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and emoluments upon which subscriptions have been paid, such pensions to be entered upon at age sixty or earlier, in accordance with the provisions of Rule 21, in case of members disabled or incapacitated after ten years of service.

- "In accordance with the provisions of Rule 23, each year of service in the tropics has been taken as equal to one year and one-third of service elsewhere, so that for each year of service in the tropics the fraction $\frac{1}{100}$ will be replaced by $\frac{1}{300}$ in calculating the amount of the pension payable on retirement at age sixty. The member also has the option of retiring four months earlier than the age of sixty years for each such year of service on a pension calculated on the actual period of contribution.
- "The amount of these pensions has been based on the assumption that the company will contribute pound for pound of the members' contributions, and no reduction of the annual contributions of the subscribers should be made, as mentioned at the end of Rule 18, without reference to the amount of the pensions as fixed in the last actuarial report. It has also been assumed that the subscribers on weekly wages have in every case contributed $2\frac{1}{2}$ per cent. of their yearly wage to the fund; those who, in accordance with Rule 18, have paid less than this percentage will only be entitled to pensions decreased in proportion.
- "I beg to call attention to the unequal values of the options allowed to subscribers in the tropics under Rule 23. The value of the pension on retirement at age sixty of 33 per cent. more than the normal is very much less than the value of the smaller pension to be entered upon at an earlier age. A member entering at age twenty at a uniform salary throughout of £100 would on retirement at age sixty be entitled to a pension of £53, the value of which at the time of entry is £43. He also has the option of retiring at age fifty on a pension of £30, the value of which at the time of entry is £59. In addition to this there would be ten years less payments to be made to the fund in this latter case.
- "If any extra benefit is to be continued to be allowed to subscribers in the tropics this large discrepancy in the options allowed should be removed. These options have necessitated an additional reserve of many thousand pounds. Had it not been for this large 'tropical reserve,' the normal pensions could be very largely increased at the younger ages, almost doubled, in fact, at the youngest age at entry.
- "Due provision has been made for the requisite payments on the death of subscribers in accordance with Rules 25 and 26, and this latter rule has been so read as to include the only benefit which the subscribers other than those entitled to pensions will receive.
- "The rate of interest assumed has been 5 per cent. throughout. Although at the present time the funds are being accumulated at something over 7 per cent., I have not felt myself justified in assuming any higher rate than 5. The memorandum of 3rd January, 1893, and letter of 31st May, 1895, state that the funds shall, to the extent of one-half of the amount thereof, be invested on deposit with the company, and shall bear interest at the rate of 6 per cent. per annum, so that 6 per cent. is certain to be realised upon half the funds.
- "With regard to the remainder of the funds invested in fully-paid-up shares of the company, or in such other investments as the trustees shall agree upon, it is, in my opinion, imprudent to assume that any higher rate than 4 per cent. will be realised throughout the natural life of the youngest member now on the funds. Consideration must also be given to the circumstances of the subscribers; they are not numerous, and their occupations require them to work to some extent in groups. Any sudden disaster might easily include many at once, and so involve a large increase in the assumed rates of mortality and disablement. If the assumed rate of interest were close up to the actual rate there would be but little reserve left to carry this unexpected load, and readjustment in the shape of lowering the amount of the pensions would probably be necessary. As it is, a continuance of the present rate of interest realised should lead to a very sensible increase in the amount of the pensions, as any interest actually realised over the valuation rate can easily and equitably be distributed among the subscribers at each quinquennial valuation.
- "With regard to the benefit which may accrue to the fund from future retirements, voluntary or otherwise, no credit whatever has been taken in the valuation. Any benefit so arising can be dealt with at the next ensuing valuation."

In consequence of the actuary's report, and of the very strong recommendations made by him in the course of several interviews, the trustees felt it their duty to endeavour to remove the inequality involved in the tropical benefits. At the same time, they recognised that they could not, without some breach of faith, entirely abolish the provisions of Rule 23, and, after much consideration, they submitted for the approval of the various local committees an amendment, which has now been adopted, providing that subscribers residing in the tropics prior to the 1st March, 1896, shall continue to enjoy all their special privileges up to the date of leaving there; but, should they return after an absence of not less than six months, their contributions from that time will only entitle them to the same benefits as those of subscribers elsewhere; and that all members admitted to the fund after the 1st March, 1895, as well as those now living elsewhere than in the tropics, will not then, if transferred to or employed for tropical service, receive any special benefits in respect of such service.

With reference to the rate of pension fixed by the actuary, which is much below that expected when the fund was established, the trustees would point out two matters that have not, in their opinion, been taken sufficiently into account. In the first place, no allowance has been made for the sums that must in future revert to the fund through resignations from the company's service, though the revenue from this source, after repaying the contributions of the members in question, was, during the first five years, £2,500. Secondly, it has been assumed that the shares held by the trustees will only yield 4 per cent. interest on the money so invested, though at present they are yielding over 8 per cent. per annum. Another important consideration is that, while it has been found necessary to set apart nearly one-third of the assets as a reserve to provide for the special benefits allowed to tropical subscribers under Rule 23, the amendment recently adopted will have the effect of rendering a larger proportion of the funds available for ordinary pensions.

It is therefore expected that at the end of the present quinquennial period a higher rate will be possible, especially as it has been found that the London and North-western Railway Company, under a similar scheme to ours, has undertaken for the next twenty years to pay pensions at the rates shown in the following table:—

Super-annuation in Percentage of Average Salary. Super-annuation in Percentage of Average Salary. Super-annuation in Percentage of Average Super-annuation in Percentage of Average Years of Contribution Years of Contribution Years of Contribution Years of Contribution completed. completed. completed. completed. Salary Salary. $\frac{43\frac{1}{4}}{45\frac{3}{4}}$ $64\frac{1}{2}$ $66\frac{1}{4}$ 10 $22\frac{3}{4}$ 19 28 37 $86\frac{1}{2}$ 89<u>1</u> 91<u>3</u> 20 **2**9 $\frac{11}{12}$ 25 27<u>1</u> 29<u>1</u> 31<u>2</u> 34<u>1</u> 36<u>1</u> 38 69½ 71¾ 21 30 48 39 $94\frac{1}{2}$ 13 22 50 31 40 74 76½ 23 52_{4}^{3} 32 41 $97\frac{7}{4}$ 14 15 24 55 33 42 100 571 592 79 25 43 16 34 103 26 35 81<u>1</u> 383 44 106 17 62 36 109 45 18 and upwards

London and North-western Railway Scheme.