

13. The following example will illustrate the working of the proposed scheme: Suppose a boy Illustration. to enter the service at age 17 as a cadet, and that his salary rises to £150 by the time he is 24. The yearly deduction from his salary until he is 24 will be fixed at £5, and his policy will insure him £100 at death and provide a deferred annuity for £62 11s. At age 24, his salary having become £150, the deduction from it is increased to £7 10s., and his policy is increased by indorsement, the insurance to £150, and the annuity, by one-half of £39 8s., to £82 5s. Suppose the salary to be raised to £200 by age 27, the deduction is at that age increased to £10, the insurance to £200, and the annuity, by one-half of £32, to £98 5s. If at 30 the salary is £250, the deduction then becomes £12 10s., the insurance £250, and the annuity, being increased by one-half of £25 14s., becomes £111 2s. The salary becomes £300 at, say, age 33, and the deduction is then £15, the insurance £300, and the annuity £121 6s. If £300 is the maximum salary for the position held, and the member receives no further promotion, he will remain insured for £300 at death until he leaves the service at age 60, when he will enter upon a minimum annuity of £121 6s. His average annual salary for twenty years before retirement will have been £300, and his minimum annuity will therefore be a little over 40 per cent. of that average salary.

Assuming that at age 50 he receives promotion carrying an increase of £100 in salary, the deduction will then be made £20, the insurance £400, and the annuity will be increased to £124 12s., which is equal to 35 per cent. of £350, the average annual salary for the twenty years immediately preceding retirement.

In addition to these results, the profits accumulated to age 60 will either materially increase the annuity or provide insurance beyond age 60, as the member shall have selected. In like manner the working of the scheme in all possible cases can be easily traced by means of the table.

14. I propose that the present fund accumulating in the hands of the Public Trustee by the Public Trustees working of the Civil Service Act of 1886 shall be applied to purchase deferred annuities in terms of Fund. the scheme for the benefit of the individual contributors to that fund.

15. The advantages to both the Government and the Civil Service which will result from the Special Advan- Insurance Department carrying out the insurance and annuity transactions will be,— tages.

- (1.) The solvency of the scheme will be once for all secured.
- (2.) The management of the fund, and the periodical valuations, will not necessitate additional expense from time to time.
- (3.) The fund will earn a much higher rate of interest than if worked by itself. By itself the Government would not be likely to allow more than 4 per cent. interest, but the present average rate of interest earned by the funds of the Insurance Department is nearly 5½ per cent., and this rate will be allowed.
- (4.) The continual fluctuations which must occur in the mortality of such a comparatively small body as the Civil Service will be entirely avoided by combining with the large body of policyholders in the Government Insurance Department.
- (5.) Regular profits will be granted at the end of every three years.

16. In conclusion I must emphasize the fact that the benefits offered in exchange for the contribution of less than 5 per cent. of salary are *absolutely certain*, and that the annuities are the *minimum* annuities, which will certainly be considerably increased by the periodical application of profits.

28th April, 1892.

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DEDUCTIONS FOR POLICIES.

Salary per Annum.						Annual Deduction from Salary.		
						£	s.	d.
Under £150...	...	...	...	...	...	5	0	0
£150 and under £200	...	...	...	...	...	7	10	0
£200	"	£250	...	...	...	10	0	0
£250	"	£300	...	...	...	12	10	0
£300	"	£350	...	...	...	15	0	0
£350	"	£400	...	...	...	17	10	0
£400	"	£450	...	...	...	20	0	0
£450	"	£500	...	...	...	22	10	0
£500	"	£550	...	...	...	25	0	0
£550	"	£600	...	...	...	27	10	0
£600	"	£650	...	...	...	30	0	0
£650	"	£700	...	...	...	32	10	0
£700	"	£750	...	...	...	35	0	0
£750	"	£800	...	...	...	37	10	0
£800	...	...	...	...	...	40	0	0