

might differentiate as to (1) future service versus past service benefits, (2) vested versus nonvested benefits, (3) mandatorily vested benefits versus voluntarily vested benefits, and (4) retirement versus ancillary benefits. Special rules would be needed to protect the PGF against benefit increases and other plan changes that would enlarge the unfunded liability. Moreover, it would be desirable to place a dollar limit on the monthly benefits that would be guaranteed for any one participant.

The implementation of the guaranty would involve: (1) determination of the dollar dimensions of the PGF's obligation, and (2) a decision as to the manner in which the guaranty would be carried out. If the guarantor's obligation were to assure payment of all guaranteed benefits, its obligation would be measured by the difference between the actuarially computed value of the covered benefits less the value, at book or market, of the assets considered to be available for the satisfaction of such claims. It would be necessary to prescribe or recognize rules for the allocation of assets as between guaranteed and nonguaranteed benefits. If, on the other hand, the guarantor's obligation were to complete the funding program of the terminated plans, its liability would be equivalent to the present value of the remaining payments.

The guarantor's obligation as to *benefits* could be discharged in a number of ways each with its own advantages and disadvantages. The funding agency could retain the assets allocable to the covered benefits, meeting benefit claims as they come due until the assets are exhausted, with the guarantor then assuming responsibility for payment of the remaining guaranteed benefits. Secondly, the funding agency could pay that portion of each employee's total guaranteed benefit that could be provided by the assets in its possession, with the guarantor concurrently paying the remaining portion. Thirdly, the guarantor might transfer to the funding agency the additional sums actuarially estimated to be needed to pay guaranteed benefits, the funding agencies providing only investment and disbursement services. Finally, the funding agency might transfer to the guarantor a sum equal to the assets deemed to stand behind the guaranteed benefits, with the guarantor assuming responsibility for the payment in full of all covered benefits. This it could do by paying the benefits directly to the claimants as they come due or by purchasing nonparticipating annuities in the proper amount and form from individual life insurers or a pool of insurers formed for that purpose. Any of the foregoing approaches could be used, with modifications, to discharge a guaranty expressed in terms of a *funding* objective.

The basic issue in the financing realm is whether the guaranty fund would be supported by advance premiums, assessments, or a combination of the two. The use of the advance premium approach would necessitate estimates of future claims and the accumulation of substantial reserves. The assessment method would avoid these complications but would have offsetting disadvantages. Under both approaches, it would be necessary to establish a base against which to levy premiums or assessments and to decide whether to create a number of risk classifications. The need for reinsurance facilities would also have to be considered under either approach.