

1932.
NEW ZEALAND.

GOVERNMENT RAILWAYS SUPERANNUATION FUND.

REPORT BY THE GOVERNMENT ACTUARY, SHOWING THE RESULTS OF AN INVESTIGATION
INTO THE POSITION OF THE FUND AS AT THE 31st MARCH, 1927.

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

REPORT.

Government Actuary's Department, Wellington, 15th July, 1929.

1. In accordance with the instructions of the Hon. the Minister of Railways I have made an actuarial investigation of the Government Railways Superannuation Fund as at the 31st March, 1927, and have the honour to submit the following report.

2. The Fund, which was established on the 1st January, 1903, gave existing employees of the Railway Department the option to become contributors, but compulsorily brought within its scope all subsequent permanent employees. Those employees taken over with the Manawatu Railway, however, were given the option of becoming contributors. The Fund is administered by a Board consisting of nine members—namely, the Minister of Railways, the Solicitor-General, the Public Trustee, the Chairman of the Government Railways Board, and five contributors' representatives, two of whom are elected from the First Division and three from the Second Division.

3. The Fund, which was the first of the three existing Funds to be established for the superannuation of Government servants, differs somewhat from the other two. For example, the contributions of members who joined prior to 1908 (including employees of the Manawatu Railway Co.), at ages under 50, are lower by 2 per cent. per annum of salary than those in the other schemes, and furthermore, any contributor may retire at age 60 instead of age 65. On the other hand, the Fund becomes liable for the widow's and children's allowances only if the contributor dies while in service, whereas the other funds extend the benefits to the widow and children of a deceased pensioner. Again there is no provision for a statutory triennial actuarial valuation as in the other funds.

4. The Government Railways Superannuation Fund also differs from the other Government Superannuation Funds in that there is no statutory subsidy by the State, as employer. The original Act contained a guarantee to the effect that "in the event of the Fund at any time being unable to meet the charges upon it," the deficiency would be met by the Consolidated Fund. The obvious deficiency created by the free gift of that portion of the pension allowed for each year of service prior to the establishment of the Fund, together with the assessment of the contributions of the original members at rates inadequate to provide even for future service, was left entirely to the future, and the Fund proceeded to pay the pensions of the older members from the accumulations of the younger men instead of following the sound practice of keeping intact these accumulations, together with the interest earned thereon, to meet, as they matured, the pensions they were designed to furnish.

5. In 1911—after the scheme had been in operation for seven years—an annual subsidy of £25,000 was commenced. When the first actuarial examination of the Fund was made as at the 31st March, 1912, it was pointed out that an annual subsidy of £50,000 was necessary in respect merely of pensions and allowances in possession or accruing within the ensuing three years. No effect was given to the recommendation made, although the increased subsidy was paid for one year, 1915. As the result of the second actuarial investigation, made as at the 31st March, 1919, a recommendation was made that the future annual subsidy be increased to £170,000. The annual subsidy was, however, only raised from £25,000 to £75,000 with additional amounts of £50,000 in 1924 and £30,000 in 1925, and it was not until 1926 that the full amount recommended (£170,000) was commenced.

6. The contributions and the benefits provided by the Act, together with statements showing the progress of active membership, and of pensions for each year, will be found in Tables I to III of the Appendix to this report. The number of contributors at the date of the valuation, together with their ages, salaries, and contributions, and the pensions granted during the valuation period, with the ages at which they were granted, are shown in Tables IV and V of the Appendix.