

16. Compared with the previous valuation the liabilities show an increase of £696,593, and the funds and value of future contributions an increase of £236,814, making a net increase in the Government's liability of £459,779. The causes of the increase are (1) the extension of the definition of "Education service," as already mentioned, to include service under universities; (2) the revival of the right of persons employed in the Education service on the 1st January, 1906, who had not already joined the fund, to do so; (3) increase of salary scale and consequent increase in the pensions to be based thereon; and (4) the natural increase in the number of contributors. Under No. (1) forty-six persons joined the scheme, some of whom were entitled to retire immediately on pension; and under No. (2) 156 persons joined, bringing on to the fund a considerable liability for back service.

The number of contributors, their salaries, and the annual pensions payable at 31st December, 1913, and the 31st December, 1910, respectively were as follows:—

|                                | 1913.   | 1910.   |
|--------------------------------|---------|---------|
| Number of contributors         | 4,017   | 3,247   |
|                                | £       | £       |
| Annual salaries                | 708,589 | 547,932 |
| Average salary per contributor | 176     | 169     |
| Annual pensions payable        | 29,898  | 14,261  |

The nearer a person is to the retiring-age the greater is the value of his pension and the less the value of his future contributions; the increase of salary being chiefly at the higher ages has therefore greatly increased the liability, while adding little to the value of the assets.

17. Section 38 (2) of the Act requires the report to be so prepared as to show "the probable annual sums required by the fund to provide the retiring and other allowances falling due within the ensuing three years without affecting or having recourse to the actuarial reserve appertaining to the contributors' contributions." As the contributions are insufficient to provide for the full benefits for future service, the whole of the pensions for back service and a certain portion for future service are left to be provided by the subsidy. The sums required during the ensuing three years, 1914, 1915, and 1916, are as follows:—

| Required for                                               | 1914.  | 1915.  | 1916.  |
|------------------------------------------------------------|--------|--------|--------|
|                                                            | £      | £      | £      |
| Current ordinary pensions .. .. .                          | 26,802 | 25,686 | 24,579 |
| New pensions and family pensions .. .. .                   | 6,507  | 12,425 | 18,379 |
|                                                            | 33,309 | 38,111 | 42,958 |
| Deduct amount of pension provided by contributions .. .. . | 4,172  | 5,215  | 6,358  |
| Subsidies required for ensuing three years .. .. .         | 29,137 | 32,896 | 36,600 |

I have therefore to report that, in addition to the annual subsidy of £17,000 now being paid, further subsidies of £12,000, £16,000, and £20,000 will be required for the years 1914, 1915, and 1916 respectively, or an average of about £16,000 per annum. The increase in the subsidy required has, like the increase in the liability, been partly occasioned by the additional contributors joining the fund under the Public Service Classification and Superannuation Amendment Act, 1912.

As the scheme had only been in operation for eight years at the date of the valuation, while some of the pensions were for nearly forty years' service, the amount of pension purchased by the contributions is at present comparatively small. The proportion of the total pensions so purchased, however, shows a steady increase from year to year.

18. The only other matter calling for remark is the investment of the funds. The higher the rate of interest which can be obtained, having due regard to the safety of the capital, the stronger the financial position of the fund will be, and the less the subsidy it will eventually be necessary to ask for. The interest allowed by the Public Trustee ( $4\frac{1}{4}$  per cent.) is much below the rate which could be secured by the direct investment of the moneys on mortgage, and I would strongly advocate an alteration being made in the Act to enable them to be invested in this manner.

It has been proposed that an Investment Committee, representing the Teachers', Public Service, and Railway Superannuation Funds, should be set up for the purpose of investing the moneys of the different funds. This, of course, could be done without any interference with the independence of the different schemes or any amalgamation of their liabilities or subsidies. If desired each fund could be separately invested by the committee, but pooling the money for this purpose, besides simplifying the book-keeping and general procedure, has certain other advantages, as, instead of three uninvested balances, there would only be one, and in the event of a loss arising through a bad investment it would not fall wholly on one fund but be distributed *pro rata*. The same rate of interest would also be realized by each. The interest, less losses (if any), and the expenses, &c., could be apportioned to the different funds according to the amounts invested.

The funds at the 31st December, 1913, amounted to £265,136, and if 5 per cent. could be realized on this instead of  $4\frac{1}{4}$  per cent. it would make an annual addition to the income of £1,989, and as the funds must eventually become very large to correspond with the liabilities, even a small increase in the rate of interest is of great importance.

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