans with early retirement.
[4] Includes category below.

NOTE: Sums of individual items do not equal totals.

Plans covering salaried workers only, offered the highest degree of pension protection, followed closely by combined production and salaried worker plans (table 26); only 2.4 percent of salaried plan employee coverage and 4.3 percent of the combined coverage lacked both vesting and early retirement. Production worker plans, dominated by multiemployer plans, did not offer either type of protection for over a third of total coverage, as shown below, offering in their stead portability of credits to all but a small number of the workers. (See table 26.)

Provision	Salaried and production workers		Production workers only		Salaried workers only	
	Percent		Percent		Percent	
	Plans	Workers [1]	Plans	Workers [1]	Plans	Workers [1]
All plans	100.0	100.0	100.0	100.0	100.0	100.0
With vesting	62.5	65.9	61.2	46.9	76.3	80.7
Without vesting	37.5	34.1	38.8	53.1	23.7	19.3
With early retirement	19.8	29.8	17.4	17.2	19.8	16.9
Without early retirement	17.7	4.3	21.4	35.9	3.9	2.4

[1] Active workers in 1961.

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

Industries differed substantially in the proportion of plans and covered workers with neither vesting nor early retirement because of wide variations in the relative importance of multiemployer, production worker plans and of collective bargaining (table 27). The lowest degree of such protection for workers was in the mining and construction industries, where most workers belonged to multiemployer plans without vesting or early retirement, i.e., they must qualify for normal retirement to obtain any benefits. In transportation, services, and trade, where collectively bargained multiemployer plans were less common, a smaller proportion of employees—about a third, two-fifths, and a fifth, respectively—had neither early retirement nor vesting. On the other hand, in other nonmanufacturing industries, such as finance (typically including contributory plans for salaried workers) and communications and public utilities, the vast majority of workers had either vesting, early retirement, or both.

In manufacturing industries, as a whole, a large proportion of workers had vesting, early retirement, or both. Only in the apparel industries where multiemployer plans prevail, did a large proportion of workers have little pension credit protection other than portability and, in some industries, reciprocity.

The Effects of Age and Service Requirements

An evaluation of the significance of vesting and early retirement provisions in terms of their protection of accumulated pension rights requires consideration of minimum age and service requirements for benefits. This is most readily done by considering the earliest age and associated service (regardless of other conditions such as restriction or type of termination, etc.) at which a worker can qualify for a vested, early, or normal retirement benefit (excluding disability retirement and special retirement benefits). This also eliminated the sometimes artificial distinction between vesting and early and normal retirement in the plans.

On the whole, regardless of the type of benefit provisions, over two-thirds of the workers in private pension plans would have to stay with the same firm or plan for 15 years or more in order to retain or qualify for pension rights (table 28). Nearly all of the remaining workers would qualify with 10 or fewer years.

Minimum service requirements [1]	Percent	
	Plans	Workers [2]
All plans studied	100.0	100.0
No service requirement	1.2	0.9
Less than 10 years	13.2	5.3
10 years	18.3	22.3
11–14 years	2.8	2.3
15 years	31.8	32.0
16–19 years	2.0	1.5
20 years	15.8	19.2
21–24 years	2.7	1.1
25 years	8.7	7.0
26–29 years	2.3	.4
30 years	.9	7.7
Over 30 years	.3	.4

[1] For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.
[2] Active workers in 1961.

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

About 2,750,000 workers, or about a sixth of the total had no alternative but to attain age 65 with their employer or in the scope of the plan in order to retain pension rights. About 10 percent first qualified for early or normal retirement at age 60.

Minimum age requirements [1]	Percent	
	Plans	Workers [2]
All plans studied	100.0	100.0
No age requirement	30.8	26.6
Under age 40	4.0	.6
Age 40	8.8	22.4
Age 45	4.9	5.2
Age 50	7.8	5.1
Age 55	20.5	12.6
Age 60	8.2	9.8
Age 61–64	.4	2.1
Age 65	14.6	15.4
Over age 65	([3])	.1

[1] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.
[2] Active workers in 1961.
[3] Less than 0.05 percent.

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

A ninth of the workers, as shown in the following tabulation indicating the combined effects of age and service requirements, had to have over 15 years of service and attain age 65 in order to qualify for benefits in their plans. On the other hand, over a third of the workers would qualify for benefits if they had attained 15 years of service and age 40.

		Minimum service requirements for workers [2]			
	Total workers [3]	10 years and under	11–15 years	16–20 years	Over 20 years
Minimum age requirements [1]	Percent	Percent	Percent	Percent	Percent
All workers [3]	100.0	28.4	34.3	20.7	16.5
No age requirement	26.6	6.2	7.7	3.7	8.9
Age 40 and under	23.0	13.0	9.1	.9	(4)
Age 45	5.2	2.1	2.4	.5	.2
Age 50	5.1	.7	2.0	1.4	1.0
Age 55	12.6	2.6	6.2	2.6	1.1
Age 60	9.8	1.7	2.2	3.6	2.3
Age 65	17.6	2.1	4.6	7.9	3.0

[1] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.
[2] For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.
[3] Active workers in 1961.
[4] Less than 0.05 percent.

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

Other common combinations were age 55 and 15 years of service or less, and age 60 with more than 15 years of service. Generally, long service was required in plans with no age requirement.

The composite of age and service requirements varied widely among industries, reflecting divergent patterns of requirements for vesting and early retirement and the industry distribution of multiemployer plans (table 29). In manufacturing industries as a whole, only about a seventh of the workers had to reach age 65 in order to qualify for a benefit, as against almost a fourth of the workers in nonmanufacturing industries. The heaviest concentration of these restrictive requirements was in industries with a large number of collectively bargained multiemployer plans for blue-collar workers, such as construction, transportation, wholesale trade, and services. In marked contrast, more liberal practices for qualifying for benefits prevailed in the finance industry, where contributory plans for white-collar workers were common. Liberal requirements were also found in the plans of public utilities (including the dominating telephone company plans).

Nearly all of the workers in salaried worker plans compared to 2 out of 3 workers in production worker plans would qualify for benefits before age 65 (table 30). The smaller proportion in blue-collar plans stems from the dominance of multiemployer plans in that group. In plans covering both salaried and production workers, 95 percent of the workers qualified earlier than age 65.

The age and service requirements of vesting, early, and normal retirement, as previously discussed, can be integrated by considering the ages at which a worker hired at age 25 can first qualify for a benefit under plan provisions.

For purposes of this report, the image is reversed to present the proportion of workers hired at age 25 who still do not qualify for benefits as they attain progressively greater age and service, with the same employer or within the scope of a multiemployer plan. As chart 3 illustrates, by age 50, with 25 years of service, 45 percent of the plans covering a slightly higher proportion of the workers, provide no protection to workers' equities in the plans. By age 60, 13 percent of the workers in 17 percent of the plans remained unprotected.

There is a much better chance that a member of a salaried workers plan would qualify for benefits at an early age than a member of a production workers plan. (See chart 4.) The chances facing workers in combined plans are closely related to the salaried workers' prospects. Over 3 out of 5 of the production workers were in plans in which a worker would not qualify until age 50 contrasted with 1 out of 4 salaried workers. By age 60, almost all salaried workers and workers in combined salaried-production worker plans could qualify under the assumed conditions, but over a third of the production workers were in plans where they still would not qualify.

Given the age and service requirements for vesting and retirement, the chances, even under favorable assumptions, are less than 50-50 that workers will earn rights or benefits in two pension plans by the time they reach age 65. As workers accumulate service and age under a pension plan, they increase their chances of receiving a benefit from that plan, but, as they age, their chances of qualifying for benefits under other plans, should they change employers, lessen. To illustrate, assume that workers beginning continuous pension plan coverage at age 25 are compelled to change employers midway in their careers (between ages 40 and 50) and that they immediately obtain coverage under another pension plan, where they remain until retirement at age 65. [35] By this time, with pension plan coverage of about 40 years divided between two plans, less than half will have been assured a pension benefit by both plans. [36] Some additional workers may, however, secure a second pension by working beyond age 65. The remainder may have qualified for benefits from one of the plans, but some may not have qualified in either plan.

Implications for Mobility

This study presents data relating to private pension plans that should be taken into account in assessing the implications of the pension structure for labor mobility; in evaluating past studies of labor mobility and workers' attitudes toward mobility deterrents; and in formulating future studies in these areas. It focuses on the possible deterrents for the worker who has accumulated substantial pension credits—usually workers from ages 35 to 40 and 55 to 60—voluntarily to change jobs. The study, however, does not attempt directly to measure the effects of private pension plans on labor mobility.

At the outset, it was emphasized that the influence of other practices related to service (seniority, in particular) is intertwined with the influence of pension plans, and may, on balance, outweigh consideration of accumulated pension credits as mobility deterrents. It was also pointed out that a rather elemental type of mobility was primarily involved in this consideration of pension plans, namely, the ability of workers to change employers, and that occupational or geographic movement was not necessarily involved.

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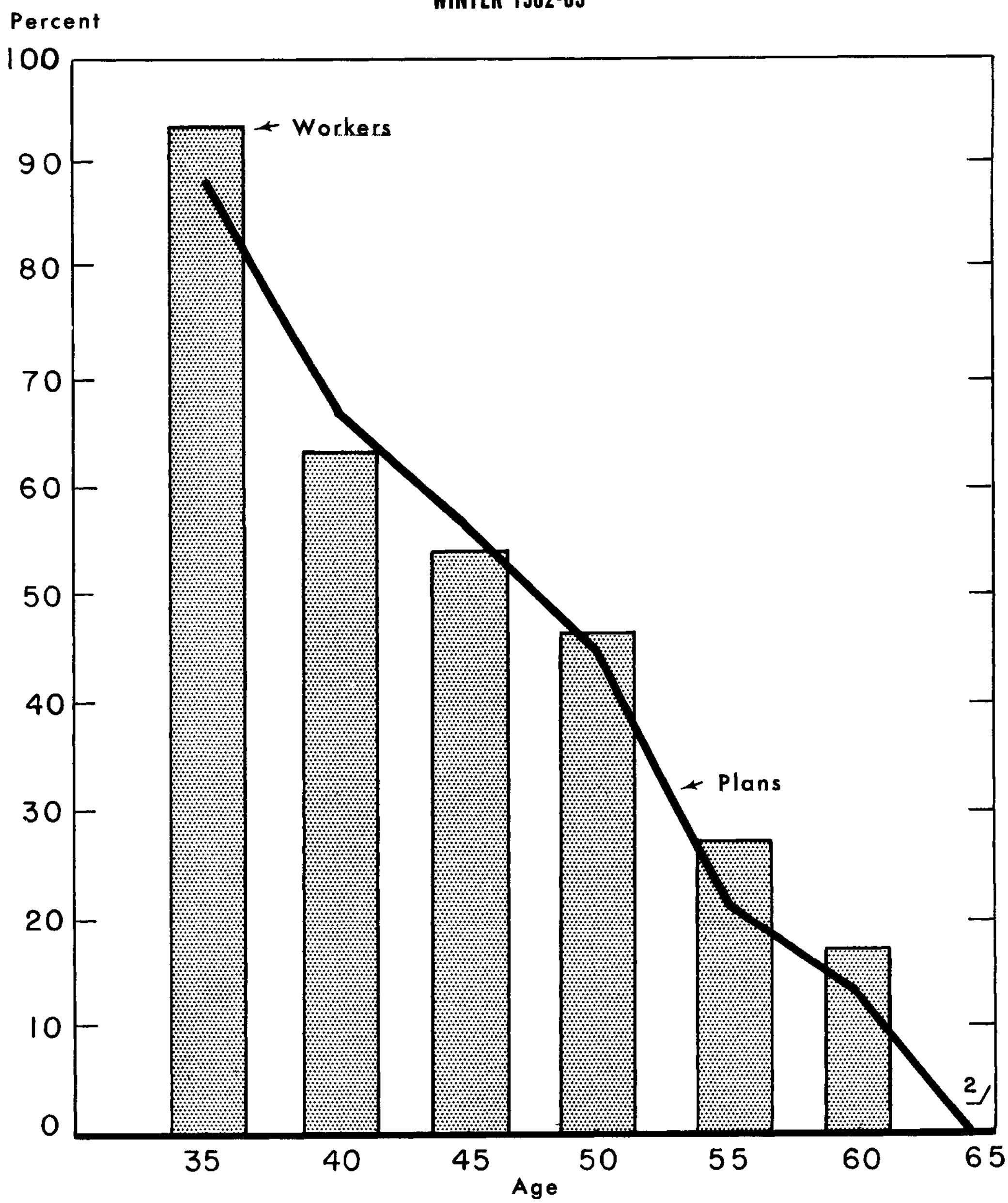
35 It is assumed in respect to both initial coverage and subsequent coverage that the workers are distributed among the plans studied in proportion to the number of active workers covered by them.

