

Pension Coverage; Stability Of Dollar Is Key To Benefits

Highlighted by the rapid expansion in the private sphere over the past decade, the nation now has a far-reaching system of pension programs which contain the promise of a significant measure of financial independence for the great majority of the working population upon retirement.

A major contributory factor to this prospect for millions of persons is the persistence with which they have been adding to their savings year after year, as evidenced in the growth of the people's "nest egg" in life insurance and other long-term personal savings to the current equivalent of around \$4,000 per household.

Three Broad Types
The system of pension and retirement programs in effect today falls naturally into three broad divisions—private, State and local combined, and the Federally-sponsored group. They differ basically in certain important respects as regards their origin, operations, and philosophy, especially those in the Federal category. However, they have two fundamentals in common.

The first is that the benefits in all the programs represent claims on future production. Right now these claims translated into benefits are relatively small because so many plans are in the buildup stage but they are certain to grow greatly in the future. This means that the economy must continue to expand and productivity to increase.

The second is that retirement benefits are essentially a promise

of future buying power. Obviously, therefore, continued stability of the dollar is of vital consequence to our increasing number of older persons as well as to the nation at large.

The Private Plans
Pension plans originating in business and industry, insured and non-insured, represent a major segment of the nation's system of retirement programs. These private plans are primarily the product of free negotiation and decision.

Private pension and retirement plans, insured and non-insured combined, had assets of about \$21 billion at the end of 1954, or more than a third of all the assets of the programs for which the figures are available. They covered approximately one out of every four workers excluding those in agriculture and on the public payroll, and they are growing at the rate of about \$3 billion a year.

The second broad type is composed of State and local retirement programs, which in a number of ways are analogous to private plans in set-up and practice. In 1954, State and local programs combined had total assets approaching \$9 billion, and are growing at the rate of more than a billion dollars a year. Based on the most recent figures published, they cover about two out of every three persons of the nearly 5 million on State and local payrolls.

Three programs sponsored by the Federal Government represent the third division of the nation's re-

irement system. These are Civil Service Retirement, covering the Federal civilian payroll; Railroad Retirement, whose coverage is implicit in its name; and the Old Age and Survivors' program, which now covers the predominant part of the working population. These programs had a combined total of approximately \$38 billion in assets last year.

Investment Patterns
All three Federally-sponsored plans are the result of Congressional action. OASI and Railroad Retirement are further distinguished from other plans in that they are grounded in the Government's taxing power to collect the funds to meet their obligations. Also under OASI, benefits are not necessarily related to total contributions in any individual case.

In view of their size and rate of growth, funds of these magnitudes inevitably have major economic as well as social implications, particularly in view of the enormous demands for credit and investment funds in recent years to keep pace with the spectacular growth in production and jobs the country has enjoyed. Here, too, there are basic differences between the funds.

The private plans, and to an increasing extent those of State and local governments, have become an important source of capital and investment funds for business and industry, and are thus contributing directly to the dynamism of the economy and to its future growth potentials. For example, while the reserves of insured pension funds are commingled with all life insurance assets, indications are that insured and non-insured funds combined had approximately \$10 billion invested in corporate bonds at the end of 1954, or close to half their total assets. They also had nearly \$3 billion in common and preferred stocks, mostly held by the non-insured group, and about \$3 billion in mortgages.

In recent years, State and local retirement funds have put increasing emphasis on non-governmental securities, and last year had more than \$2 billion of such investments, or just under a quarter of their combined assets. By contrast, U. S.-sponsored funds, rooted as they are in Government decision and action, are 100 per cent in U. S. securities.

Points Of View
Poetic Rover (to farmer): "And does this glorious setting sun mean anything to you?"
Farmer (mopping his brow)— "I'll say it does. It means I can eventually unhitch the horses and go home."

News Report From Washington

Bulgaria In India—Significance Of Journey—Administration Expects Peace—Controlling The Boom

Washington—The visit of Premier Bulganin and Party Chief Khrushchev in India, which is now in progress, is a journey of historic significance. When viewed with the knowledge that neither Joseph Stalin nor Georgi Malenkov would have made such a trip, even in the interest of Russia's foreign relations, one can see the departure from expected procedure Bulganin and Khrushchev are making.

