

## ADMINISTERING AGENCY

A pension guaranty fund, hereinafter referred to as the PGF or the guarantor, could be established and operated under the auspices of a Federal agency, a private agency, or a combination Government-private instrumentality. The choice would depend in part on political philosophies and in part on the financial mechanism envisaged. Legislation proposed thus far has contemplated administration by a Federal agency which would be feasible under any set of circumstances and would be especially appropriate if the financing scheme should embody the assessment principle, with a minimum accumulation of assets, and if the Government were prepared to assume the greater part of the risk involved.

Administration by a central private agency, specially created for the purpose with representation from employers, labor unions, banks, insurance companies, and other interested parties, would appear to be equally feasible. Private control over the guaranty mechanism might make the whole idea more acceptable to employers (who would be expected to bear all or a substantial part of the cost) and it would be particularly desirable if a major investment function should be envisioned.

Another possible approach would be to utilize a central agency, either governmental or private in nature, for the collection of premiums, adjudication of plan terminations, and other ministerial functions, with the guaranteed benefits being underwritten, for a consideration, by life insurance companies on their own account or as members of a pool. The risks could be assigned to individual companies on a basis similar to that employed with Federal Employees Group Life Insurance, the Federal Employees Health Benefits Act, or Servicemen's Group Life Insurance. The pool arrangement could be patterned after that being considered for the flood insurance program. The primary difference between this approach and the second one mentioned above would be that in one case the central agency would retain the risks taken over from terminated plans, acting as an insurer in the process, whereas in the other case the risks would be transferred to existing insurance companies on some equitable basis.

Any approach that would place upon private agencies the basic risks inherent in plan terminations would probably have to embody some mechanism for governmental reinsurance.

## EVENT INSURED AGAINST

The most difficult problem that would have to be confronted in the establishment of a sound and equitable system for assuring the payment of accrued pension benefits would be defining or articulating the circumstances under which the protection of the system could be invoked. One would naturally assume that the guaranty would be applicable only when the pension plan has terminated under certain prescribed conditions, but all bills on this subject now pending before Congress clearly contemplate that the guaranty could be invoked by certain groups of employees even though the plan continues in existence. For example, the Javits bill defines the insured event as "substantial cessation of one or more of the operations carried on by the