

Private Pensions in America: Where Are We 25 Years After ERISA?

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An Occasional Paper from the "Making Retirement Work Project"

*Sponsored by Retirement Research Foundation
Chicago, Illinois and the*

Higgins Labor Research Center at the University of Notre Dame

October 1999

Abstract

The paper briefly describes the U.S. retirement income security system with special emphasis on the supervision of voluntary private sector pension. The legal financial and reporting requirements under the Employee Retirement Income security Act (ERISA) are explained. The unintended consequences of not mandating worker representation on the boards of trustees are explored. The union multi-employer model is revealed as a robust model of regulation. The paper ends with a brief appraisal of the strengths and weaknesses of the private pension system in the United States with special emphasis on the challenges faced by the growth in 401(k)s.

Those in social policy can skim the first part about where retirement income comes from but, I find private pension practitioners are shocked to discover how important Social Security is to almost half of the population. The summary of ERISA will put lawyers to sleep but scholars need to know how the supplementary system is regulated. I hope both groups learn from the last two sections on how pension management affects social outcomes, that unions play an important retirement income security role, and what are the chief strengths and weaknesses in the current American regime of pension regulation.

1. A Brief Description of the U.S. System — Tiers Not Pillars

The U.S. retirement income security system is based mainly on the federal government's program called Social Security. The second tier is the pensions provided voluntarily by both private and public employers. Employer-provided pensions are tax favored. Individual wealth, earnings from paid work, and government assistance make up the remaining sources of income.

Which sources are most important depends on the household's income level. Lower-income retired workers receive almost 90% of their income from Social Security. Middle class workers 60% from Social Security and retired workers in the top 20% receive about 25% from Social Security. Table 1 shows the percentage of income to the elderly coming from each source by the income class of elderly households.

Sources of income	40% with Lowest Income	Middle 20%	Second Highest 20%	The 20% with the Highest Income
Social Security	81%	65%	46%	21%
Pensions	5	14	24	21
Assets	5	10	15	25
Earnings	2	7	12	31
Other (including means-tested payments)	8	4	3	2

Source: (Clark and Quinn, 1999, p. 5)

Ninety-one percent of retirees receive Social Security, 55% receive income from assets. Only 41% receive employer pensions and 21% of "retirees" still work. (Clark and Quinn, 1999). Obviously Social Security is the most important source of retirement income in the U.S.. The shares of income going to the elderly are only equal — implying a pillar structure — for the highest income elderly. The best way to think about the U.S. system is one that it is made up of tiers of unequal size, not pillars. The word "pillars" implies that each source is of equal magnitude. Social Security is the base, employer pensions and individual assets the second tier,

work, and public means- tested welfare are the third and fourth tier much smaller tiers. A small fraction of the elderly receive their income from means-tested government programs.

One of the markers of success in any old age insurance program is the system's ability to keep the elderly out of poverty. The good and bad news is shown in Table 2. The U.S. has made great progress in eliminating poverty among the elderly but the poverty rates among older single women are still high at 20%.

Table 2		
Poverty Rates in 1996 and Change in Income 1969-1996 For Certain Families in the U.S.		
Households	Poverty Rate *	Change in Income between 1969-1996
Couples with children under 18:	9.1%	25.3%
Unmarried Women with children under 18	45.9*	10.2
Couples over age 65	4.0	57.0
Single men over 65	13.0	63.2
Single women over 65	20.0	63.0

Source: all data comes from Clark and Quinn, 1999 except that indicated by a star (*) which comes from Mishel, Lawrence, Jared Bernstein and John Schmitt. 1999. *The State of Working America, 1998-1999. An Economic Policy Institute Book.* Ithaca, N.Y.: ILPR Press, an imprint of Cornell University Press.

The Social Security System covers 96% of all workers and is financed primarily from equal contributions from employers and employees. The tax rate is now 12.4% of payroll— employers and employees each pay 6.2% up to a cap of \$72,700 of earnings (the cap is indexed to wage inflation) which covers about 82% of all income — down from the traditional 90%. A substantial trust fund is accumulating — workers and employers advance fund a portion of Social Security payments to help pay for the extraordinary expense of the baby-boomers' retirement starting in the second decade of the 21st century. The interest from the trust fund will start paying benefits in the year 2013 and the interest and principal will be spent by 2033.

