service, in addition to the £5,649 for back service. These men will be contributing 10 per cent. of their salaries during the next ten years, whereas the full rate necessary would be approximately 15 per cent. Thus, two-thirds of their future-service pensions will have been purchased by their own contributions, *if those contributions have been safeguarded as advocated in paragraph 15,* leaving the remaining one-third of the survivors' pensions to be defrayed by the Government, in the same way as the whole of the back-service pensions. I shall give further on the full rates of contribution necessary at various ages, and it is for the Government to say what proportion of these rates shall be required from the contributors to the fund.

18. In the preceding paragraphs I have endeavoured to make myself understood by means of certain illustrations, but as the principle involved is of great importance I will briefly recapitulate. The following constitute the minimum requirements upon which, in my opinion, a Government scheme of pensions to employees may be started on a sound footing:—

The scale of pensions and other benefits having been settled,—

(1.) The full rates of contribution necessary at different ages to provide these benefits for the years of future service should be ascertained.

(2.) The proportion of these rates which shall be contributed in future by the members should be decided by the Government.

(3.) The sums so contributed should be used only for the purpose of meeting the portions of the current and future liabilities for which they were intended.

(4.) That part of the contributions intended to meet a portion of the future liability should be accumulated at interest, and not used for any other purpose. (These accumulated contributions are referred to afterwards as "the contributed fund.")

(5.) The remainder of the current and future liabilities not so provided for by the contributions should be discharged year by year, as they accrue, by the Government of the day, *and no portion whatever of "the contributed fund" should be used for that purpose.*

(6.) An actuarial investigation of the fund should be made triennially (or quinquennially) in order to test the sufficiency of "the contributed fund," and to ascertain the probable extent of the presently accruing liability which will have to be met by the Government during the succeeding three (or five) years.

*Differences in Schemes explained.*

19. Appendix No. 5 contains summaries of the valuation results of the scheme in the Bill, and seven modifications.

The first four schemes in the table provide (*inter alia*) annuities of £18 to widows.

I (18) is the same as the scheme in the Bill, with the exception that the annuities are payable to the widows of pensioners as well as to those of contributors who die while in the service.

II (18) is the scheme in the Bill itself, the benefits in connection with which are summarised in Appendix No. 1, the rates of contribution being 5 per cent. of salary if the age does not exceed 40 when joining the scheme, 6 per cent. from 41 to 45, 7 per cent. from 46 to 50, and 10 per cent. over age 50.

III (18) is the scheme in the Bill except that the scale of contributions is modified as follows: 5 per cent. if the age does not exceed 30, 6 per cent. from 31 to 35, 7 per cent. from 36 to 40, 8 per cent. from 41 to 45, 9 per cent. from 46 to 50, and 10 per cent. over age 50.

IV (18) is the scheme in the Bill, modified to give only half-scale pensions for back service.

The last four schemes in the table are the same as the first four, but further modified to give annuities of £26, instead of £18, to widows. It will be seen that the bulk of the liability (columns 2 and 3)—viz., that for pensions to members themselves—is the same in all of the schemes, except in IV (18) and IV (26) where the liability for back-service pensions is reduced by practically one-half; this matter receives attention in paragraphs 24, 25, 26, and 27.

*Rates of Contribution.*

20. The present value of the only prospective asset—viz., future contributions (column 9)—also remains the same throughout, except in III (18) and III (26). The full contributions required at different ages to furnish the benefits given in the Bill are as follows: At age 18, 8·6 per cent. of salary; at 23, 9·3 per cent.; at 28, 9·8 per cent.; at 33, 10·4 per cent.; at 38, 11·1 per cent.; at 43, 12·1 per cent.; at 48, 13·6 per cent.; at 53, 15·6 per cent; and at age 58, 17·9 per cent.; while the contributions in the Bill and in the New Zealand Government schemes already in existence are given hereunder:—

| Age. | Police Fund. | Railways Fund. | Teachers' Fund. | Civil Service Bill, 1906. |
|---|---|---|---|---|
| 30 and under .. .. | 5 per cent. .. | 3 per cent. .. | 5 per cent. .. | 5 per cent. |
| 31–35.. .. .. | 6½ ,, .. | 4 ,, .. | 6 ,, .. | 5 ,, |
| 36–40.. .. .. | 6½ ,, .. | 5 ,, .. | 7 ,, .. | 5 ,, |
| 41–45.. .. .. | 8 ,, .. | 6 ,, .. | 8 ,, .. | 6 ,, |
| 46–50.. .. .. | 8 ,, .. | 7 ,, .. | 9 ,, .. | 7 ,, |
| Over 50 .. .. | 10 ,, .. | 10 ,, .. | 10 ,, .. | 10 ,, |

It will be seen that, although the contributions for persons who are over 50 when joining the fund are the same in each of the above four funds, they vary considerably for members under 50. In schemes III (18) and III (26) I have used the modified scale of contributions already described, which was the one adopted for the Teachers' Fund, and which requires higher contributions than those of the Bill between ages 30 and 50—viz., from 31 to 35, 6 per cent. in place of 5 per cent.; from 36 to 40, 7 per cent. in place of 5 per cent; from 41 to 45, 8 per cent. in place of 6 per cent.; and from 46 to 50, 9 per cent. in place of 7 per cent. The result is that, by increasing the value of the prospective assets, the net liability is correspondingly reduced. My purpose