MEMO TO CABINET ON NATIONAL INSURANCE
BY THE HONOURABLE MINISTER OF LABOUR,
EMPLOYMENT AND WELFARE

Reduction of Pension Age

... The long-awaited report by the Government Actuary of Great Britain on the Second Quinquennial Actuarial Review of the working of the National Insurance has now reached this Ministry. A copy of the report is attached.

2. The Actuary has listed all the various amendments to the Act during the period covered by the review, April 1961 to March 1966, namely:

1962

1) Reduction of pension age of males from 65 to 63;

2) abolition of waiting days for sickness, unemployment and injury benefits;

3) increase in rates of all benefits by 20%.

To meet in part the improvements in (1), (2) and (3) contributions were raised by about 10%.

1964

4) extension of the Act to self-employed and non-employed persons over the age of 19;

5) introduction of Invalidity Pensions for persons permanently incapable of work through illness;

6) introduction of a Special Allowance to widows who did not qualify for Widow's Pension.

Contribution for employed persons were increased by 10% for men and by 16 2/3% for women.

1965

7) doubling of the maximum duration of sickness and unemployment benefit from 78 to 156 days in a period of interruption of employment;

8) raising of allowance for wife of old age pensioners by 4/- a week.

Contributions were not increased to cover contingencies (7) and (8).

1966

9) Increase of rates of Widow's Pension and Old Age Pension from 36/- to 40/-. The allowance for the wife of an old age pensioner was reduced by 2/- a week so that in actual fact the pension of a married couple increased from 58/- to 60/- a week;

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10) increase in rates of certain industrial injury benefits.

Again here contributions were not raised.

3. On the basis of the original benefits and contributions, and of improvements in both since 1956, and on the assumption that the present benefits will continue unchanged, the Actuaries estimate that the Fund will be completely exhausted during 1970-71. Naturally this can not be allowed to happen and to obviate such a situation the Actuaries state that the weekly contributions must be increased progressively as shown hereunder:-

Financial Year	Contribution payable by employed man, assuming that employer and the State pay equal amounts s. d.
1968 - '69	2: 8
1970 - 71	3: 7
1975 - 76	5: 0
1980 - 81	6: 7
1985 - 86	6: 7
1990 - 91	7: 0
1995 - 96	7: 1

Alternatively the weekly contribution for employed men could be raised to 4/5d for each of the three parties, with proportionate increases for other classes.

4. An abrupt rise from 1/10d to 4/5d would perhaps constitute a hardship to both employers and employees, not to mention the increased cost to Government both as employer and as a contributor to the Fund. Unless this course of action is taken the scaled contribution will have to be adopted which after the first three years 1968/71 will require an increase every five years, a rather cumbersome procedure which will end with a contribution of 8/1d for each party. It would not be advisable to increase contributions without some compensation in the form of increased benefits.

5. Honourable Ministers are aware of the general outcry to reduce pension age of male persons to 60. On this score the Actuary has reported that a reduction of three years in the pension age would entail an increase in contribution of 1/- for each party viz. insured person, employer and Government.

6. Once contributions have to be increased in any case it would seem that it is worthwhile adding an extra shilling a week to enable pensions to men being payable at 60 as is the case of women.

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7. The proposal therefore is that as from 1st April next the contribution for males over 19 years of age be increased from 1/10d to 3/8d. All the other contribution rates will be increased proportionately to the 2/8 (excluding the 1/- pension element). The next revision in contribution rates will then become due in April 1970/71 and subsequently every five years, each of the rates fixed by the Actuary to be increased by 1/-.

8. An alternative proposal is that as from 1st April next the contribution for males over 19 years of age be increased from 1/10d to 5/5d. All other contributions will be increased proportionately to the 4/5d (excluding the 1/- pension element) and these rates will continue until 1980 provided no new benefits are introduced and present benefits remain unchanged.

9. Once the plunge has to be taken anyway it would seem that the second alternative might be more popular. Certainly it will obviate frequent rises in contribution rates and coupled with the benefit which has been the subject of frequent outbursts in the press, the rise, however abrupt, might be more palatable.

