

39. *Pension Limitation of £300 per Annum.*—The National Expenditure Commission of 1932 made a strong recommendation for the removal of the arbitrary pension limitation of £300 per annum in respect of officers joining the Service after the 24th December, 1909, so as to bring them into line with officers joining the Service before that date. The injustice of this limitation has been stressed year by year by the Public Service Association in deputations to succeeding Prime Ministers.

The principle of compelling officers to contribute to the Fund and at the same time limiting them to a pension of £300 irrespective of the value of their contributions is in no way different from compelling a body of men to place a specific portion of salary in a savings-bank on the understanding that in no case shall they receive back more than a uniform arbitrary amount determined by the directors of the savings-bank.

The injustice of the proposal has never been seriously questioned, but it appears to have been erroneously considered that the problem could be deferred until about 1949—that is, on the assumption that the officers joining the Service after the 24th December, 1909, would not in general qualify for a pension until the completion of forty years' service. This assumption, however, ignores the cases of professional officers who are recruited late in life and reach age sixty-five after comparatively short service. Retirements with this arbitrary limitation of pension have already taken place, and it is clear that it is bound to be a burning question with many officers in the very near future. What is also important is that it immediately affects every officer joining after the 24th December, 1909, who is retired on an actuarial pension.

It was surely never intended that of two men of the same age and service retired on actuarial pensions the one with the higher salary should receive the smaller actuarial pension, such anomalous result being entirely due to the fact that an actuarial pension must take account of the net liability, and it is obvious that, while the ultimate pension liability in respect of each officer is the same (£300 per annum), the contributions based on the higher salary represent a greater asset to the Fund.

It is also difficult to understand how any Government could grant free pensions to officers in respect of all service prior to the inception of the Fund without any restriction as to the amount of such free pension, and at the same time ask new officers to pay for their full service and accept an arbitrary cut.

There is also the danger that, in connection with this £300 arbitrary limit, the aspect of grave injustice to the higher-paid officers—this has never been denied—may obscure the fundamental reasons for establishing a staff superannuation scheme—namely, to induce men of ability to join and continue in the Service, and to offer an adequate retiring-allowance to those who rise to high positions as the result of outstanding merit.

A superannuation scheme is not established by an employer—whether a Government or a private firm—from philanthropic motives, but rather from motives of enlightened self-interest. The State, in common with any employer of labour, does not remunerate its officers on philanthropic grounds nor on the basis of levelling-down all salaries to a uniform amount irrespective of the work performed, and it is unreasonable to suppose that it has in mind an intention to depart suddenly from sound business principles just when some of its employees reach old age. The object in stressing this aspect of the employer's motive is that, once the principle is admitted that the establishment of a superannuation scheme is from an enlightened self-interest, we are infallibly led to a certain line of reasoning regarding the relative benefits a superannuation fund should pay and the way the employer's subsidy should be allocated.

The opinion of any competent critic on the Public Service Superannuation scheme with its *maximum* pension of £300 per annum, especially when considered side by side with the *minimum* pension of £300 provided by the Superannuation Fund of one of the old established New Zealand banks, would not only be unflattering to the State, but would also bring out prominently that those responsible for the 1909 amendment lost sight of the elementary principles of a staff superannuation scheme. Compared with the generally accepted idea that merit should be rewarded and an adequate subsidy paid on the contributions of all employees, the State is actually penalizing its future senior officers, and, in effect, allowing the Superannuation Funds to confiscate portion of their contributions and interest accretions.

40. In conclusion, I have to acknowledge the assistance of the small but efficient staff engaged in carrying out the heavy work of the valuation.

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