GHRG/S 7th January, 1964.

PENSIONS AND POLITICS

In an election year the subject of pensions tends to receive more prominence as this is one of the policy items put forward by the three major political parties, often one fears simply for the purpose of vote catching.

The Labour Party has already produced a scheme which offers pensions for all of 50% of retiring salary or wage and, moreover, it is suggested that such pensions should increase with increases in the cost-of-living so that the purchasing power of pensions should be maintained. The Imperial Tobacco Pension Fund has been one step ahead of the politicians in this matter for the general target for retirement pensions for long service employees has been two-thirds of retirement salary or wage (including the State Benefits) and in 1960 and again in 1963 current pensions have been increased to endeavour to keep the purchasing power of pensions in step with increases in the cost-of-living.

However, the cost of such pensions and more particularly the increasing of existing pensions to keep up with inflation is a very expensive matter as the Managers of the Pension Fund have found, and changes of benefit in an upward direction have only been made when we were quite convinced that the finances of the Fund could afford them.

Costs, and whether the economy of the country can stand it, however, do not seem to be the concern of politicians before a General Election and at a recent meeting where some of the architects of the Labour Party's pension plans were elaborating on their schemes, all questions on the costs of such schemes were evaded, giving the impression that they either had not bothered to calculate the costs or if they had it would not be politic to divulge them.

The recent improvements in benefits in the Imperial and Mardon Pension Fund cost some £8 million and although the surplus disclosed by the Actuary's Valuation amounted to only £7 million, it was possible to make up the balance by a transfer of £1 million from the investment reserve representing realised profits from the past. In order that the Managers of the Fund may be able to keep the finances under more close and frequent review, the Company has agreed to go to the expense of having Actuarial Valuations every three years in future compared with five years in the past, which is the minimum laid down by Government regulations.

The general increase of 9% in existing pensions may not at first sight appear to be over generous, although it does go practically the whole way towards restoring the purchasing power to pensions since the last investigation was made three years ago. What must not be overlooked, however, is the very considerable improvements which have been made to contingent pensions to the widows of pensioners which have largely rendered unnecessary any allocation by the pensioner of part of his own pension for the benefit of his wife should she survive him. The re-calculation of allocations made in the past for this purpose and which are now unnecessary, has resulted in some cases in a 20% increase in the pensioner's current income.

Let us hope that the finances of the Fund will continue to flourish so that our pensions can keep pace with the inflation which Governments seem unable to combat.