

The Commonwealth of Australia safeguards its Public Service Superannuation Fund by fixing age sixty-five as the normal pension age, with provision that if any officer is retired after age sixty, either compulsorily or of his own wish, he is granted a reduced pension actuarially calculated.

It is important to note that, although the problem is approached from different angles, both Governments agree in recognizing that the Superannuation Fund should be financially safeguarded in the event of any departure from what might be termed its fundamental obligations to the contributors.

36. *Actuarial Pensions.*—There appears to be an impression in some quarters that an actuarial pension represents a curtailment of a contributor's rights. Actually it is a concession designed to provide that any officer who, as the result of a retrenchment policy or other causes, is compelled after long service to retire before attaining the specified age or length of service may elect to receive such pension as is the actuarial equivalent of the pension he would have received had he completed his full period of service and paid contributions till the date of normal retirement. Without any such provision for actuarial pensions, compulsorily retired contributors would be limited to accepting a refund of their contributions, with interest at $3\frac{1}{2}$ per cent.

In Australian Government Superannuation schemes actuarial pensions are limited to the cases of officers who retire between age sixty and sixty-five. In the New Zealand Public Service scheme, however, this is carried much further, as the right to an actuarial pension is granted to any male officer who is compulsorily retired for reasons other than misconduct at any age over fifty-five, or provided he has served at least thirty years, or provided he has attained age fifty after completing thirty years' service, or to any female officer who has attained age forty-five or has completed twenty-five years' service.

It may appear somewhat inconsistent that an officer who is compulsorily retired at certain ages obtains better treatment than one who voluntarily retires. While actuarial pensions involve no financial strain on the Superannuation Fund, and it would not impair the stability of the Fund to bring the compulsory and voluntary retirements into line, one good reason for the differentiation is that a superannuation scheme has for one of its objects the retention of good men in the Service. To facilitate their retirement at comparatively early ages on any amount of pension however small would encourage them to seek more remunerative positions in private employment.

37. *Medically Unfit Pensions.*—This is probably one of the most difficult problems in the administration of a superannuation fund, as, on the one hand, some officers are classed "medically unfit" although they are quite competent to undertake work other than the particular work they have been performing in the Service, while, on the other hand, some officers totally unfit to engage in any occupation at all do not fall within the definition of "medically unfit" as interpreted by the Superannuation Fund in accordance with statute.

It seems advisable to consider the desirability of creating a special class of "medically unfit for duty" officers, grading each such officer as 100 per cent., 90 per cent., &c., unfit to carry on his occupation.

An officer graded 100 per cent. medically unfit would, of course, receive a full pension based on length of service, an officer graded 50 per cent. medically unfit for duty might be allowed a pension half-way between a "length of service" pension and an "actuarial" pension, and all other grades be dealt with similarly.

38. *Provision for Joint Life and Survivor Pensions.*—There have from time to time been suggestions to increase the widow's pension, now standing at £31 per annum. The cost of making any material increase is too high to warrant any recommendation that it should be provided out of the Consolidated Fund, and, moreover, it may very well be argued that it is no duty of the State as employer to relieve the employee of his own obligation to provide for his widow by life assurance or other means.

On the other hand, there would be objections raised to any suggestion that all employees should be asked to pay an extra contribution for an increased widows' allowance, partly because of the high cost of such a benefit and partly because in the cases where a pensioner or contributor died as a bachelor or a widower he would have been paying a substantial contribution for no actual benefit. It would be possible, however, to meet the case of any employee who would prefer to accept a smaller retiring-allowance on the understanding that his widow's allowance was increased by making provision in the Act for such an option on terms that would involve no increased strain on the Fund. One plan would be to allow such contributors the option to exchange their retirement pensions for a joint life and survivor pension payable so long as either the husband or wife were alive. Alternatively, another rate of pension could be payable to the contributor on the basis of a reduction on his death to, say, half rates for his widow.

The Fund's finances could be adequately protected by providing for such an option to be exercised by the contributor not less than five years prior to the date of retirement, this to obviate any adverse selection against the Fund by the contributor. In order to meet the case of present contributors who are now within five years of retirement, or even of any existing pensioners, provision might also be made for them to have an option to exchange their pensions for joint life and survivor pensions within a specified period, say, six months from the date of the passing of the amendment, subject to the furnishing of such evidence of medical fitness as is determined by the Superannuation Board.