

(b) Eliminate all existing powers of extending the provisions of the Act to provide for early retirements. Such powers appear in the past to have been wrongfully regarded by contributors as options to retire with the Minister's consent, but were clearly designed to cover only exceptional cases.

Some provision should, of course, be made to obviate possible hardship in the case of those compulsorily retired through no fault of their own, especially if such retirements are the result of a general retrenchment policy.

Two methods of meeting this contingency suggest themselves—namely, to grant pensions based on service on the understanding that the Consolidated Fund pays the necessary retiring-allowances until the attainment of the earliest normal retiring-age set out in (a) above; or, secondly, to provide such actuarially calculated pensions as will throw no additional strain on the Superannuation Fund. It will be seen that the Superannuation Fund is safeguarded by either method, the only difference being that in the first case the extra liability is borne by the State and in the second case by the officer compulsorily retired.

(c) (i) Alter the basis of calculation of "final salary" to the average salary of the last seven or ten years instead of three years as at present; or

(ii) Disregard for pension (and contribution) purposes any salary increases after a specified age, say age 55.

Of these two the former has the merit of correlating to some extent the retiring-allowance and the average salary received in the years preceding retirement, while from the viewpoint of the fund the latter alternative has the advantage of being as effectual as the former in minimizing violent fluctuations in the pension liabilities due to salary increases immediately preceding retirement, and at the same time does not penalize those retiring medically unfit to the same extent as the former basis would. In making this suggestion I am fully conscious that it violates one of the canons of a good pension-fund scheme, but, having regard to the constitution of the Public Service Superannuation Fund, and its present parlous financial position, I feel compelled to recommend it for urgent consideration.

#### GENERAL REMARKS.

24. It is not my function to comment on policy matters, but I would be lacking in my responsibility if I did not enunciate the general principle that any additional financial strain on the Superannuation Fund due to policy measures of Government should be a charge on the Consolidated Fund by way of special subsidy.

Such a method, I may mention, is followed in the South African Public Service Superannuation Scheme, where, if an officer is forced to retire on pension due to a retrenchment scheme or other policy measures, all pension payments up to the date of his attaining the normal pension age are paid out of public revenue, and not out of the Superannuation Fund.

The Commonwealth of Australia safeguards its Public Service Superannuation Fund by fixing age 65 as the normal pension age, with provision that if any officer is retired after age 60, either compulsorily or of his own wish, he is granted a reduced pension actuarially calculated.

It is important to note that, although the problem is approached from different angles, both Governments agree in recognizing that the Superannuation Fund must be financially safeguarded in the event of any departure from what might be termed its fundamental obligations to the contributors.

25. In conclusion, I have to acknowledge the assistance of the small but efficient staff engaged in carrying out the heavy work of the valuation.

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