

The ACTUARY to the COMMISSIONER of INSURANCE.

Government Life Insurance Department,

Head Office, Wellington, 22nd August, 1899.

1. As instructed by you I have examined the scheme for a Police Provident Fund, which is outlined in the last annual report of the Commissioner of Police, on which I now beg to submit the following report, in obedience to a Cabinet minute, dated 17th July. My investigation has been principally directed with a view to ascertain the liability which would be imposed upon the Government by the adoption of the aforesaid scheme, and to suggest such alterations as would tend to render the scheme practicable.

2. In my calculations I have assumed $3\frac{1}{2}$ per cent. as the rate of interest, and I do not think a higher rate could properly be taken at the present time as the basis for such a scheme of deferred annuities.

I do not think it would be safe to assume, as suggested by the Commissioner of Police, Mr. Tunbridge, that police-officers are a particularly short-lived class: the available mortality statistics of policemen are few, but the published experience of one large Australian insurance office indicates that their mortality is at least as good as that of doctors, lawyers, merchants, bankers, architects, and surveyors. Although their occupation subjects them to a considerable amount of hardship and exposure, it must be borne in mind that they are a picked body of exceptionally healthy men at the start.

In estimating the yearly sums necessary to provide for the proposed benefits, I have made no addition whatever for expenses, as I understand it is desired that the fund shall be managed by the Police Department itself. At the same time I would point out that, whoever administers the scheme, a considerable outlay must be unavoidable in connection with the management of a large number of pensions involving the receipt and distribution of many thousands of pounds yearly, and the investment of a large and rapidly-increasing accumulation of capital, eventually amounting to hundreds of thousands. This, I think, will be evident from the fact that, if such a fund were administered by the trained staff of any insurance society, a "loading" for expenses would be an absolute necessity, apart from all considerations of profit or dividends to shareholders.

3. The following are the benefits proposed in the scheme:—

I.—Pensions on Survival to age of Fifty-five.

To every officer of the age of fifty-five and upwards, who has served for twenty-five years, a pension of twenty-five-fiftieths of his pay at the time of retirement (or of his average pay for seven years preceding retirement in certain cases), the pension to be increased by one-fiftieth of his pay for each additional completed year's service, the maximum pension being thirty-fiftieths, or three-fifths, of his pay.

II.—Retiring-allowances before reaching age Fifty-five.

(a.) To every officer "returned as medically unfit," with less than five years' service, a return of the amount deducted from his pay during service.

(b.) To every officer "returned as medically unfit," with from five to fifteen years' service, a gratuity equal to one month's pay for each completed year's service, the maximum gratuity being twelve months' pay.

(c.) To every officer "returned as medically unfit" with fifteen years' service and upwards, a pension of one-fiftieth of his pay for each completed year's service, with a maximum pension of thirty-fiftieths.

Note.—When an officer is "returned as medically unfit for further service owing to injuries received in the execution of his duty" his case is to receive special consideration, and he may be granted a pension not exceeding three-fifths of his pay, irrespective of his term of service.

(d.) To every officer voluntarily resigning from the service, with from ten to twenty-five years' service, a return of three-fourths of the amount deducted from his pay during service.

(e.) To every officer dismissed from the service or retired for misconduct, a return of one-half of the amount deducted from pay during service.

III.—Death Benefits.

(a.) In the case of death from injuries received in the execution of duty, a pension of not more than £18 per annum to a widow (so long as she remains a widow), and not more than 5s. a week to each child until the age of fourteen.

(b.) In the case of death not from injuries received in the execution of duty, a return of the amount deducted from pay during service to be made to the next-of-kin.

If any officer in receipt of a pension should die before having drawn an amount equal to that deducted from his pay, the difference to be paid to the next-of-kin.

4. The following are the payments which are proposed in order to provide the benefits described in the last paragraph:—

I.—Contributions from Members of the Force.

A deduction of 5 per cent. from the pay of every officer.

II.—Contribution from the Government.

An amount equal to that now paid as compassionate allowance.

III.—Contributions from Miscellaneous Sources.

(a.) Fifty per cent. of all emoluments received by members of the Force in connection with outside appointments.

(b.) The amount now standing to the credit of the Police Fund.