

Pension Funds Investing In Stocks as Hedge on Inflation

UPI Financial Editor
New York — (UPI) — Pension funds are the fastest growing group among the institutional investors, according to Robert Tilove, senior vice president of Martin E. Segal & Co. The firm acts as consultant to welfare, health and pension programs. It seems as if every one wants a pension but no one seems to be worrying about an inflation that could cut the pension buying power down sharply when the pensioner begins to collect it years hence.

Tilove explains why the pension funds are investing more heavily in common

stock, a factor that may be involved in thinking of the will-be pensioners:

"Money invested in bonds — government or corporate — represents fixed dollar investments. You buy a \$1,000 bond today and 20 years from now it will mature at exactly \$1,000—no more, no less—no matter how the price level or cost of living has changed.

Hedge Against Inflation

"On the other hand, common stocks, with some exceptions, tend to increase in market value as prices go up. Consequently, common stocks are regarded as a hedge against inflation.

"For pension funds the approach is this: if part of the assets of a fund are invested in common stocks, then over a long period the value of the fund is likely to keep pace with the cost of living.

"Ultimately, the reasoning goes the increase in value will either allow for necessary impairments in pension benefits or the companies involved will be able to minimize any additional contributions that otherwise might be required of them."

Tilove cites the recent survey of the Securities and Exchange Commission which reported assets of pension funds at \$19.3 billion. If funds of non-profit organizations are included the total exceeds \$20 billion, he says.

Reserves Increase

And he notes further the SEC study estimated reserves of pension plans underwritten by insurance companies at more than \$14 billion at the end of 1957.

He notes that since 1951 the pension fund swing to common stocks has been sharp. Seven years ago, the average fund had 12 per cent of its assets in common stocks. At the end of 1958 this had risen to 25 per cent with common stock assets at book value at \$4.8 billion.

This figure of \$4.8 billion has since grown to \$6 billion market value because of the market's advance. Thus the percentage of common stock holdings can be placed at 32 per cent instead of 25.

He indicates that pension fund investment in stocks has centered on the blue chips—some 200 to 250 stocks.

Nickerson to Talk At Career Program

Francis B. Nickerson, executive secretary of the Oregon state system of higher education, will speak on career planning at the Jackson county career program for parents and students at Medford High school Feb. 3. The program will start at 7:30 p.m.

Seven guest speakers will talk briefly about various careers, and participate in discussions of the subjects in rooms devoted to the subject area.

Those attending will have an opportunity to meet two career speakers, according to Dr. Leonard B. Mayfield, superintendent of the Medford schools, who will welcome parents and students.

Speakers, and the vocational area include Dr. Eva Seen, Oregon state college, teaching; R. L. Richardson, Oregon State college, engineering; Dr. Bernd Craseman, University of Oregon, physical science; Dr. W. D. Richins, University of Oregon, business administration; Frank Stanko, Oregon Technical institute, technicians; Dr. Arthur Kreisman, Southern Oregon college, humanities; and Miss Guhli Olson, University of Oregon medical school, nursing.

Polaris Missile 'Downgraded' To Speed Development

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McElroy also revealed that the Navy's Polaris missile has been "downgraded" somewhat in order to speed its development. He said there has been "some sacrifice in range."

Edwin Weisel, attorney for the subcommittee, said he had been told that the Polaris range is now to be 800 to 1,000 miles instead of 1,500 miles as originally scheduled. McElroy did not confirm the figures, saying they were classified.

The defense secretary said, however, that the U.S. will have submarines "fully loaded" with Polaris missiles by the fall of 1960. He pointed out that the original operating date for Polaris was in 1963.

Under further questioning McElroy conceded that Russia has an ICBM more powerful than any produced by the U.S.

Atlas Has 'Adequate Thrust'

He said this helps the Russians in outer space experiments but not in missile strength, because the U.S. Atlas has "adequate thrust" to reach any target.

McElroy also insisted that the Polaris will have "adequate range to reach any target that would be assigned to it." He reported that five nuclear-powered Polaris subs are under construction.

Helped Bull Market

These, it is explained, have played a big part in making the present bull market. And, says Tilove, their operations have raised some big questions:

—Have these purchases tended to increase the price of blue chip issues at a faster rate than the price of common stocks generally?

—Have the purchases tended to put a floor under the price of blue chip stocks?

—Have the heavy purchases of some stock issues by funds and other institutional investors tended to reduce the floating supply of these securities? And has this resulted in making the stocks highly sensitive to any changes in supply or demand?

—Are self-insured pension funds by themselves, producing a major change in the behavior of the stock market. Wall Street has been discussing those very questions. Solutions may be forthcoming through a trend toward more equity financing.

Exams Announced For Civil Service

Examinations for several civil service positions have been announced recently.

