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I

GROWTH IN MULTIEMPLOYER AND UNION PENSION FUNDS, 1959–64

by H. Robert Bartell, Jr.

1. Introduction

Corporate pension funds, which cover the employees of a single company or a group of financially related companies, are the most carefully reported sector of the private pension structure. The aggregate estimates of assets and portfolio composition, which are provided regularly for this sector by the Securities and Exchange Commission,[1] are derived from a questionnaire submitted to a large sample of U.S. corporations. In using the corporation (and primarily larger corporations) as the unit of inquiry, the Securities and Exchange Commission survey does not include funds which cover the employees of two or more financially unrelated corporations or unincorporated businesses, usually known as multiemployer funds. Only in recent years has the SEC attempted to consolidate these and nonprofit organization funds with corporate noninsured pension funds to estimate a total of assets of private noninsured pension funds.

The Social Security Administration's yearly report on employee benefit plans regularly includes an estimate of the reserves of all private pension plans (both insured and noninsured), including "pay-as-you-go, multiemployer, and union administered plans, those of nonprofit organizations and railroad plans supplementing the Federal railroad retirement program." [2] Thus, the estimate for multiemployer and union funds, as in SEC tabulations, is combined with figures for the assets of other private pension funds. However, the rapid growth of these funds in recent years justifies a more detailed description of their attributes. Furthermore, recent attention being paid to the effect of union policies on pension fund investments prompts a closer look at the portfolio composition of those funds—multiemployer and union—where labor unions have some measure of control over investment policy.

2. Description and Size of Funds

The history of labor unions in the United States reveals that one of the major reasons for the organization of unions in the late 1800's was the provision of accident, death, and retirement benefits for certain classes of workers who were unable to obtain them from ordinary insurance companies at rates which the unions considered equitable. The early unions in the railroad, printing, and construction industries were good examples of the organizational importance of benefit pro-

[1] Securities and Exchange Commission. *Survey of Corporate Pension Funds, 1951–54*, Washington, 1956, and annual surveys published in its *Statistical Bulletin*.
[2] A. M. Skolnik, "Ten Years of Employee Benefit Plans," *Social Security Bulletin*, April 1966, pp. 3–19.

grams. Until the first part of the 1900's, the beneficial activities of these unions were limited to providing death and disability benefits and homes for aged members.

Although there were several earlier attempts at providing regular superannuation benefits, the system of the International Typographical Union, established in 1908, was the first which covered any large number of workers and which is still in existence. This was followed by plans established by the Brotherhood of Locomotive Engineers in 1912, the Bricklayers, Masons, and Plasterers in 1915, the Railway Conductors in 1917, the Bridge and Structural Iron Workers in 1918, the Locomotive Firemen and Enginemen in 1920, the Railroad Trainmen in 1923, the Printing Pressmen in 1924, and the Brotherhood of Electrical Workers in 1928. These systems were financed by assessments on the membership and were, except in the case of the railway brotherhoods, compulsory. Eligibility for pension benefits was based upon age, length of membership in the union, and inability to get employment in the trade. Benefits were looked upon as a form of charity rather than as a right earned for long service in the trade.

Union pension funds had assets of $11.5 million in 1929, according to Latimer,[3] and only 10 unions had such funds. The American Federation of Labor reported 14 unions paying "old-age benefits" in 1929, and 20 in 1931, paying just over $6 million in benefits. During the 1930's a number of union pension programs were dropped or their funds exhausted, so that by 1940 only 12 unions were paying benefits and the payments came to $1.7 million.[4]

Beginning in the 1940's unions shifted their efforts from financing retirement benefits by member assessments to obtaining employer support in providing pension payments to retired workers. In the larger, financially secure firms with relatively stable labor forces, a companywide pension plan provided the best compromise between union demands for adequate retirement payments and management's desire to limit the costs of such benefits. Thus most negotiated pension plans were restricted to the employees of a single company.

However, workers in industries with small firms and frequent transfers of employees between firms also had need for retirement security which could not be economically provided by single-company pension plans. The first areawide pension system supported by employer contributions was initiated in 1929 by Local 3 of the Brotherhood of Electrical Workers and the Electrical Contractors Association of New York City. A similar plan for Electricians and the Electrical Employers Association of St. Louis was agreed upon in late 1929, but the agreement was voided by the Missouri Supreme Court in 1931 as a conspiracy in restraint of trade. During World War II, wage controls encouraged unions to seek contract improvements in the form of welfare benefits. The Amalgamated Clothing Workers and the International Ladies' Garment Workers' Union negotiated multiemployer pension systems in the garment trades, beginning with Local 324 of the ACWA in 1943. Benefits are financed entirely by employer contributions, but the funds are administered and the level of benefits determined solely by the union.

[3] Murray W. Latimer, *Trade Union Pension Systems*, New York, 1932.

[4] H. A. Millis and R. E. Montgomery, *Organized Labor*, New York, 1945, Table 6, p. 334. See also Bureau of Labor Statistics, *Beneficial Activities of American Trade Unions*, Bulletin 465, 1928.

The Taft-Hartley Act, passed in 1947, required that all plans established subsequent to January 1, 1946, which involved negotiated employer contributions to a fund be administered jointly by employers and employees. Thus the great majority of multiemployer funds are jointly administered.

