1914.
NEW ZEALAND.

LOCAL AUTHORITIES' SUPERANNUATION:

REPORT OF ACTUARY INTO THE FUNDS OF THE WELLINGTON HARBOUR BOARD, THE AUCKLAND HARBOUR BOARD, AND THE BULLER COUNTY COUNCIL AS AT THE 31ST DECEMBER, 1913.

Presented to both Houses of the General Assembly pursuant to Section 14 of the Local Authorities Superannuation Act, 1908.

REPORT BY THE ACTUARY APPOINTED BY HIS EXCELLENCY THE GOVERNOR TO MAKE AN EXAMINATION OF THE LOCAL AUTHORITIES' SUPERANNUATION FUNDS.

Wellington, 15th October, 1914.

1. I HAVE made an actuarial examination of these funds as at the 31st December, 1913, as required by section 14 of the Local Authorities Superannuation Act, 1908, which says that, "In the year nineteen hundred and eleven, and in every third year thereafter, an examination of every fund established under this Act shall be made by an actuary appointed by the Governor."

2. The Local Authorities Superannuation Act, 1908, which came into force on the 10th October, 1908, gave power to any local authority, or any body possessing rating-powers over any district, to establish a superannuation fund under the provisions of the Act for the benefit of persons in the service of that local authority.

The pensions payable from the fund only relate to the years of contribution, but power was given by section 16 of the original Act to grant additional pensions (not exceeding one-sixtieth of salary for each year of service prior to the commencement of the Act) payable out of the ordinary revenues of the local authority. The Chief Justice in a declaratory judgment on this section held in effect that the supplementary pensions could not be promised, and it rested with the Board in existence at the time of the contributor's retirement to grant or withhold such additional pension. The amending Act of 1912, however, corrected this defect, and power is now definitely given to a local authority, when establishing a superannuation fund, to grant supplementary pensions as one of the benefits to be enjoyed by contributors. The contributions and benefits provided for by the Act are those of the Public Service Fund (*vide* H.-26A, 1912) slightly modified, and are shown in the appendix to this report.

3. At the 31st December, 1913, three local bodies had passed special resolutions establishing superannuation funds, and these resolutions had been confirmed by the Governor by Order in Council in accordance with section 6 of the Act. These local bodies, with dates of establishment of funds, are—

(*a*.) Wellington Harbour Board—1st April, 1913;
(*b*.) Auckland Harbour Board—1st April, 1913;
(*c*.) Buller County Council—1st October, 1913.

These funds comprising very few members, and having been in existence for a few months only, it will be evident that the results of valuations based on such very limited experience must be regarded with great caution. For practical purposes it would have sufficed if no valuations had been made until after three years' existence, but in order to comply with the letter of the Act such valuations have been made, with results as follows:—

4. *Wellington Harbour Board Superannuation Fund.*—This fund was established on the 1st April, 1913, after it had been ascertained actuarially that an annual subsidy of 65 per cent. of the employees' contributions would be necessary from the Board to enable the benefits shown in the appendix to be granted. In addition to these pensions, dating only from the establishment of the fund, the Board decided, under section 2 of the Local Authorities Superannuation Amendment Act, 1912, to grant, out of the Board's revenues, pensions at the same rate for service prior to the establishment of the fund.

The Revenue Account for the nine months ended the 31st December, 1913, is as follows:—

	£ s. d.		£ s. d.
Funds at 1st April, 1913	Nil.	Retiring-allowances	0 7 5
Members' contributions	2,450 15 9	Contributions refunded to members ..	36 14 10
Subsidy from Harbour Board (65 per cent. of members' contributions)	1,592 19 6	Accumulated funds at 31st December, 1913	4,059 19 7
Interest	53 6 7		
	£4,097 1 10		£4,097 1 10

The statistics of the fund show that at the end of the year there were 261 contributors, with annual salaries of £46,763 and annual contributions of £3,590.

At the end of the year there were only two pensions current, for £187 3s. per annum, of which £182 14s. per annum had been granted by the Harbour Board in the manner already explained, the balance of £4 9s. per annum being a liability of the fund.

The condition of the fund as disclosed by an actuarial valuation is shown in the following valuation balance-sheet:—

Liabilities.	£
Value of two pensions for £4 9s. per annum already granted	27
Value of prospective pensions (to present contributors) for back service since contributing	2,312
Value of prospective pensions (to present contributors) for future service	32,693
Value of prospective pensions to widows and children of present contributors	14,470
Value of return of contributions on death or withdrawal	5,991
Surplus	5,852
	£61,345

Assets.	£
Accumulated funds	4,060
Value of present contributors' future contributions	34,718
Value of Harbour Board's annual subsidy (65 per cent. of contributions)	22,567
	£61,345

The scheme was optional on the part of existing members, and consequently the subsidy was settled as 65 per cent. of contributions to allow for adverse selection on the part of employees when making their choice, but the actual selection has turned out to be slightly in favour of the Board. I should not, however, recommend any reduction of the subsidy until more experience of the actual working of the fund has been gained.

5. *Auckland Harbour Board Superannuation Fund.*—This fund was established on the 1st April, 1913, after it had been ascertained actuarially that an annual subsidy of 60 per cent. of the employees' contributions would be necessary from the Board to enable the benefits shown in the appendix to be granted.

