public retirement fund investors. The price of these bonds and the income yield would still fall short of the yields obtained on "AAA" rated corporate bonds.

The guarantee by the Government, however, would provide greater security to principal and interest payments than exists in the case of AAA corporate bonds. It may be expected, therefore, that the bonds would still yield about 40 to 50 basis points below the level of AAA corporate bonds. From the standpoint of diversification, however, the funds might be inclined to take on a certain proportion of these bonds, just as they do in the case of Federal Governments, particularly if they are bonds of their own State or a municipality thereof.

FUTURE INVESTABLE FUNDS

On the basis of past experience and emerging trends, public employee retirement funds are likely to invest during each of the next 10 years, 1966 to 1975 approximately $3.6 to $5.9 billion per year. By 1975, total assets of these funds should approximate $85 billions. There would probably be no large investments in municipal securities unless a change occurs in their status in relation to public retirement funds. On the contrary, we may look for a continuance of the downward trend in the holdings of the bonds by these funds resulting from sales or maturities.

Estimated amounts of investable moneys of public employee retirement funds 1966–75

[In millions]

Year:	*Amount*	Year—Continued	*Amount*
1966	$3, 600	1972	$4, 560
1967	3, 700	1973	4, 840
1968	3, 820	1974	5, 130
1969	3, 960	1975	5, 480
1970	4, 130	1976	5, 900
1971	4, 325		

About 50 percent of these investable moneys of the public retirement funds will probably be invested in rated corporate bonds, 20 percent in common stocks, 10 percent in mortgages (insured and conventional), 15 percent in U.S. treasury bonds and 5 percent in other securities.

EXPANDING INVESTMENTS IN MUNICIPAL SECURITIES

The best and most effective way to expand investments in these securities is by increasing the rate of yield. Practically all public employee retirement funds are in need of larger revenues. The States and municipalities are finding it increasingly difficult to meet their normal requirements because of their restricted sources of revenue. The managers of the retirement funds have come to the realization that investment income is one source of revenue which has not been fully exploited or developed. This explains why a great many funds have had their investment authority extended during recent years to include other investment media such as insured and conventional mortgages, corporate bonds, and common stocks.