The bulk of negotiated single-company funds are established under collective-bargaining agreements which specify the benefits to be received upon retirement. Since the entire cost of the benefits (above employee contributions, if any) is borne by the corporation, investment of accumulated funds is left to the discretion of management. Virtually all multiemployer plans are established under collective-bargaining agreements which specify the amount of contributions to be made by employers and employees, and the benefits received upon retirement are dependent upon the size of the fund. Since the size of the fund is a function not only of contributions but also of investment yield, both union and employers are concerned with the management of the accumulated fund, especially as it may affect the level of benefits.

In summary, union funds are relatively old, administered solely by the union, and few in number. By contrast, multiemployer funds are newer, more numerous, and jointly administered by union and management.

SOURCES OF DATA

Until the passage, in 1958, of the Federal Welfare and Pension Plans Disclosure Act, consistent and comparable data on multiemployer and union pension funds were not available for all such funds.[5] New York State, since 1956, has had a reporting and disclosure act which requires all jointly administered funds covering more than 25 workers in the State to file comprehensive annual reports on the financial condition of the fund, including a list of all securities held. Reports submitted are subjected to a desk audit to check their internal consistency, and State agencies are authorized to make field audits of the funds when necessary and at least once every 5 years. Therefore, information obtained from these records is ample for investigations of asset size and portfolio composition and sufficiently accurate for the generation of aggregate figures. However, while the State disclosure act has wide coverage of multiemployer funds, these funds are either national in scope or cover employees in New York State and adjoining areas. Thus funds of a local or areawide character in other parts of the country are excluded. Funds administered solely by unions are completely exempt from reporting requirements in New York.

Before the passage of Federal legislation, several other States had reporting acts which covered various types of plans—mostly those jointly administered.[6] However, the reports filed with the Office of Welfare and Pension Plans of the Department of Labor include virtually all multiemployer and union pension funds in operation. The annual financial data on fund assets are in summary form and, unlike

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[5] For estimates back to 1945, based on estimates for 1957, from New York State reports, see Raymond W. Goldsmith, Robert E. Lipsey, and Morris Mendelson, *Studies in the National Balance Sheet of the United States*, Princeton University Press for NBER, 1963, vol. II, table III–5j–2, pp. 182–183.

[6] See National Industrial Conference Board, *Management Record*, July–August 1958, pp. 246 ff., for a summary of State disclosure laws.

the New York State reports, do not include a list of specific securities held. In addition, reports filed under the Federal act are not checked for accuracy by the Labor Department. Nevertheless, for the purpose of providing aggregate estimates of assets and broad classes of investments, the Federal reports are satisfactory since most are audited by a public accountant before being submitted.

The Bureau of Labor Statistics reported that 798 multiemployer pension plans, covering approximately 3.3 million active and retired workers, had been filed by the spring of 1960.[7] There is no public list of these funds, but tables I–1 and I–2 indicate that practically all the funds of major significance are contained in the present survey, and that in addition a broad sample of the smaller funds has been included.

TABLE I–1.—NATIONAL AND INTERNATIONAL UNIONS PARTICIPATING IN MULTIEMPLOYER PENSION PLANS BY NUMBER OF WORKERS COVERED—COMPARISON OF BLS AND NBER SURVEYS

Union	Number of plans	
	BLS	NBER
100,000 workers and over:		
Carpenters	18	18
Clothing (ACWA)	14	12
Electrical (IBEW)	32	27
Garment, Ladies	48	53
Mine (UMW) (excluding District 50)	2	2
Teamsters	121	104
50,000 and under 100,000 workers:		
Bakery (BCW)	8	5
Hod Carriers	23	25
Hotel	13	14
Longshoremen (ILA)	21	17
Meat Cutters	31	31
Plumbing	63	56
Retail Clerks	11	9
25,000 and under 50,000 workers:		
Bakery, American (ABCW)	5	3
Building Service	8	8
Engineers, Operating	18	17
Iron	20	15
Maritime (NMU)	4	4
Painters	23	24
Retail, Wholesale (RWDSU)	12	13
Sheet Metal	24	22
Upholsterers	1	1
5,000 and under 25,000 workers:		
Actors (AFTRA)	1	1
Automobile	6	6
Bookbinders	6	5
Brewery	9	6
Bricklayers	30	29
Electrical (IUE)	3	5
Furniture	6	6
Hatters	23	17
Lathers	5	5
Leather Goods	5	2
Longshoremen and Warehousemen (ILWU)	5	5
Machinists	10	10
Marine Engineers	3	4
Masters, Mates	2	2
Musicians	1	1
Plasterers	8	9
Printing Pressmen	14	10
Pulp	6	4
Shoe Workers, United	1	1
Stage (IATSE)	13	10
Textile Workers (TWUA)	1	1
Toy Workers	1	1
Typographical	13	10

[7] Bureau of Labor Statistics, *Multiemployer Pension Plans Under Collective Bargaining, Spring 1960*, Bulletin 1326, June 1962.

