[COMMITTEE PRINT]

DIGEST OF STATEMENTS ON PROPOSALS FOR PRIVATE PENSION PLAN REFORM:

PART II

SUBMITTED TO THE

COMMITTEE ON WAYS AND MEANS

PREPARED FOR THE USE OF THE

COMMITTEE ON WAYS AND MEANS

BY

THE STAFF

OF THE

JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

OCTOBER 17, 1973

U.S. GOVERNMENT PRINTING OFFICE
22-732 WASHINGTON : 1973 JCS-33-73

DIGEST OF STATEMENTS ON PRIVATE PENSION REFORM: PART II

In press release No. 8, September 20, 1973, the Committee on Ways and Means invited interested organizations and individuals to submit written statements on the Senate-passed pension bill which was added to a House bill, H.R. 4200.

Summarized below are the written statements submitted to the Committee on Ways and Means through October 12, 1973, on the subject of private pension plan reform. These statements are in addition to those summarized in Part I of this digest.

A. General

Honorable James Harvey, Member of Congress, Michigan.—Supports the pension bill as passed by the Senate, especially its provisions authorizing the program of Federally administered insurance assuring vesting rights and allowing portability to workers that change jobs.

Honorable Edwin Gill, Treasurer of North Carolina, Raleigh, North Carolina.—Believes that governmental retirement systems should be exempt from the provisions of the pension reform bill, since there have been no abuses in their administration.

Building and Construction Trades Department, AFL–CIO, Washington, D.C., Frank Bonadio, President.—Expresses dismay that many portions of H.R. 4200 were passed by the Senate without even affording the affected private parties the opportunity to read, examine or study this bill. Points out many provisions which substantially affect the multiemployer pension funds in the construction industry. Concludes that H.R. 4200 would increase the costs of construction pension funds from a minimum of 10 percent to a maximum of 70 percent, with an average increase of 40 percent.

Maintains that H.R. 4200, if enacted, would place virtually all construction pension plans in jeopardy, and would result in immediate termination of certain funds, or ultimately in reduced benefits for retired building tradesmen. Opposes the passage of H.R. 4200 or any other similar bill that fails to take into account the unique circumstances of multiemployer construction pension funds. Urges the Ways and Means Committee to determine the financial impact of H.R. 4200 on construction funds before reporting out any bill that would regulate such funds, or to exempt such plans for the legislation.

International Brotherhood of Electrical Workers, Charles H. Pillard International President.—Agrees with the above statement of the Building and Construction Trade Department.

International Brotherhood of Painters and Allied Trade, AFL–CIO.—Opposes H.R. 4200, as it does not take into account the character of multiemployees plans in construction industry.

Baltimore Building and Construction Trades Council, AFL–CIO, Edward Courtney, President.—Contends that H.R. 4200 would destroy pension programs of building trades unions, causing loss of millions of dollars of equity held by union members. Urges the committee to vote against this destructive bill.

United Brotherhood of Carpenters and Joiners of America, Washington, D.C., James F. Bailey.—Accepts the results of the detailed study of pension legislation by the Martin Segal Company.

Chicago Bar Association, Employee Benefits Committee, Thomas J. O'Regan, Jr., Chairman.—Believes that H.R. 10489 and H.R. 2 are more carefully thought out bills that should be used for mark-up purposes rather than H.R. 4200. Requests that the Ways & Means Committee postpone any action it may take regarding pension reform legislation to give reasonable time for study of the statutory language contained in the numerous and complicated provisions by the organized bar and other interested parties.

New York State Bar Association, Tax Section, R. O. Winger, Chairman.—States that the haste with which this vast and complex piece of legislation is being moved through Congress makes it impossible to give fair, full and thoughtful consideration to this important measure. Attributes much of the difficulty in evaluation of the bill to the fact that there is little or no indication in committee reports or floor debate as to the intention of the draftsmen with respect to many of the compromise provisions and that many of the important amendments were hastily made on the floor of the Senate.

Construction Industry Stabilization Committee, Washington, D.C., Daniel Quinn Mills, Chairman.—Maintains that H.R. 4200 as passed by the Senate would have a profoundly disrputive effect upon economic stabilization and peaceful collective bargaining in the construction industry. Argues that the proposed legislation would impose substantial additional costs upon construction pension plans, without improvements in the functioning of the plans. Estimates that the proposals would add an immediate coverage increase of 40% per hour cost to pension costs in the industry. Lists the following provisions as having the impact on costs.

(1) Vesting—urges that vesting not begin before 10 years at the least.

(2) Funding—recommends accrued liabilities funding be phased in over a period of 10 years so as to allow for three rounds of bargaining to accommodate the additional costs.

(3) Termination insurance—urges lower premium rates for the construction industry which has experienced no losses.

(4) Joint and survivor annuity—feels it should be offered as an option rather than made mandatory.

National Society of Professional Engineers, Phillip R. Owens, Chairman, Pension Improvement Committee.—Urges prompt passage of the Senate-passed bill. Believes the bill provides a long overdue improvement in our private pension plan system and is of special importance to engineers who, because of employment mobility, often have to forfeit their pension credits.

A. *International Association of Bridge, Structural, and Ornamental Iron Workers, Washington, D.C., John H. Lyons, General Presi-*

dent.—Describes in detail the effect of the minimum vesting, funding, insurance, etc., requirements of the pension reform bill on the pension plan of the union. Feels that failure to exempt the pension plans by labor unions seeking to provide benefits for its needy members from its dues structure will be a tragedy. Maintains that failure to grant such exemption would immediately collapse many such plans and would serve no socially desirable purposes.

Allied Industrial Workers of America (AFL–CIO), Milwaukee, Wisc., Henry A. Donoian, Research Director, Pensions and Insurance.—Supports the following proposals for pension reform legislation:

(1) elimination of the tax loopholes provided in the Senate bill;
(2) provision for 100-percent vesting after 10 years service;
(3) administration of program by the Department of Labor;
(4) provision for portability;
(5) provision for termination insurance protection;
(6) strong fiduciary standards; and
(7) proper funding of pension programs.

Dubuque (Iowa) Area Chamber of Commerce, John V. Walsh, Chairman, Congressional Action Committee.—Feels that not enough time has been given for citizen input on the pension reform legislation and that time should be allowed for employers and employees alike to study either the advantages or disadvantages of the legislation before it is rushed to the House. Requests that additional public hearings be scheduled as soon as possible to give further information on this subject.

Associated Oregon Industries, Ivan Congleton, Executive Vice President, Salem, Oregon.—Recommends consideration of H.R. 2 (without the reinsurance provision) and the tax provisions of H.R. 10489 as a constructive and prudent alternative to H.R. 4200. Considers H.R. 4200 totally unacceptable.

The United Independent Telephone Association.—Endorses comments of the American Telephone & Telegraph Company and by the law firm of Lee, Toomey, and Kent (Herman Biegal and John Cardon, Attorneys).

Lester W. Brann, Illinois State Chamber of Commerce.—Urges a one-month delay of consideration of Senate-passed bill to be followed by public hearings.

Revere Copper and Brass, Inc., Los Angeles, California, Nathaniel Pope, Vice President.—Favors the tax provisions of H.R. 10489.

Liggett & Myers, Inc., New York, N.Y., R. P. More, Vice President, Finance.—Requests that further public hearings be held on the pension reform bill. Feels that it is remiss in substance and technicality.

General Motors Corporation, Detroit, Michigan, R. C. Gerstenberg, Chairman.—Recommends that consideration of the bill be delayed until public hearings may be held on the question of pension reform.

Sperry Rand Corporation, New York, N.Y., T. V. Hirschberg.—Believes that the general concepts of the Senate-passed bill are desirable.

S. Harvey Fosner, Executive Vice President, Roosevelt Raceway, Westbury, New York.—Indicates that many reform proposals on pensions are long overdue.

Charles E. Hodgson, Peoria, Illinois, President, Corporate Benefit Planners, Inc.—Considers the Senate bill to be basically sound.

B. F. Goodrich Company.—Believes that the objectives of pension legislation should be to encourage continued growth of private pension plans until coverage is available to virtually all employees in private industry and to assure that pension commitments to employees are fulfilled.

Schaefer Corporation, Minneapolis, Minn.; John Jacobs, President.—Opposes H.R. 10470 because it contains provisions which are grossly inequitable and complex and many which have not been covered in public hearings. Criticizes the bill for containing provisions calling for excessive regulation and administrative redtape as well as being unduly restrictive and costly in many respects. Urges defeat of the bill when it is up for final approval.

Power Regulator Co., Skokie, Illinois, R. G. Steckel, Manager of Employee Relations.—Relative to H.R. 10470 "Retirement Income Security for Employees," urges consideration of the following:

1. Company executives will receive unequal treatment if the 75% maximum is imposed—propose that limitations be placed on professional corporations only and that general business corporations be exempted.
2. The $1.00 per year per participant for a termination insurance plan will generate huge reserves which will be taken out of the pockets of participants. Private industry should solve the problem of benefit loss due to plan terminations.
3. The provision for portability of benefits should be deleted because the liberal vesting provision adequately protects terminated participants.
4. Minimum funding of past service at 30 years would impose additional costs on companies who fund in lesser time.
5. The provision providing for eligibility of one year service or age 30 for participation in a plan is unnecessarily stringent.
6. Section 505 should also empower the Secretary of Labor to investigate all retirement programs, including social security and government retirement systems.
7. The $1.00 per year per participant charge to be used to pay costs of administration by IRS is another means of taking money out of participants pockets. This should be deleted.
8. The provision which would have administration responsibility shared among several agencies is a bureaucratic nightmare—propose it be placed under one agency, preferably the IRS.

John Pimenta, Chairman, Multinational Corporate Development Inc., Chicago, Illinois.—Urges passage of H.R. 8590 pension bill, which encourages employee stock ownership plans.

National Maritime Union, Baltimore, Maryland, Thomas Martinez, Regional Representative.—Requests addition of H.R. 8590 to the pension bill, to protect rights of workers to buy stock in their companies through employee stock ownership plans.

Native American Economic Development Corp., Washington, D.C., Robert D. Crane, President.—Asks that Congress strengthen employee stock ownership plans by adding H.R. 8590 to the pension bill.

National Gypsum Company, H. B. Richardson.—Believes the bill contains numerous drafting errors and that its enactment should be delayed until public hearings can be held.

Scott Paper Company, Philadelphia, Pa., Arthur W. Hudock, Director of Compensation and Benefits.—Finds several features of H.R. 4200 to be objectionable. Commends the provisions of H.R. 2, with the exception of Title IV—plan termination insurance. Feels that H.R. 2 without Title IV would meet the desire of Congress to provide further safeguards for private pension plans.

Rohm & Haas, Inc., Knoxville, Tennessee, A. T. Blomquist, President.—Opposes provisions which would prohibit operation of unqualified supplementary pension plans, place arbitrary limits on pensions payable on qualified plans, establish an unnecessary and expensive Federal pension portability scheme, and impose actuarial standards and limitations which are not needed.

W. F. Deavey, Assistant to Financial Vice President, Blue Bell, Inc., Greensboro, N.C.—Contends that H.R. 4200 is unreasonably complex and almost impossible to understand, even for one who has considerable experience with pension plans.

Thomas G. Valenty, Onan Corporation, Minneapolis, Minn.—Urges defeat of the Senate-passed pension bill; and requests public hearings before writing any new legislation. Expresses concern about the contributions limit, limitations on all forms of deferred compensation, and excessive regulation and administrative red tape.

Notes that this view is expressed also by O. E. Powers, of the Turbodyne Corporation, Minneapolis, Minnesota and Edward G. Dunbar of SASCO, Inc., South Bend, Indiana.

James A. Ryder, Ryder System, Inc., Miami, Florida.—Requests that public hearings be held on pension legislation in fairness to all sides.

L. L. Schaltenbrand, The Alton & Southern Railway Company, East St. Louis, Illinois.—Recommends that H.R. 2 and H.R. 10489 be used for markup purposes rather than H.R. 4200. Asserts that this issue warrants public hearings to help assure the drafting of sound and reasonable legislation.

Lincoln National Life Insurance Company, Washington, D.C., J. Ronald Campbell, Regional Manager-Special Markets.—Believes that any new legislation in the pension area should enhance the tax incentives and not detract from the business and financial attractiveness of implementing retirement programs. Feels that it is imperative that any new legislation not include any restrictions which would unfairly discriminate against small corporations. Urges the committee to keep in mind that the reason why employers establish retirement plans in the first place is to encourage loyal employees to remain loyal by rewarding them for their service.

General Mills Corporation.—Maintains that flexibility is extremely important for pension legislation, and that the proper role of legislation is to provide minimum acceptable standards for the establishment and maintenance of pension plans, not to restrict the flexibility available to firms that set up such plans.

C. H. Smith, Jr., Chairman, Sifco Industries, Inc., Cleveland, Ohio.—States that H.R. 4200 contains many bad features which will substantially increase the costs of providing private pensions, and will be inflationary as these costs must ultimately be passed along to customers. Urges support of H.R. 2 (without pension insurance) instead of H.R. 4200.

Alabama Metal Industries Corp., Birmingham, Ala., Charles B. Webb, Sr., President.—Proposes that the committee give serious consideration to H.R. 2, without its insurance provisions, and to the tax provisions of H.R. 10489 as a constructive approach to pension legislation in lieu of H.R. 4200, which is unacceptable as written.

Texas Metal Works, Inc., Beaumont, Texas, George B. Morgan, President.—Opposes passage of H.R. 10470 and the changes it would make to the company's existing pension plan.

H. W. Compton, Director of Employee Benefits, National Cash Register Company, Dayton, Ohio.—Supports constructive pension plan legislation such as H.R. 2 and some provisions of H.R. 4200; but objects to other provisions of H.R. 4200 including the nonflexible vesting requirements, mandatory reinsurance provisions, definition of years of service, the compulsory survivor benefits, and the lack of any definition of the term "normal retirement."

Sauquoit Fibres Co., Scranton, Pa., E. C. Mueller, Vice President.—Objects to provisions of H.R. 4200 which would: (1) prohibit operation of nonqualified supplementary pension plans; (2) place arbitrary limits on pensions payable under qualified plans; (3) establish an unnecessary and expensive Federal pension portability scheme; and (4) impose actuarial standards and limitations which are not needed.

Expresses concern that the legislation in its present form will discourage the further growth of private pension plans and endanger the rights of millions of workers already covered by them.

W. J. Kirby, FMC Corporation, Chicago, Illinois.—Supports the broad concept contained in the Senate-passed bill but believes it contains highly restrictive provisions which, if enacted, would serve to inhibit sound expansion of private pension plans and would tend to destroy any incentive of private enterprise to adopt new pension plans.

Cities Service Company, New York, N.Y., R. D. Dillsaver, Vice President, Employee Relations.—Believes that the proposed pension reform bill will create great problems for industry. Objects primarily to: (1) unnecessarily costly vesting provisions; (2) benefit limitations under corporate pension plans; (3) plan termination insurance; (4) voluntary portability; (5) prohibitions against nonqualified supplementary plans; and (6) allocation of income, expenses, gains and losses attributable to employees' own contributions for nonvested employees.

George A. Didden, Jr., President, National Capital Bank of Washington, D.C.—States that if the Senate-approved bill becomes law his company will abandon its profit sharing pension plan. Considers the Senate bill to be a thinly-veiled disguise for another socialist scheme to reward drifters, job jumpers, and "something-for-nothing" people at the expense of the dedicated, career-minded, hard working producer who is entitled to the fruits of his labor. Believes that most pension plans now existing which were not forced on employers by labor unions are likely to be abandoned if the Senate bill is passed.

Industrial Fabricating Corp., Syracuse, N.Y., R. W. Cummings, President.—Opposes present provisions in H.R. 4200 relating to vesting, portability, plan termination insurance, and self-employed contribution limits. Objects to hasty action on this important legislation.

Salesman's Committee, Inc., Philadelphia, Pa., Joseph Cahill, President.—Conveys support of H.R. 4200 by the 125 members of the Keystone Auto Club of Philadelphia.

Donald W. Davis, President, Stanley Works, New Britain, Connecticut.—Recommends two alternative course of action for the Committee on Ways and Means in view of the fact that many people affected by H.R. 4200 have had a relatively short time to evaluate its contents: (1) allow more time for submission of knowledgeable opinions on H.R. 4200, or (2) report the Labor Committee's H.R. 2 without pension insurance in lieu of the Senate passed H.R. 4200.

NADCO, Inc., Alfred Jones, President.—Urges that public hearings be held, as many of the provisions in the bill are complex and were not covered in public hearings. Considers the provisions to be unduly restrictive and costly to administer.

Ben H. Fuqua, Florida Power and Light Company, Miami, Florida.—Agrees with most of the proposed reforms of H.R. 4200, but disagrees with the portability and reinsurance requirements. Further, believes that the "rule of 50" vesting requirement is preferable.

C. H. Edmonston, Riegel Textile Corporation, New York, N.Y.—Urges the Congress to provide adequate time and opportunity for review and consideration of the bill to prevent serious errors from being made in the legislation.

Pet, Inc., St. Louis, Missouri, Thomas R. Pellett, Secretary and Treasurer.—Feels that the pension issue warrants public hearings to help assure the drafting of sound and reasonable legislation. Prefers H.R. 2 and H.R. 10489 to H.R. 4200. Enumerates numerous substantive objections to H.R. 4200.

Crompton & Knowles Corporation, New York, N.Y., Frank J. Graziano, President.—Expresses dismay at the hastily-drafted Senate pension bill, especially with respect to the reinsurance, portability, vesting, and the benefit limitation provisions. Contends that passage of such an onerous bill would undoubtedly result in slowing down the progress being made in improving pension plans and discouragement of the installation of pension plans for the 40 million uncovered employees of the private sector. Requests the House Ways and Means Committee to give careful deliberation to this legislation, with appropriate public discussions before its passage.

Marsellus Casket Company, Syracuse, New York, Bernard J. Whitbread, Treasurer.—Enumerates six provisions of the pension reform bill, H.R. 4200, which would impair the private pension plans which have been in existence for many years. Urges the committee not to support H.R. 4200 as passed by the Senate, unless many of the impractical and costly provisions are amended or deleted from the bill.

Robert P. Mills, R. P. Mills Associates, Inc., Allentown, Pa.—Believes that many of the provisions of the Senate-passed bill, including sections 706(b), 702(a) (3), and 704(a), are so complex that their practical applications, and the consequences attendant thereto, are mind-boggling. Asserts that the bill in its present complexity should not be passed until an extensive reivew of its implications and complications can be accomplished.

Hilary G. Lynch and Richard R. Carr, Attorneys, Pittsburgh, Pennsylvania.—Feel that most of the provisions of the Treasury Department's original bill, such as those on vesting, portability, funding and fiduciary responsibility, are definitely in the public interest.

Richard F. Wright, MCA, Consulting Actuary, Rochester, N.Y.—Indicates that some pension reform is needed; however, believes that some of the proposed legislation are ill thought out and hazardous to the continued health of the private pension industry. Appeals for public hearings before finalizing any legislation.

John E. Armer, CLU, Los Angeles, California.—Approves the effort for strong pension reform as embodied in H.R. 4200. Supports the Senate-passed bill except to the extent that it discriminates against proprietary employees of closely-held corporations.

Robert L. Lane, Attorney, Phoenix, Arizona.—Believes that no pension legislation should be passed this year.

Bolles School, Jacksonville, Florida, Carl E. Reed, Headmaster.—Complains of the complexity and unwieldiness of H.R. 4200. Feels that there is considerable merit in keeping basic laws comprehensible by the average citizen without needing an interpretation by expensive specialists.

Savannah Chapter, American Society of Chartered Life Underwriters, Savannah, Georgia, Joseph A. Webster, Jr., CLU, President.—Urges that the Committee on Ways and Means act favorably on the Senate-passed version of the pension reform bill.

R. W. Mead, Jr., Attorney, Tampa, Florida.—Urges that all distinctions in the legislation between proprietary employees and other employees be eliminated.

John N. Wrinkle, Attorney, Birmingham, Alabama.—Expresses great dismay at the overwhelming complexity and lack of clarity of H.R. 4200, even to an experienced practitioner in the field of employee benefit plans. Believes that the bill as proposed undertakes to do a great many things that really do not need doing to accomplish the broad aims that have been expressed by the many members of the House and the Senate. Warns that the whole policy of the Act will collapse of its own weight unless something can be done to simplify the legislation and the aims to be achieved. Expresses great confidence in the Ways and Means Committee that it can do something to make this legislation manageable.

Gerald G. Toy, Consulting Actuary, Portland, Oregon.—Notes the current positive aspects of pension plans now covering over 35 million persons. Indicates that the weaknesses include: (1) only about 50 percent of workers are covered by private plans; (2) vesting takes too long in many cases; (3) eligibility is too restrictive in many plans; and (4) some cases of abuse in handling pension funds.

Indicates, however, that reducing the vesting requirement to 5 years will increase funds going to short-term employees, which would result in less going to employees staying with the company or else cost the employer more money. Alternatively, the employer may decide to terminate the plan because of the added cost and Government regulation. Points out that the State of Oregon just passed (1973) a new law governing pension plans, which adds to the paperwork required by Federal law. Feels that pension "reform" must consider all aspects of the problem before legislation is passed.

