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RETIREMENT PLANS

A. What steps have been taken to revise or supplement company retirement plan benefits to recognize higher salary scales and living costs currently prevailing with respect to (a) recently or currently retiring employees, (b) long range future retirements?

MR. W. L. CHAPIN, JR., reported that in the Minnesota Mutual neither their own Home Office plan nor commercial plans of similar type administered by the company have had recent adjustments in benefits on account of higher salaries and living costs. Wage and manpower problems tend to take priority, and at any rate the government's freezing of pension costs precludes revisions for the present. As to recent and current retirements, under plans adopted during the past 10 years the 1950 changes in Social Security benefits increased total retirement incomes to satisfactory levels. Revision of benefits for those retiring in the distant future seems unnecessary as long as the formula for the total pension, including Social Security, produces 40% of average salary, either for the whole period of service or for the last ten years. It is much easier under a contributory plan to set up adequate benefits at the outset, since employees retiring many years hence will provide about a third of their own cost.

MR. W. C. BROWN told of two steps taken by the Colonial Life to supplement their plan, which is noncontributory and is based on average salary of the last ten years before retirement. In 1946, their employees were offered annual premium retirement annuities at a special low rate not available to the public. Although a substantial contribution by the company was involved and the plan seemed to answer many of the requests which were being made, the offer has been accepted by very few of the employees. In December 1949, the company increased the minimum pension from $300 to $500 per year, for both pensioners and future retirants. This affected nearly half of their then retired employees and provided a minimum, with Social Security, of about $100 a month.

The company is reluctant to make more changes in its plan until the funding of the present plan is completed. They have considered superimposing a new, contributory plan which would in effect be compulsory for all employees.

MR. G. C. THOMPSON said that increases in the Security Mutual's retirement plan became necessary in 1949, principally because past service credits were based on total salaries earned since the beginning of employment when salaries were very low. They increased the percentage of current salary credit, and also made adjustments for their pensioners and in the past service credits of active employees. Even this proved inadequate, and they added a flat amount of pension for each year of completed service. No attention was paid to Social Security benefits, because of their unpredictable nature.

His company has added an inexpensive death benefit to remove a deficiency in their plan where an active employee dies between the optional and normal retirement ages (60 and 65). The plan previously paid only the accumulated contributions of the employee. It now provides for income payments to the widow as though the employee had retired just before his death and had taken a joint and two-thirds survivor annuity.