

Furthermore, multiemployer and union funds undoubtedly have greater cash needs than corporate funds of comparable size. Most corporate funds are level-of-benefit types, with the employer making regular payments in order to meet qualification requirements. In the case of multiemployer funds, however, the employer usually has a fixed contribution rate and, in the short run, cannot be required to assure the payment of specified benefits or to supply additional contributions to carry the fund through occasional periods of illiquidity. Thus, the trustees of multiemployer funds probably consider the precautionary need for cash greater than the managers of corporate funds.

The need of multiemployer funds for cash may exceed that of corporate funds since most payments for administration of the system come directly from the fund. Much of the administrative expenses of the corporate system, such as the costs of recordkeeping, legal and investment counsel, and actuarial advice, are usually paid directly out of the company's accounts rather than out of the fund.

In multiemployer systems, tasks which do not exist in the corporate systems must be performed, and these require sizable outlays of funds at certain times. For instance, the collection of delinquent contributions may represent substantial costs to the fund, and these outlays tend to be high when income to the fund is low because of nonpayment of contributions.

Several of the very large multiemployer plans have high benefit payments in relation to contributions because of age or lack of funding. A higher ratio of benefits to contributions would indicate a greater need for liquidity for payment purposes and because of a lower "margin of safety" of contribution inflow over benefit outgo.

It may be true that not all the cash held by multiemployer and union funds can be attributed to greater need for liquidity. Some portion represents certificates of deposit and savings and loan association share accounts held for investment. Also liquidity is provided by near-cash assets, such as Government bonds; and multiemployer and union funds show a marked, but declining, preference for this type of asset when compared to corporate pension funds.

OTHER ASSETS

A third factor, which, together with atypical funds and greater liquidity needs, tends to distort portfolio comparisons between multiemployer and corporate pension funds, is the existence of "other assets" in the multiemployer and union funds. This category includes accrued and delinquent contributions receivable and fixed assets, such as office buildings and equipment. These assets would not appear on the balance sheet of a corporate fund since the company does not have contractual contributions which can be accrued, and it usually administers the pension system on the premises and using the facilities of the firm.

4. COMPARISON WITH PORTFOLIOS OF CORPORATE PENSION FUNDS

The portfolio distributions shown in table I-11 reflect the investment decisions of typical multiemployer and union and corporate pension fund managers. The atypical funds of multiemployer and