Seymour J. Kamm, C.L.U., Clark, N.J.—Agrees, generally, with the pension reform bill, especially the increase in the Keogh limits and the vesting standards. Disagrees with the tax to cover administration costs and plan termination insurance, and feels that these provisions should distinguish between union or industry-wide plans and small closed corporation plans.

Luther E. Gibson, Vallejo Times-Herald Newspaper, Vallejo, California.—Objects to the provisions throughout the bill which discriminate against proprietary employees. Believes that enactment of such limits will tend to make small corporations less competitive with large corporations.

Robert E. Steider, Albuquerque, New Mexico.—Expresses support for the Senate-passed pension bill. Feels that the addition of more rigid funding and vesting requirements is justified. Sees no objection to the Government insurance or the portability provision.

Strongly opposes the Finance Committee provision (S. 1179) which limited deductible contributions for owner-employees to $7,500. Supports, however, the $75,000 limit on pensions in the Senate bill.

James R. Dudeck, Jacksonville, Florida.—Believes that effective dates of the various provisions should be postponed long enough to permit industry to deal with a large volume of paperwork.

Ruth C. McLaughlin, Lansing, Michigan.—Endorses pension reform, as in S. 4.

Arthur L. McNealus, Franklin Square, New York.—Requests passage of the "Federal Standards for Pensions" bill as passed unanimously by the Senate.

E. T. Crim, M.D., Greenville, Texas.—Requests that all provisions in the Senate-passed bill which distinguished between proprietary employees and other corporate employees be eliminated.

Mrs. Theresa Pitcher, Lansing, Michigan.—Supports passage of pension reform bill, as in S. 4.

Mrs. Olive B. Chrisianson, New Canaan, Connecticut.—Points out that her husband retired from a large, wealthy corporation after 32 years for which he had fulfilled the retirement requirements and had vested rights to his pension. Indicates that the company terminated his pension shortly after retirement when he took a job from a smaller company instead of "asking" the permission of his original employer. Considers this to be a punitive reason. Questions the legality of such action, since the company enjoyed a tax deduction for the funds placed into the pension plan. Urges passage of pension legislation to correct employer abuses and arbitrary management of pension plans and benefits.

The following also requested additional time for consideration of the pension reform bill:

- *City Coach Lines, Inc., Jacksonville, Fla., Charles T. Hornbuckle, V.P.-Finance.*
- *Boeing Company, Renton, Wash., Stanley M. Little, Jr., V.P.—Industrial & Public Relations.*
- *Bankers Life Company, Des Moines, Iowa, G. David Hurd, V.P.*
- *Brooklyn Union Gas Co., Brooklyn, N.Y., John E. Heyke, Jr., Chairman.*
- *International Telephone & Telegraph, J. A. Kostrab, Director, Employee Compensation and Benefits.*

Kraftco Corporation, Glenview, Ill., William B. Jordan, V.P. and Treasurer.

Page Milk Company, Merrill, Wisc., George B. Page.

Reilly Tar & Chemical Corporation, Indianapolis, Ind., Peter C. Reilly, Chairman.

Safeco Insurance Companies, Seattle, Wash., W. G. Lapor, V.P.

Brown Group, Inc., St. Louis, Mo., W. L. Hadley Griffin, Chairman and President.

Peavey Company, Minneapolis, Minn., Ron Kennedy, V.P.—Public Affairs.

Hallmark Cards, Inc., Kansas City, Mo., Wayne G. English, Sr. V.P.—Finance.

Marsh & McLennan, Boston, Mass., Elizabeth M. Casey, V.P.

Greyhound Corporation, Phoenix, Ariz., Robert K. Goeke, V.P.—Industrial Relations and Personnel.

State Bank of Jacksonville, Jacksonville, Fla., Louie E. Casey, Jr., V.P.

Container Corporation of America, R. D. Bittenbender, Senior, V.P.—Personnel.

Marcor, Inc., Washington, D.C., John D. Foster, V.P.

American Metal Climax, Ian MacGregor, Chairman.

Colt Industries, New York, N.Y., George A. Strichman, Chairman.

The following subscribe to the comments submitted by the law firm of Lee, Toomay & Kent, Washington, D.C. (Herman Bergel and John Cordon, Attorneys—in **Part I**):

William G. Whyte, Vice President, U.S. Steel Corporation.

David Eager, Gerber Products, Fremont, Michigan.

William Tayner, MacMillan, Inc., Arlington, Virginia.

J. B. McGovern, Nabisco, Inc.

R. W. Suppes, Ideal Basic Industries, Denver, Colorado.

William Bradshaw, Corning Glass Works.

Ovid Davis, Coca Cola Company.

Charles R. Denny, RCA.

R. W. Markley, Ford Motor Co.

Charles F. Myers, Jr., Chairman and Horace C. Jones, President, Burlington Industries, Inc.

Boeing Company, Renton, Wash., Stanley M. Little, Jr., V.P.—Industrial and Public Relations.

United States Steel Corporation, William J. Whyte, V.P.

Martin Marieta Corp., K. K. Bigelow, Director, Washington Relations.

Aluminum Company of America, Frank P. Jones, Jr., V.P.—Government Relations.

A. O. Smith Corp., Milwaukee, Wis., Robert A. Rietz, V.P.—Finance and Treasurer.

Armstrong Cork Co., Lancaster, Pa., James H. Binns, President.

Firestone Tire & Rubber Co., Akron, Ohio, R. A. Riley, President.

Cities Service Co., New York, N.Y., R. D. Dillsaver, V.P.—Employee Relations.

Bethlehem Steel Corp., Bethlehem, Pa., S. S. Cort, Chairman.

Harsco Corp., Camp Hill, Pa., C. R. March, V.P.—Labor Relations.

Campbell Soup Company, Camden, N.J., Edwin J. Foltz, V.P.—Corporate Relations.

Reynolds Metals Co., Richmond, Va., Fred R. Edney, V.P.—Personnel.

International Telephone & Telegraph, New York, J. A. Kostrab, Director, Employee Compensation and Benefits.

Union Oil Co. of California, Los Angeles, Paul K. Doyle, V.P.—Corporate Industrial Relations.

B. Plan Coverage and Participation

New York State Bar Association, Tax Section, R. O. Winger, Chairman.—Notes that the new "later of age 30 or one year of service" participation requirement, coupled with the deletion of the minimum 5-year service period from the percentage test for coverage, could have the effect of restricting instead of expanding coverage. Maintains that the new section 401(a)(4) of the Code is not necessary to exclude union represented employees from the antidiscrimination provisions because such employees are excluded under the provisions of section 410(b); and, therefore, need not be considered in determining whether the plan discriminates in contributions or benefits in favor of the upper echelon employees. Believes that the exclusion for union represented employees should refer only to employees included in a collective bargaining unit with which the employer has an agreement and leave the rest up to the collective bargaining process and labor law, rather than require mandatory bargaining on retirement benefits each time bargaining occurs.

Recommends that the provision that all employees of a controlled group of corporations be considered employed by the same corporation for purposes of the coverage in anti-discrimination requirements be amended to provide "grandfather" protection for a plan that is terminated because of the new requirements where the trust or annuity contract will continue solely for the purpose of providing the fully vested benefits at the time of plan termination or at the time the employees terminate employment.

Asserts that the attribution rules used in defining a "controlled group of corporations" should not result in a retroactive disqualification of the plan in the event that the plan failed to qualify because of inadvertent failure, in good faith, to treat a corporation as a member of the controlled group.

American Institute of Certified Public Accountants, Division of Federal Taxation.—Believes that qualification of private retirement plans should be permitted only where the eligibility conditions are not unduly restrictive as to age and service. Contends, however, that there is not adequate justification for imposing additional restrictions on the qualifying conditions of a plan which benefits self-employed individuals who are "owner-employees."

Building and Construction Trades Department, AFL–CIO, Frank Bonadio, President.—Suggests a more realistic definition of a "year of service" in determining participation. Maintains that it is unfair to pension funds in the building and construction trades to require that they assume financial, administrative and perhaps, benefit obligations based on only five months of employment at the rate of only 80 hours per month. Proposes defining a year as at least 1,000 hours of employment annually.

Seafarers International Union of North America (AFL–CIO), Paul Hall, President.—Points out that, due to the unique patterns of the industry, pension plans are geared to days of employment rather than years of employment or actual earnings. Requests amendment to H.R. 4200 to allow the option of the defining of years of service in terms of number of *days of employment* (in sec. 441(a) (2) (B)).

American Society of Pension Actuaries, William W. Hand, President.—Indicates that as presently drafted, the participation requirements can be reduced to as low as one day of service in the case of pension plans providing for entrance into plans by eligible participants on the anniversary date of the plan. Mentions the example of an employee over age 30 hired on October 31 by an employer whose plan year begins November 1.

Chamber of Commerce of the United States, Andrew A. Melgard, Senior Associate.—Recommends the eligibility rule of 3 years of service or age 30, whichever occurs later, rather than the 1 year of service or age 25 of H.R. 10489. States that since the minimum standards are the goals more than 1 year for eligibility is appropriate.

Sees no reason why "pay-as-you-go" nonqualified pension plans and various nonfunded deferred compensation plans should be prohibited. Believes the purpose of the bill should be to protect and guarantee pension benefits, not to destroy them as those provisions would do.

American Life Insurance Association.—Believes the provisions of H.R. 4200 establishing minimum standards for participation are satisfactory in that they seem to be carefully designed so as to minimize the administrative complexity and cost of expanded participation.

Arthur L. Rossoff, American Institute of Aeronautics and Astronautics.—Endorses those provisions of the bill which will enable employers to make tax-qualified contributions to multiemployer plans on behalf of engineers.

Council on Employee Benefits, Akron, Ohio, H.R. Hubbard, Chairman, Legislative Committee.—Questions the desirability of curtailing the effective use of nonqualified pension and profit sharing plans. Feels that nonqualified plans could be properly used for groups somewhat larger than just "officers"—namely, for executives, administrative, professional, supervisory, or highly paid employees in key positions.

National Association of Counties, Bernard F. Hillenbrand, Executive Director.—Urges the Committee to delay any proposal for including public pension systems in pension legislation until thorough evaluation of such systems has been made. States that little research has been conducted on public pension systems and that it is unwise to assume that the problems of such systems are similar to the problems of private pension systems.

Robert O. Bailey, City Manager, Janesville, Wisconsin.—Believes public pension plans should be entirely exempt from the pension bill. States that none of the abuses sought to be curbed in the bill have ever been a source of complaint in any Wisconsin public pension plan. Argues that if some controls are necessary for public plans they should be separately considered.

City of Riverside (California), Daniel E. Stone, City Manager.—Feels that it would be a grave injustice to public pension plans if they were to be included under the provisions of pending pension reform legislation. Suggests that Congress authorize some type of task force to study Federal, State, and local pension systems.

Council of the City of Inkster, Wayne County, Michigan.—Urges that pension legislation exempt public plans completely from its provisions except to authorize a special task force to study Federal, State and local pension plan systems.

State Teachers Retirement System of Ohio, James R. Sublett, Executive Director.—Believes that it is inconsistent to authorize studies and at the same time apply statutory restrictions to public plans. Feels that the vesting provisions of the pension reform bill could create additional liabilities of many millions of dollars of public pension funds and reward short-time employees at the expense of long-term public service. Urges the removal of all references to public plans from any legislation, other than that provision calling for a study of such plans.

National Association of State Retirement Administrators, Ed R. Longnecker, President.—Calls attention to the fact that H.R. 4200 contains a contradiction by recommending that public employee plans be studied and also by subjecting such plans to the regulations applicable to private pension plans. Requests that the regulatory provisions for public employee retirement systems now contained in the bill be deleted until the recommended study has been made.

H. B. Richardson, Financial Manager of Employee Benefits, National Gypsum Company.—Opposes the provision that only three years of the five years required for vesting need be consecutive. Believes that if there is a break in service it is perfectly proper that an employee be considered a new employee.

Recommends that the bill be clarified to allow deferred compensation arrangements for employees other than officers and 5-percent share holders.

Believes that the anniversary of the employee's date of hire should measure completion of a year of service in place of the requirement in section 201 of the bill providing that an employee be credited with one year of service if he is employed more than 5 months during the year.

Layne J. Denning, Executive Director, Denver City Employees Retirement Plan.—Urges exemption of all public pension systems from this legislation. Supports a special congressional study of public pension systems and suggests that future legislation deal with the special problems inherent in those systems.

Ralph Lazarus, Federated Department Stores, Inc., Cincinnati, Ohio.—Contends that nonqualified deferred compensation arrangements, which apply not only to officers but to managers and other key employees, should be allowed to continue. Points out that Federal revenues are not affected by these plans and thus the Federal Government should have no reason to prohibit them.

Edison Electric Institute, New York.—Believes that the term "year of service" should be defined by the anniversary date of an employee's employment, eliminating the 5-month provision.

Johnson & Johnson Company, New Brunswick, New Jersey.—Asserts that the prohibition of all pay-as-you-go plans will be counterproductive and will contribute nothing to the reform of qualified plans.

Kroger Company, Cincinnati, Ohio, Robert A. Adders, Chairman of the Board.—Urges deletion of section 262 of H.R. 4200, prohibiting nonqualified pension plans.

Paul C. Hart, Milliman & Robertson, Inc., Portland, Oregon.—Believes that H.R. 4200 will create serious problems for highly seasonal industries. Suggests that the bill should allow the Secretary of the Treasury to recognize by regulation other definitions of years of service which would be appropriate for certain industries. Also thinks that the bill unintentionally creates serious problems for multiemployer negotiated plans which also require definitions of years of service unique to particular industries.

Gilpert Dwyer, Kennecott Copper Corp.—States that the definition of "executive" has a major impact on executive compensation programs because it prohibits the deferral of executive compensation for a period of more than five years. Argues that the term "executive" should be redefined and a provision of the bill should specifically exclude regulation of executive compensation programs.

Beech Aircraft Corporation, Wichita, Kansas, Frank E. Hedrick, President.—Requests that the date established as that date which companies are required to bring their plan into conformance with the requirement of the legislation which is enacted into law be sufficiently far removed from the enactment date to permit companies to work with their unions in weaving the new provisions to the structure of the existing retirement plans on an orderly basis. Suggests that a maximum period of 36 months from date of enactment be set as such date because it is a fairly universal practice to write 3-year contracts.

Edward S. Croft, Robinson-Humphrey Company, Atlanta, Georgia.—Opposes the provision which treats temporary and seasonal employees as full-time employees. Believes this provision frustrates the basic purpose of the Act; that is, to reward loyal and steady employees.

Edgar R. Mellon, Washington Gas Light Company.—Sees the prohibition against maintaining nonqualified plans as inconsistent with the underlying purposes of the bill. Feels it will hurt employees who are forced to take early retirement because of company cutbacks in personnel.

City of Milwaukee (Wisconsin), George Whittow, Director of Liaison Department.—Urges exemption of all public pension plans provisions of pending legislation H.R. 4200. Maintains that the special needs for public plans should be separately examined in a comprehensive study of such plans.

William G. Whyte, United States Steel Corporation.—Argues that the elimination of cash option plans will adversely affect many profit sharing plans and should apply to pension plans only.

Walter R. Klostermeier, First National Bank, St. Louis, Mo.—Opposes the provisions requiring that both profit sharing and pension plans be considered as one plan if a person participates in both through one corporation. States that with a combination profit sharing plan and pension plan the restriction would discourage the voluntary contributions and thus discourage thrift, putting more money into the current economy.

Edward W. Doss, Vice President and General Manager, The Southern Resin and Chemical Co., Subsidiary of Rohm and Hass.—Objects to prohibition against nonqualified supplementary pension plans.

S. J. Rosinski, Vice President, Rohr Industries, Inc.—Thinks that a longer service requirement for participation is appropriate in cases where employers have two qualified plans, with the longer requirement applying to the second plan.

Tillinghast & Company, Atlanta, Georgia.—Contends that the provision forcing all nonbargaining employees of commonly-owned companies to be treated as employees of a single company for plan qualification is impractical and unworkable, and would prohibit unique plans for individual companies.

William N. Bret, Jr., Hansen, Inc., Dallas, Texas.—Argues that the prohibition against nonqualified plans should be eliminated. Believes that many of these plans which are used to supplement inadequate benefits of qualified plans, or to give benefits to employees retired early because of partial disabilities are desirable instruments of social policy.

J. D. Hayes, Hercules, Inc., Wilmington, Delaware.—Objects to the definition of service year as anything over five months of work because it could result in an employee who has been on strike for nearly seven months to receiving the same years credit as employees who work for a full twelve months.

Container Corporation of America, R. D. Bittendender, Senior Vice President—Personnel.—Criticizes sections 222(a) and 262(a), which virtually eliminates the use of nonqualified plans, as extremely broad, harsh and impunitive in nature, and uncertain in application in view of the absence of considerable documentation of abuses in the nonqualified area.

W. W. Kenney, Director, Northern Natural Gas Company, Omaha, Nebraska.—Questions the bill's prohibitions against the continuance of nonqualified plans and suggests that this matter be reconsidered.

Gulf State Paper Corporation, Tuscaloosa, Alabama, H. V. Mitchell, Vice President and Treasurer.—Feels that it is inappropriate to impose mandatory recognition of broken service as is indicated in section 221 of H.R. 4200. Opposes the provisions of section 201 which restrict the establishment of unique plans by individual companies.

Marsh & McLennon, Inc., Boston, Mass., Elizabeth M. Casey, Vice President.—Complains of the recordkeeping difficulties which would be required by the provision that employment does not have to be continuous to be considered for pension purposes.

City of New Castle (Pennsylvania), Larry D. Worth, Business Administrator.—Urges that public pension systems be exempted from the proposed pension reform legislation now before Congress.

R. W. Suppes, Ideal Basic Industries, Inc., Denver, Colorado.—Objects to the definition of "year of service" as employment for more than five months in any calendar or fiscal year. States that this discriminates in favor of seasonal employees who could conceivably accrue full annual pension benefits under two separate pension plans in one twelve-month period.

Argues that partial vesting after 5 years favors mobility and thus adds an extra burden to the employer to hire and train new employees. Requests that no vesting be permitted with less than ten years of service.

Agway, Inc., Mac Asbill, Jr., Counsel.—Urges the deletion of sections 222 and 262 of H.R. 10470, which makes it illegal for most employers to maintain nonqualified retirement plans for other than corporate officers or significant shareholders. Claims that such far-reaching changes should not be made unless preceded by adequate public hearings. Points out that many employers adopt nonqualified plans either (a) where a qualified plan is impractical for various reasons, or (b) in order to supplement the benefits provided by a qualified plan. Indicates that nonqualified deferred compensation and retirement plans are frequently utilized as an incentive to, or as a means of, remaining competitive in the search for talented personnel, and therefore have a legitimate place in the total retirement scheme.

C. Roy Mundee, Jr., Pan American Life Insurance Company, New Orleans, Louisiana.—Argues that the one year or age thirty participation requirement should be changed to five years of service or age 30 to accommodate the financial and practical operation of firms by small businesses. States that the pension plans of these firms are usually funded through the utilization of annuity and ordinary life insurance contracts, and that under these contracts the surrender value of the policy during initial years (between one and five years) is necessarily very small because of the high administrative costs. Concludes that the administrative costs involved for people with less than five years of service is too substantial to make their participation practical.

Connecticut Mutual Life Insurance Co., David D. Whelehan, Director of Business and State Plans.—Requests deletion of section 262 of H.R. 4200; or at least clarify so that nonqualified deferred compensation plans consistent with Rev. Rul. 60–31 will be available for non-proprietary employees regardless of the existence of a qualified plan.

Henry A. Pickard, President, Pickard, Inc., Antioch, Illinois.—Disagrees with eligibility after only one year. Notes that their plan has a waiting period of 2 years because of employee turnover experience.

J. B. McGovern, Nabisco, Inc.—Argues that the provision prohibiting a written retirement plan which is not qualified under section 401 of the Code should be deleted or at least should contain a grandfather clause allowing present plans to continue.

International Telephone and Telegraph, J. A. Kostrab, Director, Employee Compensation and Benefits.—Requests that the legislation be revised so that supplemental nonfunded pension benefits in addition to a qualified funded plan will not be prohibited.

Stephen P. Weiss, Attorney, Philadelphia, Pennsylvania.—Believes that the provision permitting the establishment of a pension plan for non-union employees where union employees have rejected the establishment of a pension plan for themselves should be extended to provide that employees, who are not covered by a collective bargaining agreement but who voluntarily and intelligently waive their rights to participate in a qualified plan, may also be excluded for purposes of evaluating any discrimination in the plan's coverage. Mentions the example of the corporation 80 percent of whose employees are the members of a religious sect whose principles include a category of repudiation of retirement benefits of any kind.

Charles E. Hodgson, Peoria, Illinois, President, Corporate Benefit Planners, Inc.—Opposes the requirement that employees be eligible for qualified plans at the end of 1 year of employment and attainment of age 30. Thinks this would cause dollars that employers commit to pension plans to be spread too thinly and would frequently be to the detriment to older, long-service employees for whom adequate retirement benefits are a critical need in the not too distant future.

Robert E. Jensen, Counsel to IU International, Washington, D.C.—Prefers eligibility requirements of age 30 and 3 years of service.

