

The principal benefit is a pension based on length of service and modified final salary, granted on retirement through ill health or after attainment of normal pension age—i.e., after attainment of a specified age or after completion of a specified period of service. In nearly all cases service with a local authority prior to its adoption of the scheme ranks for pension purposes.

A full description of the benefits is given in Table II of the Appendix.

15. The method of assessing contributions payable to the Fund is unusual. When a local authority brings an employee into the Fund an assessment is made, on the basis for the time being in use, of the cost of his prospective widow's and orphans' benefits and of the pension which will accrue on his retirement, having regard to his present salary and to the years of service which he will have completed on attaining normal pension age. As and when his salary is increased, further assessments are made of the cost of the increases in pension which will become payable in virtue of the increases in salary. Increases in prospective pension bear the same proportion to increases in salary as the original prospective pension bears to the original salary.

16. The cost so calculated is divided among the contributing parties as follows:—

- (i) The State, as mentioned earlier in this report, pays an annual subsidy equal to 25 per cent. of the contributions paid by both the employee and the local authority.
- (ii) The employee contributes a percentage of his salary fixed by his age at entry into the Fund as follows:—

Age at Entry into Fund.	Employee's Contribution, per Cent.					
Not over 30	..	..	..	..	..	4
Not over 35	..	..	..	..	..	5
Not over 40	..	..	..	..	..	6
Not over 45	..	..	..	..	..	7
Not over 50	..	..	..	..	..	8
Over age 50	..	..	..	..	..	9

These contributions cease on retirement and are usually reduced to a nominal amount during such period as the employee remains on the active staff after attaining normal pension age.

- (iii) The balance of the cost is met by the local authority's contribution, which is usually payable throughout the employee's future lifetime as an active or pensioned member of the staff, excepting for such period as the employee remains on the active staff after attaining normal pension age.

17. The principle of spreading the local authority's contribution over the future lifetime of the employee rather than over his future working-years appears to have been adopted, in the first place, to give relief in cases where employees were brought into the Fund at advanced ages and where their prior service with the local authority was allowed to rank for pension purposes. If in such cases the local authority's contributions were made payable during future working-years only, the annual charge to a local authority with a staff of average age-constitution would be exceedingly heavy for a comparatively short period immediately after its adoption of the scheme. The present system requires payment of smaller annual contributions over longer periods.

Whatever the reason for the adoption of the principle, it has become the standard practice and is applied in almost all cases, irrespective of whether prior service is involved or not.

18. At the valuation date 124 local authorities were contributing to the Fund on behalf of 4,929 male and 3,052 female employees for prospective pensions of £970,467 per annum accruing in respect of present salaries. Pensions amounting to £63,386 per annum were payable to 430 male and 117 female retired employees, and 152 widows and 89 children were in receipt of allowances amounting to £3,893 per annum. The contributions payable amounted to £191,406 per annum, £97,785 per annum being contributed by employees and £93,621 by local authorities.

19. As with the Main Fund, rates of mortality, withdrawal, retirement, &c., for each class of contributor have been deduced from the experience of the Local Authorities' Section for the period of twelve years prior to the valuation date, and these rates, suitably modified, have been adopted in the valuation. For widows' and orphans' benefits it has been necessary to use factors deduced from New Zealand population statistics, as no information of employees' marital status or of their dependants is available.

The only abnormal feature of the experience was the high rate of discontinuance experienced by nurses employed by Hospital Boards. It is to be expected that female members of any pension fund would exhibit heavier withdrawal rates than males, as females usually retire from their former occupation on marriage; but the rates of withdrawal disclosed by the experience of nurses are about three times as great as would be considered normal in a fund composed of females occupied in commercial pursuits. The reason appears to be that on completion of their training, which must be done in a public hospital, nurses seek employment either in private hospitals or as private nurses. It is not clear that this condition will persist, and much lower rates have been adopted in the valuation.