SESSION II.
1906.
NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE

(REPORT OF), ON THE CIVIL SERVICE SUPERANNUATION BILL, TOGETHER WITH THE MINUTES OF EVIDENCE.

Report brought up 24th October, 1906, and ordered to be printed.

ORDERS OF REFERENCE.

Extract from the Journals of the House of Representatives.

FRIDAY, THE 24TH DAY OF AUGUST, 1906.

Ordered, "That a Committee, consisting of ten members, be appointed to examine into and report upon such questions relating to the Public Accounts as they may think desirable, or that may be referred to them by the House or the Government, and also into all matters relating to the finances of the colony which the Government may refer to them; three to be a quorum: the Committee to consist of Hon. Mr. McNab, Mr. J. Allen, Mr. E. G. Allen, Mr. Colvin, Mr. Flatman, Mr. W. Fraser, Mr. Graham, Mr. T. Mackenzie, Mr. Mills, and the mover."—(Hon. Sir J. G. WARD.)

TUESDAY, THE 26TH DAY OF SEPTEMBER, 1906.

Ordered, "That the Civil Service Superannuation Bill be referred to the Public Accounts Committee for report."—(Hon. Sir J. G. WARD.)

REPORT.

I HAVE the honour to report that the Public Accounts Committee, to which was referred the Civil Service Superannuation Bill, has duly considered the same, and has taken evidence thereon, and recommends that in view of the evidence of the Actuary, in which he states that it is not possible to furnish even an approximate report to the Committee upon the Bill unless he has some months within which to obtain data and make the necessary investigations, the Bill be not proceeded with this session; and that the Civil Service Superannuation Bill as submitted, or any other suggested scheme that will meet the position, be referred to the Actuary for examination and investigation, and that he be requested to furnish a full report on such scheme in time to enable it to be dealt with next session.

24th October, 1906. C. H. MILLS, Chairman.

MINUTES OF EVIDENCE.

WEDNESDAY, 17TH OCTOBER, 1906.

MORRIS FOX, Actuary, Government Life Insurance Department, examined. (No. 1.)

1. *Hon. Sir J. G. Ward.*] Could you, Mr. Fox, upon the basis of the examination which you underwent before the Education Committee last year regarding the Teachers' Superannuation Bill—could you in a general way tell the Committee what the responsibilities of the colony would be proportionately under this Bill, upon the same method of calculation?—No, sir, I could not give you even a general idea without having particulars of the Civil Service. If I attempted to do so I should have no confidence in it myself. I should not feel at liberty to endeavour to make an attempt without having the particulars.

2. How long do you think it would take you to give the Committee that information?—I think it would take at least a good many weeks—a month or two—to get all the information on the cards in the same way as I have just got it in connection with the Police Provident Fund. Of course, for the one Department it took only a week or a little more, but for a number of Departments it would take some time. Then, when I got the cards there would be the classifying. To do the work satisfactorily, from beginning to end, it would take, I should think, two or three months.

3. You have not made any examination of this scheme at all?—None whatever, sir.

4. *Mr. W. Fraser.*] You did prepare some information in reference to the Education superannuation scheme, did you not?—Yes.

5. Are you aware that the intention now is to alter the existing schemes in connection with the Railways and the Police, and also this one, to exactly the same basis as the Education one?—The Premier has told me that that is in the minds of the members of the Committee.

6. Assuming that to be the case, would it not be merely an extension of the principle upon which the Education scheme is drawn out?—It would to a large extent, but it would not be a simple-proportion sum. I mean to say that that might give quite erroneous results. Until one knows the exact position of any body of men it is impossible to draw correct deductions as to what will be the results. I may say, as a matter of experience, that when a large body of data is got together about any new body of men, the actuaries examining those data are sometimes very much surprised to find a certain lay of the facts which they did not anticipate—in connection with the ages, duration of service, and so on.

7. Would the extension to the whole of the other Departments, of the basis upon which the Education scheme is founded, have the effect of increasing the liability proportionately, or would the fact of a larger number of people coming into a scheme be likely to lessen it?—Yes, a larger number of new members would proportionately lessen it materially—that is, young members. I would point out that the first difficulty would be that we at present, so far as I know, have no exact information as to the Civil Service—even the numbers. At any rate, I have not seen it.

