

## Defined Benefit Plans at the Dawn of ERISA

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*More than 30 years after the Employee Retirement Income Security Act (ERISA) was signed into law, defined benefit plans are under more scrutiny than ever. This article summarizes a 1974 BLS analysis of major provisions of a sample of defined benefit plans in private industry as they existed just prior to enactment of ERISA; where possible, it also cites recent data from the National Compensation Survey for comparison.*

Although industrial pension plans have been in existence since the latter part of the 19th century, their period of greatest growth occurred following the decision by the Supreme Court in the *Inland Steel Case* of 1949. The Court upheld the ruling by the National Labor Relations Board that pension benefits constitute wages and thus were subject to collective bargaining, as are other conditions of employment.<sup>1</sup> By 1974, nearly 31 million workers were covered by private pensions, with 27 million enrolled in defined benefit plans.<sup>2</sup> Private retirement plans had become the major source of income for many retired workers.

But as the pension plan evolved into a "condition of employment" in much of the private sector, it also became apparent that patterns of living and working had shifted since the retirement plan concept was first instituted. Fewer workers were spending the bulk of their career with one employer. Working women were not benefiting from these plans in proportion to their contributions to the employer's success. Longer life spans meant years of economic hardship for some surviving spouses of retirees. That these deficiencies were becoming evident to employees, unions, and plan sponsors is indicated by studies of defined benefit plans conducted by the Bureau of Labor Statistics (BLS) in the early 1970s.<sup>3</sup> Vesting and survivor benefit provisions were either being introduced or liberalized in many plans.

During the same period the U.S. Senate held hearings on deficiencies in the pension system, which at the time was dominated by the traditional defined benefit retirement plan. These deficiencies included a high rate of ineligibility for pension benefits among plan participants and the forfeiture of pensions despite long years of service.<sup>4</sup> These hearings set the stage for eventual passage of the Employee Retirement Income Security Act of 1974 (ERISA).<sup>5</sup> Among its other objectives, ERISA established minimum standards employees must satisfy to ensure the receipt and protection of benefits when they either leave their job or die.<sup>6</sup> The changes affected virtually all plans.

More than 30 years after ERISA was signed into law, the defined benefit plan is under more scrutiny than ever. This article summarizes a BLS analysis of major provisions of a sample of defined benefit plans in private industry as they existed just prior to enactment of ERISA in 1974. In addition, where possible, recent data on retirement plans from the [National Compensation Survey \(NCS\)](#) are cited for comparison. The 1974 sample of plans was taken to represent the universe of basic plans with 100 or more active participants at the time.<sup>7</sup> (See table 1.) While not all retirement plan features discussed here were affected by the act, the data provide a unique snapshot of what defined benefit plans looked like in 1974. Most of the data shown in this article's tables have not been published previously.<sup>8</sup> No other data from the 1974 analysis are available at this time.

### Participation Requirements

Before ERISA, 27 percent of active workers in defined benefit plans first had to satisfy age or service requirements (or both) in order to accrue pension benefits. (See table 2.) The most common participation requirements were 1 or 2 years' service, age 25 with 1 year of service, and age 25 with no service. These provisions affected nearly half of the workers in the finance, insurance, and real estate industry. (See table 3.) On the other extreme, restrictions on participation were rare in construction--pension benefits in this industry were largely provided by multiemployer plans to which more than one employer is signatory under a collective bargaining agreement. Requirements were also relatively uncommon in mining and transportation.

Initial ERISA regulations stipulated that most defined benefit plans should allow employees to participate at the later of two events: 1) attainment of age 25, or 2) completion of 1 year of service. If full vesting of benefits occurred in 3 years or less, somewhat more stringent age or service requirements could be specified. Later, the Retirement Equity Act of 1984 required almost all plans to lower the age requirement to 21. The exception remains in place for plans with full vesting of benefits in 3 years or less. Nearly 30 years after ERISA was enacted, the BLS [National Compensation Survey](#) found that the most common provisions for full-time private industry workers with pension plans were 1 year of service at age 21 or 1 year of service without an age requirement.<sup>9</sup>

In addition to age and service requirements, more than 1 in 10 participants were required to contribute towards the cost of their plan. (See table 4.) These contributions, normally 1, 2, or 3 percent of earnings, were found more often among workers in finance, insurance, real estate and transportation. Required contributions were fairly rare in the construction industries. The BLS *Digest of Selected Pension Plans* show that fewer plans remained contributory in the late 1970s and early 1980s.<sup>10</sup> In 2000, NCS data showed that only 5 percent of full-time private industry workers with pension plans were required to contribute to the plan.<sup>11</sup>

## Vesting

Vesting provisions secure for an employee a nonforfeitable right to pension benefits funded by the employer's contribution when changing jobs or otherwise ending employment before becoming eligible for a pension. Throughout the 1960s more sponsors were adding vesting provisions to their plans, partly as a result of collective bargaining.<sup>12</sup> Still, in 1974, 12 percent of pension plan participants were covered by plans lacking vesting provisions.<sup>13</sup> (See table 5.)

