

The contract on the one hand was 3-per-cent. contributions from the employees (raised to 5 per cent. on the 1st January, 1908) and retirement at forty years' service or sixty years of age, with a retiring-allowance of one-sixtieth of salary for every year of service, and on the other hand a State guarantee for the solvency of the Fund. The contract was made by the State as between itself and its servants, and there can be no question that the servants have carried out their part of the contract to the very letter and have fulfilled their obligations to the last penny. That is unarguable.

The State, on the other hand, has consistently failed to honour its part of the contract. It has called upon its own employees to fulfil every part of the contract, while it has failed miserably to do likewise. It transferred to the Fund pensions which were rightly a charge on the Consolidated Fund, and relieved itself of its obligation by making the Fund find the pensions of persons who had been contributing only a short period. It has subsidized the Superannuation Funds of other organizations and failed to safeguard its own servants and its own Superannuation Fund. It has failed to discharge its obligations in respect of back service from the very commencement of the Fund, with the result that annuities have been paid entirely out of contributions of the employees. It has used the Superannuation Fund to facilitate retrenchment; and I submit that the present position of the Fund is due entirely to the failure of the various Governments to honour the contract entered into with its own servants, and that any proposal which aims at removing that responsibility from the Government on to the shoulders of the present contributors is a serious breach of faith by the State and is absolutely unjustifiable.

I agree entirely with the Commission when it said, "The State has a liability from which it cannot honourably escape," and I say without hesitation that the State as the stronger party cannot honourably evade its responsibilities and its proven liability by legislating itself out of a sacred contract while at the same time the weaker party has faithfully fulfilled every obligation.

Advantages to the State of Superannuation Scheme.

The principle of pensions in various forms and for various reasons, some contributory, others non-contributory, is everywhere accepted and is in operation in almost every country in the world.

So far as the Government Superannuation Fund is concerned, I desire to point to some of the advantages derived by the Government from the scheme.

It is undoubtedly one of the best recruiting agents for the Government, drawing to the Service the type of individual who is prepared to devote his life's work to the service of the State.

It retains men who are an acquisition to the Service, men who could unquestionably improve their position outside the Service but who are restrained by reason of the fact that they had valuable superannuation rights, or at least they thought so.

It relieves the Government of the payment of considerable sums of money by way of compassionate allowances, gratuities, and other pensions.

It promotes efficiency in the Service by facilitating the removal of those members who, through old age or medical unfitness, should be retired, and the National Expenditure Commission considered that a superannuation scheme is necessary even for this purpose alone. (Paragraph 1389.)

Superannuation is also looked upon as deferred pay (Paragraph 1390), and it therefore follows that if there was no Superannuation Fund increased remuneration would have to be paid, and it is no exaggeration to say that such payment would have involved the State in a sum considerably in excess of what it has paid to the Superannuation Fund during the past thirty years.

It must be admitted, therefore, that the State derives many advantages from a scheme of superannuation, and I submit that the contract is not one-sided, and that the State has not paid sufficient for the benefits it has derived from the scheme.

The State's Liability.

I have said that the responsibility for the present condition of the Fund has been placed by the Commission mainly at the door of Governments. I will go further and say that the responsibility is entirely that of the State, but for the moment I will content myself by quoting the views of the Commission regarding the State's liability and its failure to discharge its obligations.

Commencing at paragraph 1387, the Commission states, "We have considered in detail the whole question of superannuation to retired officers, and believe that unless the State is able to make good its obligations to the funds some radical alteration must be made in the calculation of retiring-allowances if the interests of the present contributors are to be conserved." I emphasize the qualification in that paragraph "unless the State is able to make good its obligations to the funds some alteration must be made."

In the following paragraph (1388) it is stated, "We also draw special attention to the huge potential liability on the State in regard to the funds, a liability from which it cannot honourably escape."

In spite of such an indictment, however, and in spite of the fact that the Commission had a full realization of the State's obligations, the Commission itself provides the State with a happy release, as I propose to show.

Again, in paragraph 1394, it is stated, *inter alia*, "On qualifying for retirement, contributors had the option of accepting an annuity from the Fund, or they could elect to accept their accrued compensation, together with a refund of their total contributions to the Fund, without interest. The Consolidated Fund was accordingly relieved of a considerable liability for accrued compensation. This matter of compensation is important, and should be remembered in considering the liability of the Government to the Superannuation Fund."

Coming now to paragraph 1423, further reference is made to the State's liability in the following words: "In this fund also the initial contributors qualified for an annuity based on their total length of service, so that there was a large initial liability on the funds in this respect, and no provision has been made by successive Governments to meet this liability."