8. You know, of course, that the Civil Service is a very numerous body?—Quite so—I should say some seven thousand, perhaps, excluding railways and police.

9. Do you think—speaking generally, of course—that the result of the extension to the Civil Service of the scheme passed last year with regard to teachers would be much the same?—That is just what I cannot say.

10. I suppose it would depend upon the ages of the people in the Service and the number of those likely to be requiring a retiring-allowance at an early age?—Yes; I should expect to find it somewhat the same.

11. Proportionately the same?—Yes.

12. *Hon. Mr. McNab.*] I understand from you, Mr. Fox, that you would expect to find that a Department like, say, the Stock Department would present to the actuary a different condition of matters from the same number of men in a Department like the Education Department?—They would be older men, I should imagine, in the Stock Department, on the average—a lot of experts.

13. In the superannuation scheme for the whole Civil Service of the colony, do you think it would be possible to look to one common basis of contribution and benefit, or should we, in your opinion, have to give to the different classes a different amount of contribution with a different benefit?—I do not think it would be necessary to make a difference, as far as I can see. Let me put it in this way: Take men in the service aged 30; whether in the Stock Department or the Post Office or any other Department, I do not see why they should be treated differently.

14. You think a common basis can be arrived at?—I think so.

15. *Mr. J. Allen.*] With regard to this question of common basis: If the scheme were made to apply to those who would retire immediately on its coming into force and who had not subscribed to the fund, as is the case under the Education scheme, would it not make a difference in that period?—You mean whether such people were numerous or few?

16. Yes. What I mean is this: If there were a number of old people in one Department who would have to retire at the passing of the Act or immediately afterwards, would not the liability with respect to them come upon the younger members of some other Department possibly?—

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.

33. That is what I mean. If this colony were to provide the interest upon a sum equivalent to the capital that would earn an amount sufficient to meet all deficiencies here, no State guarantee would be required? Let me put it in this way: Supposing four millions of money were wanted at 4 per cent., the interest would be £160,000 a year. If the country said, "We are going to set aside £160,000 a year" without the capital being provided to earn that money, it would practically be taking the place of principal and interest, would it not?—Yes.

34. If an annual amount equivalent to the estimated actuarial deficiency in a superannuation scheme were provided, would a State guarantee be necessary?—No, I do not see that it would.

35. So the whole question of an actuarial investigation into any of these schemes, from an actuary's point of view, comes back to making a fund sound entirely without a State guarantee?—Yes, regardless of a State guarantee.

36. In reality, from an actuary's point of view, a State guarantee counts for nothing?—For nothing whatever.

37. Do you know anything of the English railway superannuation schemes?—A few years ago I read a good deal and had a good deal of information in connection with the London and North-western Company, and many others. I have read reports on them, from the Cape especially. The Government actuary at the Cape has published a good deal about them, and I have read those reports particularly.

38. Do you recollect what the period which you calculated actuarially for the Education Committee would be when the superannuation fund for the teachers would show itself as either not progressing in the matter of accumulation of funds or declining?—I did not make any such calculation; I declined to do it. Mr. Hogben did what was done in that way.

39. Mr. Hogben is not an actuary, of course?—He is not a practical actuary, of course because he has not practised as an actuary.

40. As an actuary you would not risk your reputation by saying what the position of a fund was going to be fifty years hence?—No.

41. The London and North-western Railway Company's Superannuation Fund has, generally speaking, been reported by the actuaries as being unsound?—I know that the last valuation was made by three leading London actuaries, and the fund was reported to be almost exactly solvent, having nothing to spare. But that was at a time when the administrators of the fund desired to increase the benefits, and the valuation made showed that the increase was not warranted. The administrators of the fund decided to waive actuarial valuation for twenty years, and to increase the benefits.

42. That was about how many years ago—twenty?—It must be about twenty, because they have just had their valuation made, I understand. [Note.—I find the valuation referred to was in 1893.—M. F.]

