that provides benefits through a number of autonomous group practice units and is thus mainly a prepayment organization.) The breakdown of expenditures of independent plans between benefits and administration must therefore be used with caution.

Ontario's "Portable Pension" Law*

The Legislature of Ontario Province, Canada, recently passed the Pension Benefits Act, 1962–63, to remedy some of the shortcomings found in employee-pension plans. The principal aims of the new law, which was proclaimed June 1, 1963, are to extend the coverage of the plans, to improve their financial soundness, and to facilitate the transfer of pension credits when workers move from one plan to another. Passage of the bill climaxed a legislative history that began in the spring of 1960 with the appointment of a group of experts to the Ontario Committee on Portable Pensions.

Ontario's Prime Minister, John Robarts, in introducing the bill on March 19, 1963, referred to the January 1962 announcement of the Canadian Government that it was seeking a constitutional amendment to establish a nationwide, contributory, wage-related pension plan with survivor benefits attached. He indicated then that the Pension Benefits Bill or similar Provincial legislation would still be needed to regulate employee pension plans and to improve their "portability."

COVERAGE AND MEMBERSHIP

The Pension Benefits Act requires that every employer with 15 or more employees in Ontario Province set up at least a minimum pension plan by January 1, 1965. Plans that are already in existence but fall short of the minimum pension standards are to be amended. All Provincial and local government agencies are included. In determining the number of employees, casual and certain part-time workers are excluded. Certain types of employment will be excluded from coverage by regulation.

An employee who has reached the age of 30, who has had 6 months' continuous service, and who has worked an average of at least 24 hours a week during the 6 months must become a member of the firm's pension plan. The effect of this provision is to exclude seasonal, part-time, and other temporary workers. Workers aged 70 or over are also excluded. In addition, workers who are already aged 65 when they become members of an eligible group of employees have the option of abstaining from plan participation.

MINIMUM BENEFIT STANDARDS

The minimum benefit standards that will go into force when the law takes effect in 1965 are lower than those commonly found in established plans. They were scaled low in recognition of the cost burden on employers already committed to heavy expenses for fringe benefits. These minimum benefits are payable for life starting at age 70. (The actuarial equivalent is to be payable for benefits commencing earlier than age 70, for joint and survivorship benefits, and for benefits that assume a fixed number of payments.)

Since existing plans use a variety of benefit formulas, the law gives employers several alternative ways of providing the minimum benefits:

1. A unit-benefit plan, under which the minimum monthly benefit is to equal ½ of 1 percent of the first $400 of monthly pay for each year of employment.
2. A flat-benefit plan, under which the minimum is $2 a month for each year of employment. According to a proposed schedule in the preliminary draft regulations, the annual contribution needed to pay this amount to workers starting at age 70 would be as follows:

Age	Annual contribution	
	Men	Women
30	$53	$58
40	78	86
45	95	105
50	115	127
55	140	155
60	170	188

3. A money-purchase plan, under which the minimum must be the amount purchasable with total employer-employee contributions, based on the follow-

* Prepared in the Division of Research and Statistics. This explanation of the law (Bill 110) is based in part on the Introductory Statement of the Prime Minister of Ontario delivered in the Provincial Legislature on March 19, 1963.

ing proportions of the first $400 of monthly pay (plus interest):

Age	*Percent of pay*
30–44	1½
45–54	2
55 and over	3

Under the first two formulas a $400-a-month worker would be entitled to a minimum monthly pension of $60 after 30 years of service. A $300-a-month worker would be entitled to $45 a month under formula 1 but to $60 under formula 2.

Benefits may be integrated with the pensions paid under Canada's universal old-age pension system to permit higher payments to the retiree before he reaches age 70, followed by reduced benefits after his old-age security payments start.[1]

The employer may require that the worker contribute up to 50 percent of the cost of the minimum benefits, except under money-purchase plans. Under such plans the maximum that any employee can be required to pay before he reaches age 55 is half of the total contribution; the maximum is two-thirds of the 3-percent total contribution required after attainment of age 55.

The law contains no provisions for survivor benefits. It requires, however, that any employee contributions be repaid with interest if a worker dies before he begins to draw his pension.

An employer may, of course, provide supplementary pension benefits in excess of the above minimums, either within a single plan or in a second plan. Allowance is also made for integrating the minimum benefit provisions with profit-sharing plan provisions.

All plans must inform each covered employee concerning plan terms and conditions and the rights and duties of members.

PRESERVATION OF BENEFIT RIGHTS

The "portability" provisions in the law represent a unique feature for preserving a worker's right to a pension when he moves from one job to another or leaves employment. For this purpose, standards have been set for vesting and cash withdrawal.