36 This conclusion is based not only on the data in this study, but also on data relating to normal retirement requirements to be presented in a subsequent bulletin.

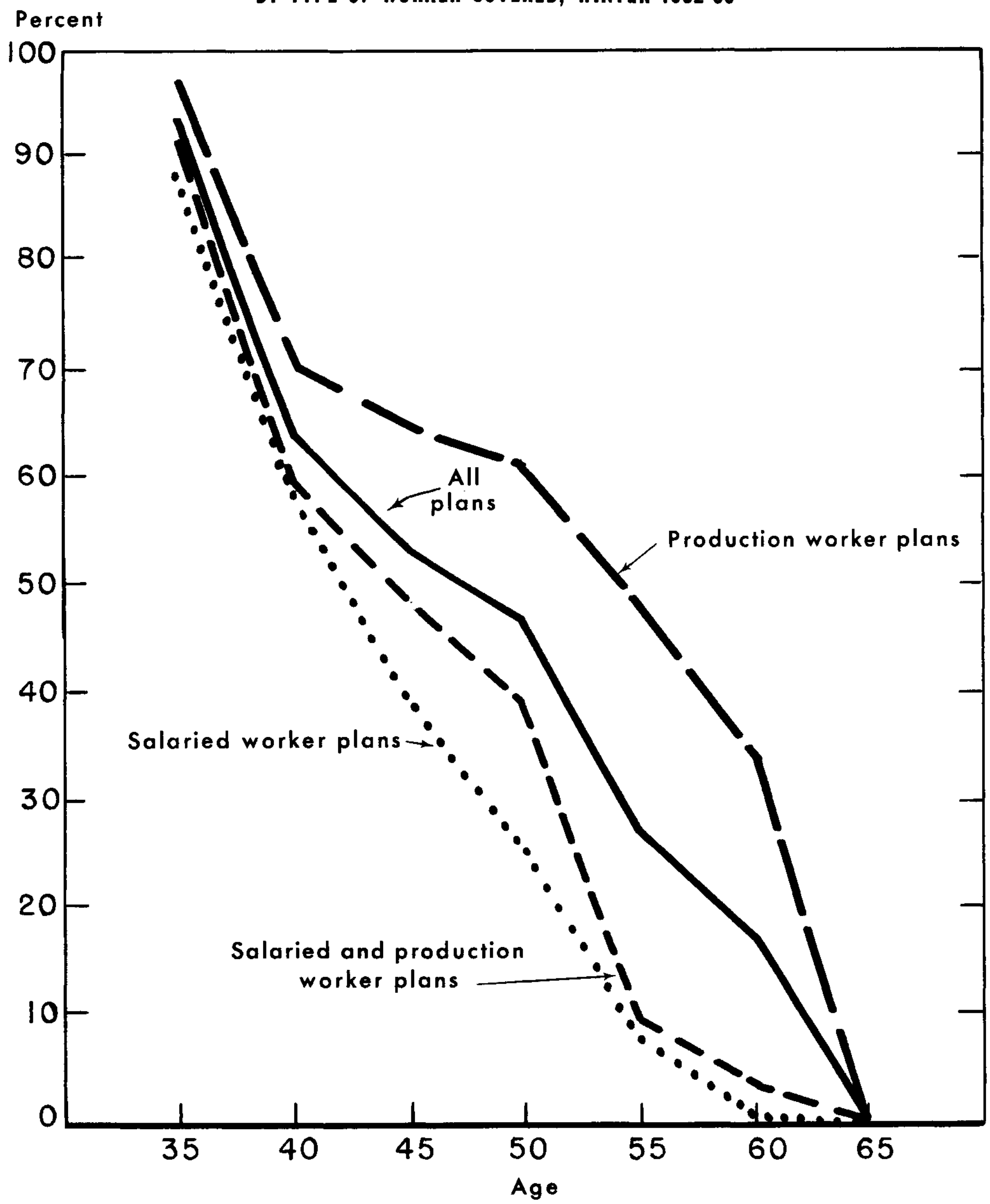
CHART 3. PERCENT OF PRIVATE PENSION PLANS AND WORKERS WITHOUT ANY BENEFITS (VESTING, EARLY RETIREMENT, NORMAL RETIREMENT) AT SPECIFIED AGES FOR WORKERS HIRED AT AGE 25, WINTER 1962-63



1/ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

2/ A few plans have requirements of age 68 or 70.

Chart 4. PERCENT OF WORKERS IN PRIVATE PENSION PLANS WITHOUT ANY BENEFITS (VESTING, EARLY RETIREMENT, NORMAL RETIREMENT) AT SPECIFIED AGES FOR WORKERS HIRED AT AGE 25, BY TYPE OF WORKER COVERED, WINTER 1962-63



1/ Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

Any deterrent effects of a pension plan on mobility are obviously also related to the value of the pension benefits to the individual worker and to his evaluation of his current status and of his future prospects. Both are essentially subjective or speculative considerations, the latter more so than the former. The elements of private pension plans that provide the setting for these considerations are highlighted in this study, as are the elements that might circumscribe the area of choice within which the worker decides.

The aspects of the private pension structure which appear to bear most significantly on mobility (and other manpower) problems are summarized below, concluding with the implications of the integration of protective provisions developed in this chapter and a brief statement on the outlook. It must be emphasized that this summarization, expressed in general terms, does not take into account differences among firms and industries in the possible effects of pension plan provisions.

1. The private pension movement is a young institution. The impact of private plans on worker attitudes and consciousness is undoubtedly still in the embryonic stage. It is likely that many workers still do not fully realize the importance and monetary value of the pension credits they are accumulating. As plans spread, as benefit levels rise, as vesting and other protective features improve, as service under pension plans increases, and as the personal retirement experiences of friends, relatives, and neighbors become more commonplace, private pension plans are likely to become a more influential force affecting the motivations of individual workers.

2. Private pension plans are not distributed evenly throughout the economy. Rather, plan coverage now tends to be concentrated in certain industries and among certain groups of workers.

3. The trade union movement has been an influential force shaping the development of pension plans. Typically, union concerns shift from achieving "adequate" benefit levels, the first objective, to developing protective features, such as vesting. For both employers and unions, a manpower policy objective of minimizing restraints on voluntary mobility may conflicy with other objectives.

4. Vesting, found in two-thirds of the plans with three-fifths of the workers, is the key provision for loosening the ties implicit in the private pension structure. It protects the qualified worker's financial stake in the plan, thereby enhancing his potential mobility.

However, because of cost considerations and the often differing attitudes and values of the parties—employer, union, and employee—rigidities and restrictions are contained in vesting provisions which tend to counter this imputed mobility advantage: (a) Long continuous service (commonly in excess of 10 years) and the attainment of middle age (usually age 40, 45, or older) are required to qualify for vesting, (b) a worker close to meeting the requirements for vesting may feel "locked-in" because he is close to securing a valuable asset, (c) the practice of limiting vesting to involuntary termination in some plans further restricts the promise of the provisions.

Less than 1 out of 3 negotiated multiemployer plans provide vesting. These plans do have a partial substitute—portable pension credits—which assure no impediment to mobility among participating employers.

5. Vesting confers valuable pension rights on workers who qualify. For example, to buy an individual annuity providing the average amount vested after 15 years of service by workers earning $4,800 a year would cost a male worker

$3,000 at age 45, or nearly two-thirds of a year's pay. The value of this asset increases as more service is credited, as the worker nears retirement, and as the worker's earning level rises.

6. Early retirement provisions, although designed for a different purpose than vesting, also enable qualified workers to retain their equity in a plan. In mobility terms, however, it is a limited substitute for vesting because it usually applies only to workers who have attained age 55 or 60 and long service. In addition, the employer's consent is often needed. Because it adds flexibility to the retirement system and complements early retirement under social security, early retirement also has important manpower implications. It provides an equitable device to help move older workers into full retirement or into less demanding work.

Special early retirement provisions can mean even more flexibility, but only at sharply increased cost to the employer. These provisions were designed to help solve difficult manpower and personnel problems, such as those stemming from plant shutdowns. The pressures of more rapid technological change are likely to hasten the extension of these provisions despite their cost.

7. As long as the worker stays in the scope of a multiemployer plan, he may move from employer to employer and still retain his pension credits. The portable pension credits thus provided may assure the worker of all the mobility he may need during his working life in many occupations and industries in which such plans are common. Nonetheless, the potential latitude of job movement between employers depends on the scope of the plan. Nearly half the workers belong to plans limited to a single craft, occupation, or industry in a single locality. The remaining workers are roughly equally divided between regional and national plans—mostly on an industry basis.

Multiemployer plans through their general lack of vesting and early retirement provisions may discourage voluntary movement to employers outside the scope of the plan. On the other hand, it is probable that a higher proportion of workers in multiemployer plans than in single employer plans expect to spend their working lives in the scope of the plan. Most workers in many industries with such plans traditionally have strong ties to their crafts and labor markets, even after the likelihood of steady employment is gone. Thus, it is possible that the chief immobilizing effect of multiemployer plans, in the absence of vesting and early retirement, is to hold an unemployed member to the plan in a declining industry or craft at a time when voluntary job changes are desirable.

