

1892.
NEW ZEALAND.

PROPOSED CIVIL SERVICE PENSION AND INSURANCE SCHEME.

Presented to both Houses of the General Assembly by Command of His Excellency.

Government Insurance Office,
Wellington, 21st May, 1892.

I. SINCE we discussed the Actuary's proposals regarding a combined pension and insurance scheme for the Civil Service, I have further considered the details, and am of opinion that, with some slight modifications, the scheme will carry out your wishes as finally decided upon.

II. I have arranged with the Crown Law Office the clauses necessary to give legal effect to the proposals, subject to the modifications agreed upon. They will be found appended, and may be briefly summarised as follows:—

- (a.) Officers appointed to the Civil Service under "The Civil Service Reform Act, 1886," or who may be appointed hereafter, to retire at 60, except in special cases to be approved by the Governor.
- (b.) Officers so appointed to effect policies in the Government Insurance Office providing for the payment of a sum of money at death *before* age 60, and in the event of survival an annuity to begin at that age. Amounts accumulated in the Public Trust Office to be transferred to this office, and provide for increased annuity under the combined policy. The Actuary's synopsis supplies the necessary table, the premiums not to exceed 5 per cent. deductions from salary, with a minimum of £5. Officers desiring to have whole-life policies (*i.e.*, policies payable at death whenever it may happen, premiums ceasing at age 60) to be allowed to pay extra premium necessary in addition to 5 per cent., by salary-deduction or in cash. Officers already appointed or who may hereafter be appointed (special cases), whose age is too great to enable them to make proper provision under the scheme, to be allowed to apply 5 per cent. deductions to policy most applicable to their cases, or to maintain the present arrangement in the Public Trust Office intact, and, if former alternative adopted, present accumulations (if any) in that office to be applied towards payment of premiums.
- (c.) Bonuses not to be surrendered for cash, but to be applied to carry on insurance beyond age 60, increase amount assured where whole life, or to increase annuity.
- (d.) Policies, including bonuses thereon, not to be negotiable, assignable, or attachable while holder in Service.
- (e.) If services of any officer dispensed with, compensation to be paid as follows:—
 1. If in Service prior to passing of "The Civil Service Reform Act, 1886," to be entitled to such compensation as he would have been entitled to if proposed Act had not been passed. Compensation may be withheld in the case of such an officer dismissed from Service, but Minister in charge of his department may, on recommendation of Civil Service Board, direct that whole compensation or any part thereof shall be paid to him, or to trustees for benefit of his wife and children.
 2. If appointed since—whether under "The Civil Service Reform Act, 1886," or under the proposed Act—to be entitled to surrender-value, unless he decides to continue policy, or to accumulations in Public Trust Office, as case may be, and, if permanently incapacitated through no fault of his own, to the payment of one month's salary for each year of service. Misconduct not to bar payment of surrender-value.

III. It will be observed that officers already paying 5 per cent. to the Public Trust Office, or who would be subject to such deduction if the law remained as at present, are not to be exempted if already insured in the Government office or elsewhere, as the new insurance with this office would be merely a variation of the present arrangement.

IV. It will also be observed that provision is made under the sections headed "Miscellaneous" for bringing under the operations of the scheme persons in the employ of the Government who are not provided for above.

V. The scheme will be thrown open to the general public by means of regulations framed under Acts relating to the Government Insurance Department.

The Hon. the Premier.

J. H. RICHARDSON,
Government Insurance Commissioner.

[EXTRACT FROM THE CIVIL SERVICE BILL.]

RETIREMENT.—BENEFITS.

31. Every person appointed to the Civil Service under "The Civil Service Reform Act, 1886" (herein referred to as "the said Act"), or hereafter appointed thereto, shall retire therefrom on his attaining the age of *sixty* years; but the Governor in Council may nevertheless require any such officer who has attained such age to continue to perform his duties unless he shall be unfit to do so by reason of ill-health or other sufficient cause.

