

By Mr. Flaherty of Cambridge, petition of Charles F. Flaherty, Jr., for legislation to establish in the Executive Department and independent agency to be known as the Massachusetts pension and employee benefit plan commission. Commerce and Labor.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Seventy-Two.

AN ACT RELATIVE TO EMPLOYEE PENSION PROTECTION.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. There is hereby established in the executive
2 branch of the State Government an independent agency to be
3 known as the Massachusetts Pension and Employee Benefit
4 Plan Commission. It shall be the duty of the Commission to
5 promote the establishment, extension, and improvement of
6 pension, profit-sharing retirement and other employee benefits
7 for employees of any partnership or company doing business in
8 Massachusetts.

1 SECTION 2. *Vesting of Benefits.* A pension or profit-sharing
2 retirement plan covered by this act shall provide, under the
3 terms of the plan in respect of service on or after the effective
4 date of this act, or by amendment to the terms of the plan or
5 by the creation of a new plan on or after such date in respect
6 of service on or after the effective date of such amendment or
7 new plan, that:—
8 1. A member of the plan who has been in the service of the
9 employer, or has been a member of the plan, for a continuous
10 period of six years is entitled upon termination of his employ-
11 ment or membership in the plan, prior to attaining retirement
12 age (i) in the case of a pension plan to a deferred life annuity
13 commencing at his normal retirement age and (ii) in the case of

14 a profit-sharing retirement plan to a nonforfeitable right to his
15 interest in such plan, equal to 10 per centum of full pension
16 benefits as provided by the plan in respect of such interest,
17 respectively, and such entitlement shall increase by at least 10
18 per centum per year of continuous service thereafter until the
19 completion of fifteen years of continuous service, after which
20 such member shall be entitled upon termination of employ-
21 ment or membership in the plan prior to attaining retirement
22 age to a deferred life annuity commencing at his normal retire-
23 ment age equal to the full pension benefits as provided by the
24 plan in respect to such service, or to the full amount of such
25 interest in the profit-sharing-retirement plan, respectively.

1 SECTION 3. *Time of Vesting.* An employee shall be deemed
2 a member of a pension plan beginning on the day when
3 contribution are first made to the plan or to its fund with
4 respect to the employee's service to the employer, but in no
5 event shall any pension plan provide as a condition of member-
6 ship or eligibility to participate in such plan, a period of service
7 longer than six months.

1 SECTION 4. *Funding of Plans by the Employer.* (A) A
2 pension plan under this act shall provide for funding that is
3 adequate to provide for payment of all pension benefits, defer-
4 red life annuities and other benefits required to be paid under
5 the terms of this plan.

6 (B) Provisions for funding shall set forth the obligation of
7 the employer to contribute both in respect of the current
8 service cost of the plan and in respect of any initial unfunded
9 liability and experience deficiency. The contribution of the
10 employer, including any contributions made by employees shall
11 consist of the payment currently into the plan or fund of: —

12 1. all current service costs;
13 2. where the plan has an initial unfunded liability, special
14 payments consisting of equal annual amounts sufficient to
15 liquidate such initial unfunded liability over a term not ex-
16 ceeding.

17 (C) In the case of an initial unfunded liability existing on
18 the effective date of this act, in any plan established before
19 that date, forty years from that date, and;

20 (D) In the case of an initial unfunded liability resulting from
21 an amendment to a pension plan made on or after the effective
22 date of this act, or resulting from the establishment of a
23 pension plan on or after the effective date of this act, thirty
24 years from the date of such amendment or establishment; and

25 (E) Where the plan has an experience deficiency, special
26 payments consisting of equal annual amounts sufficient to
27 liquidate such experience deficiency over a period not ex-
28 ceeding five years from the date on which the experience
29 deficiency was determined: Provided, that the commission may
30 suspend the special payments requirement or extend the five-
31 year period provided in this subparagraph in cases involving
32 business necessity or substantial risk to the continuation of the
33 employing enterprise.