10. Honourable Ministers are invited to consider both proposals in paragraphs (7) and (8) above, and to agree to adopt that which they consider the more suitable.

11. A decision on this memo is rather urgent in the first place because it entails expenditure which has to be considered in connection with next year's Estimates and secondly because in terms of Section 52 of the National Insurance Act "the Minister shall lay on the Table of the Legislative Assembly a copy of every report made under this section". Government has therefore to be prepared to meet criticism by having concrete proposals which could be divulged to the House.

30 October, 1967.

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<u>MALTA NATIONAL INSURANCE ACTS 1956 to 1966</u>

<u>Report by the Government Actuary of Great Britain on the Second Quinquennial Actuarial Review</u>

TO THE MINISTER OF LABOUR, EMPLOYMENT AND WELFARE

Sir,

In accordance with your request conveyed to me by the High Commissioner in London, I have reviewed the operation over the period 1st April, 1961 to 31st March, 1966 of the National Insurance Act 1956, as amended by subsequent legislation, and submit my report.

I. INTRODUCTION

1. The National Insurance Act, 1956 established a social insurance scheme covering employed persons and provided for weekly benefits during old age, widowhood, sickness, unemployment and industrial injury, and for grants on marriage. Contributions are payable by insured persons, employers and from the Consolidated Fund. The 1957 Act increased the original rates of benefits and contributions by 25 per cent.

2. During the period under review further amendments have been made to the Scheme. The 1962 Act reduced the pension age for men from 65 to 63, and abolished the waiting days for sickness, unemployment and injury benefits so that these benefits could be paid from the first day of a period of interruption of employment. Rates of benefit were increased by 20 per cent and contributions by about 10 per cent.

3. The 1964 Act extended compulsory insurance to self-employed and non-employed persons over age 19, with certain exceptions such as married women not at work, widows with children and persons with incomes of less than £104 a year. It also introduced invalidity pensions for persons permanently incapable of work through sickness, and a special allowance to widows who did not qualify for a widow's pension. Contributions for employed persons were increased by 10 per cent for men and by 16 2/3 per cent for women. Persons first insured under this Act as from 1st February, 1965 are allowed to continue to contribute voluntarily after they reach pension age in order to satisfy the contribution conditions for old age pension.

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4. The 1965 Act doubled the maximum duration of sickness and unemployment benefit from 78 to 156 days in a period of interruption of employment and raised by 4s. a week the allowance for the wife of an old age pensioner. Contributions were not increased.

5. The 1966 Act increased the rates of widows' and old age pensions from 36s. to 40s. a week, but reduced the allowance for the wife of an old age pensioner by 2s. a week so that the pension for a married couple increased from 58s. to 60s. a week. Certain industrial injury benefits were also increased but contributions were not raised.

II. MAIN PROVISIONS OF SCHEME AT 31st MARCH, 1966

Contributions

6. Contributions are payable by all employed persons, and with certain exceptions by self- and non-employed persons over age 19, at the following weekly rates:-

	Employed person and employer (each)	Self-employed	Non-employed person and voluntary contributor
	s. d.	s.d.	s.d.
Man	1.10	3.2	2.3
Woman	1.2	2.0	1.6

Lower contributions are paid by employed persons under age 19 and by members of the Forces (who are not insured for sickness, unemployment and industrial injury benefits).

7. Contributions are payable from the Consolidated Revenue Fund equal to those for employed persons, and equal to half those of other contributors, subject, however, to a limit for self- and non-employed persons of £40,000 for each of the financial years 1966-67, 1967-68, and 1968-69; lower limits applied in 1964-65 and 1965-66.

8. Depending on the person's insurance class, contributions may be credited during weeks of sickness, unemployment and injury. Widows with children under 16 also receive credit

Old age pensions

9. Pensions at a maximum rate of 40s. a week, with an increase of 20s. a week for a married man, are payable from age 65 (men) or 60 (women) to persons who have paid 156 contributions and have paid or had credited an average of 50 contributions a year since the start of the scheme (or since 1st February, 1965 for persons reaching pension age after January, 1970). Pensions are paid at reduced rates if this yearly average is between 20 and 50, and are not granted if it is below 20. Persons first insured on 1st February, 1965 may continue to contribute after attaining normal pension age in order to satisfy the contribution conditions for pensions.

