

TABLE V-7.—NET ACQUISITIONS OF FINANCIAL ASSETS BY INSURED AND TRUSTEED PENSION PLANS COVERING INDIVIDUALS IN PRIVATE EMPLOYMENT, 1960 AND 1965

[Dollar amounts in billions]

Assets	1960				1965			
	Insured plans ¹	Trusteed plans	Total	Percent of total funds raised ²	Insured plans ¹	Trusteed plans	Total	Percent of total funds raised ²
U.S. Government securities..	—\$0.1	—\$0.1	—\$0.1	(3)	—\$0.1	—\$0.3	—\$0.4	(3)
State and local obligations...	.1	-----	.1	(3)	.1	-----	.1	(3)
Corporate bonds.....	.4	1.6	2.0	35.7	.7	1.5	2.2	25.6
Corporate stocks.....	.1	1.9	2.0	60.6	.2	3.1	3.3	97.1
Mortgages.....	.6	.3	.9	6.2	1.0	.6	1.6	6.3
Other.....	.2	.1	.2	(4)	.3	-----	.3	(4)
Total.....	1.3	3.8	5.0	(3)	2.1	4.9	7.0	(3)

Note: Individual entries may not add to totals because of rounding.

Source: Board of Governors of the Federal Reserve System, flow-of-funds accounts; figures differ from those compiled by Securities and Exchange Commission because of differences in concepts.

¹ That fraction of changes in life insurance asset holdings which is determined by the year's increase in insured pension reserves divided by total net acquisitions of financial assets.² Total net acquisitions as percent of net new issues. In the case of corporate stocks, new issues include those of open-end investment companies. If these are eliminated, the percentage for 1960 is 111 and for 1965 about 1,100 because net new issues from other sources amounted to only \$300,000,000.⁴ Not applicable.

sistent transfer of stock ownership from individuals and "all others" to professional managers. The data exaggerate, however, the impact of this trend on the market for equities.

In the first place, net new issues understate the supply of shares suitable for institutional ownership. Retirements tend to be disproportionately large for the smaller companies not widely available for public investment. That is to say, retirements are heavily concentrated in small privately owned businesses which sell their assets to large publicly owned corporations. Similarly, when a closely held company merges with one having a wide distribution of share ownership, the supply of broadly marketable shares is increased without a new issue being recorded. At least during recent years of great merger activity, this imparting of marketability to inactively traded common stocks has substantially exceeded the volume of recorded retirements. Gross new issues, therefore, better measure the quantity of new shares broadly available for pension fund investment. On average, this might add upward of \$1.5 or \$2 billion a year to what can be considered as the supply of new issues in the marketplace. Spot checks have shown that a disproportionately large fraction of the gross financing (including senior securities convertible into common stock) has been done by companies which are prominent in pension fund portfolios.

Second, we know that even gross new issues are not a true measure of the volume of equity financing. In a real sense, retained earnings represent a privileged subscription, a rights offering if you will, which has been fully taken up by existing stockholders. From 1961 through 1965, retained corporate profits averaged \$18.5 billion a year, compared with new offerings of common stocks averaging only \$2 billion a year. Pension funds, of course, "purchased" their proportionate share of these retained earnings.