Paul C. Hart, FSA, Portland, Oregon.—Believes the legislation should not include any single definition of "year of service" but rather the Secretary of the Treasury should be allowed to establish by regulation different definitions which may be more appropriate for different industries. States that the bill as presently drafted would require substantial changes in plans presently in effect in the retail, culinary, transportation, fishpacking, and wood products industries.

Requests that any provision prohibiting nonqualified plans not take effect immediately because such a provision would require the discontinuance of payments to present retirees. Recommends instead that any prohibition apply only to future years of service.

Morris Gould, Pension Counsellors, Inc., Lynbrook, N.Y.—Urges a minimum participation requirement of 3 years of service and age 30.

Calvin Fowler, Cocoa, Florida.—Advocates the exceptions for nonqualified pension plans be extended to cover the top management group as well as "officers." Calls attention to the fact that many managers in larger companies, while not holding the title of officer, have much greater responsibility than most officers in smaller companies. Recommends that the qualified group be defined as a select group of managers and professional employees, not in excess of the top two percent of total employees in the company.

The following also oppose prohibitions on nonqualified plans:

Joseph P. Mulhern, Attorney, Chicago, Ill.

Campbell Soup Company, Camden, N.J., Edwin J. Foltz, V.P.—Corporate Relations.

Dow Chemical, Midland, Mich, Earle B. Barnes, President.

Kraftco Corporation, Glenview, Ill., W. B. Jordan, V.P. and Treasurer

American International Group, Inc., New York, Maurice R. Greenberg, President.

Texas Instruments, Inc., Dallas, Tex., E. O. Vetter, Executive V.P.

Rohm and Haas Co, Philadelphia, Pa, V. L. Gregory, President.

W. Dean Hopkins, Attorney, Cleveland, Ohio.

Peavey Company, Minneapolis, Minn., Ron Kennedy, V.P.—Public Affairs.

Daniel J. Little, Attorney, Chicago, Ill.

Greyhound Corporation, Phoenix, Ariz., Robert Gocke, V.P.—Industrial Relations & Personnel.

Green Bay Packaging, Inc., Green Bay, Wisc., Max Sielaff, Secretary.

Samuel Gusman, President, Warren-Teed Pharmaceuticals, Columbus, Ohio.

N. G. Valko. President, Consolidated Biomedical Laboratories, Columbus, Ohio.

Williams P. Ambrogi, President, Witmoyer Laboratories, Inc., Myerstown, Pa.

Kansas Association of Commerce & Industry, Topeka, Kansas, Carl C. Nordstrom, Exec. V.P.

Aerospace Industries Association of America, Washington, D.C.. Karl G. Hars, Jr., President.

Colt Industries, George A. Strickman, Chairman.

C. Vesting

The American Life Insurance Association.—Approves generally of the vesting provisions of H.R. 4200 as a reasonable mandatory minimum requirement. Urges revisions in the following details of the vesting provisions.

Suggests that the definition of "normal retirement age" should be more flexible. Proposes that normal retirement age be age 65 for employees under age 56 at the time they are eligible to participate, but that for participants age 56 or older at entry the normal retirement age should be age 70 or ten years after the date of becoming a participant, whichever is later.

Recommends that the distinction for purposes of vesting between accrued benefits derived from an employee's contributions and accrued benefits derived from an employer's contributions be eliminated. Believes that maintaining this distinction will require major restructuring of most contributory plans in a very complicated fashion. States that a much simpler approach would be to allow contributory plans to continue to apply graded vesting to total accrued benefit without distinction between employer and employee contributions so long as the employee is assured of receiving back from the plan at least the amount of his own contributions.

Edison Electric Institute, New York, N.Y.—Questions the wisdom of legislating vesting requirements. Believes that existing and new pension plans not be restricted to a specific schedule but should be permitted flexibility in conforming to a vesting requirement.

American Society of Pension Actuaries, William W. Hand, President.—Argues that the definition of accrued benefit in the case of defined benefit plans funded by the purchase of insurance contracts should be altered to allow measurement of the benefit by the cash surrender value of either an individual insurance contract or a group insurance contract.

Chamber of Commerce of the United States, Andrew A. Melgard, Senior Associate.—Prefers flexibility and a diversity of options to allow for a great variety of vesting formulas. Favors a minimum of 3 options: 8-year, 30-percent graded vesting; full ten-year vesting, and the "rule of 50". Asserts that these rules should apply prospectively and not retroactively.

New York State Bar Association, Tax Section, R. O. Winger, Chairman.—Complains of the unnecessary complication of the minimum vesting provisions. Suggests that the regulatory aspects would be simplified considerably if the following changes were made:

(1) Permit the 100-percent vesting after 10 years of service to apply to all plans, or all plans that have such vesting requirements on the effective date of the new vesting standard for existing plans.

(2) Provide in section 411 of H.R. 10470 that if an employee does not have the vested right to the employer-provided benefit, a refund of his own contributions with interest will satisfy the requirement for full vesting of the accrued benefit derived from his own contributions.

(3) Define "normal retirement age" in the statute in terms of a national norm.

John F. Darrow, American Paper Institute.—Believes that the flexible vesting provisions of H.R. 2 are more desirable.

United Services Automobile Association, San Antonio, Texas, Robert F. McDermott.—Recommends that the pension reform bill provide that service be continuous for benefits and vesting to eliminate unwieldy administration, contingent liabilities, and duplication of service credit with two employers in any year.

Aerospace Industries Association of America, Carl G. Harr, Jr., President.—Contends that the definitions of the terms "years of service" and "month" should be tightened considerably, but that the years of service should remain "consecutive." Opposes the special vesting provisions for special classes of employees who are affected by termination of Federal contracts.

President.—Contends that the definitions of the terms "years of

Building and Construction Trades Department, AFL-CIO, Washington, D.C., Frank Bonadio, President.—Generally favors the principle that vesting be required after 10 years of service. Contends that H.R. 4200 imposes too low a threshhold of service eligibility, and that it provides for such short service employees a benefit that would be meaningless when finally received.

Indicates that while supporting 10-year vesting for their industry, the alternative provisions of H.R. 2 are acceptable: (a) 100-percent vesting after 10 years; (b) 50-percent vesting after 8 years, graduated to 100 percent after 15 years; or (c) the "rule of 45."

Recommends that 100 hours a month, or no less than 1,000 hours a year serve to qualify for a year's credit. Views the proper standard for "normal retirement age" to be age 65; or, if the plan includes provisions for earlier retirement benefits, the law could require similarly earlier benefits for those who are vested but at no higher benefit level than an amount actuarially reduced from the benefit required at age 65. Indicates that setting the age at 65 allows computation for each year of actual service at one-fortieth of the amount to which someone with 40 years of service would be entitled at age 65, which provides a pro-rating of a full working life from age 25 to age 65 and provides the same vested benefit for every year of service regardless of age.

Suggests that reasonable suspension of benefits be allowed, as distinguished from forfeiture, when an employee continues to work after retirement from one job for a time.

Feels that negotiated multiemployer plans should have the right to exclude from consideration service before participation.

American Institute of Certified Public Accountants, Division of Federal Taxation.—Approves the establishment of a uniform vesting standard but opposes artificial distinctions in vesting requirements of similar plans sponsored by different types of business entities.

Arthur L. Rossoff, American Institute of Aeronautics and Astronautics.—Believes minimum vesting standards should require 100-percent vesting after five years. Supports studies leading to additional legislation to protect the pension rights of "mobile" and Government contract workers.

Larry R. Brown, Greater Canton Chamber of Commerce, Canton, Ohio.—Opposes too early vesting.

American Telephone & Telegraph Company.—Feels that a choice of vesting rules as in H.R. 2 should be permitted. Argues that plans should be allowed to grant plan participation before age 25 without subjecting pre-age 25 service to compulsory vesting. States that 5-month-long years of service for determining vesting percentage should not be credited as 12-month years for determining years of accrued benefit.

General Mills Corporation.—Believes that the vesting alternative should begin with 30-percent vesting after 8 years of service and progress by 10 percent annual increments to 100 percent as proposed in S. 4. Proposes that H.R. 4200 be modified to cover only service after the effective date of the title unless plan provisions would have provided earlier vesting.

Ford Motor Company, Dearborn, Michigan, John Sagan, Vice President.—Suggests that the definition of vested accrued benefit in the bill should be used in the Tax Code as well, and that the appropriate amendments should be made in the bill to achieve this effect.

W. B. Wahley, Graybar Electric Company, New York, N.Y.—Asserts that the mandatory vesting requirement would increase pension costs substantially. Prefers the "rule of 50" vesting requirement if some mandatory vesting is needed at all.

Revere Copper and Brass, Inc., Los Angeles, California, Nathaniel Pope, Vice President.—Believes the provisions of H.R. 10470 would discourage employers from making improvements in basic pension levels because of increased costs.

United States Steel Corporation, William G. Whyte, Vice President.—Prefers the alternate vesting provisions in H.R. 2; contends that the Senate proposal is too restrictive and would override many existing plans and union agreements. Suggests that employees should receive a return of their contributions plus a stated interest amount if their termination occurs prior to vesting of employer contributions, rather than a computed accrued benefit since the determination of the accrued benefit related to employee contributions would be acomplicated and burdensome and the amounts would be very small.

Greyhound Corporation, Phoenix, Arizona, Robert E. Gocke, Vice President-Industrial Relations and Personnel.—Claims that the vesting requirement of H.R. 4200 is too costly and administratively cumbersome, and would increase the pension costs of small employers substantially. Proposes the substitution of the "rule of 50" vesting requirement.

Carrier Corporation, Syracuse, N.Y., John A. French, Director of Pensions and Benefits.—Feels that employers should be allowed one or more alternative vesting schedules to satisfy the minimum vesting requirements, and that service with the employer should be continuous in meeting the years of service requirements.

Gerald C. Eckermann, Vice President, Personnel, Kaiser Industries.—Believes that the provision allowing vesting on the basis of 10 years service for existing plans should be available to any other plans.

H. P. Kneen, Jr., International Business Machines Corporation.—Recommends that the requirement of 10 years of service for qualification be amended to include a requirement of up to 5 years of consecutive employment in order to preclude abuse of the plan by long absent former employees seeking to rejoin the company at the last minute.

H. B. Richardson, Financial Manager of Employee Benefits, National Gypsum Company.—Suggests that the bill be revised to provide optional forms of vesting. Argues that the present vesting schedule which results in vesting of small amounts at early ages will add to the cost of administering a plan thus making less money available for older employees.

Proposes as an option for vesting the permanent use of the 10-years-of-service vesting requirement possibly tied into attainment of a specified age, such as 45. Recommends that accrued benefits be calculated based upon average pay rather than current compensation. Thinks that years of service needed for vesting should be consecutive.

B. F. Goodrich Company.—Believes that all pension plans should be able to choose between the graded vesting requirements and the vesting requirement provided in the bill for existing pension plans. Consider the tax on a plan's failure to meet minimum vesting standards to be unnecessary.

National Steel Corporation, Pittsburgh, Pennsylvania, George A. Stinson, Chairman and President.—Requests that the vesting provisions in the proposed pension legislation be deleted because the subject of vesting is properly a matter to be handled by employers and employees.

Armstrong Cork Company, Lancaster, Pennsylvania, James H. Binns, President.—Maintains that the vesting provisions of H.R. 2 and H.R. 10489 are more acceptable and would better serve public purposes than those contained in H.R. 4200.

American Cyanamid Company, T. P. Turchan, Vice President.—Feels that the bill should contain a definition of "normal retirement age"; such definition being the age provided in the plan but not later than age 65; and, if the plan specifies no age, it should be deemed to be 65.

Suggests the incorporation of alternative minimum vesting provisions in the pension reform bill, such as those provided in H.R. 10489. Objects to the provisions requiring the Secretary of Labor to develop special vesting rules for professional, scientific, and technical personnel under Federal contracts.

Kimberly Clark Corporation, Neenah, Wisconsin, Paul A. Jones, Vice President.—Believes that alternative vesting formulas should be allowed, such as one that utilizes one and one-half percent of final salary times years of service less a portion of social security or one percent of final salary times years of service, whichever is greater.

W. J. Kirby, FMC Corporation, Chicago, Illinois.—Recommends that the Treasury Department "rule of 50" be established as a fair and reasonable minimum vesting standard.

Dow Chemical, Midland, Michigan, Earle B. Barnes, President.—Supports the concept of full vesting after 10 years of participation, but believes that flexibility is essential in determining partial vesting within the first 10 years. Opposes section 282 of H.R. 4200 relating to special vesting rules for employees performing services under Federal contracts because such provisions would make plans vulnerable to disqualification.

J. B. McGovern, Nabisco, Inc.—Feels that the provisions requiring the Secretary of Labor to develop special vesting rules for professional scientific and technical personnel under Federal contracts should be deleted.

Forbes Mann, LTV Corporation.—Believes that corporate employees assigned to Government contract work should be treated the same as all other employees, and that therefore the provision in the bill to study early vesting for employees working on Federal contracts should be eliminated.

Contends that the vesting provisions would add to pension costs. Argues that an alternative "rule of 50" standard should be included in the bill.

Firestone Tire and Rubber Company, Akron, Ohio, R. A. Riley, President.—Proposes that the pension legislation allow vesting after ten years' of service as an acceptable alternative. Opposes the special vesting rules for professional, scientific, and technical personnel under Federal contracts because it is class legislation and would be impossible to administer. Suggests an amendment to allow the return of the employee's contribution with interest in case of termination of employment prior to vesting.

Council on Employee Benefits, Akron, Ohio, R. H. Hubbard, Chairman, Legislative Committee.—Favors greater flexibility in vesting provisions such as the alternative forms permitted in H.R. 2. Recommends that the vesting rules not promote or provide preferential treatment for special groups, such as the so-called "highly mobile employee".

Phillips Petroleum Company, Bartlesville, Oklahoma, W. R. Thomas, Vice President.—Objects to the application of the strict vesting and participation provisions to supplemental savings plans in addition to the basic qualified plan. Strongly supports a simpler vesting formula, such as a rule of 50 or 10 years of participation, rather than the 5-year partial vesting contained in the bill.

Raytheon Company, Lexington, Mass., Charles F. Adams, Chairman of the Board.—Maintains that the use of discontinuous service to complete the vesting requirement places a tremendous administrative and costly burden on employers, since employment and compensation records for terminated employees would need to be maintained for as much as 40 years. Recommends that 50-percent vesting occur after 10 years of continuous service with 10 percent added in each subsequent year.

Argues that the definition of "employee's accrued benefit" would have an inequitable effect on plans of the "career average salary type," since vested benefits for years of plan participation would exceed retirement benefits accrued in the same period of time for those who remain as active plan participants. Proposes that this provision be amended to allow the calculation of vested benefits to remain as currently defined under existing plans.

Tasty Baking Company, Philadelphia, Pennsylvania, Paul R. Kaiser, Chairman of the Board.—Complains that the pension reform bill as proposed would result in far too high an immediate cost and would result in additional excessive costs attributable to high employee turnover. Views the liberal vesting provisions as threatening the ability of the company to retain good employees.

United Aircraft Corp., East Hartford, Conn., Harry J. Gray, President.—Urges rejection of separate vesting formulas for so-called special "mobile" employees.

The State Bank of Jacksonville, Florida, Louie C. Casey, Jr., Vice President.—Favors the Labor Committee bill (H.R. 2) providing three alternative vesting standards: 15-year, 100-percent, graded vesting; 10 years, 100-percent vesting; or a "rule of 45".

W. F. Dewey, Assistant to Financial Vice President, Blue Bell, Inc., Greensboro, N.C.—Requests allowance forfeiture of vested benefits for employees who commit embezzlement and other dishonest acts against the employer, or who go to work for a competitor.

Gulf State Paper Corporation, Tuscaloosa, Alabama, H. V. Mitchell, Vice President and Treasurer.—Calls attention to the fact that one of the primary reasons for the establishment of a pension plan is to encourage continuity of service. Contends that the provisions of H.R. 4200 are contrary to this purpose, while at the same time increasing the cost of the plan.

Edgar R. Mellon, Washington Gas Light Company.—Objects to lowering the initial vesting period to five years as an encouragement toward employee turnover and a disincentive to long-term employment.

Edward S. Croft, Robinson-Humphrey Company, Atlanta, Georgia.—Believes the mandatory vesting schedule is too complicated, too short, and of little economic value to younger employees.

Charles J. Henning, National Bank of Sarasota, Florida.—States that the bill's vesting requirements will considerably increase the cost of the pension plan to corporations and that small- and medium-size corporations will be required to consider reducing benefits or eliminating the plan altogether.

Peter S. Hanke, Secretary and General Counsel, Garlock, Inc., Rochester, New York.—Thinks that employers could probably live with a "rule of 50" requirement.

William Malone, General Telephone and Electronics Corp.—Prefers the alternative vesting provisions currently reflected in the three-option approach of H.R. 2 and H.R. 10489.

Boeing Company, Renton, Washington, Stanley M. Little, Jr., Vice President—Industrial and Public Relations.—Objects to section 282 and section 304(c) of H.R. 4200, which would discriminate in favor of certain professional, scientific, and technical personnel who are the highest paid group of employees in the aerospace industry.

T. J. Raleigh, Dresser Industries, Inc., Dallas, Texas.—Opposes immediate vesting of benefits from employee contributions because of administrative considerations. Argues that the benefits to be derived from such contributions cannot always be determined accurately and that administrative burdens would be imposed. Suggests that a participant be able to elect receiving a lump sum equal to his contributions plus a stated rate of interest in lieu of having to compute the exact accrued benefits.

Tillinghast & Company, Atlanta, Georgia.—Commends the mandatory vesting concept, but criticizes the bill provisions as too complex and too rigid. Favors additional options such as vesting after 10 years, or the proposals of H.R. 10489 or H.R. 2. Maintains that the definition of "service" is discriminatory against truly full-time employees.

Retail Clerks Union and Employers Pension Fund, Atlanta, Georgia, Edwin W. Crozier, Administrator.—Suggests that an employee be credited with not less than 20 percent of a year of service if the employee is credited with at least 400 hours of covered employment on account of which contributions are made by an employer or employers, plus not less than 10 percent of a year's service for each additional full 200 hours, if any, of the next 1600 hours of covered employment.

Chicago Area Retail Food Clerks Pension Fund, Chicago, Illinois, Benjamin W. Cikanek, Administrator.—Maintains that the definition of "year of service with the employer" in H.R. 4200 would have extremely serious consequences in terms of cost and record maintenance to large joint labor-management pension plans in the retail and food industry. Notes that these pension plans require contributions for all employees on an hourly basis, regardless of whether the employees are part-time or temporary. Suggests an alternative definition of "year of service" for multiemployer plans.

Janitors' Union Local No. 25 and Participating Employer's Pension Trust, Chicago, Illinois.—Objects to the "year of service" vesting requirements of section 411(a)(2)(B) of H.R. 10470 for multiemployer plans funded by contributions of employers. Recommends that an employee be credited with not less 20 percent of a year of service if the employee is credited with at least 400 hours of covered employment, plus not less than 10 percent of a year's service for each additional full 200 hours, if any, of the next 1,600 hours of covered employment.

S. Harvey Fosner, Executive Vice President, Roosevelt Raceway, Westbury, New York.—Urges that separate criteria be established for part-time and seasonal workers.

Stearns-Roger Corporation, D. E. Provost, Chairman and President.—Claims that the bill's vesting requirement would be unusually costly and burdensome and would substantially increase pension plan costs for small employers.

Violet R. Margley, Imperial-Eastman Corporation, Chicago, Illinois.—Approves of the vesting provisions of the Senate-passed bill. Believes them to be preferable to the administration's proposed "rule of 50" which would have a tendency to discourage employment of older people.

Paul C. Hart, Milliman & Robertson, Inc., Portland, Oregon.—Asserts that the definition of an accrued benefit as written in H.R. 4200 is inappropriate for pension plans which base benefits on the actual salary earned by the employee over his covered working life and for the unit benefit of multiemployer plans. Believes that a better approach would be to use the accrued portion of normal retirement benefit as defined in section 502(a)(16) of the bill.

John A. Connors, FCA, Englewood Cliffs, New Jersey.—Interprets the bill to require, in the case of termination of some employees of a corporation, that there must be immediate full vesting for all employees of the funded accrued benefits. States that such results do not seem to be warranted since the continuing group will accrue further benefits which will not be accrued by the terminated group.

Robert E. Jensen, Counsel to IU International, Washington, D.C.—Believes that minimum vesting requirement should vary with the age of the participant; and thus approves of the "rule of 50" instead of the minimum standards established in H.R. 4200.

A. O. Smith Corp., Milwaukee, Wisc., Robert A. Reitz, V.P.-Finance and Treasurer.—Supports minimum standards relating to vesting, but criticizes H.R. 4200 because it gives no recognition to an age requirement. Believes that both an age and service stipulation should be an integral part of protecting the pension rights of an older worker.

R. F. Lutz, Vice President-Sales, Lady Wrangler, New York, N.Y.—Objects to the provisions which would allow an employee who has defrauded his company to still collect pension payments from that company upon reaching retirement age.

F. R. Iler, Greensboro, North Carolina.—Opposes the vesting provisions of the pension reform bill because they would require employers to pay employees who have committed malicious acts against the company.

