

to the satisfaction of the administering agency that its financial condition and economic prospects are such as to justify membership in the system. Extension of the guaranty to liberalized benefits would also be subject to underwriting. In practice, such screening would impose a heavy—perhaps intolerable—administrative burden and, more important, would conflict unduly with the social goals of the program. Thus, all qualified plans in operation for more than 5 years at the time the guarantee fund is established should be automatically covered irrespective of the financial condition of their sponsors. Other eligible plans should likewise be automatically covered as soon as they satisfy the 5-year probationary period and have benefits entitled to the guaranty.

#### BENEFITS COVERED

The guaranty should be limited to benefits vested under the terms of the plan or by operation of law. However, it should encompass not only benefits earned after inception of the plan but also those credited for service prior to that date. It should also extend to all benefits of those employees who have retired or are eligible to retire with normal or reduced benefits. It should not be applicable to those benefits that vest only by virtue of discontinuance of the plan.

In order to assure a minimum level of protection under the program and to prevent complete avoidance of the guaranty by employers inclined in that direction, it would be necessary for the law to require a minimum degree of vesting, applicable to both single employer and multiemployer plans. As was pointed out earlier, there is a strong probability that the administration will recommend legislation that would provide for vesting of future service benefits after 10 years of service, with recognition being given to prior years of service in determining whether the minimum period has been satisfied. Since it would be many years before this legislative mandate would produce a level of funding equivalent to that found in many plans today, it would be desirable for the guaranty to include benefits voluntarily vested under the terms of the plan.

Vested benefits created through a retrospective liberalization of the plan should not be eligible for the guaranty until 5 years after the liberalization. This restriction would be necessary to protect the fund against those who would otherwise grant benefit increases just prior to winding up their business.

The monthly benefits of any particular employee should be guaranteed only to the extent that they do not exceed the lesser of 50 percent of his monthly compensation at the time of plan termination or \$500. Ancillary benefits should be guaranteed only if they are in a payment status at the time of plan termination. The amount of such benefits entitled to the guaranty should be reasonably related to the amount of monthly retirement benefit guaranteed under the program.

#### IMPLEMENTATION OF THE GUARANTY

Upon occurrence of a plan termination coming within the scope of the guaranty, as determined by the administering agency, the guaranty fund would assume full responsibility for the payment of all guaranteed benefits. It would take title to, or assert in some other