8. The summary evaluation in this chapter of the provisions which determine whether workers will ultimately receive retirement benefits—vesting, early and normal retirement, and portability—suggests that they may be too restricted to offset fully the potential restraining effects of private pension plans. The balance sheet of protective devices shows that at the bottom of the scale are the 5 percent of the workers covered in private pension plans who have to stay with one employer until normal retirement to earn any pension benefits. If they do not, they lose all their pension rights. When the workers in multiemployer plans who must remain within the scope of the plan (although not with a single employer) are added to this group, almost a fifth of the workers are included. Early retirement protection is available to another fifth of the workers in private plans. Vesting only for involuntary termination is available to slightly less than a tenth of the workers. This leaves about half of the workers, mostly in single employer plans, who, if they qualify would upon voluntary termination be permitted to retain accrued pension benefits through vesting.

Over two-thirds of the workers in private pension plans would have to stay in the same firm or plan for 15 years or more to qualify for vesting or retirement benefits. About a fourth would qualify with 10 years or less. In addition to a service requirement, about a sixth of the workers would have to stay with their employer or in the scope of the plan until age 65 in order to retain pension rights. Another tenth would first qualify at age 60.

9. Despite the existence of a wide spectrum of protective pension features, the prospects of the newly hired worker actually realizing the pension credits he is beginning to accumulate remain somewhat remote. As has been shown, 45 percent of the workers were in private plans in which a worker hired at age 25 would not qualify for any benefit by age 50 under the provisions of the plans. About 55 percent of the workers were in plans in which such a worker hired at age 25 would not qualify for benefits by age 45. In mobility terms, this means that only as a worker accumulates long service and ages in the process does the possibility brighten that he will be entitled to a pension benefit should he move to another employer despite his age and accumulated service. Moreover, as he accumulates more service and years of age the less likely is the possibility of qualifying for a pension from another employer.

Outlook for Private Pension Plans

During the next 2 decades, the coverage of private pension plans is not expected to increase at the same rate it has in the past 2 decades. A slowdown in the rate of growth is already evident. Private pension coverage, however, will continue to grow, possibly doubling from 1960 to 1980[37]—a rate of increase substantially greater than the expected rate of increase in the labor force. Counteracting to some extent the mobility effects of the spread of pension plans is the trend towards liberalization and extension of vesting, early retirement, and portable pension credits. Furthermore, interest in special provisions, such as special early retirement, that alleviate displacements caused by technological and other change and plant shutdown, may be expected to increase.

The rate of growth of collectively bargained multiemployer plans has declined since the late 1950's. Pension plans have been negotiated in the most likely and easier situations; the relatively difficult areas remain. Not all multiemployer bargaining groups now without a plan are capable of supporting and working out such a program, unless small groups are combined into larger plans. Most of the growth of multiemployer plans in the immediate future can be expected to come from an increased coverage of existing plans, particularly those in service, trade, and other industries in which employment is expanding. Because multiemployer plans are relatively new, they may be expected to undergo substantial changes as they mature. The pressures to extend the scope of coverage through reciprocity agreements, mergers, and other devices will mount where worker dislocation becomes a problem. Similar pressures may also stimulate the extension and liberalization of vesting and early retirement provisions.

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[37] National Bureau of Economic Research, The Uses of Economic Research, 43d Annual Report, 1963, p. 58.

Table 1. Distribution of Private Pension Plans by Date of Establishment

(Workers in thousands)

Year of establishment	Plans	Workers[1]	Year of establishment	Plans	Workers[1]
All plans studied	15,818	15,621	1946	418	637
			1947	532	366
1900–1904	14	172	1948	579	402
1905–1909	5	10	1949	287	290
1910–14	34	1,162	1950	939	1,901
1915–19	19	98	1951	949	707
1920–24	14	185	1952	433	454
1925–29	24	166	1953	1,351	479
1930–34	134	351	1954	694	330
1935–39	118	272	1955	1,232	1,090
1940	75	403	1956	1,194	665
1941	424	554	1957	642	559
1942	199	279	1958	528	499
1943	742	377	1959	1,572	347
1944	715	496	1960	812	154
1945	525	789	Information not available	614	1,428

[1] Active workers in 1961.

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

Table 2. Distribution of Private Pension Plans by Number of Active Workers Covered, Winter 1962–63

(Workers in thousands)

Number of workers covered	Plans		Workers[1]	
	Number	Percent	Number	Percent
All plans studied	15,818	100.0	15,621	100.0
Under 200	9,914	62.7	704	4.5
200 and under 500	2,595	16.4	810	5.2
500 and under 1,000	1,336	8.4	905	5.8
1,000 and under 5,000	1,490	9.4	3,229	20.7
5,000 and under 10,000	241	1.5	1,677	10.7
10,000 and under 25,000	145	.9	2,171	13.9
25,000 and under 50,000	65	.4	2,209	14.1
50,000 and under 100,000	17	.1	1,172	7.5
100,000 and over	15	.1	2,742	17.6

[1] Active workers in 1961.

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

Table 3. Distribution of Private Pension Plans by Industry Group, Winter 1962–63

(Workers in thousands)

Industry	Plans		Workers[1]	
	Number	Percent	Number	Percent
All plans studied	15,818	100.0	15,621	100.0
Agriculture, forestry, and fisheries	75	0.5	26	0.2
Mining	316	2.0	327	2.1
Contract construction	449	2.8	1,072	6.9
Manufacturing	9,257	58.5	9,678	62.0
Transportation	673	4.2	1,286	8.2
Communications and public utilities	849	5.4	1,270	8.1
Wholesale and retail trade	1,627	10.3	920	5.9
Wholesale trade	1,147	7.2	479	3.1
Retail trade	480	3.0	440	2.8
Finance, insurance, and real estate	1,853	11.7	733	4.7
Services	719	4.5	308	2.0

[1] Active workers in 1961.

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

Table 4. Distribution of Private Pension Plans by Industry Group and Type of Employer Unit, Winter 1962–63

(Workers in thousands)

Industry	All plans		Type of employer unit			
			Single employer		Multiemployer	
	Number	Workers [1]	Plans	Workers [1]	Plans	Workers [1]
All plans studied	15,818	15,621	14,890	11,742	928	3,878
Agriculture, forestry, and fisheries	75	26	72	18	3	8
Mining	316	327	300	89	16	238
Contract construction	449	1,072	60	23	389	1,049
Manufacturing	9,257	9,678	8,995	8,426	262	1,252
Transportation	673	1,286	549	516	124	770
Communications and public utilities	849	1,270	848	1,261	1	10
Wholesale and retail trade	1,627	920	1,540	572	87	348
Wholesale trade	1,147	479	1,082	171	65	308
Retail trade	480	440	458	401	22	40
Finance, insurance, and real estate	1,853	733	1,840	719	13	15
Services	719	308	686	119	33	190

[1] Active workers in 1961.

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

Table 5. Distribution of Private Pension Plans by Industry Group and Collective Bargaining Status, Winter 1962–63

(Workers in thousands)

Industry	All plans		Collective bargaining status			
			Mentioned in a collective bargaining agreement		Not mentioned in a collective bargaining agreement	
	Number	Workers [1]	Plans	Workers [1]	Plans	Workers [1]
All plans studied	15,818	15,621	5,795	10,695	[2] 10,023	4,926
Agriculture, forestry, and fisheries	75	26	15	18	60	8
Mining	316	327	43	242	273	86
Contract construction	449	1,072	384	908	65	164
Manufacturing	9,257	9,678	4,285	6,821	4,972	2,857
Transportation	673	1,286	384	898	289	388
Communications and public utilities	849	1,270	314	1,042	535	228
Wholesale and retail trade	1,627	920	294	498	1,333	421
Wholesale trade	1,147	479	249	340	898	139
Retail trade	480	440	45	158	435	282
Finance, insurance, and real estate	1,853	733	22	78	1,831	656
Services	719	308	54	191	665	118

[1] Active workers in 1961.
[2] Includes 110 plans, covering 272,000 workers, which were union sponsored and operated.

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

Table 6. Distribution of Private Pension Plans by Industry Group and Method of Financing, Winter 1962-63

(Workers in thousands)

Industry	All plans		Method of financing			
			Noncontributory		Contributory	
	Number	Workers [1]	Plans	Workers [1]	Plans	Workers [1]
All plans studied	15,818	15,621	11,526	11,667	[2] 4,292	3,954
Agriculture, forestry, and fisheries	75	26	60	8	15	18
Mining	316	327	305	309	11	18
Contract construction	449	1,072	373	600	76	472
Manufacturing	9,257	9,678	7,248	7,292	2,009	2,387
Transportation	673	1,286	374	979	299	307
Communications and public utilities	849	1,270	691	1,084	158	186
Wholesale and retail trade	1,627	920	1,279	749	348	171
Wholesale trade	1,147	479	896	416	251	63
Retail trade	480	440	383	333	97	108
Finance, insurance, and real estate	1,853	733	1,125	442	728	292
Services	719	308	71	204	648	104

[1] Active workers in 1961.
[2] Includes 110 plans, covering 272,000 workers, which were union sponsored and operated.

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

Table 7. Distribution of Private Pension Plans by Industry Group and Geographic Area Covered, Winter 1962-63

(Workers in thousands)

Industry	All plans		Area covered			
			Intrastate		Interstate	
	Number	Workers [1]	Plans	Workers [1]	Plans	Workers [1]
All plans studied	15,818	15,621	11,229	4,766	4,589	10,855
Agriculture, forestry, and fisheries	75	26	15	18	60	8
Mining	316	327	217	54	99	273
Contract construction	449	1,072	433	571	16	501
Manufacturing	9,257	9,678	6,479	2,097	2,778	7,581
Transportation	673	1,286	433	251	240	1,035
Communications and public utilities	849	1,270	717	733	132	538
Wholesale and retail trade	1,627	920	1,231	573	396	347
Wholesale trade	1,147	479	833	421	314	58
Retail trade	480	440	398	152	82	289
Finance, insurance, and real estate	1,853	733	1,360	286	493	447
Services	719	308	344	183	375	125

[1] Active workers in 1961.

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

Table 8. Distribution of Private Pension Plans by Industry Group and Type of Worker Covered, Winter 1962–63

(Workers in thousands)

Industry	All plans		Type of worker covered							
			Salaried and production		Production only		Salaried only		Earning in excess of a specified amount	
	Number	Workers[1]	Plans	Workers[1]	Plans	Workers[1]	Plans	Workers[1]	Plans	Workers[1]
All plans studied	15,818	15,621	6,038	6,263	4,925	7,039	3,995	1,584	860	735
Agriculture, forestry, and fisheries	75	26	66	12	9	13	-	-	-	-
Mining	316	327	55	28	50	257	211	42	-	-
Contract construction	449	1,072	60	23	389	1,049	-	-	-	-
Manufacturing	9,257	9,678	2,392	3,951	3,802	4,147	2,359	1,000	704	581
Transportation	673	1,286	144	192	354	876	133	79	42	140
Communications and public utilities	849	1,270	785	1,182	63	81	1	7	-	-
Wholesale and retail trade	1,627	920	697	368	107	395	715	149	108	7
Wholesale trade	1,147	479	417	63	76	330	554	83	100	4
Retail trade	480	440	280	305	31	66	161	66	8	3
Finance, insurance, and real estate	1,853	733	1,478	429	13	15	356	282	6	8
Services	719	308	361	77	138	206	220	25	-	-

[1] Active workers in 1961.

