It will be seen from the above that the capitalized value of pensions and allowances actually in possession at the valuation dates amounted to £7,926,187, and that the excess of the prospective liabilities in respect of existing contributors over the capitalized value of their future contributions was £17,381,701, showing a total net liability of £25,307,888. Against this the total funds in hand only amounted to £5,067,043.

It will be seen from the above that the existing funds were not only insufficient to provide for pensions and allowances then existing, but also that the deficiency of £20,240,845 represents the present value of the liability to be met by the State or liquidated with instalments of capital and interest in the future.

In order to bring all results up to date, I have made an approximation to the probable amount of the deficiency at the 31st March, 1933, on the assumption that nothing is done to reconstruct the funds. On a conservative estimate the deficiency at that date will amount to 25½ millions sterling, made up as follows: Railways Fund, 10 millions; Public Service Fund, 9 millions; and Teachers' Fund, 6½ millions. Such a deficiency is equivalent to an annual interest payment in perpetuity of over one million sterling. If we look ten years ahead—say, to the 31st March, 1942—the deficiency will have increased to approximately 38 millions, which is equivalent to an annual interest income of nearly two millions sterling.

It is not my function to express any opinion as to whether the State can or cannot afford to find from now on a million a year for the Superannuation Funds of its employees, or whether it should attempt to carry on with the present subsidy of approximately £300,000 with the prospect of taking up an annual payment of two millions some ten years hence, or a larger figure if the matter is postponed longer. My sole concern at the moment is that the National Expenditure Commission came to the opinion that the burden was beyond the capacity of the State and suggested a reconstruction, and accordingly my subsequent remarks must be interpreted in the light of the Commission's opinion that the State cannot find the money and that the problem is to find the fairest composition between the State as debtor and the pensioners and contributors of the Superannuation Funds as creditors.

The conclusions and recommendations of the Commission may briefly be summarized as follows:—

(1) The deficiency in the Superannuation Funds is £23,000,000, and unless action is taken to reconstruct the funds this liability must eventually be met by the State.

(2) The interest on this deficiency amounts to over £1,000,000 per annum, and the Commission is of the opinion that this annual sum is beyond the present capacity of the country to meet. It suggests, in effect, that the burden be approximately halved between the State and its employees.

(3) The sacrifice to be made by the employees consists of a reduction of benefits, and it is proposed to extinguish roughly one-half of the deficiency by reducing the liabilities of the funds as follows:—

- (*a*) Modify contributors' rights to retire and generally tighten up early retirement provisions.
- (*b*) Base the pensions of existing contributors on the average salary of the last seven or ten years instead of three years as at present.
- (*c*) Review the annuities paid to present pensioners (excluding those who retired prior to the 31st March, 1921) so as to bring them them into line with what is recommended in (*a*) and (*b*) above for present contributors.
- (*d*) Strengthen the Railways Fund by increasing by 2 per cent. the future contributions of certain officers in order to bring them into line with the remainder of the Railways service and with contributors to the other funds.
- (*e*) Make the proposed future pound-for-pound subsidy retrospective in respect of the trading Departments.

(4) The report also recommends the removal of the arbitrary pension limitation of £300 to officers joining the Service after the 24th December, 1909, thus bringing them into line with officers joining before that date.

(5) The suggested contribution to be made by the State in liquidation of the balance (roughly one-half) of the deficiency is—

- (*a*) A pound-for-pound subsidy of the employees' contributions; and
- (*b*) A guarantee of any interest earned below 5 per cent.

In the latter connection the Commission did not anticipate that any immediate subsidy would be required from the Government, as the funds are at present showing an interest yield in excess of that rate.

I now propose to deal with the Commission's recommendations seriatim, and the Government Superannuation Funds Bill, 1932, will hereafter be referred to as "the Bill."

Paragraph 1445 (Sections 6, 18, and 30 of the Bill).

The suggestion is to modify the present right of members to retire by length of service irrespective of age attained, and to provide that no male contributor shall retire before age 60 and no female contributor before age 55. I am strongly in agreement with this proposal, and have frequently drawn attention to its necessity in statutory triennial reports on the Fund.

Reference might be made to paragraphs 35 and 36 of my statutory report on the Teachers' Superannuation Fund as at the 31st January, 1927, and to paragraphs 21 and 22 of my actuarial report on the Railways Fund as at the 31st March, 1927 (parliamentary papers E.-8A of 1929 and D.-5A of 1932). The tables therein submitted show conclusively the difference between the number of contributors who would voluntary elect to retire after forty years' service and the number of such pensioners thrown on the funds as the result of the policy of compulsorily retiring officers as soon as they