TABLE I-1.—NATIONAL AND INTERNATIONAL UNIONS PARTICIPATING IN MULTIEMPLOYER PENSION PLANS BY NUMBER OF WORKERS COVERED—COMPARISON OF BLS AND NBER SURVEYS—Continued

Union	Number of plans	
	BLS	NBER
1,000 and under 5,000 workers:		
Asbestos	17	11
Boilermakers	2	2
Distillery	5	6
Jewelry	1	3
Leather Workers	1	1
Lithographers	1	1
Mine, District 50	3	3
Newspaper Guild	2	2
Newspaper and Mail Deliverers	1	1
Patternmakers	5	3
Photo Engravers	4	5
Roofers	4	5
Stereotypers	3	3
Watchmen's Association	3	1
Fewer than 1,000 workers:		
Engineers, Technical	1	1
Firemen and Oilers	1	1
Garment, United	2	------------
Hosiery	1	1
Machine Printers	1	1
Mailers	2	1
Marble	1	2
Metal Polishers	1	1
Office	2	3
Radio	1	2
Shoe and Boot Workers	1	------------
Telegraphers	1	1
Textile Workers (UTWA)	1	1
Not included in BLS survey:		
Seafarers	------------	2
Writers Guild	------------	1
Industrial Workers, Allied	------------	1
2 or more national unions	26	10
Unclassified (AFL-CIO directly affiliated and independent locals, and unknown)	12	9
All plans	798	715

Source: Bureau of Labor Statistics, "Multiemployer Pension Plans Under Collective Bargaining," Spring 1960, Bulletin No. 1326, June 1962, table 4, and National Bureau of Economic Research survey (1959) conducted by the author.

TABLE I-2.—MULTIEMPLOYER PENSION PLANS BY NUMBER OF WORKERS COVERED—COMPARISON OF BLS AND NBER SURVEYS

Number of workers covered [1]	Number of plans	
	BLS	NBER
All plans	798	715
Under 100	54	29
100 and under 500	230	175
500 and under 1,000	154	132
1,000 and under 5,000	257	211
5,000 and under 10,000	51	51
10,000 and under 25,000	29	33
25,000 and under 50,000	15	14
50,000 and under 100,000	2	3
100,000 and over	6	5
Coverage not determined [2]	------------	62

Source: Bureau of Labor Statistics, "Multiemployer Pension Plans Under Collective Bargaining, Spring 1960," Bulletin No. 1326, June 1962, table 2, and National Bureau of Economic Research survey (1959) conducted by the author.

[1] BLS survey includes annuitants; NBER survey does not.
[2] For plans where coverage was not reported, BLS estimated coverage at 1,200. This would cause them to fall into the 1,000 and under 5,000 category.

Since it was important to secure estimates of trends in assets and portfolio composition of self-insured [8] multiemployer and union funds, a stratified sample of funds covered in the initial survey of 1959 was drawn and used to provide estimates for subsequent years. A description of the sampling method used is provided in appendix I.

TOTAL ASSETS AND GROWTH

The total assets of multiemployer and union pension funds were approximately $1,270 million at book value in 1959. Estimates through 1964 are presented below in comparison with corresponding data for single-employer industrial noninsured pension funds:

	Multiemployer and union funds		Single-employer funds	
	Book value (millions)	Percent increase	Book value (millions)	Percent increase
1959	$1,270	(1)	$26,667	14.8
1960	1,548	21.9	30,343	13.8
1961	1,856	19.9	34,302	13.0
1962	2,209	19.0	38,233	11.5
1963	2,601	17.8	42,427	11.0
1964	3,040	16.8	47,285	11.5

[1] Not available.

Growth in a pension fund's assets is particularly rapid, of course, in the early years following its establishment. A constant amount of contributions will cause a fund's assets to double during its second year of operations and increase by 50 percent during the third year. Benefit payments are usually low in the early years, and provision for the gradual funding of past and current service liabilities means that receipts will exceed expenditures from the fund for a number of years. The history of a number of multiemployer funds shows that extension of coverage to new groups of employees and increases in contemplated benefits proceed rapidly after the fund is established and participants are persuaded that pension coverage is feasible. This "demonstration effect" also encourages other employer and employee groups to establish their own funds. In the aggregate, growth in fund assets is derived from funding of current and past service liabilities, establishment of new funds, and extensions of coverage and contribution increases in old ones. The effect of these factors on overall growth rates is most dramatic where newer funds predominate.

Most multiemployer pension plans have been established in recent years. According to the Bureau of Labor Statistics study, over 60 percent of the plans covering 43 percent of the workers under multiemployer pension plans were started in the 5-year period from 1955 to 1959. Less than 8 percent of the plans were over 10 years old in 1960.[9]

The effect of funding on per capita asset growth is demonstrated by table I–3, which shows assets per active employee by age of the fund for a sample of 360 self-insured multiemployer and union funds for

[8] In this paper the terms "self-insured" and "noninsured" are used interchangeably. Insured plans are included in tables I–1 and I–2, but have been omitted from the remainder of the study. See app. I and BLS *Bulletin No. 1326* for number of insured and self-insured plans.

[9] *Ibid.*, table 1, p. 98.

which coverage, total assets, and date of establishment were available. For funds established after 1947, assets per employee rise continuously as the age of the fund increases. The sharp drop in assets per employee in funds started before 1948 reflects the influence of the large Clothing Workers', Electrical Workers', and Mine Workers' funds, which do not provide for funding of past service liabilities on an actuarial basis. If the funds of the ACWA, IBEW, and UMW are omitted from the funds established in 1946–47, the assets per employee of the remaining funds exceed $1,000.