Examination is now open for laborer, custodial, at the Veterans administration Domiciliary, Camp White, Enid L. Brown, executive secretary for the board of civil service examiners at the Domiciliary, has announced.

New examination for filling positions in several agencies have been announced for medical officers. Apprenticeship and training representatives are being sought by the department of labor for filling positions throughout the country.

Additional information may be obtained from Leonard Nelson at the Medford post office.

Collapsible metal tubes were invented about 1841.

Revolutionary Progress Stressed In Farm Message

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He stressed in his 1,500-word message to the House and Senate that revolutionary progress made in farm production over the last 50 years make changes in the government program essential.

The President also announced a new, but undefined, program of surplus disposal overseas which he said would amount to "using food for peace." He did not spell out details, but said he is putting into motion an exploratory plan for cooperating with other

friendly nations in getting the greatest possible use of farm surpluses in each.

Stiff Opposition Certain

His proposal was certain to run into stiff opposition in Congress, however. The big Democratic majority has resisted administration efforts to lower farm price supports.

Eisenhower said that by the start of the new fiscal year next July 1, the government would hold more than \$9 billion in farm surpluses. He said the huge stock of government wheat was so large that if America failed to harvest one bushel this year, the surplus supply was more than enough for domestic use, export sales, foreign donation and needed carryover for an entire year.

"The price support and production control program has not worked," he said. The President pointed out that even though the government recovers some of its investment from surplus disposal the final cost of fixed price supports would be "impressively large."

Little To Help Farmers

He objected to the present support program because most of the federal money involved went to those storing the surpluses and to "relatively few producers of a few crops."

"It does little to help the farmers in greatest difficulty," he said.

Eisenhower's message was in keeping with the administration drive to balance the federal budget in the neighborhood of \$77 billion, partially by cutting federal expenses, and also, by getting more for the federal dollar.

The message was accompanied by a memorandum from Secretary of Agriculture Ezra T. Benson outlining specific recommendations for a new program.

Extension of Law

These called for changes in the wheat, tobacco, and peanut programs; extension of the surplus disposal law under which this country sells farm surpluses abroad for foreign currency; a three-year extension of the conservation reserve; expansion of agricultural research; participation of the states in programs to meet problems caused by drought and other natural disasters; a change in the Rural Electrification Administration program; changes in the Farmers Home Administration and extension of the Sugar Act.

Fiscal Officer Bill Discussed By Committee

Salem — (UPI) — Authorizing of a state fiscal officer immediately was urged Wednesday by Rep. Keith Skelton, (D-Sugene), co-chairman of the Joint Ways and Means committee. He appeared before the Senate State and Federal Affairs committee.

The committee decided to table a bill offered by Sen. Ben Musa (D-The Dalles) but incorporate some amendments suggested by Musa into a bill introduced by Sen. Dan Thiel (D-Astoria).

Thiel's bill was introduced at the request of the Interim committee on Government Reorganization. Skelton offered some suggested amendments transferring certain duties of the secretary of state's office to the fiscal officer and these, too, will be incorporated in Thiel's bill.

Meets Friday

The committee meets Friday and may pass the bill out at that time.

Skelton said that with every passing day members of the Ways and Means committee were coming to realize that they do not have as much financial information as they would like in order to reduce budgets in the least amount of time possible.

Skelton's contention that ignorance of finances had existed in past sessions was disputed by Sen. Anthony Yturri (R-Ontario), minority leader in the Senate.

Would Program Changes

"There has been a director of finance who is charged specifically with going over state budgets and eliminating any 'fat' found in them," Yturri said.

Sen. Harry Bolvin (D-Klamath Falls) said he felt the value of a fiscal officer would be to program changes in operation of state departments between legislative sessions, changes which would reflect money savings in such departments.

Secretary of state duties that would be transferred to the fiscal officer would be furnishing of legislative supplies, storing of legislative documents and preparation of bills providing money for legislative expenses.

An oil tanker with a capacity of 145,000 barrels of fuel oil carries the equivalent of 36,260 tons of coal.

KETCHUP MEANS STOP
Memphis, Tenn. — (UPI) — Beverly Lyons says a woman she saw at a Memphis supermarket gave hand signals for all turns and stops as she went around with her food cart.

NEW DIMENSIONS
Redwood City, Calif. — (UPI) — Sign over a half-gallon jug of whiskey displayed in the window of a liquor store here: "ALASKA PINT — formerly a Texas Fifth!"

MAIL TRIBUNE, Medford, Oregon, Thursday, January 29, 1959 11

Rochester, N. Y. — (UPI) — Mrs. Effie Cutting, a clerk at the Olmsted County courthouse here, decided to put the combination of the safe in a se-

cure place. Officials were unable to open the safe the following day because Mrs. Cutting had locked the combination inside it.

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