If a person who is aged 30 or over and has had 6 months of service and has thus become a member of an employer's pension plan continues to work for that employer for a further 12 months (after January 1, 1965), he has a nonforfeitable claim to the minimum pension prescribed. In other words, after 1964 a person aged 30 or over who changes jobs and has had a service record of 18 months or more will gain the pension advantage arising from his own and his employer's contributions up to the level prescribed under one or another of the minimum plans, for all service after 1964 while he was a plan member. If the employer provides supplementary benefits, such benefits must become nonforfeitable after the employee reaches age 45 and has had 10 years' continuous service.

The pension to which the departing employee is entitled does not begin immediately if he has not reached retirement age. Instead, his benefit credits must be used to buy him a deferred life annuity or to serve as a basis for a contractual obligation by his employer to purchase an annuity when the worker reaches retirement age. The worker may also have his credits transferred to a central pension agency, to the pension plan at his new job, or to an approved retirement savings plan. The preliminary draft regulations contain tables for computing the value or dollar amount of the credit to be transferred.

Compulsory Vesting

Benefit rights arising from employer contributions toward a plan's minimum benefits will vest fully and immediately after 18 months' service for workers aged 30 and over. No vesting will accrue for service rendered before the worker reaches age 30, even if services were performed continuously for the same employer by a worker before and after his thirtieth birthday.

Under a plan providing supplementary benefits, the vesting will not be effective as early in life as in the minimum benefit (or standard) plan, and the required service period is longer. Full vesting for pension benefits above the minimum will start when the employee reaches age 45 and has had 10 years of continuous service with the same employer. Service rendered before January 1, 1965, though not vested, will be counted toward the 10-year requirement. The latter provision will prevent a large amount of vested claims arising

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[1] The universal system currently pays $65 to all persons aged 70 or over and twice that amount to an aged couple.

overnight at the end of the first full 10 years of service in 1975.

Cash Withdrawals

Under a provision paralleling the vesting rule, if the employee has been required to contribute toward the cost of his minimum pension, such contributions made after January 1, 1965, are "locked in." He cannot withdraw any part of them in cash at termination of employment. His contributions, with the employer's, are used to pay for the pension. Until age 30, a full cash refund is allowed.

There is also a restriction on the withdrawal by terminating employees of contributions made under the supplementary pension plans. The restriction, which again parallels the vesting rule, applies to persons who have reached age 45, who have completed 10 years of service, and whose service with the employer ends for reasons other than retirement or death. As in the standard plan, their contributions for services after 1964 will be locked in except that, if the plan permits, they may withdraw in cash as much as one-fourth of the present value of all their accumulated and vested pension benefits with respect to service after 1964.

The restriction on the withdrawal of contributions by terminating employees does not apply to voluntary contributions that the employees may have made under the plan.

An earlier draft of the proposed law had provided for gradual vesting and for restrictions on cash withdrawals on a graduated scale, from age 30 to age 34. These graduated provisions were withdrawn for standard plans in favor of full and immediate vesting and an immediate restriction on withdrawal of workers' contributions starting at age 30, in order to simplify the vesting arrangements.

STANDARDS OF SOLVENCY

The law requires, but does not spell out, standards of solvency for pension plans. These standards will be set by regulations issued under the law. The Committee on Portable Pensions believed that improved standards of vesting and transferability could be assured only if there were sufficient assets in each pension fund to pay the promised benefits. It was especially concerned with the provision permitting the transfer of assets to other funds or the central pension agency. If a departing worker had been allowed to transfer the full value of his vested pension credits out of an insufficiently funded plan, the plan's deficiency would have been even larger with respect to claims made by workers who remained under it.

Preliminary draft regulations require that the minimum pension benefits prescribed in the law be fully funded from the outset. Plans paying more than the minimum benefits or paying benefits arising from service before 1965 are to be provisionally funded. Annual contributions must be sufficient to cover the cost of current service benefits plus the interest on any unfunded liability, and provision made for fully funding past service liabilities within 25 years.

ADMINISTRATION

On July 23, a pension commission with six members was appointed to administer the new law. The commission will name a Superintendent of Pensions, who will be the chief administrative officer.

One of the Commission's major functions will be the registration and supervision of pension plans, for which it will charge appropriate fees. Employers with mandatory plans will be required, according to the preliminary draft regulations, to submit actuarial reports (or their equivalent) initially and at subsequent 5-year intervals showing the computation and cost of the pension credits, the unfunded liability (for supplementary pension plans), and the amounts required to liquidate the unfunded liability. In addition, annual financial reports, with certifications of solvency, must be submitted. Nonmandatory plans are not required to register, but they must file information returns and maintain the standards of solvency required by regulation.