Malenkov never went outside of Russia in all his years as party chief and then Premier. Stalin would journey just outside Russia's borders on rare occasions, but only when his trips did not take him out of the effective area of control of the Red Army.

Bulganin and Khrushchev are thereby striving harder for international understanding and good will. Moreover, they are less suspicious, and more flexible in their approach to foreign relations. They hope to convince the world that Russia really wants peace, and that Russia's leaders are eager to cooperate toward that end—which they probably do at this particular stage of affairs.

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President Eisenhower cannot watch the Russians at this juncture, mile for mile. The pace the two leaders of Russia are setting is a fast one and there are signs that it might be telling on Bulganin. But the Russians might be making progress. This is the opinion of some diplomatic officials in Washington.

The Red leaders made some progress in Yugoslavia. They are expected to visit England next spring and are visiting Burma and Afghanistan after completing their 18-day India visit. The current trip they are on will take them over 5,000 miles to Asia and return.

But even if the Russians improve their stock with some countries, the very fact that they are striving to create friends and improve the Soviet position in world affairs seems to some an indication that they are not expecting any major war with the western powers soon. They are obviously looking to a long-term struggle with the U. S.

In this long-term struggle they will need friends and they will have to expand trade with various countries of the world. It could be that expanded trade is the real purpose of the present Soviet trip. In the case of India—a coming

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great power—the motive in probably twofold, bettering the countries and opening up new avenues of trade.

The Administration takes the view that war is not probable with the Russians in the near future. That is why defense cuts will stand and why the President has instructed his Secretary of State not to do anything which would indicate that the United States believes the cold war will be intensified as a result of the failure of the Geneva Conference.

At the same time, there is little chance India will be able to pressure the U. S. into agreeing to anything like a \$1,500,000,000 loan—as has been suggested at New Delhi in recent days.

The first hint of such a desire came from the Indian capital just a few days before the Russian delegation, including Bulganin and

Khrushchev, arrived for its visit. If the Indians hope to lobby the U. S. against Russia, and see which power will promise her the most Washington will not be caught in such a game.

The Eisenhower Administration is still concerned that the present business boom could get out of hand. That explains the recent interest hike by Federal Reserve banks in all parts of the country. This action came as business records continued to topple and as job totals reached an all-time high. Wages are also at an all-time high. Business and corporation profits are at a high. Construction next year is expected to exceed 1955 construction and automobile makers are even now saying that 1956 auto sales will surpass sales this year.

With all these factors going, with a record Christmas buying boom

occur and with stocks at peak or near high, the government sought to brake the momentum a little, in an effort to prevent a boom and let-down and spread out the high level of business activity over many years.

