

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 the later years of service, and to secure, in the event of death, an annuity to the widow and allowances to each of the children under age 14.

11. The main benefit is a pension based on "final" salary and the number of years' service. This and subsidiary benefits are specifically set out in Table II of the Appendix.

12. Membership in the fund is optional in respect of the existing staff, but compulsory for all new entrants.

13. The cost of the scheme is borne jointly by the employee, the local authority (employer), and the State. The State bears 20 per cent. of the total cost, the employee contributes a fixed percentage of his salary (the amount of such percentage varying with the age at joining the fund), and the local authority makes up the balance. The ratio of the contribution cost to the employer and employee depends on the age incidence, and consequently may show fluctuation not only between one local authority and another but also in the same local authority at various stages of its existence. At the valuation date the proportion of the total cost of the benefits borne by the local authorities and their employees was approximately 47 per cent. and 33 per cent. respectively.

14. The scheme is noteworthy in many respects, but special mention might be made of the basis of contributions. It was decided that each contributor, with the assistance of his employer and the State, should as far as possible pay in on the average for the benefits that he will receive without any addition to or diminution of the burden of any other contributor. This was effected by basing the contribution for pension on present salary and prospective service to the normal pension age (or prior breakdown), and calculating as they emerge the contributions for the additional pension due to subsequent salary-increases. This method of dealing with the actual instead of the speculative salary-increases involves a series of adjustments at fairly regular intervals, but the additional labour is more than compensated as far as the State is concerned by the increased stability of the scheme. In view of the intention to include in the scheme all employees irrespective of their attained age and to allow back service to count, it was further decided to ease the initial strain on the State and the local authority by spreading their liability over the lifetime of the employee, the latter's contribution terminating at retirement.

APPROVED-FRIENDLY-SOCIETIES SCHEME.

15. Under the Act approved friendly societies may become contributors to the fund on behalf of any of their members, to secure for them, on attainment of age 60, a weekly pension of 10s., 20s., 30s., or 40s. on special terms.

16. The tables of contributions are set out in Table I of the Appendix. The low contributions charged to members are due to—(1) The payment into the fund by the friendly society of a sum equivalent to its release from specified sickness benefits after members' attainment of age 60; (2) the increase of the State subsidy under this section to 50 per cent. of the contributions.

17. In addition to the aforementioned subsidy to each section of contributors the State bears the whole expenses of administration, provides by an annual parliamentary grant a maternity benefit of £6 on the birth of a contributor's child or children (conditional on the parents' joint annual income not exceeding £300), and guarantees the scheme by agreeing to pay into the fund such further amounts as are deemed necessary in accordance with the Actuary's report.

18. The income and outgo during the three years were as follows:—

Consolidated Revenue Account of the National Provident Fund from 1st January, 1923, to 31st December, 1925.

<i>Income.</i>				<i>Outgo.</i>			
		£	s. d.			£	s. d.
Amount of fund, 1st January, 1923	..	793,143	17 10	Maternity allowances	..	119,018	0 0
Contributions	..	455,319	11 6	Retirement..	..	28,901	3 11
State subsidy	..	115,491	17 11	Death ..	..	18,875	4 10
Interest ..	..	178,170	5 9	Incapacity ..	..	6,588	8 0
Fines ..	..	2,478	1 3	Refund of contributions—			
Refund by State of maternity allowances	..	119,018	0 0	Withdrawals and lapses	..	113,052	13 5
Benefits refunded on exit	..	12,187	13 2	Death ..	..	11,442	7 9
Contributions overpaid	..	70	11 8	Refund of contributions overpaid	..	70	11 8
Miscellaneous receipts	..	35	15 3	Amount of fund, 31st December, 1925	..	1,377,967	4 9
		£1,675,915	14 4			£1,675,915	14 4

19. *Income.*—On the income side the chief items of importance are the increase of nearly £84,000 in the total contribution income, and the revenue from interest, which exceeds by over £96,000 the interest earnings of the previous triennium. After allowing for the incidence of the income, the net effective rate of interest credited to the funds each year for the past year six years has been as follows:—

	£	s.	d.		£	s.	d.
1920 ..	4	18	5 per cent.	1923 ..	5	11	9 per cent.
1921 ..	4	19	6 „	1924 ..	5	19	3 „
1922 ..	5	8	7 „	1925 ..	5	16	1 „

The increase of approximately $\frac{1}{2}$ per cent. in the interest-yield over that of the preceding triennium is very gratifying. In this connection it may be stated that a good margin between the rate of interest