As is the case today, virtually all vesting provisions were in two forms--deferred full (or "cliff") and deferred graded (or "graduated")--both of which require the employee to meet service conditions. When conditions for deferred full vesting are satisfied, all accrued benefits are receivable at a later age. Under graded vesting, an initial percentage of accrued benefits are first earned, and the vested percentage increases as additional service is credited. For all but a small percentage of participants with this type of vesting schedule in 1974, 100 percent vesting could be eventually attained. Deferred graded vesting covered a significant proportion of workers in transportation and finance-related businesses, while deferred full vesting was more common in other industries. Immediate full vesting, which entitled former participants to benefit payments with no age or service conditions, covered less than 1 percent of the participants.

Among those in plans with pre-ERISA vesting provisions, 53 percent of workers needed a minimum of 15 years' service to qualify for full vesting. Although accompanying age requirements were being eliminated in plans during the 1960s, in 1974 many vesting provisions still did not apply unless the employee had reached a specified age, frequently 40 or 45. The majority of workers in plans that required 15 or more years of service for full vesting encountered a minimum age requirement. Interestingly, for workers who secured full rights to their benefits after 10 or fewer years of service, 4 in 5 could become vested regardless of age. These workers accounted for one-third of all participants with vesting. Plans with graduated vesting frequently provided full vesting at any age only after 20 or more years of service had been completed.

ERISA incorporated both cliff and graded vesting in establishing vesting rules. But minimum age requirements (apart from a minimum age for plan participation) and deferred partial grading were not permitted. The law also prescribed minimum vesting schedules. It set a maximum of 10 years for cliff vesting schedules. Under graded schedules, ERISA required 25 percent vesting after 5 years, 5 percent vesting for each of the next 5 years, and 10 percent for each of the next 5 years, leading to 100 percent vesting after 15 years. Nearly 3 in 4 participants were in plans that had to amend their vesting provisions. (See table 6.) The burden fell most heavily on plan sponsors in transportation, with its higher prevalence of graded vesting provisions. No graded vesting provisions prior to ERISA met or exceeded the new standards. By 2002, the NCS revealed that 82 percent of full-time private industry workers with pension plans were subject to cliff vesting schedules that granted full vesting after 5 years of service at any age.<sup>14</sup>

## Break-in-service Provisions

With few exceptions, pension plans require that a participant's service be more or less continuous in order to qualify for a retirement benefit. Break-in-service rules define the point at which an employee forfeits credit for any years of service before the termination of employment. Eligibility for a retirement benefit, as well as the amount of the pension, is based on the latest period of continuous service. For a vested employee who leaves an employer and later returns, benefits earned prior to a break would be based on the benefit formula in place at the time the break occurred.

In 1974, the definition of a break differed considerably by industry and by the reason for termination of employment. The rules determining a break were far stricter in manufacturing establishments when an employee quit or was fired. For 74 percent of manufacturing participants, a break-in-service provision went into effect immediately when they quit; after a discharge, 62 percent would forfeit their time in service. (See table 7.) Outside manufacturing, 41 percent of plan participants also faced the loss of pension rights when they separated voluntarily; 35 percent forfeited such rights if they were discharged. Most of the remaining workers were in plans that permitted them to return to covered employment within a year or more, work regularly and maintain continuous service in the plan as if the separation had not occurred. Multiemployer plans accounted for many of the workers who had to work a minimum numbers of hours within a specified time.

Pre-ERISA break-in-service provisions were more liberal if the separation from employment was initiated by a layoff. For nearly half the covered workers, a break in service could not occur until the layoff was more than 1 year old, and almost 3 in 10 were in plans which left continuous service intact regardless of the length of the layoff. However, if the plan member did not return to work following a recall, the break in service could occur immediately. Many plans treated the period of layoff as a leave of absence and did not count all or part of the layoff as credited service. In plans that covered 15 percent of participants, break-in-service provisions did not apply when the worker was vested in the plan. All previously credited service was restored upon return to work.

