schemes of other Governments, and of commercial institutions ; it would also secure a more adequate contribution than is at present payable by the Government trading Departments in respect of their employees.

It should be recognized as a cardinal principle of the scheme that contributions by present employees should be reserved for future annuities.

It does not appear that £1 for £1 subsidy will be required for all time as when the liability in respect of " back service " is ended—*i.e.*, **forty years from the inception of each of the Funds, a much smaller subsidy will suffice, provided that our recommendations as to the conditions of future retirements are now accepted, and are not later altered.**

1450. (6) **Increase by 2 per cent. of salary in respect of their future service the contributions of contributors to the Railways Fund who joined prior to the 1st January, 1908, at ages under 50.**

> **At the present time officers in this class pay 2 per cent. less than do officers who joined the Service on or after the 1st January, 1908, and there is no doubt that the original scheme was far too liberal in view of the lower contributions. The Fund had to assume liability in respect of the " back service " of all officers who joined prior to the 1st January, 1908, while those who joined after 24th December, 1909, are subject to an arbitrary annuity limitation of £300 per annum on retirement. It is accordingly anomalous that for a greater benefit the officers joining prior to 1st January, 1908, should be paying 2 per cent. less by way of contributions. The suggestion, therefore, is that those contributors should be charged just the same rates of contribution for the remainder of their service as are paid by their fellow officers.**

1451. It is estimated that **recommendations numbers (1) to (4) inclusive, if adopted, would reduce the deficiency in the three Funds by approximately 50 per cent., and if recommendations numbers (5) and (6), coupled with the adjustment of present annuities recommended later in this report, were also adopted, the Funds would become solvent.** As has already been explained, there would, in course of time, be a reduction in the State subsidy below £1 for £1 as recommended, but some years must elapse before this will be possible.

1452. **Under existing conditions it will be difficult for the Consolidated Fund to bear its full share of the increased subsidy at the rate of £1 for £1, but it is nevertheless not unreasonable that a subsidy at this rate should be paid. There are many forms of public expenditure to-day which should not take precedence over what is, after all, a real liability of the State to the Funds. If by the means now suggested the Superannuation Funds are put on a sound basis once and for all, no possible exception can be taken to a reasonable subsidy being paid by the State.**

1453. It would not be out of place here to mention once more that had the Superannuation Funds not been in existence it would have been necessary for the Government to provide compensation from the Consolidated Fund to an amount approximating £700,000 in respect of officers who have drawn superannuation from the Public Service Fund. This is a reasonable offset to the subsidy paid to this Fund, but is one which is apt to be overlooked when considering the position of the Fund and the liability of the State in regard thereto.

1454. Before passing from the subsidy phase the position of the trading Departments outside the Consolidated Fund must be mentioned. **There does not appear to be any valid reason why a £1 for £1 subsidy should not be paid by these Departments to the Superannuation Funds. We would go further, and say that there is little reason why a subsidy at this rate should not have been paid by the trading Departments from the inception of the superannuation schemes.** It is only of recent years that a contribution has been made by Departments such as the Public Trust Office, Government Life Insurance Office, State Fire Insurance Office, &c., to the Superannuation Funds ; and, even so, the contributions which have been paid by those Departments have been used to reduce the amount contributed from the Consolidated Fund in respect of subsidies. Also, the calculation of the contribution from the trading Departments has not been on a £1 for £1 basis, but has been on a similar basis to the total subsidy from the Consolidated Fund. **We are of opinion that the trading Departments should undoubtedly contribute £1 for £1 on officers' contributions, and that such subsidies from those Departments should date from the inauguration of the Funds.** It was not until 1923 that the system of recovering a portion of the subsidy from the trading Departments was brought into effect, and it is a difficult matter to compute accurately the amounts which would have been payable from the inauguration of the Public Service Fund, which is the one principally affected.

1455. We estimate, however, that on a £1 for £1 basis, and making allowances for those portions of subsidies which have been collected from the trading Departments since 1923, the amount payable to the Fund by the three main trading Departments is as follows :—

	£
Public Trust Office	100,000
Government Life Insurance Office	58,000
State Fire Insurance Office	26,000
Total	£184,000

1456. In arriving at the foregoing estimate the contributions have been compounded at 4 per cent. interest. **We recommend that the amount shown above be paid by the trading Departments to the Public Service Fund either by lump-sum cash payments or by an amortization table over a period of 36½ years, with interest at 5 per cent.**

1457. There are other Departments which have been similarly affected, as, for instance, the State Advances Office ; and **we recommend that similar action be taken wherever possible.**