TABLE I-3—MULTIEMPLOYER AND UNION PENSION FUNDS—ASSETS IN 1959 PER WORKER COVERED, BY YEAR OF ORGANIZATION

Year organized	Number of funds in sample	Assets per worker covered
1958 and 1959	89	$130
1956 and 1957	89	265
1954 and 1955	59	443
1952 and 1953	46	523
1950 and 1951	47	1,023
1948 and 1949	13	1,201
1946 and 1947	10	427
1945 and earlier	7	313

Source: NBER survey.

CONCENTRATION OF ASSETS

The assets of multiemployer and union pension funds, like those of corporate funds, are heavily concentrated in a few large funds. Of the funds included in the National Bureau survey, those having more than $10 million in total assets accounted for less than 4 percent of the funds but for more than 53 percent of the assets of all funds. On the other end of the scale, 53 percent of the funds had under $½ million each in total assets, and they held less than 5 percent of the assets of all multiemployer and union funds. Table I–5 shows the data on asset concentration in greater detail.

TABLE I-4.—CONCENTRATION OF ASSETS IN CORPORATE AND IN MULTIEMPLOYER AND UNION PENSION FUNDS

[In percent of total]

Size of fund (thousands)	Corporate funds,[1] 1957		Multiemployer and union funds, 1959	
	Number of funds	Total assets[2]	Number of funds	Total assets[2]
$100,000 and over	1.5	55.3	0	0
$10,000 to $99,999	12.3	28.3	3.8	53.6
$5,000 to $9,999	9.1	6.0	2.6	8.1
$1,000 to $4,999	25.5	6.9	26.9	29.4
$500 to $999	13.0	1.2	13.3	4.3
Under $500	38.6	2.3	53.4	4.6

Source: Corporate funds, SEC data, calculated from P. P. Harbrecht, "Pension Funds and Economic Power," New York, 1959, table 30, p. 224; multiemployer and union funds, NBER survey.

[1] Noninsured single-employer pension funds of business corporations.
[2] Assets are recorded at book value.

The 10 largest funds in 1959 had $478 million in assets, or about 38 percent of the total. The funds and their assets are shown in table I–5.

TABLE I-5.—10 LARGEST SELF-INSURED MULTIEMPLOYER AND UNION PENSION FUNDS, 1959

[In thousands of dollars]

No.	Name of fund	Total assets
1	IBEW pension benefit fund (union)	$85,010
2	United Mine Workers welfare and retirement fund	[1] 82,945
3	Teamsters' Central States, Southeast, and Southwest areas pension fund	61,333
4	Amalgamated insurance fund (retirement)	55,765
5	National electrical benefit fund of the National Employees Benefit Board for the Electrical Contracting Industry	46,000
6	Retirement fund of the New York Dress Joint Board of the ILGWU	40,396
7	Retirement fund of the New York Cloak Joint Board of the ILGWU	29,612
8	The 65 security plan pension fund (District 65, Retail, Wholesale & Department Store Union)	26,449
9	National Maritime Union Pension trust	25,801
10	Amalgamated Cotton Garment & Allied Industries fund (retirement)	24,682

Note: Assets are shown at book value.

Source: NBER survey.

[1] Estimated.

TOTAL ASSETS BY MAJOR INDUSTRY GROUPS

Classification of individual funds by industry is difficult because some funds include employees working in several different industries. Therefore, the data presented in table I-6 on assets by industry of employment can represent, at best, only approximations. However, they show rough similarities to the BLS data on coverage by industry. About 60 percent of coverage and assets are in nonmanufacturing industries. High concentrations of both coverage and assets are found in the apparel, construction, and motor transportation industries.[10]

TABLE I-6.—ASSETS OF MULTIEMPLOYER AND UNION PENSION FUNDS, BY INDUSTRY GROUP, 1959

	Assets [1] (millions)	Percent of total
All industries	$1,270.3	100.0
Manufacturing	512.5	40.3
Food and kindred products	124.7	9.8
Apparel and other finished textile products	246.7	19.4
Printing, publishing, and allied industries	61.9	4.9
Leather and leather products	6.7	.5
Metalworking	36.2	2.8
Other manufacturing	36.3	2.9
Nonmanufacturing	752.2	59.2
Mining	85.1	6.7
Contract construction	278.0	21.9
Motor transportation	133.2	10.5
Water transportation	110.5	8.7
Wholesale and retail trade	74.1	5.8
Services	42.4	3.3
Motion pictures and recreation	28.5	2.2
Other nonmanufacturing	.3	(2)
Not classified	5.5	.4

Note: Figures are rounded and may not add to totals.

Source: NBER survey.

[1] Assets at book value.
[2] Less than 0.05 percent.

In addition to concentration in certain industries, there is also a virtual absence of multiemployer and union pension funds in durable goods manufacturing, railroads, and public utilities other than transportation. These observations underline the proposition that multi-

[10] *Ibid.*, table 3, p. 09.

employer pension systems are particularly suited to industries where small firms predominate and where employment mobility within an industry is a prevalent characteristic.

3. Portfolio Composition

The assets of multiemployer and union pension funds are invested in a variety of financial instruments. For the most part, the instruments are the same as those found in corporate pension funds: Federal Government obligations, corporate stock and bonds, and mortgages. However, the distribution of assets among the various investment categories and the proportion held uninvested; that is, in cash, show significant differences between corporate and multiemployer and union funds when viewed in the aggregate. A closer look, though, indicates that these differences are not great, that they can be partly explained by differences in size and operating characteristics, and that they are diminishing.