Calvin Fowler, Cocoa, Florida.—Feels that the benefits vested for a terminated employee should be simply those basic pensions that accrued at termination of employment without any pro-rated future calculated accruals. Believes that all employees should be on the same vesting schedule without any separate arrangements by some defined profession or training. Maintains that sound vesting programs will achieve effective mobility without the imposition of "portability".

William T. Moroney, Phoenix, Arizona.—Objects to the vesting standards established in H.R. 4200. States that his company's plan is structured to vest at a rate of 5 percent per year, thus achieving full vesting after 20 years. Believes that if the Senate proposals with respect to vesting rights become law his employees will have to seek retirement benefits in some way other than a qualified pension plan.

D. Funding

American Life Insurance Association.—States that the funding provisions of H.R. 4200 represent a reasonable approach toward assuring that pension plans will be funded on a sound and adequate basis.

Building and Construction Trades Department, AFL-CIO, Washington, D.C., Frank Bonadio, President.—Favors 40-year funding of accrued liabilities for multiemployer plans such as the building and construction trades because of less risk than for single employer plans.

States that any losses resulting from experience, and some amendments which add to the liabilities of a plan, would have amortized in 15 years. Indicates, however, that the 15-year requirement may act as a barrier to needed and soundly financed improvements in benefits in some cases, or for either reductions in benefits or create a sudden need for higher contribution rates.

Suggests that negotiated multiemployer plans based on defined contributions should be given the same flexibility in meeting the cost of experience setbacks or pension improvements as in funding other liabilities.

Recommends, also, that legislation include authority for the Secretary of Labor to permit slower funding where the stability of the industry makes it reasonable or where undue hardships would be created by full application of the statutory requirements (such as an increase in cost of 10 percent or more).

Proposes a transition period for funding where contributions to pension plans are established by collectively bargained agreements—over three rounds of negotiations, or a 10-year period since most contracts are on a 3-year term.

American Institute of Certified Public Accountants, Division of Federal Taxation.—Agrees with the concept of a legislatively-prescribed minimum funding standard to strengthen the private pension system and to reduce the frequency and magnitude of benefit losses when pension plans are terminated.

Chamber of Commerce of the United States, Andrew A. Melgard, Senior Associate.—Believes that amortization of additional funding should be kept as simple as possible. Approves of a 40-year amortization period with variances in economic hardship cases.

Larry R. Brown, Greater Canton Chamber of Commerce, Canton, Ohio.—Opposes additional funding requirements with no consideration of increased costs to employers.

Seafarers International Union of North America (AFL–CIO), Paul Hall, President.—Agrees with the 40-year funding provision of H.R. 4200 for multiemployer plans.

Tillinghast & Company, Atlanta, Georgia.—Feels that the dual treatment for required funding of past service liabilities is unfair to the non-multiemployer plans. Urges that greater flexibility be allowed in funding of actuarial deficiencies.

Campbell Soup Company, Camden, New Jersey, Edwin J. Foltz, Vice President-Corporate Relations.—Points out that the bill's method of computing net experience gains and losses for a plan year requires that plan assets be valued on a five-year market average, and that this is contrary to the actuarial method used in valuing most pension funds. Indicates that the Secretary of Treasury will have adequate control over the pension fund valuations through the authority to approve actuaries.

Firestone Tire and Rubber Company, Akron, Ohio, R. A. Riley, President.—Supports simplification of the funding provisions which would allow the funding of actuarial deficiencies over the average remaining service of the participants. Contends that the method of valuation of assets, like the method of valuation of liabilities, should be left to the plan's actuary.

American Cyanamid Company, T. P. Turchan, Vice President.—Recommends that the funding of actuarial deficiencies be permitted over the average remaining service of the participants.

W. H. Knoell, President, Cyclops Corp., Pittsburgh, Pa.—Considers compulsory funding, based upon 30-year amortization of unfunded past service liability, to be too drastic a change for many existing 40-year funding plans. Proposes that any reduction to 30 years be over a 10-year transition period.

Requests removal of the penalty of final average pay plans requiring 15-year funding of experience losses.

Greyhound Corporation, Phoenix, Arizona, Robert E. Gocke, Vice President-Industrial Relations and Personnel.—Feels that the funding provisions of H.R. 4200 are unnecessarily technical and restrictive. Suggests that it should simply require funding on a normal cost plus 30-year amortization of unfunded liability basis. Recommends deletion of the bill's provisions on valuation of pension trust assets. Asserts that existing regulations cover this adequately, and that the new requirements could be unduly restrictive.

Forbes Mann, LTV Corporation.—Believes that the 30-year funding requirement should apply only to benefit increases, and that existing past service deficiencies be frozen and amortized over not more than 40 years. Also states that the complex provision regarding experience gains and losses should be eliminated because it is unnecessary and too restrictive.

Gerald C. Godwin, Deputy Executive Vice President, Pennsylvania State Association of Boroughs.—Requests that the Senate bill be amended to exempt all public plans from the provisions of the legislation. States that if public plans are included the resulting increased costs would be 50 percent or more. Recommends that before any regulation of public systems is undertaken a special study be made of the problems peculiar to those plans.

H. B. Richardson, Financial Manager of Employee Benefits, National Gypsum Company.—Disagrees with the imposition of the 5-percent excise tax as a penalty for inability to meet funding requirements. Argues that this tax could result in curtailment of existing plans with a decreased coverage of employees.

Objects to the funding requirements as unduly complicated, and feels that they would prevent the use of several sound actuarial methods—most notably the union credit method. Suggests that the basis of funding should be determined by the plan's actuary, subject to the approval of the Treasury Department.

William G. Whyte, United States Steel Corporation.—Believes the use of market value in asset valuation for purposes of funding is too narrow an approach. Asserts that valuation should be left to qualified actuaries for determination. Sees an insistence on the use of new market value technique as forcing many employers to reduce their present level of funding.

Scott Paper Company, Philadelphia, Pa., Arthur W. Hudock, Director of Compensation and Benefits.—Opposes the imposition of actuarial assumptions and rules in section 241 of H.R. 4200. Contends that this is for too much regulation in a complex and dynamic field where each company should be free to make its own actuarial assumptions based on its own experience with labor turnover, investment performance and similar conditions which are not standard as among companies or changeless for all time within the same company.

Gilpert Dwyer, Kennecott Copper Corp.—Believes the funding provisions discriminate against "final average pay" plans which are the most desirable form of pension plans by establishing a 15-year funding term for added benefit, as opposed to a 30-year funding term for added benefits in the less desirable "flat dollar" and "career average." Suggests that a 30-year funding term for additional liabilities be automatically incurred in "final average pay" plans.

J. D. Hayes, Hercules, Inc., Wilmington, Delaware.—Urges an amendment limiting the amount of funding required in the case of an employee who is rehired after prior service only to the situation where an employee is rehired within ten days of the date of his first termination. States that otherwise an employee who terminates after five years and age 25 but is rehired at age 50 will force the corporation to make sizeable funding increases.

Gilpert Dwyer, Kennecott Copper Corp.—Disagrees with the bill requirement that in the case of a terminated plan any assets in excess of employee benefit needs are to be distributed to the participants of the plan. Believes this provision will encourage employers to make less conservative funding assumptions and will increase the risk of plan failure. Suggests that any excess assets remaining after all employee pension benefits have been met be returned to the employer.

C. L. Trowbridge, FSA, Bankers Life Company.—States that the provision for amortizing experienced gains or losses separately for each plan year over a 15-year period is unnecessarily cumbersome. Indicates that after 15 years of funding 15 separate adjustments will normally be required. Believes that this approach is inferior to the technique of recognizing all experienced gains or losses by appropriate adjustment to the present (and future) normal cost, a technique which is currently recognized under IRS regulations and is embodied in several of the best known actuarial cost methods. Suggests that the guidelines for establishing satisfactory techniques for experience adjustments be left to regulations or to techniques approved by the actuarial advisory board.

John A. Connors, FCA, Englewood Cliffs, New Jersey.—Believes that the requirement of the bill making the unfunded value of vested benefits a contractual liability for any buyer of the corporation who assumes the pension plan will make it more difficult for any corporation to be sold at a reasonable purchase price and could influence an employer to withhold plan amendments from employees of a subsidiary or division which it intended to sell.

National Gypsum Company, H. B. Richardson.—Opposes the penalty tax the inability to make contributions as merely compounding the problem. Objects to the funding requirement as unduly complicated, believing instead that the basis of funding should be determined by an actuary for the plan subject to the approval of the Treasury Department.

B. F. Goodrich Company.—Considers the 30-year maximum funding period to be reasonable, but asserts that the 15-year funding period for actuarial losses in unnecessary.

Carrier Corporation, Syracuse, N.Y., John A. French, Director of Pension and Benefits.—Believes that various alternative asset valuation methods used consistently should be allowed in place of the unduly restrictive "average values for five or fewer years."

Colt Industries, New York, N.Y., George A. Strichman, Chairman of the Board.—Endorses the proposed 30-year rule but objects to the special rules for funding "experience gains and losses," because most fluctuations in value of the fund are temporary and such provisions could skew investment decisions.

Peter S. Hanke, Secretary and General Counsel, Garlock, Inc., Rochester, New York.—Favors 30-year amortization of unfunded liabilities but not the provisions in the Senate bill on funding of experience gains and losses.

Edison Electric Institute, New York, N.Y.—Argues that the rules regarding funding deficiencies are not actuarially realistic because in most cases the deficiencies result from only temporary fluctuations.

General Mills Corporation.—Prefers a 40-year funding period to a 30-year period. Opposes separately identifying and funding experience gains and losses as being unnecessary and possibly damaging to the private pension system.

Kimberly Clark Corporation, Neenah, Wisconsin, Paul A. Jones, Vice President.—Believes that the plan for the attachment of 30 percent of a company's net worth should be deleted, in view of the provision for plan termination insurance. Believe that no funding requirements should be imposed on profit sharing plans.

Revere Copper and Brass, Inc., Los Angeles, California, Nathaniel Pope, Vice President.—Opposes special provisions for funding experience gains and losses.

Robert E. Jensen, Counsel to IU International, Washington, D.C.—Urges that H.R. 4200 be amended to require funding sufficient to amortize unfunded plan liabilities over a 40-year period since this is the minimum funding provision permitted by the Accounting Principles Board after a long study of this complex area.

B. Courtney Rankin, Counsel to National Bank of Detroit.—Believes that the treatment of certain salary reduction plans should not be expanded to include plans under which an employee makes an irrevocable decision to join a profit sharing plan with a consequent permanent reduction in salary.

E. Portability

New York State Bar Association, Tax Section, R. O. Winger, Chairman.—Favors the elimination of the Central Portability Fund from the pension reform bill entirely, because of the difficulty in arriving at a specific value for vested benefits under a fixed benefit pension plan and the further difficulties encountered where the benefits under such a plan have not been fully funded. Points out that under the bill as explained in the Senate Finance Committee's report, the taxation of benefit payments from the Central Portability Fund is substantially different from the rules applicable to payments made directly from qualified plans.

Notes that if the Central Portability Fund is established, employers may find it desirable, as a matter of employee relations, to agree to transfers to the Central Portability Fund, and in the case of plans that are not fully funded, the terminating employee will have to be given more than his pro rata share of the plan's assets at the expense of the remaining employees or the terminating employee will have to be limited to his pro rata share of the assets without the opportunity to participate in future funding of the plan. Cautions that the many factors necessary to a knowledgeable decision whether to request a transfer to a Central Portability Fund are extremely complex and may be difficult for the employer to explain to the employee.

Points out that the bill permits up to 10 percent of the amount in the Central Portability Fund be held by one banking institution, and suggests that the amount that may be deposited in any one bank or savings and loan association should be limited to a specific multiple of the limitation on Federal Deposit Insurance.

American Society of Pension Actuaries, William W. Hand, President.—Asks that any corporation wishing to participate in the portability program not be required to register, thus eliminating an unnecessary administrative expense. Feels that evidence that a plan is qualified as tax exempt should be sufficient to allow transfer of funds to and from the portability fund.

American Life Insurance Association.—Asserts that the complex portability structure of H.R. 4200 is made unnecessary by the sound vesting and funding provisions, as well as by the accurate recordkeeping requirements.

Approves of the provision permitting an individual to reinvest distributions from a qualified plan or from an individual retirement plan into another such plan without having to pay a current tax.

Chamber of Commerce of the United States, Andrew A. Melgard, Senior Associate.—Believes that portability provisions would water down assets held for long service employees, would change investment practices, and would lead to smaller pension benefits. Finds it impossible to visualize how equitable portable credits can be given when such a diversity of pension and profit sharing plans exists.

Larry R. Brown, Greater Canton Chamber of Commerce, Canton, Ohio.—Considers portability to be unimportant with adequate vesting.

Scott Paper Company, Philadelphia, Pa., Arthur W. Hudock, Director of Compensation and Benefits.—Points out that portability would require standardization of all actuarial and interest rate assumptions among all pension plans so as to gain agreement on the present value of the terminating employee's nonforfeitable benefit and thus the lump. Sum amount which is to be transferred. Feels that portability is unnecessary since the same end result is accomplished by vesting.

United States Steel Corporation, William G. Whyte, Vice President.—Cautions that voluntary portability of vested rights should not be adopted because it is inequitable for one who leaves his employer before normal retirement age to receive a death benefit while no such death benefit is payable for those who stay with their employer.

Chicago Branch and Iron Company, Oak Brook, Illinois, E. J. Keldon, Secretary.—Objects to the portability provisions and notes that most of those who advocate portability frequently confuse it with vesting. Points out that although the bill provides for more rapid funding, few plans will be fully funded; and thus the proposed portability could drain the assets of a plan and render the benefits of the remaining employees less secure.

United Aircraft Corp., East Hartford, Conn., Harry J. Gray, President.—Urges rejection of portability provision.

American Cyanamid Company, T. P. Turchan, Vice President.—Feels that a Federal pension portability scheme is unnecessary in view of the regulations in the areas of eligibility, vesting, funding, fiduciary standards, and disclosure. Maintains that the additional cost element involved would be better utilized to afford employees greater pension benefits.

N. G. Valko, President, Consolidated Biomedical Laboratories, Columbus, Ohio.—Considers portability to be unnecessary and expensive.

Travelers Insurance Companies, Mac Asbill, Jr., Counsel.—Opposes the creation of a portability fund as an unnecessary and undesirable intrusion of Government into the private sector. Maintains that terminating employees would be sufficiently protected by the enactment of the new vesting and minimum funding provisions, plus the requirement that the Social Security Administration keep records regarding the vested rights of employees. Asserts that, if a portability fund is to be established, the requirement that deposits to the fund must be in "cash or in cash equivalent" is far too restrictive.

Edward W. Doss, Vice President and General Manager, The Southern Resin and Chemical Co., Subsidiary to Rohm and Hass.—Considers portability to be unnecessary and expensive.

General Mills Corporation.—Believes adequate vesting and funding make additional provisions for portability unnecessary.

A. O. Smith Corp., Milwaukee, Wisc., Robert A. Reitz, Vice President-Finance and Treasuer.—Argues that portability would work against the objective of discouraging excessive mobility and would require administrative expenses for additional staffing.

Sperry Rand Corporation, New York, N.Y., T. V. Hirschberg.—Contends that provisions for portability are unnecessary because of the vesting and funding requirements of the bill.

Raytheon Company, Lexington, Mass., Charles F. Adams, Chairman of the Board.—Asserts that the portability provisions of the bill would create an almost impossible reporting task on the part of pension plan administrators. Interprets the provisions to require that a portable benefit must be fully funded while benefits accrued to active employers are allowed to be funded over a period of years. Recommends that the portability provisions be deleted from the bill.

National Gypsum Company, H. B. Richardson.—Argues that title III should be deleted entirely, with the exception of that portion which permits a tax-free transfer of an employee's benefit from one qualified plan to another.

J. Dudley Haupt, St. Regis Paper Company.—Believes that provisions for portability are unnecessary.

Gerald C. Eckermann, Vice President, Personnel, Kaiser Industries, Washington, D.C.—Asserts that the vesting and funding requirements of the pension bill effectively meet the main objectives of portability.

Peter S. Hanke, Secretary and General Counsel, Garlock, Inc., Rochester, New York.—Opposes any Federal requirement for portability between private pension plans.

S. J. Rosinski, Vice President, Rohr Industries, Inc.—Thinks that the vesting and funding provisions of the bill accomplish the objective of providing needed protection for employees.

B. F. Goodrich Company.—Considers the existing vesting and funding provisions in the bill to make portability unnecessary.

The following also expressed opposition to portability:

T. J. Raleigh, Dresser Industries, Inc., Dallas, Texas.
Forbes Mann, LTV Corp.
William Malone, General Telephone & Electronics Corp.
R. W. Suppes, Ideal Basic Industries, Inc., Denver, Colorado.
Walter Klostermeier, First National Bank of St. Louis.
V. J. Adduci, Electronic Industries Association.
John F. Darrow, American Paper Institute.
W. W. Kenney, Northern Natural Gas Co., Omaha, Nebraska.
William G. Meese, Detroit Edison.
Edgar R. Mellon, Washington Gas Light Co.
William N. Bret, Jr., A. S. Hansen Inc., Dallas Texas.
Robert C. MacDonald, Young Radiator Co., Racine, Wisconsin.
Arthur W. Barron, Jr., Franciscan Sisters of the Sacred Heart, Mokena, Illinois.
William G. Whyte, Vice President, United States Steel Corporation.
Edward S. Croft, Robinson-Humphrey Company, Atlanta, Georgia.
H. V. Mitchell, Gulf States Paper Corporation.
B. G. Shepard, Rohm & Haas California Inc.
B. C. Huselton, Armco Steel, Middletown, Ohio.
Edison Electric Institute.
Warren E. Finzi, Phelps Dodge Corp.
W. B. Whaley, Graybar Electric Company, Inc.
William E. Latture, Greensboro, N.C.
National Steel Corporation, Pittsburgh, Pa., George A. Stinson, Chairman and President.
Boeing Company, Renton, Wash., Stanley M. Little, Jr., V.P.-Industrial & Public Relations.
Campbell Soup Company, Camden, N.J., Edwin J. Foltz, V.P.-Corporate Relations.
Brooklyn Union Gas Co., Brooklyn, N.Y., John E. Heyke, Jr., Chairman.
International Telephone & Telegraph, New York, J. A. Kostrab, Director, Employee Compensation and Benefits.
Dow Chemical, Midland, Mich., Earle B. Barnes, President.
Ingersoll-Rand Company, Woodcliff Lake, N.J., W. L. Wearly, Chairman of the Board.
United Services Automobile Association, San Antonio, Tex., Robert E. McDermott.
Tillinghast & Company, Atlanta, Georgia.

Gulf States Paper Corporation, Tuscaloosa, Ala., H. V. Mitchell, V.P. & Treasurer.

Stearns-Roger Corporation, D. E. Provost, Chairman and President.

Rohm and Haas Co., Philadelphia, Pa., V. L. Gregory, President.

Peavey Company, Minneapolis, Minn., Ron Kennedy, V.P.-Public Affairs.

Greyhound Corporation, Phoenix, Ariz., Robert E. Gooke, V.P.-Industrial Relations and Personnel.

Green Bay Packaging, Inc., Green Bay, Wisc., Max Sielaff, Secretary.

Kansas Association of Commerce & Industry, Topeka, Kansas, Carl C. Nordstrom, Exec. V.P.

State Bank of Jacksonville, Jacksonville, Fla., Louie C. Casey, Jr., Vice President.

Aerospace Industries Association of America, Karl G. Harr, Jr., President.

Colt Industries, New York, N.Y., George Strichman, Chairman.

Associated Oregon Industries, Ivan Gongleton, Executive Vice President, Salem, Oregon.

William P. Ambrogi, President, Witmoyer Laboratories, Inc., Myerstown, Pa.

Samuel Gusman, President, Warren-Teed Pharmaceuticals, Columbus, Ohio.

F. Plan Termination Insurance

Chamber of Commerce of the United States, Andrew A. Melgard, Senior Associate.—Opposes the establishment of a government-operated plan termination insurance program. Feels that such a provision may unconstitutionally subject employers to new liability. Believes that the reinsurance proposals will produce an elaborate mechanism involving the most detailed regulation of every aspect of private pension plan operations.

Council on Employee Benefits, Akron, Ohio, R. H. Hubbard, Chairman, Legislative Committee.—Questions the need for plan termination insurance in light of the new vesting, funding, and fiduciary standards. Feels that private termination insurance is a far more desirable and feasible approach than the proposed Government-managed insurance with its high costs, new bureaucracy, and impairing regulations.

Building and Construction Trades Department, AFL–CIO, Frank Bonadio, President.—Endorses the need for Federal regulation to remedy the failure of some employers to fulfill pension promises. Believes, however, that termination insurance is not necessary for construction industry plans.

Indicates that they do not approve the universal application of the insurance, but recommends that negotiated multiemployer plans be in a separate pool for rating purposes and have a lower premium rather than subject to the same flat $1 per capita tax during the first three years. Suggests setting the premium for negotiated multiemployer plans at one-fourth the regular rates initially, with a premium thereafter on the basis of a rating separate from single employer funds.

