

Dr. Morris Fishbein, editor of the Journal of the American Medical Association, in an address published in the Journal of the Michigan State Medical Society, August 1927, says:

"Not only physicians, but also sociologists, psychologists, and economists have on frequent occasions in recent years devoted pages of anathema to the curse of philanthropy. \* \* \* The medical professions in various communities have already protested against attempts by health demonstrations and similar movements to destroy initiative and individual relationships in medical practice."

Dr. William Allen Pusey, former president of the American Medical Association, in an article in the December 17, 1927 number of the journal of that association says:

"For a hundred years or more education has been the favorite of philanthropy and, fortunately, still is. But now medicine is overshadowing even education. I shall not say in the words that President Butler of Columbia applied to medical education that medicine has become the spoiled child of philanthropy, but at least it is very apt to get the first helping at the table.

In another article published in "The American Mercury," June 1927, Dr. Pusey says:

"Of course it is desirable that medicine should have plenty of money, but it may be questioned if it needs two or three times as much as any other form of education. The point I am making is this: Like other people, we have learned to spend money freely when we find we have it. There might be no objection to this if it did not lead us into difficulties, but it has been doing so. With something of an inferiority complex about our scientific standing, we have become very highbrow."

The CHAIRMAN. The next witness is Mr. Forster, of Philadelphia.

**STATEMENT OF H. WALTER FORSTER, VICE PRESIDENT OF THE PENSION CONSULTING DIVISION OF TOWERS, PERRIN, FORSTER & CROSBY, INC., PHILADELPHIA, PA.**

Mr. FORSTER. Mr. Chairman and gentlemen, the Washington attorney of the Standard Oil Co. arranged for my appearance before you, and that accounts for my being listed as representing that company. While the Standard Oil Co. of California is one of my clients, I come here not representing them, but rather on behalf of a very large number of corporations who retain our firm as pension consultants, and in my capacity as vice president in charge of that division of Towers, Perrin, Forster & Crosby, Inc., of Philadelphia.

Since 1906 I have been devoting myself primarily to consulting work in connection with the American corporation's problems of the relations of employers and employees, and I have had an excellent opportunity of getting close to the practical problems they have.

Since 1917, on an ever-increasing scale, and aided by a large staff, I have been devoting myself to pension problems for important industrial, financial, and utility organizations. Under the pending Federal legislation, our clients and other important corporations have unanimously raised one question which I want to present to you briefly and which will form the basis of a suggestion to you in connection with titles III and IV. I have, Mr. Chairman, a brief of the subject, which I should like to file and make a part of the record, and I will as briefly as possible summarize for you the nature of this suggestion.

You gentlemen are all acquainted with the fact that Federal employees, State and municipal employees, and railroad employees are under pension plans at the present time to a large extent. You perhaps are not quite familiar with the fact that 600 corporations other than those, with over 2,000,000 employees, have pension plans at the present time covering their people, and that about 300 of these

corporations employing over a million people, have backed their pension plans with upward of \$700,000,000 of reserves irrevocably set aside outside of their business, either with life insurance companies or with other types of trustees.

There is a splendid argument, gentlemen, for the propriety of extending the pension idea to industrial and other employees, because these companies have found it good business as well as socially desirable to make these provisions. Employers who have plans of this character are putting into these plans annually as a rule from 3 to 5 percent of the pay roll. Quite frequently the employees contribute equal amounts, and that voluntary contribution of employers contrasts with the one-half percent, 1 percent, 1½ percent, and so forth, which the contributory part of the bill before you gentlemen provides. In other words, these corporations are putting far more money aside voluntarily than the Federal act will require of employers generally.

It seems reasonable to me, in the interests of maintaining a higher pension standard in this country, and of protecting employees definitely and soundly as to those pensions, to permit employers who have plans which now or hereafter are better as to benefits and safely financed, to continue to operate those plans, and not to require them to abandon them or at least come under the Federal plan, and then build some other kind of a plan on top in order to make the total pension benefits more adequate.

You have a fine illustration of that in the fact that in this bill before you the Federal employees are excluded, and there are some 400,000 men and women under the Federal Employees Retirement Act of 1920. As I recall it, those employees are paying 3½ percent of their earnings toward the cost of their pensions, and the Government will pay in due course very large sums for its share of the plan. If those employees were given the choice of coming under the new plan, which of necessity is a minimum plan, if it must be generally applicable, I am quite sure they would rather pay more in that particular case and get a better pension.