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

Table 9. Distribution of Private Pension Plans by Final Authority for Benefit Determination, Winter 1962–63

(Workers in thousands)

Final authority	Plans		Workers[1]	
	Number	Percent	Number	Percent
All plans studied	15,818	100.0	15,621	100.0
Employer only	12,729	80.5	9,298	59.5
Bipartite board	2,001	12.7	5,365	34.3
Tripartite board	8	.1	227	1.4
Union only	110	.7	272	1.7
Grievance procedure of collective bargaining agreement	970	6.1	459	2.9

[1] Active workers in 1961.

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

Table 10. Vesting Provisions in Private Pension Plans by Type, and Conditions for Vesting, Winter 1962–63

(Workers in thousands)

Item	Plans		Workers[1]	
	Number	Percent	Number	Percent
All plans studied	15,818	100.0	15,621	100.0
With vesting	10,634	67.2	9,307	59.6
Deferred full[2]	7,212	45.6	7,338	47.0
Any separation	6,681	42.2	5,977	38.3
Involuntary separation	531	3.4	1,361	8.7
Deferred graded	3,422	21.6	1,969	12.6
Any separation	3,312	20.9	1,943	12.4
Involuntary separation	110	.7	27	.2
Without vesting	5,184	32.8	6,313	40.4

[1] Active workers in 1961.
[2] Includes a few plans with immediate full vesting.

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

Table 11. Vesting Provisions in Private Pension Plans by Type of Employer Unit, Method of Financing, and Collective Bargaining Status, Winter 1962–63

(Workers in thousands)

Item	All plans		With vesting		Without vesting	
	Number	Workers [1]	Plans	Workers [1]	Plans	Workers [1]
All plans studied	15,818	15,621	10,634	9,307	5,184	6,313
Single employer	14,890	11,742	10,340	8,393	4,550	3,349
Noncontributory	10,657	8,454	7,100	5,398	3,557	3,056
Mentioned in a collective bargaining agreement	3,933	5,668	2,728	3,741	1,205	1,926
Not mentioned in a collective bargaining agreement	6,724	2,787	4,372	1,657	2,352	1,130
Contributory	4,233	3,288	3,240	2,995	993	293
Mentioned in a collective bargaining agreement	1,034	1,495	892	1,384	142	111
Not mentioned in a collective bargaining agreement	3,199	1,793	2,348	1,611	851	182
Multiemployer	928	3,878	294	914	634	2,964
Noncontributory	869	3,212	260	818	609	2,394
Mentioned in a collective bargaining agreement	810	3,176	253	802	557	2,374
Not mentioned in a collective bargaining agreement	59	36	7	16	52	20
Contributory	59	666	34	96	25	570
Mentioned in a collective bargaining agreement	18	356	15	54	3	302
Not mentioned in a collective bargaining agreement	41	310	19	42	22	269

[1] Active workers in 1961.

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

Table 12. Vesting Provisions in Single Employer Private Pension Plans by Number of Active Workers Covered, Winter 1962–63 [1]

(Workers in thousands)

Number of workers covered	All plans		With vesting		Without vesting	
	Number	Workers	Plans	Workers	Plans	Workers
All single employer plans	14,890	11,742	10,340	8,393	4,550	3,349
Under 200	9,710	690	6,800	449	2,910	240
200 and under 500	2,469	778	1,691	552	778	227
500 and under 1,000	1,094	734	705	487	389	247
1,000 and under 5,000	1,256	2,656	885	1,871	371	785
5,000 and under 10,000	180	1,258	135	944	45	314
10,000 and under 25,000	112	1,701	76	1,196	36	505
25,000 and under 50,000	47	1,607	33	1,130	14	477
50,000 and under 100,000	15	1,023	9	616	6	407
100,000 and over	7	1,295	6	1,150	1	145

[1] Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

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

Table 13. Vesting Provisions in Private Pension Plans by Industry Group, Winter 1962–63

(Workers in thousands)

Industry	All plans		With vesting		Without vesting	
	Number	Workers [1]	Plans	Workers [1]	Plans	Workers [1]
All plans studied	15,818	15,621	10,634	9,307	5,184	6,313
Agriculture, forestry, and fisheries	75	26	69	20	6	5
Mining	316	327	162	94	154	233
Contract construction	449	1,072	124	298	325	774
Manufacturing	9,257	9,678	6,601	6,852	2,656	2,826
Transportation	673	1,286	303	544	370	742
Communications and public utilities	849	1,270	483	376	366	895
Wholesale and retail trade	1,627	920	1,138	458	489	461
Wholesale trade	1,147	479	870	268	277	211
Retail trade	480	440	268	190	212	250
Finance, insurance, and real estate	1,853	733	1,419	532	434	201
Services	719	308	335	133	384	176

1 Active workers in 1961.

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

Table 14. Type of Vesting in Private Pension Plans by Industry Group, Winter 1962–63 [1]

(Workers in thousands)

Industry	All plans		Type of vesting			
			Deferred full [2]		Deferred graded	
	Number	Workers	Plans	Workers	Plans	Workers
All plans with vesting	10,634	9,307	7,212	7,338	3,422	1,969
Agriculture, forestry, and fisheries	69	20	66	12	3	8
Mining	162	94	82	81	80	14
Contract construction	124	298	111	228	13	70
Manufacturing	6,601	6,852	4,612	5,683	1,989	1,170
Transportation	303	544	136	210	167	334
Communications and public utilities	483	376	272	315	211	60
Wholesale and retail trade	1,138	458	832	356	306	103
Wholesale trade	870	268	646	199	224	70
Retail trade	268	190	186	157	82	33
Finance, insurance, and real estate	1,419	532	767	351	652	181
Services	335	133	334	103	1	30

1 Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.
2 Includes a few plans with immediate full vesting.

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

Table 15. Type of Vesting in Private Pension Plans by Type of Employer Unit, Method of Financing, and Collective Bargaining Status, Winter 1962–63[1]

(Workers in thousands)

Item	All plans		Type of vesting			
			Deferred full[2]		Deferred graded	
	Number	Workers	Plans	Workers	Plans	Workers
All plans with vesting	10,634	9,307	7,212	7,338	3,422	1,969
Single employer	10,340	8,393	6,941	6,815	3,399	1,578
Noncontributory	7,100	5,398	4,767	4,427	2,333	971
Mentioned in a collective bargaining agreement	2,728	3,741	2,094	3,163	634	578
Not mentioned in a collective bargaining agreement	4,372	1,657	2,673	1,264	1,699	393
Contributory	3,240	2,995	2,174	2,388	1,066	607
Mentioned in a collective bargaining agreement	892	1,384	661	1,118	231	266
Not mentioned in a collective bargaining agreement	2,348	1,611	1,513	1,270	835	341
Multiemployer	294	914	271	523	23	391
Noncontributory	260	818	244	483	16	335
Mentioned in a collective bargaining agreement	253	802	237	467	16	335
Not mentioned in a collective bargaining agreement	7	16	7	16	-	-
Contributory	34	96	27	41	7	56
Mentioned in a collective bargaining agreement	15	54	11	17	4	38
Not mentioned in a collective bargaining agreement	19	42	16	24	3	18

[1] Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.
[2] Includes a few plans with immediate full vesting.

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

Table 16. Minimum Age and Service Requirements for Deferred Full Vesting in Private Pension Plans, Winter 1962–63[1]

(Workers in thousands)

Minimum service requirements[2]	All plans		Minimum age requirements[3]											
			No age requirement		40 and under		45		50		55		60	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans with deferred full vesting[4]	7,212	7,338	2,189	2,186	1,965	3,388	634	632	711	595	1,497	478	216	59
No service requirement	12	17	12	17	-	-	-	-	-	-	-	-	-	-
1–4 years	44	32	6	22	-	-	-	-	1	4	37	6	-	-
5 years	916	233	182	108	501	65	148	34	66	22	19	4	-	-
6–9 years	302	297	250	185	1	88	51	24	-	-	-	-	-	-
10 years	1,788	2,778	687	537	871	1,872	79	257	14	55	136	52	1	6
11–14 years	239	190	58	104	12	15	25	19	42	24	1	5	101	24
15 years	2,198	2,737	622	781	571	1,288	213	190	414	268	374	192	4	16
16–19 years	87	73	8	29	2	11	50	17	23	12	4	4	-	-
20 years	998	593	283	208	7	49	11	50	125	155	472	121	100	10
21–24 years	18	32	18	32	-	-	-	-	-	-	-	-	-	-
25 years	547	295	31	130	-	-	56	15	26	57	424	90	10	3
26–29 years	31	28	-	-	-	-	1	25	-	-	30	3	-	-
30 years	32	33	32	33	-	-	-	-	-	-	-	-	-	-

[1] Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.
[2] For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.
[3] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.
[4] Includes a few plans with immediate full vesting.

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

Table 17. Minimum Age and Service Requirements for Deferred Full Vesting in Private Pension Plans by Conditions for Vesting and Type of Worker Covered, Winter 1962–63[1]

(Workers in thousands)

Minimum service requirements[2]	All plans		Minimum age requirements[3]											
			No age requirement		40 and under		45		50		55		60	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans with deferred full vesting[4]	7,212	7,338	2,189	2,186	1,965	3,388	634	632	711	595	1,497	478	216	59
Any separation	6,681	5,977	2,136	2,082	1,514	2,223	632	622	695	564	1,488	428	216	59
No service requirement	12	17	12	17	-	-	-	-	-	-	-	-	-	-
1–4 years	43	25	5	16	-	-	-	-	1	4	37	6	-	-
5 years	906	223	172	98	501	65	148	34	66	22	19	4	-	-
6–9 years	302	297	250	185	1	88	51	24	-	-	-	-	-	-
10 years	1,761	2,712	686	536	846	1,812	78	252	14	55	136	52	1	6
11–14 years	239	190	58	104	12	15	25	19	42	24	1	5	101	24
15 years	1,753	1,570	604	725	150	203	212	186	414	268	369	172	4	16
16–19 years	72	66	8	29	2	11	50	17	8	5	4	4	-	-
20 years	990	551	280	187	2	29	11	50	125	155	472	121	100	10
21–24 years	18	32	18	32	-	-	-	-	-	-	-	-	-	-
25 years	542	241	31	130	-	-	56	15	25	32	420	61	10	3
26–29 years	31	28	-	-	-	-	1	25	-	-	30	3	-	-
30 years	12	23	12	23	-	-	-	-	-	-	-	-	-	-
Involuntary separation	531	1,361	53	104	451	1,165	2	10	16	32	9	50	-	-
No service requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1–4 years	1	6	1	6	-	-	-	-	-	-	-	-	-	-
5 years	10	10	10	10	-	-	-	-	-	-	-	-	-	-
6–9 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 years	27	66	1	1	25	60	1	5	-	-	-	-	-	-
11–14 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 years	445	1,166	18	56	421	1,085	1	5	-	-	5	21	-	-
16–19 years	15	7	-	-	-	-	-	-	15	7	-	-	-	-
20 years	8	41	3	21	5	20	-	-	-	-	-	-	-	-
21–24 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25 years	5	54	-	-	-	-	-	-	1	25	4	29	-	-
26–29 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 years	20	10	20	10	-	-	-	-	-	-	-	-	-	-
Production workers only	2,637	2,620	436	501	1,407	1,592	182	157	430	165	78	174	104	31
Any separation	2,275	1,883	392	437	1,094	965	182	157	430	165	73	128	104	31
No service requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1–4 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 years	563	36	63	23	500	13	-	-	-	-	-	-	-	-
6–9 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 years	541	1,108	43	167	477	826	14	70	5	23	1	15	1	6
11–14 years	8	20	6	15	-	-	-	-	2	4	-	-	-	-
15 years	901	471	256	116	117	126	118	71	347	86	60	57	3	15
16–19 years	52	23	2	6	-	-	50	17	-	-	-	-	-	-
20 years	160	78	3	23	-	-	-	-	56	40	1	5	100	10
21–24 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25 years	39	128	8	65	-	-	-	-	20	12	11	51	-	-
26–29 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 years	11	20	11	20	-	-	-	-	-	-	-	-	-	-
Involuntary separation	362	737	44	64	313	627	-	-	-	-	5	46	-	-
No service requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1–4 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 years	10	10	10	10	-	-	-	-	-	-	-	-	-	-
6–9 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 years	26	61	1	1	25	60	-	-	-	-	-	-	-	-
11–14 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 years	301	618	12	35	288	567	-	-	-	-	1	16	-	-
16–19 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20 years	1	8	1	8	-	-	-	-	-	-	-	-	-	-
21–24 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25 years	4	29	-	-	-	-	-	-	-	-	4	29	-	-
26–29 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 years	20	10	20	10	-	-	-	-	-	-	-	-	-	-