The Revenue Account for the nine months ended the 31st December, 1913, is as follows:—

	£ s. d.		£ s. d.
Funds at 1st April, 1913	Nil.	Accumulated funds at 31st December, 1913	514 2 0
Members' contributions	319 11 9		
Subsidy from Harbour Board (60 per cent. of members' contributions)	191 15 0		
Interest	2 15 3		
	£514 2 0		£514 2 0

The statistics of the fund show that at the end of the year there were forty-four contributors, with annual salaries of £8,331 and annual contributions of £566. No pensions had been granted.

The condition of the fund as disclosed by an actuarial valuation is shown in the following valuation balance-sheet:—

Liabilities.	£
Value of prospective pensions (to present contributors) for back service since contributing	338
Value of prospective pensions (to present contributors) for future service	8,657
Value of prospective pensions to widows and children of present contributors	2,472
Value of return of contributions on death or withdrawal	872
Surplus	1,588
	£13,927

Assets.	£
Accumulated funds	514
Value of contributors' future contributions	8,383
Value of Harbour Board's annual subsidy (60 per cent. of contributions)	5,030
	£13,927

In this scheme the pensions date only from the establishment of the fund, the Harbour Board not having taken advantage of the power given by the Local Authorities Superannuation Amendment Act, 1912, to grant from the Board's revenues additional pensions for service prior to the establishment of the fund. Consequently, the scheme being optional, the older men in the service of the Board have not joined, and the liability has been diminished. I advise the retention of the surplus in the fund, and that more experience be gained before reducing the subsidy.

6. *Buller County Council Superannuation Fund.*—This fund was established on the 1st October, 1913, after it had been ascertained actuarially that an annual subsidy of 80 per cent. of the employees' contributions would be necessary from the Council to enable the benefits shown in the appendix to be granted. In addition to these pensions, dating only from the establishment of the fund, the Council decided, under section 2 of the Local Authorities Superannuation Amendment Act, 1912, to grant, out of the Council's revenues, pensions at one-half that rate—*i.e.*, $\frac{1}{120}$ — for service prior to the establishment of the fund.

The statistics of the fund show that there were only seven contributors at the end of the year, with annual salaries of £1.387 and annual contributions of £121. No pensions had been granted.

The accounts supplied in this case contain merely a statement of receipts and expenditure instead of a revenue account as required by the regulations, but it is possible to ascertain from the balance-sheet that the accumulated funds at the 31st December, 1913, amounted approximately to £51.

The condition of the fund as disclosed by an actuarial valuation is shown in the following valuation balance-sheet :—

Liabilities.	£
Value of prospective pensions (to present contributors) for back service since contributing	31
Value of prospective pensions (to present contributors) for future service	689
Value of prospective pensions to widows and children of present contributors	491
Value of return of contributions on death or withdrawal	82
	£1,293

Assets.	£
Accumulated funds (approximate)	51
Value of contributors' future contributions	648
Value of Council's annual subsidy (80 per cent. of contributions)	518
Deficiency	76
	£1,293

In reference to the actuarial deficiency of £76 I must point out that the subsidy of 80 per cent. of contributions would be sufficient if the contributing employees comprised an average admixture of young and old members, but at the 31st December last five of the seven contributors were over fifty years of age. Since that date more members have joined, and I do not consider that any increase in the subsidy is necessary at present.

7. The condition of these funds is satisfactory, and they may safely be allowed to continue unaltered in regard to subsidy or otherwise until the next valuation three years hence.

The Act and regulations thereunder enable local authorities to satisfactorily superannuate their permanent employees in a similar manner to the employees of the various public services in regard to pensions, contributions, and subsidies. The Act would not conveniently apply to casual workers, who could be more suitably provided for in the National Provident Fund, and amending legislation is now before Parliament having that end in view.

MORRIS FOX,
Actuary to the Government Insurance Department.

APPENDIX.—THE BENEFITS AND CONTRIBUTIONS PROVIDED FOR BY THE ACT.

Contributions.

The contributions vary according to the age at the time when the first contribution becomes payable, and are as follows :—

Age 30 and under	5 per cent. of pay.
Over 30 and not exceeding 35	6 ,,
,, 35 ,, 40	7 ,,
,, 40 ,, 45	8 ,,
,, 45 ,, 50	9 ,,
,, 50	10 ,,

Benefits.

I. *On Attainment of Pension.*—Males at age 65, or after contributing for forty years; females at age 55, or after contributing for thirty years:—

(1.) A pension of one-sixtieth of yearly salary for each year's contribution, with a limit of forty-sixtieths (two-thirds) of salary. Maximum pension, £300.

(2.) Or the option, in lieu thereof, of a return of total contributions. (NOTE.—The local authority may in any particular case retire on a pension a male contributor whose age is not less than 60, or a female whose age is not less than 50.)

II. *On Retirement before Pension Age* (on the grounds of being medically unfit for future duty):—

(1.) At any time on the certificate of two doctors approved by the local authority a pension of one-sixtieth of yearly salary for each year's contribution, limited to forty-sixtieths, and not to exceed £300.

(2.) Or the option, in lieu thereof, of a return of total contributions.

III. *On Retirement before Pension Age* (on other grounds than medical unfitness):—

On voluntary retirement or dismissal, a return of total contributions.

IV. *At Death* (whether before or after becoming entitled to a retiring-allowance):—

(1.) Leaving no widow or children: A return of total contributions less any sum received from the fund during lifetime.

(2.) Leaving a widow—

(*a.*) £18 yearly during widowhood; or

(*b.*) A return of total contributions paid by the deceased less any sums received by him from the fund during his lifetime.

(3.) Leaving children: 5s. weekly to each child until age 14.

NOTE.—The pensions are payable monthly, and are computed on the average salary for the last three years.

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