My suggestion, therefore, is that you gentlemen, in the final draft of the bill, which will, of course, contain many improvements arising out of the suggestions before you, make provision so that under complete control of the Social Insurance Board, and under regulations, it may provide employers who now have or who hereafter may wish to establish a voluntary contributory plan with their employees, and as to such employees only, may operate such plant if more liberal and properly safeguarded, and thereby relieve the Government of certain deficits which will arise under the plan which you are proposing here, of certain supervisory expense, and give, broadly speaking, better protection to a substantial portion of our citizens. That, gentlemen, is the gist of the brief which I have had the privilege of presenting to you.

Mr. HILL. To what Federal bill do you refer?

Mr. FORSTER. The Federal Employees Retirement Act, Mr. Hill.

Mr. HILL. Are they included in this bill?

Mr. FORSTER. The Federal employees are excluded from this bill, because they have a first-class pension plan today.

Mr. HILL. Are your suggestions directed to some provisions that are now in the bill, or something that you want to bring into the bill?

Mr. FORSTER. It is to add to the bill. The bill as it now reads, sir, makes it necessary for every employer to bring every employee

under this bill. My plea is, if the employer has a plan or may establish a plan which the Social Insurance Board, administering this plan, considers better than the Government benefits, and if he will safely finance it, that you give him the choice of having that single plan in lieu of coming under the Government plan.

Mr. HILL. The States have a great deal to say as to the plan that may be adopted within the States, but there is no Federal plan.

Mr. FORSTER. The Federal plan, sir, is the contributory plan, not the old-age assistance plan, under which employers and employees set aside money to provide pensions for those employees when they become 65. That is the point about which I am talking.

Mr. HILL. I am talking about a plan. You said the "Federal plan." There is no plan in this bill.

Mr. FORSTER. Yes; there is a plan here which provides benefits, if people come in before age 60, of 15 percent pay roll, increasing as their length of service under the Government plan increases. You have here a very definite contributory employer-employee plan in this act.

Mr. HILL. You are talking about the old-age annuity, or unemployment?

Mr. FORSTER. Old-age annuity.

Mr. DINGELL. Mr. Forster, you say you are acting as the spokesman for approximately 600 corporations?

Mr. FORSTER. No; I said there were in this country about 600 corporations that had formal pension plans, of which about 300 had put up \$700,000,000 as financial backing, and I said that I was speaking as a consultant in the pension field, and working for many important corporations.

Mr. DINGELL. As consultant, I presume you are familiar with the welfare plans of the telephone companies and their associated companies?

Mr. FORSTER. Yes, sir.

Mr. DINGELL. You are familiar also with the Shell Oil Co.'s plan?

Mr. FORSTER. Which is quite different in character; yes, sir.

Mr. DINGELL. And I presume you are quite familiar with the Pennsylvania Railroad's system?

Mr. FORSTER. I am.

Mr. DINGELL. In most of these instances, we will take for example the telephone company and the Pennsylvania Railroad, I assume that the money that is contributed there is generally included in the railroad or telephone rates?

Mr. FORSTER. It must be.

Mr. DINGELL. It must be, of necessity.

Mr. FORSTER. Yes.

Mr. DINGELL. Now, are you familiar with this phase, that the employee of a telephone company might be employed by such a company for 20 years, and when he leaves, he leaves behind him all of the accumulated benefits that should have been his at the time he leaves the company?

Mr. FORSTER. Yes, sir.

Mr. DINGELL. But he gets nothing?

Mr. FORSTER. Right.

Mr. DINGELL. That is a positive fact.

Mr. FORSTER. May I say that my brief, which I have filed with the clerk, specifically provides that if an employer has the right to operate

such a plan, if an employee leaves him before pension age, there will be set up for that employee in revenue stamps or its equivalent the benefits he would have had under the Federal plan

Mr. DINGELL. In other words, it must be necessary to establish at the same time certain minimum standards with which employers must comply before they can ask of the committee any consideration in making changes in the basic law. Is that not right?

Mr. FORSTER. Absolutely, sir.

Mr. DINGELL. Then, let us go into a further discussion. You remember a recent strike of conductors on the Pennsylvania Railroad system?

Mr. FORSTER. Yes.

Mr. DINGELL. The Pennsylvania Railroad Co. told those who were either eligible for the old-age pension or who were about to become eligible, within 1, 2, 3, or 5 years, that if they went on strike, and if the strike was unsuccessful, they would lose all of their cumulative benefits. Do you recall that statement?

Mr. FORSTER. I do not; no. I do not happen to know about that.

Mr. DINGELL. It is true; but here is what I am trying to show you. In so many instances the systems that are handled by the corporations are used for no other reason possibly than to stabilize employment and to prevent the employees from clamoring to improve their conditions. Every 5 years the employee for his loyalty and service gets a service button, and at the end of a certain time when he becomes eligible for benefits he gets a kick a posteriori. Certain pension funds have been squandered by employers. For that reason, in the consideration of a bill of this kind, or any bill on the part of the corporations, the employee must be thoroughly protected. You agree with that statement?

