

Although I have refrained from dealing with the actual wording of the Bill, I think it important, in this particular case, to stress the fact that the Committee's recommendation was for an *automatic* subsidy. The Bill as drafted makes the subsidy dependent on annual appropriations by Parliament, which appears to me to defeat the main object of an automatic subsidy.

I think at the very least the subsidy should be paid without further appropriation than the Act, so that only an amendment of the Act by Parliament could interfere with the amount being paid regularly.

*Paragraph 1450 (Section 29 of the Bill).*

The suggestion is to strengthen the Railways Fund by increasing by 2 per cent. the future contributions of officers joining the Service before the 1st January, 1908, at ages under 50, in order to bring them into line with similar officers in other branches of the Government Service.

This suggestion had previously been made to the Government Railways Department in my actuarial report into the position of the Railways Fund as at the 31st March, 1927, and its equity is apparent. If the suggestion errs at all it errs on the side of leniency, as there are good grounds for suggesting that the proposal be made retrospective, or, alternatively, that the pensions of such officers should be proportionately reduced.

*Paragraphs 1454-1458 (Section 15 of the Bill).*

The suggestion is to make the proposed pound-for-pound subsidy retrospective in respect of trading Departments. As this is purely a policy question, I express no opinion on the merits of the proposal.

*Paragraphs 1461-1463 (Sections 12, 23, and 34 of the Bill).*

The suggestion is to review existing annuities so as to bring them into line with what is recommended for future pensioners (present contributors).

In considering this proposal it will be an advantage to divide existing pensioners into two distinct classes—namely,—

- (a) Those who have retired under extended provisions of the Act—that is, before they were entitled to retire as of right; and
- (b) Those who completed forty years' service (females thirty-five years) or attained age 65 (females or Railway contributors, age 60).

As the Public Service Superannuation Act makes specific provision for special terms and conditions to be imposed when officers are retired earlier than of right, it is clear that where such conditions were not imposed they have obtained a benefit that the original scheme never contemplated, and accordingly I strongly support the Commission's recommendation that their pensions be adjusted on the same lines as prescribed in the Bill for future pensioners.

As regards the second class, the justice of the proposal is not so obvious, since such officers have carried out in its entirety the bargain made with the State when the superannuation schemes were adopted, and possibly the only grounds for interfering with their pensions are that the original benefits were too liberal, and that if it is decided to base pensions on the average salary of the last ten years instead of three years for future pensioners, it is only equitable that existing pensioners should receive no better treatment. Indeed, from the viewpoint that they have for possibly a number of years enjoyed higher pensions than future officers of a similar status will draw on retirement, and from the further fact that they will necessarily have had a bigger proportion of free pensions—that is, such portion of their pensions as is based on each year of service prior to the inception of the fund—the Commission's recommendation appears reasonable. It is doubtless unnecessary to point out that it will certainly lead to serious anomalies if an officer retiring a few weeks prior to any Act reconstructing the Superannuation Funds were to receive preferential treatment to a contributor of similar rank who was not in a position to retire until a few weeks after the date of such an Act.

*Paragraph 1464 (Sections 12 (4), 23 (4), and 34 (4)).*

The Commission recommends that no existing pension be reduced more than 20 per cent.

I am strongly against any such arbitrary limitation, as it cuts right across the principle of uniformity as between present and prospective pensioners. The proposed arbitrary maximum deduction of 20 per cent. would be less objectionable if it were limited to pensions to be adjusted solely as the result of computations being made on the basis of the average salary of the last seven or ten years instead of three years as at present, since it must be conceded that in all these cases the contributor fulfilled his part of the contract. In fact, it may be said that the main justification for any interference with such "normal retirement" pensions is that the original benefits of the scheme were too liberal, and cannot now be carried out with the financial resources available.

I see no justification, however, for the proposed limitation of deduction to 20 per cent. in the case of pensions granted in respect of early retirements (other than for medical unfitness) at comparatively young ages and with service between thirty-five and forty years. In these cases the pensioner is receiving a benefit far in excess of what was originally contemplated by statute, since it is reasonable to assume that the Minister's power to grant a reduced pension or make such other conditions as he deems fit implies that such "early retirement" pensions were, in general, to be on an actuarial basis so as not to throw a greater strain on the Superannuation Fund than would have been occasioned had the officer completed his full service.