Seafarers International Union of North America (AFL–CIO), Paul Hall, President.—Feels that plan termination insurance is not necessary for the Seafarers or multiemployer plans. Indicates, however, that many plans (specifically single employer plans) need such insurance. Maintains that the $1 per year premium per participant should be retained rather than some other alternative that is more complicated and more costly.

Delaware County (Pa.) Chamber of Commerce, Samuel B. Parsons.—Opposes Federal insurance as adding undue cost and complexity to the plans insured.

American Life Insurance Association.—Urges that any plan termination insurance program be operated by a nonprofit corporation from the private sector directed by persons qualified in the investment and administration of private pension funds. Argues that private pension plans should have the option of purchasing required termination insurance protection from private companies if such insurance becomes available.

The Equitable Life Assurance Society of the United States, James A. Attwood, Executive Vice President.—Agrees with the comments of the American Life Insurance Association.

Armstrong Cork Company, Lancaster, Pennsylvania, James H. Binns, President.—Recommends deletion of the plan termination insurance from the bill. Advocates a directive to the Secretary of the Treasury to study the feasibility of a private insurance system.

W. W. Kenney, Director, Northern Natural Gas Company, Omaha, Nebraska.—Believes that any insurance premiums should have a relationship to the adequacy of a particular company's pension plans. Prefers the approach contained in H.R. 9824.

Chicago Branch and Iron Company, Oak Brook, Illinois, E. J. Keldon, Secretary.—Opposes the proposed plan termination insurance, not on the basis of its cost, but primarily because of the degree to which an insurance proposal will regulate the private retirement system, subject the employer to additional liability, and create needless new rules and regulations. Expresses confidence that it will be possible to perfect the private system of benefit insurance which will accomplish the objectives in the proposed pension reform bill.

National Steel Corporation, Pittsburgh, Pennsylvania, George A. Stinson, Chairman and President.—Objects to any form of Government-managed insurance which is financed by premiums paid by the employers who maintain pension plans. Maintains that such arrangement would penalize the employers who manage their pension plans soundly and responsibly in order to assure pension benefits to employees of other employers who have mismanaged their business and pension plans. Urges that the plan termination insurance provisions be deleted from the pension reform bill.

City Coachlines, Inc., Jacksonville, Florida, Charles T. Hornbuckle, Vice President, Finance.—Contends that the proposed legislation creating liability of employers in the case of plan termination in turn creates an excessive obligation not contemplated when current plans were established. Warns that companies in the midst of financial adversity could be forced into bankruptcy by these provisions.

American Cyanamid Company, T. P. Turchan, Vice President.—Urges deletion of the plan termination insurance provisions from the pension reform bill because the statistics available to date do not support inclusion of an elaborate and costly program, and since adequate funding requirements should eliminate the need for such insurance.

Tillinghast & Company, Atlanta, Georgia.—Considers the plan termination insurance provisions overly elaborate, the per-employee premiums unrealistic, and the net worth liability an impairment to the expansion of profit-sharing plans. Feels that termination insurance is not untenable, but that it should be reworked.

American Telephone & Telegraph Company.—Opposes provisions for insurance. If necessary, asserts that such insurance should be done through the private sector and premiums should reflect the amount of unfunded benefits which are receiving insurance coverage.

United Aircraft Corp., East Hartford, Connecticut, Harry J. Gray, President.—Urges rejection of plan termination insurance.

A. O. Smith Corp., Milwaukee, Wisconsin, Robert A. Reitz, Vice President, Finance and Treasurer.—Believes that the history and statistics associated with lost benefits as a result of plan termination do not justify the creation of a government insurance system. Notes that the operation of an insurance system creates contingent liabilities by obligating the employer's corporate assets, and thus could severely handicap an employer's financial credit and flexibility.

William J. Bradshaw, Corning Glass Works, Corning, New York.—Recognizes a need to protect employees affected when a pension program is terminated. Recommends that a study be made to determine the most appropriate method for insuring against benefit losses. Suggests that the results of such a study should be reported back to Congress within one year.

The State Bank of Jacksonville, Florida, Louie C. Casey, Jr., Vice President.—Favors the concept of plan termination insurance, but believes that the cost of operating a given program guaranteeing payment of pensions upon termination of a plan would exceed the benefits that may be achieved. Recommends further study prior to enactment of this section.

Forbes Mann, LTV Corporation.—Argues that if any insurance provision is necessary it should be provided by private industry whose rates are based on experience rather than a flat tax on all pension plan participants.

W. H. Knoell, President, Cyclops Corps., Pittsburgh, Pa.—Urges removal of reinsurance provision; or if not, requests that the provisions of S. 1179 be substituted.

General Mills Corporation.—Believes there should be no provision for this until there has been further study of the problems involved in plan termination.

Paul C. Hart, Milliman & Robertson, Inc., Portland, Oregon.—Suggests that the $1-per-participant tax should not apply to all employees but only to those employees who actually earned some benefit credit during any particular year.

National Gypsum Company, H. B. Richardson.—Recommends that title IV be deleted entirely from the bill. If it is determined that insurance is necessary, feels that corporations should be able to provide such insurance through private insurance companies.

Ford Motor Company, Dearborn, Michigan, John Sagan, Vice President.—Opposes this as leading to too much regulation of pension plans by the government.

Sperry Rand Corporation, New York, N.Y., T. V. Hirschberg.—Objects to plan termination insurance as leading to excessive government regulation of private pension plans.

J. Dudley Haupt, St. Regis Paper Company.—Disapproves this provision since most pension plans are actuarially sound.

Gerald C. Eckermann, Vice President, Personnel, Kaiser Industries, Washington, D.C.—Thinks that the need for termination insurance has not been demonstrated.

Aetna Life & Casualty Company, Hartford, Conn., Lawrence M. Cathles, Jr., Senior Vice-President.—Supports the view that in the event plan termination insurance is provided for in the pension reform legislation that its goals can be more effectively accomplished on a private basis rather than by government.

Raytheon Company, Lexington, Mass., Charles F. Adams, Chairman of the Board.—Recommends that the plan termination insurance provisions be deleted, or at least amended to require that: (1) termination insurance be required only in those instances where an unfunded vested liability exists; (2) the insurance be truly insurance, without a subrogation clause, and with premiums established relative to the risks involved; and (3) that such insurance may, at the employer's option, be purchased from the private sector.

Tasty Baking Company, Philadelphia, Pennsylvania, Paul R. Kaiser, Chairman of the Board.—Maintains that the plan termination insurance provisions are not practical over the long haul unless the cost of the insurance can be tied to pension fund values.

Violet R. Margley, Imperial-Eastman Corporation, Chicago, Illinois.—States that a termination insurance program may be beneficial but believes that the premium should be determined on an individual plan evaluation basis including actuarial assumptions, the level of funding, etc.

R. V. Seaman, American Hospital Corporation, Evanston, Illinois.—Argues that it is unfair to charge duplicate insurance premiums and excise taxes for employees who participate both in a pension and a profit-sharing plan.

W. J. Crane, Uniroyal Incorporated.—Agrees with the necessity of plan termination insurance. Approves of the provision that requires premiums to be paid through a per capita tax on participants rather than through a tax based on unfunded vested liabilities. Believes that a per capita tax treats all employers the same and will not have a deterring effect on the decisions of any company to adopt new pension plans.

William S. Thomas, Metropolitan Life Company.—Supports the view that any plan termination insurance program can be more effectively accomplished through private insurance companies.

Carrier Corporation, Syracuse, N.Y., John A. French, Director of Pensions and Benefits.—Urges further study of the feasibility of private insurance based on the contribution history and funding ratio of individual plans. Recommends deletion of the plan termination insurance provisions in the pension bill.

Aluminum Company of America, Frank P. Jones, Jr., Vice President-Government Relations.—Advocates the deletion of the plan termination insurance of H.R. 4200. Supports the requirements of a study of a private system of pension benefit insurance.

Scott Paper Company, Philadelphia, Pa., Arthur W. Hudock, Director of Compensation and Benefits.—Opposes a complex Federal system for insuring pension benefits because such a program will result in complete regulation of pension plans, and because the amount of benefits actually lost does not warrant the creation of a new Federal bureau.

United States Steel Corporation, William G. Whyte, Vice President.—Recommends deletion of the plan termination insurance provisions and the substitution of a study to be conducted during the next two years to see if such a program is necessary in view of the serious doubts raised by the testimony on this subject.

C. E. Bertrand, Reading Company, Philadelphia, Pa.—Approves of the Government-financed reinsurance program but suggests that the program become effective at the date of enactment of the legislation rather than on January 1, 1977. Believes that insurance is needed during that period as much as any other time.

Fred Birdsong, Vice President, Research and Development, Blue Bell, Inc., Greensboro, N.C.—Supports the concept of insurance, but recommends that the premiums not be charged to companies who have already funded their plans.

W. F. Dewey, Assistant to Financial Vice President, Blue Bell, Inc., Greensboro, N.C.—Considers plan insurance as not unreasonable, but strongly objects to requiring payment of premiums by companies who have no unfunded liability.

Peter S. Hanke, Secretary and General Counsel, Garlock, Inc., Rochester, New York.—Believes that any attempted cure for the problem that a small percentage of employers go out of business each year and have pension plans with assets that are less than the vested benefit rights should be cured in such a way as not to burden all pension plans with direct premium costs and administrative costs.

Paul C. Hart, FSA, Portland, Oregon.—Worries that the premium rate of $1.00 for each participant will apply to all employees on whom contributions are being made even though some such employees may have worked only five or ten total hours during a year. Believes the result could be that the trust pays more for administration and premium than is collected in contributions. Sees a more appropriate premium base as the number of participants who actually earn some benefit credit during any year.

John A. Connors, FCA, Englewood Cliffs, New Jersey.—Asserts that the provision setting the liability of an employer in case of termination at a maximum of 30 percent of the employer's net worth will seriously curtail the extension of private pension plans to that one-half of the nation's work force not now covered.

Believes that tax deduction to the employer should be disallowed for any payments to the pension benefit guaranty corporation with respect to liability for a plan termination.

Calvin Fowler, Cocoa, Florida.—Considers the pension termination insurance proposals to be seriously detrimental to the operation of private pension plans through restriction on operation from over-regulation, and by the undue encouragement of irresponsibility by some employers and unions in providing excess benefits without proper financial backing. Contends that private insurance is a much more practical solution without the serious handicaps that would arise from Government insurance with the attendant regulations.

Mrs. Emma Richter, St. Louis, Mo.—Urges inclusion of reinsurance for pension plans to insure that she will get benefits of the pension plan.

The following also expressed opposition to the proposed Government reinsurance system:

T. J. Raleigh, Dresser Industries, Inc., Dallas, Texas.
William Maline, General Telephone & Electronics Corp.
J. B. McGovern, Nabisco, Inc.
R. W. Suppes, Ideal Basic Industries, Inc., Denver, Colorado.
Walter Klostermeier, First National Bank of St. Louis.
V. J. Adduci, Electronics Industries Association.
John F. Darrow, American Paper Institute.
William G. Meese, Detroit Edison.
William N. Bret, Jr., A. S. Hansen, Inc., Dallas, Texas.
R. J. Grunewald, Morton-Norwich Products, Chicago, Illinois.
Robert C. MacDonald, Young Radiator Co., Racine, Wisconsin.
Arthur W. Barron, Jr., Franciscan Sisters of the Sacred Heart, Mokena, Illinois.
Edward S. Croft, Robinson-Humphrey Company, Atlanta, Georgia.
Joseph R. Layton, Sun Oil Company.
H. V. Mitchell, Gulf States Paper Corporation.
W. G. Horney, Owens-Illinois Co.
John F. Simons, Continental Can Company, Inc.
B. C. Huselton, Armco Steel, Middletown, Ohio.
Edison Electric Institute.
Warren E. Finzi, Phelps Dodge Corp.
W. B. Whaley, Graybar Electric Company, Inc.
Boeing Company, Renton, Wash., Stanley M. Little, Jr., V.P.-Industrial & Public Relations.
Campbell Soup Company, Camden, N.J., Edwin J. Folta, V.P.-Corporate Relations.
International Telephone & Telegraph, New York, J. A. Kostrab, Director, Employee Compensation and Benefits.
Dow Chemical, Midland, Mich., Earle B. Barnes, President.
Ingersoll-Rand Company, Woodcliffe Lake, N.J., W. L. Wearly, Chairman of the Board.
American International Group, Inc., New York, Maurice R. Greenberg, President.
Peavey Company, Minneapolis, Minn., Ron Kennedy, V.P.-Public Affairs.
Agway, Inc., Mac Asbill, Jr., Counsel, Washington, D.C.
Daniel J. Little, Attorney, Chicago, Ill.
Red Kap Industries, Nashville, Tenn., W. Frank Evans, President.

Green Bay Packaging, Inc., Green Bay, Wisc., Max Sielaff, Secretary.

Kansas Association of Commerce & Industry, Topeka, Kansas, Carl C. Nordstrom, Exec. V.P.

Aerospace Industries Association of America, Washington, D.C., Karl G. Harr, Jr., President.

Colt Industries, New York, N.Y., George A. Strichman, Chairman.

B. F. Goodrich Company.

S. J. Rosinski, Vice President, Rohr Industries, Inc.

G. Fiduciary Standards

New York State Bar Association, Tax Section, R. O. Winger, Chairman.—Claims that the definitions of prohibited transactions, the transition rules providing grace periods for compliance, and other saving provisions with respect to existing situations as set out for amendment to the Welfare and Pension Plans Disclosure Act and the Internal Revenue Code contain a number of inconsistencies and seeming discrepancies, including provisions relating to:

(1) Purchase and holding of employer securities;

(2) Grace period and other transition rules for divesting prohibited holdings; and

(3) Sanctions against parties-in-interest and fiduciaries for engaging in prohibited transactions.

American Institute of Certified Public Accountants, Division of Federal Taxation.—Favors the proposal for shifting the burden arising from prohibited transactions to the persons who engage in such transactions by the imposition of an excise tax.

Oregon Credit Union League, Portland, Oregon, Thomas S. Augustine, Managing Director.—Supports an amendment which would permit the investment of retirement funds in shares or debt obligations of banks, credit unions, mutual savings banks, and savings and loan associations.

Joseph R. Layton, Sun Oil Company.—Opposes the provision requiring a pension trust fund to divest itself of all employer securities in excess of 7 percent of the fund market value within 10 years. States that in the case of his company, large contributions of stock were made to provide for plan funding at levels significantly beyond the minimum requirements of law. Believes that forced divestiture of this stock would significantly depress the stocks trading value plus working to the detriment of the pension trust beneficiaries. Urges that any limits on investment in employer securities be applied prospectively only.

William N. Bret, Jr., Hansen, Inc., Dallas, Texas.—Argues that the provision limiting pension investments in securities of the employer to no more than 7 percent is too restrictive and should be raised to at least 25 percent. States that in addition any new limit should not force the sale of securities now held by pension trusts.

Mead, Inc., Sidney G. Hawkes, Manager, Washington Affairs.—Opposes the severe restrictions on the ability of fiduciaries to diversify pension fund investments by entering into lease transactions with or acquiring the securities of employers and employer groups. Maintains that the prudent man, adequate consideration and diversification rules of the pension reform bill and the Internal Revenue Code are adequate and effective safeguards against the abuses which the 7-percent limitation was designed to curb. Recommends that, if a limit is to be imposed, that the limit in investment in employer securities be increased to 10 percent, with an additional 10 percent allowed to be invested in employer leases.

Peter S. Hanke, Secretary and General Counsel, Garlock, Inc., Rochester, New York.—Asserts that most existing abuses are illegal under present law, but indicates that a Federal standard of responsibility of fiduciaries of pension funds is not unacceptable to industry provided that the standards are reasonable and involve small administrative costs.

H. P. Kneen, Jr., International Business Machines Corporation.—Feels that the bill should recognize the fact that fiduciary responsibility is lodged in several different people and organizations by permitting apportionment of the total fiduciary responsibility among all such parties with respect to a particular plan.

S. J. Rosinski, Vice President, Rohr Industries, Inc.—Objects to the 7-percent limitation on investment in a company's own securities since this provision bears no relation to the economic soundness of the company. Thinks that a prudent man rule will be sufficient to protect the employees. Favors a sliding scale based on some independent evaluation of the securities in question such as the Standard & Poor rating.

Kelly W. Isom, Capital Exchange Corporation, Las Vegas, Nevada.—Urges that the prohibited transaction section contain an exemption for the purchase of employer securities by a stock bonus plan.

Johnson & Johnson Company, New Brunswick, New Jersey.—Argues that the requirement for divestiture of holding of employer stock to the extent such exceeds 7 percent of the value of the fund is too harsh and particularly unnecessary in the case of widely marketable securities. Believes the provisions should be changed to permit retention of present holdings and to limit prospective acquisitions to 10 percent.

Tasty Baking Company, Philadelphia, Pennsylvania, Paul R. Kaiser, Chairman of the Board.—Objects to the 7-percent limit on investments in employers' securities and employer-related real estate and equipment. Notes that approximately one-third of the company's pension fund assets are in the form of corporate assets leased to the employer. Fears that the provisions requiring divestiture of company assets over a five-to-10-year period could result in severe hardship.

Macbeth Hardware Co., San Francisco, Calif., William E. Macbeth, President.—Protests the omission of an exemption in H.R. 4200 for purchase of employer's securities by employee stock bonus plans.

American International Group, Inc., New York, N.Y., Maurice R. Greenberg, President.—Proposes that there should be some sort of grandfather provision for plans which already have more than 7 percent of their assets invested in the sponsoring company's securities, so that divestiture would not be required while additional investment is prohibited.

Richard M. Acheson, Jr., Attorney, Pacific Palisades, Calif.—Requests revision of the prohibited transaction provision of H.R. 4200 so that the employer would be permitted to make loans to a stock bonus trust to enable the trust to purchase employer stock. Suggests, also, that a 10-percent or more shareholder (or any party in interest) should be permitted to extend credit to the trust to enable it to purchase employer stock on an installment basis.

Robert E. Jensen, Counsel to IU International, Washington, D.C.—Approves of the proposals of H.R. 4200 for improved disclosure of pension fund management transactions and employee rights.

Marvin Goodson, Attorney, Beverly Hills, California.—Believes that stock bonus plans which in the past have served as a positive incentive for corporate employees will be destroyed by the new legislation. Sees this result because most stock bonus plans are in closely-held companies and the bill prohibits the purchase of stock from a controlling shareholder or from members of a controlling shareholder's family. Asserts that in 90 percent of the purchases for a stock bonus plan the seller fits the definition of "a party in interest."

Robert L. Lane, Attorney, Phoenix, Arizona.—Opposes any provision that prevents pension plans of medium-sized companies from lending money to the companies.

Joseph S. Schuchert, Jr., Attorney, Los Angeles, Calif.—Urges the Committee on Ways and Means to revise the prohibited transaction provisions of H.R. 4200 to permit the purchase of employer stock from a "party-in-interest" by a stock bonus trust and to permit loans or other extension of credit from a "party-in-interest" to a stock bonus trust. Contends that this prohibition will make it very difficult, if not impossible, for many stock bonus trusts to acquire employer stock. Notes that this situation is particularly critical since the definition of a stock bonus plan includes the requirement that the trust distribute benefits in employer stock. Submits for consideration wording for exceptions and amendments to H.R. 4200 which would allow the above transactions.

H. T. Cotter, Oxnard, California.—Urges that the prohibited transactions section of H.R. 4200 be amended to provide an exemption for the purchase of employer's securities by a stock bonus plan and for the the guarantee by the employer or other party in interest for loans to stock bonus plans for the purchase of employer's securities. Maintains that the current proposed legislation arbitrarily and inequitably defeats the efficient acquisition of ownership of company's stock by employees covered by such plans.

Wayne D. Hudson, San Francisco, California.—Asks that the prohibited transaction section of H.R. 4200 be amended to contain an exemption for the purchase of employer's securities by a stock bonus plan and for the guarantee by the employer of loans to stock bonus plans for the purchase of employer securities.

Douglas S. Shewin, Ann Arbor, Mich.—Objects to the omission of exemptions from H.R. 4200 which would allow qualified stock bonus plans to purchase employer's securities and would allow guarantee by the employer of loans for the purchase of company securities. Feels that this effectively prevents any significant participation by employees in the ownership of their company and deprives the country of an opportunity to broaden the distribution of capital.

The following also recommend an exception to the prohibited transactions provisions which would allow stock bonus plans to purchase employer securities and would allow employers to guarantee loans for such purposes:

Kenneth Goodin, San Francisco, California.

Boeing Company, Renton, Wash., Stanley M. Little, V.P.—Industrial & Public Relations.

Stearns-Roger Corporation, D. E. Provost, Chairman and President.

Kelly W. Isom, Las Vegas, Nevada.

Richard B. Miller, Managing Editor, the Bankers Magazine, Boston, Mass.

Greyhound Corporation, Phoenix, Ariz., Robert E. Gocke, V.P.—Industrial Relations and Personnel.