Mr. FORSTER. Absolutely, sir; and I so have proposed.

Mr. DINGELL. There is one corporation whose plan I have studied. That is the Shell Oil Co. Their method is entirely different. They take from the employee 10 percent of his wages and put in 10 percent, or a like amount that the company contributes. That money is invested and earnings are added to the funds held in trust; and at any time the individual employee leaves the employ of his company he gets the entire amount that was set aside, both from the earnings and from the earnings of his employer. That amount is sacred and belongs to the employee.

Mr. FORSTER. Correct.

Mr. DINGELL. That is the only safe and sane and reasonable method; and it should be given to him, whether he is out on strike and never comes back, or not. That is his, without any strings or conditions attached. That is the only safe, sensible, and reasonable thing that I think the committee will consider in that connection. That is my idea of the situation. What do you think of it?

Mr. FORSTER. Your position, may I say, sir, is entirely correct, and all of the contributory pension plans which now exist, under which about 300,000 employees are setting aside money regularly as a part of the pension cost, are upon the basis that the employee, living or dying, gets back his money as a minimum, always.

Mr. DINGELL. And I personally, Mr. Forster, would have to be thoroughly convinced that the employee would be protected to the fullest possible extent, before I would yield to giving the corporations any special consideration under the terms of this bill.

Mr. FORSTER. Your position is thoroughly sound, and I agree with you.

The CHAIRMAN. Mr. Vinson.

Mr. VINSON. Do I understand you to agree with Mr. Dingell that if an employee has been working for a corporation and has these private reserves and ceases the employment, the employee should receive the moneys that he has paid in? I understood you to say that your proposition was to transfer the moneys the employee had earned by his payments to this fund, to the Federal Government, together with the use of stamps equivalent in value or evidencing the value of that amount, so that the employee would get the benefits when he arrives at the age limit.

Mr. FORSTER. Yes. I think I can make myself a little clearer. Suppose an employee were to contribute 3 percent of his earnings under a plan for the X. Y. Z. Manufacturing Co., a liberal pension plan. If the employee left after 5 years,  $\frac{1}{2}$  percent of this 3 percent would be invested in revenue stamps. The employer would put in an equal amount and the other  $2\frac{1}{2}$  percent of his contribution would be returned to him in cash. He is overpaying for that liberal plan, as compared to the minimum Government plan.

Mr. DINGELL. I submit to the gentleman from Kentucky that that is the only reasonable thing we should entertain under the circumstances.

Mr. VINSON. I think there is another reasonable thing to entertain, and that is whether or not we should have these private reserves at all.

The CHAIRMAN. Mr. Lewis.

Mr. LEWIS. I did not hear your opening remarks, sir, so you will pardon me if I trespass. There are 600 companies that are maintaining these systems, you say?

Mr. FORSTER. Yes, other than railroads and governmental organizations.

Mr. LEWIS. How many of the 600 subscribe the whole pension fund?

Mr. FORSTER. What do you mean by "subscribe", Mr. Lewis?

Mr. LEWIS. I think in the case of the Pennsylvania Railroad or at least in the case of the Baltimore & Ohio, the company paid the whole pension fund. There was no contribution.

Mr. FORSTER. I would say that out of those 600 pension plans, of a formal, definite character, about 250 to 300 now are contributory, where the employees pay a part of the cost.

Mr. LEWIS. And you said there were 300,000 such employees?

Mr. FORSTER. About 300,000 employees included in that group.

Mr. LEWIS. How many employees are included in the other group, who make no contribution?

Mr. FORSTER. Of the 300 plans which have money behind them, about a million altogether, and the 300 plans which they have no reserves behind them, employ more than a million additional people.

Mr. LEWIS. Your suggestion is that if the social insurance board, after proper investigation, determines that an existing pension system affords greater benefits to the employee than would be offered under the annuity contributory system provided in this bill, the board shall be permitted to pass an order continuing that system in the place of the one provided in the bill?

Mr. FORSTER. With one addition, namely, that if in the future an employer wanted to provide such a plan with his employees, he might be permitted to do that also; not only on existing but future plans.

Mr. LEWIS. Have you prepared such an amendment as fitting into the bill before the committee?

Mr. FORSTER. I have not attempted to phrase the language, because your bill-writing group will have to take many ideas and merge them and consolidate them into a bill.

Mr. LEWIS. May I request you to do so, and submit it to me?

Mr. FORSTER. I shall be happy to do so, sir.

Mr. LEWIS. And I will submit it to the chairman.

Mr. FORSTER. I shall be happy to prepare such phraseology.

