

Very little needs to be said about the contractual nature of pension saving. Under normal circumstances, the cash flow for investment of institutions administering pension funds is predictable with only a small margin of error. Consequently, these institutions are in a position to enter into forward investment commitments with business and industrial concerns, with public utilities, with homebuilders, and with State and local government units to buy their bonds and mortgages. Under such forward commitments the actual disbursement of the loan funds is in many instances spread over a period as long as 2 or 3 years.

Under the forward commitment process, a corporation desiring funds to expand its plant and equipment can, through the route of a direct placement of its bonds with a pension institution, obtain financing on terms fixed at the time the loan was negotiated. Disbursement of the funds will occur as the funds are needed to complete the construction project. Similarly, a homebuilder planning a housing development can obtain his financing on the same forward commitment basis. Every type of construction project lends itself to the forward commitment process, ranging from gas pipelines, jet airplanes, and office buildings to superhighways and toll bridges.

Tables 5 and 6 show the outstanding forward investment commitments as of January 31, 1967, of a group of life insurance companies holding about 70 percent of the assets of all U.S. life companies.²⁵ Only 44 percent of these commitments were expected to be taken down within 6 months. A considerable part of the remainder was committed for 1, 2, or even 3 years ahead.

TABLE 5.—*Outstanding Commitments on Jan. 31, 1967, of Reporting Life Insurance Companies*¹

	Millions
Total commitments.....	\$9, 511. 7
Securities, total.....	3, 262. 0
Business and industrial bonds.....	2, 736. 2
Public utility bonds.....	152. 2
Railroad bonds.....	50. 0
State, municipal and local securities.....	13. 6
All other securities.....	310. 1
Mortgage loans and real property, total.....	6, 249. 7
Business and industrial mortgages.....	3, 363. 0
Farm mortgages.....	188. 6
Nonfarm residential mortgages ²	2, 231. 4
FHA insured.....	213. 8
VA guaranteed.....	99. 7
Conventional.....	1, 917. 8
Real property for lease or rental.....	424. 3
All other real property.....	42. 5

NOTE.—Because of rounding, components may not add to totals shown.

¹ Companies covered in this report hold 70 percent of the assets of all U.S. life insurance companies.

² Memo:

1 to 4 family.....	429. 2
Multifamily.....	1, 747. 2

This detail by property is not provided by all reporting companies.

²⁵ The assets of these companies are not, of course, all pension fund assets, but the pattern would be the same for commitment of funds derived from pension reserves as well as regular life insurance reserves.