

VALUATION.

7. In making the valuation it has been taken that interest at 4 per cent. per annum will be earned on the fund during the whole future lifetime of members; that a proportion of members will leave the Service, and a proportion die at each age in accordance with the pre-war experience of the fund, drawing the appropriate benefits and relieving the pension liability; and that salaries and the corresponding contributions will increase from age to age according to the ratios of increase deduced from the average salaries at the 31st December, 1919, the pensions payable at retirement depending upon the same rates of salary-increase. These and other factors are more specifically set out in the appendix. In regard to the rate of interest, the rates earned during the triennium were as follows: 1917, £5 3s. 3d. per cent.; 1918, £5 4s. 1d. per cent.; 1919, £5 5s. 10d. per cent.; and, while comparatively high rates may continue to be earned for some time, it would not be prudent to anticipate more than 4 per cent. for the long period covered by a pension fund.

8. The result of the valuation, shortly, is as follows:—

	£
Present value of the liability for benefits	7,486,981
Present value of contributions receivable from members	£2,055,794
Funds in hand	1,288,198
	3,343,992
Present value of total liability of State	4,142,989
Less present value of existing subsidy of £86,000	2,150,000
Value of future subsidies to be provided for by the State over and above present subsidy of £86,000	£1,992,989

The valuation balance-sheet is given in detail in Table X of the appendix.

9. This shows a total State liability of the value of £4,142,989, as against £3,007,081 on the last occasion. The increase is due partly to accumulation at interest of that part of the State's liability that is unprovided for, partly to the normal expansion of the Service, and partly to the increased salaries.

The pensions current have increased from £88,392 per annum to £120,460 per annum, the number of contributors from 13,313 to 14,216, and the salaries from £2,287,591 to £3,084,195. The average salary has increased from £172 to £217, and, of course, an increase given to a contributor approaching the pension age adds materially to the value of his pension, particularly when there is considerable back service, while adding little to the value of his contribution.

10. The high salary scale resulting from the war conditions renders it difficult to estimate the liabilities with full confidence, as these depend materially upon the future course of the salary scale. The scale in force at the moment of writing represents a further increase upon that assumed in the valuation, and possibly an addition to the liabilities. Apart from this, the enforced retirements of officers with long service which are now taking place are casting a considerable unanticipated liability upon the fund, which will at once render increased State subsidies necessary. A certain amount of relief of a minor character will, on the other hand, accrue to the fund in those cases of enforced retirement in which the officer is entitled only to a refund of his contributions.

11. The Act (section 48 (2)) requires the report to be so prepared "as to show the state of the fund at the close of the period, having regard to the prospective liabilities and assets and the probable annual sums required by the fund to provide the retiring and other allowances falling due in the ensuing three years without affecting or having recourse to the actuarial reserve appertaining to the contributors' contributions." This has been taken to mean that the estimated pensions falling due during the three years following the valuation are to be divided into two parts—viz. (a) containing that part of the pensions provided for by the contributions, and (b) the remainder, which includes the pensions for service prior to joining the fund, and (as the contributions are insufficient to purchase full benefits for even future service) such part of the pensions for years of contribution as the contributions are not sufficient to provide for.

The first is clearly a liability which should be borne by the fund, but the second is not, and it is assumed that the intention of section 49 is that it should be paid for by a subsidy, to be increased from time to time, if necessary, according to the Actuary's report.

12. The estimated pensions falling due during 1920, 1921, and 1922, and the portions provided by the contributions and to be paid by subsidy respectively, are as follows:—

Required for—	1920. £	1921. £	1922. £
Current pensions to members	102,232	97,054	91,948
New pensions and family pensions	29,899	48,156	70,930
	132,131	145,210	162,878
Deduct amount of pensions provided by contributions	30,785	35,796	42,372
Amount due to be paid by the State in respect of the three years mentioned	£101,346	£109,414	£120,506

These figures would give an average subsidy for the years 1920, 1921, and 1922 of £110,000, or £24,000 more per annum than is at present being paid. The following considerations, however, must be taken into account:—

(a.) The actuarial recommendations made in the past in pursuance of the Act have not been fully carried out, the actual payments into the fund to the 31st December, 1919, being short by £180,000 of the amount recommended. When accumulated at 4 per cent. interest to the middle of next year these arrears amount to £237,264, and, of course, provision must be made in some way to meet this