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NATIONAL BUREAU OF ECONOMIC RESEARCH

Pension Funds of Multiemployer Industrial Groups, Unions, and Nonprofit Organizations

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(Resolution adopted October 25, 1926,
as revised February 6, 1933, and February 24, 1941)

This report is one of a series emerging from an investigation of pension plans made possible by grants to the National Bureau from the Maurice and Laura Falk Foundation and the Life Insurance Association of America. These organizations are not, however, responsible for any of the statements made or views expressed.

ADVISORY COMMITTEE ON PENSION STUDIES

In the planning and review of its pension studies, the National Bureau has benefited from the advice and guidance of this committee. The committee's concurrence with the views expressed in this report, however, is not to be assumed. The members of the committee are:

LETTER OF TRANSMITTAL

September 7, 1967

Honorable William Proxmire
Chairman
Joint Economic Committee
Washington, D.C. 20025

Dear Senator Proxmire:

On behalf of the National Bureau of Economic Research I am happy to transmit to you, in response to Dr. Knowles' request, the attached report by H. Robert Bartell, Jr. and Elizabeth T. Simpson, *Pension Funds of Multiemployer Industrial Groups, Unions, and Nonprofit Organizations.*

The report is one of a series of studies upon which they and several other members of the staff of the National Bureau have been engaged for some years. Fortunately the completion of this series of studies coincided with the plans of the Joint Economic Committee for a Compendium on Old Age Income Assurance. We are therefore glad to make the report available to the Committee. It will also be published separately by the National Bureau.

The report has had the benefit of a thorough review by members of the Bureau's staff and Board as well as by an advisory committee of experts in this field. We hope that the Joint Economic Committee will find it useful in its investigations of this important subject.

Very truly yours,

Geoffrey H. Moore
Director of Research

GHM:mm
Enc.

ACKNOWLEDGMENTS

Roger F. Murray, director of the National Bureau's pension studies, has been of inestimable help to both authors at all stages of their efforts from initial idea to final fruition. Also helpful were the suggestions of the two other members of the National Bureau's staff reading committee: Daniel M. Holland and Ralph L. Nelson.

We are also indebted to members of the pension studies' advisory committee, especially to Dorrance C. Bronson, Arthur L. Coburn, Jr., George Garvy, William C. Greenough, Ralph W. Hemminger, Ida C. Merriam, Robert J. Myers, and Ray M. Peterson. We also thank Robert E. Graham, Jr., Office of Business Economics; Donald L. Hibbard, Board of Pensions, United Presbyterian Church; Francis P. King, TIAA; H. S. Linfield, Jewish Statistical Bureau; L. R. Linsenmayer, Bureau of Labor Statistics; Joseph J. Melone, Wharton School; members of the Office of Welfare and Pension Plans of the Department of Labor; and others too numerous to mention who provided information of various sorts. The studies could never have been completed without their aid, and we are most grateful to them. We also wish to thank Joseph A. Beirne, Albert J. Hettinger, Jr., and Theodore O. Yntema of the National Bureau's Board of Directors for their review of the manuscript.

The studies were financed by grants from the Maurice & Laura Falk Foundation and the Life Insurance Association of America. Some of Dr. Bartell's research was also financed and encouraged in other ways by the Division of Research, Graduate School of Business Administration, University of California, Los Angeles, and by the United States Savings and Loan League.

We both wish to thank James F. McRee, Jr., for his excellent editorial suggestions. Miss Simpson appreciates the skill of H. Irving Forman in drawing the chart and the painstaking statistical assistance rendered by Nadeschda Bohsack and Antonette Burgar.

The authors acknowledge responsibility for errors that still remain in these papers.

H. Robert Bartell, Jr.
Elizabeth T. Simpson.

CONTENTS

TABLES

CHART

FOREWORD

Gaps in available data are not an unusual discovery in the exploration of a field as broad as public and private pensions. Early in the National Bureau's research project on the economic aspects of pensions, it became evident that data on the relatively new multiemployer and union pension programs were not available in enough detail to indicate their size, rate of growth, and portfolio composition. Comparable data were also incomplete even for the long-established plans of nonprofit organizations. Lack of convenient sources of information, rather than any lack of interest, seemed responsible for these particular gaps in the otherwise comprehensive measurement of saving and investment in the field of private pensions.

This third report from the pension research project seeks to remedy these deficiencies in basic information.[1] The results have been especially useful to Government agencies in revising their time series data on the private pension structure. The findings have also materially aided in the displacement of widely circulated but erroneous impressions by factually supported insights into significant trends.

In recent years, the rapid growth of multiemployer and union pension funds was expected by some observers to create a new economic power in the hands of union officials. It was suggested, for example, that a degree of control over employers might be exercised; that the character of union organization might be changed by newly created financial management responsibilities; and that great stimulus to the financing of middle-income housing might be provided by the investment of vast sums from these sources. Bartell's survey shows that aggregate assets amounted to less than $1.3 billion in 1959 and grew to $3.0 billion by 1964. Although this is a rapid rate of growth, the aggregate amount in 1964 only represented approximately 4 percent of the book value of all industrial pension fund accumulations. Furthermore, he shows that the funds were generally invested in accordance with traditional standards of trusteeship.[2]

Despite vigorous growth in coverage and assets, therefore, it is easy to exaggerate the role of multiemployer and union pension funds in the total structure of public and private pension programs. In contrast, there is a tendency to regard similar programs of nonprofit organizations as of diminishing importance because of the relatively mature stage of their development. To appraise their role in accurate perspective, a different approach had to be taken by Elizabeth Simpson in her study. The principal questions related to nonprofit institutions outside of the well-known group of major Protestant churches with long-estab-

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[1] The two preceding reports are Phillip Cagan's *The Effect of Pension Plans on Aggregate Saving: Evidence From a Sample Survey*, Occasional Paper 95, New York, NBER, 1965, and Daniel M. Holland's *Private Pension Funds: Projected Growth*, Occasional Paper 97, New York, NBER, 1966.

[2] The impact of new pension plan responsibilities on union organization and leadership was further explored by Bartell in "Unions and Pension Funds," unpublished Ph. D. dissertation, Columbia University, 1962.

lished retirement benefit programs. What are the trends in the coverage of employees of other religious bodies? Medical and health, cultural, and social service organizations have been slow to extend pension coverage. Will there be well-sustained future growth in programs for these nonprofit activities?

Aided by the rapid growth of educational institutions and the extension of pension coverage, it appears that the nonprofit sector, contrary to what might be expected, faces an extended period of strong growth in asset accumulation. To support this conclusion Miss Simpson has surveyed trends in a wide range of activities. Complete coverage was beyond the scope of this study, but an attempt was made to identify most of the areas of potential importance.

These studies serve a twofold purpose: to assemble the facts in areas where data were incomplete and to identify trends which will affect the future structure of pension arrangements. In the process of serving these two objectives, it was possible to correct some exaggerated expectations regarding the adolescence of multiemployer and union pension funds. Similarly, it was found that a vigorous middle age rather than approaching senility characterized the programs of nonprofit institutions. For these reasons, the Bartell and Simpson studies fit together in this volume of research studies dealing with the economic aspects of pensions. The facts and interpretation which they supply serve to illuminate not just the dark corners but the main stream of developments in the dynamic evolution of the public and private pension structure.

ROGER F. MURRAY.