Undoubtedly, if you treated them as a common lot, that Department would be taking money out of the contributions made by another.

17. From an actuarial point of view you see no objection to that?—No.

18. With regard to actuarial reports generally: There is an opinion amongst some that an actuarial report is not of very material value in connection with these superannuation schemes, and it has been said that friendly societies, for instance, have been reported on actuarially as unsound and that they have proved to be sound. What have you to say as to that, from your point of view as an actuary?—With reference to friendly societies, I have to say this: It is entirely due to acturial investigations and recommendations that the friendly societies have gradually been encouraged to place themselves on a sounder basis. They are getting sounder every year.

19. What I understand you to say is that owing to actuarial investigation the friendly societies have increased their contributions or decreased their benefits, or done something or other to make themselves sounder?—Yes.

20. You say that as an expert actuary?—As a fact.

21. *Mr. Colvin.*] Have the friendly societies in New Zealand increased their contributions during the past forty years, to your knowledge?—I may say that I do not profess to be an expert in friendly-society matters. I have made no special study, either practically or theoretically, of New Zealand friendly societies. I imagine that the contributions have been increased in certain lodges—in many lodges. I know that lodges which were not in the early days paying contributions according to acturial scale at all are now doing so.

22. Is that so with regard to the Odd Fellows?—Yes.

23. *Hon. Sir J. G. Ward.*] What value do you place upon the State guarantee taking the position of capital in an organization of this kind?—Every value. If I may be allowed to explain, it is in this way: when no contributions are made to a scheme of this kind—as is the case with our old-age pensions, which are similar, there are annuities payable but no contributions paid—there is no suggestion or attempt to make an acturial valuation of the liability, which, in respect of old-age pensions, might amount to a million or over, the annual payments being a quarter of a million at present. In the English Civil Service scheme also there are no contributions at all. They are paying out some two millions a year now. No attempt is made to assess the acturial capital value of the liability.

24. When you say they pay out two millions a year, do you mean in pensions?—Yes. When the contributions paid into the fund do not meet the whole liability, then the law here requires, in certain cases, a valuation. Well, the Government has eventually to assume the liability which is not covered by the contributions. If I may put it in this way: if this scheme were dealt with in the same way as the other schemes where there are no contributions, the Government would pay the balance of the outgo that was not covered by the contributions. It might start at £20,000 a year. There would be no object in estimating the capital liability of that annual amount the Government were paying out. The Government would be responsible for it, as the English Government is, and to my mind there is no object in getting an estimate of the capital liability. But the portion of the fund that contributions are paying for must be actuarially valued, and the capital value of that from time to time will, if the fund is managed properly, be exactly or practically the same as the accumulated fund. To give a concrete instance—the capital of the Police Proivdent Fund, the report on which is being printed now, is £27,000. Well, if the Government were paying year by year the balance of outgo not provided for by the contributions, that £27,000 would be exactly equivalent to the liability that the contributions cover. You follow me? At the present time the liability is £200,000-odd, but if the Government paid the balance of outgo there would be no necessity for a valuation of that liability.

25. I understand that if the capital sum were provided in the first instance no guarantee would be required. Is that so?—No guarantee would be required, no. I do not see that it would, excepting that every assurance institution has its accumulated funds, but Government insurance funds are guaranteed; others are not guaranteed. There must be something in it.

26. As to the capital that I referred to just now, an insurance company—to take it as an example—has its accumulated funds made up from excess profits, or whatever it might be?—Yes.

27. In that case the accumulations would be in the shape of profit, really; here the guarantee would be equivalent to the interest on the amount of the invested capital?—Yes.

28. Would a capital amount and a guarantee both be required for a State superannuation fund?—I do not think so. The guarantee to my mind would not mean much if the fund were properly managed. If it were not, then the guarantee would come in. But the Government would be managing their own fund, and it would be only through their mismanagement that the fund would be inadequate.

29. Supposing there were no State guarantee at all, from an actuarial point of view there would have to be a capital sum to provide a yearly payment?—Yes.

30. If that capital sum were provided, would a State guarantee be necessary?—I do not think so.

31. Take the converse: if a State guarantee is provided is a capital sum necessary?—That is a difficult question to answer. My position in regard to that question is like this: If a man's business were utterly insolvent you would not say it was sound; but if he were backed by Rothschild you would say he was sound. You see what I mean? He would be sound in one way but not in another. If the State guarantee is there, however inadequate the contributions are, the fund is sound.

32. Have you had any personal experience, as an actuary, of State guarantees for superannuation funds, outside of the two or three funds that are in operation in New Zealand?—No, I have had no experience, as an actuary, except in connection with Government and other funds in New Zealand.