

1920.  
NEW ZEALAND.

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# GOVERNMENT RAILWAYS SUPERANNUATION FUND.

REPORT BY THE ACTUARY, SHOWING THE RESULTS OF AN INVESTIGATION INTO THE  
POSITION OF THE FUND AT 31st MARCH, 1919.

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*Laid on the Table of the House of Representatives by Leave.*

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## REPORT.

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### INTRODUCTION.

1. IN accordance with the instructions of the Hon. the Minister of Finance, given in October last, I have made an investigation into the position of the Government Railways Superannuation Fund, and have the honour to report as follows:—

2. The fund, which was established on the 1st January, 1903, includes persons then permanently employed who elected to contribute, and all subsequent permanent employees; those taken over with the Manawatu Railway, however, were given the option of becoming contributors. The fund is administered by the Government Railways Superannuation Fund Board.

3. In certain respects the fund differs from the Public Service and the Teachers' Superannuation Funds. For example, the contributions of members who joined prior to 1908 at ages under fifty (including employees of the Manawatu Railway Company) are lower in the Railways Fund by £2 per annum per £100 of salary than in the other schemes; a contributor with less than forty years' service may retire at age sixty instead of age sixty-five, as in the other funds; the family benefits payable on death while contributing are not extended to the case of death after retiring, as in the other funds; and there is no provision for periodical actuarial valuation.

4. The prime difficulty in respect of superannuation schemes all over the world, whether public or private, arises from the fact that the employees who are already old at the commencement of a scheme cannot possibly pay for their own pensions, and unless the employer makes the proper provision for these cases from the very outset the contributions of the younger men, which should manifestly be set aside and accumulated at interest for many years, are wholly or partially absorbed in meeting them, and the whole future interest that would have been earned upon these contributions is also lost, leaving a legacy of future trouble.

5. The Railways Superannuation Fund received no subsidy from the employer (the State) for the first seven years, consequently the pensions of the older men were from the outset wrongly paid out of the immature accumulations of the younger men, apparently upon the unsound principle of treating the young men's deposits as income to be freely handed out as expenditure to the older men, instead of being jealously guarded and accumulated, somewhat like savings-bank deposits, against the maturity of the liabilities for which they were paid.

In 1911 a subsidy of £25,000 was commenced, and this has continued to the end of the period under review, with the exception of one year when a double subsidy was received by the fund. The total State contribution to the 31st March, 1919, was £250,000. The total pensions paid out to members up to the 31st March, 1919, amount to £776,299, of which, on a rough calculation, less than £360,000 has been provided by the total State subsidy and the contributions of the pensioners concerned, the balance of £416,299 being taken from the contributions of the younger men, which are wholly required, together with a certain amount of subsidy and all the interest that can possibly be earned on them, to provide their own pension.

6. The remarks in paragraphs 4 and 5 are designed to give a rough-and-ready idea of some of the more elementary aspects of the finance of a pension fund. It should be clearly understood that any examination of the accounts such as might, for example, be made by a skilled accountant is quite insufficient to enable a correct idea to be gained of the position of such a fund, because