*New South Wales.*

A study of the superannuation scheme tried in New South Wales and the reasons for its failure throws much light on the fundamental principles which must underlie any sound and equitable superannuation measure.

The Civil Service Superannuation Account was formed in 1885, and Civil servants were required to contribute 4 per cent. of their salaries to this fund, irrespective of age. There was a State subsidy to the fund.

The pension benefits were based on the average salary for the three years preceding retirement, and the maximum pension was forty-sixtieths of the average salary. Retirement was permitted to any employee who had served for at least fifteen years and had reached the age of 60.

Provision was made for actuarial investigation every three years.

The weakness of the scheme and the unsafety of the fund were revealed as early as 1889, at the first triennial valuation, which indicated an estimated deficiency of £1,325,706. The actuary's report was, however, read with scepticism and indifference, and his recommendations were not acted upon.

The comments of the actuary, Mr. Teece, as to the causes of the deficiency are of interest and very illuminating. They may be summarized as under:—

(1) The flat rate of contribution was quite inadequate.
(This does not apply to the New Zealand scheme, which profited by the experience of New South Wales.)

(2) The absence of sufficient provision for accrued liabilities due to back service.
(This large dormant liability was to some extent met by a Government subsidy, which, however, was totally inadequate.)

(3) The unexpected liability in respect of pensions to officers who, though not incapacitated, were retired before reaching age 60. This was due to a retrenchment policy followed by the Government.

(4) The method of computing pensions on the average salary for the three years preceding retirement.

His suggestions for improving the position were—

(i) The rate of contribution might be increased:

(ii) The rates of pension might be reduced by basing the pension on the average salary for the whole period of service:

(iii) The Government might rescue the fund from its unsatisfactory condition, and provide for its future stability.

The actuary's warning and recommendations were not heeded, and doubt was cast on the correctness of his conclusions.

The second triennial investigation was made in 1890 by Mr. Trivett. He reported that the insolvent state reported by Mr. Teece was most distinct and intensified. This was partly due to the fact that the Government subsidy had practically ceased.

Mr. Trivett found that the actuarial deficiency had increased to £1,592,568. He agreed with the conclusions of Mr. Teece.

On this occasion the Civil Service Board recommended—

(1) That there be a limitation as to the age of persons allowed to enter as contributors to the fund;

(2) That no retirements or pensions be allowed under sixty years of age, except under very rigid regulations;

(3) That a sufficient annual subsidy be granted to assist the fund;

(4) That reorganization and retrenchment retiring-allowances should not be a charge on the fund.

They, however, pointed out that in their opinion the fund was not in quite the hopeless condition as envisaged by the actuary.

The third triennial valuation was made in 1893 by Mr. Coghlan. He found that the deficiency had increased to £2,905,199.

The following extract from his report is of interest, and very applicable to the position as it exists in New Zealand to-day:—

> "The reports of the actuaries received far less attention at the hands of those interested than they deserved, as apart from any question of State policy it must have been apparent to contributors that it would be a serious thing if they were compelled to continue paying into a fund which had on the best authority been declared to be fast lapsing into insolvency, and from which the younger of their number could not reasonably hope for benefit, while pensioners could hardly have looked with composure on the more serious and immediate loss which would befall them in the event of the fund collapsing or their pensions being largely reduced. The apparent apathy in regard to the condition of the fund was due to a lurking belief in the minds of many otherwise well-informed persons that actuarial methods, though very well in theory, do not usually stand the test of everyday experience. It would be idle on my part to argue in support of actuarial methods, which are nothing if not the embodiment and application of everyday experience, and I mention the matter of the distrust exhibited in some quarters as to the correctness, from a business point of view, of the actuarial conclusions, only in order to point out that not only is there no cause for such distrust, but that if the actuaries erred at all it was by presenting the condition of the fund in too favourable a light."