

Similar data are given for multiemployer and union funds in table I-8, above, for the years 1960-64. In general, the multiemployer and union funds are newer than the nonprofit funds, so they would be expected to increase more rapidly. Actually, the multiemployer and union funds increased from \$1.3 billion in 1959 to \$3 billion in 1964. The corresponding figures for nonprofit organizations are \$1.9 billion and \$3.4 billion. The uses of funds for the two types of pension funds for the combined period 1960-64 are as follows (in millions of dollars):

	Multiemployer and union funds	Nonprofit organization funds
Cash and deposits.....	+108	-2
U.S. Government securities.....	+17	+16
Corporate and other bonds.....	+610	+486
Preferred stock.....	+9	-18
Common stock.....	+536	+482
Mortgages.....	+427	+417
Other assets and investments.....	+63	+98
Total.....	+1,770	+1,459

The nonprofit organization pension funds have less need for cash since their expenses are usually paid by the parent organization. Otherwise, the two distributions are fairly similar.

RATE OF RETURN ON INVESTMENTS

To measure investment performance, most fund managers compute a rate of return on investment, usually the ratio of interest and dividends to mean invested assets (including cash) less half the invested income. Some use gross investment income; others subtract out amortization, depreciation, mortgage service fees, and investment management fees. Another difference is whether the ratio is based on book or market value, or some combination of the two.

Table II-12 presents comparable rates for pension funds of nonprofit organizations and other pension arrangements. It shows that the highest mean yield was realized by TIAA, which had the largest proportion of bonds and mortgages and the lowest proportion of stock. At the other extreme is corporate pension funds with the lowest yield, highest proportion of stock, and lowest proportion of bonds and mortgages. Noninsured funds of nonprofit organizations show a slightly higher mean yield than corporate pension funds, a somewhat lower portfolio proportion in stock, and a somewhat higher proportion in bonds and mortgages.

The table bears out Dietz's statement: "A measure of performance based only on ordinary income¹⁵ is misleading when trying to compare two or more funds. The fund invested in equities would have been unduly penalized during the 10-year period of this study (1953-62) because equities generally produced a lower rate of present return (compared to bonds), with the expectation of a future increase in value."¹⁶

Table II-13 and chart II-1 present rates of return computed according to Dietz's preferred formula. He defines investment income as

¹⁵ I.e., interest and dividends.

¹⁶ See Peter O. Dietz, *Pension Funds: Measuring Investment Performance*, New York, 1966, p. 49.