The first actuarial valuation of the Fund was made by Mr. Morris Fox as at the 31st December, 1910, and disclosed a deficiency of £1,732,108. It must be emphasized that this deficiency was an actual shortage in the Fund to be eventually made good by the State, and that it was equivalent at 4 per cent. interest to an annual interest income in perpetuity of £69,284. In other words, a State subsidy of £69,284 per annum would have been necessary to prevent this deficiency from increasing, and that if such deficiency were to be eventually redeemed some annual sum in excess of this figure would have been necessary. For example, an annual subsidy of about £73,000 would have redeemed the deficiency within seventy-five years. The Act, however, as pointed out above, did not provide that the subsidy was to bear any relation to the deficiency, but was to be the mere amount of the State's share in the liability for pensions arising out of service before joining the Fund or for such part of the pensions arising out of subsequent service as was not covered by the contributor's contributions. The Actuary computed the subsidy on the above basis to be £43,060 for 1911, £47,525 for 1912, and £51,761 for 1913, and recommended an average annual subsidy of £48,000 for the three years following the triennium as against the £23,000 then being paid. This was given effect to for the year 1913, but no attempt was made to meet the annual shortage of £25,000 for the years 1911 and 1912.

The second actuarial valuation was made by Mr. Percy Muter, F.I.A., as at the 31st December, 1913, and disclosed a deficiency of £2,381,466, and the Actuary, commenting on the increase of £649,358 in the deficiency, stated, "This is chiefly accounted for by increases in the number of contributors and in the salaries on which future pensions are to be based." He reported that the average annual subsidy required for the years 1914, 1915, and 1916 in terms of the Act was £66,000. No action was taken to give effect to his recommendations, and for the succeeding triennium the State paid in £54,000 less than what was prescribed under the basis provided in the Act.

The third actuarial valuation, as at the 31st December, 1916, was also made by Mr. Muter, and disclosed a deficiency of £3,007,081. The Actuary commented, "The increase on the present occasion is £625,615, which is made up to the extent of £147,500 by interest accumulation on the unprovided part of the liability, the balance of the increase being mainly due to the normal expension in the number of contributors and salary charge." The Actuary reported that in accordance with the Act an average annual subsidy of £86,000 was required for the years 1917, 1918, and 1919. This was given effect to for the year 1919, but the State payments for 1917 and 1918 were on the old basis of £48,000, so that the triennium showed a shortage of £76,000.

The fourth actuarial valuation, also made by Mr. Muter, was for the period ended 31st December, 1919, and disclosed a deficiency of £4,142,989. The Actuary commenting on the increased deficiency said, "The increase is due partly to accumulation at interest of that part of the State's liability that is unprovided for, partly to the normal expansion of the Service, and partly to the increased salaries." In reporting on the annual subsidy required in accordance with the basis laid down by the Act, he stated that an average annual amount of £110,000 was necessary to meet the State's share of the pensions falling due in each of the three years 1920, 1921, and 1922, and that an additional average annual amount of £15,000 was necessary to compensate for the failure of the State to comply with the requirements of the Act in the past, and for extraordinary retirements due to retrenchments in the year 1922. No action, however, was taken to give effect to his recommendations in terms of the Act, and accordingly the Fund received during the next three years £117,000 less than what was prescribed in terms of the Act.

The fifth actuarial valuation was made by Mr. A. T. Traversi, F.I.A., as at the 31st March, 1924, and disclosed a deficiency of £5,534,173. The Actuary commented on the increase of £1,391,184 in the deficiency as follows: "This increase is due partly to the accumulation at interest of that part of the State's liability which is unprovided for, partly to normal expansion of the Service, and partly to the enforced retirement of officers with long service. The last-mentioned item is casting a considerable liability upon the Fund, and it is understood that the statutory subsidy of £86,000 has been increased to £136,000 on this account." Mr. Traversi recommended that, in accordance with the basis laid down by the Act, an average annual subsidy of £193,000 was required for each of the years 1924–25, 1925–26, 1926–27, and that in addition an average annual amount of £47,000 was necessary to include provision for the State redeeming arrears in past payments (£27,000), together with provision in respect of unexpected forced retirements (£12,000), and the annual appropriation for staff salaries and other office expenditure (£8,000). No action was taken to give effect to the Actuary's recommendation in terms of the Act.

The Chairman: Was that £47,000 in addition to the £193,000 ?

Mr. Gostelow: Yes; he suggested, in effect, £240,000.

I had the honour of making the sixth actuarial investigation, as at the 31st March, 1927, and reported a deficiency of £6,659,770; but in comparing this with previous figures it is necessary to bear in mind that a more lenient interest basis was adopted—namely, $4\frac{1}{2}$ per cent. In commenting on the growth of the deficiency I stated, "This increase, which would have been still greater had the valuation been made at 4 per cent., is due partly to normal expansion of the Service and to the inclusion of house allowance as salary for pension purposes, partly to the accumulation at interest of that part of the State's liability which is unprovided for, and partly to the heavy retirements of young officers with long service." In paragraphs 17 to 21 of my report (1928, H.–26A) I dealt fully with the reasons for subsidy and the ascertainment thereof, and recommended that in accordance with the basis prescribed by the Act the average annual subsidy for the three years 1927–28, 1928–29, and 1929–1930 should be £285,000. No effect was given to this recommendation, and as a result the subsidies paid in during the triennium exhibited a shortage of £497,000 apart from any question of interest.

The seventh actuarial investigation, recently presented to Parliament, was made as at the 31st March, 1930, and disclosed a deficiency of £7,871,439. In commenting on the growth of the