

MEMO FOR CABINETRevision of Pension Rates under
the National Insurance Act, 1956

In accordance with the Government's social welfare policy as declared in the last Budget Speech, the allowance payable to a male old age pensioner in respect of his wife was raised from 18/- to 22/- per week with effect from the 9th June, 1965. The full basic old age pension rate of 36/- per week payable to married and single men and to female old age pensioners remained the same; but the total pension payable to a married man rose from 54/- to 58/- per week.

2. It is felt, and it has also been suggested in Parliament (vide Question No.1835 of 6.8.65 by the Hon. Mr G. Caruana), that other old age pensioners under the National Insurance Act, i.e. single men and women, should also have an increase in their pension. It is proposed that pensions under the Act will be revised as follows:-

a) The pension payable to single men and to single women (i.e. the basic pension rate) will be increased by 4/- per week, thus raising the full pension from 36/- to 40/- per week.

b) The basic pension rate payable to a married man will also be increased by 4/- per week, but the allowance payable to such pensioner in respect of his wife will be concurrently reduced by 2/- per week. Thus a married man's pension will be made up of the 40/- basic rate plus an allowance of 20/- for his wife. This revision will give the married pensioner a net increase of 2/- per week.

3. Old age pensions payable under the National Insurance Act are necessarily related to other long term benefits payable under the same Act. It is therefore proposed that such benefits will be revised pro-rata as shown in the subjoined table:

Benefit	Rates per week		
	Current	Proposed Increase	New Rate
(a) Widow's pension	36/-	4/-	40/-
(b) Widow's Special allowance	12/6	1/6	14/-
(c) Invalidity pension	36/-	4/-	40/-
(d) Guardian's allowance	9/-	1/-	10/-
(e) Widow's benefit	40/6	4/6	45/-
(f) Widower's benefit	40/6	4/6	45/-
(g) Widow's allowance	15/-	1/8	16/8
(h) Orphan's allowance	13/6	1/6	15/-
(i) Parent's allowance	36/-	4/-	40/-
(j) Disablement pension in respect of 100% disablement	36/-	4/-	40/-

Pension rates in respect of disablement assessed at between 20% and 90%, and gratuity rates payable for disablement assessed at less than 20% will be revised pro-rata.

4. It is felt that the increase for a wife payable on long term benefits should be at the same rate. It is therefore proposed that the rate of 18/- per week payable in the case of an invalidity pension, a parent's allowance and a pension for 100% disablement will be raised to 20/- per week to put these benefits on a par with old age pension.

5. It is estimated that the proposed revision would increase the expenditure on benefits actually in payment on the 31st August, 1965, by about £47,165. However, it is to be noted that this estimated additional expenditure out of the National Insurance Fund does not include the pensions which have become payable since the 31st August, i.e. new old age pensions to persons who are continuously reaching pension age, and pensions to widows. It does not include invalidity pension and widow's special allowance, two new benefits becoming payable now.

6. The long term effects of increases in contributions and benefits can only be estimated by means of a proper

/actuarial ...

actuarial study of all relevant factors. The last report of the United Kingdom Actuary covered the five year period ending on the 31st March, 1961. Since then adult contribution rates have been increased from 1s.6d men and 11d women, to 1s.10d and 1s.2d respectively. From the 1st February, 1965, Self-employed and Non-employed persons, with certain exceptions, have become contributors under the Scheme.

7. Since January 1963, there have been the following new factors which have a direct bearing on expenditure out of the Fund:

- a) an increase in all benefit rates;
- b) reduction of men's pension age from 65 to 63 years;
- c) Extension of the sickness and unemployment benefit period from 78 days to 156 days in a period of interruption of employment;
- d) introduction of two new benefits, namely, Invalidity Pension and Widow's Special Allowance; and
- e) extension of certain benefits, including sickness benefit to Self-employed persons and Old Age Pension to Self-employed and Non-employed persons who have also become contributors.

8. In view of so many substantial modifications in the Scheme which have come into effect in the comparatively short period since the 1st January, 1963, it is impossible to establish at this stage whether the Fund is in actuarial balance. The changes which have been effected in this complicated Scheme within a very limited period do not offer any prospects for any reliable trends in expenditure at the present moment.

9. A few figures related to income and expenditure are given in the attached Appendix from which the following facts may be noted:

- a) A decrease in the balance in the Fund during the year ending 31st March, 1965;
- b) a very small excess of revenue over expenditure at the end of 1964;
- c) a steady substantial rise in the number of Old Age Pensions and Widow's Pensions during the four years

/ending ...

ending 1964;

d) a substantial rise in expenditure on unemployment benefit in June, July and August of 1965, probably due mainly to the extension of the unemployment benefit period from 78 days to 156 days.

10. Despite the absence of reliable trends for an accurate appraisal, the facts revealed by the figures may perhaps be interpreted as a rough indication that an increase in contribution rates may be necessary simultaneously with the proposed increases in pension rates, or not long after such revision.

11. Honourable Ministers are asked to agree to the proposed revision of long term benefits as explained above.

16th November, 1965.

APPENDIX

Factors determining Expenditure
on National Insurance Benefits

National Insurance Fund:

a)	Balance on 31.3.64	£22,269,321.14.10d
	Balance on 31.3.65	<u>2,227,937. 8. 5d</u>
	Decrease	£ 41,364. 6. 5d
b)	Revenue at end of 1964 including interest	£798,541. 1. 5d
	Expenditure on benefits	<u>795,860. -- -d</u>
	Excess of revenue	£ 2,681. 1. 5d
	Revenue from April to August 1965	£389.138. -- -d
	Expenditure same period	<u>383,007. -- -d</u>
	Excess of revenue	£ 6,131. -- -d

Number of Pensions in Payment

c)	<u>Year</u>	<u>Old Age</u>	<u>Widow's</u>
	1961	1,637	405
	1962	2,126	586
	1963	3,692	801
	1964	4,262	1,011
August	1965	4,656	1,225

Unemployment Benefit Claims and Payments before and after
9th June, 1965.

d)	<u>Month</u> <u>1965</u>	<u>Load at</u> <u>end of month</u>	<u>Payments</u>
	May	691	£ 6,299
	June	1,195	7,620
	July	1,446	14,946
	August	1,407	12,352