

Investment income constitutes an important source of revenue for financing pensions. For the 2,300 public retirement funds in operation in the United States, investment earnings are equal approximately to 23.1 percent of total receipts from all sources. (See January 1966 publication of the Bureau of the Census, U.S. Department of Commerce.) This rate may be increased to as much as 35 to 40 percent of total receipts under an investment policy which includes higher yielding good quality securities.

If the Federal Government guarantees the principal and interest on municipal bonds, in lieu of the tax exemption, public retirement funds might be inclined to channel a part of their investable moneys into these bonds as a means of providing greater diversity for their investments and to aid the States and municipalities in financing capital improvements.