H. Reporting and Disclosure

American Institute of Certified Public Accountants, Division of Federal Taxation.—Endorses the provision in H.R. 2 requiring that independent audits be conducted by qualified independent public accountants in accordance with generally accepted auditing standards. Believes that any proposed legislation dealing with employee-benefit funds should include a definition of those persons qualified to conduct audits of such funds. Accepts the definition of a qualified independent auditor which was adopted by the General Accounting Office in September 1970. Endorses the disclosure and reporting requirements of sections 104(a) and (b) of H.R. 2, but opposes such requirements of sections 502(p) and (q) of H.R. 4200 because they are too cumbersome and may adversely affect regulatory supervision.

American Life Insurance Association.—Supports the provision of H.R. 4200 relating to disclosure of fiduciary standards. Suggests that the initial reporting date be extended beyond January 1, 1974, to allow adequate lead time for the promulgation of regulations and forms.

Building and Construction Trades Department, AFL–CIO, Frank Bonadio, President.—Favors a later date than 1974 for initial reporting by plans of the identification and status of each terminated employee who has a vested right.

Points out that many multiemployer plans have no precise records as to who is vested or not. Indicates that they could not do so by 1974.

New York State Bar Association, Tax Section, R. O. Winger, Chairman.—States that the bill is not clear as to the nature of the required notice to employees informing them that the employer has submitted a request for a determination of the plan's qualification. Questions whether each employee must be given actual written notice of the application for determination, whether posting on the bulletin board would be sufficient notice, or whether copies of the application have to be made available to each employee? Recommends that this point be clarified either in the statutory language or in the Ways and Means Committee report. Suggests, also, that it be made clear that certain confidential information need not be made available to an employee intervening in a declaratory judgment proceeding. Urges that the compensation data for the 25 highest paid plan participants as required in the application for qualification not be open to public inspection.

Delaware County (Pa.) Chamber of Commerce, Samuel B. Parsons.—Favors the disclosure provisions of the bill.

Gilpert Dwyer, Kennecott Copper Corp.—Finds no limitation in the bill on the number of times an employee can request an individual statement of his entitlement under a plan. Believes that some limit such as one every three years should be placed on the number of requests to prevent harassment of employers by disaffected employees.

Argues that the requirement of an annual independent audit and the requirement that the plan submit to the Federal Government all details of the fund and its transactions largely duplicate each other. Recommends that the filing requirements be eliminated.

H. P. Kneen, Jr., International Business Machines Corporation.—Believes that the reporting requirement should call only for aggregate information not specific holdings and transactions, with the Secretary of the Treasury having power to call for detail when appropriate.

American Telephone & Telegraph Company.—Asserts that there is no need to burden plans and regulators with accumulating details on every single transaction.

Carnation Company, Los Angeles, California, J. H. Maynard, Assistant Vice President.—Asserts that because of the extreme complexity of the pension reform bill it will clearly increase the administrative burdens and costs of most plans. Urges the committee to keep in mind the practical consideration that for a company to remain in business it can spend only so much money on fringe benefits. Notes that many of the burdensome administrative chores are not productive and will reduce the amount of money a company can spend for the employees.

National Gypsum Company; H. B. Richardson.—Opposes the requirement that personal and confidential information about the top 25 employees under the plan be disclosed.

George A. Strichman, Colt Industries, New York, N.Y.—Objects to the very elaborate reporting requirements and administrative machinery contemplated by the Senate bill. Believes it will lead to unusually burdensome costs which will ultimately be borne by the retirees.

Don H. Neufeld, Copolymer Rubber and Chemical Company, Baton Rouge, Louisiana.—Considers the statistical reporting and mathematical computation requirements of the Senate bill to be so voluminous and onerous on the employer as to require a host of accountants and attorneys. Contends that these provisions will tend to restrict the growth of private pension plans.

Lawrence J. Gilsdorf, President, Trust Consultants, Inc., San Francisco, Calif.—Points out that H.R. 4200 would require six new reports and two new Treasury returns to be filed each year by each administrator, no matter how small. Maintains that these reports could literally force many small firms to forego use of plans entirely. Complains of the complexity of Government regulations, the numerous variety of governmental taxes, and the sheer volume of reports to be made to the Government by small businesses. Requests particular attention to simplifying the reporting requirements imposed upon small business.

Peter S. Hanke, Secretary and General Counsel, Garlock, Inc., Rochester, New York.—Indicates that the company should disclose to its employees their rights and benefits under its retirement plans. Contends that they should not, however, have to report complex data to the Government.

T. Rowe Price Associates, Inc., Baltimore, Maryland, Charles W. Shaeffer, Chairman and President.—Maintains that the bill will result in an administrative morass and that all employers will be required to make complex annual analyses for every employee's benefits, which will also involve extensive additional actuarial, accounting, and legal expenses.

Joseph P. Mulhern, Attorney, Chicago, Illinois.—Feels that no overriding public purpose would be served by requiring business entities to make sensitive compensation information available to the public generally as required by the pension reform bill.

I. Administration and Enforcement

Chamber of Commerce of the United States, Andrew A. Melgard, Senior Associate.—Favors retaining authority over pension legislation in the Treasury Department. Believes that the unmatched and invaluable expertise of the Internal Revenue Service makes it the best agency to enforce the complex laws. Opposes the creation of any new Labor Department bureaucracy because it would be costly, inefficient, and potentially dangerous to the welfare of covered employees.

Building and Construction Trades Department, AFL–CIO, Frank Bonadio, President.—Notes that H.R. 4200 would authorize the Secretary of the Treasury to investigate welfare and pension plans to determine if any violations have occurred, with such investigations or audits being made as often as once a year or shorter if reasonable cause for suspecting a violation.

Suggests that audits or investigations be limited as they are under the New York Disclosure Act to once every 5 years, with more frequent investigations if reasonable cause determined. Points out that audits each year are expensive.

Contends that there is no justification for the per capita tax for administrative and enforcement purposes. Maintains that such administration be financed from general revenues as is other enforcement activities of the Government.

Larry R. Brown, Greater Canton Chamber of Commerce, Canton, Ohio.—Maintains that administration should be retained in the Treasury Department.

Arthur L. Foxx II, Director, Professional Drivers Council for Safety and Health, Washington, D.C.—Objects to the provision permitting unions and employers to agree upon "alternate procedures" other than impartial arbitration for the settlement of pension disputes.

Asserts that where a union is also acting in an administrative or trusteeship capacity over pension fund, its interests are in conflict with its members who are the beneficiaries. Believes that in these cases the "alternate procedure" could work to the detriment of the beneficiaries.

Delaware County (Pa.) Chamber of Commerce, Samuel B. Parsons.—Recommends retention of pension plan administration in the Treasury Department.

John A. Wilson, Diamond Shamrock Corporation, Cleveland, Ohio.—Asserts that administration by both the IRS and the Labor Department is wasteful, time consuming and bureaucracy-building. Believes that the IRS with its expertise could cover any added features of pension plans provided under the bill.

National Steel Corporation, Pittsburgh, Pennsylvania, George A. Stinson, Chairman and President.—Opposes the "excise tax for auditing, etc." Suggests that the additional expenses incurred should be financed from general funds.

Edward S. Croft, Robinson-Humphrey Company, Atlanta, Georgia.—States that the definitions of "fiduciary" and "party in interest" are overbroad and overrestrictive. Contends that the administration of retirement plans will be hampered and unacceptable risks will be created for those who administer the retirement plans.

States that the provisions of the bill providing ready access to the court and other review bodies for class actions will invite oppressive litigation.

William Malone, General Telephone and Electronics Corp.—Encourages the adoption of provisions which retain the current Treasury Department jurisdiction over the pension regulation field.

W. F. Dewey, Assistant to Financial Vice President, Blue Bell, Inc., Greensboro, N.C.—Feels that the Internal Revenue Service should have most of the administrative responsibilities for pension plans rather than the Labor Department.

American Cyanamid Company, T. P. Turchan, Vice President.—Supports provisions in H.R. 10489 which would vest total responsibility for administration of all phases of the act exclusively with the Secretary of the Treasury.

Greyhound Corporation, Phoenix, Arizona, Robert E. Gocke, Vice President-Industrial Relations and Personnel.—Opposes the per employee per year additional tax and the additional disclosure and audit requirements of H.R. 4200, because they will add even more paper work to the Executive Branch's cramped and little used files in this area.

Gilpert Dwyer, Kennecott Copper Corp.—Objects to a vast duplication of administration between the Labor Department and the Treasury Department which imposes unnecessarily burdensome expenses and creates the risk of conflicting interpretations between the two departments.

Employee Benefit Plans, Inc., Colorado Springs, Colorado, Henry T. Cooper.—Calls attention to the fact that the area of professional qualifications has been left to the States. Indicates that the provision in the pension reform bill which allows the Treasury Department to approve who is or is not an actuary could be unconstitutional. Recommends that the bill be amended to read that the IRS could establish such standards and rules in the absence of such State legislation.

Points out, also, that inflexibility of most provisions of the pension reform bill make an actuary unnecessary since no actuarial judgment is necessary.

Urges that the legislation provide the IRS with control of acceptable ranges of assumptions and cost methods, while leaving the particular assumptions and methods within those ranges to the judgment of the actuaries.

National Gypsum Company, H. B. Richardson, Financial Manager of Employee Benefits.—Believes the $1.00 per participant excise tax to be used to defray the costs of annual fund audits is unnecessary in view of the prior requirement that each fund be subjected to an independent audit.

J. Limitations on Contributions

Honorable Charles H. Percy, United States Senator, Illinois.—Indicates that the $75,000 limit should not apply to "defined-contribution" plans (profit sharing) because the employee should be able to benefit from the growth in his investment. Does not believe it was the Senate's intention to so include "defined-contribution" plans under the $75,000 limitation.

Chamber of Commerce of the United States, Andrew A. Melgard, Senior Associate.—Urges that any limit on deductions for contributions on behalf of corporate employees be eliminated, and that all sections referring to "proprietary employees" be deleted.

American Institute of Certified Public Accountants, Division of Federal Taxation.—Opposes the special limitations on contributions to plans covering self-employed individuals. Maintains that there should be no distinction between plans covering self-employed individuals and those covering corporate employees. Strongly supports, however, the proposed amendments to increase the deductible contribution under self-employed plans as an attempt to achieve greater equity than currently exists.

American Life Insurance Association.—Rejects the concept of trying to obtain uniformity by limiting deductions available for qualified pension and profit sharing plans established by corporations. Asserts that any such effort, whether directed at all corporate plans or merely at the owners of closely held businesses, not only raise serious questions of tax equity but also run directly counter to efforts to encourage the growth and expansion of the private retirement system.

American Society of Pension Actuaries, William W. Hand, President.—Believes title VII should be completely rewritten so as to eliminate any reference to any special category of employees referred to as "proprietary employees."

Proposes that the maximum pension benefit permitted under any plan should not be $75,000 but should be $100,000 times a fraction the numerator of which is the maximum annual compensation taxable under Social Security for that year, and the denominator of which is $12,000 (the maximum compensation covered by Social Security taxes in 1974). Considers this formula to provide an adequate inflation adjustment.

Eugene L. Vogel, Chairman, Committee on Taxation, The Association of the Bar of the City of New York.—Urges that the same limitations apply to self-employed individuals as are applied to corporate employees. Thinks this would simplify the Internal Revenue Code and help achieve the desirable goal of uniformity of tax treatment of similarly situated taxpayers.

Pennsylvania Institute of Certified Public Accountants, Philip G. Zink, Jr., President.—Urges favorable consideration of H.R. 4200; and in particular, approves of increasing the contributions limit for self-employed individuals to $7,500.

Associated Oregon Industries, Ivan Congleton, Executive Vice President, Salem, Oregon.—Considers the limit on pension benefits to 75 percent of compensation to be unacceptable.

Larry R. Brown, Greater Canton Chamber of Commerce, Canton, Ohio.—Opposes any change that would impose a limitation on contributions to corporate pension plans.

Delaware County (Pa.) Chamber of Commerce, Samuel B. Parsons.—Objects to limitations on pension plans for self-employed, family-owned, and small business corporations.

The Medical Society of New Jersey, Trenton, N.J., Vincent A. Maressa, Executive Director.—Urges the committee to give careful and favorable consideration to the provisions of H.R. 4200 which would increase the limit and percentage of income that could be placed in a tax-qualified pension plans by a self-employed individual.

The Medical Society of the State of New York, Lake Success, N.Y., Henry I. Fineberg, M.D., Executive Vice President.—Endorses the provision of H.R. 4200 which would increase the present annual limits on contributions to retirement programs by self-employed individuals from $2,500 or 10 percent of earnings to $7,500 or 15 percent of earnings, whichever is less. Questions, however, the desirability of the provision in the bill limiting pension benefits for corporate employees, especially employees of professional service corporations.

Arthur J. St. Martin, Procter & Gamble Employees Association.—Urges that the limitations on benefits be reworded so that profit sharing plan benefits are clearly excluded. Feels that otherwise union members will be adversely affected.

Council on Employee Benefits, Akron, Ohio, R. H. Hubbard, Chairman, Legislative Committee.—Advocates the elimination of the fixed-dollar limitation on maximum pensions as being inconsistent with the basic compensation and tax policy.

Martin Vaagen, President, Independent Radionic Workers of America, Chicago, Illinois.—Proposes the elimination of the 75-percent of compensation benefits limit. States that profit sharing plans to which his union members belong have been quite successful and that most union members would be affected by this legislation.

H. P. Kneen, Jr., International Business Machines Corporation.—Opposes the limitations on pension benefits. Thinks that the $75,000 a year maximum pension discriminates against highly paid employees and will, in many cases, result in an effective limitation of much less than $75,000. Also, feels that the 75-percent limitation will adversely affect many lower-paid employees since some companies like IBM have voluntarily passed along pension improvements to previously retired employees to offset the effect of inflation on pension benefits. In such cases, the resulting benefit rate can eventually substantially exceed 75 percent of the pay level which existed many years earlier when the employee retired.

General Motors Corporation, Detroit, Michigan, R. C. Gerstenberg, Chairman.—Objects to these limitations in the belief that the current limitations that prohibit discriminatory practices are satisfactory in preventing abuse of the tax deduction for pension plan contributions. Also believes that the 75-percent limit may affect many low-paid employees adversely.

Ford Motor Company, Dearborn, Michigan, John Sagan, Vice President.—Urges rejection of any such limitations on corporate pension plans as being unwaranted interference by the government in normal business negotiations with their employees.

International Telephone and Telegraph, J. A. Kostrab, Director, Employee Compensation and Benefits.—Requests that the legislation be clarified and revised so that it cannot be interpreted as setting a limit on pensions that can be paid and so that a pension plan will not be disqualified by provisions for possible pensions in excess of $100,000, even though there is a limitation on the tax deductions for contributions in excess of the contribution to support such pensions.

H. B. Richardson, Financial Manager of Employee Benefits, National Gypsum Company.—Objects to the limitation of pension benefits to 75 percent of compensation calculated with a maximum of $100,000 of compensation. Believes that if some restriction on the amount of pension benefits is required, the restriction should be purely a percentage of compensation restriction with no maximum compensation. Questions whether the limitation on contributions for qualified plans is a limitation on the deductibility of contributions or if exceeding the limitation would disqualify the plan.

United States Steel Corporation, William G. Whyte, Vice President.—Opposes the ceiling on benefits because it has long been an American tradition that retirement income should be related to pre-retirement income. Maintains that no specific ceiling is necessary or appropriate since existing law requires a test of reasonableness in determining the level of both pre- and post-retirement income.

Container Corporation of America, R. D. Bittendender, Senior Vice President-Personnel.—Objects strongly to the provisions of H.R. 4200 which would arbitrarily limit company contributions for employees covered by the company's stock bonus plan. Reports that the company contributes annually a sum of up to 10 percent of each participating employee's annual base salary to the stock bonus plan, and that such plan has been considered by management as playing a key role in the motivation of its employees.

Maintains that sections 706(f) and 704(a)(1)(C) of H.R. 4200 would severely curtail benefits for many long-service employees, would lessen the incentive value of their plan, and would impose great administrative burdens on plan administration. Points out that whether or not deductible contributions can be made to an employee's account will depend entirely upon the market value of shares of stock which are held by the plan. Submits an analysis which indicates that many modestly paid employees would have their benefits significantly curtailed by the limitations on company contributions to such stock bonus plans.

Sperry Rand Corporation, New York, N.Y., T. V. Hirschberg.—Opposes limits on pension benefits since they limit the amount a corporation may pay an employee. Believes that the intent of such a law should be to disallow tax deductions for contributions in excess of those necessary to provide the 75 percent ceiling, not to disqualify an entire plan which provides such excess contributions to certain employees. Opposes any ceiling on stock bonus, profit sharing plans, and money purchase plans. Recommends that section 706(f) of H.R. 4200 be deleted.

Aluminum Company of America, Frank P. Jones, Jr., Vice President-Government Relations.—Objects to the ceiling on benefits because such a limit is not necessary to protect the public interest and instead creates a new area of discrimination.

Scott Paper Company, Philadelphia, Pa., Arthur W. Hudock, Director of Compensation and Benefits.—Believes that there should be no ceilings on benefits since most pension and profit sharing plans provide benefits which are related to earnings and service. Notes that the Internal Revenue Service already provides strict controls which prohibit any discrimination in the plan in favor of highly compensated employees.

Carrier Corporation, Syracuse, N.Y., John A. French, Director of Pensions and Benefits.—Disagrees with the maximum limits set on the amount of pension that an individual may receive; but if a maximum pension limit is to be set, proposes that provisions be made for adjustments due to the effects of inflation.

Neil McKay, First National Bank of Chicago.—States that if the 75-percent-of-pay benefit limitation applies to combined benefits from both pension and profit sharing plans the benefits available to a large range of employees of America's largest corporations will be substantially reduced.

First National City Bank, New York, N.Y., George M. Lingua, Senior Vice President.—States that the primary intent of the Senators sponsoring the amendments providing for a ceiling on benefits was to limit or reduce pensions for only a relatively small population of senior corporate executives. Points out that to the contrary, the limitation has a far broader reach affecting many of the lower paid corporate employees.

Argues that the limitations would tend to weaken the ability of medium size and smaller companies in competing for top management talent with large corporations better able to pay large salaries and bonuses currently. Maintains that the compensation emphasis will merely shift much more to current salaries and bonuses and away from deferred benefits. Claims that the limitations will also have an adverse effect on competition for executives and managers on a global basis by multinational corporations not operating under such limitations. Questions the wisdom of placing arbitrary legal limits of any kind on the compensation which individuals can receive in our society.

Charles E. Denny, Radio Corporation of America.—Asserts that the present provision setting a ceiling on benefits does not clearly define the value of employees contributions to a retirement program. Believes that employee contributions must be exempted from the ceiling of benefits and that this exemption must be clearly stated in the legislation.

Zenith Radio Corp., Eugene M. Kinney, Senior Vice President.—Requests removal of the proposed $75,000 limit for profit sharing trusts because this would remove certain incentives and penalize employees who are expecting growth in their retirement funds.

Carnation Company, Los Angeles, California, J. H. Maynard, Assistant Vice President.—Contends that the limitations on deductible contributions to qualified pension and profit sharing plans of H.R. 4200 will cause the contributions made to profit sharing plans to be diminished with a corresponding decrease in employee's benefits. Feels that the effect of the bill could be virtually to eliminate qualified profit sharing plans in situations where the employer also provides a pension plan for the same employees. Believes that the present Code restriction of 15 percent of the compensation of the covered employees is reasonable and should not be changed because such change would curtail an effective management tool toward cost reduction and employee motivation.

American Telephone & Telegraph Company.—Opposes the limitations on pensions payable to corporate employees.

B. F. Goodrich Company.—Feels the 75-percent limitation on pension benefits is appropriate, but not the arbitrary limit of $100,000 of earnings to be considered in determining final average earnings.

J. Dudley Haupt, St. Regis Paper Company, Washington, D.C.—Objects to the $75,000 limitation because it effectively prevents a corporation from setting its own rates of compensation. Would prefer no limitation at all, but if some limitation is necessary thinks it should be 75 percent of the employees' average compensation for three consecutive years.

Gerald C. Eckermann, Vice President, Personnel, Kaiser Industries, Washington, D.C.—Opposes the maximum dollar limit of $75,000. Also, thinks that any limitations should apply only to pension plans, and not to stock bonus, profit sharing or money purchase plans.

First National Bank of Chicago, Neil McKay, Executive Vice President and Cashier.—Urges opposition to H.R. 4200 and particularly its limitations on contributions and benefits. Contends that the limitations will seriously weaken the private retirement system and reduce the benefits of a wide range of employees.

Herbert E. Hartfelder, Southland Corporation, Dallas, Texas.—States that the provision limiting pension benefits to 75 percent of average highest three years' compensation will affect lower paid employees under this company's profit sharing program. Points out that the success of the company's profit sharing program has allowed such employees to retire with benefits higher than 75 percent of their salary. Believes that the present 15-percent limit on contributions is sufficient to prevent abuse.

Charles F. Myers, Jr., Chairman, and Horace C. Jones, President, Burlington Industries, Inc.—Maintain that the limit on pension benefits under section 706(f) of H.R. 4200 would have a devastating impact on members of their profit sharing plan.

Frank J. Dunnigan, President, Prentice-Hall, Inc., Englewood Cliffs, N.J.—Opposes limitations on profit sharing plans.

