

If, as the Commission points out, "The very essence of a sound scheme is the accumulation of the sums contributed by the employees," it can readily be understood how unsound the Railways Superannuation Fund was during the first six years of its existence. If the Fund is to be made actuarially sound at this stage, there is no legitimate reason why it should be saddled on the contributor.

In spite of the fact that the Fund is, and always has been, actuarially unsound, and that the Government has failed to pay its subsidy, the reserves have increased from £40,357 in 1904 to £1,494,223 in 1932. The annual liability of the Fund to-day is £431,000, but few men will be placed on the Fund during the next few years, and the liability for "back service" will soon be at an end. The Fund therefore has about reached its peak load, and the annual liability is therefore near the maximum. It is at this stage that the Government should support the Fund by additional payments instead of legislating for reduced subsidies. If the Fund could be helped over the next few years when every contributor will have subscribed to the Fund during his whole period of service (a position in which it is recognized that every contributor provides his own pension), there is every prospect that the Fund will be—if not from an actuarial point of view at least from an operative point of view—sound.

It should not be forgotten, however, that the interest alone on the State's deficit at 1927 amounted to £306,459 per annum, and a pound-for-pound subsidy on contributions is totally inadequate to relieve the position.

Recommendations of Government Actuary.

In view of the proposals contained in the Bill, paragraphs 25 to 29 of D.-5A, 1932, are most important. The Actuary indicates that the annual subsidy must be fixed at some greater amount than £306,459, and that this figure only represents interest and will not redeem the deficiency. He further suggested an automatic basis, and recommends for consideration an annual subsidy of 10 per cent. of the salary roll, which would give a commencing subsidy of £340,000 per annum.

"My recommendation," says the Actuary, "for the future State subsidy to be 10 per cent. of the salary roll, does not differ very much from apportioning the cost equally between the employer and the employee when account is taken of the initial deficiency created in the Fund by the free gift of back service in calculating the pensions payable to employees in the Service when the Fund was established, and the very considerable amount by which past subsidies have fallen short of the contributions paid by employees."

The report proceeds to point out that in recommending a 10-per-cent. subsidy of the pay roll he has not only endeavoured to place the Fund on a firmer footing, but also to keep the cost to the State as low as reasonably possible.

Continuing, however, the Actuary states that, "Should it be desired to go further than I have indicated, so as to more rapidly redeem the deficiency, a higher subsidy than 10 per cent. could be fixed or, alternatively, the Fund could be strengthened by suitable amendments to the Government Railways Act." Truly, the sting is in the tail.

The Commission agreed that unless the State was able to make good its obligations some alteration would have to be made.

The Actuary also declared that as an alternative and to more rapidly redeem the deficiency suitable amendments would strengthen the Fund. But the Bill goes much further than the Actuary even suggested in his report. If the subsidy of £340,000 per annum was sufficient to keep the Fund sound, and this amount only apportions the cost equally between employee and employer, the Government should in all fairness pay, and there is no justification for non-payment.

The actuarial deficit of £9,000,000 only clouds the issue, and no such sum is required for the stability of the Fund. It only creates a favourable atmosphere to impose an injustice on public servants, to the advantage of the State, and the amendments are unwarranted. It is notorious that throughout the Actuary's report the Government's responsibility is clearly defined, but alternative methods are suggested which place the onus of carrying that responsibility on the contributors.

The Government has evaded every recommendation of the Actuary which refers to its own obligations, and on the other hand has placed in the Bill every alternative method which shifts the responsibility from the State to the contributors.

The Bill definitely takes the extreme course of redeeming the deficiency more rapidly, and is undoubtedly panic legislation, striking a blow at the very foundation of the superannuation scheme, while little of the original Act would remain.

The Bill.

I do not propose to discuss the Bill at length, but desire to refer to some of the clauses which affect my Association.

Referring to clause 4, subclause (3), I am unable to reconcile the first paragraph with the last paragraph.

The first paragraph provides that "... In the case of a contributor who on his retirement was contributing to the Fund on the basis of a higher rate than his actual salary, the Government Actuary shall further assume that if he had remained in the Service he would have continued to contribute on that higher basis."

The second paragraph provides that, "Where for the purpose of any computation to be made under this section the Government Actuary is required to ascertain the average annual rate of salary of a contributor, such average rate shall not in any case be deemed to exceed the average rate of salary actually received by the contributor during the three years immediately preceding his retirement."

The above clauses appear to be in opposition, and the final paragraph is definitely in conflict with clause 32.