

one-eightieth part of the total salary paid during all the years of his service before the commencement of the Act; Provided that the total annual allowance payable for service before commencement of Act shall in no case exceed £52 for female members and £78 for male members: Provided that the annual allowance payable to an original member shall in no case be less than the sum of £52 for female contributors, and £78 for males."

[NOTE.—Words proposed to be inserted are printed in italics.]

I am, &c.

WILLIAM DAVIDSON.

F. E. Baume, Esq., M.H.R., Chairman, Education Committee.

Wellington, 24th August, 1905.

F. E. Baume, Esq., M.H.R., Chairman, Education Committee, House of Representatives.

THE net result of the proposals contained in Mr. William Davidson's letter of the 4th instant is that the total liability will be slightly increased. The reason for this is that the small savings effected by the other proposals are more than counterbalanced by the additional cost of raising the minimum pension for males from £52 to £78.

(1.) *Limiting the right of females to retire at age 50 to those who have had not less than thirty years' service.*

If the age is 50 without limit of service, 30 are able to retire immediately and 1,358 on reaching age 50.

With the proposed limit 11 could retire at once and 1,207 on reaching 50; 50 at 51, 27 at 52, 24 at 53, 8 at 54, 11 at 55, 8 at 56, 5 at 57, 6 at 58, 7 at 59, and 24 at 60.

The saving by the limitation is estimated at £5,650.

(2.) *Return of contributions on voluntary retirement to be reduced to 75 per cent. where length of service does not exceed ten years; return in full after ten years.*

In the case of *males* no allowance was made for withdrawals. As explained in my report a pension scheme will materially reduce the number retiring, and the proposed increase in salaries will also have this effect. The proposal would strengthen the fund and increase the margin for contingencies, such as retiring on account of ill health on a pension before the optional age of retirement, for which, as already explained, I have not been able to directly provide. The saving which would be effected by the proposed reduction would be extremely small in the case of males.

In the case of *females* the retirements are very heavy, and are probably independent of the inducements offered by the service, and were therefore taken into consideration in computing the cost of the scheme. With full return of contributions on withdrawal the subsidy required is £78,395, and with half return, if withdrawing within fifteen years as originally proposed, the subsidy would be reduced to £69,008. The present proposals—viz., return of 75 per cent. of contributions on withdrawal if length of service does not exceed ten years (other benefits remaining as proposed in the Bill)—would probably require a subsidy of about £74,500, being a saving of £3,895.

(3.) *Men to retire at 65 in 1906; at 64 in 1907; 63 in 1908; 62 in 1909; 61 in 1910; and 60 afterwards.*

This proposal would only effect those men who are now 62, 63, and 64 (of whom there are seventeen according to the data supplied) whose pensions would be postponed one year. The proposal would have little effect therefore, as I have already assumed in my calculations that male teachers will remain in the service three years after they have qualified for a pension, and that all will retire at 63. The gain to the fund is estimated to amount to about £1,155.

(4A.) *Back service to be reduced from one-sixtieths to one-eightieths, with a maximum of £52 for females and £78 for males on account of back service.*

(4B.) *Minimum pension to original members to be £52 for females and £78 for males.*

It is estimated that there would be a saving of about £50,000 under (4a), but an additional liability of about £65,000 under (4b).

The net result of the proposals would therefore be an additional liability of (say) £4,300.

For purposes of comparison I give the estimated liability under the various proposals:—

Proposal.	Capital Value of Total Deficiency.	3½ per Cent. on Capital Value.
	£	£
The Bill	270,248	9,459
„ (female age reduced to 50)	345,637	12,097
Teachers' Conference	494,928	17,322
„ (female age reduced to 50)	516,037	18,061
Mr. Davidson's proposals	520,337	18,212

The above table refers to existing teachers only; as already explained, the additional liability on account of new teachers, assuming age at entry to be 23, will be—

Males, £96 each;

Females, £10 10s. each, if age at retirement 55; £19 if age at retirement 50.

If only 75 per cent. of the contributions were returned on voluntary retirement during the first ten years, this liability on account of new entrants would be very slightly decreased.

MORRIS FOX,

Government Actuary.