

8. For what purpose?—The initial subsidy in the teachers' case is £7,000, and this must be increased until the payments have practically the same value as the fixed subsidy under the old scheme would have had. We cannot tell at present how much of the new outlay for pensions in the succeeding years will be provided by the accumulating contributions. The balance will have to be provided by the Government.

9. Will the principle that is being adopted with regard to this first charge be altered in any way after the first triennial investigation?—No, the principle will not be altered. The report will be either that the £7,000 is sufficient or insufficient for the next three years.

10. For what purpose?—To keep the fund sound for the succeeding three years. The members' contributions have to be kept intact and accumulated, and the balance has to be provided out of the Consolidated Fund.

11. The principle of the first period is for the State to provide sufficient to cope with the back services, but not to provide anything for the future?—The same principle is maintained exactly, and at all triennial periods—the same method as was used in the Public Service Act, which showed that £20,000 would be theoretically sufficient, although that sum has in practice been more than sufficient.

12. That readjustment will be on back service?—Yes, and not for the future.

13. Do I understand that the readjustments will only be with regard to back service, and not with regard to the responsibility of the Government if the future contributions are not sufficient?—Yes; to make quite sure there is no misunderstanding, however, let me say that the next three years, which is the future now, will not be the future in three years' time—it will be back service then.

14. Then, at the end of three years, if there is an accumulation of responsibilities, are they made up at the actuarial valuation?—Yes. Let me quote the case of a man who will become a pensioner at the end of three years time from now. He will have had time to make three years' contributions. Supposing his pension is £100, and he has only been able to purchase £8 of that pension, the balance of £92 a year will be paid by the Government.

15. Are there or are there not accumulated responsibilities?—None whatever, except that, as I say, the initial amount will be increased.

16. Can you give us any idea of what the probable increase will be at the end of the first three years?—I cannot do so definitely, because I have so little data. In the case of the Public Service Fund it might go up from £20,000 to £25,000 in three years.

17. You said in the early part of your evidence that these amounts would place the funds in a sound position?—Yes, both of them—police and teachers'.

18. Then, I want to ask you with regard to a pension which probably would not become due for, say, thirty years, after the triennial investigation, would there be any provision made by the State for the three years' responsibility on account of a pension which is not due for thirty years?—None whatever. The provision is made only for those pensions which are to emerge during the next three years.

19. Does the State make any provision for its responsibility in regard to a pension thirty years hence?—No, Sir.

20. And how is it intended that the State shall make provision for that pension?—By increasing the subsidy.

21. When?—Every three years. In twenty-seven years the State will make provision for the pension due to emerge in thirty years.

22. Would it be an accumulating amount as the years go by?—Yes. I can see that for the next ten or fifteen years there is every probability of the £20,000 being increased.

23. Will the increasing amount be a very large one?—There will be a continuous steady increase up to a certain amount.

24. To what amount?—I cannot say definitely, but I think for the Public Service Fund it will probably get up to over £60,000.

25. Supposing we had adopted the plan for the teachers, would we have known our responsibilities from year to year?—Yes.

26. Shall we now know our responsibilities?—Yes.

27. Even with respect to this pension due in thirty years?—Yes.

28. What is likely to be our responsibility?—I shall be able to estimate the liability on account of that pension, but no provision will be made for it in three years' time—not until twenty-seven years hence.

29. *Right Hon. Sir J. G. Ward.*] The difference between the two schemes is this: in the one case there is one contribution from the State, and the amount of that we know, while in the other case there is an annually increasing contribution, the amount of which we do not know?—That is so. We cannot know until after each triennial investigation.

30. Now, I want to ask your opinion upon a matter in the Public Service Act. I had it struck out. It has reference to the allowance of interest, and is provided for in sections 18 and 58 of this Bill. It was a question as to whether we were justified in allowing 3½ per cent. compound interest to a man retired from the service against his will. We decided to leave it out?—I can give my mature opinion best by quoting from my recent report to you, dealing with the Defence Department. I said: "It appears from an analysis of the retirements from the Defence Force of the last five years that about one-half of those who retired would have suffered if they had been connected with the Public Service Superannuation Fund, and for this a remedy is desirable. It would be unjust to debar the others from pensions by excluding the whole of the Defence Force from participation in the fund, and it would be impossible to lower the pension-age so as to meet the Defence regulations without imposing a heavy additional liability on the fund. It would certainly be possible to permit members retiring earlier than the pension-age to continue their contributions after retirement until reaching the pension-age, but this would be only a nominal