Widow's benefits

10. Subject to contribution conditions based on the husband's record, a widow's pension at the maximum rate of 40s. a week is payable, until death or remarriage, to the widow of an insured man who on widowhood

(i) was over age 50, or permanently incapable of self-support,

(ii) was between ages 40 and 50, and at any time since reaching age 40 had care of a child of her late husband, or

(iii) was under age 40 and had the care of a child; the pension continues after she ceases to have care of the child if she is then over age 40.

If a widow pensioner remarries, a grant equal to 52 weeks' pension is paid. An allowance of 4s.6d. a week is paid for each child.

11. A widow not entitled to a widow's pension receives a widow's special allowance of 14s. a week if her former husband's contribution record satisfied certain conditions.

Guardian's allowances

12. An allowance of 10s a week is paid to a person having the care of a child both of whose parents are dead, if one parent was an insured person and had paid at least 156 contributions.

Sickness and unemployment benefits

13. Employed persons are insured for both sickness and unemployment benefits, and self-employed persons for sickness benefit. The maximum rates are 36s. a week, and a married man receives an additional 18s. a week.

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14. Benefit is payable from the first day of any period of interruption of employment, although isolated days are not paid for unless 3 or more occur within a period of 6 days. There is a limit of 156 days in any period of interruption and an overall limit of one day of benefit for each contribution paid. The rate of benefit is reduced if the contribution average over the previous contribution year for men, or the two previous years for women, is deficient. A married woman must have paid at least 26 contributions as an employed person since marriage in order to qualify for unemployment benefit.

Invalidity pensions

15. These pensions are payable to employed or self-employed persons who have been incapable of work for at least three months, and whose incapacity is considered permanent. The contribution conditions are similar to those for other pension benefits except that the insured person must have paid at least 250 contributions.

Marriage grants

16. An insured woman in any insurance class who marries may choose to receive a marriage grant, in which case the contributions paid before marriage give no title to any benefit after marriage. The maximum grant is £15, but is reduced if less than 250 contributions have been paid; any sickness or unemployment benefit paid before marriage is deducted from the amount of the grant.

Industrial injury benefits

17. If a person in insurable employment is rendered incapable of work by an accident, injury benefit is payable for a period not exceeding 12 months at the rate of 45s. a week for a man or 36s. a week for a woman. Injury benefit may be followed by disablement benefit if there is any residual disability. If the disability is assessed at 20 per cent or more the benefit is a pension, varying in amount from 40s. a week for a 100 per cent disability to 10s. a week for a 20 per cent assessment. If the disability is less than 20 per cent a gratuity of up to £104.6.8d is payable. A married man who is receiving injury benefit or disablement pension and is incapable of work receives an additional allowance for his wife.

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18. If a married man dies as a result of an industrial accident, his widow may receive a pension of 45s. a week, with an additional 4s.6d a week for each child, under the same conditions as to age, etc., as are described in paragraph 10 for widow's pension; if she does not qualify for this pension she receives a widow's allowance of 16s.8d a week. If the widow remarries her pension or allowance ceases and she receives a lump sum equal to 52 weeks' benefit.

III. INCOME AND OUTGO OF THE NATIONAL INSURANCE FUND - 1st APRIL, 1961 to 31st MARCH, 1966

19. A summary of the accounts of the National Insurance Fund during the period under review is given in the Appendix. At the last review it was estimated that, if the benefit and contributions then in force were to remain unchanged, the Fund could be expected to build up to a total of about £3 millions during the five years and to continue to increase until about 1969. In the event, the increases in contributions have not been sufficient to meet the extra cost arising from the higher rates of benefit introduced during the period, together with the grant of pensions to men at age 63 instead of 65 and the extension of the maximum duration of sickness and unemployment benefits. The balance in the Fund had reached only £2¼ millions at 31st March, 1966 and was beginning to decrease.

