

Over the years, the proportion of available funds for investment has been steadily and persistently upward. The prospects for the period 1966-75 may be quite striking. Based upon the results of current financial operations of the retirement funds, new moneys currently becoming available for investment exceed \$3.5 billion per year. With the continuous increase in the membership of these funds and a broadening of their benefit schedules, the amount of available funds for investment should increase steadily in future years. Within the next 5 years, this amount will in all probability attain a level of \$4.3 billion. By 1975, if the present rate of growth of these funds is maintained, a level of close to \$6 billion is a reasonable expectation.

RELATIVE PROPORTIONS OF MUNICIPAL SECURITIES

The proportion of State and municipal bonds acquired by the public employee retirement funds has shown a marked change since the year 1946. At that time, State and municipal bonds of the several types for all public funds was equal to 40 percent of total invested assets or approximately \$1 billion. This rate has steadily declined as the funds broadened their investment authority, particularly those of larger size, extending its scope to include corporate bonds, federally insured and conventional mortgages and equities. For example, on June 30, 1965, out of total assets of State and local retirement funds amounting to \$31.8 billion, holdings of State and municipal bonds were equal only to 8.6 percent. This compares with 10.8 percent at the end of the preceding year and about 15 percent 2 years ago.

It appears that the change in the proportion of State and municipal bonds held was more pronounced in the case of the larger retirement funds than those of smaller size. This is clearly shown by the figures compiled by the Investment Bankers Association on investments only of State retirement funds whose aggregate assets amounted to \$21.4 billion, being more than two-thirds of the aggregate assets of all 2,300 public retirement funds. For these State retirement funds alone State and municipal bonds amounted to \$790 million. This is equal to 3.7 percent of total assets. The following table is illustrative:

Investments of State retirement funds

	1965		1963		1961	
	Value	Proportion	Value	Proportion	Value	Proportion
		<i>Percent</i>		<i>Percent</i>		<i>Percent</i>
U.S. Governments.....	\$5,062,605,864	23.6	\$4,117,652,354	24.3	\$3,961,052,880	29.9
Municipal bonds.....	797,153,429	3.7	1,161,176,928	6.9	1,752,559,262	13.2
Corporate bonds.....	9,797,860,371	45.8	7,771,130,156	45.9	4,964,176,396	37.5
Mortgages.....	3,125,300,450	14.6	2,268,391,712	13.4	1,447,896,456	10.9
Stock.....	1,063,569,746	5.0	664,415,554	3.9	333,557,587	2.5
Other investments.....	1,563,481,774	7.3	959,974,801	5.7	775,566,024	5.9
Total.....	21,409,971,634	-----	16,942,741,505	-----	13,234,808,605	-----

Source: Investment Bankers Association.

NOTE.—The figures in this table relate only to State retirement funds. They do not include municipal retirement funds whose invested assets represent approximately an additional 50 percent of the foregoing totals.