Investment of Funds.

The net income from investments credited to the Sick and Funeral Funds for 1935 amounted to £170,117, the average rate being £4 8s. 3d. per cent., as against £4 8s. 11d. in 1934.

TABLE SHOWING THE TOTAL WORTH OF SICK AND FUNERAL FUNDS AS AT THE 1ST JANUARY, 1935, AND 31ST DECEMBER, 1935, INCLUSIVE OF ACCUMULATIONS HELD BY CENTRAL BODIES, ALSO AMOUNT AND AVERAGE RATE OF INTEREST EARNED.

Name of Society.	Total Worth of Sick and Funeral Funds as at January 1, 1935.	Total Worth of Sick and Funeral Funds as at December 31, 1935.	Amount of Interest.	Average Rate per Cent.
	£	£	£	£
M.U.I.O.O.F.	1,356,594	1,374,586	61,334	4·59
I.O.O.F.	349,679	369,677	15,971	4·54
N.I.O.O.F.	5,287	5,359	196	3·75
B.U.O.O.F.	6,318	6,350	321	5·20
A.O.F.	724,775	732,128	29,816	4·18
U.A.O.D.	996,475	1,045,662	44,821	4·49
I.O.R.	190,918	196,039	6,681	3·51
O.S.T.	29,847	30,661	1,227	4·14
S.D.T.	11,918	11,996	520	4·45
H.A.C.B.S.	103,429	108,551	4,157	4·00
P.A.F.S.A.	51,341	53,128	2,267	4·44
G.U.O.O.F.	3,792	4,336	124	3·10
Other societies	53,184	55,093	2,682	5·08
Totals	3,883,557	3,993,566	170,117	4·41

VALUATIONS.

Registered societies are required by section 37 of the Act to have a valuation made by the Actuary of Friendly Societies at least once in every five years, and for this purpose must furnish a return of the benefits assured and contributions receivable from all members, and of all the assets and liabilities of the society and its branches. This return is supplementary to the annual returns required to be furnished of the members admitted during each year, giving the full name of each, the date of his birth, date of entrance and contributions payable for benefits, together with detailed information relating to the sickness, mortality, and other contingencies experienced during the year, as well as a Revenue Account of each Fund and a Balance-sheet. These provisions impose on the Department the duty of closely examining the returns for the purpose of noting compliance or otherwise with the Friendly Societies Act and the society's own registered rules, and of compiling friendly societies' statistics and making actuarial valuations of groups of societies each year. The heavy amount of detailed work involved in the performance of this duty occupies much of the time of the staff, but is more than justified by the additional light thrown on the financial operations. The valuation reports issued from time to time enable friendly societies to more easily comprehend the reasons for the improvement or retrogression in the financial position.

In Appendix B will be found a summary of the following quinquennial valuations completed during the year—namely, the Auckland District A.O.F., the New Zealand District I.O.R., the United Otago District A.O.F., Court Pride of Dunedin A.O.F., Court Pride of Parnell A.O.F., and Canterbury United District A.O.F.

The bases adopted in making the valuations were in general the New Zealand Friendly Societies' Experience at 4 per cent., with suitable loadings in the case of female members. In the case of males, who comprise the bulk of the members, no adjustments were made to conform to the sickness and mortality rates actually experienced during the quinquennium. Although such adjustments would be essential if the true financial position was to be the sole purpose of the actuarial valuation, it must not be overlooked that the use of a standard table without modifications is a better measure of the financial improvement or retrogression during the period, and allows comparison of the various societies. All surplus appropriations are subject to the consent of the Department, and it is only when these are under consideration by the Actuary that the valuation results are revised in the light of the actual experience of the society. Societies fully appreciate the difference between valuation surplus and distributable surplus.

Each valuation completed during the year discloses, with one exception, a stronger financial position than at the previous valuation, and this in spite of several adverse factors. Sickness claims tended to be heavier than previously, partly as a direct result of economic conditions, since in many cases the usual incentive to declare off the sick list was wanting by reason of the fact that there was no employment to which the member could immediately return.

Interest yields ranged, with one exception, from an average annual rate of 5·31 per cent. to 6·05 per cent. per annum, and in all cases were less than those obtained during the previous quinquennium. It has to be borne in mind that the statutory reduction of interest rates on mortgages, &c., operated only in the closing years of the quinquennia under review. As the next valuation of each society will show the full effect of such reduced interest yields, and, moreover, indications point to higher sickness claims with possible losses on realization of mortgage investments, prudence demands that societies should conserve surplus as far as possible.