

resources. Although not sufficient to secure immediate solvency, an automatic pound-for-pound subsidy is suggested as being in keeping with the basis adopted in large superannuation schemes of other Governments and of commercial institutions; it would also secure a much more adequate contribution than is at present payable by the commercial Government Departments in respect of their employees.

It should be recognized as a cardinal principle of the scheme that contributions by present employees should be reserved for future pensions.

(6) In the event of the foregoing being adopted, the existing limitation of pension to £300 per annum should be abolished. The limitation operates very harshly, particularly in respect of the professional and other higher paid officers who have no option but to contribute on a salary which ordinarily would provide a considerably higher pension. The number of such officers—i.e., those who would ordinarily enjoy a pension in excess of £300—is so small that the abolition of this provision would have very little effect on the funds.

According to the Government Actuary's figures, the deficiencies in all the Government superannuation funds in 1927 (the latest published valuations) were £18,117,772.

If the foregoing proposals (Nos. 1 to 4 inclusive) were adopted, it is reasonable to assume that the deficiency referred to would be reduced by 50 per cent.; and if proposal No. 5 were adopted also, the funds would become solvent.

In regard to proposal No. 5, it is recognized that under existing conditions it is scarcely practicable to expect the Consolidated Fund to bear its share of increased subsidy, but there is no valid reason why a pound-for-pound subsidy of contribution should not be borne by the trading and other Departments separate from the Consolidated Fund, and the necessary provision made in the estimates for the respective Departments.

In regard to the suggestion that superannuation allowances should be reduced on a percentage basis, the amount payable from the various funds is as under :—

	Annual Pensions Bill.	Allowances to Widows and Orphans.	Total.
	£	£	£
Public Service (to date)	423,945	35,759	459,704
Teachers (to end January)	250,303	9,465	259,768
Railways (to end February)	412,008	38,857	450,865
	1,086,256	84,081	1,170,337

A 10-per-cent. reduction in pensions would therefore be equivalent to an additional annual subsidy to the funds, as under (the present annual subsidy is shown in parentheses) :—

Public Service	£42,000	(£86,000)
Teachers	£25,000	(£68,000)
Railways	£41,000	(£170,000)
	<u>£108,000</u>	<u>(£324,000)</u>

In considering this matter, however, it should not be overlooked that when the schemes were established Government servants were invited to contribute to the funds initially (it was not compulsory to join), and they agreed to enter on condition that the benefits then promised were given to them. They are in effect part proprietors of the funds, and the Government are only proprietors to the extent of their contributions to the funds.

This relationship is illustrated by the following, which clearly shows that the amount contributed by Government servants is more than double that contributed by the State :—

	Total Contributions.	Total Subsidy.
	£	£
Public Service	3,919,723	1,648,500
Teachers	1,823,772	807,417
Railways	2,081,394	1,120,000
	7,824,889	3,575,917

NOTE.—The above figures are from the last valuations.

The position of Government servants in regard to the superannuation funds is analogous to the position of persons who contract with an insurance company to contribute to its funds in consideration of obtaining certain annuities. Any proposal to reduce the amount of an annuity contracted for would