43. I sent the following telegram to the High Commissioner in London on the 5th September. The questions were put to him seriatim, and the answers are seriatim: "Ascertain London North-western Railway Company—position of their superannuation fund. (1.) How long in existence?" Answer: "First established, 1853." (2.) "How much paid in?" Answer: "£2,096,000." (3.) "How much paid out?" Answer: "£725,000." (4.) "Present position of fund?" Answer: "£1,371,000." (5.) "Total number of employees who have been superannuated?" Answer: "1,029." (6.) "Present number of employees drawing superannuation?" Answer: "522." (7.) "Is financial condition fund now considered by company solvent?" (8.) "What was company's reason for not accepting actuaries' reports to recommendations?" Answer: "Replies to (7) and (8) indefinite, but intimate that as financial condition has varied on each actuarial valuation it has been decided to make application for parliamentary powers in order to enable company to guarantee present scale of benefits." Now, I want to give similar information in regard to the Lancashire and Yorkshire Railway Company. "Ascertain from Lancashire and Yorkshire Railway Company position their superannuation fund. (1.) How long in existence?" Answer: "Established, 1873." (2.) "How much paid in?" Answer: "£618,000." (3.) "How much paid out?" Answer: "£186,000." (4.) "Present position of fund?" Answer: "£450,000." (5.) "Total number of employees who have been superannuated?" Answer: "417." (6.) "Present number of employees drawing superannuation?" Answer: "276." (7.) "Is financial condition fund now considered by company solvent?" Answer: "Answered in affirmative." (8.) "What was company's reason for not accepting actuaries' reports and recommendations?" Answer: "No answer to this." What I want to ask is this: the time you refer to—when the London actuaries declared the position of the London and North-western Company's fund to be about solvent—would be, according to that, thirty-three years after the fund was established. Now, in the meantime, twenty years had passed by. If the actuaries had predicted insolvency for a fund of that sort, would you have anticipated that in fifty-three years it would have accumulated £1,371,000?—"If they had predicted insolvency"—which they did not, thirteen years ago——

44. I understand they said it was about sound then?—Yes.

45. Would you say, in the face of the figures I have given—which are authentic—that the London and North-western Railway Company's fund is insolvent?—No. What I would deduce from that is this: the benefits having been increased twenty* years ago, the actuarial investigation now—the result of which is not stated in the High Commissioner's cables which you read—shows that there is a certain amount of deficiency on account of those extra benefits having been given, and that is the reason why they say the actuaries' reports varied from time to time and they do not wish to give publicity to the present actuarial report, if one has been made. That is what I should imagine, but I would not say the fund was insolvent. It may be so-much out, but if it were solvent thirteen years ago and the benefits were only slightly increased, it is not likely to be in a thoroughly insolvent condition now.

* Note.—I find on reference the benefits were increased ten years ago, in 1896.—M.F.

46. I think I am right in saying that thirteen years ago the actuaries, when investigating the superannuation fund for the London and North-western Railway Company, or for any other organization of the kind, would estimate that a deficiency, to some extent, at all events, would arise, owing to the absence of a capital fund to start with?--A capital fund is not necessary if the contributions are sufficient.

47. That is so. The fact remains that the directors of a very large railway company, instead of attempting to strengthen the fund, propose to ask Parliament to allow them to guarantee the present scale of benefits?—Yes.

48. That does not look like guaranteeing an insolvent concern?—No.

49. This London and North-western Railway Company's system has been in operation for fifty-three years. If a statement was made by any one before the Education Committee that a fund would commence to show weakness in fifty years, would it be justified?—It would depend on what the fund was, and what you mean by "weakness." Do you mean that the outgo would exceed the income?

50. I mean that the liabilities would commence to increase at that date, and the fund itself to materially decrease. I understand that is the theory?—I am quite confident in stating what I have showed you about the Police Provident Fund—that in three years' time or thereabouts the fund will commence to diminish, undoubtedly, and will continue to diminish for a number of years, and if no alteration is made will cease to exist, and then the Government will pay the outgo for pensions. All these funds, if the contributions are inadequate, must work in a similar manner, though it may be a later date when they run out.

