

SIR,—

Bank of New Zealand, Head Office, Wellington, 17th July, 1897.

The trustees of the Bank of New Zealand Officers' Guarantee and Provident Association have instructed me to address to you the following statements in regard to the fund, in the hope that they may be of use to you in preparing your report.

The fund was started in 1878, the objects being—(1) To benefit the officers of the bank by enabling them to obtain fidelity bonds from a fund all surpluses in which should inure to the benefit of members; (2) to free the bank from the moral obligation which is recognised as being imposed upon employers of making some provision for their disabled or worn-out servants.

The fund affords pensions to members who have been not less than ten years in the service of the bank, and who retire on attaining the age of fifty-five or upwards, and to members who, having been fifteen years in the service of the bank, shall, with the consent of the directors, retire on account of ill-health or other disability. Members can claim pensions at sixty.

The fund contemplates compulsory contribution by members without return of the whole or any part of such contributions upon retirement before reaching pension-age. In this respect the rules coincide with those of the Australian banks trading in New Zealand whose officers have been examined by the Commission. The trustees are not elected by the members. In this respect also the fund coincides with that of the other banks.

The fund is administered by trustees, of whom the general manager of the bank is one, the inspector of the bank another, and a member or pensioner appointed by the board of directors of the bank, or, if nominated by the two other trustees, approved of by the board, the third. Those in office are all contributors, and their services are gratuitous. The powers and duties of the trustees are defined in the deed of settlement, dated the 15th March, 1887, and its amendments. The trustees are controlled by the bank to the extent that they cannot alter the deed of settlement without the approval of the board of directors. The bank cannot otherwise interfere in the administration of the fund.

At its initiation the fund was endowed by the bank with the sum of £25,000.

The income consists of, in order of magnitude—(1) Interest on the investments; (2) contribution by members, and surpluses from the guarantee side of the fund.

The accumulated funds amount to £135,221.

The annual income has always exceeded the annual expenditure. The figures for the last completed year were as follows: Income, £8,794; expenditure, £4,761.

In order to maintain the fund in a solvent position periodical investigations are made by the actuary, and the scale of pension settled accordingly. The latest valuation made, as at the 31st December, 1894, by Mr. Manly, shows that the fund was in a position to discharge its obligations to all the then members. The present scale is based upon that valuation, and governs all existing pensions; it proceeds on the assumption that all members attaining the age of fifty-five will then retire.

The rate of contribution is 1 per cent. per annum on salaries. The number of pensioners is—Superannuated, 26; disabled, 2; total, 28.

The fund is not a widows' and orphans' fund; it was never intended to provide a substitute for the social obligation imposed upon every man of making provision for those dependent upon him after his death by life assurance or other means. It is, and was intended to be, a fund for the personal benefit of the bank's officers under certain specified conditions, in which each officer shares equally, proportionate to his salary and length of service.

It must be borne in mind that the officers' contributions to the provident side of the fund form a small portion of the total amount, and that these contributions of themselves would enable only very small benefits to be conferred. Under the Bank of New Zealand Provident Fund an officer who joined at age thirty, and whose average salary up to age sixty was £200 per annum, for which he would pay an average contribution of £2 per annum, would, on his attaining the age of sixty, be entitled to a pension of £72 per annum, which is considerably more than he could hope to obtain as the result of similar payment elsewhere.

The initial payment with which the bank endowed the fund, and which with its annual increments composes the larger proportion of the present amount of the fund, was not given for the benefit of the officers of the bank existent at any one specified time, but was intended for the benefit of the staff present and future.

In the absence of evidence as to the expectations of those who voted, too much weight should not be attached to the preponderance of votes in favour of dissolution of the fund at the recent poll of members. There is reason to believe that some who voted for dissolution assumed that dissolution would be followed by a division such as the articles of association provide shall follow the winding-up of the bank—division, namely, amongst existing members and pensioners of the whole of the accumulated funds.

As the result of his last investigation, the actuary reports practically that, while the fund can discharge its obligations to its present members, it will not be able to provide for obligations to new members unless its sources of income are augmented. He suggests that the bank should subsidise the fund by contributing an annual sum equivalent to $\frac{1}{2}$ per cent. upon the salaries of all new entrants. Obviously a better result would be produced by making the rate of contribution $1\frac{1}{2}$ per cent. in future instead of 1 per cent., as at present. The actuary did not fully allow for the gain to the fund arising from the non-claiming of pensions at fifty-five by officers who continue in active service beyond that age. At present the finances of the fund are assisted to a greater extent in this way than they would be by an additional $\frac{1}{2}$ per cent. on the salaries of the new entrants.

There are several officers above the age of fifty-five still on active service, and there will, in all probability, always be officers whose services the bank will be glad to avail of as long as they are at the bank's disposal.

There are good grounds for the belief that the fund can be made self-supporting without much strain upon its members or much reduction in the present pension scale. The object of the fund is reasonable, laudable, and in accord with the advanced spirit of the times, which demands that provision for old age shall be compulsory. It is carefully and prudently administered; its investments are sound. If it be regarded as a fund to be administered in the interests of existing pensioners and members, it is solvent. Very ordinary means will suffice to insure its continuance in a solvent condition for the benefit of new entrants. The pensions it offers are strictly moderate; the pension of the most favourably placed active member does not to-day exceed £300 per annum. Nevertheless, there is no public or other instrumentality by which an officer of the bank can secure so good a pension in return for his contributions.

Defects in administration can be rectified by the existing machinery, the administrators having no object except to promote the welfare of the fund. Amendments which it is anticipated will have the effect of making the fund more popular with the officers of the bank are under the consideration of the trustees.

I have, &c.,

The Chairman of the Commission on Private Benefit Societies.

RICHARD W. GIBBS, Secretary.

EDWARD WILLIAM LOWE was examined on oath.

78. *The Chairman.*] What is your position?—I am resident secretary of the Australian Mutual Provident Society in New Zealand.

79. Is there any sort of provident fund or benefit society connected with your institution?—We have what is termed an "officers' provident fund" connected with our society.

80. Can you explain to us what basis it is upon?—It was established by the head office in Sydney by the vote of members, and has the sanction of the members of the society. The sum of £25,000 was voted by the members as the nucleus of the fund, and the funds are vested in trustees, who consist of the chairman of the board of directors of the society and one other director nominated by the board of directors, the actuary of the society, and the chief clerk of the society. These latter two, you may say, represent the staff on the board.