The commission has authority to conduct surveys and research, to collect statistics, and to promote the extension and improvement of pension plans throughout Ontario. It also has authority to establish or support establishment of an insur-

(*Continued on page 34*)

TABLE 13.—Aid to families with dependent children, unemployed-parent segment: Recipients and payments to recipients, May 1963 [1]

[Includes vendor payments for medical care and cases receiving only such payments]

State	Number of families	Number of recipients		Payments to recipients			Percentage change from April 1963 in—	
		Total [2]	Children	Total	Average per—		Number of recipients	Amount
					Family	Recipient		
Total	57,867	326,169	215,037	$9,564,056	$165.28	$29.32	−7.9	−9.5
Arizona	3	22	16	395	(3)	(3)	(3)	(3)
Connecticut	2,433	13,192	8,655	424,864	174.63	32.21	−2.7	+5.2
Delaware	327	1,986	1,395	43,390	132.69	21.85	−36.2	−36.7
Hawaii	381	2,423	1,681	66,650	174.93	27.51	−1.6	+2.2
Illinois	9,493	59,519	40,943	2,402,784	253.11	40.37	−7.8	−9.7
Maryland	527	3,143	2,122	87,398	165.84	27.81	−21.3	−23.9
Massachusetts	428	2,544	1,719	101,192	236.43	39.78	−11.9	−12.6
New York	14,770	86,098	57,651	2,580,920	174.74	29.98	−5.6	−8.6
North Carolina	10	57	37	1,250	(3)	(3)	(3)	(3)
Oklahoma	35	215	147	5,878	(3)	(3)	−9.7	−11.7
Oregon	1,049	5,427	3,765	196,481	187.30	36.20	−8.6	−7.8
Pennsylvania	14,605	78,075	49,841	1,717,108	117.57	21.99	−10.1	−15.1
Rhode Island	569	3,146	2,049	108,038	189.87	34.34	−16.4	−13.0
Utah	846	4,616	3,114	102,846	121.57	22.28	−10.0	(4)
West Virginia	12,391	65,706	41,902	1,724,862	139.20	26.25	−6.6	−6.4

[1] Data for this segment of the program, shown separately here, are included in table 13. All data subject to revision.

[2] Includes as recipients the children and 1 or both parents or 1 caretaker relative other than a parent in families in which the requirements of such adults were considered in determining the amount of assistance.

[3] Average payment not computed on base of fewer than 50 families; percentage change, on fewer than 100 recipients.

[4] Increase of less than 0.05 percent.

TABLE 14.—Aid to families with dependent children receiving foster care: Recipients and payments for foster care, by State, May 1963 [1]

State	Number of—				Payments for foster care			
	Children receiving foster care			Families from which children were removed	Total amount	Average per child	In foster homes	In institutions
	Total	In foster homes	In institutions					
Total	3,070	[2] 2,503	[2] 49	1,239	$216,942	$70.67	[2] $158,657	[2] $7,572
Alabama	22	22	0	8	873	(3)	873	0
Arizona	148	148	0	62	6,657	44.98	6,657	0
California	944	908	36	387	76,081	80.59	69,398	6,683
Illinois	518	(2)	(2)	213	50,713	97.90	(2)	(2)
Indiana	64	64	0	21	2,471	38.61	2,471	0
Louisiana	283	278	5	114	18,477	65.29	18,064	413
Maryland	217	209	8	79	14,390	66.31	13,914	476
New Mexico	71	71	0	26	3,853	54.27	3,853	0
North Carolina	33	33	0	8	1,631	(3)	1,631	0
Oklahoma	208	208	0	93	9,384	45.12	9,384	0
Oregon	189	189	0	71	12,702	67.21	12,702	0
Utah	168	168	0	73	8,391	49.95	8,391	0
Virginia	63	63	0	17	2,458	39.02	2,458	0
Wisconsin	142	142	0	67	8,861	62.40	8,861	0

[1] Data for this segment of the program, shown separately here, are included in table 13. All data subject to revision.

[2] Excludes Illinois; breakdown not available.

[3] Average payment not computed on base of fewer than 50 children.

ONTARIO'S PENSION LAW

(*Continued from page 22*)

ance fund to protect employees against pension fund deficiencies.

A self-supporting central pension agency, with directors from Government, industry, and labor, will be authorized to hold, consolidate, and invest the contributions of employees who do not remain long enough in a single pension plan to justify having the plan hold the funds for them. The interest-bearing deposit accounts in the agency will be subject to the same locking-in restriction as if the money had remained in the pension fund proper. The pension agency will serve not only to hold but to consolidate small sums that might otherwise remain inconveniently scattered among many plans. Use of the agency will be voluntary unless the pension commission directs otherwise.