

I might say that a subsidy of 110 per cent. of the contributions of members would not immediately enable the budget to be balanced, but, though the State's payment would be increased somewhat from the outset, there would be a considerable gain in steadiness in regard to the amount of the subsidy, as well as in point of ease of working. Provided the liabilities were not unduly inflated by the granting of additional benefits, this subsidy would no doubt suffice in time to right the fund.

GENERAL REMARKS.

13. Lest it be supposed that this fund exists only for the benefit of public servants, and that a sum equivalent to $6\frac{1}{2}$ per cent. of salaries is too large for the State as employer to pay, the following remarks by the late H. W. Manly, past president of the Institute of Actuaries, 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.”—(J.I.A. 45/183.)

In this connection the limitation to £300 of pensions of members enrolled after a certain date is a mistake. It has been abundantly shown by experience elsewhere that any limitation of this character tends to defeat one of the main objects of the fund. The officers mainly affected will be the capable and vigorous ones who are able to rise in the service, and the limitation in pension lessens the hold of such men when they are at their best, and at the same time makes it more difficult to retire them when the time for retirement comes. The report of the Departmental Committee on Railway Funds (England, 1911) shows clearly how pension limitations cause retirements to be deferred.

14. The fact that we are passing through a special period characterized by world-wide currency-inflation, and incidentally by changes in scales of salary, has given rise to no little difficulty in arriving at some of the fundamental factors for the valuation. Only the future can say whether the present salary standards are to remain or give way to lower ones as the inflation gradually disappears; meanwhile, however, the valuation has had to be made upon a suitable judgment of the probable course of the future in this respect. Apart from this, the fund itself has suffered somewhat from the policy of ranking as salary for the purpose of compulsory pensions what are really cost-of-living (or currency-inflation) increases.

Some difficulty of a minor kind has arisen from the fact that the accounts of the fund appear to be prepared upon the basis recommended in accounting text-books for arriving at the annual profit of a business. This basis is quite inapplicable to a superannuation fund, the position of which can only be determined by actuarial valuation. Not only are some of the entries therefore futile, but they are actually impediments in the way of the ascertainment of the position of the affairs of the fund, and the procedure is a possible source of serious error. The Actuary has been forced to recast the accounts as a preliminary to the making the valuation. This should be avoided in future.

In conclusion, I beg to acknowledge the capable assistance rendered to me by Mr. G. W. Melville, F.F.A., in the work of the valuation.

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Actuary appointed by His Excellency the Governor-General.