Travelers Insurance Companies, Mac Asbill, Jr., Counsel.—Objects to the limitations on the amount of deductible contributions with respect to any corporate employee. Calls attention to the fact that the provision was added on the Senate floor without the benefit of public hearings to determine the provision's full impact. Approves the objective of equality of treatment between employees of large and small corporations, but believes it should be achieved by eliminating the limits applicable to those who are discriminated against, rather than by imposing new limitations where none exist.

Argues that there is no danger of employees of large publicly-held corporations abusing the tax deferral privilege because the number of employees involved and the close stockholder scrutiny provide reasonable assurance against any such abuses. Contends that a fixed-dollar limitation on the amount of deductible contributions to corporate retirement plans is no more justifiable than a fixed-dollar limit on the deduction for current compensation. Recommends that, if some limitation is deemed necessary, there should be only a percentage limitation, there should be a cost-of-living adjustment to pension benefits, and there should be a grandfather provision to protect existing commitments.

W. F. Shaffer, Oscar Mayer & Co., Madison, Wisconsin.—Believes that the $75,000 limit on pension benefits paid to any individual should be removed. Stresses concern about the preservation of the free enterprise system and the growing trend in the Congress to pass legislation which has the effect ultimately of infringing on the rights of private business and the individual.

Revere Copper and Brass, Inc., Los Angeles, California, Nathaniel Pope, Vice President.—Contends that such limits should not be fixed in years to come because of income growth.

Kimberly Clark Corporation, Neenah, Wisconsin, Paul A. Jones, Vice President.—Opposes any limitations on corporate pension plans.

Ralph Lazarus, Federated Department Stores, Inc., Cincinnati, Ohio.—Asserts that the 75-percent limitation on benefits will adversely affect many long-term rank and file employees and executives who participate in the company's profit sharing plan and whose salaries have not risen rapidly.

Phillips Petroleum Company, Bartlesville, Oklahoma, W. R. Thomas, Vice President.—Feels that the provision limiting pensions to 75 percent of the employee's final average compensation, not to exceed $100,000, is particularly onerous. Maintains that the limitation on the amount of pensions an employee may be paid is tantamount to the limit on the amount the corporation may pay an employee. Maintains that this fear is supported by the fact that the bill prohibits nonqualified plans and thus establishes an absolute maximum on pension payments. Cites examples of the effect of such limitations on employees who are nearing the end of their careers and for whom there would not be time to adjust the compensation package to compensate them by other means.

Raytheon Company, Lexington, Mass., Charles F. Adams, Chairman of the Board.—Objects to the limitation of deductions for contributions on behalf of corporate employees; but if a maximum control is considered necessary, suggests that a maximum percentage be applied to the employee's average high 3-year compensation without a specified dollar limit.

National Gypsum Company, H. B. Richardson, Financial Manager of Employee Benefits.—Opposes limitations on corporate contributions. If any such limitation is considered necessary, however, favors the percentage restriction rather than the flat dollar restriction.

American Cyanamid Company, T. P. Turchan, Vice President.—Contends that the limitation of $75,000 on the amount of pension which can be paid to a higher paid employee without regard to his level of compensation is unreasonable, unnecessary, and discriminatory.

First Bank System, Minneapolis, Minnesota, William J. Bingham, Jr., Senior Vice President.—Objects to the proposed limitation on maximum pension benefits because it does not meet the objective of assuring equal treatment to both the lower paid and higher paid employee. Maintains that when social security is included in a pension formula, employees in higher compensation levels are even further discriminated against.

Mortimer B. Thomas, R. G. Thomas Corp., Palisades Park, N.J.—Feels that if section 706(b) of H.R. 4200 were to be enacted in its present form, it will cause many small corporations to consider abandoning their plans and also will slow new corporate pension plans. Hopes that there will be public hearings on this matter.

Chicago Branch and Iron Company, Oak Brook, Illinois, E. J. Keldon, Secretary.—Dislikes the maximum benefit limitations, but recommends as an alternative that the limit be 75 percent of the average compensation over three consecutive years for which the compensation is the highest, without the $100,000 limitation. Suggests, also, that the ceiling should apply only to pension plans and not stock bonus, profit sharing or combinations of other types of qualified plans.

NADCO, Inc., Alfred Jones, President.—Expresses concern about the limitation imposed on corporate pension benefits.

Jack J. Kahgan Sales Corporation, Hempstead, New York.—Urges that the maximum pension benefit limits be applied to public employees as well as private employees to reduce the excesses which are now being paid to public employees, notably those in New York City and New York State.

City Coachlines, Inc., Jacksonville, Florida, Charles T. Hornbuckle, Vice President–Finance.—Objects to the provisions with respect to limitations of benefits for proprietary employees because they are extremely complicated and difficult to administer. Feels that the limitation of benefits could be handled to effect the objectives of Congress by employing a simple limitation relating overall benefits to a percentage of total payroll.

Richard J. Behrens, Zenith Radio Distributing Corporation, North Lake, Illinois.—Urges removal of 75 percent of compensation benefits limit. Believes this is an unjustifiable ceiling on the potential retirement funds available to rank and file workers under his corporation's profit sharing plan.

J. B. Mooney, Mooney Chemicals, Inc., Cleveland, Ohio.—Objects to the provision limiting pension benefits to 75 percent of highest compensation or $75,000. Asserts that the result will be that long term employees who participate in his company's profit sharing plan will have their retirement benefits reduced. States that existing law limiting deductible contributions to 15 percent of compensation is sufficient to prevent abuses.

Eugene W. Ford, Union Bank, Los Angeles, California.—Contends that the alternate contribution deduction limits applicable to proprietary employees and to "corporate employees" will force a reduction of benefits for employees at all levels of compensation in the case of flat benefits per year of service plans such as that established in the recent UAW-Chrysler settlement.

Interprets title VII as requiring that participants under multiple qualified plans such as both a pension plan and a profit sharing plan will have basic pension benefits reduced by the contribution made to the profit sharing plan. Indicates that the effect may be a reduction in retirement security since the amount of the contribution to the profit sharing plan reduces the amount of assured benefits under the pension plan.

Laurence J. Gilsdorf, President, Trust Consultants, Inc., San Francisco, California.—Believes that H.R. 4200 virtually closes off the viability of all small pension and profit sharing plans in spite of what appeared to be an absolute Senate mandate that there should be no discrimination against small businesses and that all businesses should be treated alike. Submits evidence to show that a limitation of 15 percent or $7500 on deductible contributions by proprietary employees would be extremely discriminatory against older-aged proprietary employees and other middle-aged employees. Points out that, typically, a businessman will not have the earning capacity and liquidity until he is in his 50's when he will be able to begin setting aside enough money for retirement. Asserts that this 15-percent/$7500 provision could have the effect of destroying the private pension plan movement among proprietary employees and self-employed individuals. Estimates that at least 60 percent of all small to medium-sized plans would be affected by the provisions limiting benefits to 75 percent of the highest consecutive three-year salaries. Maintains that it would cause mass termination of plans and severe cutbacks.

T. Rowe Price Associates, Inc., Baltimore, Maryland, Charles W. Shaeffer, Chairman and President.—Argues that H.R. 4200 is more restrictive in many ways on corporate employees who are limited to benefits of $75,000 than on self-employed persons who may contribute up to $7,500 per year. Notes that the actual degree of discrimination is a function of the amount of compensation and the age of the participant. Points out, also, that $75,000 for those retiring 20, 30, or 40 years from now will represent a lot less in terms of real buying power at that time than it would for a participant retiring 10 years from now.

Fred Birdsong, Vice President, Research and Development, Blue Bell, Inc., Greensboro, N.C.—Supports the maximum pension benefit limit of $75,000 as a way to keep pension plans from being another tax shelter for the wealthy. Suggests, however, that consideration be given to allow for inflation. Expresses concern that the limit also applies to profit sharing plans.

W. F. Dewey, Assistant to Financial Vice President, Blue Bell, Inc., Greensboro, N.C.—Believes that there should be no dollar limitation on profit sharing plan benefits, as such plans are used to give employees an investment that will be a hedge against inflation for their retirement years. Contends that the 75-percent-of-compensation limit would have its greatest impact on lower paid employees.

E. Malcolm York, Controller, Paul Inman Associates, Inc., Franklin, Michigan.—States that the 75-percent limitation on pension benefits will limit the benefits available to employees at all wage levels who participate in successful profit sharing plans.

Jerry D. Larkin, Great-West Life Assurance Co., Phoenix, Arizona.—Objects to any legislation which limits contributions on behalf of owner-managers of a business to 15 percent of earned income or $7500.

Howard Swink Advertising, Marion Ohio, Paul W. Kohler, Chairman of the Board.—Opposes the provisions of H.R. 4200 which allow tax deductions for contributions only up to the present value unfunded limitation balance of each employee, and feels that such provisions are too ambiguous and exceeding complex.

Henry A. Pickard, President, Pickard, Inc., Antioch, Illinois.—Questions sections 706(b), 702(a)(3), and 704(a) of H.R. 4200 as applicable to profit sharing plans. Considers these provisions to be objectionable, complicated and ambiguous.

Nelson J. Young, PM, Florida East Coast, Inc., Fort Lauderdale, Florida.—Objects to any limitation on contributions for corporate pension plans. Maintains that these do not permit tax saving but only tax deferral to a future time. Also disapproves limitations on proprietary employees' pension plans that are more strict than those that apply to corporations in general.

William E. Meyer, Broadway Hale Stores, Los Angeles, California.—Points out that the 100-percent limitation severely limits benefits to profit sharing plan participants, particularly lower paid, long service employees. Sees a reduction of retirement, death, and disability benefits for employees due to the proposed limit.

Peter S. Hanke, Secretary and General Counsel, Garlock, Inc., Rochester, New York.—Opposes the $75,000 limit as well as the limitation to 100 percent of pay as the basis for pension calculations. Also, objects to special restrictions on pensions of proprietary employees.

C. A. Roloff, Controller, Pillar Corp., West Allis, Wis.—Believes that placing a ceiling on pension benefits will result in the termination of many pension and profit sharing plans and the likelihood that few new plans will be initiated.

William N. Bret, Jr., Hansen, Inc., Dallas, Texas.—Protests the application of the 100-percent-of-pay-limitation to profit sharing plans. Feels that this provision will dramatically change the sharing of profits in this country and restrict, reduce, or eliminate most combined pension and profit sharing plans.

Robert E. Jensen, Counsel to IU International, Washington, D.C.—Opposes any limit on the amounts which can be contributed or the amounts of benefits which can accrue for any participant. Argues that if such a limit is imposed it should not apply to plan now in effect under which many employment agreements have been consumated.

Robert H. Mikkelson, CLU, Albany, Oregon.—Approves of the Senate-passed bill. Rejects any special limitations on proprietary employees of corporations. Believes that such a limitation would adversely affect many professional corporations as well as a multitude of small businesses across the country.

John A. Connors, FCA, Englewood Cliffs, New Jersey.—Interprets the bill as prohibiting proprietary employee plans from providing a pension of more than $75,000 for any participant while merely denying a tax deduction for all contributions made by corporate employee plans on behalf of any employee who will receive a pension greater than $75,000. Requests that this discrimination be eliminated.

Johnnie R. Vines, CPA, Monroe, Louisiana.—Objects to any limitations on proprietary employees' pension plans that are any stricter than those applying to corporate pension plans in general.

Egbert R. Ferguson, Jr., Attorney, Washington, D.C.—Urges that the employee and the self-employed person be put on a parity to end the artificial advantage of professional incorporation.

Joseph C. Swaim, Jr., Attorney, Pittsburgh, Pa.—Indicates that the increased deduction for self-employed plans is urgently needed to help eliminate the historical tax discrimination against self-employed persons on their pension plans.

Robert B. Leslie, Attorney, Seattle, Washington.—Proposes that tax-deferred contributions to private pension plans of partnerships be commensurate and equal to the benefits available to proprietary employees of closely held corporations. Argues that in substance incorporated professional partnerships are no different than other professional partnerships.

Frederick R. Keydel, Attorney, Detroit, Michigan.—Contends that H.R. 4200 continues the discriminatory treatment against self-employed persons. Claims that the self-employed provision in the code is a fraud because of its restrictions and limitations, as evidenced by the lack of use of the provision and the extensive use of professional corporations as a way around such restrictions for professionals to get more favorable pension benefits.

Charles S. Grobe, Attorney, Los Angeles, California.—Fails to understand the special contribution limitations on proprietary employees in light of the Senate vote to eliminate all such distinctions. Contends that the "unfunded limitation balance" concept will require especially trained actuarial consultants for every plan, and thus increase the cost of administering such plans, because of its complexity. Enumerates several reasons why the concept of "unfunded limitation balance" is impractical and unduly onerous and unfair to the small businessman and to the person near retirement age.

John N. Wrinkle, Attorney, Birmingham, Alabama.—Feels that there are not enough pensions in excess of $75,000 a year to justify all of the many limitations and standards posed in this area.

Hilary G. Lynch and Richard R. Carr, Attorneys, Pittsburgh, Pennsylvania.—Strongly oppose applying the same limitations that apply to self-employed individuals to professional corporations.

A. G. Rockwell, M.D., Seattle, Washington.—Recommends allowance of more realistic pension plan contributions for both Keogh and corporation plans. Sees no logic in setting the Keogh limit at $7,500, while allowing larger amounts for corporate employees. Favors a larger deduction limit than $7,500 for Keogh plans.

Raymond A. Case, M.D., Portland, Oregon.—Favors the increase in the maximum yearly limit on contributions to self-employed plans, but rejects any restriction on professional corporations that is more stringent than those applied to other corporations.

George E. Shambaugh, Jr., M.D., Chicago, Illinois.—Urges that the favorable taxation provisions available for corporations in general be available for professional corporations so that professionals not be discriminated against as compared to executives in other businesses.

I. J. Sherman, Jr., M.D., Baton Rouge, Louisiana.—Requests that there be no discrimination against small corporations and professional corporations.

Robert A. Scherer, D.D.S., Homewood, Illinois.—Supports general pension reform, but urges deletion of limitations placed on pension plans of small corporations and their officers.

Arnold D. Scott, Dedham, Mass.—Strongly objects to proposed limits on anticipated retirement benefits. Maintains that such limits are arbitrary, should not be acted on without adequate hearings and study, and would be detrimental to working incentives for those expecting liberal profit sharing and pension plan benefits as a part of their long-term compensation.

Frank E. Kuller, M.D., Cincinnati, Ohio.—Takes exception to the proposal which would limit the amount a small corporation could deduct for contributions to employees' retirement plans.

Mrs. Macy Lerner, Rochester, New York.—Contends that proposals to limit contributions to professional corporation and small business corporation retirement plans are highly discriminatory.

Ronald S. Leventhal, Atlanta, Georgia.—Asks that profit sharing plans not be covered with respect to the 75-percent maximum benefit from pension plans. Asserts that requiring actuarial computations for such plans may cause many corporations to stop their plans because of added expense.

Mrs. Eva Merik, Dental Assistant, Berwyn, Illinois.—Objects to proposed curtailment of pension plan deductions of professional corporations. Notes that one reason for continuing to work for doctors is because of the pension and profit sharing plan, amounting to 25 percent of her salary.

G. E. Visgar, Beloit, Wisconsin.—Opposes provisions of S. 1179 that would limit contributions to pension plans by employees of small corporations. Feels that this would substantially reduce his pension and profit sharing benefits to a fraction of what his counterpart in a large corporation might expect.

Mel Hightshoe, Tyler, Texas.—Argues that applying the 75-percent of top 3 years of compensation limit to profit sharing plans will affect the benefits available to lower and middle level employees with companies whose profit sharing plans have been highly successful. Believes that this result is unnecessary given the provision of present law limiting contributions to 15 percent of compensation.

Calvin Fowler, Cocoa, Florida.—Maintains that a dollar limit on private pensions is not only wholly unnecessary but most inappropriate in view of its long range implications on the attraction of talented young people to enter and stay in private industry. Feels that, if Congress desires a limitation, it would be far more equitable to provide that the pension payments not exceed a percentage of annual earnings without any fixed-dollar limit.

F. R. Iler, Greensboro, North Carolina.—Opposes the limitations on benefits payable because it will have the greatest effect on reducing the benefits of the lower paid employees. Complains that such limitation also removes the only tax shelter that most of the middle and lower income employees can take advantage of.

B. Perry Tanner, III, Spartanburg, S.C.—Objects to limitations placed on profit sharing plan benefits.

The following also express opposition to any limit on contributions to pension plans:

Forbes Mann, LTV Corp.

William Malone, General Telephone & Electronics Corp.

J. B. McGovern, Nabisco, Inc.

V. J. Adduci, Electronic Industries Association.

John F. Darrow, American Paper Institute.

W. W. Kenney, Northern Natural Gas, Omaha, Nebraska.

Edgar R. Mellon, Washington Gas Light Co.

William N. Bret, Jr., A. S. Hansen, Inc., Dallas, Texas.

R. J. Grünewald, Morton-Norwich Products, Chicago, Illinois.

Dr. Ben Stephens, Minneapolis, Minnesota.

Robert C. MacDonald, Young Radiator Co., Racine, Wisconsin.

Arthur W. Barron, Jr., Franciscan Sisters of the Sacred Heart, Mokena, Illinois.

William G. Whyte, Vice President, United States Steel Corporation.

Gilbert Dwyer, Kennecott Copper Corporation.

Edward S. Croft, Robinson-Humphrey Company, Atlanta, Georgia.

Joseph R. Layton, Sun Oil Co.

Edison Electric Institute.

Warren E. Finzi, Phelps Dodge Corporation.

W. B. Whaley, Graybar Electric Company, Inc.

Bernard K. Jenkin, Columbus, Ohio.

H. V. Mitchell, Gulf States Paper Corporation.

W. G. Horney, Owens-Illinois Co.

John F. Simons, Continental Can Co., Inc.

B. G. Shepard, Rohm & Haas California, Inc.

National Steel Corp., Pittsburgh, Pa., George A. Stinson, Chairman and President.

Boeing Company, Renton, Wash., Stanley M. Little, V.P.-Industrial and Public Relations.

Joseph P. Mulhern, Attorney, Chicago, Ill.

Campbell Soup Company, Camden, N.J., Edwin J. Foltz, V.P.-Corporate Relations.

Dow Chemical, Midland, Mich., Earle B. Barnes, President.

Ingersoll-Rand Company, Woodcliff Lake, N.J., W. L. Wearly, Chairman of the Board.

Kraftco Corporation, Glenview, Ill., W. B. Jordan, V.P. and Treasurer.

Tillinghast & Company, Atlanta, Ga.

Gulf States Paper Corporation, Tuscaloosa, Ala., H. V. Mitchell, V.P. and Treasurer.

American International Group, Inc., New York, Maurice R. Greenberg, President.

R. F. Lutz, V.P.-Sales, Lady Wrangler, New York, N.Y.

Texas Instruments, Inc., Dallas, Tex., E. O. Votter, Executive V.P.

Stearns-Rogers Corporation, D. E. Provost, Chairman and President.

Rohm and Haas Co., Philadelphia, Pa., V. L. Gregory, President.

Peavey Company, Minneapolis, Minn., Ron Kennedy, V.P.-Public Affairs.

Universal Products Company, Des Plaines, Ill., Alan B. Shidler, Tax Counsel.

Greyhound Corporation, Phoenix, Ariz., Robert E. Gocke, V.P.-Industrial Relations and Personnel.

Red Kap Industries, Nashville, Tenn., W. Frank Evans, President.

Maverick, Inc., New York, N.Y., William V. Law, National Director Distributor Sales.

Revere Copper and Brass Incorporated, New York, N.Y., R. C. Baynes, V.P.

Miller Enterprises, Inc., Chicago, Ill., William E. Withall, President.

Green Bay Packaging, Inc., Green Bay, Wis., Max Sielaff, Secretary.

Kansas Association of Commerce & Industry, Topeka, Kansas, Carl C. Nordstrom, Exec. V.P.

State Bank of Jacksonville, Jacksonville, Fla., Louie C. Casey, Jr., V.P.

Container Corporation of America, R. D. Bittenbender, Senior V.P.-Personnel.

Marcor, Inc., Washington, D.C., John D. Foster, V.P.

Aerospace Industries Association of America, Washington, D.C., Karl S. Harr, Jr., President.

Colt Industries, New York, N.Y., George A. Strichman, Chairman.

Samuel Gusmen, President, Warren-Teed Pharmaceuticals, Columbus, Ohio.

W. G. Valko, President, Consolidated Biomedical Laboratories, Columbus, Ohio.

Edward W. Doss, Vice President, The Southern Resin and Chemical Co.

William P. Ambrogi, President, Witmoyer Laboratories, Inc., Myerstown, Pa.

The following object to pension discrimination by type of employer or employee:

Joseph P. Mulhern, Attorney, Chicago, Ill.

Stearns-Roger Corporation, D. E. Provost, Chairman and President.

W. Dean Hopkins, Attorney, Cleveland, Ohio.

Kenneth D. Maier, M.D., Des Plaines, Ill.

Greyhound Corporation, Phoenix, Ariz., Robert E. Gocke, V.P.-Industrial Relations and Personnel.

K. Tax Incentives for Personal Retirement Savings Plans

American Institute of Certified Public Accountants, Division of Federal Taxation.—Favors the proposal providing for deductions for individual retirement savings. Commends the proposal as a step in the right direction, but feels that it should be reviewed with the views to raising the deduction limitation. Recommends that, in any event, the simplest method of annual reporting be adopted.