Mr. DINGELL. Will the gentleman yield?

Mr. LEWIS. I think I am through, now.

Mr. DINGELL. I am just going to interpose an observation there, that my colleague from Maryland understands. In the case of a utility, we will assume the employee makes no direct contribution from his salary, but it is conceded that the money contributed to this welfare fund, or whatever you want to call it, is included in the rate, and it is therefore placed there for the benefit of the employee. Altogether too frequently the employee's basic salary with the public utility is lower than the average, because it is pointed out to him that he is a beneficiary under the employees' welfare plan and enjoys steady employment. Therefore, the money which comes from the basic rate for service belongs not to the utility or to any corporation, but belongs to the employee. That is specifically provided for when the utilities commission sets the rate.

Mr. LEWIS. May I ask the witness if he has considered that phase of the subject matter in his brief?

Mr. FORSTER. Generalities, gentlemen, are always dangerous, but I have had personal professional contact with utilities from Boston to San Francisco, as their consultant. I know the average earnings of utility employees compared to industrial employees, and I do not think, sir, generally speaking, that utility employees have been discriminated against, because they generally have pension plans. In fact, I do not know of a case where an employer has made any move to reduce the employees' earnings because he gave such benefits, because such a pension plan is an efficiency measure. These great corporations, while they are generously inclined toward their people—and the bigger they are the better they often seem to be so inclined—have spent money for the pensions which the stockholders might have received, because it was an efficiency measure. When a man becomes old and ineffective, you could not throw him out. The repercussion would be too severe, and it is cheaper to give him a pension than it is to keep him on the pay roll. That is the justification for the pension expense we have had in this country.

Mr. DINGELL. But if the said employee left before he was pensionable, he received no benefits in most of the instances of which I know. Is that not true?

Mr. FORSTER. Generally that is true.

Mr. DINGELL. In other words, he did not share in the reserve unless he lived to be old enough actually to get the pension.

Mr. FORSTER. That is generally true, unless he had money in the reserve.

Mr. LEWIS. That would be true, unless the public rate makers had made allowance in their rates for these pensions.

Mr. DINGELL. That is true, but let me make this observation. I am not necessarily saying that employees of telephone companies or of utilities, generally, have been discriminated against.

The CHAIRMAN. Mr. Treadway.

Mr. TREADWAY. How rapidly, sir, has the pension system been extended in corporations?

Mr. FORSTER. It has come with very great speed, sir, and astonishingly so in these last 5 years of rather acute depression. During the past year and a half there have been probably not less than 100 new insured pension plans established, which means that every company's money is being paid in ahead of the day of the actual retirement of the employee.

Mr. TREADWAY. How variable are the conditions of the programs set up by corporations?

Mr. FORSTER. While the details as to variations are numerous, the range of benefits is now today almost always between 1½ percent of all a man earns, or giving him a pension of 2 percent. To illustrate, suppose I work for a company long enough to earn \$50,000. I would get a pension of \$750 a year, if it was a 1½-percent plan, or \$1,000 a year if it was a 2-percent plan.

Mr. TREADWAY. That is, if your aggregate salary had amounted during the time you had been with the company to \$50,000?

Mr. FORSTER. Yes.

Mr. TREADWAY. That would be the basis on which your retirement pension would be made up?

Mr. FORSTER. That is almost the universal practice today.

Mr. TREADWAY. That is fundamental with the industrial set-ups?

Mr. FORSTER. Yes, sir; and the same principle, I am very glad to see, is provided in this bill before you.

Mr. TREADWAY. Then this method of cooperation between the Government and the States carries out in your mind the detailed provisions that industrial organizations have set up voluntarily?

Mr. FORSTER. Broadly speaking; yes, sir.

Mr. TREADWAY. You have said that you wanted to extend this measure, excluding these private corporations and railroad and governmental employees. That appears, I think, on page 20, section 4, of the bill, in the definition of "employer" and "employee", which says:

Except that it shall not include the Federal Government, the States or any political subdivision thereof, a governmental instrumentality, or any employer subject to the Railway Retirement Act.

It seems to me that instead of adding to the bill, you want to make an exemption of other groups than those designated in the bill.

Mr. FORSTER. Yes.

Mr. TREADWAY. You said, "add to it." Is it not the other way around? You want to set up an exempted class, do you not?

Mr. FORSTER. I think that is better put; yes, sir.

Mr. TREADWAY. Is that the way of it?

Mr. FORSTER. I think that is correct.

Mr. TREADWAY. I just wanted to make sure I had the meaning clear.

Mr. FORSTER. Yes.

Mr. TREADWAY. If such an exemption should prevail, and this measure be put into effect, would those corporations be exempt from the tax assessments levied as provided at the beginning of title III sections 301 and 302?