51. It all comes back to the question of contribution?—Yes.

52. Can you say how much per head ought to be paid in by way of contribution to make a fund sound?—Yes, certainly. It all depends on the rate of interest. That is one of the difficulties. To be safe with regard to a fund you have to assume a lower rate of interest than the fund is capable of earning at present. If the Government guaranteed, say, 4 per cent. for a fund, then the contributions that you can calculate for that fund are practically exact, because you take 4 per cent. as a certainty. But to take 4 per cent. as a certainty without a Government guarantee at the present time would, in the opinion of almost any one able to judge, be not sound—not legitimate.

53. If the Government guaranteed 4 per cent., can you state at the moment how much per head would be required—in a general way?—No. I could on reference down at the office.

54. In any case, you think it would take you a considerable period to furnish the information that we desire in connection with this Bill?—Yes. I may say that I have studied this to some extent, but not very closely yet. There are some slight differences, I imagine, between the benefits in this Bill and those in connection with the other funds, and any such slight differences make a difference in the contribution. For instance, the amount of the widow's pension, and the sum given on retiring, may vary in these funds— some may give 75 per cent. after a certain period and others 50 per cent.

55. How long do you think it would take to furnish that information?—The information that I should like to furnish, if the matter were put into my hands, would be very exhaustive, and, to be done well, would take a large part of the recess. If the matter were placed in my hands, I should have every confidence—given the authority to obtain the data—of showing, a month before next session, what the contributions for the whole Service—and I understand there is no suggestion of changing them—would furnish in the way of pensions and what would remain for the Government to pay in the first year as the balance of the probable outgo for that year, and in a more approximate way how that amount would increase for a few years. The outgo and the Government liability in all these funds tend to increase yearly. The English Civil Service outgo increased from £1,600,000 eighteen years ago to £2,100,000 at the present time. The New Zealand Government outgo in connection with this fund must increase every year in the same way as with the old-age pensions. I could show what the initial liability on the part of the Government would be to give either the full benefits or the half-benefits. I could show how that was divided amongst the different benefits, the pensions pure and simple—either on the full scale as provided in the Civil Service Superannuation Bill, or on the half-scale, as in the Teachers' Superannuation Act—and what was required for all the other benefits, especially the very considerable benefit of the widows' and children's pensions. The cost of these pensions is about equivalent to the premium for an assurance of £200 for every man in the Service.

56. What is the amount of the pension for the widow in the Education scheme?—I think the minimum is £18.

57. *The Chairman.*] In making a calculation with regard to what would be a fair contribution, do you consider the difference in the risks the men in these various bodies run—the difference in the risk, we will say, between a schoolmaster and a policeman?—That is considered. That is one of the points I should have to consider more deeply than I have yet done, in this way: looking at the body of teachers, I considered the matter and came to the conclusion that the table of mortality which I took would be a reasonable one, and that I could follow that closer than any one I knew of. Take the whole of the Civil Service. I imagine, speaking roughly, that the same thing would suit; but in the first place I should take all the different bodies of employees in the Civil Service, and see if there was anything in the nature of their employment that would either increase or decrease the general vitality of the body. That is the first thing I should do, and until I get the whole data I am not in a position to do that.

58. Would it be equitable for a policeman, with a far greater risk, to pay only the same amount as a schoolmaster—the risk of death in the case of a schoolmaster would, I should say, be materially less than that of a policeman?—Well, now, I went into that matter a little a few years ago, and police mortality is very good, according to the experience of the Australian Mutual Provident Society.

59. Could you inform the Committee, in making your actuarial calculation, what the difference would be if the pension to a widow was increased from £18 a year to a larger sum—say £26, the same as an old-age pensioner gets?—Well, of course, I cannot tell you offhand. It depends, first, on the number—whether there are 4,000, 5,000, or 6,000 members of the fund; and it depends also very greatly on the present age of the members. That is one of the causes that prevent me from making any estimate whatever. If you take a body of men whose average age is thirty and another body whose average age is thirty-five, the liability on account of the £18 a year pension to the widow is very different in the two cases.

60. After obtaining all the particulars you required, I assume it would not be very difficult to give the Committee information as to what increased contribution would be necessary if the sum to be paid to a widow was increased from £18 to £20 or £26?—Then it would be a matter of simple proportion.