Prior to ERISA, when plan participants returned to covered employment following a break in service, they generally lost their previous years of service. In about 3 in 4 cases, explicit provisions prevented nonvested workers from aggregating their service before and after the break-in-service; similar provisions applied to a majority of vested workers. (See table 8.) Workers in plans which did provide for restoration of at least some of their prebreak service had to satisfy one of two requirements: 1) sufficient length of service before the break (frequently 5 years), or 2) a postbreak work requirement (almost always 2 or more years).

The length of prebreak service requirements was generally shorter when the break was due to a layoff or discharge, since 21 percent of vested workers satisfied the prebreak requirement automatically, compared with 15 percent who originally left employment voluntarily. Therefore, under these plans, break-in-service rules did not apply to vested participants. For plans covering 15 percent of participants, break-in-service rules did not apply to vested workers who had voluntarily left employment and resumed work under the same plan. In those cases credited service accumulated as if the participant had never left.

## Survivor Benefits

Pension plans provide for two types of survivor benefits: *Postretirement* survivor benefits provide payments to the spouse of a worker who dies after retiring, under what is called a "joint-and-survivor annuity"; *preretirement* survivor benefits provide payments to the spouse of a worker who dies prior to retirement. In most current plans, the joint-and-survivor annuity is the automatic form of payment. The spouse of a newly retired worker must waive the automatic form in writing before the retiree can select another payment form. As a result of the Retirement Equity Act of 1984, this protection extends to the spouse of a deceased vested employee. When a joint-and-survivor form of annuity is in effect, the size of the retiree's pension is almost always lower than what it would be for an unmarried participant, due to the probable longer duration of payment by the plan.

Prior to ERISA, plans were not required to make death benefits available. There often was inadequate concern for the spouse's interest in participant benefit accruals. Joint-and-survivor payments existed in most plans, but they seldom were the

standard or automatic form of payment. The standard form of payment was a pension for the life of the retiree only. Uninformed spouses who did not seek survivor annuities often found themselves facing severe reductions in income.

Joint-and-survivor annuities at normal retirement age were available to 77 percent of the active workers in pre-ERISA plans. (See table 9.) However, while 9 in 10 single-employer plan participants had this option, it was available to only about half of those in multiemployer plans. In rare instances, the option was not extended at early retirement. Many plans containing these provisions offered retirees the choice of how much of the pension would continue to be paid to the surviving spouse. The choices were usually between the 50-percent option and more generous survivor forms, such as two-thirds, 75 percent or 100 percent of the retiree's pension. A retiree who elected to have the entire joint portion of the pension continue during the life of the spouse would incur a larger reduction in his or her pension than one who elected the 50-percent option.

By 2002, with ERISA requiring all plans to offer survivor benefits, 5 in 8 plan participants could elect a choice of survivor annuity options.<sup>15</sup> These plans generally included an option that would pay 100 percent of the annuity, payable during the life of the retired worker and his or her spouse.<sup>16</sup>

Apart from joint-and-survivor benefits, automatic survivor payments to surviving spouses of active workers were provided to 38 percent of workers in 1974. A worker usually had to satisfy an age and service requirement to qualify for this benefit, commonly age 55 with 10 or 15 years' service. Benefits were based on a percent of the worker's accrued benefits and were reduced for differences in age.<sup>17</sup> In other cases, survivors received a flat dollar amount per month. While the duration of some of these payments would be for the lifetime of the spouse, others were intended to bridge the gap between the time of the worker's death and his or her spouse reaching age 62, at which time Social Security benefits would begin. A spouse remarrying could also be a factor in determining how long payments continued. Benefits for surviving children were also included in some of the plans, providing flat monthly benefits ending at either age 18 or 21. Like joint-and-survivor benefits, these provisions were found more frequently in single-employer plans. However, automatic survivor options to spouses of retirees covered about 1 in 6 workers, regardless of the plan entity.

The remaining form of survivor benefits found in pre-ERISA plans was a flat dollar death benefit to survivors. These were found in plans covering a little more than half of workers covered under multiemployer plans and were typically no more than \$5,000. Like automatic survivor payments, these benefits were superfluous in view of ERISA's requirements, and to some extent they have been replaced by retiree life insurance benefits.