Most of the success in fighting old-age poverty comes from increases and inflation indexation of Social Security benefits, not the expansion of the employer-provided pension system. However, income from employer-provided pensions has increased significantly in the last 25 years-making middle and upper class retirees more secure and comfortable. (Table 5 in the last section describes the growth in the employer provided system since 1974.)

2. The Employer-Provided Pension System

The employer provided pension system consists of defined benefit plans and defined contribution plans, most of which are called "401(k)s" reflecting the section in the tax code that allows workers to save pre-tax wages for retirement. In a defined benefit plan the employer funds a promised level of benefits in advance of the payout and assumes much of the risk of poor performance. However, the chief advantage of defined benefit plans is that a sponsor hires professional managers which maximizes risk-adjusted return, obtains economies of scale in administration costs, includes workers of various ages so that no one worker bears the "timing" risk — that is the risk they would retire when financial markets are weak or have to buy an annuity in the private open market (which suffers from adverse selection). (Annuity buyers have to pay for the presumption by annuity sellers that they pose more risk of living longer than those who do not buy annuities do).

Defined contribution plans are funded mostly by workers; many companies do not contribute anything to their employees' DC plans. Employers also pay for all the administrative costs, which range from 10 – 20% of account balances.

3. The History of Pension Supervision

America is somewhat unusual in having extensive voluntary employer- provided pension pensions. However, there is a history of government pensions. Soldiers and survivors from the U.S. Civil War, 1861-1865, received extensive pensions. (An interesting note about the long reach of a pension promise — 148 years after the war, two Civil War widows are still alive— very young girls married very old men). The first employer plans began in 1865; contributions were made exempt from federal tax in 1921. The federal Social Security Act was passed in 1935. States and municipal governments established plans for their employees after World War 1. Please see Table 6 in the Appendix for a timetable of the major laws affecting employer pensions in the U.S..

4. Supervision of Employer-Provided Pensions

Federal supervision is relevant for the non-governmental voluntary employer pension system. The supervision comes about because of the tax favoritism—the contributions and earnings are not taxed but when the worker receives the pension it is taxed at the usually lower personal income tax rate. Therefore, the Internal Revenue Service—a branch of the U.S. Treasury Department —supervises the plans mainly to make sure that the benefits occur to most workers—high and low paid—and they are not just designed for top management. The Treasury Department also monitors funding levels.

The passage of the Employment Retirement Income Security Act (ERISA) in 1974 marks the most comprehensive pension legislation in the U.S. Most of the remainder of the paper concerns ERISA. Eight percent of workers are in special union-employer multiemployer pension plans that most Europeans think of as occupational plans. The Taft-Hartley Act of 1947 forced these union-initiated plans to be jointly managed. The nonunion sector has always been strong

and large in the U.S.. Large non-union firms helped establish the norms of behavior for many single- employer plans that are controlled only by management. About one-half of the participants in single – employer plans are in plans negotiated by a collective bargaining agreement. (More about these in section 4.2)

4.1 The Major Supervision Model—ERISA

ERISA was designed to correct problems of participant rights, funding inadequacies and irregularities, benefits and inadequate monitoring and oversight. The comprehensive law created standards for reporting and disclosure, funding, fiscal responsibility and employee eligibility and vesting. The Pension Benefit Guaranty Corporation pays benefits when an employer-sponsor can not. It is funded by mandatory premiums from every sponsor of defined benefit plans. The flat rate charged for each participant has been raised periodically since 1974; but in 1987 the premium structure changed significantly to charge a higher premium to underfunded plans. The maximum premium is hefty at \$50 per participant. In 1999, 65% of funds are fully funded compared to 35% in 1974 (see Table 5).

The Department of Labor has primary jurisdiction over the reporting, disclosure and investing matters while the Treasury Department ensures workers are allowed to participate and vest and whether the funding standards are met.

4.1.1. Reporting and Disclosure

ERISA has extensive reporting rules which are based on the belief that information leads to workers having more realistic benefit expectations and periodic standardized reporting helps government officials monitor the plans (Fundamentals of Employee Benefit Programs, 1997, p. 39)

Every employer must provide an easy-to-understand description of the plan to each participant describing the 1) requirements for participating and accruing benefits; 2) how to earn vested benefits; 3) the definition of service and breaks in service; 4) what may cause disqualification or a loss in benefits, 5) last, the name and address of the sponsor must be included. Participants also have access to financial information. The idea is for employees to monitor the financial health of the fund, in reality only the 50% of workers in collectively-bargained plans have any hope a representative could analyze and effectively respond to funding anomalies and complain to the Treasury department.

