

to exclude those plans not measuring up to minimum underwriting standards. This is primarily a question of priorities. Is the paramount objective the protecting of benefit expectations or the integrity of the guaranty fund? If the participants in the less secure plans are to be denied the protection of the system, much of the latter's value would be sacrificed. On the other hand, employers who are meeting their pension obligations in a realistic and forthright manner can properly object to assuming a portion of the pension obligations of other employers, possibly their competitors. The issue would be blunted if a number of risk classifications could be established, with the premium being roughly commensurate with the risk of plan termination. The problem would also be diminished if the projected cost of the program turned out to be a modest or even negligible proportions.

A related question is whether a plan that falls outside the category of plans that must participate, could be brought within the scope of the program by election of the plan administrator. This should be permitted and encouraged if the aim is to maximize the coverage of the program. On the other hand, the privilege would open the door to selection against the program. Voluntary election of coverage would probably be feasible if a sound underwriting procedure could be devised and enforced.

BENEFITS COVERED

As was stated earlier, the protection of the guaranty fund would extend only to benefits accrued as of the date of plan termination or, more precisely, the occurrence of the event insured against. However, the protection need not extend to all accrued benefits. A distinction might logically be made between benefits credited for service prior to inception of the plan and those that accrued thereafter. If only the latter benefits were to be "insured," the major costs of the program would be eliminated but by the same token much of the *raison d'être* of the program would be destroyed. The principal problem lies with past service benefits and others granted retrospectively after the plan was established.

Another distinction that might be made is that between vested and nonvested benefits. While the Hartke bills have envisioned the guaranteeing of all accrued benefits and the Javits bill all future service benefits, the current thinking in administration circles seems to incline toward the guaranteeing of only vested benefits. This thinking, however, is apparently based on the assumption that Congress will enact legislation requiring that all benefits vest after 10 years of continuous service irrespective of the participant's age (except that service prior to age 25 could be ignored). The contemplated legislation would provide an orderly transition by requiring only the *vesting* of benefits accruing *after* the date of the legislation but with *recognition* of the years of service *prior* to that date.²³ For example, an employee with 9

²³ In his speech before the American Pension Conference on May 11, 1967, Assistant Secretary of the Treasury Stanley S. Surrey indicated that other transitional approaches were under consideration. One approach would be to require the vesting of all benefits, whether accruing before or after enactment of the relevant legislation, after 20 years of continuous service, with the minimum required period being systematically reduced so that after 10 years the target standard of 10 years would be operative. Another approach would make the 10-year standard effective immediately but only with respect to one-tenth of the participant's accrued benefits, with the percentage grading upward in uniform steps each year and reaching 100 percent at the end of 10 years. Under neither of these alternative approaches would there be any distinction between past and future service benefits.