In 2002, NCS data show that 97 percent of pension plan participants were in plans that provided preretirement survivor benefits. They were generally equivalent to a joint-and-survivor annuity, and they typically provided the spouse with 50 percent of the worker's pension.<sup>18</sup>

### **Requirements For Normal Retirement**

Normal retirement age and service requirements define the point in a career when workers can retire at their option and receive the full amount of their pension by virtue of service and earnings. There is no reduction of the retirement payment because of the retiree's age. As table 10 shows, nearly two-thirds of the workers covered in pre-ERISA plans had to wait until age 65 to receive their full benefits. While the years-of-service requirement for these workers usually was 10 years or less, 15 percent were required to have worked for the company for at least 15 years. Under ERISA, benefits must be paid following the later of 1) age 65, 2) 10 years of service, or 3) termination of service. Therefore, sponsors of these plans, which covered 3.5 million workers, were required to lower the service requirement. Later, amendments to the Age Discrimination in Employment Act lowered the years of participation required at age 65 from 10 to 5.

Prior to the enactment of ERISA, normal retirement dates earlier than age 65 were quite common in mining, transportation, and communications. In mining, almost half the workers could qualify for unreduced benefits at age 55 with 20 years of service. Similarly, half the workers in public utilities qualified at age 55 with 20 years service (or at any age after 25 years' service). The most common age and service requirement in transportation was age 60 to 64 with 15 years of service.

Although later BLS surveys indicated a trend toward earlier ages for entitlement to a full pension, by 2002 normal retirement requirements had come full circle. The latest NCS data for private industry establishments of 100 or more workers show little overall change from the 1974 findings. However, normal retirement ages before age 65 applied for more than half of the participants in collectively bargained plans.<sup>19</sup>

### Requirements For Early Retirement

Nearly all traditional private pension plans have clearly defined age and service requirements for early retirement. When these requirements are satisfied, workers can receive benefits before the normal retirement age. Because these requirements are less stringent than for a normal pension, a worker's accrued benefits are reduced to reflect the longer period that the pension is expected to cost the plan. Prior to ERISA's enactment, 89 percent of workers were in plans which permitted them to retire early at their own option. An additional 6 percent could request early retirement, but they had to obtain their employer's consent.<sup>20</sup>

Fifty-three percent of workers with early retirement provisions could retire at their option between ages 55 and 59, usually if they had worked 10 or 15 years. (See table 11.) More than a fourth had to wait until they were at least 60, with widely varying age requirements. Thirteen percent could retire at any age. To be eligible, however, nearly all the employees in this group needed at least 25 years of service. Nearly half of the employees could retire with 10 years of service or less. Another fourth had to work at least 20 years.

In the 2002 NCS, 6 in 7 participants were in plans that allowed early retirement. Of these participants, nearly all could retire by age 55 or earlier. Service requirements varied, with 5 or 10 years of service most commonly required.<sup>21</sup> The lower incidence of these provisions in the 2002 NCS is attributable to the advent of cash balance plans since the original study. Cash balance and similar "hybrid" plans frequently offer a single, lump-sum payment upon separation of employment. There is no specified provision for early retirement, unlike the traditional defined benefit plan, which in many cases partly subsidizes the reduction in an annuity that would occur due to the longer payment period. To reflect the differences between the two types of plans, the 2002 NCS also examined these provisions within traditional plans only. Those data show that 96 percent of participants were in plans with early retirement provisions.

### Forced Retirement

In 1974, many pension plans contained retirement provisions that could force workers to retire at a specified age (usually age 65). These provisions included automatic retirement ages, at which point the employer could not retain an elderly worker, and compulsory retirement provisions, which permitted employees to continue working if the employer consented. As shown in table 12, nearly half of the workers in the 1974 analysis were in plans with such provisions. While found more often in non-negotiated plans, forced retirement provisions affected 3 in 8 workers covered by a collectively bargained plan.<sup>22</sup>

Amendments to the Age Discrimination in Employment Act in 1980 ended such provisions, but many sponsors discouraged employees from postponing retirement by not providing additional benefit accruals past normal retirement age. The Omnibus Budget Reconciliation Act (OBRA) of 1986 required plans to provide credit for years of service after normal retirement age by no later than the beginning of 1988.

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### Notes

<sup>1</sup> *Inland Steel Company v. United Steelworkers of America*, 77 NLRB 4 (1948).

<sup>2</sup> *Private Pension Plan Bulletin: Abstract of 1995, Form 5500 Annual Reports* (Pension and Welfare Benefits Administration, Spring 1999), Table E4, p. 67.

<sup>3</sup> See, for example, Harry E. Davis and Arnold Strasser, "Private pension plans, 1960 to 1969—an overview," *Monthly Labor Review*, July 1970, pp. 45-56; see also Evan Hodgins, "Survivor's pensions: an emerging employee benefit", *Monthly Labor Review*, July 1973, pp. 31-34.

