

pleting the payments, the unpaid amounts would become a claim against his business assets with whatever preference the law might assign to it.²⁵

The guarantor might discharge its obligation in one of two ways. The first would be for the guarantor to act as the risk bearer and pay the guaranteed benefits directly to the claimants as they become due. Any benefit amounts not taken care of by the assets transferred to it from the funding agency would be borne out of the guarantor's general assets. This would be the logical course of action if the guarantor were to be a private agency jointly administered by the private organizations participating in the private pension movement. If the guarantor were a public agency, it might be preferable for it to discharge its obligation immediately and cleanly by the purchase of nonparticipating annuities from individual insurers or a pool of insurers formed for that purpose. Under this procedure there would be no uncertainty concerning the guarantor's ultimate liability, and the amount of the employer's liability, if any, would be promptly and definitely determined. Furthermore, the assets securing the benefit rights would be kept in the hands of private agencies. If the decision were made to deal with individual insurers, appropriate rules would have to be promulgated with respect to the qualifications of the insurers and the process by which the insurers would be chosen. The latter would presumably be on the basis of competitive bids. A different set of procedures would be needed if a pool of insurers were to be used, with safeguards to assure that the rates are not excessive.

Under all these approaches benefits not subject to the guaranty would be paid, to the extent that assets are available, by the funding agency holding the assets at the time of plan termination, unless the trust agreement (or other legal document) specified some other arrangement.

FINANCING THE GUARANTY

The final issue, and a most crucial one, concerns the principles that might be followed in the financing of a guaranty fund. As with the other issues, there are a number of facets to be considered.

The first matter, about which there seems to be general agreement, is the determination of the base or bases to which premium or assessment rates would be applied. If the program were to include specific protection against liquidation losses at time of plan termination, the premiums for that component should be based on the amount of assets in the plan. The premium *rate*, of course, would have to be derived from some estimate of the volume of liquidation losses to be expected and under what circumstances. The risk would appear to be limited primarily to trust fund plans and separate accounts of insurers. Since it is improbable that this particular risk would be separately dealt with in a guaranty scheme, no further attention will be given to it.

The premium base for the fundamental risk that would be involved in the program, namely, inadequate accumulation of assets, should be the unfunded liability for the accrued benefits eligible for the guar-

²⁵ The concept of requiring the employer to fulfill his funding commitment would be equally applicable to the other approaches described herein, but the implementation of the requirement would differ somewhat.