

arrangements that fail in one or more important respects to satisfy the conventional concepts of a sound insurance program. Lessons can be learned from the Federal Deposit Insurance Corporation; the various Federal mortgage insurance funds; State guarantee funds to insure payment of automobile, workmen's compensation, and life insurance claims; and State unsatisfied judgment funds to protect against financially irresponsible motorists. In the private sector, credit insurance and performance bonds provide protection against the unwillingness or financial inability of business organizations to meet their obligations, a risk greatly influenced by the economic climate. Then there are a number of insurance programs that involve a partnership of some type between the Federal Government and private insurance agencies. In some of these programs, the private agencies are the sole risk bearers, the Government playing a strictly administrative role. In others, the private agencies furnish only fiscal and claims services, the Government assuming the entire risk. In still other cases, the Federal Government and private insurance agencies have entered into a joint *underwriting* venture under which the Government assumes that portion of the total risk considered to be uninsurable by private agencies. Finally, the Swedish pension guarantee fund, which has been in operation since 1960, provides actual experience with a pension guarantee undertaking.

Issues

Many issues would have to be resolved if a pension guarantee fund were to be established in the United States. The first would be whether the fund, hereinafter referred to as the PGF or the guarantor, would be established and operated under the auspices of a Federal agency, a private agency, or a combination Government-private instrumentality. Any of these approaches would seem to be feasible, the choice depending in part on political philosophies and in part on the financial mechanism envisaged.

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 guarantee 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 guarantee should be invoked when the firm that created the pension obligation 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 guarantee 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 guarantee, 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 guar-