61. *Mr. J. Allen.*] I want to ask a question with regard to the accumulations that Sir Joseph Ward asked you about in respect to the Education scheme which you were dealing with last year. It has been stated that the fund would increase for a certain number of years, and would then either become stationary or begin to diminish, and I think the number of years mentioned was fifty. You, in your evidence just now, said that you would not venture to predict so far ahead. Are you aware that Mr. Hogben gave evidence somewhat to that effect before the Education Committee last year?—Yes, sir; I am quite aware of that. I told Mr. Hogben that I would not take that responsibility. He has done it on lines that he considers satisfactory, but it is complicated. He has done it in what I call a non-actuarial manner, and I do not know whether it is right or wrong. It may be quite right, and it may be quite wrong.

62. As far as you, as an actuary, are aware, is it a fact that the funds do go on increasing up to a certain period, and that they then either become stationary or diminish—that is, where the contributions are sufficient?—It is almost certain that at some time or other that will be the case if the contributions are inadequate. If the number of new members is in an increasing ratio that will prevent the fund coming to that maximum; but that cannot go on for ever. It is bound to come to a maximum ultimately.

63. If the contributions are sufficient does the accumulation go on for a certain period?—Yes.

64. And then does it become stationary or begin to diminish?—It would become practically stationary.

65. Although you did not give any prediction to the Education Committee as to what would be the case fifty years hence, did you give any prediction at all?—No; not with regard to that.

66. I am going to read a portion of the evidence you gave in regard to the Education scheme, and you will understand what I am getting at: "In thirty years there will be 6,973 members still alive who will be entitled to pensions amounting to £307,132 per annum in the aggregate. The funds will then have accumulated to the large sum of £3,182,254, and thenceforth there will be no income except from interest-earnings. This fund will decrease year by year till the death of all the members, when it will be used up. . . . If, instead of £45, pensions of £60 had been granted, the fund would nevertheless accumulate as before to £3,182,254 before being drawn upon, but being insufficient for the pensions of £60 would be used up by the time the members were about seventy-five, leaving over three thousand of the original contributors without pensions in their remaining years of life." Was that your evidence?—Yes, sir, but that is not about the Teachers' Superannuation Fund. That is about a hypothetical fund. It was just a simple fund—so simple that I could draw those deductions as to what would happen.

67. It was evidence that you gave before the Education Committee upon—if you like to say, a hypothetical scheme?—To show what would happen in that case.

68. In thirty years' time?—Yes.

69. So you did predict what would happen in thirty years?—Yes; but I will give you the reason why I would not in a case in practice: I cannot foretell the increase in population in New Zealand in ten, twenty, thirty, or forty years, and the consequent increase in the body of men affected. Will you allow me to look at that printed evidence, please, where I take that hypothetical case? In my evidence on page 48 I went into that particular case more fully, and gave the example to explain more fully the whole figures of the fund. May I read what I said? "Example showing working of a pension fund in its simplest form: Assume ten thousand men aged thirty, paying 6 per cent. of salaries of £100 into fund. In thirty years the accumulated fund is divided among the survivors, giving £456 7s. 5d. to each, which amount will purchase pensions of £45 2s. 3d. (No provision is made for increases in pensions consequent on increases in salaries, nor for return of contributions at death, nor for early retirement through ill health, nor for insurance or pensions to widows and orphans, all of which would result in decreasing the pensions or increasing the contributions.)" There is there a fund provided by the contributions of ten thousand men, and there are no new entrants into the fund. It is the simplest matter in the world to say what I did say about that, and it was only done to show how a fund in its simplest form would work out. I could say what would happen in connection with that, but I could not say about a body of men such as there would be in one of these funds in practice. I could not say what would result in ten years, let alone fifty. I found great difficulty in making any estimate worth having, even for three years, in the case of the Police Provident Fund.

70. *Hon. Mr. McNab.*] When you were giving your evidence before the Education Committee you did not venture to express an opinion as to the state of the fund at any future date, except in so far as the original body of teachers were concerned. Is not that so?—That is so.

71. And you declined to express an opinion about the state of the fund fifty years after, because there was no evidence before you as to what the increased number of teachers in proportion to the population would be at that time?—That is so.

72. Mr. Hogben's estimate was some calculation he made on his own responsibility as to what the staffing would be during the intermediate years?—That is so.

73. You know nothing about it?—No; but I have no desire whatever to cast discredit on his estimate. I desire that this should be emphatically understood.