Arthur L. Rossoff, American Institute of Aeronautics and Astronautics.—Approves of the provisions for a personal retirement savings plan, but feels that the contributions limit should be equal to those allowed the self-employed.

American Life Insurance Association.—Supports the concept of allowing the establishment of individual retirement accounts. Urges that, consistent with revenue constraints, the highest possible deduction level be established. States that the legislation should make clear that an individual who desires to fund his own retirement program through the purchase of an insurance contract can hold the contract directly himself without any intervening trust or custodian. Believes that the 30-percent penalty tax applicable to early withdrawals is unduly harsh and should be replaced with a penalty tax provision comparable to that presently applicable to self-employed plans.

Oregon Credit Union League, Portland, Oregon, Thomas S. Augustine, Managing Director.—Proposes an amendment to H.R. 4200 which would adjust the contribution limit in a voluntary retirement account by the amount contributed to other plans, rather than total prohibition of participation in voluntary retirement accounts when an employee is already covered by an employer plan.

Larry R. Brown, Greater Canton Chamber of Commerce, Canton, Ohio.—Supports the proposal for a deduction for contributions to retirement savings plans.

Lincoln National Life Insurance Company, Washington, D.C., J. Ronald Campbell, Regional Manager-Special Markets.—Proposes that the amount of money an employee may voluntarily elect to save in a retirement account on a tax-deferred basis not be reduced by the amount that his employer contributes for him. Asserts that in a defined benefit plan established on a group basis, it is very difficult (and almost impossible) to determine exactly how much the employer actually contributes to an individual account.

Bert H. McLachlan, Nichols Industries, Kansas City, Mo.—Urges support for the individual retirement savings plan and believes that no limit should be placed on the amount which can be set aside.

Jay S. Hudson, ESB Incorporated, Philadelphia, Pennsylvania.—Feels that individual retirement accounts should be tax deductible for people covered by private retirement plans and social security as well as for people not so covered.

Day & Zimmermann, Consulting Services, New York, N.Y., Daniel B. Curll, Jr., Vice-President.—Expresses strong support for the version of pension legislation recently passed by the Senate, but criticizes the $1,500 maximum limit on deductible contributions to individual private retirement savings plans. Feels that it might be very useful to medium- and low-income individuals without providing a substantial loophole for those in high income brackets. Argues that the contention that great amounts of tax revenue loss will occur are invalid.

James R. Connell, Washington, D.C.—Objects to the $1,500 limitation on deductible contributions to an individual pension plan when self-employed individuals can contribute up to $7,500 with tax deduction. Believes that all citizens should be treated equally in this matter and hopes that legislation is passed giving nonpensioned employees the right to build up a pension fund from before-tax income.

Joseph C. Swaim, Jr., Attorney, Pittsburgh, Pa.—Considers the retirement savings deduction as essential to permit the removal of the present tax discrimination against some who are not covered by a qualified pension plan.

Robert E. Jensen, Counsel to IU International, Washington, D.C.—Believes that individuals should be able to establish personal retirement accounts even though they participate in qualified pension plans. States that permitting such additional participation could help materially in extending and improving coverage under the private pension system.

Paul S. Indianer, CLU, Miami, Florida.—Approves of the concept of a personal retirement savings plan. Believes that individuals who are participants of a corporate pension plan, but whose company is contributing less than $1,500 a year towards that plan, should be able to set aside the difference between $1,500 and that contribution each year into an individual retirement plan.

L. Taxation of Lump-Sum Distributions

American Life Insurance Association.—Supports the provisions of H.R. 4200 on the taxation of lump-sum distributions. Believes that the tax treatment enacted in 1969 was unduly complex and that H.R. 4200 represents a reasonable solution.

New York State Bar Association, Tax Section, R. O. Winger, Chairman.—Suggests that serious consideration should be given to reinstatement of the pre-1969 tax treatment of lump-sum distributions, particularly in view of the change in the alternate tax on capital gains. Notes that the pension reform bill makes no changes in the 5-year averaging treatment for lump-sum distributions currently afforded to self-employed individuals, and thus does nothing to alleviate the severe discrimination now suffered by the self-employed. Proposes, if the new rules are to apply, that recipients of lump-sum distributions during the taxable years 1970 through 1973 be permitted to apply, with respect to open tax years, either the new 15-year averaging rules, treating the entire pre-1970 portion as capital gains, or to apply the current rules as expressed in proposed Treasury Regulation section 1.72–19.

Chamber of Commerce of the United States. Andrew A. Melgard, Senior Associate.—Endorses the provisions of H.R. 4200 that will provide more reasonable rules on taxation of lump-sum distributions from pension and profit sharing plans.

M. Federal Preemption of State Laws

A. O. Smith Corp., Milwaukee, Wisc., Robert A. Reitz, Vice President-Finance and Treasurer.—Supports the provisions which preempt State law requirements for pension systems.

Larry R. Brown, Greater Canton Chamber of Commerce, Canton, Ohio.—Considers Federal preemption to be a good idea to avoid a piecemeal approach in the different jurisdictions.

N. Other Provisions

New York State Bar Association Tax Section, R. O. Winger, Chairman.—Recommends that the present tax treatment for salary reduction arrangements and cash deferred profit sharing plans be retained.

Charges that the language of the pension reform bills obscures the legislative intent with regard to the maintenance or establishment of unfunded, pay-as-you-go retirement programs for employees who are not executives. Recommends that the statutory language be made more clear and that the report of the House Ways and Means Committee clarify the intent of the provisions.

Air Transport Association.—States that one of the major airlines private pension plans is presently being reviewed by the Internal Revenue Service as to whether it discriminates in favor of highly compensated employees, specifically airline pilots. Believes that new legislation should make clear that plans such as this should be able to qualify. Feels that disqualification would be severely disruptive to the airline industry.

Building and Construction Trades Department, AFL–CIO, Washington, D.C., Frank Bonadio, President.—Favors exempting certain union-dues-financed plans from the bill, such as that provided for certain other nonqualified plans (e.g., fraternal societies, church plans, plans outside the U.S.).

Indicates that mandating the optional form of benefit to the surviving spouse may be appropriate, if it is defined properly. Estimates that the Senate bill provision would add about 20 percent to the cost of a typical pension plan by requiring that the 50-percent surviving spouse continuance be added to the regular pension benefit without a reduction in benefit. Notes that the H.R. 2 provision also would impose extra cost because it allows a last-minute election of the option.

Recommends that legislation on this point restrict itself to a requirement that a 50-percent employee and surviving spouse option be offered by every plan, payable at age 65; provided it is chosen before retirement benefits begin and is not payable until at least one year after it is chosen.

United Brotherhood of Carpenters and Joiners of America, Washington, D.C., James F. Bailey.—Argues that the prohibition on nonqualified pension plans should not apply to union plans.

Associated Oregon Industries, Ivan Congleton, Executive Vice President, Salem, Oregon.—Urges deletion of provision that prohibits use of nonqualified supplemental pension plans.

Arkansas Farmers Union, Little Rock, Arkansas, Lewis J. Johnson, President.—Opposes provisions in the bill which would reduce the tax advantages of salary-reduction plans.

National Education Association—Alaska, Robert Van Houte, Executive Secretary.—Supports position of Coalition of American Public Employees in requesting deletion of the words "if it is designated as an employee contribution with respect to so-called salary reduction plans."

Oregon Credit Union League, Portland, Oregon, Thomas S. Augustine, Managing Director.—Recommends amendments to H.R. 4200 which would authorize credit unions insured under the Federal Credit Union Act as eligible depositories of the pension portability fund and the individual retirement accounts established under sections 701 and 706 of the bill.

The American National Red Cross, Washington, D.C., Harold W. Starr, Counselor.—Urges that the pension reform bill make clear that section 403(b) plans conducted by charitable organizations are exempt from the legislation.

International Brotherhood of Electrical Workers, Local Union No. 453, Springfield, Missouri, Jack F. Moore, Business Manager.—Opposes the provisions of H.R. 4200 which would tax currently an employee's portion of the profit sharing funds contributed by his employer if the employee had, at the time of the contribution, the limited right to take such portion in cash from the company. Maintains that this provision will have a detrimental effect on the efforts of the union's members to accumulate enough retirement funds to permit them to live out their retirement years in dignity.

Greyhound Corporation, Phoenix, Arizona, Robert E. Gocke, Vice President-Industrial Relations and Personnel.—Objects to the provision in section 706(j) of H.R. 4200 which would subject American workers who are presently covered under cash deferred profit sharing plans to pay income tax on amounts contributed on their behalf to these plans even though they elect to defer receipt until a later date.

Questions whether Congress should legislate the normal form of pension payments under a qualified pension plan, provided such plans have reasonable options which may be elected by the participants. Believes that the bill should at least make it clear that present plan pension levels may be actuarily adjusted if they are to be provided on a joint survivor basis.

H. P. Keen, Jr., International Business Machines Corporation.—Indicates that the pension bill should stipulate that the definition of normal retirement age be left to the individual plan with a limit of not later than age 65 being considered acceptable. Also, believes that the limitations on nonqualified plans are out of place in this bill.

Eugene J. T. Flanigan, Phillip-Morris, Inc.—Asserts that the provision disallowing deduction for contributions to salary reduction plans was drafted so broadly that it included contributions under "cash and trusteed" profit sharing plans even though the IRS has long agreed that participants of such plans who do not receive direct cash payments should not be taxed. Hopes that this result was unintentional and urges an amendment that limits the application of the provision to plans which provide for a reduction in employees basic or regular compensation.

Bruce Jacobs, Los Angeles, California.—Believes that section 704 should be amended to conform the provisions of the Code dealing with pension plans of subchapter S corporations to the provisions covering other self-employed persons.

Paul C. Hart, Milliman & Robertson, Inc., Portland, Oregon.—Agrees that there should be some requirement for the election of a survivor annuity, but thinks that this should be in the form of an optional joint and survivor benefit that is equivalent to normal retirement benefit on a life-only basis. Also believes that the requirement that election of survivor annuity be not more than two years before retirement should be deleted as contrary to industry practice. Asserts that the prohibition against maintaining nonqualified plans should not apply to plans established by corporations for their executives.

American Telephone & Telegraph Company.—Recommends that the normal retirement age should be defined as in S. 4—that is, at age 65 unless the plan sets it earlier or it should be stated that earlier payments of deferred vested pensions is not required as in H.R. 2.

National Gypsum Company, H. B. Richardson, Financial Manager of Employee Benefits.—Opposes the prohibition of nonqualified plans. Believes that the bill should provide a definition of the normal retirement age of 65, or whatever is specified in a particular plan, whichever is lower. Indicates that the valuation of assets should be determined by the actuary for the plan subject to approval by the Secretary of the Treasury.

Ford Motor Company, Dearborn, Michigan, John Sagan, Vice President.—Argues the normal retirement age should be specified as 65, or whatever age is provided for by the plan, whichever is lower. States that nonqualified plans should not be prohibited for corporate executives.

Carl I. Duncan & Associates, San Antonio, Texas, Carl I. Duncan.—Indicates that the recommendation of the American Society of Pension Actuaries on this matter does not represent the views of the majority of members of that organization.

Scott Paper Company, Philadelphia, Pa., Arthur W. Hudock, Director of Compensation and Benefits.—Proposes that the language of sections 222 and 262 of H.R. 4200 be clarified to allow continuance of the commonly used nonqualified deferred compensation arrangements for selected officers, managers and other key employees. Notes that H.R. 2 allows this.

Raytheon Company, Lexington, Mass., Charles F. Adams, Chairman of the Board.—Objects to the provision making the joint survivor annuity the normal form of benefits to be paid under all plans, and notes that the bill does not make it clear that it would be an actuarially reduced benefit. Believes that the provision introduces the risk that a member may, by doing nothing, receive an inappropriate and reduced pension.

B. F. Goodrich Company.—Opposes the prohibitions on nonqualified plans. Contends that the $1 tax per participant for auditing purposes discriminates against those employers who do provide pension plans for their employees.

Marsh & McLennan, Inc., Boston, Mass., Elizabeth M. Casey, Vice President.—Objects to the provision in the pension reform bill which requires that all benefits be a joint and survivor benefit unless the employee rejects it. Believes that the Senate did not consider the added costs of such provision. Declares that it will be almost impossible for an employer to tell its employees in simple understandable language what their benefits will be. Indicates that vested employees who terminate before retirement should not have options or survivors benefits attached to the vested benefit because it will be virtually impossible to keep track of beneficiaries of such former employees.

Gulf State Paper Corporation, Tuscaloosa, Alabama, H. V. Mitchell, Vice President and Treasurer.—Claims that the requirements to allocate investment income to a terminated participant's contributed account in making a refund creates an unreasonable administrative burden. Questions whether or not this gives fair treatment for the remaining participants in the plan.

Garald Eckermann, Vice President, Personnel, Kaiser Industries, Washington, D. C.—Requests that section 262 prohibiting any retirement plan which is not qualified under section 401 be deleted.

J. Dudley Haupt, St. Regis Paper Company, Washington, D.C.—Believes that nonqualified pension plans should be permitted for executives and administrative and professional employees as well as to officers and 5-percent stockholders.

S. J. Rosinski, Vice President, Rohr Industries, Inc.—Opposes the prohibition of nonqualified retirement plans, especially with respect to sophisticated personnel such as executives.

William A. Schirra, President, Financial Futures, Inc., Pittsburgh, Pennsylvania.—Indicates that pension reform should facilitate employee-stock ownership plans since they will provide larger pensions and restore productivity motivation.

United States Steel Corporation, William G. Whyte, Vice President.—Contends that the provisions for the elimination of cash option plans were intended to apply to pension plans only, and recommends that the bill be clarified in this regard.

Peter S. Hanke, Secretary and General Counsel, Garlock, Inc., Rochester, New York.—Objects to the requirement that the normal payment form be a 50-percent joint and survivor's benefit without even a provision for actuarial adjustment of benefits which have been defined and funded on a different basis.

Gilpent Dwyer, Kennecott Copper Corp.—Argues that the provision establishing a presumption in favor of a joint survivor option be removed. Believes that the best approach is simply to assure full employee communication so that the retiring employee can make an intelligent decision.

The State Bank of Jacksonville, Jacksonville, Florida, Louie C. Casey, Jr., Vice President.—Objects to the provision which requires the payment of a joint and survivor annuity unless the participant elects otherwise. Supports a requirement for the inclusion of joint annuity as an option available to the retire.

Carrier Corporation, Syracuse, N.Y., John A. French, Director of Pensions and Benefits.—Opposes requiring employers to provide a 50-percent joint and survivors benefit as a normal form of pension.

Charles H. Stamm, Connecticut General Life Insurance Company.—Worries that the provisions of H.R. 4200 designed to deny deductible treatment for salary reduction plans will also deny a deduction under his company's plan in which an employee, after five years of employment, automatically participates in the company profit sharing plan at the cost of a slight salary reduction. States that this type of arrangement should be permitted tax deductible treatment because the employee has no choice as to whether or not he will participate.

Lon J. Maxey, General Sign Company, Cape Girardeau, Missouri.—Objects to the effective prohibition of salary reduction plans. Believes this provision is contrary to the public interest since many workers who receive pension benefits via the salary reduction method will receive none.

First National City Bank, New York, N.Y., George M. Lingua, Senior Vice President.—Criticizes the provisions of section 706(j) of the bill, which would subject to current income taxation all participants in those deferred profit sharing plans which permit employees to elect to receive their shares in cash. Contends that such provisions would affect lower- and middle-range salary employees more than high-salary employees.

A. Peter Quinn, Jr., General Counsel, Massachusetts Mutual Life Insurance Company.—Objects to the provision requiring that all contributions to qualified pension and profit sharing plans derived from salary reduction agreements be currently taxable to such employees. States that this provision should at least contain a grandfather clause so that employees who have in the past made an irrevocable decision to participate in a profit sharing plan with a consequent permanent reduction in salary will not be adversely affected. Believes this grandfather clause provision is warranted because the employees who elected to participate had no expectation that contributions made on their behalf would be currently taxable to them.

Urges that the prohibition against nonqualified retirement plans be eliminated so that a competitive business can contract for services of employees and agents using all proper means to do so.

Revere Copper and Brass, Inc., Los Angeles, California, Nathaniel Pope, Vice President.—Indicates that the requirement for a 50-percent joint and survivor benefit would require a major amendment to nearly every pension plan since most plans now only include options permitting employees to elect joint and survivor options. Feels the government should not compel all plans to hold to the requirement of a 50-percent joint and survivor's benefit.

International Telephone and Telegraph, New York, N.Y., J. A. Kostrab, Director, Employees Compensation and Benefits.—Recommends that any provision as to joint and survivor benefits be made optional, not mandatory in a fixed manner.

Daniel J. Little, Attorney, Chicago, Illinois.—Opposes the provisions of the pension bill which include in taxable income of the employee any employer contributions to a money purchase pension plan in excess of 20 percent of compensation. Points out that many section 501(c)(3) organizations pay only nominal salaries to their employees or members but do attempt to create a reasonable retirement fund on a money purchase plan basis.

Employee Plans Management Company, Dallas, Texas, J. C. Sticksel, Executive Vice President.—Endorses the use of salary reduction plans as an alternative to constantly increasing Government welfare programs and employer-funded retirement benefit plans. Recommends that the benefits of salary reduction plans be extended to all the American public. Urges the deletion of the salary-reduction provisions in H.R. 4200.

Michael D. Weinberg, Attorney, Minneapolis, Minnesota.—Believes that the provisions of section 262 should be restricted to nonqualified deferred compensation plans established by employers for their employees.

Raymond D. Stehle, C.L.U., Springfield, Massachusetts.—Proposes that H.R. 8590, the employee stock ownership trust bill, be incorporated into pension reform legislation. Asserts that if this proposal were passed, employees of small corporations would purchase all or part of the stock of their employing corporation.

American Cyanamid Company, T. P. Turchan, Vice President.—Opposes the provision which would mandate that the normal form of pension payments would be a joint and survivor benefit because the resulting reduction in participant's benefits would be sizable and in a majority of cases completely misunderstood. Indicates that such provision would require major amendments to practically every pension plan in the country.

Aluminum Company of America, Frank P. Jones, Jr., Vice President-Government Relations.—Strongly recommends that section 222 of H.R. 4200 be clarified to permit the continued existence of unfunded, nonqualified deferred compensation arrangements for limited groups of officers, managers and key employees of a corporation.

Mac Asbill, Jr., Attorney, Washington, D.C.—Objects to the provision making contributions through salary reduction plans taxable immediately to the employee. Believes that this rule is inconsistent with the doctrine of constructive receipt since most salary reduction arrangements involve binding irrevocable contracts entered into by the employee prior to the year in which the income was earned. Argues that this rule draws unjustified and inexplicable distinctions between union negotiated and individually negotiated plans.

Opposes the provisions making it illegal for most employers to maintain nonqualified plans because such plans remain an effective tool for recruiting personnel, including personnel other than officers such as fulltime life insurance salesmen.

Thomas E. Townsend, CLU, Houston, Texas.—Urges the deletion of the provision prohibiting salary reduction plans. States that for small employers such plans are the only plans which are financially feasible. Believes that a full deduction for contributions to such plan is essential if employees of small employers are to be covered by pension plans.

William G. Meese, Detroit Edison Corp.—Opposes the presumption of a joint and survivor annuity because the recordkeeping required by this provision would far outweigh the benefits derived from it.

Thomas A. Hopson, Durham, N.C.—Asks that the committee look into the area of social security-private pension plan integration to prevent employer abuses to unsuspecting employees.

Samuel K. Kitchell, Phoenix, Arizona.—Asks for an amendment to allow stock bonus plans since for employees of small and medium size companies this type of pension plan allows employees to join in the ownership of the company, thus producing a stronger capitalist system.

John N. Wrinkle, Attorney, Birmingham, Alabama.—Maintains that the prohibition against maintaining non-qualified plans as set forth in section 262 is confusing and is unnecessary and unworkable in its present form. Proposes that such plans be allowed for employees making more than $15,000 a year, because they are sophisticated enough to handle their own negotiations and see that their interests are protected.

Charles S. Grobe, Attorney, Los Angeles, California.—Urges the committee to retain the existing law provisions which would allow money purchase plans, salary reduction plans, and cash-deferred bonus profit sharing plans.

Blackburn H. Hazlehurst, Principal Actuary, Hazlehurst & Associates, Inc., Atlanta, Ga.—Requests specific indication in the legislation that it is permissible to allocate fresh contributions to tax-qualified profit sharing plans as follows, providing that there is no reallocation of contributions previously made:

(1) In accordance with the plan termination priority provisions of a defined benefit plan (similar to those in pension plans);

(2) In proportion to the unfunded value of accrued benefits in a defined benefit plan;

(3) In accordance with an allocation procedure which is a combination of procedures (1) and (2), giving a stipulated weighting to each procedure; and

(4) In accordance with any other method approved by the Secretary.

Points out that presently profit sharing plans are not allowed to allocate resources in the fashion just indicated; since in practice, the Internal Revenue will only permit allocations that are principally in proportion to the current salary of each participant, although some weighting for past service is permitted.

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