Table I–7 presents the aggregate portfolios of multiemployer and union pension funds for the years 1959 through 1964. Multiemployer and union funds, as a whole, have a greater proportion of their assets in cash, Government securities, and mortgages (40.2 percent versus 10.9 percent for corporate funds in 1964) and a smaller proportion in corporate stock and bonds (56.3 percent) as compared to corporate pension funds (84 percent).[11] However, over the 6 years, the multiemployer and union funds have sharply reduced the proportion of their portfolio in Government bonds and increased investments in corporate securities. A continuing difference between the two types of funds appears to be the greater emphasis of multiemployer and union funds on mortgage investment, although corporate funds also increased their investment in this field in recent years.

TABLE I–7.—PORTFOLIO COMPOSITION OF MULTIEMPLOYER AND UNION PENSION FUNDS, 1959–64

	1959	1960	1961	1962	1963	1964
Total assets (millions)	$1,270	$1,548	$1,856	$2,209	$2,601	$3,040
Percent of book value:						
Cash	6.5	5.2	5.5	6.1	6.5	6.2
U.S. Government securities	34.0	26.1	21.0	18.6	16.0	14.8
Corporate and other bonds	28.0	31.5	32.1	31.7	31.9	31.8
Preferred stock	1.7	1.8	1.6	1.4	1.2	1.0
Common stock	14.0	17.5	20.4	22.2	22.4	23.5
Mortgages	12.3	15.1	16.4	17.0	17.9	19.2
Other investments	1.4	1.2	1.2	1.4	2.5	1.9
Other assets	2.1	1.7	1.7	1.6	1.6	1.6

Source: NBER survey for 1959, with subsequent years estimated as described in app. I.

FLOWS OF NEW FUNDS

The changes in multiemployer and union pension fund portfolios are more sharply highlighted by the figures in table I–8. "New" funds have been channeled into mortgages and common stock at a faster rate in the years since 1959 than the average for the years prior to 1959. Corporate and other bonds gathered a larger share of new funds in 1960 and 1961 than previously, but the portfolio of these securities has grown at about

[11] See Securities and Exchange Commission, *Statistical Bulletin*, June 1965 and earlier.

the same rate as total assets in more recent years. Multiemployer and union funds were net sellers of U.S. governments in 1960 and 1961, and have added rather small amounts of these securities to portfolios since. Thus, assuming no change in the distribution of additions to portfolios in the future, the aggregate holdings of multiemployer and union pension funds will continue to shift toward a larger proportion of common stock and mortgages for several years to come.

TABLE I-8.—MULTIEMPLOYER AND UNION PENSION FUNDS—SOURCES AND USES OF FUNDS, 1960–64

	1960	1961	1962	1963	1964
	Millions of dollars				
Sources: Net asset growth	278	308	353	392	439
Uses:					
Net acquisition of financial assets	278	303	349	386	431
Cash	−2	23	32	33	22
U.S. Government securities	−27	−16	21	7	32
Corporate and other bonds	131	109	104	129	137
Preferred stock	5	3	2	−1	(1)
Common stock	93	108	111	94	130
Mortgages	78	71	70	91	117
Other investments	(1)	5	9	33	−7
Other assets	(1)	5	4	6	8
	Percent distribution of uses				
U.S. Government securities	−9.7	−5.2	5.9	1.8	7.3
Corporate and other bonds	47.1	35.4	29.5	32.9	31.2
Common stock	33.5	35.1	31.4	24.0	29.6
Mortgages	28.1	23.1	19.8	23.2	26.7
All other uses	1.0	11.6	13.4	18.1	5.2

[1] Less than $500,000.

ATYPICAL FUNDS

Several of the very large multiemployer and union pension funds show portfolio distributions quite dissimilar to the overwhelming number of smaller funds. Because these larger atypical funds represent a significant proportion of all multiemployer and union fund assets, they tend to distort the weighted average portfolios shown in table I–7. In order to approximate the asset distribution of the typical or modal fund, the typical and atypical funds have been segregated; the resulting portfolios are shown in table I-9.

TABLE I-9.—PORTFOLIO COMPOSITION OF ATYPICAL, SELECTED, AND ALL MULTIEMPLOYER AND UNION PENSION FUNDS, 1964

	All funds	Atypical funds	Selected funds
Total assets (millions)	$3,040	$799	$2,241
Percent of book value:			
Cash	6.2	10.0	4.9
Other assets	1.6	1.5	1.6
Invested assets	92.2	88.6	93.5
U.S. Government securities	14.8	19.1	13.3
Corporate and other bonds	31.8	10.7	39.2
Preferred stock	1.0	.4	1.2
Common stock	23.5	8.0	29.0
Mortgages	19.2	46.9	9.3
Other investments	1.9	3.5	1.4

Source: NBER survey.

The atypical group comprises eight funds containing about 26 percent of total multiemployer and union fund assets in 1964. The eight funds cover members of five unions—the Teamsters, Ladies' Garment Workers (two funds), Brotherhood of Electrical Workers (two funds), Amalgamated Clothing Workers (two funds) and United Mine Workers.

Both the Garment Workers' and Clothing Workers' funds follow a policy of not investing in corporate stock. In addition, the Clothing Workers exclude purchases of corporate bonds and the Garment Workers first began acquiring these investments in 1955–56.