See footnotes at end of table.

Table 17. Minimum Age and Service Requirements for Deferred Full Vesting in Private Pension Plans by Conditions for Vesting and Type of Worker Covered, Winter 1962–63 [1]—Continued

(Workers in thousands)

Minimum service requirements [2]	All plans		Minimum age requirements [3]											
			No age requirement		40 and under		45		50		55		60	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
Salaried workers only	2,339	987	719	285	404	336	288	211	103	105	814	45	11	5
Any separation	2,242	849	718	279	324	216	287	206	88	98	814	45	11	5
No service requirement	1	6	1	6	-	-	-	-	-	-	-	-	-	-
1–4 years	1	4	-	-	-	-	-	-	1	4	-	-	-	-
5 years	166	99	2	20	1	52	100	12	63	15	-	-	-	-
6–9 years	51	20	1	1	-	-	50	19	-	-	-	-	-	-
10 years	889	363	529	130	309	121	37	90	4	20	10	3	-	-
11–14 years	21	9	-	-	-	-	21	9	-	-	-	-	-	-
15 years	236	205	123	91	12	32	32	41	13	29	55	10	1	1
16–19 years	2	11	-	-	2	11	-	-	-	-	-	-	-	-
20 years	419	106	57	21	-	-	10	28	7	31	345	27	-	-
21–24 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25 years	456	25	5	10	-	-	37	7	-	-	404	5	10	3
26–29 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Involuntary separation	97	138	1	6	80	120	1	5	15	7	-	-	-	-
No service requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1–4 years	1	6	1	6	-	-	-	-	-	-	-	-	-	-
5 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6–9 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11–14 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 years	96	132	-	-	80	120	1	5	15	7	-	-	-	-
16–19 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21–24 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26–29 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaried and production workers	2,031	3,240	968	1,243	140	1,192	164	264	155	296	603	238	1	8
Any separation	1,969	2,813	961	1,213	91	829	163	259	154	271	599	234	1	8
No service requirement	11	11	11	11	-	-	-	-	-	-	-	-	-	-
1–4 years	42	22	5	16	-	-	-	-	-	-	37	6	-	-
5 years	175	82	106	50	-	-	48	23	2	5	19	4	-	-
6–9 years	249	157	248	152	-	-	1	5	-	-	-	-	-	-
10 years	327	1,124	114	238	57	759	27	92	5	12	124	24	-	-
11–14 years	90	136	32	79	12	15	4	10	40	20	1	5	1	8
15 years	589	807	202	476	20	27	62	74	52	136	253	93	-	-
16–19 years	18	32	6	23	-	-	-	-	8	5	4	4	-	-
20 years	377	303	206	90	2	29	1	22	42	73	126	89	-	-
21–24 years	13	25	13	25	-	-	-	-	-	-	-	-	-	-
25 years	46	82	17	49	-	-	19	8	5	20	5	5	-	-
26–29 years	31	28	-	-	-	-	1	25	-	-	30	3	-	-
30 years	1	3	1	3	-	-	-	-	-	-	-	-	-	-
Involuntary separation	62	427	7	30	49	363	1	5	1	25	4	4	-	-
No service requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1–4 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6–9 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 years	1	5	-	-	-	-	1	5	-	-	-	-	-	-
11–14 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 years	53	364	5	17	44	342	-	-	-	-	4	4	-	-
16–19 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20 years	7	33	2	13	5	20	-	-	-	-	-	-	-	-
21–24 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25 years	1	25	-	-	-	-	-	-	1	25	-	-	-	-
26–29 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-

See footnotes at end of table.

Table 17. Minimum Age and Service Requirements for Deferred Full Vesting in Private Pension Plans by Conditions for Vesting and Type of Worker Covered, Winter 1962–63[1]—Continued

(Workers in thousands)

Minimum service requirements[2]	All plans		Minimum age requirements[3]											
			No age requirement		40 and under		45		50		55		60	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
Workers earning in excess of a specified amount	205	491	66	156	14	268	-	-	23	29	2	21	100	16
Any separation	195	432	65	153	5	212	-	-	23	29	2	21	100	16
No service requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1–4 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 years	2	5	1	4	-	-	-	-	1	1	-	-	-	-
6–9 years	2	120	1	32	1	88	-	-	-	-	-	-	-	-
10 years	4	116	-	-	3	106	-	-	-	-	1	10	-	-
11–14 years	120	25	20	9	-	-	-	-	-	-	-	-	100	16
15 years	27	88	23	41	1	18	-	-	2	17	1	12	-	-
16–19 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20 years	34	65	14	53	-	-	-	-	20	11	-	-	-	-
21–24 years	5	7	5	7	-	-	-	-	-	-	-	-	-	-
25 years	1	6	1	6	-	-	-	-	-	-	-	-	-	-
26–29 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Involuntary separation	10	59	1	3	9	56	-	-	-	-	-	-	-	-
No service requirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1–4 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6–9 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11–14 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 years	10	59	1	3	9	56	-	-	-	-	-	-	-	-
16–19 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21–24 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26–29 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-

[1] Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.
[2] For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.
[3] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.
[4] Includes a few plans with immediate full vesting.

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

Table 18. Minimum Age and Service Requirements for Deferred Graded Vesting in Private Pension Plans by Percent Initially Vested, Winter 1962–63[1]

(Workers in thousands)

Minimum age and service requirements[2]	All plans		Percent initially vested											
			Under 10		10 and under 20		20 and under 30		30 and under 40		40 and under 50		50 and over	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans with deferred graded vesting	3,422	1,969	474	98	406	104	593	283	132	152	5	71	1,812	1,262
No age requirement	2,871	1,117	474	98	374	90	498	218	108	59	5	71	1,412	581
No service requirement	12	68	2	42	-	-	-	-	-	-	-	-	10	26
1–4 years	74	47	18	9	50	10	6	28	-	-	-	-	-	-
5 years	153	154	30	4	-	-	105	56	10	14	-	-	8	80
6–9 years	871	173	300	4	137	11	251	26	47	9	1	66	135	56
10 years	933	382	13	15	60	34	71	67	51	36	-	-	738	229
11–14 years	143	94	-	-	27	21	60	26	-	-	4	4	52	44
15 years	503	99	-	-	100	13	-	-	-	-	-	-	403	86
16–19 years	57	31	-	-	-	-	-	-	-	-	-	-	57	31
20 years	11	36	-	-	-	-	5	16	-	-	-	-	6	21
21–24 years	3	8	-	-	-	-	-	-	-	-	-	-	3	8
Other	111	24	111	24	-	-	-	-	-	-	-	-	-	-
Age 40 and under	187	406	-	-	21	8	76	33	20	81	-	-	70	284
1–4 years	1	5	-	-	1	5	-	-	-	-	-	-	-	-
5 years	41	13	-	-	-	-	37	8	-	-	-	-	4	4
10 years	121	379	-	-	-	-	39	24	20	81	-	-	62	273
11–14 years	24	9	-	-	20	3	-	-	-	-	-	-	4	6
Age 45	214	62	-	-	-	-	-	-	-	-	-	-	214	62
10 years	194	46	-	-	-	-	-	-	-	-	-	-	194	46
11–14 years	1	7	-	-	-	-	-	-	-	-	-	-	1	7
20 years	19	9	-	-	-	-	-	-	-	-	-	-	19	9
Age 50	100	127	-	-	11	6	11	28	4	11	-	-	74	81
1–4 years	10	6	-	-	10	6	-	-	-	-	-	-	-	-
10 years	6	53	-	-	-	-	-	-	-	-	-	-	6	53
11–14 years	1	(3)	-	-	1	(3)	-	-	-	-	-	-	-	-
15 years	72	28	-	-	-	-	1	7	4	11	-	-	67	10
20 years	10	22	-	-	-	-	10	22	-	-	-	-	-	-
25 years	1	18	-	-	-	-	-	-	-	-	-	-	1	18
Age 55	50	257	-	-	-	-	8	3	-	-	-	-	42	254
5 years	8	3	-	-	-	-	8	3	-	-	-	-	-	-
15 years	38	250	-	-	-	-	-	-	-	-	-	-	38	250
Other	4	4	-	-	-	-	-	-	-	-	-	-	4	4

[1] Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.
[2] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected. For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.
[3] Fewer than 500 workers.

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

Table 19. Minimum Age and Service Requirements for Full Vesting in Private Pension Plans Which Have Deferred Graded Vesting, Winter 1962–63[1]

(Workers in thousands)

Minimum service requirements[2]	All plans		Minimum age requirements[3]											
			No age requirement		40 and under		45		50		55		60 and over	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans with deferred graded vesting	3,422	1,969	2,589	1,048	72	211	140	194	376	61	50	145	195	311
1–4 years	5	21	-	-	-	-	-	-	-	-	5	21	-	-
5 years	2	8	-	-	-	-	-	-	-	-	2	8	-	-
6–9 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 years	131	131	44	82	4	5	1	5	60	10	20	22	2	7
11–14 years	168	135	121	121	-	-	37	8	-	-	-	-	10	6
15 years	1,088	773	665	203	5	117	59	154	186	9	1	32	172	257
16–19 years	201	131	192	112	4	6	4	5	1	7	-	-	-	-
20 years	766	397	685	223	39	80	10	10	-	-	22	62	10	22
21–24 years	505	133	425	120	20	3	10	3	50	7	-	-	-	-
25 years	179	129	91	90	-	-	19	9	68	11	-	-	1	18
26–29 years	335	33	335	33	-	-	-	-	-	-	-	-	-	-
30 years	31	67	20	50	-	-	-	-	11	16	-	-	-	-
Over 30 years	11	14	11	14	-	-	-	-	-	-	-	-	-	-

[1] Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.
[2] For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.
[3] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.

