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U.S. DEPARTMENT OF LABOR  
Wage and Hour and Public Contracts Divisions  
Washington, D. C. 20210

February 12, 1970

SCA 203  
26 CD 402.292

This is in reply to your letter of January 21, 1970 asking whether an employer can establish customary vesting rights based on length of service under the provisions of a pension trust provided pursuant to a wage determination issued under the Service Contract Act or whether such plan must provide for immediate employee vesting rights

The Department of Labor does not require immediate vesting rights for employees covered by a Service Contract Act wage and fringe benefit determination. The only restriction which the Department places on pension trust plans under the act is that they be "bona fide" benefit plans. Benefit plans of the kind referred to in section 7(e)(4) of the Fair Labor Standards Act which meet the requirements of section 778 215 of Interpretative Bulletin Part 778 are acceptable to the Department as "bona fide" plans. In adopting such plans a contractor must be guided by the principles and standards set forth in sections 4.170 and 4.171 of 29 CFR 4 and by the specific requirements of the applicable wage determination(s) in each particular case.

Sincerely,

/s/ Robert B. Moran

Administrator