4.1.2 Responsibilities of the Fiduciaries

Fiduciaries exercise control over asset management and fund administration. They are obligated to act with only one standard: that is they must act for the exclusive benefit of the participants and beneficiaries. This standard is similar to that in ordinary trust which law covered pension investment activities until the passage of ERISA in 1974.

There are no restrictions on what kinds of assets funds can invest in. Fiduciaries must act with the care, skill, prudence, and diligence that others in the same circumstances would have done. Since fiduciaries are expected to hire experts this prudent person standard has been

expanded to mean the prudent "expert" rule. Therefore, although there are no rules against any particular asset allocation it would not be deemed prudent, thus legal, if a fund was not diversified and only had one asset. The pension fund consultant and money management industry is a large and sophisticated and thrives on the prudent expert criteria (see Clark, 1999). In practice the Department of Labor has prosecuted fiduciaries for non-diversification when the fund experiences enormous losses. Whereas fiduciaries of a fund that conforms to all existing standards of practice but suffers huge rate of return losses is not at risk of prosecution. If all funds are 20% in emerging markets and this segment suffers a huge loss no one is at lost because they were all acting the same.

Pension funds account for over 60% of Gross Domestic Product — making the defined benefit promises of companies and governments fairly well funded. The prudent expert rule causes strong norms of behavior to form and thus the allocation of assets across investment classes is quite similar. The table doesn't show it but the asset allocations of plans have been converging over time. Please see Table 3.

Table 3			
Asset Allocation by type of Plan 1994			
Type of Asset	Private Sector Defined Benefit	Private Sector Defined Contribution	Public Sector Defined Benefit (91% are DB plans)
Equities	43.4%	40.9%	51%
Bonds	37.9%	15.2%	32%
Cash and Other investments	5.2%	8.9%	17%
Assets in 1995	\$3.4 Billion		\$1.8 Billion
Percent of GDP (\$7.4B)	45%		24%

Source: EBRI, 1997: 101,102,150)

Funds must also have a policy for voting proxies because the Department of Labor has deemed them a valuable asset to the fund and fiduciaries must manage assets of the fund with prudence, diligence, etc.

4.1.3 Monitoring of Activities

As mentioned above the monitoring responsibilities fall on the Department of Treasury and Department of Labor. The Department of Labor monitors, and may bring a lawsuit on behalf of participants in plans that violate ERISAs fiduciary standards. Fiduciaries can be personally liable for misconduct of their professionals if they knew about the wrongdoing and fail to act.

In addition to imprudent asset allocations and hiring practices certain transactions, such as property transactions, lending money, use of plan assets, between a pension plan and "parties in interest" which include fiduciaries, vendors, sponsoring employers, etc. are illegal

Because the tax favoritism is a powerful motivator for employers to voluntarily sponsor pensions the Treasury Department uses the tax favoritism as a lever to achieve public policy goals. The Treasury Department monitors the funding to ensure employers are contributing enough to the plan (to reduce the chance of default) and also not contributing too much—(over 150% of assets to liabilities). (The Treasury does not want to lose unnecessary revenue). Fund assets must be kept separate from the employer's general assets.

4.4.4 Minimum Contributions

The minimum contribution to a qualified defined benefit plan is a combination of factors: the normal cost (normal cost equals the cost of pension benefits earned in one year plus the administrative costs), the equal payments necessary to amortize any unfunded past service liabilities over 30 years, any losses due to a change in actuary assumption changes over 10 years, and other experience gains and losses in five years. If these requirements aren't met a penalty is levied.

The Treasury Department can grant waivers only 3 times in 15 years. The 1994 Retirement Protection Act imposed more stringent funding requirements in certain instances and reduced flexibility in interest rate and mortality assumptions. The funding rules for union-management jointly controlled plans are similar but a bit looser.

All contributions over 150% of the plan's current viability are not tax exempt. Unfortunately, many employers took this as an opportunity to stop making contributions in the 1980s and 1990s when the US stock and bond market made enormous gains. The major exception is union multi-employer funds. Since multiemployer plans negotiate a consistent flow of contributions benefits increased when the good returns caused the assets to exceed liabilities over 150%. Multi-employer funds periodically negotiate contributions to a fund from employers; the defined benefit pension is promised according to what the fund can afford according to actuarial forecasts.