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

Table 20. Early Retirement Provisions in Private Pension Plans by Type of Employer Unit, Method of Financing, and Collective Bargaining Status, Winter 1962–63

(Workers in thousands)

Item	All plans		With early retirement		Without early retirement	
	Number	Workers[1]	Plans	Workers[1]	Plans	Workers[1]
All plans studied	15,818	15,621	12,099	11,786	3,719	3,835
Single employer	14,890	11,742	11,735	10,657	3,155	1,085
Noncontributory	10,657	8,454	8,436	7,541	2,221	913
Mentioned in a collective bargaining agreement	3,933	5,668	3,207	5,169	726	499
Not mentioned in a collective bargaining agreement	6,724	2,787	5,229	2,372	1,495	415
Contributory	4,233	3,288	3,299	3,116	934	172
Mentioned in a collective bargaining agreement	1,034	1,495	980	1,465	54	31
Not mentioned in a collective bargaining agreement	3,199	1,793	2,319	1,651	880	141
Multiemployer	928	3,878	364	1,129	564	2,750
Noncontributory	869	3,212	327	1,048	542	2,164
Mentioned in a collective bargaining agreement	810	3,176	320	1,032	490	2,144
Not mentioned in a collective bargaining agreement	59	36	7	16	52	20
Contributory	59	666	37	81	22	586
Mentioned in a collective bargaining agreement	18	356	4	14	14	342
Not mentioned in a collective bargaining agreement	41	310	33	67	8	244

[1] Active workers in 1961.

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

Table 21. Early Retirement Provisions in Private Pension Plans by Industry Group, Winter 1962–63

(Workers in thousands)

Industry	All plans		With early retirement		Without early retirement	
	Number	Workers [1]	Plans	Workers [1]	Plans	Workers [1]
All plans studied	15,818	15,621	12,099	11,786	3,719	3,835
Agriculture, forestry, and fisheries	75	26	75	26	-	-
Mining	316	327	312	119	4	208
Contract construction	449	1,072	156	343	293	729
Manufacturing	9,257	9,678	7,409	7,981	1,848	1,697
Transportation	673	1,286	496	644	177	642
Communications and public utilities	849	1,270	600	1,184	249	87
Wholesale and retail trade	1,627	920	1,271	690	356	230
Wholesale trade	1,147	479	1,075	337	72	142
Retail trade	480	440	196	352	284	88
Finance, insurance, and real estate	1,853	733	1,439	660	414	73
Services	719	308	341	140	378	168

[1] Active workers in 1961.

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

Table 22. Minimum Age and Service Requirements for Early Retirement in Private Pension Plans, Winter 1962–63[1]

(Workers in thousands)

Minimum service requirements[2]	All plans		Minimum age requirements[3]									
			No age requirement		50		55		60		Other	
	Number	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers	Plans	Workers
All plans with early retirement	12,099	11,786	289	1,120	115	345	7,761	5,567	3,647	4,522	287	233
No service requirement	489	552	12	43	15	14	379	378	33	91	50	25
1–4 years	2,492	1,536	157	52	17	58	1,931	1,067	387	359	-	-
5 years	936	547	11	23	1	5	811	455	112	55	1	10
6–9 years	313	93	-	-	-	-	313	93	-	-	-	-
10 years	2,140	2,859	1	7	51	57	937	1,019	1,045	1,673	106	103
11–14 years	273	155	-	-	-	-	150	106	121	30	2	18
15 years	3,270	3,157	1	4	16	66	2,108	1,469	1,020	1,556	125	62
16–19 years	40	57	-	-	-	-	29	30	11	26	-	-
20 years	1,446	1,135	4	16	8	61	867	738	564	305	3	15
21–24 years	10	24	-	-	-	-	7	18	3	5	-	-
25 years	429	355	3	45	5	20	150	133	271	158	-	-
26–29 years	49	10	19	7	-	-	30	3	-	-	-	-
30 years	191	1,273	61	907	2	63	48	40	80	263	-	-
Over 30 years	21	33	20	16	-	-	1	17	-	-	-	-
Plans with vesting	9,196	8,362	201	208	80	238	6,063	4,212	2,731	3,555	121	148
No service requirement	416	472	11	30	15	14	363	356	27	71	-	-
1–4 years	2,312	1,441	127	48	17	58	1,783	1,001	385	334	-	-
5 years	719	474	11	23	1	5	705	432	1	5	1	10
6–9 years	313	93	-	-	-	-	313	93	-	-	-	-
10 years	1,507	2,468	1	7	26	40	648	838	828	1,507	4	75
11–14 years	266	125	-	-	-	-	144	87	121	30	1	8
15 years	2,464	2,119	1	4	13	51	1,409	738	926	1,271	115	55
16–19 years	16	46	-	-	-	-	5	19	11	26	-	-
20 years	917	733	3	11	2	25	589	517	323	180	-	-
21–24 years	7	18	-	-	-	-	7	18	-	-	-	-
25 years	93	163	1	34	5	20	23	65	64	44	-	-
26–29 years	49	10	19	7	-	-	30	3	-	-	-	-
30 years	116	181	27	44	1	25	43	27	45	86	-	-
Over 30 years	1	17	-	-	-	-	1	17	-	-	-	-
Plans without vesting	2,903	3,424	88	912	35	106	1,698	1,355	916	967	166	85
No service requirement	73	80	1	13	-	-	16	22	6	20	50	25
1–4 years	180	95	30	4	-	-	148	66	2	25	-	-
5 years	217	73	-	-	-	-	106	23	111	50	-	-
6–9 years	-	-	-	-	-	-	-	-	-	-	-	-
10 years	633	392	-	-	25	17	289	181	217	166	102	27
11–14 years	7	29	-	-	-	-	6	19	-	-	1	11
15 years	806	1,038	-	-	3	15	699	731	94	284	10	7
16–19 years	24	11	-	-	-	-	24	11	-	-	-	-
20 years	529	401	1	5	6	36	278	221	241	126	3	15
21–24 years	3	5	-	-	-	-	-	-	3	5	-	-
25 years	336	192	2	11	-	-	127	67	207	114	-	-
26–29 years	-	-	-	-	-	-	-	-	-	-	-	-
30 years	75	1,093	34	863	1	38	5	14	35	177	-	-
Over 30 years	20	16	20	16	-	-	-	-	-	-	-	-

[1] Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

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

[3] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.

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

Table 23. Special Early Retirement Provisions in Private Pension Plans by Industry Group, Winter 1962–63

(Workers in thousands)

Industry	All plans		With special early retirement		Without special early retirement	
	Number	Workers [1]	Plans	Workers [1]	Plans	Workers [1]
All plans studied	15,818	15,621	1,051	2,674	14,767	12,947
Agriculture, forestry, and fisheries	75	26	-	-	75	26
Mining	316	327	34	18	282	310
Contract construction	449	1,072	2	7	447	1,065
Manufacturing	9,257	9,678	992	2,551	8,265	7,128
Transportation	673	1,286	2	38	671	1,248
Communications and public utilities	849	1,270	4	11	845	1,260
Wholesale and retail trade	1,627	920	7	24	1,620	895
Wholesale trade	1,147	479	-	-	1,147	479
Retail trade	480	440	7	24	473	416
Finance, insurance, and real estate	1,853	733	5	17	1,848	716
Services	719	308	5	8	714	300

[1] Active workers in 1961.

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

Table 24. Minimum Age and Service Requirements for Special Early Retirement in Private Pension Plans, Winter 1962–63 [1]

(Workers in thousands)

Minimum age and service requirements [2]	All plans		Minimum age and service requirements [2]	All plans	
	Number	Workers		Number	Workers
All plans with special early retirement	1,051	2,674	Age 55	191	1,211
			No service requirement	5	7
			10 years	4	169
			15 years	72	80
No age requirement	9	32	20 years	105	938
No service requirement	4	4	25 years	5	17
5 years	3	5			
10 years	1	19	Age 60	773	1,299
25 years	1	4	5 years	1	5
			10 years	577	1,074
			15 years	28	39
Age 50	78	132	20 years	153	72
15 years	76	128	25 years	5	80
20 years	2	3	30 years	9	29

[1] Based on a study of 15,818 private pension plans covering 15.6 million active workers in 1961.

[2] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected. For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.

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

Table 25. Provisions for Vesting and Early Retirement in Private Pension Plans by Type of Employer Unit, Type of Vesting, and Conditions for Vesting, Winter 1962–63

(Workers in thousands)

Type of vesting and conditions for vesting	All plans		Type of employer unit											
			Single employer						Multiemployer					
			All plans		With early retirement		Without early retirement		All plans		With early retirement		Without early retirement	
	Number	Workers [1]	Plans	Workers [1]	Plans	Workers [1]	Plans	Workers [1]	Plans	Workers [1]	Plans	Workers [1]	Plans	Workers [1]
All plans studied	15,818	15,621	14,890	11,742	11,735	10,657	3,155	1,085	928	3,878	364	1,129	564	2,750
With vesting	10,634	9,307	10,340	8,393	9,062	7,914	1,278	479	294	914	134	447	160	467
Deferred full[2]	7,212	7,338	6,941	6,815	6,623	6,491	318	324	271	523	121	380	150	143
Any separation	6,681	5,977	6,423	5,482	6,127	5,186	296	297	258	495	119	378	139	117
Involuntary separation	531	1,361	518	1,333	496	1,305	22	28	13	28	2	2	11	27
Deferred graded	3,422	1,969	3,399	1,578	2,439	1,424	960	155	23	391	13	68	10	323
Any separation	3,312	1,943	3,289	1,552	2,329	1,397	960	155	23	391	13	68	10	323
Involuntary separation	110	27	110	27	110	27	-	-	-	-	-	-	-	-
Without vesting	5,184	6,313	4,550	3,349	2,673	2,743	1,877	606	634	2,964	230	681	404	2,283

1 Active workers in 1961.
2 Includes a few plans with immediate full vesting.

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

Table 26. Provisions for Vesting, Early Retirement, and Portability in Private Pension Plans by Type of Worker Covered, Winter 1962–63

(Workers in thousands)

Type of worker covered	All plans		Provisions									
			No early retirement or vesting		Early retirement [1]		Vesting [1]		Early retirement and vesting [1]		Portability [2]	
	Number	Workers [3]	Plans	Workers [3]	Plans	Workers [3]	Plans	Workers [3]	Plans	Workers [3]	Plans	Workers [3]
All plans studied	15,818	15,621	1,877	606	2,903	3,424	1,438	946	9,196	8,362	404	2,283
Salaried and production	6,038	6,263	1,068	269	1,195	1,866	984	281	2,791	3,846	-	-
Production only	4,925	7,039	652	247	855	1,211	234	536	2,780	2,762	404	2,283
Salaried only	3,995	1,584	155	38	793	268	142	82	2,905	1,196	-	-
Earning in excess of a specified amount	860	735	2	52	60	80	78	46	720	557	-	-

1 May include a few plans providing portable pension credits.
2 These plans had normal retirement only.
3 Active workers in 1961.