Mr. FORSTER. The employers and their employees would not contribute to the Federal Government plan, but they would demonstrate to the Social Insurance Board that they contribute larger sums to a safe place, such as a life insurance company or some powerful corporate trustee outside of the business.

Mr. TREADWAY. Then, answering my question directly, they would be exempted from this provision of the proposed law?

Mr. FORSTER. Yes. You would have to add at this point, sir, in the bill, an exemption to cover the conditions of that type, subject to the Social Insurance Board's specific approval.

Mr. TREADWAY. I think I get your meaning, that it would set up an exemption, however.

Mr. FORSTER. Yes.

Mr. TREADWAY. That might be a complication in its application.

Mr. FORSTER. I think it would simplify the operations, because there are so many other problems, which the Social Insurance Board would have among over 25 million employees.

Mr. TREADWAY. If the terms as written here become law, then if the corporations had their private pension system, they would, of course, if they wanted to continue it, be required to pay into that as well as pay the governmental assessment, would they not?

Mr. FORSTER. Yes, sir.

Mr. TREADWAY. Just one other thing. Let me get it straight in my mind. Did you say that there were some 2,000,000 employees now under these private arrangements?

Mr. FORSTER. Yes, sir; upwards of 2,000,000 employees under private arrangements, other than railroads.

Mr. TREADWAY. Exclusive of railroads?

Mr. FORSTER. Yes.

Mr. TREADWAY. For instance, the oil companies?

Mr. FORSTER. Yes. The Standard Oil Co. of California is a case in point.

Mr. TREADWAY. In cases such as that?

Mr. FORSTER. Yes; and with over a million, of the total of something over 2,000,000, under plans protected by reserves irrevocably set up out of the business, aggregating better than \$700,000,000.

Mr. TREADWAY. In other words, there is the actuarial life insurance available for those employees?

Mr. FORSTER. Yes.

Mr. TREADWAY. And the other million, half of those 2,000,000, are taken care of in that way. The other half, if there is no reserve set up, are dependent on the well-being and the profits of the company from year to year; is that correct?

Mr. FORSTER. Right. That is very well phrased.

Mr. TREADWAY. Just one other question, Mr. Chairman. You have referred two or three times to title IV. I would like to ask you, from your experience with this pension system, do you approve of the Social Insurance Board, as set up in this section? In other words, to be a department connected with a bureau in the Department of Labor,



and to be appointed by the President without confirmation by the Senate?

Mr. FORSTER. Mr. Chairman, and gentlemen, I, of course, am not in a position to express an opinion upon the latter part of your question, but obviously this is a Federal and a national problem, and the control must be centralized in the Federal Government, as well as I can judge. The general set-up here is a reasonable one, a sound one and a proper one.

Mr. TREADWAY. Thank you. On the other point, you do not care to express an opinion?

Mr. FORSTER. I have no way of judging, sir.

The CHAIRMAN. Thank you.

Mr. FORSTER. Thank you very much, gentlemen.

(The brief submitted by Mr. Forster is as follows:)

#### STATEMENT OF H. WALTER FORSTER

1. I am the vice president in charge of the life insurance and pension division of Towers, Perrin, Forster & Crosby, Inc. of Philadelphia. That corporation and the former firm of Brown, Crosby & Co. of Philadelphia, in which I was a senior partner in charge of the same division, have been pension consultants since 1917.

2. We have been retained by many important corporations and have assisted in the installation of new or revised pension plans. Some of our clients have insured their plans; others have turned over substantial reserves to trustees other than life insurance companies, to the end that their employees might be assured of eventual retirement income. A number have asked their employees to contribute toward the cost of these plans, in every case with almost a 100-percent response.

3. In discussing impending Federal pension legislation with our clients and other corporations, the question was quite uniformly raised as to whether the proposed legislation would permit employers, in lieu of the Federal plan, to continue in force existing employer plans, to inaugurate new employer plans prior to the effective date of the Federal plan, or thereafter to substitute employer plans for the Federal plan, provided, in each case, the employer plan in operation or proposed could be shown to the satisfaction of the Government to be properly financed and equal to or more liberal than the Federal plan. A study of the bill now before Congress discloses the fact that apparently no such provision is included. Hence, my appearance to request amendment to cover that point. I appear as a student of, and consultant upon, the pension problem, and not as a representative of any specific client.

4. My remarks are limited to titles 3 and 4, dealing with the contributory pension plan, and I am advocating a principle and not proposing specific language to obtain the desired result.