34 Notwithstanding the provisions of this subsection, (i) the
35 liquidation of initial unfunded liabilities or experience defi-
36 ciencies may be accelerated at any time, and (ii) where an
37 insured pension plan established before the effective date of
38 this act is funded by level annual premiums to retirement age
39 for each individual member and benefits are guaranteed by the
40 insurance company to the extent that premiums, it shall be
41 deemed to meet the requirements of this act.

1 SECTION 5. *Payments to Survivors.* Where in accordance
2 with the terms of a pension or profit-sharing-retirement plan an
3 employee or former employee has designated a person or per-
4 sons to receive a benefit payable under the plan in the event of
5 the employee's death.

6 1. The employer's liability to provide the benefit shall be
7 discharged upon payment to such person or persons of the
8 amount of the benefit; and

9 2. Such person or persons may upon death of the employee
10 or former employee enforce payment of the benefit, but the
11 employer shall be entitled to set up any defense that he could
12 have set up against the employee or former employee. As used
13 in this subsection, the term employer includes a trustee or
14 insurer under a pension or profit-sharing-retirement plan.

1 SECTION 6. *General Requirements.* (A) Every pension plan

2 and, to the extent required by regulations issued by the com-
3 mission, every profit-sharing-retirement plan shall define the
4 benefits provided by such plan, the method of determination
5 and payment of benefits, conditions for qualification for mem-
6 bership in the plan and the financial arrangements made to
7 insure provisional or full funding of benefits under the plan.
8 Each such plan shall provide for the furnishing of a written
9 explanation to each member of the plan of the terms and
10 conditions of the plan and amendments thereto applicable to
11 him, together with an explanation of the rights and duties of
12 the employee with reference to the benefits available to him
13 under the terms of the plan and such other information as may
14 be required by regulations of the Commission.

15 (B) The Commission, shall be regulation, require each plan
16 to furnish each participant, upon termination of service with a
17 vested right to a deferred life annuity, pension, or other vested
18 interest, with a certificate setting forth the benefits to which
19 he is entitled, including but not limited to the name and
20 location of the entity responsible for payment, the amount of
21 benefits, and the date when payment shall begin, as such
22 regulation shall specify. A copy of each such certificate shall be
23 filed with the Commission.

1 SECTION 7. *Pension Reinsurance.* There is hereby estab-
2 lished a program known as the Massachusetts Pension Reinsur-
3 ance Program which shall be administered by, or under the
4 direction and control of, the Commission.

5 The reinsurance program shall insure beneficiaries of a rein-
6 sured pension plan against loss of nonforfeitable benefits to
7 which they are entitled under such pension plan arising from
8 substantial cessation of one or more of the operations carried
9 on by the contributing employer in one or more facilities of
10 such employer before such plan has been fully funded.

1 SECTION 8. *Pension Portability Program.* It is declared to
2 be the policy of the General Court that a system of pension
3 portability should be established by Massachusetts Government
4 to facilitate the voluntary transfer of credits between registered

5 pension or profit-sharing-retirement plans having similar benefit
6 features and actuarial assumptions.

7 The commission is authorized to provide technical assistance
8 to employers, trade unions, and administrators of pension and
9 profit-sharing-retirement plans in their efforts to provide greater
10 retirement protection for individuals who are separated from
11 employment covered under such plans. Such assistance may
12 include, but is not limited to: —

13 1. The development of reciprocity arrangements between
14 plans in the same industry or area, and

15 2. The development of special arrangements for portability
16 of credits within a particular industry or area.

The first part of the report deals with the general situation of the country and the progress of the work done during the year. It is followed by a detailed account of the various projects undertaken and the results achieved. The report concludes with a summary of the work done and a list of the names of the persons who have been engaged in the work.

The second part of the report deals with the financial statement of the year. It shows the total amount of the grant received from the Government and the total amount of the grant received from other sources. It also shows the total amount of the grant expended for the various projects and the total amount of the grant expended for other purposes. The report concludes with a summary of the financial statement and a list of the names of the persons who have been engaged in the work.

The third part of the report deals with the progress of the work done during the year. It shows the progress of the various projects undertaken and the results achieved. It also shows the progress of the work done for other purposes. The report concludes with a summary of the progress of the work and a list of the names of the persons who have been engaged in the work.

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