

34. The causes of the present large deficiency in the Fund may briefly be summarized as follows :—

(a) The accumulation at interest of the unredeemed amount of the initial deficiency caused by the gift, in respect of service prior to the inception of the Fund, of free pensions for each year of such “back service” at the same rate as for future contributory service.

The Fund commenced operations with an initial deficiency estimated to be in the neighbourhood of £800,000. It is important to bear in mind, however, that this original estimate requires to be increased in the same ratio as actual salary-levels on retirement bear to the average retiring-salaries as estimated when the scheme was established.

The State definitely incurred this liability in making a gift of that portion of the pension based on service prior to the establishment of the Fund, and the soundest plan would have been to take steps to pay the full capital sum into the Fund, or alternatively to provide for its redemption within a reasonable period of from twenty to thirty years, and to make a small additional annual subsidy to assist the contributions of new entrants.

(b) The failure of successive Government since 1919 to honour their statutory obligations as to subsidy.

The amount of the statutory annual subsidy has no relation to the actuarial position of the Fund, but is merely a proportion, actuarially calculated, of the pensions and allowances actually emerging. Pensions are, in effect, divided into two parts :—

- (i) That portion provided by the contributors :
- (ii) The balance which is to be met by the State.

It will be seen, therefore, that the principle underlying the Act is that members are to contribute upon the basis of paying their share of the liabilities during service, while the State is to defer payment of its share until officers are retired. It does not appear to be sufficiently appreciated that the longer a financial liability is deferred the greater is the amount of money that will ultimately have to be provided by reason of the operation of interest. It has also to be remembered that, under the plan of basing subsidies on pensions, the annual subsidies themselves tend to increase rapidly for many years by reason of the increasing number of new pensioners annually coming on to the Fund.

Reference to Table X of the Appendix shows a shortage at 31st January, 1934, of £1,340,084 (exclusive of interest) in the subsidies actually paid by the State as compared with those prescribed by the Act.

(c) The burden thrown on the Fund as the result of the practice followed, particularly from 1922 onwards, of compulsorily retiring men with forty years' service irrespective of their attained ages or their own wishes.

(d) The great increase in pension liability due to the effect of the war on salary-levels. At the most a contributor would contribute on his increased salary only for his future service, whereas he would obtain the same pension benefit as if he had been in receipt of such a salary for the whole period of his service. Some idea of the increased pension liability can be obtained from the fact that between 1913 and 1927 the average annual salary of teachers aged fifty and over increased by £203 in respect of males and £161 in respect of females.

(e) Additional concessions granted to contributors from time to time, as for example, the options to contribute on salaries prior to the cuts of 1921–22, 1931, and 1932, or to accept refunds of contributions on “excess” payments.

(f) Inadequate contribution scales, particularly in respect of female teachers.

GENERAL REMARKS.

35. *Extra Remuneration not to count as Salary for Superannuation Purposes.*—In the Teachers' Superannuation Fund officers undertaking duties additional to those attached to the position ordinarily held are allowed to contribute on such extra remuneration, but such remuneration counts as salary for pension purposes only if it is earned in the three years preceding retirement. This means that any teacher who is deprived of earning such additional remuneration during the last three years of service would receive no benefit for any contributions paid on such remuneration for possibly the bulk of his service, whereas another teacher who only received such additional remuneration during the last three years of service would receive the same pension as if he had contributed on such remuneration for the whole period of his service.

My own opinion is that any payment for duties other than those attached to the position ordinarily held by the teacher should not be regarded as salary for the purposes of superannuation.

If any legislative amendments are made in this direction, it would appear desirable to provide for regulations setting out what allowances were not to be regarded as salary or payment for duties other than those attached to the position ordinarily held by the teacher.

36. *Unemployed Teachers.*—Section 97 of the Public Service Superannuation Act provides that a teacher is not retired from the Service by reason of unemployment unless such unemployment extends over twelve months, and there is a further provision that the Superannuation Board may grant an extension of such period of unemployment, the break in the service to count for superannuation purposes.

I am of opinion that under present conditions of employment in the teaching service it would be better to provide that no such break in service be allowed to count for superannuation purposes, and, of course, contributions would not be collected in respect of such break. It is more in keeping with the general idea of superannuation that no contributor should be granted a pension in respect of any period for which no service has been given to the State.