IV. THE BASIS OF THE ESTIMATES

Future population

20. The Director of Labour and Emigration had supplied estimates of the number of emigrants up to 1971 as follows:-

Year	Number of Emigrants
1966	4,310
1967	4,300
1968	4,050
1969	4,050
1970	4,050
1971	4,050

Although these estimated numbers are smaller than those of any of the three bases used for the population projections published in the Demographic Review of the Maltese Islands for 1964, the continuation after 1971 of a constant annual number of emigrants of 4,050 a year would result in a decreasing population.

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21. On the expectation that the economy of Malta would continue to provide work for about the same numbers as at present, it has been assumed for the purpose of this report that emigration would fall to such levels after 1971 as would result in an approximately constant population between age 15 and pension age. The resulting populations based on the estimate of the population in 1965 published in the Annual Abstract of Statistics and on the mortality and fertility bases implicit in the 1964 projections are summarised in Table 1.

Table 1

Estimated future population of the Maltese Islands

Ages last birthday	Estimated mid-year population (thousands)							
	1965		1975		1985		1995	
	Men	Women	Men	Women	Men	Women	Men	Women
0-14	54.5	50.5	47.3	44.4	47.3	44.4	46.9	44.1
15-62 (men) 15-59 (women)	84.4	95.9	85.8	101.5	84.3	101.4	85.6	100.0
63 & over (men) 60 & over (women)	13.5	20.3	15.6	22.6	15.4	23.8	14.4	26.9
Total	152.4	166.7	148.7	168.5	147.0	169.6	146.9	171.0

22. If emigration were higher than has been assumed, there would be fewer contributors, but only a slight fall in the number of pensioners, with a consequent worsening of the finances of the scheme.

Insured population

23. The extension of compulsory insurance to self-employed and non-employed persons under the 1964 Act has raised to a high level the proportion of men in the population who are covered by the scheme. The effect on the insurance of women was smaller because married women not at work, and widows with children, are not required to contribute. The proportions of men and women in each age group of the total population who are covered by the scheme are shown in Table 2 which is based on the numbers of cards exchanged in December, 1965 and June, 1966. It has been assumed that these proportions will also apply in future.

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Table 2

Numbers of persons in each insurence class per 100 population in each age group

Ages last birthday	Men				Woman			
	Employed	Self-employed	Non-employed	Total	Employed	Self-employed	Non-employed	Total
15-19	36	-	-	36	27	-	-	27
20-24	71	3	2	76	32	1	3	36
25-29	87	7	2	96	17	1	2	20
30-34	88	10	2	100	11	2	2	15
35-39	82	11	2	95	9	2	3	14
40-44	77	13	2	92	8	3	4	15
45-49	72	15	3	90	7	3	5	15
50-54	67	19	4	90	7	3	9	19
55-59	62	20	8	90	5	4	16	25
60-63	40	20	30	90				

Old age pensions and widow's benefits

24. Estimates of the cost of old age pensions have been based on the proportions who are insured on reaching pension age, or, having ceased to pay contributions at an earlier age, will have title to reduced pensions. Persons brought into the scheme for the first time from 1st February, 1965 who were then within five years of pension age will not be entitled to pensions at the full rate unless they contribute until 1st February, 1970; it has been assumed that all will do so.

25. The estimates of the cost of widows' benefits were based on statistics obtained from the working of the scheme as regards such factors as the proportion of widows entitled to the benefits, and on mortality rates derived from population statistics.

Sickness benefit

26. The abolition of waiting days by the 1962 Act and the increase in the maximum duration of sickness benefit under the 1965 Act have led to a large increase in benefit payments. This is illustrated in Table 3 which compares the average number of weeks of benefit paid to employed persons at the beginning of the period under review with the experience in 1966, the first full year for which the more generous provisions applied. The sickness rates assumed for the future have been based on the 1966 level of claims.

