

19. The chief items of importance are the rapid increase of the funds, the growth of the contribution income to more than double that of the previous triennium, and the receipt of interest at a substantially higher rate than in the preceding triennium.

The net effective rate of interest (allowing for the incidence of the income) credited to the fund for the past six years has been as follows:—

	£	s.	d.		£	s.	d.
1917 ..	..	4	3	7 per cent.	1920 ..	..	4 18 5 per cent.
1918 ..	..	4	4	2 „	1921 ..	..	4 19 6 „
1919 ..	..	4	5	8 „	1922 ..	..	5 8 7 „

It is gratifying to see such an improvement—more than $\frac{3}{4}$ per cent. per annum higher than the preceding triennium—in the interest earnings, as it is of vital importance that the fund should obtain the highest possible rate of interest consistent with safety.

DATA.

20. The preliminary particulars required for this examination have been supplied on cards by the Superintendent of the Fund—a separate card being supplied for each member who was on the books at the valuation date or who had died or withdrawn since the inception of the fund—and these particulars form the main basis of this investigation and valuation.

21. The ages of the contributors at the date of valuation, together with their contributions and other particulars, are shown in Table IV of the Appendix.

THE VALUATION.

22. The main object of an actuarial valuation is to ascertain whether the current funds, together with the present value of the future contributions, will be sufficient to meet the future liabilities. In estimating the value of these future liabilities it is necessary to take into account the proportion of members who will withdraw, die, or retire, and these factors have been carefully investigated in the light of the fund's experience since the previous valuation.

The main elementary probabilities employed in the valuation of the majority of the local-authorities schemes (retiring-age 65) will be found in Table V of the Appendix. Similar probabilities have been employed in the valuation of the remaining sections of the fund, with adjustments to allow for earlier retirement ages, and, in the case of the main and approved-friendly-society schemes, for the heavier withdrawals.

23. Section 24 (2) of the 1910 Act (now section 73 (2) of the 1926 Act) requires the Actuary's report to show “the state of the fund at the close of the period, having regard to the prospective liabilities and assets.” Technically these liabilities and assets should each include the present value of future maternity benefits; but, as these are annually voted by Parliament and no amount of variation can affect the stability of the fund, I have omitted them. The valuation balance-sheet is given in detail in Table VI of the Appendix, a summary being as follows:—

Valuation Balance-sheet of the National Provident Fund as at 31st December, 1922.

<i>Liabilities.</i>				<i>Assets.</i>			
Value of liability for—			£	Amount of fund at 31st December, 1922 ..			£
Pensions	..	..	2,038,102	Value of future contributions	..	..	793,144
Orphans' benefits	..	..	176,297	Value of future State subsidies of one-fourth	..	..	1,593,647
Widows' benefits	..	..	165,805	(assumed to be received a year later than	..	..	
Incapacity allowances	..	..	63,566	above)	..	..	387,290
Return of contributions on death	..	..	75,135	Balance (deficiency)	..	..	22,792
Return of contributions on withdrawal	..	..	262,607				
Sundry benefits	..	..	15,361				
			<u>£2,796,873</u>				<u>£2,796,873</u>

From this it will be seen that the fund has a ratio of solvency of 19s. 10d. in the pound, as compared with 19s. 11d. at the last valuation. It will therefore be seen that the interest and other profits earned in excess of the previous valuation assumptions have practically offset the increase in the estimate of the liabilities due to the more stringent valuation basis which the experience has shown to be necessary.

24. Section 24 (2) further requires the report to show “the probable annual sums required by the fund to provide the pensions and other allowances falling due within the ensuing three years, without affecting or having recourse to the actuarial reserve appertaining to the contributor's contributions.” I have taken this to mean that the Actuary is to report what proportion of the estimated claims during the triennium succeeding the valuation is unprovided for by the contributions—in other words, he is to state the further subsidies per annum necessary during the period specified, beyond the statutory one-fourth subsidy, to meet the current charges on the fund, and section 25 (2) of the Act makes “such further amounts (if any)” an additional charge on the State.

25. I have to report, under the provisions of these sections, that, beyond the present annual subsidy, no “such further amounts” require to be paid during the three years following the date of this valuation.