Investment of the Fund.—The Public Service Classification and Superannuation Amendment Act, 1915, which came into operation on 1st January, 1916, authorized the Board to invest the moneys of the fund in the following classes of security:—

Securities of the Government of New Zealand;
Debentures issued by local authorities;
First mortgage of freehold land to an amount not exceeding three-fifths of the estimated value of such land according to a valuation approved by the Board. Special valuations by the Valuation Department are used for this purpose;
Deposits in any bank of issue in New Zealand or in the Post Office Savings-bank;
Any other securities that may from time to time be authorized by the Governor-General in Council on the recommendation of the Board.

The Act also provides that all interest on the invested fund shall be collected by the Public Trustee, who is to receive for his services a commission not exceeding 2½ per cent. on the amount collected.

Securities representing the total amount of the Fund in the hands of the Public Trustee at the date when the Act came into force have been taken over by the Board. The selection of the securities transferred was made in terms of subsection (3) of section 4 of the Act, which provided that the securities to be taken over should be selected from all the common-fund investments of the Public Trust Office, the selection to be so made that a due proportion of the investments at each separate rate of interest should be taken over. The amounts of the several securities transferred to the Board by the Public Trustee, classified according to rate of interest, were as follows:—

Debenture Securities.—	£	
4 per cent. ...	9,000	
4½ per cent. ...	37,350	
5 per cent. ...	50,195	
5¼ per cent. ...	11,423	
5½ per cent. ...	6,100	
		114,068
Mortgage Securities.—	£	
4½ per cent. ...	134,505	
4¾ per cent. ...	43,285	
5 per cent. ...	143,304	
5½ per cent. ...	330,597	
6 per cent. ...	3,875	
		655,566
Total ...		£769,634

As the result of the change in the method of investment, the rate of interest earned on the mean funds was £5 1s. 2d. per cent., compared with a return of £4 5s. 4d. for the previous year.

Progress of the Fund.—The following table illustrates the position of matters in relation to the fund since its inception:—

—	Year ended 31st December,				
	1908.	1910.	1912.	1914.	1916.
Total number of contributors ...	7,235	8,371	10,027	11,803	13,313
Total amount contributed annually ...	£54,833	£90,215	£107,409	£127,044	£141,844
Interest received ...	£1,295	£10,212	£16,257	£25,607	£42,314
Number of pensions and allowances payable	122	487	683	959	1,233
Annual value of retiring and other allowances payable	£8,881	£39,944	£53,385	£70,399	£88,392
Total amount of contributions refunded	£484	£5,745	£10,749	£12,790	£22,649
Expenses of administration ...	£890	£1,657	£1,144	£933	£2,318
Total amount of accumulated fund ...	£71,481	£263,948	£423,556	£655,811	£896,568

Legislation.—Section 17 of the War Legislation Amendment Act, 1916, provides that any person who was a contributor to the fund on 4th August, 1914, and who has voluntarily retired from the Public Service for the purpose of joining the New Zealand Expeditionary Force or any other portion of His Majesty's Forces for service beyond New Zealand in connection with the present war, and is subsequently reappointed to any position in the Service from which he so retired, may have the period between his retirement and reappointment counted as continuous for superannuation purposes if within twelve months from the date of his reappointment he repays to the fund the amount of the contributions refunded to him, together with the amount that would have been payable by him by way of contributions to the fund if he had been granted leave of absence for the period during which he was out of the Service. The Board may allow the payment to be made by instalments extending over a period not exceeding three years.

G. W. Russell, Chairman.