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

Table 27. Provisions for Vesting, Early Retirement, and Portability in Private Pension Plans by Industry Group, Winter 1962–63

(Workers in thousands)

Industry	All plans		Provisions									
			No early retirement or vesting		Early retirement [1]		Vesting [1]		Early retirement and vesting [1]		Portability [2]	
	Number	Workers [3]	Plans	Workers [3]	Plans	Workers [3]	Plans	Workers [3]	Plans	Workers [3]	Plans	Workers [3]
All plans studied	15,818	15,621	1,877	606	2,903	3,424	1,438	946	9,196	8,362	404	2,283
Agriculture, forestry, and fisheries	75	26	-	-	6	5	-	-	69	20	-	-
Mining	316	327	-	-	152	27	2	2	160	92	2	206
Contract construction	449	1,072	50	7	83	185	51	140	73	157	192	582
Manufacturing	9,257	9,678	939	373	1,639	1,523	831	394	5,770	6,458	78	930
Transportation	673	1,286	105	64	194	342	1	242	302	302	71	336
Communications and public utilities	849	1,270	222	61	144	834	27	26	456	349	-	-
Wholesale and retail trade	1,627	920	147	51	288	282	155	51	983	408	54	129
Wholesale trade	1,147	479	32	9	211	103	6	34	864	234	34	98
Retail trade	480	440	115	41	77	178	149	16	119	174	20	31
Finance, insurance, and real estate	1,853	733	54	30	380	171	360	43	1,059	489	-	-
Services	719	308	360	20	17	55	11	47	324	85	7	100

[1] May include a few plans providing portable pension credits.
[2] These plans had normal retirement only.
[3] Active workers in 1961.

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

Table 28. Earliest Age and Associated Service at Which the Worker Qualifies for Vesting, Early Retirement, or Normal Retirement in Private Pension Plans, Winter 1962–63

(Workers in thousands)

Minimum service requirements [1]	All plans		Minimum age requirements [2]					
			No age requirement		40 and under		45	
	Number	Workers [3]	Plans	Workers [3]	Plans	Workers [3]	Plans	Workers [3]
All plans studied	15,818	15,621	4,870	4,157	2,037	3,599	774	811
Less than 5 years	730	328	149	61	-	-	-	-
5–10 years	4,444	4,114	1,163	912	1,377	2,029	279	321
11–15 years	5,465	5,357	1,466	1,208	588	1,420	335	382
16–20 years	2,823	3,239	1,170	583	52	147	75	81
Over 20 years	2,356	2,583	922	1,393	20	3	85	27

Minimum service requirements [1]	Minimum age requirements [2]							
	50		55		60		65	
	Plans	Workers [3]	Plans	Workers [3]	Plans	Workers [3]	Plans	Workers [3]
All plans studied	1,226	796	3,242	1,972	1,294	1,534	2,375	2,750
Less than 5 years	1	4	206	115	8	44	366	105
5–10 years	165	103	572	289	334	232	554	228
11–15 years	644	307	1,081	980	343	341	1,008	720
16–20 years	159	221	797	414	350	562	220	1,230
Over 20 years	257	162	586	174	259	355	227	468

[1] For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.
[2] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected.
[3] Active workers in 1961.

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

Table 29. Earliest Age and Associated Service at Which the Worker Qualifies for Vesting, Early Retirement, or Normal Retirement in Private Pension Plans by Industry Group, Winter 1962–63

(Workers in thousands)

Minimum age and service requirements[1]	All plans		Industry							
			Agriculture, forestry, and fisheries		Mining		Contract construction		Manufacturing	
	Number	Workers[2]	Plans	Workers[2]	Plans	Workers[2]	Plans	Workers[2]	Plans	Workers[2]
All plans studied	15,818	15,621	75	26	316	327	449	1,072	9,257	9,678
No age requirement	4,870	4,157	69	20	35	32	43	154	2,528	2,305
Less than 5 years	149	61	-	-	-	-	-	-	8	33
5–10 years	1,163	912	-	-	2	3	22	32	125	562
11–15 years	1,466	1,208	66	12	7	19	14	27	1,029	930
16–20 years	1,170	583	-	-	22	6	4	52	826	311
Over 20 years	922	1,393	3	8	4	5	3	43	540	469
Age 40 and under	2,037	3,599	-	-	37	25	4	5	1,755	3,393
Less than 5 years	-	-	-	-	-	-	-	-	-	-
5–10 years	1,377	2,029	-	-	-	-	4	5	1,209	1,913
11–15 years	588	1,420	-	-	37	25	-	-	500	1,365
16–20 years	52	147	-	-	-	-	-	-	26	111
Over 20 years	20	3	-	-	-	-	-	-	20	3
Age 45	774	811	-	-	30	26	9	35	526	602
Less than 5 years	-	-	-	-	-	-	-	-	-	-
5–10 years	279	321	-	-	-	-	1	7	198	235
11–15 years	335	382	-	-	30	26	8	29	243	283
16–20 years	75	81	-	-	-	-	-	-	75	81
Over 20 years	85	27	-	-	-	-	-	-	10	3
Age 50	1,226	796	-	-	60	10	59	46	651	409
Less than 5 years	1	4	-	-	-	-	-	-	1	4
5–10 years	165	103	-	-	60	10	-	-	23	48
11–15 years	644	307	-	-	-	-	39	34	467	153
16–20 years	159	221	-	-	-	-	-	-	104	139
Over 20 years	257	162	-	-	-	-	20	12	56	65
Age 55	3,242	1,972	6	5	152	27	19	172	1,910	1,110
Less than 5 years	206	115	6	5	-	-	-	-	67	33
5–10 years	572	289	-	-	2	1	1	15	372	191
11–15 years	1,081	980	-	-	150	26	17	151	435	485
16–20 years	797	414	-	-	-	-	1	6	516	284
Over 20 years	586	174	-	-	-	-	-	-	520	117
Age 60	1,294	1,534	-	-	2	206	64	69	711	521
Less than 5 years	8	44	-	-	-	-	-	-	2	16
5–10 years	334	232	-	-	-	-	60	39	167	111
11–15 years	343	341	-	-	-	-	3	24	176	206
16–20 years	350	562	-	-	2	206	1	7	328	68
Over 20 years	259	355	-	-	-	-	-	-	38	120
Age 65	2,375	2,750	-	-	-	-	251	590	1,176	1,339
Less than 5 years	366	105	-	-	-	-	-	-	152	57
5–10 years	554	228	-	-	-	-	69	39	477	135
11–15 years	1,008	720	-	-	-	-	38	76	422	242
16–20 years	220	1,230	-	-	-	-	8	307	111	770
Over 20 years	227	468	-	-	-	-	136	169	14	135

See footnotes at end of table.

Table 29. Earliest Age and Associated Service at Which the Worker Qualifies for Vesting, Early Retirement, or Normal Retirement in Private Pension Plans by Industry Group, Winter 1962–63—Continued

(Workers in thousands)

Minimum age and service requirements [1]	Industry											
	Transportation		Communications and public utilities		Wholesale and retail trade				Finance, insurance, and real estate		Services	
					Wholesale trade		Retail trade					
	Plans	Workers [2]	Plans	Workers [2]	Plans	Workers [2]	Plans	Workers [2]	Plans	Workers [2]	Plans	Workers [2]
All plans studied	673	1,286	849	1,270	1,147	479	480	440	1,853	733	719	308
No age requirement	243	230	335	876	610	157	208	92	524	237	275	54
Less than 5 years	10	7	101	18	-	-	30	4	-	-	-	-
5–10 years	55	34	33	50	364	100	100	4	217	91	245	36
11–15 years	7	78	148	69	30	5	1	21	153	34	11	12
16–20 years	16	79	14	44	157	19	67	26	45	41	19	6
Over 20 years	155	32	39	696	59	33	10	36	109	71	-	-
Age 40 and under	28	16	17	23	16	18	7	26	158	87	15	8
Less than 5 years	-	-	-	-	-	-	-	-	-	-	-	-
5–10 years	4	2	5	8	1	13	2	7	137	73	15	8
11–15 years	20	7	12	15	15	6	4	2	-	-	-	-
16–20 years	4	6	-	-	-	-	1	16	21	14	-	-
Over 20 years	-	-	-	-	-	-	-	-	-	-	-	-
Age 45	11	37	4	25	1	7	-	-	183	68	10	12
Less than 5 years	-	-	-	-	-	-	-	-	-	-	-	-
5–10 years	11	37	2	10	1	7	-	-	56	15	10	12
11–15 years	-	-	2	14	-	-	-	-	52	29	-	-
16–20 years	-	-	-	-	-	-	-	-	-	-	-	-
Over 20 years	-	-	-	-	-	-	-	-	75	24	-	-
Age 50	25	32	39	103	110	44	19	84	163	60	100	8
Less than 5 years	-	-	-	-	-	-	-	-	-	-	-	-
5–10 years	-	-	6	12	76	34	-	-	-	-	-	-
11–15 years	1	9	14	32	-	-	7	30	116	48	-	-
16–20 years	24	23	17	24	3	6	11	29	-	-	-	-
Over 20 years	-	-	2	34	31	5	1	25	47	13	100	8
Age 55	67	100	215	110	220	88	89	142	525	146	39	73
Less than 5 years	10	7	1	6	68	38	-	-	54	26	-	-
5–10 years	-	-	8	15	101	12	3	12	64	33	21	10
11–15 years	57	93	108	35	6	28	23	108	273	27	12	28
16–20 years	-	-	85	37	15	6	63	22	111	24	6	35
Over 20 years	-	-	13	17	30	3	-	-	23	37	-	-
Age 60	124	406	18	115	127	49	22	25	213	101	13	42
Less than 5 years	4	3	-	-	-	-	-	-	1	8	1	16
5–10 years	52	13	12	11	13	20	15	8	10	23	5	8
11–15 years	10	64	-	-	3	13	2	6	144	16	5	11
16–20 years	3	190	3	58	3	9	2	6	8	18	-	-
Over 20 years	55	135	3	46	108	7	3	5	50	35	2	6
Age 65	175	467	221	20	63	116	135	72	87	34	267	113
Less than 5 years	1	25	-	-	5	10	-	-	8	6	200	6
5–10 years	1	5	-	-	2	36	3	4	-	-	2	9
11–15 years	102	250	221	20	38	26	109	19	74	12	4	76
16–20 years	6	55	-	-	15	37	14	23	5	16	61	22
Over 20 years	65	131	-	-	3	7	9	27	-	-	-	-

[1] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected. For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.

[2] Active workers in 1961.

