

more complete disclosure to participants would hamper portfolio management.

Another relevant issue of public policy is the question of concentration of economic and financial power. Limitations on the purchase of employer securities in private funds have long been recognized on the grounds that collateralizing a promise with the promisor's evidence of debt or a share in its equity is no security at all. At the same time, this type of limitation seeks to prevent use of the pension funds for purposes of control, support of the market for employer securities, facilitating acquisitions or control of other companies, and in other ways transforming the fund into an agency for purposes other than its intended one, the funding of pension commitments. In this report we have accepted the view that the governing considerations in portfolio management decisions will be comparative yield expectations and not the search for control or opportunities to exert influences on portfolio companies.

Certain safeguards are already operative. The most important is the established requirement that a trustee show undivided loyalty to his trust. Conflicts of interest must be avoided. The record of life insurance companies and bank trustees is excellent in this respect. Economic pressures are equally powerful in the same direction. Increasing emphasis on the quality of investment management to reduce the cost of pension benefits has strengthened the competitive forces at work. As large employers have divided their funds among a number of bank trustees or placed different funds under the management of different trustees, the measurement and appraisal of results have emerged as a practical prohibition against any course other than strict attention to the business of investing.

It is true, of course, that some very large concentrations of assets are emerging, particularly in the case of State-administered public employee retirement systems. Despite a few lapses from undivided loyalty to their participants, public fund administrators also have an excellent record of probity. Examinations of many cases by State insurance departments reinforce the system of internal controls. The trustees of these systems have their good names, and often public office, at stake in the administration of the retirement systems.

Admittedly, it is not feasible for a State retirement system to split its assets among several trustees as industrial corporations have frequently done. But concern is more properly with lethargy and lack of flexibility in assets management which may affect these large pools of capital, especially when governmental units show reluctance to employ qualified staffs to deal with financial management responsibilities of these proportions.

Our study suggests, therefore, that competitive factors and greater disclosure are exercising strong pressures against the abuse of economic and financial power. It is clearly appropriate, however, that these issues in the realm of public policy should be examined and debated. In a relatively short span of years, public and private efforts have brought major new financial institutions into being. Mass coverage of the contingency of loss of income because of age or disability has been extraordinarily successful and shows promise of even further development. It is only prudent that we should take stock of both the economic and public policy issues which emerge, in this case, from the