4.2 Indirect Supervision: Worker Representation Matters

One of the unique aspects of the American supervision model is the lack of worker representation on pension boards of trustees. American employers vigorously fought mandating worker representation on pension boards. The effect of having and not having worker representation on pension boards has had unforeseen consequences on employer's commitment to

pensions and even workers' own decisions to save for retirement. However, workers whose unions collectively bargain plans that employers manage and control have some say and workers who unions jointly manage funds in a multi-employer, occupation setting have even more direct representation on how their funds are invested and how benefits are delivered.

Therefore four models of pension regulation have emerged under ERISA. (The discussion below refers to Table 4, which is my analysis of the pension data submitted to the Department of Labor every year by each pension funds. I have data from 1984 to 1996.) The first two models refer to how union and nonunion defined benefit plans sponsored by companies are managed. So-called single-employer plans suffer from conflicts of interest between the needs of the company and participant needs because company representatives manage the fund. But almost half of the participants in plans managed by corporations are in a union who bargain collectively over the pension plan's provisions.

The employer contributions in non-union plans did increase between 1984 – 1996 by 9% (in real terms) while employer contributions decreased in union plans by a whopping –33%. This may seem like a lack of commitment on the part of the union employer. However, the whole story infers different conclusions. Employer contributions to union plans is higher (\$1,387 versus \$1,136 (Ghilarducci, 1999) and generosity (generosity is defined as the normal cost divided by workers which is the accepted way to measure how generous the promised benefit is) in union plans increased 4% and decreased 10% in nonunion union plans. Union plans shared the gains of Wall Street to Main Street. In the first model there is no representation and the second — where the benefits are bargained there is indirect supervision.

The third model is the occupational plans in the jointly-trusted, labor management funds called multiemployer or Taft-Hartley trusts. Trustees can't revert the contributions back to the employer to benefit the employer -- their fiduciary "persona" is not compromised -- when the asset-to-liability ratio reaches 150% when contributions are no longer tax exempt. They have to reduce the ratio of assets to liabilities by increasing the liabilities — i.e. pensions. Therefore, when financial markets soared, employer contributions and generosity went up, 3% and 6% respectively.

The last model is the fast-growing defined contribution sector that may seem to be the ultimate of worker representation because individuals control their funding and investments. However, individuals aren't financial experts they trade too much or too little, they bear longevity, timing, investment and the risk of their own myopic behavior. Without the union prodding for contributions workers and employers spend the money on wages or other important items. See Table 4, union DC plans force more contributions than non-union plans from employers and workers themselves. In union plans, workers and employers contributions increased between 1984 and 1996 in real terms by 7% and 1% respectively; in nonunion DC plans, worker contributions increased by only 1% and employer contributions fell by 6%.

Table 4					
Assets and Provisions by Type of Plan Characterized By the Amount of Worker Representation on the Board of Trustees					
		Changes between 1984 – 1996 (in real terms)			
Type of Model by worker Representation	Assets (Billions \$)	Worker contributions	Emplyr contributions	Gene-rosity	Covered by PBGC insurance?
1. No Representation (Single – Employer DB with no union)	1.047	N/A	9%	-10%	Yes
2. Indirect Representation (Single-Employer DB with a union	1.089	N/A	33%	4%	Yes
3. Direct Representation: Multi-employer Jointly trusteeed (JT)	247	N/A	3%	6%	Yes
4. Individual Representation – DC plans (401)k	1.792	33%	0%	N/A	No
Nonunion DC plans		1%	-6%	N/A	No
Union DC plans		7%	1%	N/A	No
N/A means non applicable because there is no such thing as generosity in a DC plan — the account balance at retirement determines the pension and workers do not contribute to DB plan because employers want the tax advantage. The data is from the author's calculations.					

4.3 Oversight on financial conditions of private pension funds

Since the Pension Benefit Guaranty Corporation (PBGC) insures payment of most defined benefits. (In 1990 the PBGC paid benefits to 215,893 pensioners who were in single-employer plans and only 855 pensioners who were in union-management multiemployer plans.)

The PBGC bears the risk of default; therefore, the PBGC's monitoring functions are much like any insurance company's risk-reduction scrutiny. Historically, the PBGC forecast it's future

risk crudely by assuming that past rates of default by employers sponsoring defined benefit plans was close to the future rate. In 1998, the PBGC began using a sophisticated model to assess the probability a weak firm will present claims to the PBGC. The PBGC also has a sophisticated staff of lawyers and financial analysts who identify corporate mergers, acquisitions, borrowing, and other financial transactions that might put their pension funds that are insured at risk. (The PBGC negotiators use their statutory ability to force a termination and more importantly their moral role as a government agency to persuade the company to either secure some liability or modify the transaction.) Slightly different rules apply to union-management multi-employer plans.