32. Every officer hereafter appointed to the Civil Service shall, on his appointment thereto, be required to effect a policy on his life providing for the following combined benefits:—

- (1.) The payment of a sum of money on the death of such officer should it occur before he attains the age of *sixty* years; and,
- (2.) The payment to such officer of an annuity until death should he survive the age of *sixty* years.

And every such policy shall be effected with the Government Insurance Commissioner appointed under "The Government Insurance and Annuities Act, 1874," and on such terms and conditions, precedent or otherwise, as may from time to time be made by regulations under this Act.

Nothing in this section contained shall prevent any such officer as aforesaid from paying such additional premiums as may be necessary to make the amount assured under subsection *one* of this section payable at death whenever it may happen.

33. Subject to the provisions of the *next following* section every officer who, before the commencement of this Act, has been appointed to the Civil Service under the said Act shall, within such period and subject to such conditions as shall be determined by regulations, be brought under the provisions of the *last-preceding* section, and shall be entitled to the benefit and advantage thereof accordingly; and the amount standing to his credit under the said Act shall be paid by the Public Trustee to the Government Insurance Commissioner, who shall apply the same for or towards an increase of the annuity provided by the policy effected on his life under section *thirty-two*. In any such case the provisions of the said Act shall cease to be applicable to any such officer.

34. With respect to officers who have been appointed as last aforesaid, or who may hereafter be appointed to the Civil Service, and have attained a certain age, to be determined by the Governor in Council, which would render it inexpedient or impossible that they should effect policies providing for the combined insurance and annuity benefits as aforesaid, every such officer shall elect, within such period as may be determined by the Governor in Council, either to have the deductions provided for in section eleven of the said Act accumulated in the Public Trust Office, in which case the provisions of sections eleven and twelve of the said Act shall remain in full force with respect to such officer, or to have such deductions applied, together with the amount accumulated at his credit in the Public Trust Office, towards the payment of the premiums on a policy issued under the Acts and regulations in force relating to the Government Life Insurance Department.

35. From the salary of every officer who shall effect a policy in accordance with the provisions of section *thirty-two* there shall be deducted a sum of money according to the rate of his salary, as set forth in the *Third* Schedule of this Act; and every such deduction shall be paid into the Government Insurance Account and treated as the premium for such policy.

36. No policy effected as aforesaid, or the moneys secured thereby, including bonuses, shall, during the time such person remains in the Civil Service, be assignable either at law or in equity, or be mortgaged or charged in any way wholly or in part, nor shall the same or any part thereof be attachable or liable to be taken in execution in any way.

37. The Acts in force relating to the Government Life Insurance Department shall be deemed to authorise the Government Insurance Commissioner to enter into any contracts under those Acts that may be necessary to give effect to this Act, with such provisions, variations, and modifications as may be necessary for that purpose; and regulations and tables may from time to time be made, altered, or varied under those aforesaid Acts for all or any of the purposes hereinbefore mentioned.

38. When, after the commencement of this Act, the services of any officer are dispensed with in consequence of the exercise of any of the powers aforesaid, compensation shall, subject, however, to the following provisions of this Act, be paid in accordance with the provisions hereinafter contained:—

- (1.) If the officer was in the Civil Service prior to the passing of the said Act he shall be entitled to be paid such compensation as he would have been entitled to if this Act had not been passed.
- (2.) If the officer has been appointed to the Civil Service under the said Act or this Act, and has elected, in terms of section *thirty-four* of this Act, to have the deductions made as required by section eleven of the said Act, he shall be entitled to be repaid the amount standing to his credit under the said Act.
- (3.) If the officer was appointed under the said Act or this Act, and has effected a policy on his life in terms of sections *thirty-two*, *thirty-three*, or *thirty-four* of this Act, he shall, subject to regulations respecting surrender values, be entitled to be paid the surrender value of his policy effected under this Act, unless he shall elect to continue paying the premiums thereon.

