

5. The total 5-per-cent. deductions from the pay of the Force would, at the present time, amount to about £4,200 per annum.

The compassionate-allowances paid by the Government on the retirement of members has amounted during the last ten years to about £28,500, or an average yearly sum of £2,850.

Fifty per cent. of the emoluments received from outside appointments is estimated by Mr. Tunbridge to be worth about £650 per annum.

The reward Fund, now amounting to £1,673, is to be transferred to the Pension Fund; but it will not be a recurring yearly payment, and the income derivable from this source will be comparatively insignificant.

The total income from all sources at the present time would therefore come to slightly under £8,000 per annum, which is between 9 and 10 per cent. of the present total yearly pay of the Force.

6. The main question to be answered, therefore, is: Would annual payments equal to 10 per cent. of the pay of the Force be sufficient, in conjunction with interest-earnings at $3\frac{1}{2}$ per cent., to provide the proposed benefits?

Before proceeding to answer this question it will be desirable to explain that two separate and distinct liabilities are involved in the proposed scheme.

First, there is the ordinary liability which would arise if payments were made into the Fund on account of each member from the date of his joining the Force.

Secondly, there is the extra liability arising from the fact that the present members of the Force have paid nothing to the Fund for the terms of their past service. As an example of the liability thus incurred, I may point out that a sergeant aged sixty, with thirty years' service, and now drawing 9s. per diem, would be entitled under the scheme to retire almost immediately on a pension of £100 per annum for the rest of his life, without anything whatever having been accumulated in the Fund to meet the liability, the present value of which would be more than £1,000 on account of this officer alone.

7. There are at the present time thirty-three officers eligible for pensions under the scheme. Assuming an average salary of £150 per annum, an average age of sixty, and an average term of service of thirty years, the present value of the liabilities incurred on behalf of these thirty-three officers would be, approximately, £30,000. I am aware that Mr. Tunbridge thinks it extremely unlikely that these men would all retire at once, but, considering their age and length of service, it would be unsafe to rely upon the lapse of any considerable time before they are all pensioners on the Fund.

8. In regard to the extra liability which would be incurred on account of the present members of the Force who are not yet qualified for pensions under the scheme, I may say that it would certainly be very heavy, as might be expected from the fact that every year a fresh number of men would become eligible for pensions who had only paid into the Fund one, two, three years, and so on. It would involve considerable clerical labour to calculate this liability with any great accuracy, and it would also be necessary to have exact data regarding the service of every man now in the Force; but I think it will be quite sufficient for the present purpose to say that I roughly estimate the present value of the extra liability incurred under this head as not falling far short of £100,000.

9. In the next place, with reference to the ordinary liability referred to in paragraph 6, I find that, in order to provide the benefits contained in the proposed scheme, it would be necessary that the men's deductions of 5 per cent. from pay should be increased, not to 10 per cent., but to at least 18 per cent. An additional 13 per cent. of the total pay of the Force would, therefore, have to be supplied yearly by Government or obtained from miscellaneous sources, apart from the heavy extra liability alluded to in paragraphs 6, 7, and 8.

10. As I am aware that the foregoing estimate is not unlikely to create some astonishment, I would say that it is a common thing for the cost of deferred annuities, or pensions, to be popularly underestimated, and that the difference in the value of pensions commencing at fifty-five and sixty respectively is very considerable indeed.

11. The consideration of a specimen case may perhaps cause this matter to be more clearly understood. If the pay of a man of thirty were £100 per annum, and remained at that rate until he arrived at the age of fifty-five, he would then be able to retire with a pension of £50 per annum under the proposed scheme. In order to purchase this pension (without any extra benefits), he would have to pay £12 a year for the twenty-five years between thirty and fifty-five, and this would not provide for any allowances whatever at death or retirement before age fifty-five. In order to provide the extra benefits of the proposed scheme, it would be necessary for the £12 per annum to be increased to £18 per annum.

12. In Mr. Tunbridge's report it is assumed that the proposed fund would work satisfactorily because there would be a balance in hand at the end of the first year. I may say that this is altogether a mistake, as in any properly arranged scheme of deferred annuities the funds in hand are bound to accumulate rapidly for some years after the commencement of the scheme. It is, in fact, necessary not only to provide the money for the pensions which are payable during the year, but to constitute a fund from which to pay eventually the pensions to men now on the active strength of the Force as they fall in. Unless that is done a portion of the present liabilities is left to look after itself in the future.

13. The present value, at $3\frac{1}{2}$ per cent., of the ordinary liability (referred to in paragraph 9), which is not provided for by the proposed contributions, amounts to about £200,000. The present value of all the liabilities connected with the proposed scheme, over and above the present value of the proposed contributions, will therefore come to £330,000 approximately, and it would be necessary to provide that amount, by vote or otherwise, before the scheme could be placed on a sound footing as it now stands. I may point out that there are many disastrous instances of pension-funds becoming hopelessly insolvent in the course of time, owing to having been started on unsound