

RECOMMENDATIONS.

13. It will be seen from the above that if the recently increased subsidy of £75,000 is continued, this provision will still be far from adequate, even upon the assumption that it is continued in perpetuity. It is recommended that in place thereof a subsidy of £170,000 be provided, which is calculated to extinguish the existing deficiency in about seventy-five years. The amount should, of course, be subject to occasional adjustment to meet changes in the factors. As already stated, the total pay-roll of the employees included in the fund is £2,256,369 per annum, and it may be pointed out that the subsidy recommended represents approximately $7\frac{1}{2}$ per cent. thereon. It is usually considered by the highest actuarial authorities that a subsidy of 5 or 6 per cent. on the pay-roll is quite a reasonable amount for an employer to pay for the undoubted benefits he gets from a pension fund. In this case the figure is somewhat higher by reason of the fact that the State (as employer) failed to make the proper contributions to the fund from the very inception, and has now to provide not only the short payments of the past, but interest thereon.

14. In this connection a great deal of assistance could be rendered by the remunerative investment of the funds. It is doubtful whether this has been realized by those in control, as witness the following comparison:—

Rates of Interest earned by Superannuation Funds.

Year.	Public Service Fund.			Teachers' Fund.			Railways Fund.		
	£	s.	d.	£	s.	d.	£	s.	d.
1913	4	6	7	5	3	5	4	6	1
1914	4	5	10	4	6	9	4	5	0
1915	4	5	4	4	4	7	4	2	5
1916	5	1	2	4	12	8	4	4	7
1917	5	3	3	4	12	4	4	12	3
1918	5	4	1	5	3	3	4	12	4
1919	5	5	10	5	8	5	4	12	4

In the case of the Public Service Fund the Board has made its own investments since the 1st January, 1916, and the arrangement in the case of the Teachers' Fund is described in the annual report for the year ended 31st December, 1918, as follows: "During the year the Board, with the consent of the Government, came to a very satisfactory arrangement with the Public Trustee for investment of the fund. On the 1st July, 1918, an allocation was made *pro rata* from the Public Trust Common Fund investments to the total amount of the Superannuation Fund on that date. The Superannuation Fund receives the interest on the investments so allocated, instead of the flat rate of interest payable on moneys in the Common Fund of the Public Trust Office. All moneys belonging to the fund now available for investment are invested at current rates of interest. The Public Trustee charges $2\frac{1}{2}$ per cent. on the interest collected for his services in connection with the fund. After allowing for this commission the average rate of interest received on the 31st December last was approximately 5·2 per cent., which compares very favourably with the rate of about 4·67 per cent. previously received by the Board."

An arrangement having practically the same effect as the above, and involving even less trouble, would be for the Public Trustee to allow interest on the mean amount to the credit of the Railways Superannuation Fund at the rates earned, after allowing for losses, on the mean amount to the credit of the Common Fund. If the subsidy recommended is granted the funds will increase rapidly for some years, and it is desirable in the interest of the scheme that they should be invested to the best advantage.

15. Not only should suitable legislation be enacted to provide for the subsidy being placed on a proper footing, but it is a matter of the greatest importance that provision should be made for the periodical valuation of the fund.

CONCLUSION.

16. In conclusion it may hardly be necessary to point out that it is erroneous to suppose that a fund of this character exists only for the benefit of one of the two parties involved—the employer and the employees. The following remarks by the late Mr. H. W. Manly, a past president of the Institute of Actuaries, London, and a world-wide authority on pension funds, will bear repetition: "A fund maintained in a sound financial condition is, in my opinion, a blessing to both employer and employed. The employer secures a continuity of service, for the employee will think twice before he leaves a service where he has a number of years to his credit for pension, for a small additional income; and if he (the employer) makes a proper contribution to the fund, in addition to guaranteeing a good rate of interest, he secures efficiency in the service by superannuating his servants with a reasonable pension when they are no longer useful. His salary list is a good 5 per cent.—I am inclined to think in many cases nearer 10 per cent.—less than it would be if there were no fund, and I do not think, therefore, that he can reasonably object to subscribe 5 or 6 per cent. of salaries to the fund."

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Wellington, 24th September, 1920.

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