<sup>4</sup> John H. Langbein and Bruce A. Wolk, *Pension and Employee Benefit Law* (Westbury, NY, Foundation Press, 1990), p. 65.

5 President Gerald Ford signed ERISA into law on September 2, 1974.

6 Part 2 of Title 1 of ERISA, 29 U.S.C. 1051-1056.

7 The data used in this article are from a 1974 BLS analysis of a probability sample of employment-related basic defined benefit plans in private industry, whose administrators reported to the Department of Labor in accordance with the Welfare and Pension Plan Disclosure Act of 1959, as amended. Each plan covered at least 100 active workers in the private sector of the economy. Defined benefit plans exclude deferred profit-sharing plans and defined contribution (individual account) plans. The provisions analyzed were those in effect on September 1, 1974 immediately before the Employment Retirement Income Security Act (ERISA) was signed into law. The analysis is based on a total sample of 1,467 plans. Excluded are 59 plans, representing about 0.5 million workers, for which descriptions of plan provisions were not on file with the Department of Labor. The study is limited to basic plans and excludes supplemental pension plans that provided workers additional benefits, usually on a contributory or employee-pays-full-cost basis. The tabulations of the various plan provisions were compiled by the Division of General Compensation Structures (now the Division of Compensation Data Analysis and Planning), and partly financed by the Labor-Management Services Administration (now Employee Benefits Security Administration).

8 The data in tables 1-4 and 7-11 have not been published previously.

9 See *National Compensation Survey: Employee Benefits in Private Industry in the United States, 2002-2003*, Bulletin 2573, (Bureau of Labor Statistics, January 2005), table 67, p. 86; available on the Internet at <http://www.bls.gov/ncs/ebs/sp/ebb10020.pdf>.

10 See *Digest of Selected Pension Plans, 1976-78 edition and Supplement I (April 1978)*.

11 See *National Compensation Survey: Employee Benefits in Private Industry in the United States, 2000*, Bulletin 2555, January 2003, table 60, p. 58.

12 See Harry E. Davis and Arnold Strasser, "Private pension plans, 1960 to 1969-an overview."

13 For a detailed analysis of these vesting data, see Avy Graham, "How has vesting changed since passage of Employee Retirement Income Security Act," *Monthly Labor Review*, August 1988, pp. 20-25, available on the Internet at <http://www.bls.gov/opub/mlr/1988/08/art4full.pdf>.

14 See *National Compensation Survey: Employee Benefits in Private Industry in the United States, 2002-2003*, table 83, page 102.

15 *Ibid.*, table 81, p. 100.

16 See *National Compensation Survey: Employee Benefits in Private Industry in the United States, 2000*, table 67, p. 61.

17 Survivor benefits such as these were becoming more numerous in plans throughout the 1960s. For a detailed description of these kinds of benefits, see Evan Hodgens, "Survivor's pensions: an emerging employee benefit."

18 See *National Compensation Survey: Employee Benefits in Private Industry in the United States, 2002-2003*, table 82, p.101.

19 *Ibid.*, table 74, p. 93.

20 Another 3 percent were in plans with separate requirements for both conditions. When this occurred, age and service requirements were less stringent when the employer's consent was needed.

21 See *National Compensation Survey: Employee Benefits in Private Industry in the United States, 2002-2003*, table 77, p. 96.

22 See Dorothy R. Kittner, "Forced retirement: how common is it?" *Monthly Labor Review*, December 1977, pp.60-61.

**Table 1. Defined benefit pension plans with 100 or more participants, by number of active workers covered, plan entity, and contributory status, September 1, 1974**

Provision	Active workers		Plans	
	Number (in thousands)	Percent	Number	Percent
<b>All</b>	22,814	100.0	14,021	100.0
Size of plan				
<b>100 to 199</b>	534	2.3	3,729	26.6
<b>200 to 499</b>	1,542	6.8	4,918	35.1

Note: Sample of all plans for which the administrator filed a report with the Department of Labor in compliance with the Welfare and Disclosure Act of 1959. Excluded are 59 sample plans for which provision descriptions were not available. These plans represented 5.6 percent of all plans and 2.9 percent of all plan participants. The data in these tables, therefore, represent less than the total study scope of plans and participants.