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Table 3

Average number of weeks of sickness benefit paid to employed persons in a year

Age attained in year	Men		Women	
	Average of 1961 and 1962	1966	Average of 1961 and 1962	1966
19	.12	.22	.03	.16
20-24	.33	.56	.19	.45
25-29	.42	.80	.32	.69
30-34	.46	.87	.34	.70
35-39	.54	.97	.36	.86
40-44	.63	1.19	.48	.91
45-49	.66	1.23	.70	1.03
50-54	.84	1.42	.88	1.34
55-59	1.07	1.93	.92	1.57

27. Self-employed persons were able to claim sickness benefit for the first time in 1966 so that the only available statistcs are incomplete because they do not include a full measure of longer spells of sickness. For the present review, rates have been based on the sickness experience of self-employed persons in Great Britain.

Invalidity pensions

28. The first awards of invalidity pensions were made as recently as 1966 and it is probable that the numbers in payment under pension age will rise in future as more insured persons are able to satisfy the conditions for the benefit; an allowance has been made for this trend. For convenience in calculation, the cost of invalidity pensions which continue after pension age has been included with old age pensions.

Unemployment benefit

29. The effect of the abolition of waiting days and the increase in the maximum duration of benefit was apparent for unemployment benefit as for sickness benefit. The average of four days' benefit a year assumed at the time of the last quinquennial review was slightly exceeded for men during the years 1962 to 1964 but by 1966 the average had risen to about six days (one week) for men and five days for women. It has been assumed that claims will continue at these levels.

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Marriage grants

30. Claims by employed women who marry have shown little change over the period and the present average claim rate has been assumed to continue for employed women. The rates for self-employed and non-employed are assumed to rise gradually to the same level as employed women as more of them satisfy the contribution conditions.

Industrial injury benefits

31. Awards of injury benefit and disablement gratuity have again fluctuated from year to year. Estimates of future awards have been based on the average experience of the years 1964 to 1966, but allowance has been made for the steep rise in claims and awards in the following year. Compared with the numbers five years earlier, the numbers of disablement pensioners have increased, but there has been some fall in the number of widows and children. It is expected that the number of disablement pensions in payment will grow fairly rapidly in future, but little change is expected in the numbers of pensions to widows, children and parents.

V. ESTIMATES FOR THE FUTURE

32. Estimates of the outgo of the Fund, if the present benefits were to continue unchanged, are set out in Table 4 for financial years up to 1970-71 and at five-yearly intervals thereafter.

Table 4

Estimated outgo of the National Insurance Fund

£ 000's

Financial year	Old Age Pensions*	Widows' and guardians' benefits	Sickness Benefit	Unemployment benefit	Marriage grants	Invalidity pensions*	Industrial Injury benefits	Total
1966-67: actual	699	168	165	120	8	24	30	1,214
1967-68	782	199	152	121	8	25	30	1,317
1968-69	864	236	154	122	8	25	30	1,439
1969-70	1,000	272	156	124	8	26	30	1,616
1970-71	1,368	308	158	125	9	27	31	2,026
1975-76	1,945	522	160	128	9	28	33	2,825
1980-81	2,260	742	165	133	9	29	35	3,373
1985-86	2,444	938	166	131	8	28	36	3,751
1990-91	2,531	1,085	168	131	7	27	37	3,986
1995-96	2,516	1,175	170	131	7	30	37	4,066

* Invalidity pensions received by persons over pension age are included with old age pensions.

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33. Old age and widows' benefits are nearly three-quarters of the outgo at present and will increase as the present aged population is replaced by people reaching pension age with title to benefit under the scheme. The present cost of these benefits is just under £1 million a year and is expected to rise to over £3½ millions a year by 1990 when it will form 90 per cent of the outgo of the scheme. The exceptionally large increase of £400,000 in 1970-71 as compared with the previous year will arise mainly from awards of pension to persons who began to contribute in 1965. The cost of sickness benefit was high in 1966-67 owing to a sickness epidemic in the later months of that year.

34. The benefit expenditure shown in this table is very much higher than was indicated by the corresponding table in the previous report. This is due to the higher benefit rates and more generous provisions introduced during the five years, which are expected to raise the expenditure in 1967-68 to £1,300,000 compared with £750,000 for the benefits in force in 1961, and by 1990 to have more than doubled the amounts required.

