Any deficiency in the Police Provident Fund is to be met out of the Consolidated Fund of the colony.

The rights and benefits provided by the Act are subject to modification or repeal.

The Fund is somewhat difficult to value, as many of the benefits can be granted or withheld at the option of the Board, and the liability depends to a considerable extent on the view taken as to what constitutes medical unfitness.

Of the pensions granted since the commencement of the scheme,—

17 have been granted for old age, under section 13;
16 " " medical unfitness, under section 12;
2 " " injuries on duty, under section 14;
4 (widow and three children) under section 15.

Of those pensioned for old age two have died; while of those pensioned for medical unfitness three have died and one returned to duty; and of the two injured on duty one has since died: thus leaving thirty-two pensioners on the Fund. The number of contributors at the 31st March was 594.

The average age at retirement of the pensioners under section 13 was nearly sixty-four, and under the other sections of the Act about fifty-one.

The Valuation.

The particulars supplied by the Commissioner have been valued by Dr. Farr's Healthy English Mortality Table (Males), using 3½ per cent. interest (the rate allowed on the Fund by the Public Trustee). The benefits have been valued as if the pensions were payable at age sixty-three—viz., three years after members have the right to retire. The necessary allowances have been made for the usual increases in salaries, as well as for the return of contributions up to the date of death as provided by the Act. A further reserve has been made for the additional liability on account of retirements through medical unfitness, and on account of the other benefits allowed by the Act, after deducting the estimated relief afforded to the Fund by resignations and dismissals. This reserve has been based on the experience of the scheme during the three years and four months it has been in existence.

The liability brought out is the liability of the Government to existing members of the Force only, and no addition to this liability has been made for future entrants.

The Fund at the 31st March last amounted to £18,418 5s. 3d., and the present value of the liabilities under the Act to £207,410 6s., leaving a deficiency of £188,092 0s. 9d.

This liability is not altogether a new one, as prior to the passing of the Act the Government, I believe, as a rule, allowed compensation to members of the Force on retiring, and I gather from the annual reports on the Fund that the compensation that would probably have been paid to the members who have retired during the time the scheme has been in operation would have amounted to £9,646 10s. 7d., or about £2,894 per annum, which, if an annually recurring amount, would represent interest at 3½ per cent. on a capital sum of £82,686.

The deficiency has been occasioned by the insufficient contributions and by the practice of allowing service in the Force prior to the 1st December, 1899, to count for the pension although no contributions have been made to the Fund on account of those years.

To have made the Fund self-supporting without Government aid, the rate of contribution for entrants, exclusive of back service, should have been—for age twenty-five, about £9 10s. per cent., instead of £5 per cent.; for age thirty-five, about £11 18s. per cent., instead of £6 10s. per cent. The capital value of this deficiency in the case of each member on entering of the service, assuming the pay to be 7s. a day in each case, with the annual increases, is about £86 and £88 respectively at the ages stated.

I am aware that the Fund is believed to be in a flourishing state, and that these statements will be received with a certain amount of incredulity, for as long as the income exceeds the outgo it is difficult for many people to realise that this state of affairs will not always continue. But after a pension fund is established the aged and medically unfit members receving pensions must increase from year to year until they bear much the same proportion to the staff on active service as the infirm and old in the colony bear to the remaining adult population.

Even a rough examination of the accounts shows that before many years are over the pensions and allowances will exceed the contributions. For the last three years they have been as follows:—

	Contributions.	Pensions and Allowances.	Differences.
	£	£	£
Year ending the 31st March, 1901	6,508	800	5,708
Year ending the 31st March, 1902	6,435	1,435	5,000
Year ending the 31st March, 1903	6,330	3,087	3,243

The income from contributions has a tendency to diminish as the men paying the higher percentages of their salaries leave the service, while the pensions and allowances are rapidly increasing. At the close of the triennial period, the pensions granted amounted to £2,918 1s. 6d. per annum, while pensions to the amount of about £1,700 per annum had accrued through old age and length of service, and can be drawn at any time the requisite notice is given.

I estimate that for the year ending the 31st March, 1906, the contributions and pensions will be approximately equal; but it will probably be six or seven years later before the accumulated funds are exhausted and the Government will be called upon to pay the differences between the expenditure and receipts.