74. *Mr. T. Mackenzie.*] The matter was not placed before you for you to test or check Mr. Hogben's work?—No. I think I was asked, and I said I did not feel——

75. *Mr. J. Allen.*] You said very much what you say now?—Yes.

76. *Mr. T. Mackenzie.*] The point that occurs to me is that the Committee might have asked Mr. Fox to report on the matter, with the data supplied by Mr. Hogben as a check, but that was not done?—If I was asked it was not pressed.

77. *Mr. W. Fraser.*] Sir Joseph Ward asked you about an annual contribution by the State not actually being necessary if a guarantee were given by the State.—Yes.

78. Would that not mean, then, throwing the whole burden on posterity? If a guarantee were given and there were no State contribution to make up the difference between the contributors' payments and the amount actually required to keep the fund sound, it would mean throwing the whole burden on posterity, would it not?—Yes, undoubtedly.

79. Therefore according to the amount which the State would contribute annually now, so would posterity be relieved?—Yes. If the State contributed the whole of the balance for the outgo then there would be no burden on posterity.

80. No undue burden?—There would only be the concurrent increasing amount with the increase of population.

81. If the State contributed a certain amount at present, even though it were not sufficient to make the fund actuarially sound, that would meet a certain proportion of the liability that otherwise would be entirely thrown on posterity?—Yes. May I say that the contributions themselves being inadequate, they veil the matter in this way: they are more than sufficient to pay for all the outgo at present, but they are not sufficient to provide the reserve necessary to meet the whole of the liability.

82. Therefore, if any present annual contributions are made by the State towards this difference, that money would be allowed to accumulate for future requirements?—Yes.

83. But would not be required at present?—That is so.

84. *Hon. Sir J. G. Ward.*] What I understand you to say is that up to a certain time, without State contribution or without falling back on the guarantee, the ordinary payments of the contributors would be more than sufficient to provide for the requirements of a fund?—Yes.

85. But that after a period of years the absence of a State contribution would make the fund too weak to carry on?—Yes. The contributions would need to be extremely inadequate not to be able to provide the outgo at the start.

86. In computing these funds, to what extent is consideration given to the number of juniors who keep joining the service?—Every consideration. If they were all juniors there would be very little actuarial deficiency shown. That is fully taken into account.

87. Before estimating the position the fund would arrive at?—Yes.

88. What strikes me as being so singular in connection with the London and North-western Railway Company's fund is the fact that the enormous sum of £2,096,000 has been paid in only £725,000 has been paid out over a period of fifty-three years. That makes me feel that the juniors joining must have a material effect upon the building-up of the fund, and they are not retiring within the fifty-three years?—That is so. A large part of that reserve is accumulating, and will be required to pay them when they do retire.

89. Later on, you think, that fund will all be wanted?—Yes; I have no doubt.

90. *The Chairman.*] If you make an actuarial calculation to-day for 10,000 people of various ages, and you fix the contribution necessary for them to pay into the fund, and if the same number of new men, averaging the same ages, keep coming in, why should that not keep a fund sufficient to meet all requirements? If a calculation is made of 10,000, we will say, to-day, I understand the money would be sufficient to pay for a certain period?—Yes.

91. If these people who join average the same ages as the men you now calculate on—the 10,000—why is it that the fund should decrease as time goes on?—If I quite grasp what you mean, the answer would be something like this: In respect of the 10,000 men joining in the first year, their contributions are required for their own fund; the 10,000 joining next year make, as it were, a new fund. Their contributions are required to meet their liabilities. The contributions of the 10,000 joining the year after would meet their liability. You can look upon these lots as having no connection with one another. There is no reason why the fresh 10,000 coming on should help the fund in any way, except that with a large number like that coming on every year it tends to veil the condition of the fund by causing more funds to be in hand than are necessary for present requirements. You cannot get that sort of thing to go on for ever; you cannot get a huge increase in membership to go on for ever.

92. Sir Joseph Ward pointed out that the London and North-western Railway Company's fund has accumulated materially, and that fifty-three years have gone by since it was inaugurated?—Yes.

