

1458. We have so far recommended that the basis of the calculation of future annuities be altered and that various trading Departments be required to pay £1 for £1 subsidies from the inauguration of the Funds.

1459. The position of present annuitants now remains to be considered. It will be recognized that a review of the conditions governing future retirements from the Service, if unaccompanied by a review of existing annuities, would be unreasonable and unfair, and if it be right to alter the present law to provide more stringent conditions on retirements for the future, **it is equally just that those who have retired from the Service under the too liberal provisions of the law should have their annuities reviewed in line with our recommendations concerning future annuities.** There is of course, the objection that the alteration of an existing annuity is an interference with a contractual right; but this is equally true in the case of present contributors to the Funds who joined the Service on the understanding that the benefits provided by the Act would be available to them. In any case, we cannot overlook the fact that it would be quite unfair to penalize those who will be retiring in the near future and to allow those who have recently retired to enjoy benefits which are too liberal in view of their contributions.

1460. There is a further consideration which has a bearing on any proposal for the reduction of existing annuities, and that is that the majority of those who have retired since 1921 have done so on an inflated annuity, in most cases out of relation on an actuarial basis to the average salary upon which their contributions to the Funds have been made. This is, of course, due to post-war rises in salaries. On the other hand, there is the decreasing body of annuitants who retired prior to the war-inflated period, and to whom no adjustment by way of increased annuities was made to compensate for the subsequent increase in the cost of living. A distinction must be made between these two classes, and **it would be unfair to recommend either a percentage reduction in annuities of those who retired prior to 1921 or the review of their annuities on a less liberal scale.**

1461. The whole question of annuities to officers who have already left the Service is bristling with difficulties, and whatever basis of adjustment is decided upon, some measure of hardship must follow. It seems, however, that the most equitable recommendation would be for the review of existing annuities in line with the recommendations already made in respect of future annuities. **We therefore recommend that existing annuities be reviewed on the following basis:—**

- (a) **The calculation of annuities on basis of average salary of last seven or ten years of service, instead of last three years as at present:**

Provided, however, that such average salary shall in no case be deemed to be less than the average salary for the three years ending the 31st March, 1921: nor shall any alteration be made in any annuity granted before the 31st March, 1921 (vide proposal 3).

- (b) **The calculation on an actuarial basis of annuities payable to those who retired after the 31st March, 1921, for reasons other than medical unfitness, prior to attaining age 65 (females, 60) or after completing forty years' service (females, thirty-five) (vide proposal 2):**

Provided that in neither of the foregoing cases shall annuities below £100 per annum be interfered with and that in no case shall a reduction below £100 per annum be brought about.

1462. The effect of the foregoing would be the automatic review of annuities granted since the 31st March, 1921, in line with our recommendations regarding future annuities, with the exception that we do not suggest that those officers who retired after completing forty years' service but who may not have reached sixty years of age should have their annuities reviewed under subclause (b) above. These officers complied with all the requirements as to length of service and were in many cases invited to retire, and we hardly think it would be equitable to suggest the recalculation of their annuities on an actuarial basis according to age. With this exception, and the limitation of £100, which is open to argument, our recommendations would result in the review of existing annuities granted since 1921 on all fours with the alterations recommended in the basis of calculation of future annuities. **This would at least ensure that uniformity of treatment would be achieved, and would result in a greater correlation between contributions and benefits and in a more equitable distribution of the sacrifice involved in a reconstruction scheme.**

1463. It is admitted that in certain cases the review of existing annuities, as recommended, will result in drastic reductions, particularly in the case of those officers who have retired voluntarily or who have been compulsorily retired after less than forty years' service. It will also affect those retired officers who received promotion towards the close of their official career, and the calculation on an actuarial basis of the future liability on the Superannuation Funds might require reductions in some existing annuities of up to, say, 35 per centum. **Nevertheless, we must recommend the reconstruction of these Funds in order to secure for the future the interests of both annuitants and contributors, and can find no more equitable method of distributing the losses among all parties.**

1464. In view, however, of the drastic reductions which will in many cases follow the calculation of present annuities on an actuarial basis, **we would add a proviso that no reduction exceeding 20 per centum of present annuities be brought about. We recommend that provision be made for the appointment of a special Undue Hardship Tribunal, as even a reduction of 20 per centum may cause hardship to those in receipt of relatively small annuities.**

1465. We have considered as an alternative to the review of existing annuities the possibility of recommending an arbitrary reduction of, say, 10 per centum. This would, however, result in many anomalies and in many cases grave injustices, and would, moreover, be impracticable as regards future annuities. If a 10 per centum reduction were imposed in perpetuity it would be particularly unjust to those officers who retired after having contributed to the Superannuation Funds over the