Provision	Active workers		Plans	
	Number (in thousands)	Percent	Number	Percent
500 to 999	1,625	7.1	2,340	16.7
1,000 to 4,999	4,764	20.9	2,277	16.2
5,000 to 9,999	2,641	11.6	381	2.7
10,000 to 24,999	3,977	17.4	267	1.9
25,000 to 49,999	2,301	10.1	69	0.5
50,000 to 99,999	1,511	6.6	22	0.2
100,000 or more	3,919	17.2	18	0.1
Type of plan				
Single employer	15,282	67.0	11,693	83.4
Multiemployer	7,394	32.4	2,207	15.7
Multiple employer	139	0.6	121	0.9
Contributory status				
Contributory	2,404	10.5	1,737	12.4
Noncontributory	20,411	89.5	12,284	87.6

Note: Sample of all plans for which the administrator filed a report with the Department of Labor in compliance with the Welfare and Disclosure Act of 1959. Excluded are 59 sample plans for which provision descriptions were not available. These plans represented 5.6 percent of all plans and 2.9 percent of all plan participants. The data in these tables, therefore, represent less than the total study scope of plans and participants.

**Table 2. Earliest age with corresponding service requirements for participation in defined benefit plans, September 1, 1974**

Age and/or service requirement for plan participation	Percent of active workers	
	In all plans	In plans with participation requirements
<b>Total with participation requirement</b>	27	100
<b>No age requirement</b>	15	54
<b>One year or less</b>	10	36
<b>Greater than one year</b>	5	18
<b>Age 25 or less</b>	9	32
<b>No service requirement</b>	3	12
<b>One year or less</b>	4	15
<b>More than one year</b>	1	5
<b>More than age 25</b>	4	14
<b>No service requirement</b>	1	3
<b>One year or less</b>	1	5
<b>More than one year</b>	2	6
<b>With provisions which already met or exceeded initial ERISA regulations (1)</b>	90	63

Footnotes:

(1) Includes workers in plans with an alternate age and service requirement which satisfied ERISA's rules for participation.

**Table 3. Prevalence of participation requirement provisions in defined benefit plans, by industry, September 1, 1974 (in percent)**

Industry	All	With participation requirements	Without participation requirements	Requirements not determinable
<b>Total</b>	100	27	72	1
<b>Manufacturing</b>	100	31	68	1
<b>Mining</b>	100	18	77	6
<b>Construction</b>	100	1	99	0
<b>Transportation</b>	100	17	83	0
<b>Communication and public utilities</b>	100	28	72	0
<b>Wholesale and retail trade</b>	100	39	61	0
<b>Finance, insurance, and real estate</b>	100	48	52	0
<b>Services</b>	100	30	69	1

**Table 4. Incidence of requirement for employee contributions in defined benefit plans, private industry, September 1, 1974**

Industry	Participants in contributory plans (in thousands)	Percent of participants
<b>All</b>	2,404	10.5
<b>Manufacturing</b>	1,498	12.2
<b>Nonmanufacturing</b>	906	8.6
<b>Mining</b>	37	11.7
<b>Construction</b>	61	2.5
<b>Transportation</b>	279	14.6
<b>Communication and public utilities</b>	70	4.3
<b>Wholesale and retail trade</b>	121	7.1
<b>Finance, insurance and real estate</b>	188	17.8
<b>Services</b>	150	10.6

**Table 5. Earliest age and associated service requirement for vesting in private pension plans, September 1, 1974**

Vesting provision	Participants (in thousands)	Percent of participants
<b>All</b>	22,814	100.0
<b>With vesting provisions</b>	19,816	86.9
<b>With immediate vesting</b>	38	0.2
<b>Cliff vesting</b>	15,924	69.8
<b>Full vesting at any age, with:</b>	8,819	38.7
<b>Less than 10 years' service</b>	487	2.1
<b>10 to 14 years' service</b>	5,445	23.9
<b>15 to 19 years' service</b>	2,040	8.9
<b>20 or more years' service</b>	847	3.7

Note: Since some plans provided both cliff and graduated forms of vesting, sums exceed totals.

Vesting provision	Participants (in thousands)	Percent of participants
<b>At age 40 or earlier, with:</b>	3,642	16.0
5 to 9 years' service	66	0.3
10 to 14 years' service	1,231	5.4
15 to 19 years' service	2,329	10.2
20 or more years' service	16	0.1
<b>At age 41-45, with:</b>	1,804	7.9
5 to 9 years' service	40	0.2
10 to 14 years' service	488	2.1
15 to 19 years' service	1,227	5.4
20 years' service	49	0.2
<b>At age 50 or later, with:</b>	1,477	6.5
No service	95	0.4
10 to 14 years' service	490	2.1
15 to 19 years' service	511	2.2
20 or more year's service	381	1.7
When age plus service reaches a specified sum	159	0.7
Other requirement	23	0.1
Graduated vesting	4,120	18.1
<b>Full vesting at any age, with:</b>	2,762	12.1
5 to 9 years' service	182	0.8
10 to 14 years' service	555	2.4
15 to 19 years' service	860	3.8
20 or more years' service	1,165	5.1
<b>After specified age, with:</b>	1,176	5.2
No service requirement	11	0.0
Less than 5 years' service	36	0.2
5 to 9 years' service	2	0.0
10 to 14 years' service	18	0.1
15 to 19 years' service	924	4.1
20 or more years' service	185	0.8
Age and service requirement not determinable	35	0.2
Full vesting never achieved	147	0.6
Without vesting provisions	2,708	11.9
Vesting provisions not determinable	280	1.2