93. I have found the same thing in the friendly societies. In one particular Court the actuarial report twenty years ago was that we were unsound—in fact, worse. I think the accumulated funds were about £500. Well, the same Court now has £1,700. I think there were ninety men in it at first and sixty now?—Yes.

94. *Hon. Mr. McNab.*] What would be the liability of a fund with ninety men at the commencement, and the liability of a fund with sixty men after thirty years had elapsed? Would the liability of the sixty-man fund be larger than that of the other?—It might be; very likely it would. I should think it would probably be the case that the liability of the sixty-man fund would be very much greater.

95. *The Chairman.*] The elder men have stopped paying—they have moved away from the district and have left the Court, and now probably the average age of the members of that Court is less than was the average age when we started?—Then, is not that Court in an exceptionally healthy condition on account of that?

GEORGE ALLPORT, Secretary for Marine, examined.

96. *The Chairman.*] Will you tell the Committee, Mr. Allport, on what points you wish to be heard in reference to the Civil Service Superannuation Bill?—First of all, I wish to tell the Committee, on behalf of the Service, that the Service is very anxious to get a Superannuation Bill, and that it is practically unanimous in that view. The members of the Service appointed delegates in the various Departments, who have had meetings to consider this Bill, and they appointed an Executive Committee to deal with matters which they wished brought before the Committee. We are very pleased with the Bill as it stands, but we desire certain amendments. Most of them are not of great importance; they are only suggestions to carry out what the delegates take to be the intentions of the Bill, but which are not so clearly put as the delegates would like. The main alteration which the Service appears to desire is an increase in the amount of the allowance to be made to the widow. We have made a suggestion to the Hon. the Premier on that point, and have supplied him with a copy of the Bill, showing our suggested alterations on this and other points. What we ask in regard to the widow is that instead of £18 a year as provided in the printed Bill, the allowance be what is given under the Teachers' Superannuation Act—that is, £18 a year, and the return of the contributions which had not been refunded to the member before his death, or the payment of such an annuity as those contributions would produce, in addition to the £18 a year. That is practically what we ask in regard to the widow, and the Service attaches more importance to this alteration than it does to any of its other suggested amendments. It is very anxious that the additional allowance to the widow should be made. I do not know whether the Committee wish me to go through the alterations which we wish made in the Bill. I have a copy of the Biil with all the suggestions shown.

97. *Hon. Sir J. G. Ward.*] I think Mr. Allport might put them on record.

98. *Mr. W. Fraser:* To do so would be duplicating the work, because this is not the Bill which I understand the Committee is going to consider, at all.

99. *Hon. Sir J. G. Ward:* It is, with alterations.

100. *Mr. W. Fraser:* Would it not be better for Mr. Allport to have the Bill, with the alterations, and then come to us and tell us what he wants; otherwise, we shall have to ask him again?

101. *Hon. Sir J. G. Ward:* Yes. I think Mr. Allport might withhold the details in the meantime, until we get the amended Bill.

101. *Mr. Allport:* Of course, rather than injure the passing of the Bill, we should not wish to press our suggestions. The Service's main wish is to get a Bill passed through during the present session, and, as I say, it approves generally of the Bill.

103. *Hon. Sir J. G. Ward:* There are very material difficulties that have arisen, so, in the meantime, I think Mr. Allport ought to wait till we get the amended Bill.

104. *Hon. Mr. McNab:* Supposing, Mr. Allport, that we found it impossible to pass legislation this year, can you suggest any way in which the rights that might have been acquired under the Bill, but will be lost by postponement, might be safeguarded?—I do not see that there will be any rights lost, except that men may be retired on compensation who are not entitled to a pension now before the Bill passes. They would lose a pension, and would have to retire on whatever compensation they were entitled to. I may say that the delegates asked Mr. Hogben, the Inspector-General of Schools, and myself to attend to give evidence, and Mr. Hogben was anxious to be here, but he had to attend the Education Committee and the Local Bills Committee this morning. If the Committee wished particularly to hear him, he said he would try to get off, and come along; but I do not think he could say anything more than I have said.

Approximate Cost of Paper.—Preparation, not given; printing (1,600 copies), £5 1s. 6d.

By Authority: JOHN MACKAY, Government Printer, Wellington.—1906.

Price 6d.]