5. Strengths and Weaknesses of the American Pension Model

5.1 Strengths — funding

Employer provided pensions are voluntary and thus depend on the employers' desires to provide a pension plan and, in the cases where there is a union, on the union's bargaining power to obtain one. The U.S. federal government induces firms to supply this important tier of income with a valuable tax exemption worth over 83 billion dollars per year which is the largest tax loss for the Treasury. No policy maker is suggesting mandating occupational plans, therefore the tax loss will continue.

The supervision model for defined benefit plans is flexible allowing employers, (sometimes with consultation of their workers) to tailor pension plans according to their own needs. ERISA codified the funding, eligibility and vesting and reporting practices of good firms.

Congress had to impose service penalties on firms who terminated well-funded pension plans in the 1980's. Firms asserted that they take the risk of low returns on the fund backing defined benefit promises so they own and therefore can use the funds in excess of the liabilities for future promises. Congress recognized that funds with just enough current assets to pay for future benefits were more at risk of default and was less likely to improve benefits.

Another aspect of the system is the control and management of pension funds. Although fund trustees have ultimate fiduciary yet they cede control and judgment to a host of professionals who are induced to converge their behavior to the mean. Many people view this as the chief success of ERISA.

The reporting and disclosure requirements impose transparency to the system but workers are expected to do much of the monitoring and they are ill equipped if they are not in unions. In the year 2000 we expect more disclosure will be required when firms change their defined benefit structure to a so-called cash balance plan.

Case Study: Cash-Balance Plans

Most cash balance plans are designed to convert the promised annuity into a present value figure so that the workers understands the value of their benefit more easily. The cash balance plan is a defined benefit plan. However when doing so many companies change the

benefit formula to include career earnings rather than final pay. This can lower benefits substantially for older workers. Proposed legislation will require the companies to disclose how the change will affect each worker. (Surprisingly there is no legal requirement now.) The large company IBM's recent switch to a cash balance plan that was discovered by activists to save the company \$200 million has brought about this legislative attention. Because of a union organizing drive, rallies and unfavorable press coverage, IBM reversed its decision.

As mentioned before, the largest weakness of the U.S. second tier is that coverage has stagnated at less than 50% of the private sector workforce. Table 5 indicates the lack of growth coverage in the system since 1974; however there has been a significant increase in well-funded plans.

Table 5			
Changes in the Private Pension System in the United States: 1974 – 1999			
	1974	1999	% change
Percentage of the workforce in a plan	45%	49%	5%
Workforce covered of Large employers with more than 1,000 participants	75	68	- 7%
Workforce covered Employers with less than 1,000 participants	16	14	-9%
Defined benefit participants (in millions)	33	33	0%
Defined contribution participants	12	42	250%
Percentage of fully-funded plans	35	63	80%
Source: Stowe England, Robert. 1999, "Feeling the Strain" <u>Plan Sponsor Magazine</u> , Sept 1999, p. 50			

Only 12% of the private sector work force are in unions, and that rate is falling. Although, 89% of union members have pensions compared to 32% of nonunion workers. Weakening unions means workers' bargaining strength to obtain pensions is low and falling. There is a significant increase in defined contribution plans which pose high administrative costs and more risk. The challenge for policy makers is to facilitate more defined benefit plans across many employers in the same industry and most analysts have viewed this as the chief failure of the U.S. pension laws. Most analysts attribute the relative growth in defined contribution plans to the 1978 law that facilitated 401(k)s in which workers can set aside tax-favored assets in a retirement fund up to 15% or \$9,5000 per year — the employer does NOT have to contribute and many do not.

5.2 Defined Contribution Plans — a major weakness

The challenge for U.S pension policy will be to regulate the defined contribution sector. The proportion of the workforce covered by pensions has increased only because the number of people in defined contribution plans has increased. The number of workers has increased by 250%.

Most analysts view defined contribution plans as inadequate sources of retirement income security. The first reason is that people are not saving enough. Although people can contribute more than the tax limit the limit on tax favorable contributions is 15% of earnings and many workers can not afford even 5% of voluntary contributions. If a worker is to maintain his or her standard of living into retirement (assuming retirement is between ages 62 – 65 she or he would have to save 20 – 25% consistently every year of work. Most workers do not even come close to that.