Note: Since some plans provided both cliff and graduated forms of vesting, sums exceed totals.

**Table 6. Comparison of vesting provisions in defined benefit plans as of September 1, 1974, with initial ERISA vesting standards, by industry group**

Industry group	Percent of active workers in plans which satisfied ERISA requirements	
	All plans	Plans with vesting
All industries	27	31
Manufacturing	35	39

Industry group	Percent of active workers in plans which satisfied ERISA requirements	
	All plans	Plans with vesting
Mining	17	38
Construction	20	20
Transportation	5	8
Communication and public utilities	13	13
Wholesale and retail trade	31	36
Finance, insurance, and real estate	24	26
Services	8	11

Table 7. Definition of a "break in service" in defined benefit plans by industry group and reason for termination of employment, September 1, 1974 (percent of workers)

Definition	Voluntary separation (quits)			Discharge			Layoff		
	All industries	Manu- facturing	Nonmanu- facturing	All industries	Manu- facturing	Nonmanu- facturing	All industries	Manu- facturing	Nonmanu- facturing
Total	100	100	100	100	100	100	100	100	100
Immediately when service ends	59	74	41	51	62	35	–	–	–
After a year of insufficient hours, shifts, earnings, etc.	2	3	2	2	3	2	2	3	2
After more than a year of insufficient hours, shifts, earnings, etc.	18	4	34	18	4	34	18	4	34
Less than a year after service ends	3	4	2	4	5	2	3	4	1
A year or more after service ends	7	4	10	5	5	6	29	32	25
Other definition	1	(1)	0	(1)	0	(1)	3	4	2
Break in service cannot occur	–	–	–	(1)	0	–	28	34	21
Not determinable	10	11	10	20	19	21	17	19	15

Footnotes:  
(1) Less than 0.5 percent.

Note: Dash indicates no active workers in this category.

**Table 8. Prevalence of provisions for restoration of service credited before a break-in-service occurred, upon return to covered employment, by vested status, September 1, 1974**

Provision for restoration and work requirement upon return	Percent of active workers in plans with restoration of previous service lost due to:			
	Voluntary quit		Discharge or layoff	
	If not vested	If vested	If not vested	If vested
<b>Total</b>	100	100	100	100
<b>Previous service cannot be restored</b>	74	55	73	54
<b>Previous service can be restored</b>	14	12	6	7
<b>If a work requirement is satisfied after return to work</b>	9	7	5	7
<b>Length of one year or less</b>	(1)	(1)	(1)	(1)
<b>More than one year</b>	4	4	4	3
<b>Based on length of previous service</b>	5	(1)	1	(1)
<b>Based on length of break in service</b>	(1)	(1)	(1)	1
<b>When service requirements are met after re-employment</b>	--	3	--	2
<b>Other service requirement</b>	(1)	--	1	--
<b>If length of previous service was sufficient</b>	5	5	1	--
<b>All previous service is restored</b>	--	15	9	21
<b>Not determinable</b>	12	18	12	18

Footnotes:  
(1) Less than 0.5 percent.

**Table 9. Survivor benefits in defined benefit pension plans by plan entity and employee category, September 1, 1974 (percent of active workers)**

Type of survivor benefit	Total	Plan entity		Type of employee		
		Single employer	Multi-employer	Hourly	Salaried	Both
Joint-and-survivor options:						
<b>At normal retirement</b>	77	89	52	71	94	82
<b>At early retirement (when provided)</b>	77	90	49	69	93	84
Automatic monthly benefit for survivor of						
<b>Active workers</b>	38	47	20	29	49	46
<b>Retirees</b>	17	18	16	28	15	16
Flat amount benefits (1) to survivor of						
<b>Active workers</b>	32	22	54	29	20	34
<b>Retirees</b>	36	26	56	36	26	37

Footnotes:  
(1) Excluding return of employee contributions.

