

The most difficult problem that would have to be confronted would be defining or articulating the circumstances under which the protection of the system could be invoked. The most basic question is whether the guaranty would become operative only upon termination of the entire plan or also upon other occurrences that would adversely affect the benefit expectations of a substantial percentage of the covered employees. Another fundamental question is whether the pension guaranty should be invoked when the firm that created the pension obligations continues to operate in one form or the other, even though the plan has been completely terminated. A plan may be terminated under any number of circumstances that would raise doubts concerning the propriety of transferring to the PGF the responsibility of meeting benefit expectations. The whole matter would be greatly simplified if the guaranty scheme were established on the basis that the sponsoring firm, or its successor, would have the primary legal responsibility of meeting the cost of the benefits covered by the guaranty, the PGF having only the residual liability. Special rules would have to be developed for multiemployer plans, since among other distinguishing characteristics, they have an existence apart from that of any particular employer belonging to the plan.

Another crucial issue would be the nature of the obligation that the PGF should assume in respect of the benefits covered by the guaranty. One concept would call for the PGF to assure ultimate payment of all guaranteed benefits, irrespective of the amount, source, or cause of any asset deficiency that might exist upon occurrence of the contingency insured against. In theory, this concept could be applied without any mandated standards of funding, but it would be far more practicable if it were bulwarked by an enforceable requirement that the covered benefits be funded in accordance with minimum standards concerned with actuarial assumptions, actuarial cost methods, and the period of time allowed for the attainment of a fully funded status. The approach would be even more feasible—but even less palatable to employers—if the sponsor of a terminated plan were made primarily responsible for any insufficiency of assets, with the PGF being only contingently liable. Another concept would limit the PGF's obligation to the completion of the employer's funding program for covered benefits, without regard to the adequacy of the projected contributions. In other words, the guaranty would attach to the *funding* commitment rather than the *benefit* commitment.

A number of questions are involved with respect to the plans that would be brought under a pension guaranty program. The first question is whether participation in the program would be compulsory or optional. If participation is to be compulsory, one must confront the problem of what categories of plans can be forced to come under the system. Other questions would relate to the advisability of excluding from coverage plans that (1) have been in operation less than a specified period of time, (2) have fewer than a stipulated number of participants, (3) can not meet reasonable underwriting standards, and (4) voluntarily seek coverage. Finally, there is the question whether multi-employer plans should be required to participate.

It would be necessary to define the classification of accrued benefits to be guaranteed. Various distinctions could be made. The program