The two large IBEW funds and the largest Teamster fund invest heavily in mortgages, the principal difference being that the bulk of IBEW mortgages are Government-insured or guaranteed and on single-family dwellings, while the Teamsters have recently favored conventional multifamily and commercial mortgages. Over two-thirds of the assets of these three funds are mortgage investments.

The United Mine Workers' fund reflects substantial variation in investment policy over the years 1959–64. In the earlier years, U.S. Government bonds were favored. This was followed by a shift to cash, particularly bank time deposits, and in 1963 and 1964 the fund more than doubled its holdings of corporate stock.

The category of "selected" funds, obtained by excluding the eight atypical funds, represents a wide range of sizes, industries, unions (the smaller funds of the unions represented in the atypical group are included), and portfolio policies. It is, therefore, more typical than the aggregates heavily weighted by the extremes in portfolio policy. Furthermore, the "selected" group is growing more rapidly than the atypical funds. Because of this, the aggregate portfolio of the future will look more like the selected funds, assuming no radical change in policy by any of the funds.

LIQUIDITY

Multiemployer and union pension funds have relatively greater cash holdings than do corporate funds. One reason for this is that the average corporate pension fund is substantially larger than the average multiemployer fund, and, as table I–10 indicates, fund holdings of cash tend to decline as a proportion of total assets as fund size increases.

TABLE I-10.—PORTFOLIO COMPOSITION OF MULTIEMPLOYER AND UNION PENSION FUNDS BY SIZE OF FUND 1959

[In percent of book value]

	Assets per fund (thousands)				
	$10,000 and over	$5,000 to $9,999	$1,000 to $4,999	$500 to $999	Under $500
Cash	3.4	6.2	6.9	17.0	31.7
Other assets	1.7	2.4	3.0	2.3	3.2
Invested assets	94.9	91.4	90.1	80.7	65.1
U.S. Government securities	38.7	25.4	30.3	24.7	24.9
Corporate and other bonds	20.1	45.4	37.8	35.5	20.0
Preferred stock	1.7	2.2	1.9	1.2	.9
Common stock	12.1	14.5	17.0	17.4	12.2
Mortgages	20.8	3.6	2.5	.4	.9
Other investments	1.4	.3	.8	1.6	6.2

Source: NBER survey.

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 union plans have been omitted along with cash and other asset holdings. While the comparison is not perfect because some cash holdings may represent investment decisions and some Government bond holdings may reflect liquidity needs, it is superior to a comparison based upon total assets. The portfolios of the selected multiemployer and union funds and the corporate funds in 1964 still demonstrate significant differences, but they are approaching each other rapidly in their composition. As a demonstration of how fast the portfolio composition of the funds can change and how close the present portfolio of multiemployer and union funds is to that of the corporate funds a few years ago, the investment distribution of corporate funds in 1959 is also presented.

TABLE I-11.—INVESTMENT PORTFOLIOS OF SELECTED MULTIEMPLOYER AND UNION PENSION FUNDS, 1964 AND CORPORATE PENSION FUNDS, 1959 AND 1964

[In percent of book value]

	Multiemployer and union funds, 1964	Corporate funds	
		1959	1964
U.S. Government securities	14.2	8.8	5.3
Corporate and other bonds	42.1	51.3	41.8
Preferred stock	1.3	2.6	1.2
Common stock	31.0	30.9	42.2
Mortgages	10.0	2.3	4.5
Other investments	1.5	4.0	5.1

Note.—Figures are rounded and may not add to totals.

Source: Multiemployer and union funds, NBER survey; corporate funds, calculated from data in SEC Statistical Bulletin June 1965.

A possible explanation of the close similarity between the multiemployer and union fund portfolio and that of the corporate funds several years earlier is suggested by the newness of most multiemployer funds. Investment advisers observe that it takes several years to change the thinking of inexperienced trustees—both union and management—from their natural investment conservatism and concern for the preservation of fund assets. Meyers and Miller report, on the basis of a survey of investment advisers, that it usually takes from 2 to 3 years to educate fund trustees in the advantages of a flexible investment policy, that is, one which would include liberal portions of corporate bonds and common stock in the fund portfolio.[12] Many of the larger multiemployer plans were established in the 1955–58 period,[13] and it would be the trustees of these funds who were making decisions to change portfolios in the period of this survey. Since it usually takes several years for the change in policy to be fully implemented, it can be predicted that the shifts in overall multiemployer and union fund portfolio composition which are evident in the 1959–64 figures will continue for several more years at least.

BANK-ADMINISTERED FUNDS

One of the most plausible reasons for the similarity between the investment portfolios of multiemployer and union funds and corporate

[12] F. Meyers and C. R. Miller, "Investment Policies of Bilaterally Managed Pension Plans," *Quarterly Review of Economics and Business*, February 1962, p. 49.
[13] Bureau of Labor Statistics, Bulletin 1326, table 1.

funds is that in both a strong influence on investment policy is exerted by commercial bank trust departments.[14]

When a bank trust department is connected with the investment of the fund, multiemployer pension funds show a greater proportion of corporate bonds and common stock and a smaller proportion of Government bonds and mortgages than do the selected funds in which the effect of large atypical funds is eliminated. That is, the bank-associated funds are closer to corporate funds in portfolio distribution than are the selected funds, which are taken as representing the average multiemployer and union fund. This is shown in table I–12. The portfolio for bank funds is derived from a sample of 128 funds (having $420 million in assets in 1959) for which it could be determined that a bank acted either as trustee, agent, or investment adviser.