5. Most persons are familiar with the fact that Federal, State, and municipal employees are generally under pension plans and that the same thing is true of most railway employees. However, many persons do not know the extent to which pension plans have been adopted by American business enterprises. Mr. Murray W. Latimer, in his outstanding book, *Industrial Pension Systems*, recorded up to May 1932, exclusive of governmental and railway pension plans, no less than 434 formal American pension plans in organizations employing over 2,000,000 persons. Since that time both the number of plans and persons covered has been increased. For the purpose of my argument, however, only those plans warrant consideration which now have reserves behind them. The following is a conservative statement of the situation at the present time:

(a) At least 300 plans of industrial and financial institutions and public utilities, other than railways, have reserves irrevocably set aside with life-insurance companies or other trustees.

(b) These reserves aggregate at least \$700,000,000 and are rapidly being increased.

(c) Over 1,000,000 persons are employed by these organizations, and those who remain to pension age will participate in the benefits of the plans.

(d) Approximately 300,000 of these employees now are contributing toward the cost of their eventual benefits.

6. These pension plans, established voluntarily and primarily as an efficiency measure, constitute the best possible argument for the general application of the pension idea to persons gainfully employed.

7. While the desirability of a Federal pension plan is widely recognized, and if enacted will eventually extend a measure of old age security to millions of workers, it seems most desirable not to force a change in existing plans or to discourage more liberal properly financed future plans, provided:

(a) Benefits exceed those of the Federal plan.

(b) Employers and employees desired their continuance. Of course, if certain employees do not wish to continue, or to join upon being employed, they would come under the Federal plan.

(c) Adequate financial provisions have been or are about to be made.

(d) When an employee leaves the employ, the employer would pay to the Government the contributions which would have been made under the Federal plan, together with sufficient interest to give him the status he would have achieved under that plan, or credits could be given him under the employer plan, on a basis satisfactory to the social-insurance board.

8. In my opinion, the proposed contributory pension plan is very liberal for a national act. A comparison with European plans, notably the 10 shillings per week pension in Great Britain and about equal average pensions in Germany, indicates this clearly, even after allowing for the difference in average earnings of the citizens of these countries and our own. The eventual deficit under the proposed plan now before you bids fair to be so large that in no event should the scale of benefits be increased.

9. In spite of the fact that the proposed Federal contributory pension plan is liberal for a national plan to be carried by all employers, whether prosperous or not, its benefits are on the whole substantially lower than those provided under employer plans of recent origin. The proposed legislation should encourage the employer who feels financially able to pension his employees more liberally and to set up the necessary reserves on an actuarially sound basis.

10. No provision is made in the proposed plan for employees who on January 1, 1937, will be age 60 or over, who aggregate a very large number. It is desirable that employer plans should provide for these workers, and, also that tens of thousands of their former employees now pensioned should continue to receive their pensions. Certainly it would seem desirable for Congress to take no steps that will discourage continuance of satisfactory existing plans or the establishment hereafter of liberal plans properly safeguarded.

11. It may be argued that all employers should bring their employees under the Federal plan and that those who chose to do so could supplement it by a second plan to any extent desired. This, of course, could be done, but it obviously would be simpler and better to operate a single liberal plan rather than to have the benefits vary as between two parts of the protection program. For example, if the employer portion permitted women to retire at age 60, which is the usual practice, they would receive employer benefits only until age 65, after which they would be entitled to benefits both from the Government and the employer. The same thing would be true of earlier retirements under employer plans because of disability or other reasons, but not provided for under the Federal plan. Experience with pension plans of some of our largest employers indicates that such disability retirements are a substantial proportion of the total number.

12. There are definite advantages to the Government of granting employers an option such as that outlined above because:

(a) Every employer plan takes care, in a relatively generous manner, of present pensioners and of employees now aged 60 and over who are excluded from the contributory Federal plan and who, if not pensioned by employers, would in part at least involve Government cost through giving them old-age assistance in cooperation with the States.

(b) Every such plan, whose proper financing would be assured in each case, would relieve the Government of some of the deficit which will arise under every Federal pension paid for decades to come, because of the admitted inadequacy of the proposed plan of contribution.

(c) Every such plan would relieve the proposed unemployment reserve plan of costs, because under employer plans it is customary to pension older employees who have had reasonable service if it is necessary to release them before age 65 because of disability, inefficiency, technological changes, or other reasons. Employees so protected would not involve payments from unemployment reserves. If employers operate only under the Federal pension plan, many

would release such employees who would thereupon draw maximum unemployment benefits and constitute an economic problem for the years prior to age 65 as well as thereafter, because their accrued pensions would be adversely affected by their early retirement from gainful employment.

