

been unnecessarily deprived of some of their benefits. A third complication would arise if the trust agreement between the bank and the employer were to call for dissolution of the trust upon termination of the plan, with the assets to be applied to the purchase of annuities. There is no reason why such an agreement could not be enforced if the asset allocation formula were not inconsistent with the guaranty program, since this would immediately fix the amount of the guarantor's obligation. Finally, in the latter stages of liquidation of a trust, liquidity problems could arise, possibly resulting in some otherwise unnecessary capital losses.

A second approach would be for the funding agency to pay that portion of each employee's total guaranteed benefit that could be provided by the assets in its possession, with the guarantor concurrently paying the remaining portion. This would necessitate an actuarial estimate of the benefits that could be paid by the funding agency, with possible discrimination against either the guaranty fund or the individuals with nonguaranteed benefits if the estimates should prove wrong, as would be virtually certain. This method would avoid transfer of funds at time of plan termination and would leave undisturbed existing competitive relationships.

A third approach that would involve approximately the same advantages and disadvantages as the first two would be for the guarantor to transfer to the funding agency the additional sums actuarially estimated to be needed to pay the guaranteed benefits. The benefits would be charged to the pension fund as they were paid, even if the funding agency should be an insurer. In other words, the insurer would not underwrite the benefits, offering only investment and disbursement services. If the sums transferred proved to be inadequate, the guarantor would advance additional funds as the needs manifested themselves. If the sums turned out to be excessive, the funding agencies would be expected to return the unused funds to the guarantor. A delicate question that would be involved in this arrangement would be the extent to which the funding agency could invade the corpus (or fund) for its expenses and possibly a profit. Another—equally sensitive—question would be the extent to which the PGF could influence or direct the policy to be followed by the funding agency in the investment of the moneys entrusted to it.

A fourth approach would be for the funding agency to transfer to the guarantor a sum equal to the assets assumed to stand behind the guaranteed benefits. Unless the assets were transferred in kind, the funding agency should be permitted to spread the liquidation over a period of years to avoid capital losses or other forms of adverse financial consequences. If the employer were to be held responsible for the asset deficiency, the amount of his liability should be fixed at point of plan termination but he should be permitted to spread his payments to the guarantor over a period of years, possibly equal to the remaining years in the original period over which he was to have funded the benefits. In other words, if the employer were supposed to have the guaranteed benefits completely funded within 20 years from plan inception or a later event, and the plan should terminate within 10 years, he would be given 10 years in which to make up the deficiency—as under the original schedule. If he should go out of business before com-