

His suggestions as to the remedies which would place the fund on a proper basis were on somewhat similar lines to those made by Mr. Teece.

The Government was not willing to take the steps necessary for the reconstruction of the fund.

In 1903 the disaster predicted by the actuaries came to pass. The Superannuation Account became exhausted. Those who had been paying into the fund the longest and who had paid the most found themselves in the position of having had their money all absorbed by those who had contributed the least.

Under the Public Service (Superannuation) Act, 1903, provision was made that all amounts payable to and out of the Superannuation Fund should in future be paid to and out of the Consolidated Revenue Fund. In other words, to meet the position the fund was wound up, and Government was forced to assume the responsibility of paying future pensions.

It was anticipated that it would be necessary to continue payments from the Consolidated Fund for forty-four years—*i.e.*, until the death of all officers who were in the Service prior to 1895.

New Zealand.

As will be seen from the various triennial valuations and actuarial reports which have been made in respect of the three New Zealand Superannuation Funds, each Actuary in turn has drawn pointed attention to the serious deficiency in each of these funds, and various suggestions have been made as to the methods to be adopted to secure improvement. Hitherto, however, except for the provision in the 1909 Act limiting pensions to future entrants to a maximum of £300, no attempt has been made to remedy matters, and if one sees "the writing on the wall" it is obvious that drastic alterations must be made in the existing provisions of the various schemes. Taking the report of the National Expenditure Commission, with which I entirely agree—except, perhaps, in regard to the limitation of the reduction in existing pensions to 20 per cent.—I would offer the following additional comments on the points referred to:—

Paragraph 1445. Right of Members to Retire.—Males (a) After age 65: The most common age fixed in superannuation systems is sixty-five years, Belgium, Czechoslovakia, Germany, Italy, Netherlands, and Norway (females) fixing this age. Austria, France, and Great Britain set the age at 60, and Sweden at 67. Denmark and Switzerland have as high as 70 for all employees, and Norway that age for males. There is no age requirement in Italy after forty years' service, and in Switzerland after fifty years' service for males and thirty-five for females. In Canada the optional age is 60, and compulsory 70.

In the United States of America the age is 70, but letter-carriers, Post Office clerks, labourers, and mechanics, age 65. Railway postal clerks and employees in specially hazardous or physically strenuous occupations, &c., age 62.

I am further of the opinion that provision should be made making 65 the *compulsory* age for retirement, with provision to extend by, say, five years in special cases.

(b) After age 60 if combined with forty years' service: At present an officer can retire on completion of forty years' service, irrespective of age. This privilege imposes a very great strain on the fund. In quite a number of cases full pension is drawn by officers who retired at the early age of 52. In such cases the fund loses the benefit of contributions, and has to pay the pension over a much longer period than it should reasonably be expected to do.

If an officer wished to retire before attaining age 60 he should only be granted an actuarial pension, which would be the maximum amount which could be granted without imposing any undue strain on the funds.

Paragraph 1446. Eliminate all Options to Retire with the Minister's Consent, &c.—I am not aware of any liberal concessions of this nature in any other schemes, and, apart from the question of free back service, these early retirements, more than any other factor, undoubtedly impose the greatest strain on the funds. That this was recognized when the Act was framed is apparent, as the statute provides that such retirements may be subject to such conditions as the Minister may impose. In actual practice little use has been made of this very wise and necessary provision under which modified pensions could have been granted, thus conserving the funds; in other words, almost invariably the wishes of the officer concerned have been considered before the interests of the fund.

Paragraph 1447. Alter the Basis of Calculation of "Final Salary."—The present provision under which the pension is based on the average salary over the last three years imposes a great strain on the funds. The pension granted should bear some relation to the amount contributed by the employee during his whole period of service, and doubtless it would be more scientific and equitable to make the average salary for the whole period of service the basis for the pension.

For many reasons I would prefer to see the basis of calculation of pensions altered to a "whole service" basis. This, however, would involve too drastic a change. Under such a scheme it would be possible to make better provision for an officer's widow, by giving him the option to allocate, say, one-half of his allowance to his widow in the event of his death. This is done in Canada, France, Germany, Belgium, &c.

Paragraph 1449. Government Subsidy: Proposed £1 for £1.—In many Government schemes and in most private schemes the contribution by the employer is on the basis of £1 for £1. In New Zealand an adequate Government subsidy regularly paid is an absolute necessity, owing to the fact that Government made itself responsible for the liability due to back service. It is a fundamental principle that the responsibilities for back service (if such is to be allowed to count for pension purposes) should be assumed by the employer.

In actual practice in New Zealand, due to the failure of Government to pay each year the amount certified by the Actuary as necessary in this respect, the funds were forced to assume this responsibility, and thus the pensions of many who have retired after contributing very little to the funds have had to be met from the contributions of those still in the Service.