39. If any officer appointed under the said Act or this Act shall through no fault of his own become permanently incapacitated from further work, there shall be granted a sum equal to one month's salary for each year of service, the conditions of such permanent incapacity to be determined in accordance with regulations made under this Act.

40. Nothing in section *thirty-eight* shall be deemed to prevent the dismissal of any officer appointed under the said Act or this Act for misconduct, or on the commission of a crime which would justify such dismissal in accordance with the provisions of this Act; but notwithstanding his dismissal every such officer shall on retirement be entitled to be paid the full surrender value of his policy effected under this Act.

41. If any officer appointed to the Civil Service prior to the passing of the said Act is dismissed therefrom under the provisions of section *twenty-five* of this Act, he shall lose all right to compensation for loss of office; but the Minister may, on the recommendation of the Board, direct that the whole or any part thereof shall be paid to him, or to trustees for the benefit of his wife and children.

42. Subject to the foregoing provisions of this Act,—

- (1.) The Public Trustee shall forthwith pay any officer on retirement from the Service, or in case of his death shall pay his personal representatives, the amount then standing to his credit in the Public Trust Office:
- (2.) No assignment, charge, or other disposition made by any officer of moneys so standing to his credit in the Public Trust Office shall be valid or effectual in law or in equity; nor shall any such moneys be attachable or liable to be taken in execution by the process of any Court, or be available for distribution among the creditors of such officer in case of his bankruptcy:
- (3.) The Government Insurance Commissioner shall forthwith pay any officer, on retirement from the Service, the surrender value of his policy (if any) effected under this Act:
- (4.) The Colonial Treasurer shall issue and pay all sums required by this Part of this Act to be paid out of the Consolidated Fund without further appropriation by Parliament.

MISCELLANEOUS.

43. This Act shall not affect the operation of "The Post and Telegraph Classification and Regulation Act, 1890," or any Act in amendment thereof, or any regulation now or hereafter in force thereunder; but the officers of the Post and Telegraph Department shall be subject to this Act and the regulations thereunder in all matters and to the full extent in which the latter do not conflict with the first-mentioned Act or regulations.

But the Governor by Order in Council may bring all such officers entirely under this Act, as from a day to be notified in such Order; and in such case, from and after the day last aforesaid, "The Post and Telegraph Classification and Regulation Act, 1890," and "The Post and Telegraph Classification and Regulation Act Amendment Act, 1891," shall be repealed.

44. The Governor from time to time, by Order in Council, may bring under Part III. of this Act any or all the classes of persons hereunder mentioned, and may prescribe regulations for the adaptation of the aforesaid Part of this Act, with such modifications or limitations thereof as may be required for such adaptation to the circumstances of each class of such persons, or to the respective ages of the persons in any such class:

- (1.) All members of the Police Force;
- (2.) All school-teachers under "The Education Act, 1877;"
- (3.) All railway servants in permanent employ as such;
- (4.) All persons permanently employed in the Government Printing Office;
- (5.) All housekeepers, messengers, and gardeners in the permanent employment of the Government;
- (6.) All warders of prisons, lunatic asylums or sanatorium attendants, criers of Court, bailiffs, lighthouse-keepers, boatmen, labourers, and other persons in the permanent employment of the Government:

And the Governor, by Order in Council, may also from time to time bring any one or more of such classes of persons or the whole of them entirely under this Act, whereupon all persons within any class so mentioned in any such Order in Council shall be deemed to be officers of the Civil Service.

The GOVERNMENT INSURANCE COMMISSIONER to the HONOURABLE the PREMIER.

Government Insurance Office, Wellington, 29th April, 1892.

REFERRING to the conversations which I have had with you on the question of whether the Government Insurance Department would be prepared to construct and administer a scheme providing pensions and insurances for members of the Civil Service, I now beg to report that I have consulted with the Actuary of the Department on the subject, and he has, in accordance with my instructions, prepared the synopsis of a scheme which I respectfully submit herewith for your consideration.