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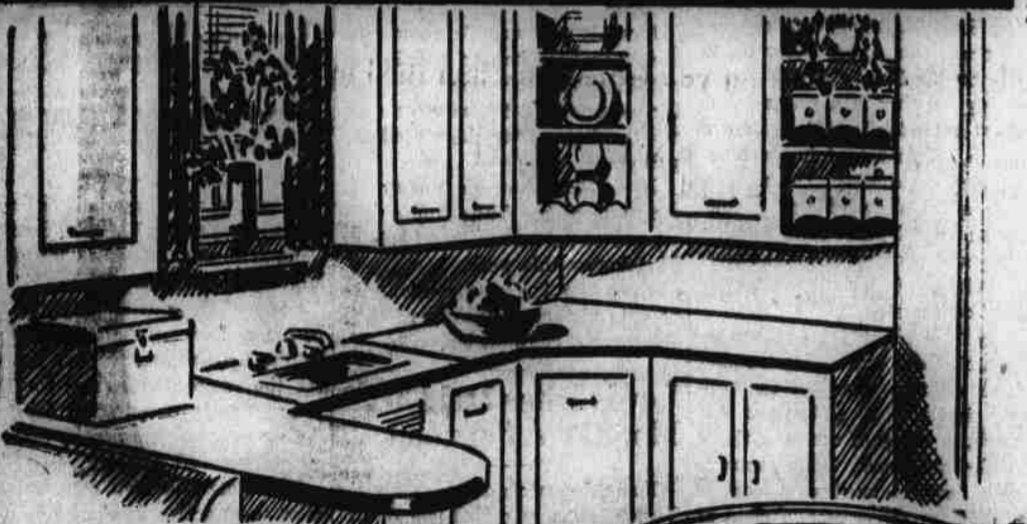
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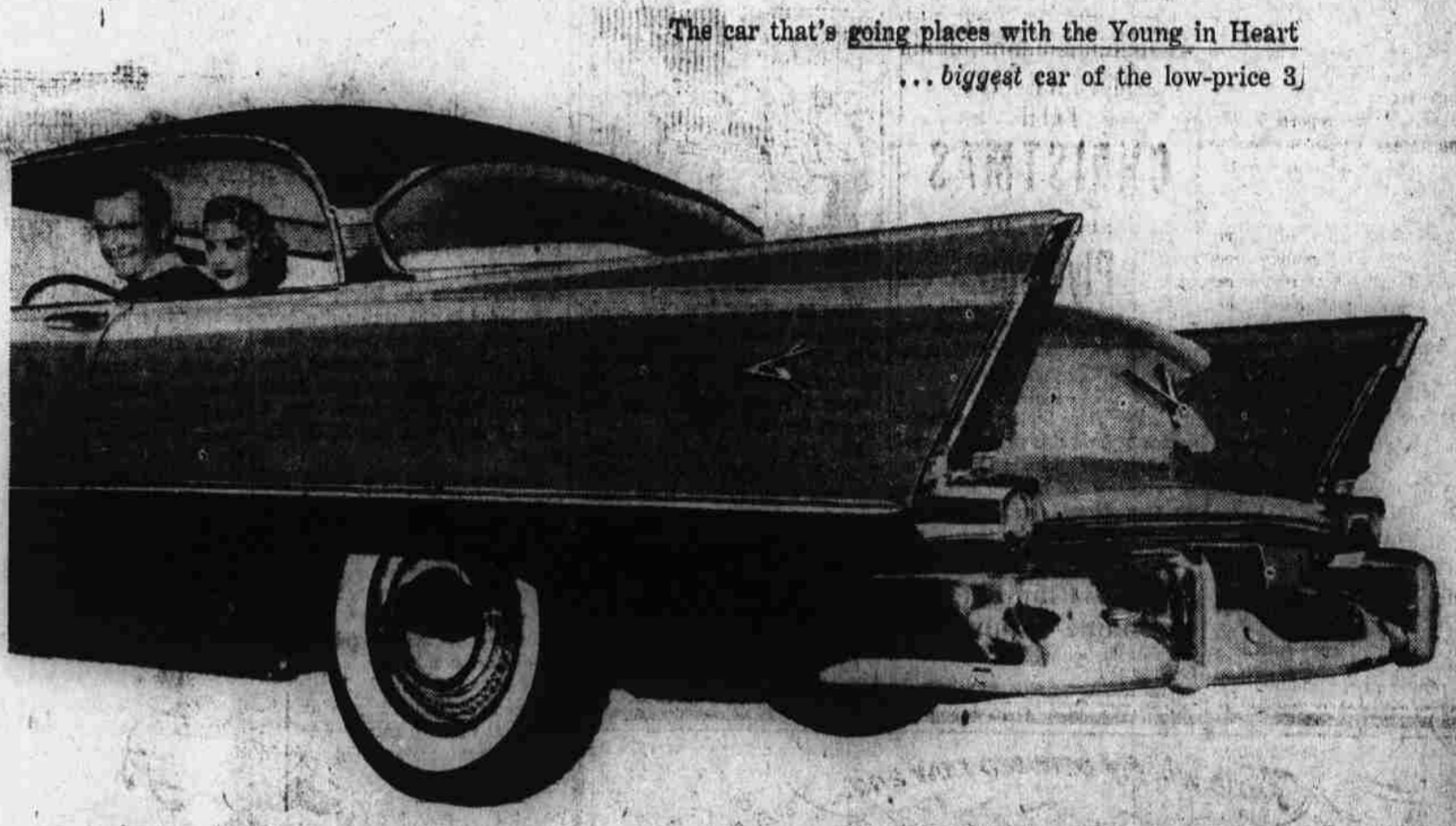


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