

1413. The only limitation of retiring-allowance under the principal Act was two-thirds of such salary, which meant that any service in excess of forty years would not be included for the purpose of computing the allowance.

1414. In 1909 the principal Act was amended so that no person who joined the Fund after the 24th December of that year should be entitled on retirement to a retiring-allowance exceeding £300 per annum; but no corresponding reduction was made in the scale of amounts to be paid by contributors for the purchase of such limited allowance, nor was any limit placed on the rate of salary on which contributions are payable. The effect of this amendment has, as yet, not been experienced, but it is well understood, particularly by professional men who are appointed to the Public Service at relatively high salaries on which they contribute to the Fund in full. These contributors pay a greater amount for the benefits received than does the contributor who joins the Service at a minimum salary and reaches the maximum by comparatively small increments. A salary averaging £450 for the three years immediately preceding retirement will produce the maximum allowance of £300 per annum after forty years' service, whilst an average of £750 over the whole period of service will produce only the same result, although the total contributions on the latter salary may be three times greater than on the former.

1415. It will be realized that on the inauguration of the Fund there was a considerable liability on the Government for the "back service" of many officers. Their contributions to the Fund were based on a sliding scale according to age, but the only means whereby the Fund could have been commenced on a sound basis was a substantial payment by the Government in respect of accrued "back service" and of compensation rights. **It is estimated that the Government's actuarial liability to the Fund on its inauguration in respect of "back service" was approximately £1,816,719, but the then Government elected to postpone payment of this liability, providing by statute for the payment of subsidies.**

1416. The statutory annual subsidy when the fund was first inaugurated was £20,000. In 1909 it was increased to £23,000, in 1912 to £48,000, and in 1918 to £86,000. In point of fact, the subsidies required by the Act (which, in addition to the amounts quoted above, provides for a further amount certified by the Actuary at the triennium investigation) have not always been paid, and **up to the 31st March, 1927, the shortages in the statutory subsidies totalled £804,000, while if interest at 4½ per centum were added the total shortage would be £1,060,000.**

1417. **This and other factors have led to a present actuarial deficiency in the Public Service Superannuation Fund exceeding £8,000,000.**

#### TEACHERS' SUPERANNUATION FUND.

1418. This Fund was originally constituted under the Teachers' Superannuation Act, 1905, but has since been varied, and the provisions and benefits have been extended by various enactments. Contributors to the Fund include—

- (a) Teachers in the Education service in any public school:
- (b) Employees in any branch of the Education service which is also a branch of the Public Service:
- (c) Employees of the University of New Zealand, Auckland University College, Victoria College, University of Otago, Canterbury College, and the Canterbury Agricultural College.

1419. **This Fund also commenced operations with an initial deficiency (estimated at approximately £800,000) due to "back service" prior to the commencement of the Fund.** Either this amount of £800,000 should have been provided as the commencing capital of the Fund, or it should have been liquidated by the Government over a period of years with interest at, say, 4½ per centum: but neither of these methods were adopted. **The result is a progressive increase in the actuarial deficiency in the Fund at each valuation. The actuarial deficiency is now approximately £6,000,000.**

1420. This Fund differs from the others in that there is a larger proportion of women contributors. These contributors become eligible for retirement at an earlier age than do the men, and, in addition, they have a greater expectation of life. This throws a relatively greater burden on the Teachers' Fund. Otherwise there is little radical difference between this and the other Funds.

#### GOVERNMENT RAILWAYS SUPERANNUATION FUND.

1421. This Fund was inaugurated on the 1st January, 1903, but the scale of contributions fixed by the Act was, on the initiation of the Fund, on a lower basis than that later adopted for the other Funds.

1422. Under the original Act the percentage contribution was 3 per centum, rising to 10 per centum according to age, and **there are some officers of the Railway Department who are still contributing on those lower scales, which are quite inadequate to provide for the benefits prescribed by the Act.** We shall have further comments to make in regard to these contributors later.

1423. 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 Fund in this respect, and no provision has been made by successive Governments to meet this liability. The actuarial deficiency to-day approximates £9,000,000.**

1424. A heavy drain has also been placed on the Fund by numerous compulsory retirements of officers with thirty-five years' service, irrespective of age, as in the ordinary course of events many