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

Table 30. Earliest Age and Associated Service at Which the Worker Qualifies for Vesting, Early Retirement, or Normal Retirement in Private Pension Plans by Type of Worker Covered, Winter 1962–63

(Workers in thousands)

Minimum age and service requirements [1]	All plans		Type of worker covered							
			Salaried and production		Production only		Salaried only		Earning in excess of a specified amount	
	Number	Workers [2]	Plans	Workers [2]	Plans	Workers [2]	Plans	Workers [2]	Plans	Workers [2]
All plans studied	15,818	15,621	6,038	6,263	4,925	7,039	3,995	1,584	860	735
No age requirement	4,870	4,157	2,343	2,744	727	713	1,211	442	589	257
Less than 5 years	149	61	147	49	-	-	2	12	-	-
5–10 years	1,163	912	510	501	118	218	533	156	2	36
11–15 years	1,466	1,208	895	742	277	205	149	135	145	126
16–20 years	1,170	583	437	301	282	144	316	67	135	71
Over 20 years	922	[illegible],393	354	1,151	50	145	211	73	307	24
Age 40 and under	2,037	3,599	171	1,304	1,437	1,667	415	361	14	268
Less than 5 years	-	-	-	-	-	-	-	-	-	-
5–10 years	1,377	2,029	57	759	1,006	904	310	173	4	194
11–15 years	588	1,420	78	419	407	754	93	174	10	74
16–20 years	52	147	36	126	4	6	12	14	-	-
Over 20 years	20	3	-	-	20	3	-	-	-	-
Age 45	774	811	170	289	238	272	365	246	1	4
Less than 5 years	-	-	-	-	-	-	-	-	-	-
5–10 years	279	321	77	125	14	70	188	126	-	-
11–15 years	335	382	69	129	174	185	91	64	1	4
16–20 years	75	81	5	27	50	17	20	37	-	-
Over 20 years	85	27	19	8	-	-	66	19	-	-
Age 50	1,226	796	383	425	531	183	229	156	83	32
Less than 5 years	1	4	-	-	-	-	1	4	-	-
5–10 years	165	103	22	22	5	23	137	56	1	1
11–15 years	644	307	220	167	349	91	13	29	62	20
16–20 years	159	221	56	110	56	40	27	60	20	11
Over 20 years	257	162	85	126	121	30	51	7	-	-
Age 55	3,242	1,972	1,369	843	503	839	1,307	220	63	71
Less than 5 years	206	115	44	32	30	26	131	56	1	1
5–10 years	572	289	323	170	27	67	220	36	2	16
11–15 years	1,081	980	563	318	260	521	206	89	52	51
16–20 years	797	414	276	258	168	126	345	27	8	3
Over 20 years	586	174	163	64	18	99	405	12	-	-
Age 60	1,294	1,534	491	396	380	952	314	126	109	61
Less than 5 years	8	44	2	12	2	29	-	-	4	3
5–10 years	334	232	35	64	136	122	160	38	3	8
11–15 years	343	341	176	71	54	227	13	28	100	16
16–20 years	350	562	221	110	119	452	10	(3)	-	-
Over 20 years	259	355	57	140	69	122	131	60	2	34
Age 65	2,375	2,750	1,111	262	1,109	2,413	154	34	1	42
Less than 5 years	366	105	209	25	155	73	2	6	-	-
5–10 years	554	228	260	45	244	164	50	18	-	-
11–15 years	1,008	720	551	103	356	608	101	8	-	-
16–20 years	220	1,230	80	58	138	1,130	1	1	1	42
Over 20 years	227	468	11	31	216	437	-	-	-	-

[1] Some plans specified alternative requirements; for each case, the one with the earliest age or no age requirements was selected. For those plans which specified a period of employment to be served before participation in the plan could begin, the minimum service requirement includes the preparticipation service and the required plan membership service.
[2] Active workers in 1961.
[3] Fewer than 500 workers.

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

Appendix: Scope and Method of Survey

The chief sources of information for this study were reports and supporting documents filed with the U.S. Department of Labor pursuant to the Welfare and Pension Plans Disclosure Act (PL 85-836, as amended). The administrators of any employee welfare or pension benefit plan, as defined by the act, covering more than 25 workers were required to file with the Department two copies of a description of the plan (D-1 form) within 90 days after the effective date of the act (January 1, 1959) or plan (whichever occurs later), and two copies of the annual financial report (D-2 form) within 120 days (now 150 days) after the end of each calendar, policy, or other fiscal year. By the fall of 1960, annual reports had been filed for over 25,000 pension plans.

The private pension plan and worker coverage estimates in this report differ substantially from similar data for plans on file with the Department's Office of Labor-Management and Welfare-Pension Plan Reports for the same period. About 30 percent fewer plans and about 12 percent fewer workers are included in this study. The fundamental reason for this difference is that many plans reporting that they provided retirement benefits were rejected from the study because they did not provide pension benefits as defined in this study.[38] Most rejected plans were deferred profit-sharing plans; some were stock bonus and savings plans.[39]

Similarly, coverage estimates in this report differ from estimates of pension benefit coverage by the Department of Health, Education, and Welfare (HEW). The HEW estimates include deferred profit-sharing plans, those of nonprofit organizations and plans with fewer than 26 workers, all of which were excluded from this study. However, as in this study, they also do not include stock bonus and savings plans.

Types of Documents Studied. The D-1 description plan form requires that the following information and documents be submitted:

1. Name and address of the plan.
2. Accounting period of the plan.
3. Type of plan (i.e., welfare, pension, or combination).
4. Group(s) covered by the plan (hourly rate, salaried, or all employees).
5. Industry in which most participants are employed (8 industry divisions are listed).
6. Whether the plan is mentioned in a collective bargaining agreement.
7. Parties making contributions (employer, participants, union).
8. The name and address of the administrator (in multiemployer plans, usually a board of trustees) and the names and addresses of person(s) constituting the administrator, their official positions with respect to the plan, their relationship to the employer and employee organization, and any other offices, positions, or employment held by them.
9. A detailed description of the administration of the plan, including the names of the party or parties performing the following functions: Maintaining records; determining eligibility; processing claims; making determination on appeals; authorizing payments; making payments; authorizing expenses; selecting the insurance carrier, corporate trustee, or service organization; and determining investment policy.
10. The name and address of the party or organization through which benefits are provided.
11. Names, titles, and addresses of any trustee(s) not mentioned under items 8 or 10.
12. Copies of plan documents under which the plan is established and operated, schedule of plan benefits, and a statement of the procedures to be followed under the plan in presenting claims for benefits and for appealing the denial of claims.

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38 For definition of a pension plan used in this study, see p. 2.

39 In addition, since sec. 4(b)(4) of the act exempted plans with 25 or fewer employees (amended to "participants" by the 1962 amendments), they were omitted from the study even though reports were voluntarily filed for many of them.

The D-2 form, which in this study was used only to obtain the number of members (active and retired) covered by each plan, also shows, among other items, the assets, liabilities, contributions, benefits paid, and salaries and commissions paid.

The standard documents used in this study are briefly described below. Although these documents are usually necessary to provide a complete description of the establishment and operation of a pension plan as required by the act, other documents or descriptive materials may have been and often were substituted.

1. Collective bargaining agreement between the union(s) and the employer(s) (or association of employers) describing, among other things, the employers' obligation either to make specified contributions to a trust fund or provide specified pension benefits or both.
2. Pension plan stating in full the pension plan adopted by the board of trustees or negotiated by the employers and union, or unilaterally established by the employer. Only simplified booklets issued to plan participants, rather than the full text of the plan, were typically available for insured plans.
3. Master group annuity contract setting forth the full text of the insured pension plan and obligations of the parties.
4. Individual certificates of participation issued to participants under some insured plans.
5. The D-1 and D-2 forms and attachments which give an overall description of the plan and summary financial information.

For certain key characteristics, as explained below, the analysis was based on supporting documents filed by the administrators, rather than on the form itself, supplemented by other sources of information available to the Bureau of Labor Statistics.

Plan administrators indicated on the D-1 form (item 5) the industry division in which most of the participants were employed. Eight broad divisions were listed: Manufacturing; mining; construction; transportation; communications and utilities; wholesale and retail trade; finance, insurance, and real estate; and services. To provide a more informative and meaningful breakdown of the plans studied and to correct errors in reporting (probably mostly due to the lack of industry definitions), each plan was classified into the 2-digit industry groups of the Standard Industrial Classification.[40] Guidance for this classification was obtained from the D-1 form, and was checked against supporting plan documents. For some plans it was also necessary to check other sources available to the Bureau of Labor Statistics.

Time Periods. Due to a lag in filing and processing reports, the study involved several time periods. The reports studied were selected from a list of all 1960 D-2 reports filed with the U.S. Department of Labor—the latest complete list available at the time of the study. The worker coverage data, however, were obtained from the latest annual financial report (D-2 form) on file. This usually showed average worker coverage during calendar year 1961 or a fiscal year ending in 1961. However, the major characteristics and plan provisions relate to 1962–63, since the plan provision analysis was based on the D-1 plan description form which was up to date at time of the analysis, the winter of 1962–63.[41]

Sampling Method. The study was based on a stratified random sample. The sample was stratified by two key characteristics reported by plan administrators and tabulated by the Office of Labor-Management and Welfare-Pension Reports: (1) The industry division in which most participants are employed, and (2) the number of active and retired workers. All plans with 5,000 participants or more were included in the study, regardless of industry. In mining, all with 3,000 participants or more were included. A random sample of reports, stratified by industry and worker coverage, was selected for those with fewer workers.

The large plans selected with certainty represented less than 3 percent of the plans and over 60 percent of the workers covered by pension plans that filed reports with the Labor Department for 1960.

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40 Bureau of the Budget, Standard Industrial Classification Manual, 1957.

41 Sec. 6(b), as amended, requires the reporting of amendments within 60 days after they have been effectuated.

Data for each plan selected in the sample were weighted in accordance with the probability of selecting its report. For example, where 1 report out of 5 was sampled in an industry-size group, it was considered as representing itself and four other plans and was given a weight of 5. Therefore, if the plan provided vesting, it would be counted as 5 plans providing vesting in the total estimates.

Because of legal, administrative, and financial arrangements and preferences of administrators, the scope of the submissions varied widely. For example, a firm with separate plans for production and salaried workers and common financial and administrative techniques might file only a single report. On the other hand, separate reports might be made for the two plans because different administrative arrangements were used. For this study, combined reports of the first type were examined and analyzed, and separate coverage figures (reported or estimated) were assigned to each plan. On the other hand, if, as in the second case, separate reports were made, both plans were analyzed only if both were selected for the sample.

In addition, some firms or major divisions offer supplemental plans to all or certain groups of workers covered by a basic plan. Again, separate submissions for each plan might be made, or they mignt be combined. If the basic plan fell in the scope of the sample (whether by certainity or chance) the subordinate plan was also analyzed even if it was described in another report. However, if the report selected in sampling was that of a subordinate plan, it was dropped from the sample and considered out of scope unless the associated basic plan was also selected. By this method, the plans for which there were two submissions were not given a better chance of being selected than those where the basic and subordinate plan were included in one submission (in which both cases were analyzed).

For plans in which a basic and subordinate plan were analyzed, it was found that certain benefits were included in one plan but not the other and, in some instances, requirements for benefits were different, e.g., the basic plan had vesting while the subordinate plan did not. For the tabulations in this study, the requirements of the plan which applied to and yielded the highest benefit for a worker assumed to earn $500 a month were used. A group of 286 plans with 475,000 workers had to be adjusted in this manner. In the remaining cases the requirements for benefits of the basic and subordinate plans were identical so that no adjustment was needed.

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