J. H. RICHARDSON,

Government Insurance Commissioner.

The Hon. the Premier.

CIVIL SERVICE PENSION SCHEME.

(A Brief Description of a Scheme proposed by the Actuary of the Insurance Department.)

1. THOSE Civil servants who entered the Service before the passing of the Act of 1871, being already provided for, shall not be required to submit to the provisions of this scheme, but it shall be optional for them to do so. Membership—
optional in some
cases.

2. Those Civil servants now paying as much as 5 per cent. of their salaries to insurance offices shall not be compelled to enter the scheme, but they may do so if they wish.

3. Apart from those referred to in clauses 1 and 2, it shall be compulsory for all others to join the scheme, with a few exceptions—viz., those who are of such advanced age that they could not obtain any substantial benefits: these are dealt with in clause 9. Compulsory in
others.

Retirement age.

4. The age of retirement shall be fixed by Act compulsorily at 60 for those not over 35 years of age at the present time, and for new entrants into the Service; and for those over 35 it shall be optional on joining the scheme whether the age of retirement be 60 or 65.

Contributions.

5. The contributions shall be composed of deductions of *not more* than 5 per cent. per annum of the salaries of all those included in the scheme; the deduction to be not less than £5 in any case.

Benefits.

6. The benefits to all those included in the scheme shall be,—

- (a.) *A temporary insurance, ceasing at age 60, for an amount equal to one year's salary, up to the last even £50 of salary attained by each member; the insurance to be not less than £100 in any case.*
- (b.) *A deferred annuity (commencing at 60 or 65, as the case may be) for as much as the balance of the contribution, after deduction of the premium for the insurance, will purchase by the accompanying table.*
- (c.) *On voluntary or compulsory retirement from the Service, from other cause than permanent incapacity, the full actuarial value of the policy, or nearly so; the only condition necessary from the nature of the benefit for the protection of the Insurance Department being that, in case of retirement within ten years of the commencement of the annuity, the Government Insurance Commissioner may require reasonable proof of good health, in manner to be settled hereafter.*

NOTE.—All those who joined the Service between the passing of the Acts of 1871 and 1886 are now entitled to one month's salary for each year of service, upon ordinary dismissal; and I propose, of course, that this privilege shall remain unaltered, and thus form an additional allowance upon retirement, besides the value of the policy.

7. Benefits (a), (b), and (c)—viz., the insurance benefit, the annuity benefit, and the ordinary retirement benefit—will be purchased by the deductions from salary, without extraneous assistance.

8. I propose that the following additional benefit shall be provided from the Consolidated Fund:—

- (d.) *To all those members of the scheme who shall, through no fault of their own, become permanently incapacitated from further work there shall be granted a gratuity equal to one month's final salary for each year of service.*

NOTE.—This last benefit is the only one I propose the Government shall take up, and it is to some extent a moral liability at present for the Government to provide something for an officer incapacitated whilst in harness. I have not yet actually estimated this liability, as I have not received the schedules containing particulars of the members of the Civil Service, but I think it will prove very moderate if proper precautions are taken. The Government undertakes this liability in respect of members of the Police Force; and in a body of nearly five hundred men the aggregate amount paid on this account for the last ten years was only £8,244, or about £800 per annum. I would suggest that the Government retire a servant on the ground of permanent incapacity only upon a certificate from a Medical Board of two or more doctors.

Those now over 50.

9. After a certain age, probably not later than 50, it will perhaps be considered that the annuity obtained for a deduction of 5 per cent. of salary is too small. I propose that it shall be optional for existing members of the Service (not exempted in clauses 1 and 2) over that age to join the scheme, or that it be modified for them by providing a lump sum at age 65 instead of an annuity.

Surplus.

