4. The system of keeping the management of the Office in close personal touch with the requirements of the various districts of the Dominion has been maintained during the year. Almost all the districts throughout the Dominion have been visited by the Public Trustee or an Assistant Public Trustee.

SYSTEM OF COMMON-FUND INVESTMENTS.

5. In view of the public comment which has been made regarding the Common Fund system of the Public Trust Office it is desirable to place on record certain facts relating to that system.

In the first year of the active working of the Office it became evident that some system was necessary to provide suitable investments for the many small sums held in estates under administration. The Public Trust Office Amendment Act, 1873, accordingly provided that all moneys not directed to be specially invested should form one common fund and be invested as such. The whole interest obtained was credited proportionately to the individual funds making up the Common Fund.

As the result of the finding of a Royal Commission which investigated the working of the Office in 1891 a further development in the system took place. The Common Fund remained, but the interest accruing from the investments became part of it, and interest was allowed to beneficiaries whose moneys formed part of the fund at a rate to be fixed from time to time by the Governor. At the same time it was provided that if at any time the Common Fund should prove insufficient to meet the lawful claims on the fund the Consolidated Fund might be called upon to meet any deficiency. The Common Fund thus received the absolute guarantee of the State.

The moneys comprising the Common Fund are invested by the Public Trustee, and the Office retains the proceeds of the investments, whilst the beneficiaries and estates receive a fixed rate of interest prescribed by the Governor-General, and payment of both interest and capital is guaranteed by the State.

Apart from the special legislation authorizing the application of the system to the Public Trust Office, the pooling of the funds into a common fund would be illegal for the Public Trustee, as it is for a private trustee. The objection, however, which exists in general against the pooling of funds by a trustee is removed in the case of the Public Trust Office by the statutory guarantee of the integrity of both capital and interest in every estate.

There is a widespread impression that no other system than the Common Fund system is in existence in the Public Trust Office. As a matter of fact, however, provision now exists, and has always existed, for the special investment of estate funds in any case where the testator so desires. In such a case the Public Trustee will act exactly as a private trustee acts. He will invest the moneys in trustee securities returning the current market rate of interest, and he will be liable for the funds to exactly the same extent as a private trustee would be liable. It is therefore perfectly open to persons who do not favour the Common Fund system to provide for the special investment of their funds, when exactly the same result will accrue as if the estate were administered by a private trustee. The Public Trustee adopts an unbiassed and impartial attitude as between the two systems, and where special investment is directed he loyally and unreservedly observes such a direction. Nevertheless, although the two systems have been in existence in the Office side by side since 1873, it is found that the cases in which testators provide for the special investment of their funds are almost negligible.

The slight advantages of the system are greatly outweighed by the special benefits resulting from Common Fund investment: Firstly, the possession of the absolute State guarantee; secondly, the fact that no delay occurs in finding suitable investments; thirdly, the fact that once the money forms part of the Common Fund the interest runs without intermission; fourthly, that the interest is paid promptly, regularly, and in full; fifthly, that immediately capital funds are required for distribution they are available.