A Minimum Program

Thus far this paper has concerned itself with the basic question of whether some type of pension guaranty arrangement would be technically feasible and the issues that would have to be resolved if such a program were to be established. It should be clear at this point that a guaranty scheme would be feasible from a technical standpoint if certain conditions were satisfied and adequate safeguards were built into the system. Some of the conditions and safeguards would involve regulatory controls that employers, unions, and other elements of the pension establishment have in general opposed as being potentially detrimental to the continued sound growth of the private pension movement. They would also limit the scope of the arrangement to such narrow bounds that the social objectives underlying the proposal might be frustrated in large part.

Resolution of the fundamental question of whether a properly structured and delimited guaranty scheme should be established is beyond the purview of this paper. That is a political decision that will have to be made by Congress in its wisdom. The contribution of such an institution to the public weal must be balanced against whatever harmful consequences might flow from it. Without taking a position for or against the proposition, the remainder of this paper suggests the characteristics or features that should be associated with any guaranty scheme that might be brought into existence. The proposals envision a minimum program, with the thought that extensions and liberalizations could be introduced as experience with the system indicates the wisdom of such action.

ADMINISTERING AGENCY

The program should be administered by a Federal agency. It would have to be brought into existence by Federal legislation, and it would seem appropriate to enforce the law through a public agency. If there are to be effective remedies for noncompliance with the requirements of the law, the Government should apply them directly rather than through a private intermediary. Moreover, it would be simpler to make the Government the residual risk bearer, as it probably must be, if it acts as the fiscal agent for the program. This recommendation contemplates that private insurers would underwrite the guaranteed benefits of terminated plans, which would minimize the accumulation of assets in the administering agency. In any event, the Federal Government is holding billions of dollars in various trust funds at the present time with no apparent harm to the economy; so the accumulation of a few billion more in a trust fund for private pension beneficiaries would cause no difficulties other than increasing the cost of the program to employers because of the relatively low yields on the Government securities held by the trust fund. Moneys in the trust fund not needed for current operations should be invested in obligations of the Federal Government not private securities.

EVENT INSURED AGAINST

The guaranty should extend only to benefit claims arising out of complete plan terminations. Coverage of partial terminations would