

At the very least £10,000 per annum must be added to the future subsidies on this account. Details of the short payments are set out in the appendix (Table XI).

(b.) The extraordinary retirements which are being effected at the present time will entail a considerable special addition to the Government subsidy to the fund as from the year 1922. Full details of these retirements are not available, but those reported at the date of writing will mean an addition of £15,000 for the year 1922, or, if spread over three years, £5,000 per annum.

13. From the above, I have to report that the subsidy required for the three years 1920–21–22 is as follows :—

	£	s.	d.
Subsidy now being paid	86,000	0	0
Further subsidy required for 1920–21–22—			
£24,000 (as above)			
£10,000 (see 12a above)			
£5,000 (see 12b above)			
£39,000	39,000	0	0
Total annual subsidy required for 1920–21–22 ..	£125,000	0	0

When making provision for this subsidy it is important to see that it is back-dated to 1920, and that interest at 4 per cent. is added to any portion paid late.

14. The subsidies so far paid to the fund have, in reality, been principally old payments in a new guise, taking the place of compensation for loss of office and gratuities. The Government's contribution to the fund to the 31st December, 1919, amounts in all to £482,500, but if the pensioners had not accepted pensions they would have been entitled to compensation amounting to £290,457, reckoning only to the date they joined the fund. To this latter figure must be added the further compensation which would have been payable in respect of service since they joined the fund—say, about £90,000.

In addition to the saving in compensation brought about by the fund, there has also been a saving in gratuities; for at the rate prevailing during the five years prior to the establishment of the fund (viz., £5,242 per annum), these would have amounted to £62,904 during the ensuing twelve years, whereas the actual amount paid has been only £6,065—a saving of over £56,800. Moreover, the fund has enabled the Government to retire officers of long service with much greater facility than would otherwise have been the case.

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15. The change made in the method of investment has enabled the fund to gain advantage of the higher interest-rates now prevailing, the rates earned in the triennium being approximately 1 per cent. higher than in the preceding triennium, and $1\frac{1}{4}$ per cent. greater than the valuation rate (4 per cent.). Any interest earned above valuation rates will, of course, form an unanticipated profit of which the fund will get the benefit as it falls in from time to time.

16. As indicated above, the present subsidy system is based upon the idea that the State will make good in each year that portion of the current pensions not provided by the contributions paid therefor. Consequently, under the Act, the subsidy is to be arrived at without looking any further forward than three years. It is a system of deferring the Government's payments till the last possible moment consistent with good faith to the bulk of the contributors; but, unfortunately, the payments are made even later, owing to various difficulties.

A change is urgently needed which will place the subsidies upon a basis at once more automatic and more in accordance with the actual liabilities. At the very least, it should be possible to say that the accumulations of the younger and greater portion of the members are rigorously set aside and maintained intact to assist in meeting the liabilities appertaining to those members.

In this connection the following extract from the report of a Commission on the Pension Funds of the City of New York is of interest :—

“The Commission has made a broad review of existing pension systems in operation, both in the United States and abroad, on which it was able to secure information. This inquiry has brought out the fact that the development of pension measures as a result of an experience of over a hundred years is in the direction of equal division of cost between the employer and the employed, and that this tendency applies equally to systems for public employees and for industrial workers.”

So far, however, the contributions of the Government to the Public Service Superannuation Fund have fallen far short of the standard of an equal division of cost, the Government having contributed only £482,500, as against £1,496,840 contributed by the employees themselves—that is to say, the State has found only *one-fourth* of the total contributions.

17. The following additional extract from the report of the same committee will help to clear up some prevailing misapprehensions as to the objects of a pension fund :—

“The fundamental objectives of a sound measure are the advantages gained by—(1) Facilitating the discontinuance of the services of those who cannot perform satisfactorily the duties of their positions because of superannuation or other forms of disability; (2) clearing the lanes of promotion for the young and ambitious; (3) securing adequate protection for the employee against the major risks of life; (4) promoting the good will of employees and inducing them to put forth their best efforts; (5) eliminating appeals for charity and favouritism; (6) enabling the Government to compete with other public and private employers having pension systems in securing and keeping high-grade men and women in public service.”

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