

to the employees of a particular firm upon withdrawal of that firm from the plan for reasons beyond its control and subject to a minimum period of participation. The guaranty of the PGF would be residual in character if the multiemployer plan had an internal guaranty mechanism. When the plan deals with strictly transitory employment relationships, it would appear that the guaranty could become effective only upon termination of the plan itself. In the meantime, the benefits entitled to the protection of the guaranty should find their fulfillment in the accumulated assets of the plan. While the minimum funding standards outlined in the following sections should be fully applicable to multiemployer plans, it would probably be impracticable to try to enforce the completion of projected funding schedules in the event of plan termination or the withdrawal of a participating firm from a continuing plan, especially in the face of transitory employment relationships.

OBLIGATION OF THE GUARANTY FUND

A pension guaranty fund is feasible only if superimposed on minimum standards of funding. Technically, it would be sufficient if these standards related only to the benefits subject to the guaranty. However, in order to preserve the protection now afforded nonguaranteed benefits through IRS minimum funding requirements and to harmonize the funding requirements of the guaranty system with the cost accrual position of the accounting profession, it is recommended that the law require annual contributions to a pension plan equal to the normal cost of currently accruing benefits—whether or not guaranteed—plus whatever additional sums are necessary to have all guaranteed benefits fully funded within 20 years after the effective date of the coverage. Any additional guaranteed benefits that might be granted *retrospectively* by plan amendment would have to be funded in full within 20 years after such amendment. Evidence that the minimum level of funding is being maintained would be furnished annually or triennially through certification from a member of the American Academy of Actuaries who would be free to choose his own actuarial assumptions and cost method in respect of the nonguaranteed benefits. The administering agency would specify the actuarial assumptions and possibly the actuarial cost methods to be used for guaranteed benefits. This is based upon the assumption that only *vested* benefits would be guaranteed, the valuation of which would require only mortality interest, and expense assumptions. The administering agency should be given the authority to collect delinquent funding contributions, extending into insolvency or bankruptcy proceedings.

As indicated above, the guaranty fund would incur obligations only when a pension plan termination is accompanied or followed by the liquidation of the sponsoring firm except for multiemployer plans. At that point, its obligation would be to assure the ultimate payment of the guaranteed benefits of the plan. That is, its obligation should be stated in terms of *benefit payments* rather than the completion of a *funding objective* per se. The theoretical measure of its obligation would be the difference between the assumed present value of the guaranteed benefits and the value of the assets available for payment of the