

To: Governor Szymczak

From: Mr. Van Fossen

Following is a summary of the investment operations of the Retirement System in December 1950, based on the monthly report of The Northern Trust Company.

J. R. Van Fossen

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SUMMARY OF INVESTMENT OPERATIONS OF THE RETIREMENT SYSTEM IN DECEMBER 1950,
BASED ON MONTHLY REPORT OF THE NORTHERN TRUST COMPANY

Cash available for investment on November 30, 1950	\$417,000
Estimated new funds received in December - net (contributions, interest and dividends received, less benefits paid and expenses)	1,425,000
Common stock sold (Monsanto Chemical Co. 13/100 shares) 1,000 shares \$4 Monsanto Chemical Co. preferred stock exchanged for common stock	*
Continental Can Co. 3% debentures due 12-1-65 (called)	98,000
Commonwealth Edison Co. 3% debentures due 4-1-99	33,000
FHA mortgage instalment repayment	2,000
	1,000
Total available for investment	1,976,000
Investments acquired in December:	
Common stocks	536,000
Preferred stocks	296,000
Railroad bonds	246,000
Public utility bonds	101,000
FHA mortgages	128,000
Total investments acquired in December	1,307,000
Cash remaining available for investment on December 31, 1950	669,000

* \$7.00

HOLDINGS

	Amortized cost (Book value)		Market value (as of Dec. 31, 1950)	Yield per annum
	As of December 31, 1950	Change from December 31, 1949		
Common stocks	\$13,843,000	+\$6,283,000	\$15,823,000	6.252%
Preferred stocks	14,645,000	+ 729,000	15,136,000	3.914%
Bonds:				
U. S. Government	64,191,000	- 1,070,000	63,855,000	2.429%
Public utility	16,779,000	+ 2,146,000	16,911,000	2.781%
Industrial	2,478,000	- 366,000	2,487,000	2.729%
All other	1,556,000	+ 212,000	1,579,000	3.058%
FHA mortgages (including interim financing)	1,346,000	+ 1,346,000	1,346,000	3.696%
Total investments on December 31, 1950	114,838,000	+ 9,280,000	117,137,000	3.160%

Comment :

It will be noted from the above that during the calendar year 1950 total investments increased \$9,280,000, net, gross increases, chiefly in corporate stocks, FHA mortgages, and public utility bonds, being partially offset by decreases of over \$1,000,000 in U. S. Government bonds and \$366,000 in industrial bonds. The estimated average yield on total investments increased during the year from 2.887 per cent to 3.160 per cent per annum. Dividends to be anticipated as of any date on common stocks are, of course, somewhat uncertain in amount, and in the absence of any other practicable basis for estimate they are assumed to be in the amount actually paid during the preceding twelve-month period. The estimate of 5.426 per cent used as of December 31, 1949, in the light of actual dividend payments in the calendar year 1950, obviously was somewhat low. The probability is, as recognized by the Northern Trust Company, that dividend payments in the calendar year 1951 will be on a somewhat reduced scale than in the calendar year 1950, and accordingly the estimate of 6.252 per cent earning rate on common stocks as of December 31, 1950 projected into the year 1951 probably is higher than the dividend outlook would justify. The Northern Trust Company suggests 6.046 per cent as a more realistic rate for earnings on common stocks. If this rate were used in the estimates of 1951 earnings, the estimated average rate of 3.160 per cent as of December 31, 1950, on total investments would be reduced to 3.136 per cent.