**Table 10. Earliest age and corresponding service requirement for normal retirement, defined benefit plans, September 1, 1974**

Age and/or service provision	Active workers	
	Number in thousands	Percent
<b>Total</b>	22,814	100.0
<b>At any age, with</b>	1,164	5.1
<b>Less than 20 years</b>	8	(1)
<b>20 years</b>	28	0.1
<b>25 years or more</b>	1,127	4.9
<b>Age 55</b>	1,641	7.2
<b>10 to 19 years</b>	33	0.1
<b>20 years</b>	1,267	5.6
<b>25 or more years</b>	341	1.5
<b>Ages 56 to 59</b>	467	2.0
<b>10 to 19 years</b>	39	0.2
<b>20 years</b>	424	1.9
<b>25 or more years</b>	4	(1)
<b>Age 60</b>	1,160	5.1
<b>No service requirement</b>	174	0.8
<b>Less than 10 years</b>	4	(1)
<b>10 years</b>	134	0.6
<b>15 years</b>	250	1.1
<b>20 years</b>	299	1.3
<b>25 years or more</b>	299	1.3
<b>Ages 61 to 64</b>	3,417	15.0
<b>No service requirement</b>	725	3.2
<b>Less than 5 years</b>	118	0.5
<b>5 to 9 years</b>	173	0.8
<b>10 years</b>	1,217	5.3
<b>15 years</b>	743	3.3
<b>20 years</b>	95	0.4
<b>25 years or more</b>	346	1.5
<b>Ages 65 or later (2)</b>	14,649	64.2
<b>No service requirement</b>	5,521	24.2
<b>Less than 5 years</b>	233	1.0
<b>5 to 9 years</b>	635	2.8
<b>10 years</b>	5,045	22.1
<b>15 years</b>	2,405	10.5
<b>20 years</b>	810	3.6
<b>25 years or more</b>	187	0.8
<b>Provision not determinable</b>	165	0.7

Footnotes:

(1) Less than 0.5 percent.

(2) Less than 0.5 percent of these workers were in plans providing normal retirement at age 70 with service requirement.

**Table 11. Earliest age and corresponding service requirement for early retirement at the employee's option, defined benefit plans, September 1, 1974**

Age and/or service requirement	Active workers	
	Number (in thousands)	Percent
<b>Total</b>	20,259	100.0
<b>At any age</b>	2,673	13.2
Less than 25 years	108	0.5
25 years or more	2,565	12.7
<b>Under age 50</b>	64	0.3
10 to 24 years	64	0.3
<b>Age 50 to 54</b>	1,058	5.2
No service requirement	35	0.2
Less than 5 years	61	0.3
10 to 15 years	469	2.3
20 to 24 years	494	2.4
<b>Ages 55 to 59</b>	10,696	52.8
No service requirement	1,213	6.0
Less than 5 years	141	0.7
5 to 9 years	315	1.6
10 to 14 years	4,831	23.8
15 to 19 years	3,540	17.5
20 to 24 years	476	2.3
25 or more years	180	0.9
<b>Age 60</b>	3,804	18.8
No service requirement	469	2.3
Less than 10 years	139	0.7
10 to 14 years	1,586	7.8
15 to 19 years	1,453	7.2
20 to 24 years	100	0.5
25 years or more	57	0.3
<b>Later than age 60</b>	1,495	7.4
No service requirement	55	0.3
10 to 14 years	230	1.1
15 to 19 years	257	1.3
20 to 24 years	863	4.3
25 years or more	90	0.4
<b>Sum of age plus service equals specified number</b>	305	1.5
<b>Provision not determinable</b>	165	0.8

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

**Table 12. Forced retirement provisions in defined benefit plans, by bargaining status, September 1, 1974 (Percent of active workers)**

Type of provision	Bargaining status			
	Total	Negotiated (1)	Nonnegotiated	Not determinable
<b>All plans studied</b>	100	100	100	100
<b>With forced retirement</b>	45	37	64	35
<b>Mandatory retirement</b>	44	37	62	35
<b>Compulsory retirement only</b>	30	24	43	28
<b>Automatic retirement only</b>	8	9	8	6
<b>Compulsory and automatic retirement</b>	6	4	11	2
<b>Forced early retirement</b>	9	12	5	–
<b>Without forced retirement</b>	55	63	36	65

Footnotes:

(1) For this study, negotiated plans included (1) those established for the first time through collective bargaining and (2) those originally established by either employer or union but later brought within the scope of collective bargaining for some (but not necessarily all) plan participants. Nonnegotiated plans are plans unilaterally established, controlled, and administered by a company or union.

Note: Dash indicates no active workers in this category.