

21. As regards the second great factor in the increase of the State's liability during the valuation period under review—namely, the retirement of men with forty years' service, irrespective of age—the following table is illuminating :—

TABLE SHOWING FOR EACH OF THE THREE VALUATION PERIODS THE AGE INCIDENCE OF THE PENSIONS GRANTED (EXCLUDING RETIREMENTS MEDICALLY UNFIT).

Ages.	Number of Contributors retiring as the Result of attaining Pension Age, or Length of Service.			Number of Retirements at each Age or Age Group expressed as a Percentage of Total Retirements.		
	1903-1912.	1912-1919.	1919-1927.	1903-1912.	1912-1919.	1919-1927.
Under 55	..	6	51	Per Cent.	Per Cent.	Per Cent.
55	1	2	41	..	1.4	7.1
56	..	7	49	.1	.4	5.7
57	..	3	48	..	1.6	6.8
58-59	2	16	65	..	.7	6.7
60	232	166	124	.3	3.7	9.0
61	110	98	134	30.5	38.2	17.3
62-65	245	123	151	14.5	22.5	18.6
Over 65	170	14	56	32.2	28.3	21.0
	760	435	719	22.4	3.2	7.8
				100.0	100.0	100.0

The table shows that in the first valuation period no contributors were retired under age 55, while in the second period 1.4 per cent. of the total retirements took place before this age, and in the valuation period under review no less than 7.1 per cent. of the total retirements were at ages under 55. It also shows that while for the period 1903-1912 the retirements under age 60 were less than $\frac{1}{2}$ per cent. and from 1912-1919 a little under 8 per cent. of the total retirements, in the period 1919-1927 the percentage of such retirements under age 60 to the total retirements was in excess of 35 per cent.

If, on account of the special circumstances following the inception of the Superannuation Fund, the first period is ignored, and the experience of the second valuation period is taken as an indication of the extent to which contributors voluntarily elect to retire after forty years' service, the difference between the percentages in the last two columns of the above table gives a rough measure of the effect of the policy adopted by the Railway Department during the period of compulsorily retiring men after forty years of service irrespective of age.

22. The Government Railways Superannuation Fund certainly gives a contributor the right to elect to retire after forty years' service, but there is a vast difference between providing pensions for the small proportion of contributors who will be in a financial position so to retire and exercise their right, and bearing the burden of wholesale enforced retirements.

It is not my function to comment on policy matters, but I would be lacking in my responsibility if I did not point out the financial effect on the Superannuation Fund of any policy changes, and enunciate the general principle that any additional financial strain due to policy measures of the Railway Department should be a charge not on the Superannuation Fund, but on the Department, by way of special subsidy.

Such a method, I may mention, is followed in the South African Public Service Superannuation Scheme, where, if an officer is forced to retire on pension due to a retrenchment scheme or other policy measures, all pension payments up to the date of his attaining the normal pension age are paid out of public revenue, and not out of the Superannuation Fund.

The Commonwealth of Australia safeguards its Public Service Superannuation Fund by fixing age 65 as the normal pension age, with provision that if any officer is retired after age 60, either compulsorily or of his own wish, he is granted a reduced pension actuarially calculated.

It is important to note that although the problem is approached from different angles, both Governments agree in recognizing that the Superannuation Fund must be financially safeguarded against any departure from what might be termed its fundamental obligations to the contributors.

23. The importance of the ascertainment of the state of the Fund in the form given in paragraph 18 lies in the fact that the shortage in the Fund to be made good by the State—viz., £6,810,204—is equivalent to an annual interest income (at $4\frac{1}{2}$ per cent.) of £306,459. It follows that if any less sum than £306,459 is paid in by the State as subsidy the present deficiency will increase, and the subsidy must accordingly by way of compensation rise later on to a much higher figure than £306,459 per annum in respect of present contributors alone. If, however, any annual amount in excess of £306,459 is paid in, the Fund would, in respect of present members, attain solvency within a definite period of time. It should be clearly understood that this amount of £306,459 is a perpetuity, and does not cease with the lifetime of the present members, nor does it include any subsidy to new entrants.

RECOMMENDATIONS.

24. Section 119 of the Government Railways Act, 1926, as amended in 1927, provides as follows :—
“ In the event of the Fund at any time being unable to meet the charges upon it, and as often as such occurs, the following special provisions shall apply :—

- “(a) The Board shall forthwith report the fact to the Minister of Finance, setting forth the amount of deficiency and the causes thereof.
- “(b) If the Minister of Finance is satisfied that the deficiency exists, and that provision should be made therefor, there shall, without further appropriation than this section, be paid into the Fund out of the Working Railways Account, a sum sufficient to meet the deficiency.”