10. The policies shall receive their full share of the profits of each triennium, and these profits shall be applied to increase the annuities, or to continue the insurance beyond the age of 60, as individual members may select.

Administration.

11. As to the practical working of this scheme, I propose that the Act shall only lay down the essentials, and that power shall be given to the Governor in Council to make regulations with the Government Insurance Commissioner to provide for benefits (a), (b), and (c). I propose that the Government Insurance Commissioner shall take charge of all the 5-per-cent. deductions, and shall issue to each member a contract combining the insurance and annuity benefits, and providing for periodical increases of the same.

Whenever the increase in a salary brings such salary up to another £50 the temporary assurance shall be increased by £50, and, after providing for the premium for the increased insurance, the balance of the increased 5-per-cent. deductions shall be applied to purchase as much additional annuity as the tables will provide for. I propose that for intermediate increases of salary between £100 and £150, £150 and £200, &c., no increase in the existing deductions of £5, £7 10s., &c., be made, which will obviate the necessity for keeping a separate account for each member.

12. As regards the death benefit proposed to be granted by the Government Insurance Commissioner, it will be necessary that, in the case of all future entrants into the Service, permanent arrangements shall be made that will satisfy the Commissioner that only fairly sound lives are admitted into the Service, and consequently into the scheme. As to those already in the Service, and who will be required, or elect, to join the scheme, I think the case will be met by the Government Insurance Commissioner requiring a simple health form from members and their heads of departments. It will only be necessary to weed out thoroughly uninsurable lives: to these the insurance benefit could not be extended by the Insurance Commissioner. Note: I would suggest that this information—as to present state of health—be obtained as early as possible about all those Civil servants whom it is proposed shall join the scheme: if the number of uninsurable lives is very small, the Government may be willing to undertake this liability, perhaps in a reduced and modified form, on account of existing Civil servants only.

13. The following example will illustrate the working of the proposed scheme: Suppose a boy Illustration. to enter the service at age 17 as a cadet, and that his salary rises to £150 by the time he is 24. The yearly deduction from his salary until he is 24 will be fixed at £5, and his policy will insure him £100 at death and provide a deferred annuity for £62 11s. At age 24, his salary having become £150, the deduction from it is increased to £7 10s., and his policy is increased by indorsement, the insurance to £150, and the annuity, by one-half of £39 8s., to £82 5s. Suppose the salary to be raised to £200 by age 27, the deduction is at that age increased to £10, the insurance to £200, and the annuity, by one-half of £32, to £98 5s. If at 30 the salary is £250, the deduction then becomes £12 10s., the insurance £250, and the annuity, being increased by one-half of £25 14s., becomes £111 2s. The salary becomes £300 at, say, age 33, and the deduction is then £15, the insurance £300, and the annuity £121 6s. If £300 is the maximum salary for the position held, and the member receives no further promotion, he will remain insured for £300 at death until he leaves the service at age 60, when he will enter upon a minimum annuity of £121 6s. His average annual salary for twenty years before retirement will have been £300, and his minimum annuity will therefore be a little over 40 per cent. of that average salary.

Assuming that at age 50 he receives promotion carrying an increase of £100 in salary, the deduction will then be made £20, the insurance £400, and the annuity will be increased to £124 12s., which is equal to 35 per cent. of £350, the average annual salary for the twenty years immediately preceding retirement.

In addition to these results, the profits accumulated to age 60 will either materially increase the annuity or provide insurance beyond age 60, as the member shall have selected. In like manner the working of the scheme in all possible cases can be easily traced by means of the table.

14. I propose that the present fund accumulating in the hands of the Public Trustee by the Public Trustees working of the Civil Service Act of 1886 shall be applied to purchase deferred annuities in terms of Fund. the scheme for the benefit of the individual contributors to that fund.

15. The advantages to both the Government and the Civil Service which will result from the Special Advan- Insurance Department carrying out the insurance and annuity transactions will be,— tages.