TABLE I-12.—INVESTMENT PORTFOLIO OF SELECTED AND BANK-ADMINISTERED MULTIEMPLOYER AND UNION FUNDS AND CORPORATE FUNDS, 1959

[In percent of book value]

	Multiemployer and union funds		Corporate funds
	All selected	Bank administered	
U.S. Government securities	28.1	16.3	8.8
Corporate and other bonds	43.3	54.1	51.3
Preferred stock	2.6	3.3	2.6
Common stock	19.4	23.1	30.9
Mortgages	4.7	2.9	2.3
Other investments	2.0	.3	4.0

Note.—Figures are rounded and may not add to totals.

Source: Multiemployer and union funds, NBER survey; corporate funds, calculated from data in SEC Statistical Bulletin, June 1962.

VARIATIONS IN PORTFOLIO COMPOSITION BY UNION

Union policy is sometimes considered to be the most important factor influencing the distribution of multiemployer and union pension fund assets among the different investment media. While this is obviously true for some unions, e.g., those which are associated with atypical funds, it does not appear to be true for the bulk of unions involved with multiemployer funds.

Table I–13 shows the portfolio composition of 348 self-insured multiemployer and union pension funds classified by union. The compilation includes 18 national unions, or all those that had total assets in excess of $15 million in funds covering their members in 1959. In all, these funds include just over 60 percent of all self-insured multiemployer and union funds in the 1959 survey, and contain $1 billion, or almost 80 percent of the assets in this type of fund.

[14] Evidence of trust department influence in the investment of corporate funds is given in Harbrecht, *Pension Funds and Economic Power*, New York, 1959, pp. 226–227. BLS data on multiemployer funds show that the person determining investment policy was a corporate trustee or investment agent, acting either alone or in conjunction with the board of trustees, in about one-fourth of the funds, covering about 15 percent of the workers (Bulletin 1326, p. 92). These data probably understate the influence of trust departments in the actual investment decision making since a corporate trustee is usually given broad discretion in the trust agreement, and boards of trustees frequently hire banks as investment advisers and then abide by the bank's judgment in portfolio policy.

TABLE I-13.—PORTFOLIO COMPOSITION OF MULTIEMPLOYER AND UNION PENSION FUNDS BY UNION (ALL UNIONS WITH FUNDS TOTALING $15,000,000 OR MORE), 1959

Union	Number of funds	Total assets (millions)	Percent of book value: Cash	Other assets	Investments: Total invested	Corporate: Bonds[1]	Preferred stock	Common stock	Total[1]	Other: U.S. Government securities	Mortgages	Miscellaneous
Teamsters, Chauffeurs, Warehousemen & Helpers (TCWH)	88	$208.4	6.3	2.8	90.9	32.5	2.7	16.6	51.8	27.8	8.3	3.0
Electrical Workers (IBEW)	20	143.8	6.9	.7	92.4	3.4	.8	12.5	16.7	5.4	67.4	2.9
Garment Workers Union; International Ladies (ILGW)	53	135.5	4.3	.3	95.4	9.4	0	0	9.4	67.9	18.1	0
Clothing Workers (ACWA)	12	92.3	3.3	1.1	95.6	0	0	0	0	95.6	0	0
Mine Workers of America; United (UMW)	5	84.4	10.2	0	89.8	0	0	4.7	4.7	85.0	(2)	0
Retail, Wholesale and Department Store Union (RWDSU)	12	37.7	6.1	1.1	92.8	41.7	.7	33.6	76.0	9.9	4.9	2.1
Lithographers of America (ALA)	3	33.8	.9	9.4	89.7	45.4	10.0	12.6	68.0	11.9	9.8	0
Plumbing and Pipe Fitting (PPF)	38	33.0	10.8	1.1	88.1	45.4	3.9	16.9	66.2	20.0	0	1.9
Longshoremen's Association; International (ILA)	16	30.6	4.2	5.4	90.4	40.8	6.3	15.9	63.0	25.6	1.1	.6
Maritime Union (NMU)	4	29.8	4.2	3.9	91.9	41.3	1.2	25.2	67.7	24.2	0	0
Carpenters and Joiners (CJA)	9	28.2	6.3	5.6	88.1	38.9	(2)	20.0	58.9	26.0	3.2	0
Longshoremen's and Warehousemen's Union; International (ILWU)	5	26.5	1.4	0	98.6	78.9	1.7	4.5	85.1	9.5	0	3.9
Bakery and Confectionery Workers (BCW)	4	23.8	3.8	4.0	92.2	56.9	3.5	26.2	86.6	4.6	1.0	0
Meat Cutters and Butcher Workmen (MCBW)	28	21.4	19.6	4.4	76.0	26.9	.2	14.1	41.2	28.5	5.8	.4
Hotel and Restaurant Employees and Bartenders (HREU)	12	20.7	7.8	3.7	88.5	42.3	.6	26.4	69.3	17.8	.3	1.1
Automobile, Aerospace, and Agricultural Implement Workers (UAW)	6	20.4	1.7	1.9	96.4	58.8	3.7	25.5	88.0	8.4	0	0
Sheet Metal Workers (SMW)	15	18.7	8.9	2.0	89.1	43.7	1.7	23.1	68.5	18.8	0	1.7
Hod Carriers, Building and Common Laborers (HCL)	18	16.1	10.0	3.4	86.6	33.7	4.3	20.5	58.5	25.2	2.1	.9

[1] Includes small amounts of bonds other than U.S. Governments and corporates.
[2] Less than 0.05 percent.