(d) Every such plan would relieve the Social Insurance Board of a considerable amount of detail as to records, investigations, and payments of pensions. Only general supervision would have to be exercised over those plans which would be permitted to operate without participation in the Federal plan. When one takes into account the stupendous task which confronts the Social Insurance Board in administering a plan involving over 25,000,000 citizens, it is obvious that plans should be permitted which will reduce the details of operation and at the same time benefit a portion of our citizens.

(e) The Government wants to restrict the total reserves under the proposed plan, not because larger reserves are inherently unwise, but because of the difficulty of investing the money. Life-insurance companies and other pension trustees have found it possible to accumulate safe investments yielding over 4 percent and their continuing to do so should be encouraged, for to the extent that employers plans, whose benefits include what the Federal plan would provide, set up proper reserves for the entire benefit, the whole financial structure of pensions is strengthened and the Government relieved of the investment of any reserves which support these plans.

(f) Life-insurance companies and other trustees of employer plans seek conservative and, on the whole, long time investments since the heaviest pension obligations are many years away. Government bonds constitute only a moderate portion of such investment portfolios, and the existence of these trusts creates a desirable market for nonspeculative investments. There are no contingencies likely to arise under pension plans which would ever cause the trustees to throw upon the market large blocks of securities and have a detrimental effect upon business in general or upon Government financing in particular.

12. No such all inclusive plans would be permitted except by specific approval of the Social Insurance Board, which Board could issue the detailed governing regulations which would be required in operating such plans.

13. Since an option to responsible employers to continue or to establish liberal, properly safeguarded pension plans would, if exercised, be highly desirable in the interest of their employees and advantageous to the Government as well, it is hoped that such a provision will be included in the final draft of the bill.

#### SUGGESTED AMENDMENT TO H. R. 4120, PROVIDING FOR CERTIFIED PRIVATE ANNUITY PLANS

On January 31, 1935, H. Walter Forster of Towers, Perrin, Forster & Crosby, Inc., of Philadelphia, Pa., appeared as a witness before the Committee on Ways and Means of the House of Representatives to suggest that this bill make provision for the operation, under proper conditions of supervision by the Social Insurance Board, of private annuity plans in lieu of the contributory annuity plan proposed in titles III and IV of this bill. The committee requested that a suggested wording for an amendment to accomplish this be submitted and it is this that follows:

Add an entirely new section as shown below. This proposed new section has been given tentatively the number 308 although in the final draft of the bill it might more appropriately follow immediately after section 302.

#### ALLOWABLE CREDIT

SEC. 308 (a). Subject to the provisions of section 308 (c) hereof, for any period during which an employee elects to be a participant in a certified private annuity plan only, there shall be credited against the tax imposed for that period under section 301 hereof:

(1) The amount of contribution paid by the employee under such a certified private annuity plan or authorized by him to be deducted from his wages and paid under such plan; or

(2) In the event that the certified private annuity plan is financed by the employer exclusively, the amount paid by the employer under the plan on behalf of the employee in addition to amounts paid by the employer under section 308 (b) hereof.

In cases where such credits are allowable, the amount to be collected and paid under section 301 hereof, shall be the amount of taxes imposed thereunder less such credits allowable.

(b) Subject to the provisions of section 308 (c) hereof, for any period during which an employer operates a certified private annuity plan there shall be credited against the tax imposed for that period under section 302 hereof upon the pay roll of such employees as elect to participate in such certified private annuity plan, the amounts paid by such employer under such certified private annuity plan in respect of such participating employees. In cases where such credits are allowable, the amount to be collected and paid shall be the amount of taxes imposed less credits allowable.

(c) Such credits shall be allowed to any employer or employee operating under a plan which has been certified by the Social Insurance Board to the Secretary of the Treasury as conforming to the following minimum requirements:

(1) Only such employees shall come under such private annuity plan as elect to do so.

(2) The annuities provided under such private plan shall, as to such employee, be not less than those otherwise payable under section 405 of this act.

(3) The aggregate contributions to such private plan by employees and employer shall not be less than the aggregate taxes provided by sections 301 and 302 hereof.

(4) Such contributions shall be deposited currently with a life insurance company, or other trustee, approved by the Social Insurance Board.

(5) Upon withdrawal of an employee from such private plan there shall either—

(A) Be paid into the Treasury of the United States on behalf of the withdrawing employee out of the funds of such private plan, a sum equal to the credits allowed as to such employee under sections 308 (a) and 308 (b) hereof together with interest accretions as determined by the Social Insurance Board, or

(B) Be provided, subject to the approval of the Social Insurance Board, for such employee, a deferred annuity not less in amount than would otherwise have been credited to him under section 405 of this act.

(6) Upon the death before retirement, of an employee covered under such private plan, there shall be paid to his legal and/or actual dependents, a sum not less than the amount of the tax imposed under section 301 of this act during the period of membership in such plan together with interest thereon as determined by the Social Insurance Board.

