

CONSOLIDATED REVENUE ACCOUNT OF THE NATIONAL PROVIDENT FUND FROM THE 1ST JANUARY, 1914,
TO THE 31ST DECEMBER, 1916.

<i>Income.</i>				£	s.	d.
Funds at 1st January, 1914	...	...	...	29,327	7	6
Contributions	...	...	...	76,211	11	4
Interest	...	...	...	7,360	11	1
Fines	...	...	...	749	12	9
Benefits refunded by deduction	...	...	...	676	7	1
Government contribution under section 25	...	...	...	18,654	5	7
Refund of maternity claims by State	...	...	...	8,398	9	8
Refunds unclaimed	...	...	...	574	4	6
Miscellaneous receipts	...	...	...	0	0	10
				<u>£141,952</u>	<u>10</u>	<u>4</u>
<i>Outgo.</i>				£	s.	d.
Maternity claims (section 18)	...	...	...	8,398	9	8
Refund of contributions on lapse, reduction and withdrawal (sections 10, 11, 12, and 13)	...	...	...	9,720	13	8
Death: Refund of contributions (section 15)	...	...	...	1,471	8	6
Refund of contributions overpaid	...	...	...	0	9	11
Funds at 31st December, 1916	...	...	...	122,361	8	7
				<u>£141,952</u>	<u>10</u>	<u>4</u>

The scheme having been only a comparatively short time in existence, it will be seen that the outgo is still small compared with the income, and that there was therefore a considerable increase in funds during the triennium. A rapid increase in funds, the sufficiency of which can, of course, be tested only by actuarial valuation, is in fact indispensable in a recently established scheme of this kind, as the heavy liabilities incurred in guaranteeing pensions to contributors, the great majority of whom are enrolled at the younger ages, are from the nature of the benefit largely deferred to the future.

The extent to which the contribution income and funds in hand will be supplemented by future interest earnings is therefore important, as without substantial aid from this source the State would have to bear a much larger share of the prospective liabilities than is contemplated in the scheme.

THE VALUATION.

The valuation is conditional upon the funds being improved at interest at not less than 4 per cent. per annum. This rate had not been earned in the early stage in the financial operations prior to the valuation date; but much improved interest returns, which now approximate to the 4-per-cent. standard, have been received since then, and as further improvement in the rate credited may be anticipated, the valuation has been made at 4 per cent.

Although, as a general principle, the valuation of a benefit fund should as far as possible be based on factors derived from the statistics furnished by the fund's own actual working experience, it is not altogether practicable to adopt this course, in view of the fund having been in existence only six years, two of which were war years and therefore abnormal. The valuation factors must therefore be obtained from extraneous sources, such as the actual experience of longer-established schemes of a similar nature. The statistics which it has been possible to deduce from the working of the fund itself have, for the reasons stated, only been used for purposes of comparison with, and as a check on, the bases adopted in making the previous valuation. These bases were, when that investigation took place, fixed after careful consideration, and are on sound lines, but require testing from time to time as the actual experience of the fund itself accumulates. The practical importance, moreover, of valuation, if applicable, on substantially the same assumptions, at the beginning and end of an intervaluation period, is apparent when it is considered that any progress or retrogression which may have taken place during the period is accurately gauged by results obtained in this way.

Beyond slightly increasing the probabilities of being married, the present valuation has been made on the same bases as before. The bases adopted are as follows:—

- (1.) Mortality rates of contributors between those of the New Zealand population, 1906–10, and those of the New Zealand Civil Service Superannuation Fund. These rates show a low mortality below age seventy-three. After that age, as local statistics are scanty, they agree with the healthy English rates.
- (2.) Rates of discontinuance approximating to those of the Second Division of the New Zealand Railways.
- (3.) Rates of invalidity as exhibited by New Zealand friendly societies.
- (4.) Probabilities of being married, approximately 19 per cent. above those of the New Zealand population, 1911.
- (5.) Probabilities regarding children, as per New Zealand population statistics, 1908–12.
- (6.) Mortality rates of widows, as per New Zealand friendly societies rates two years younger, the result being an approximation to the rates of the female population of New Zealand for 1906–10.
- (7.) Interest has been taken at 4 per cent.

The valuation balance-sheet is as follows:—