

unfunded portion of the explicitly recorded accrued liability for all covered benefits of all plans encompassed by the program. If the covered benefits of a terminated plan could not be satisfied in full when account is taken of the PGF's obligation, benefits would have to be scaled down to manageable proportions.

As with the benefit guaranty approach, there would have to be sanctions to enforce compliance with the mandated standards of funding.

This arrangement would insulate the guaranty fund against the effects of unrealistically low cost estimates on the part of the employers, an obvious advantage to the PGF and to employers who fund on the basis of adequate cost estimates. It would also protect the PGF against the undesirable consequences of unduly venture-some investment policies, unless the fund assumed responsibility for increases in unfunded liability arising out of realized and unrealized capital losses—as it might well do. The primary disadvantage of this approach is that the risk of inadequate asset accumulations would be shifted to the plan participants. It also fails to deal with the problem of the pay-as-you-go plan.

The obligation assumed by the PGF under this approach would be tantamount to assuring the fulfillment of benefit expectations if (1) the PGF prescribed the actuarial cost method and actuarial assumptions to be used and the period of time allowed for the full funding of all covered benefits, (2) the funding standards were enforced, (3) the PGF assumed responsibility for unfunded actuarial losses, and (4) the PGF or an insurer assumed the actuarial risks associated with benefits that survive a plan termination.

PLANS COVERED

A number of questions are involved with respect to the plans that would be brought under a pension guaranty program. The most fundamental question is whether all plans eligible for coverage would be required to participate in the program. The answer is clearly in the affirmative. There would be too much selection against the PGF if employers were permitted to elect coverage. There would be an understandable tendency for financially stable firms to stay out of the system and for the less stable ones to elect coverage. Worse yet, the latter firms, where the need of a guaranty is greatest, might also elect to remain outside the program. There might be a universal reluctance to participate in any undertaking that would add to the cost of doing business and, if not properly structured, might be grossly abused. Compulsion seems to be the only answer, despite the fact that this feature might narrow the range of plans that could be brought into the program.

If the program were to be made compulsory, it would have to be restricted to plans "qualified" under the Internal Revenue Code and implementing regulations, unless a new control mechanism is developed. At the present time the only effective club that the Federal Government has over pension plans is denial of the tax treatment that is accorded plans which meet certain specifications, designed to prevent discrimination in favor of stockholders, officers, supervisors, and highly paid employees. Conceivably, Congress could enact a law making it