

1928.

NEW ZEALAND.

NATIONAL PROVIDENT FUND.

ACTUARIAL EXAMINATION FOR THE TRIENNium ENDED 31st DECEMBER, 1922.

BY THE ACTUARY APPOINTED BY HIS EXCELLENCY THE GOVERNOR-GENERAL TO MAKE THE ACTUARIAL EXAMINATION OF THE NATIONAL PROVIDENT FUND FOR THE TRIENNIAL PERIOD ENDED 31st DECEMBER, 1922.

Laid before Parliament in pursuance of Section 24 (3) of the National Provident Fund Act, 1910.

Government Actuary's Department, Wellington, 21st February, 1928.

1. I HAVE the honour to submit the following report on the National Provident Fund as at the 31st December, 1922, as required by section 24 of the National Provident Fund Act, 1910.

2. The National Provident Fund falls to be considered under three headings: first, the main scheme; second, the local-authorities scheme; and third, the approved-friendly-societies scheme.

THE MAIN SCHEME.

3. The National Provident Fund Act, 1910, which Act, together with subsequent amending Acts, has now been consolidated in the National Provident Fund Act, 1926 (hereinafter referred to as "the Act"), is an endeavour to solve two of the pressing problems of the times—namely, (1) the making of provision for old age, and (2) the maintenance of some degree of family comfort (the bare necessities of life at the very least) when sickness or death robs the breadwinner of his earning-powers.

4. Old age seems such a distant possibility to the individual that financial provision for its needs is often subordinated to the pleasures or necessities of the moment, and there can be no doubt that the knowledge that the State provides free old-age pensions is a very real impediment to thrift. While it must be apparent that even under the most perfect scheme of contributory social insurance special hardship and other causes will always throw a certain proportion of cases on to the State, it is in the best interests both of the State and the individual to institute some form of social insurance, imposing more than voluntary obligations on the present generation to contribute towards its own old-age pensions.

5. Premature death or even lengthy sickness of the wage-earner, with the accompanying family hardship, is in many ways a more urgent social problem than old age, because even the most thrifty has had insufficient time to have made any real provision without the aid of insurance. As the ability to contribute is generally inversely proportional to the size of the family, it is very desirable that the scheme of social insurance should pay benefits proportionate to the family needs instead of a disability benefit dependent on the contribution.

6. The main scheme of the National Provident Fund offers to the thrifty person the means of meeting the above contingencies, the broad principle being that the State undertakes in effect the cost of providing family allowances (proportionate to the size of the family) in the event of the death or prolonged sickness of the wage-earner, and bears the expenses of administration, so long as the individual contributes sufficient to provide a pension for himself at age 60. While it may be said to offer a solution of the individual's problem, it is only a partial solution of the State's problem, as the scheme is voluntary, and therefore does not embrace the thriftless section of the community, who are naturally the very people who make the biggest call on the State when old age is attained.

7. The benefits provided by the principal Act and the requisite contributions are fully set out in the Appendix, Table 1. A feature of the scheme is that under no circumstances is a member to receive from the fund less than he has paid in. The member has the option to withdraw the whole of his contributions (less benefits) on giving twelve months' notice, and if after his death the allowances that are or have been previously paid to his family fall short of his total contributions the balance is handed over to his representatives.

8. The Government subsidy amounts to one-fourth of the contributions received in the previous year—that is to say, the contributor pays 80 per cent. and the State 20 per cent. of the total cost of the various benefits.

LOCAL-AUTHORITIES SCHEME.

9. The Act permits the National Provident Fund Board to establish pension schemes for the employees of local authorities, and a large number of these schemes have been inaugurated.

10. The purpose is to grant the employees of these bodies a superannuation scheme that will enable them to maintain on retirement a degree of comfort commensurate with that enjoyed during