

becoming payable. This latter gesture was too generous, inasmuch as some deduction from the full refund should have been made to cover the cost of the contingent additional liability in respect of the contributor retiring medically unfit.

(c) Section 9 of the National Expenditure Adjustment Act, 1932, as amended by sections 24 and 25, Finance Act, 1932-33 (No. 2), dealt with the position caused by the second salary "cuts" in a manner somewhat similar to (b) above, but introduced a new element as regards the contributions paid in the past on "excess" salaries by those officers who elected to contribute in future on actual salary, as it was provided that such excess payments should be held by the Superannuation Board to the credit of the contributor, and paid to him on the date of his retirement, or his earlier death. This provision is obviously a compromise, and like most compromises will not stand examination. In effect, it provides that the younger the contributor the more heavily is his refund subjected to the operation of discount. Actually the reverse should be the case, since there need be very little deduction (if any) in the case of the youngest contributors as the risk to the Fund of having to provide a medically-unfit benefit at such ages is negligible and is offset by the interest on the "excess" contributions. As the member's age increases, so does the risk of retiring medically unfit call for a larger deduction from the contributions, till an age is reached where the Fund is liable to make a loss if any portion of the "excess" contributions is refunded. The total amount of such "refunds" have been transferred from the accumulated funds to a special reserve and accordingly they require no special treatment in the actuarial valuation.

(d) The New Zealand Debt Conversion Act, 1932-33, and the Local Authorities Interest Reduction and Loans Conversion Act, 1932-33, had the effect of substantially reducing the interest-yields on Government securities and local body debentures as from the 1st April, 1933. It is gratifying to note, however, that the Consolidated Fund has for the period under review, reimbursed the Fund in respect of such reductions in the interest-income from these classes of securities.

PARTICULARS OF VALUATION.

9. The contributions and the benefits provided by the Act, together with statements showing the progress of active membership, and of pensions for each year, will be found in Tables I to III of the Appendix to this report. The number of contributors at the date of the valuation, together with their ages, salaries, and contributions, and the pensions granted during the valuation period, with the ages at which they were granted, are shown in Tables IV and V of the Appendix.

PENSIONERS.

10. At the valuation date there were 2,348 pensioners with annual pensions of £424,458 2s. 5d., and I submit hereunder an analysis of the pensions under four main headings, namely—

- (a) Normal pensions payable in respect of officers who retired as of right on completion of the statutory period of service or attained the statutory retiring-age.
- (b) Medically-unfit pensions, payable to those who broke down in service.
- (c) Actuarial pensions, payable in respect of those compulsorily retired within five years of normal retirement.
- (d) Pensions under the extended provisions of the Act.

	Number.	Annual Amount of Pension.
		£ s. d.
Normal pension	1,249	238,101 13 4
Medically unfit pension	492	57,620 4 1
Actuarial pension	131	15,245 6 0
Extended provisions of Act	476	113,490 19 0
Totals	2,348	424,458 2 5

11. Section 102 of the Government Railways Act sets out the conditions for normal retirement of contributors with the proviso that the Government Railways Superannuation Fund Board may, "with the consent of the Minister, extend the provisions of this section to any case where the contributor's service is not less than thirty-five years, but does not amount to forty years." I think it can be taken for granted that the original intention of this proviso was to deal with special cases and that accordingly the power was to be sparingly exercised. The serious aspect of these early retirements was stressed in my last actuarial report on the Fund as at 31st March, 1927, and it must surely be self-evident that officers retiring at ages from fifty to fifty-five years throw a heavy burden on the Fund, not only from the greater number of years during which pensions have to be paid, but also from the loss of contributions until the normal retiring-age.

Unfortunately for the finances of the Government Railways Superannuation Fund, these warnings have been ignored.