

the increase be fixed accordingly. This would somewhat reduce the liability of £98,961 already stated, and, while meeting cases of real hardship, would prevent the fund being imposed upon.

20. *Investment of the Funds.*—I would strongly support the endeavour which is being made to obtain a more remunerative method of investing the funds. The interest ($4\frac{1}{2}$ per cent.) which is now being received is considerably under the market rate, and the probable effect of the war will be to still further increase the demand for money, and consequently the rate of interest. At present the excess interest goes to swell the profits of the Public Trust Office instead of increasing the stability of the fund, and if a higher rate of interest were earned the Government subsidy might eventually be reduced. As the subsidy is increasing, it is necessary to take a somewhat conservative view in considering proposals which will augment the liabilities of the fund, but this would not be so essential if a higher rate of interest could be looked forward to, and in a large fund, such as the Public Service Superannuation Fund will become, a rise of even $\frac{1}{2}$ per cent. in the rate of interest will make a very large increase in the annual revenue.

21. In regard to the proposal that a special investment committee should be set up, for the purpose of investing the moneys belonging to the Public Service, Government Railways, and Teachers' Superannuation Funds, now invested through the Public Trust Office, I would point out that merely investing the money through the same Board does not necessarily involve any other change whatever, and each scheme could be as completely independent of the others as it is at present. It would simplify the investments to deal with the money as a whole, and not allocate any individual investment to any particular fund, and besides its simplicity it would assure each receiving the same rate of interest and would prevent any possible loss through a bad investment falling wholly on one fund. The uninvested balance would also be much smaller than if each fund were invested separately, and the interest, less losses (if any) and the expenses of investing the moneys and collecting the interest, could be allotted according to the average amount to the credit of each particular fund. A higher rate of interest would materially strengthen the financial position of the funds, and probably this could best be secured by pooling the moneys for investment purposes, as stated above. Other questions, such as the subsidies to be paid to the various funds, appear to have no particular connection with this matter, and at present there seems to be no necessity for associating them for any purpose other than that of investment.

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Wellington, 1st March, 1915.