Source: Survey described in app. I. Abbreviations are from Bureau of Labor Statistics, Directory of National and International Labor Unions in the United States, 1963, "Bulletin 1395," May 1964.

With the exception of the unions having atypical funds, there is a relatively narrow range of portfolio proportions for rough categories of assets. If we postulate a portfolio such as the following:

Cash	10 percent or less.
Bonds	55 to 70 percent.
Stock	20 to 30 percent.
Mortgages	less than 10 percent.

the aggregate portfolios of 11 of the 18 unions (14 if the atypical ones are excluded) with more than $15 million in pension assets fall approximately within the percentages cited. Two of the remaining seven (or three typical) deviate from the "average" union portfolio only slightly. In one case this reflects a preponderance of small funds with heavy cash holdings; in the other, a liberal portfolio of common stock.

It is significant to note that the portfolio of bank-associated funds (table I–12) falls squarely in the middle of the "average" union's portfolio.

FUNDS HOLDING STOCKS AND MORTGAGES

The substantial increase in the proportion of common stock and mortgages in multiemployer and union funds raises the question: Does this increase derive primarily from funds adding to their existing holdings of these securities at a faster rate than heretofore, or are more funds moving into stock and mortgages for the first time?

Only four funds in the sample of 87 [15] bought common stock for the first time during the period 1960–64, although it should be noted that a large proportion (76 percent) held stock at the beginning of the period (see table I–14). Thus the increase in common stock in the aggregate portfolio appears to have come primarily from increased holdings by the funds already committed to this type of investment.

TABLE I-14.—NUMBER OF MULTIEMPLOYER AND UNION FUNDS IN SAMPLE HOLDING SELECTED TYPES OF ASSETS, 1959–64

	1959	1960	1961	1962	1963	1964
Total number of funds in sample	87	87	87	87	87	87
Total number of funds holding—						
Mortgages	27	32	33	41	49	50
Common stock	66	68	68	69	70	70

Source: NBER survey.

By contrast, the number of funds in the sample having mortgage investments nearly doubled between 1959 and 1964. In addition, several large funds, for example, the Teamsters' Central States, Southeast, Southwest Areas Pension Fund, channeled the greater proportion of their new moneys into mortgages. Therefore, the growing percentage of mortgages in multiemployer and union pension funds can be traced to a large number of new entrants into the mortgage field as well as to increased holdings by those funds already having substantial mortgage investments.

[15] Although the sample used to estimate asset totals and portfolio distributions numbered 90 funds (see app. I) three of these funds did not provide detailed investment breakdowns for each of the years covered.

5. Summary

Assets of multiemployer and union pension funds are small in comparison to corporate pension funds, but their rate of growth is substantially higher than that of corporate funds.

The high growth rate of multiemployer and union funds is a reflection of their younger average age.

Assets of multiemployer and union pension funds, like corporate funds, are highly concentrated in a relatively few large funds.

Assets and coverage of multiemployer and union pension funds, unlike corporate funds, are concentrated in nonmanufacturing industries. An exception is the large accumulation of assets in funds covering employees in the apparel and other finished-textile products industry.

The portfolio composition of multiemployer and union pension funds shows significant differences when compared to corporate pension funds. However, these reflect, in part, differences in structural characteristics and, in part, highly atypical responses to investment choices by a few large multiemployer and union funds. The remaining differences are fast diminishing because of shifts in investment choices by the average multiemployer and union fund and because of the slower growth rates of atypical funds. For the future, although we can expect the two types of fund—multiemployer and corporate—to become more alike in portfolio composition, it is likely that dissimilarities will always exist because of the persisting structural differences, that is, average size and liquidity needs, and because of investment preferences.

Most unions do not take an active role in shaping the investment policies of pension funds covering their members. For the most part, this responsibility is delegated to professional investment managers, such as commercial bank trust departments. Many of the funds that do *not* delegate the function of portfolio management nevertheless follow the pattern of investment diversification common to bank administered pension funds.

In the funds covering members of the TCWH, IBEW, ILGW, ACWA, and UMW, the effect of union policy on portfolio composition is clearly discernible. In all of the other unions with substantial pension fund assets, union policy per se appears to play little or no role in shaping fund investment policy.

Union policy does not appear to be a factor affecting the type of union participating in the administration of multiemployer funds. The unions which control or jointly administer large aggregates of pension fund assets demonstrate a wide variety of structures, leadership, and approaches to unionism. The common characteristic of these unions is that some members work in small establishments or are included in small bargaining units attached to medium- or large-sized companies, or that employment with a single firm in the trade or industry for a long period of time is improbable. These characteristics are common to a wide range of unions. Since approach to unionism does not appear to be a deciding factor influencing union involvement in multiemployer and union pension funds, it should not be surprising that union policy plays, in the aggregate, only a minor role in shaping the investment of pension funds.