35. The accounts for the financial year 1966-67 show benefit expenditure of £1,214,000 towards which £975,000 was received in contributions from insured persons, employees and the State and a total of £167,000 from investments (including £65,000 by appreciation of securities) with the result that the balance in the Fund fell by £72,000. In the current year 1967-68 the expenditure can be expected to exceed income by about £265,000 and, if the present rates of contribution are retained, the annual deficits will increase until the Fund is completely exhausted during 1070-71. This is illustrated in Table 5.

Table 5

Progress of fund with current contribution and benefit rates

£000's

Financial Year	Fund at 1st April	Contribution Income	Interest Income	Benefit Outgo	Decrease in Fund during year
1967-68	2,177	958	94	1,317	265
1968-69	1,912	969	79	1,439	391
1969-70	1,521	994	57	1,616	565
1970-71	956	986	20	2,026	1,020
1971-72	nil				

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36. The scheme is financed by the "pay-as-you-go" method under which the total income from contributions and interest in each year (or over a period of years) should be kept as nearly as practicable equ l to outgo. It is clear from Tables4 and 5 that, whether or not the Fund is allowed to continue to run down, a large increase in income will be needed in the near future.

37. Although it is not necessary in a "pay-as-you-go" scheme to retain a large fund, it is prudent to have a working balance which can be drawn on to meet any unexpected rise in cost as, for example, might occur if there were a substantial rise in unemployment. The Fund was little more than £2 millions on 31st March, 1967 and is falling; it is recommended that the fall should be halted by introducing an adequate increase in contributions in the near future. In order to balance outgo in 1968-69, after taking credit for interest on the Fund, the present contribution of 1s.10d. a week from each of the three contributing parties for employed men would have to be raised to 2s.8d a week and corresponding increases would be required in the contributions of women and the self-employed and non-employed. This rate would be sufficient for 1968-69 only and the continuing increase in costs would require contributions rising in line with the scale shown in Table 6. It is assumed in this table that, apart from the limitation for self-employed and non-employed contributions in 1968-69, the State contribution would be at the full proportionate rates for all classes.

Table 6

Weekly contributions for employed men if income were to balance benefit expenditure in the years stated

Financial Year	Contribution payable by employed man, assuming that employer and the State pay equal amounts s.d.
1968-69	2.8
1970-71	3.7
1975-76	5.0
1980-81	5.9
1985-86	6.7
1990-91	7.0
1995-96	7.1

38. Contribution rates of the order shown in Table 6 will be needed unless the Government is prepared to increase its contribution to more than one-half of the contribution income from insured persons and employers.

39. There are, however, obvious disadvantages in a scheme of finance which requires frequent additions to contribution rates not accompanied by improvements in benefits. To avoid this and to ensure that the present generation of contributors pays a larger proportion of the costs of its pensions, it is recommended that the contributions should be raised to a level sufficient to cover the cost of benefits for 10 or 15 years, assuming that surpluses in the early years would be invested until required to help meet the growing cost in later years. A weekly contribution for employed men of 4s.5d from each of the three parties, together with proportionate rates from other classes, would produce sufficient income to meet the outgo on present benefits over the period to 1980.

VI. REDUCTION OF PENSION AGE FOR MEN

40. I have asked to report on the financial implications of a proposal to reduce the pension age for men from 63 to 62, 61 or 60 years. The immediate cost of a reduction to 60 would be about £350,000 a year, allowing for the consequential saving on sickness, unemployment and injury benefits and for the loss of contributions (including State contributions) between ages 60 and 63. This estimate is based on the assumption that men who were brought into insurance for the first time on 1st February, 1965 would have to pay a minimum of five years' contributions to qualify for pensions at the full rate, and hence would not become pensioners until 1970. In 1970-71 the cost of the proposal would rise to about £500,000 a year, but might fall to between £400,000 and £450,000 a year after 1975 owing to the effect of migration on the numbers than reaching age 60. If the extra cost were met by increases in men's contributions, additions of 1s. a week would be needed to the rates for each of the three parties in the case of employed men (with proportionate increases for self-employed and non-employed) in order to provide the extra amount required up to 1980. If the men's pension age were reduced to 62 or 61 the additional contributions would be about 4d a week or 8d a week respectively.