(7) Upon the death after retirement, of an employee covered under such private plan there shall be paid to his legal and/or actual dependents, a sum equal to the excess if any of the amount stated in section 308 (c), paragraph 6, over the annuity payments which would have been otherwise payable to him under section 405 of this act.

(d) For the purpose of calculating any annuities that may be payable under section 405 of this act, membership in such certified private annuity plan shall give the employee the same rights as to date of entry under this act as if taxes had been paid on his behalf under sections 301 and 302 hereof from the beginning of his membership in the private plan.

(e) Any employer may make written application to the Social Insurance Board for certification to the Secretary of the Treasury of an existing or proposed private annuity plan as being in conformity with the requirements of section 308 (c) hereof, accompanying such application by as full description of the plan and such other proof as may be needed that the plan does conform to these requirements. Within 90 days of the filing of such an application, it shall be the duty of the Social Insurance Board either so to certify the plan or to notify the applicant of the particulars wherein the plan does not conform to the minimum requirements as stated in section 308 (c) hereof. A plan so certified shall be known as a "certified private annuity plan."

(f) The Social Insurance Board shall have the right to call for such reports from the employer and to make such inspections of his records as will satisfy it that the requirements are being met and in general to make such regulations as will facilitate the operation of such certified private annuity plans.

(g) Any certification given by the Social Insurance Board in accordance with this section shall be revoked—

1. Upon the request of the employer, or

2. Upon failure of the employer to fulfill the requirements of section 308 (c) hereof.

In either event, the employees covered under the certified private plan shall be treated as withdrawing employees as provided in section 308 (c), paragraph 5.

(h) Upon withdrawal of an employee from a certified private annuity plan, the Social Insurance Board shall either approve such deferred annuity as is described under subsection (c) 5 (B) of this section, or shall certify to the Secretary of the Treasury the amount to be paid as in subsection (c) 5 (A) of this section.

Upon such certification, the amount so certified shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury.

#### H. R. 4120—PRIVATE ANNUITY PLANS

Subsequent to submitting a suggested amendment to cover the operation of private annuity plans under the supervision of the Social Insurance Board, it was suggested that a more brief amendment might be preferable to the one submitted by us under date of February 4, 1935. Therefore, the following alternative is submitted:

#### PERMITTED PRIVATE ANNUITY PLANS

Section 308 (a). Any employer who demonstrates to the satisfaction of the Social Insurance Board that a private annuity plan proposed or in operation provides, as to any employee who elects to join such plan, benefits not less than those set forth in section 405 hereof, and that contributions toward such plan not less than the aggregate of taxes specified in sections 301 and 302 hereof are being or will be deposited with a life insurance company or trustee acceptable to the Board, shall be permitted to operate such plan and, as to any employee who elects to join it, there shall be credited to such employee and his employer, against the taxes imposed under sections 301 and 302 hereof, the contributions made by him or on his behalf to such private annuity plan. The amount to be collected and paid under sections 301 and 302 hereof shall be the amount of taxes imposed thereunder less such credits allowable.

(b) For the purpose of calculating any annuities that may be payable under section 405 of this act, membership in such a permitted private annuity plan shall give the employee the same rights as to date of entry under this act as if taxes had been paid on his behalf under sections 301 and 302 hereof from the beginning of his membership in the private plan.

(c) The Social Insurance Board shall have the power to make such rules and regulations as will facilitate the operation of such permitted private annuity plans, and shall have the right to revoke such permission either upon the request of the employer or upon the failure of the employer to fulfill the requirements of this section.

#### STATEMENT OF BERT WILSON, REPRESENTING THE CHURCH OF THE DISCIPLES OF CHRIST

The CHAIRMAN. The next witness is Bert Wilson of Indianapolis, Ind., representing The Church of the Disciples of Christ. Mr. Wilson, you may proceed under the 5-minute rule.

Mr. WILSON. I will get through in less than that time, Mr. Chairman.

The CHAIRMAN. All right.

Mr. WILSON. Mr. Chairman, I desire to have it entered in the record that I represent the Pension Fund of Disciples of Christ and the 22 pension funds of the 22 Protestant bodies of America. There are 22 of these Protestant bodies that have already set up pension funds of their own.

Mr. TREADWAY. You mean for the clergymen?

Mr. WILSON. For their clergymen, yes.

Mr. TREADWAY. Or for members of their denominations?

Mr. WILSON. No; for their ministers, clergymen, and missionaries. We desire, Mr. Chairman, if you extend the hearings to next week, probably Tuesday of next week, to come before you with a statement. I have no statement to make today, but if you do extend your hearings until next week, we should like to make a statement regarding