20. The results of the valuation of the Local Authorities' Section are as follows:-Present value of-600,311 Existing pensions 4,200,886 Prospective pensions . . ٠. . . Existing widows' and orphans' allowances 42,619 470,828Prospective death benefits Prospective refunds on withdrawal 193,590 . . Total benefits £5,508,234 . . £ Future contributions--1,223,844 Employees . . 954,723 Local authorities 2,178,567 Future State subsidies 529,392. . Total £2,707,959

COMBINED VALUATION RESULTS.

21. The combined valuations disclose the following position for the Fund as a whole:—

VALUATION BALANCE-SHEET. Present value of benefits— 3,001,218 Funds at 31st December, 1937 4,992,587 Main Fund 5,508,234 Present value of-Future contributions Surplus 293,331 . . (i) Main Fund(ii) Local Authorities' Section 886.941 2,178,567 Future State subsidies (i) Main Fund 215.296 (ii) Local Authorities' Section ... 529,392 £8,802,783 £8.802.783

The above surplus has arisen chiefly from high interest yields on the invested funds in the early years of the period under review, and from heavy withdrawals in the Main Fund and among nurses in the Local Authorities' Section. In the Main Fund contributors receive a refund of their contributions on withdrawal, and in the Local Authorities' Section both local authority and employee receive a like benefit. In both cases, however, the State subsidy, together with all interest earned on the contributions, falls into the Fund.

22. At the valuation date about 24 per cent, of the funds were invested in mortgages on freehold property, 11 per cent, in local-authority debentures, and the balance in Government securities. Assets appear in the balance-sheet at their face value and no provision has been made to meet future depreciation, &c., losses of capital and interest being met as they occur.

I therefore recommend that £75,000 of the above surplus be applied to form an investment reserve fund.

23. It is inferred from section 73 (2) of the National Provident Fund Act, 1926, that, if a valuation discloses a deficiency, the Actuary is to report what additional sums are required by way of State subsidy during the three years following the valuation to prevent the financial position of the Fund deteriorating still further.

As this valuation discloses a surplus, I have to report that additional State subsidies are not required for the period ending 31st December, 1940.

S. Beckingsale, Fellow of the Institute of Actuaries,

Government Actuary.

National Provident Fund Board, Wellington.