- (1.) The solvency of the scheme will be once for all secured.
- (2.) The management of the fund, and the periodical valuations, will not necessitate additional expense from time to time.
- (3.) The fund will earn a much higher rate of interest than if worked by itself. By itself the Government would not be likely to allow more than 4 per cent. interest, but the present average rate of interest earned by the funds of the Insurance Department is nearly 5½ per cent., and this rate will be allowed.
- (4.) The continual fluctuations which must occur in the mortality of such a comparatively small body as the Civil Service will be entirely avoided by combining with the large body of policyholders in the Government Insurance Department.
- (5.) Regular profits will be granted at the end of every three years.

16. In conclusion I must emphasize the fact that the benefits offered in exchange for the contribution of less than 5 per cent. of salary are *absolutely certain*, and that the annuities are the *minimum* annuities, which will certainly be considerably increased by the periodical application of profits.

28th April, 1892.

MORRIS FOX,
Actuary to the Insurance Department.

DEDUCTIONS FOR POLICIES.

Salary per Annum.						Annual Deduction from Salary.		
						£	s.	d.
Under £150...	...	...	...	...	...	5	0	0
£150 and under £200	...	...	...	...	...	7	10	0
£200	"	£250	...	...	...	10	0	0
£250	"	£300	...	...	...	12	10	0
£300	"	£350	...	...	...	15	0	0
£350	"	£400	...	...	...	17	10	0
£400	"	£450	...	...	...	20	0	0
£450	"	£500	...	...	...	22	10	0
£500	"	£550	...	...	...	25	0	0
£550	"	£600	...	...	...	27	10	0
£600	"	£650	...	...	...	30	0	0
£650	"	£700	...	...	...	32	10	0
£700	"	£750	...	...	...	35	0	0
£750	"	£800	...	...	...	37	10	0
£800	...	...	...	...	...	40	0	0

TABLE showing the Deferred Annuity to be entered on at Age 60, in addition to a Temporary Insurance of £100 (ceasing at Age 60), corresponding to £5 Premium, being 5 per cent. deduction from £100 Salary. Profits to be allotted periodically, and to be applied either to increase the Annuity or to carry the Insurance past Age 60, as may be decided upon. (Annuities at 65 are shown for comparison.)

Present Age.	Annuity commencing at		Present Age.
	Age 60.	Age 65.	
	£ s. d.	£ s. d.	
15	71 6 0	121 14 0	15
16	66 16 0	...	16
17	62 11 0	...	17
18	58 11 0	...	18
19	54 16 0	...	19
20	51 7 0	87 17 0	20
21	48 2 0	...	21
22	45 1 0	...	22
23	42 3 0	...	23
24	39 8 0	...	24
25	36 16 0	63 4 0	25
26	34 7 0	...	26
27	32 0 0	...	27
28	29 15 0	...	28
29	27 14 0	...	29
30	25 14 0	44 7 0	30
31	23 17 0	...	31
32	22 2 0	...	32
33	20 8 0	...	33
34	18 17 0	...	34
35	17 7 0	30 4 0	35
36	15 19 0	27 16 0	36
37	14 13 0	25 12 0	37
38	13 8 0	23 9 0	38
39	12 5 0	21 10 0	39
40	11 3 0	19 13 0	40
41	10 2 0	17 18 0	41
42	9 3 0	16 4 0	42
43	8 4 0	14 13 0	43
44	7 7 0	13 4 0	44
45	6 11 0	11 17 0	45
46	5 16 0	10 11 0	46
47	5 2 0	9 7 0	47
48	4 9 0	8 6 0	48
49	3 17 0	7 5 0	49
50	3 6 0	6 7 0	50
51	2 16 0	5 10 0	51
52	2 7 0	4 14 0	52
53	1 18 0	3 19 0	53
54	1 10 0	3 6 0	54
55	1 4 0	2 14 0	55

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