

officers in this category would automatically continue in the Service either until they had a total service of forty years or had reached the age of sixty-five years. Early retirements in this way throw a heavy burden on any fund.

1425. Incidentally, the Act has been amended from time to time in the direction of granting increased benefits, and further liabilities have thereby been thrown upon the Fund.

GENERAL.

1426. In our following remarks the three Superannuation Funds will be dealt with as a whole.

1427. It is as well to state, first of all, that statutory provision exists for meeting from time to time from the Consolidated Fund and the Working Railways Account respectively any deficiency in the respective Funds for the payment of current charges.

1428. We have already referred in general terms to the adverse position of the Funds, and it would be well at this stage to state the position more explicitly.

1429. The following table indicates the progressive deficiencies up to the date of the last published actuarial valuations :—

Fund.	Date of Valuation.		
	1913.	1919.	1927.
	£	£	£
Public Service	2,381,466	4,142,989	6,659,770
Teachers'	1,443,597	2,813,176	4,647,798
Railways	1,776,851	3,959,455	6,810,204
All Funds	5,601,914	10,915,620	18,117,772

1430. It has already been explained that each Fund commenced with an initial deficiency. Actually it was the duty of the State to make suitable provision to meet the initial liability cast on the Funds. A portion of the prospective annuities was in cancellation of existing compensation rights, and, failing payment of a capital sum in liquidation of this liability, provision should have been made for the redemption of the initial deficiency within a specified period. The State, however, adopted the plan of postponement, and such postponed liabilities have up to the present been only partly liquidated. **The result is that the liability for annuities arising from service prior to the initiation of the Funds is now being met from current contributions of employees.**

1431. The continued failure to meet State obligations to the Funds has resulted in the rapid growth of the deficiencies disclosed in the table given above. The worst feature of the position is the cumulative effect of this failure, which may be visualized from the following table comparing the annual interest on the deficiencies in 1927 (which interest was in each case the minimum annual subsidy required to prevent such deficiencies from increasing) with the annual subsidies now being paid :—

Fund.	Interest at 4½ per Centum on 1927 Deficiency.	Present Annual Subsidy.	Shortage in Annual Subsidy.
	£	£	£
Public Service	299,690	86,000	213,690
Teachers'	209,151	43,000	141,151
Railways	306,459	170,000	136,459
Totals	815,300	299,000	491,300

1432. The effect which these deficiencies have had on the Funds in past years is exemplified in the table given previously, showing that from 1913 to 1927 the actuarial deficiencies in the three Funds increased from £5,601,914 to £18,117,772.

1433. We are informed that the 1930 actuarial examinations of the Public Service and Teachers' Superannuation Funds have just been completed, and the results disclose an increase of over £2,000,000 in the deficiencies in these two Funds alone.

1434. **It seems clear that the actuarial liability of the Government in respect of the three Funds is approximately £23,000,000.**

1435. It is not only the failure of the State to meet the initial liabilities and to provide adequate annual subsidies as required by the Acts which has been responsible for the adverse drift in the Funds. Numerous retirements of comparatively young officers with long service have contributed largely to the adverse position. These retirements have not all been voluntary, **but the Funds have been unwisely used in times of stress as a means for facilitating retrenchment, and the conditions of retirement have been liberalized from time to time, with disastrous results.** As regards the Public Service Fund, the Actuary, as far back as 1910, sounded a note of warning