

established. Comparisons to savings or mortgage insurance are not convincing. The risks which reinsurance of pension plans would have to cover include the following: (1) The risk that the company will go out of business; (2) The risk that the assets of the pension fund might depreciate; (3) The risk that the actuarial assumptions on which the projection of benefit commitments was calculated proved erroneous.

The great majority of pension plans are invested responsibly in ways intended to serve the interest of the beneficiaries. However, there may be cases where self-interest on the part of those who manage a pension fund leads to undesirable investments. It would serve a useful purpose if unorthodox investments were subjected to disclosure. It would give the public and the affected employees knowledge to which they are entitled and it would tend to impose restraint on those responsible. It would seem possible to pinpoint disclosure so that only the extraordinary investments are regularly disclosed. There have been cases in which trustees for large pension plans have engaged in acts which might expose them as trustees to civil suit and yet no one has sued them. The answer lies in the fact that those entitled to enter suit are employees and pensioners, without the resources for legal action and their interests are diffuse. These considerations argue for legislation to empower a Government agency to enter suit to enforce the fiduciary responsibilities of trustees and others handling pension funds.

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JOHN McCONNELL: ROLE OF PUBLIC AND PRIVATE PROGRAMS IN OLD AGE INCOME ASSURANCE

Much of the continuing controversy regarding coverage and benefit payments in the Federal old-age insurance system is related directly to a failure to understand or an unwillingness to accept the fact that OASDI is social insurance, created to combat the widespread and persistent problem of dependency in old age. Hence, adequacy of coverage and benefit payments must be the primary objective. Quite proper efforts to include some features of equity in the old-age insurance system nevertheless, from the very beginning, have confused the social insurance role OASDI. These features, such as relating benefits to earnings coverage as an attribute of private employment and payment of benefits as a right earned by prior employment, desirable as a reflection of American ideals, have undoubtedly aided and abetted those who test the effectiveness of the Federal old-age insurance system against the principles of equity as found in private insurance.

Adequacy with respect to coverage can be precisely defined. All permanent residents of the United States should be assured protection against dependency in old age. The definition of adequacy with respect to old-age insurance benefits is not nearly so clear-cut as for coverage. The role of OASDI in providing income for older people has been severely challenged by (1) the proponents of private pension plans, and even more important by (2) those who claim that, because of social insurance principles, too large a proportion of the Nation's transfer