Despite the growing numbers of DC participants, an extraordinary event occurred in 1998 which shows how deeply flawed the DC model is. The 1998 Federal Reserve quarterly report of the Flow of Funds) showed that defined benefit assets grew faster than defined contribution assets, 20.3% compared to 13.8. The reason suspected is that workers spend their DC accounts when they change jobs. Forty-one percent of all recipients admit they use the DC "lump sum distribution" either to buy a home, "invest" in a business, pay for an education, or just buy consumer goods and services. Only 57.9% of people with a lump sum equal to \$50,000 or more put it in a retirement account.

Why people do not save for retirement depends on the psychology of saving. The problem may be the human trait identified by policy makers 150 years ago — people are "myopic." Young people, especially tend to discount the future at a very high rate. Workers usually only appreciate the value of savings when they are older and it is too late. The 401(k) part of the pension system depends on worker initiative to save and that may doom defined contribution plans to be inadequate.

The third weakness in DC plans are that fees charged to 401(k) participants are borne mainly by the employee and can greatly reduce the return earned on any savings. There is no regulation on the fees charged or how the fees shall be disclosed. The Department of Labor is using the threat of future regulation and is monitoring how a representative group of firms are living up to their promise to set precedents and establish good behavior in their voluntary disclosure of fees. These efforts usually precede regulation.

The fourth weakness is that employers are reducing the percentage of their workers covered, see Table 5, although the percentage of the total workforce covered increased by 7%. How can that be? Companies are employing more "independent contractors."

Case Study: Using Independent Contractors to Dodge Pension Coverage

The famous and representative case is Microsoft's use of workers they do not hire as regular employees. According to numerous court decisions and a lawsuit filed on behalf of approximately 30 – 40% of their workers (out of the total workforce of 29,000), Microsoft classifies these workers as temporary workers to avoid paying pension and health insurance. Some of these workers may have some voluntary individual provision, or are covered by an inferior plan provided by their temporary agency that helps bring up the percentage of the total workforce with a pension.

5.3 Summary

In sum, the supervisory model has had some notable successes and major weaknesses. The mandated disclosure of investments and returns has made the trustees more accountable to the government and to workers. However, only in the U.S. do employers manage their workers' pension fund assets without representation from workers. When workers have unions there is some participation. Worker participation tends to get the fund to disgorge the cash and spend more on benefits.

The professionalization of management has meant that most pension funds are invested in similar ways. Pension funds may be in part responsible for the run up in the stock market. Fortunately, the defined benefit plans are balanced between stocks and bonds and the promised benefits will not be affected by a financial market correction.

Unfortunately, the 42 million workers who have defined contribution plans will bear all the risk of a stock market correction. The failsafe in America is that retirees, when faced with a severe loss of retirement income, are not barred from work by mandatory retirement laws. But resorting to the labor market to supply income to the elderly goes against the concept of retirement and can not be construed as a source of retirement income security.

Appendix

Table 6	
Timeline of Policy and Regulations for Employer Pensions in the U.S.	
1875	First formal corporate pension plan sponsored by a railroad company — the American Express Company
1928	Tax favored treatment of advance funded pension plans
1929	Implementation of the first multi-employer union – initiated occupational plan for electricians in the New York area.
1921 and 1942	Tax-favored treatment of stock bonus and profit sharing plans as long as they did not discriminate against non-managerial employees
1938	Pension promise and trusts became irrevocable — once the promise was made to the employee the employer could not take it away under most circumstances.
1947	The Taft-Hartley Act requires that multi-employer collectively bargained plans be jointly trusted with equal representation from the union and the employers
1959	Federal law requires that when there is collective bargaining pensions are a mandatory subject of bargaining (the employer will break the law if they do not negotiate in good faith over pensions)
1974	Employee Retirement Income Security Act: If firms wanted to keep their tax-favored status they had to meet minimum disclosure, reporting, funding, vesting and other standards. All tax-qualified plans must also pay premiums to the PBGC.
1978	Various forms of deferred compensation existed since the 1950s where employers could set aside cash, bonuses or profits using pre-tax dollars. The 401(k) provision added to the tax code in 1978 became very popular because workers could elect to set aside pretax wages into an account without employer contributions.
1984	Retirement Equity Act. Helped spouses secure pensions by requiring the spouse to approve in writing a waiving of the joint and survivor option, otherwise the joint and survivor option is in effect.
1986	Tax Reform Act of 1986. Limited corporations' abilities to revert assets to the sponsor and made other changes.

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