PERCENT OF TOTAL ASSETS AT BOOK VALUE

	State and local government retirement systems, 1966	Corporate trusteed pension funds, 1956
Cash and deposits	1	2
U.S. Government securities	22	14
Corporate bonds	54	51
Corporate stocks	6	26
Mortgages	13	2
Other assets	5	5
Total	100	100

The striking differences are, of course, the persistent lag in common stock investment and the surge in mortgage lending during the past 8 years.[5]

In summary, then, we can observe that State and local government retirement systems in the last 15 years have ceased to be captive markets for governmental securities. They have entered the private capital markets on a large scale—notably the corporate bond market, more recently the mortgage market—and the market for corporate common stocks on a modest scale. They have increasingly sought professional investment advisory services and become conscious of rate of return and investment management performance.[6] They are somewhat better prepared than in the past to follow the lead of private funds in improving the earning power of their assets. Will they follow? How far?

Restraints on Investment Management

Because they have been in existence longer, State and local retirement systems have a somewhat higher level of benefit payments relative to the total of contributions and interest earnings. The contrast with corporate trusteed plans is shown below:

[Dollar amounts in millions]

	State and local Government retirement systems, 1965–66		Corporate trusteed pension funds, 1965	
	Amount	Percent	Amount	Percent
Employer contributions	$2,630	45.6	$4,368	57.5
Employee contributions	1,771	30.7	581	7.6
Earnings on investments	1,370	23.7	2,111	27.7
Other income and capital gains	------------	-----------	545	7.2
Total receipts	5,771	100.0	7,606	100.0
Benefits and expenses	[1] 1,859	32.3	2,040	26.8
Withdrawals	359	6.2	----------	-----------
Total disbursements	2,218	38.5	2,040	26.8
Net additions to assets	3,553	61.5	5,566	73.2

Source: Bureau of the Census and Securities and Exchange Commission.

[1] Benefits only; expenses were not reported to Census Bureau.

[5] My own projection for 1968 will apparently be close to the mark, except that I underestimated the substitution of federally insured and guaranteed mortgage investments for direct U.S. Treasury obligations (*ibid.*).

[6] This trend is illustrated by the fact that in recent years consultants have been retained to study the investment management policies and procedures of a number of public funds. One of these studies, made by this writer, was published in January 1964 by the New York State Teachers Retirement System as part of the report of the Review Committee of the Retirement Board.