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VII. CONCLUSIONS

41. The National Insurance Fund had risen from about £1,650,000 at 1st April, 1961 to £2,250,000 at the end of the five years under review but was then beginning to fall, and if present benefits and contributions are continued will be exhausted during 1970-71.

42. Increases in rates and improvements in the benefit provisions introduced during the period, together with the reduction of the pension age for men from 65 to 63 and the extension of the scheme to the self-employed and non-employed have substantially increased the present and future cost of benefits. Contributions have been increased but not to the extent needed to match the increased cost in future so that, if the present provisions of the scheme remain unchanged, the excess of outgo over income will steadily increase.

43. To meet the cost of benefits at present rates from year to year on the pay-as-you-go basis the contribution from employed men, which is now 1s.10d a week from each of the three contributing parties, would have to be raised to 2s.8d a week for each party from April, 1968 and increased annually on a scale rising to 7s.0d by 1990. Corresponding increases would be necessary in the contributions for other classes.

44. As an alternative to frequent increases in rates of contribution unaccompanied by improvements in benefits it is recommended that the rates of contribution should be raised as soon as practicable to 4s.5d for each of the three contributing parties for employed men, with corresponding amounts for other classes. Contributions at this level could be expected to produce sufficient income to meet the outgo on present benefits until 1980.

45. If the pension age for men were reduced to 60 from 1968-69 a further contribution of 1s.0d a week (each party) for employed men would be needed.

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46. It is clear from the results of this review that contributions at present rates are much too low to support the present benefits of the scheme and that immediate steps should be taken to raise the contributions to an adequate level. Any further improvements in benefits should also be accompanied by extra contributions of amounts sufficient to support the extra costs over a substantial period because the full effect of improvements in pension benefits usually emerges comparatively slowly over a number of years.

I am, Sir,

Your obedient Servant,

(sgd.) HERBERT TETLEY,

Government Actuary's Department,
London, S.W.1.
20th October, 1967.

APPENDIX

Income and Outgo of the National Insurance Fund
1st April, 1961 - 31st March, 1966

£000's

	1961-62	1962-63	1963-64	1964-65	1965-66	1st April 1961 to 31st March 1966
1. Balance at beginning of period	1,651.8	1,890.3	2,183.4	2,269.3	2,227.9	1,651.6
2. Income:						
(a) Contributions paid by employers and insured persons	432.0	428.3	469.4	485.9	625.8	2,441.4
(b) Contributions by the State	40.0	158.1	229.8	239.3	283.1	950.3
(c) Interest	79.6	87.5	95.7	97.2	106.2	466.2
(d) Other receipts	.3	.1	.3	.1	-	.8
Total Income	551.9	674.0	795.2	822.5	1,015.1	3,858.7
3. Outgo:						
(a) Industrial Injury benefits	14.4	16.0	22.3	21.6	23.4	97.7
(b) Sickness benefit	59.6	68.0	101.0	98.6	132.0	459.2
(c) Unemployment benefit	64.2	77.4	88.8	92.7	129.9	453.0
(d) Marriage grant	6.0	6.0	7.2	6.7	7.1	33.0
(e) Old age pensions	155.0	242.8	427.3	503.2	590.3	1,918.6
(f) Widows' pensions	34.6	52.8	79.4	101.5	127.5	395.8
(g) Guardians' allowances	.1	.2	.2	.2	.3	1.0
(h) Invalidity pension	-	-	-	-	4.9	4.9
Total Outgo	333.9	463.2	726.2	824.5	1,015.4	3,363.2
4. Net increase in funds	218.0	210.8	69.0	- 2.0	- .3	495.5
5. Net appreciation of investments and profits on realisation	20.5	82.3	16.9	-39.4	21.3	101.6
6. Balance at end of period	1,890.3	2,183.4	2,269.3	2,227.9	2,248.9	2,248.9