1916.
NEW ZEALAND.

NATIONAL PROVIDENT FUND:

ACTUARIAL EXAMINATION FOR THE PERIOD ENDED 31st DECEMBER, 1913.

Laid before Parliament in pursuance of Section 24 (3) of the National Provident Fund Act, 1910.

REPORT BY THE ACTUARY APPOINTED BY HIS EXCELLENCY THE GOVERNOR TO MAKE THE ACTUARIAL EXAMINATION OF THE NATIONAL PROVIDENT FUND.

I HAVE the honour to submit the following report on the National Provident Fund as at the 31st December, 1913, as required by section 24 of the National Provident Fund Act, 1910.

The Act came into operation on the 1st March, 1911, and represents an important step in New Zealand in the direction of social insurance, the basic principle of which is the intervention of the State to induce the wage-earners to make provision for certain of the eventualities of life, the State bearing a share of the cost.

Old age, for instance, is to the individual a distant and vague possibility, specific provision for which he will neglect in deference to present needs. To the State, on the contrary, old age is an ever-present problem always pressing for solution. The ideas of the State and the individual in this connection, therefore, do not run step for step, and if, by means of subsidies, compulsion, or otherwise, the State endeavours to quicken the pace of the individual towards making this provision, we have social insurance as distinct from commercial insurance. This phase of social insurance is equally distinguished from the opposite extreme of free State systems wherein the State does everything and the individual nothing.

Social insurance in this sense is almost a commonplace in Europe, schemes based upon its principles having been adopted in leading European countries, including England, France, Belgium, Germany, and Austria; and the National Provident Fund Act brings New Zealand into line.

The benefits available to contributors under the Act, and the contributions, are set out in the Appendix (Table I), the main benefit being a pension at age 60, with additional benefits such as maternity, incapacity, and orphans' allowances where the contributor has children. The scheme of benefits appears to be based upon the principle that if the contributor provides for a pension at age 60 the State will help him in respect of the family responsibilities he may have.

Under the Act the State bears the cost of the administration expenses, and pays into the fund by way of subsidy year by year a sum equal to one-fourth of the total contributions received in the previous year—that is to say, the contributor pays four parts and the State one part, the regular State subsidy being therefore virtually one-fifth, or 20 per cent., of the total contribution cost. In addition the State is to pay into the fund in each year such further amounts as are deemed necessary in accordance with the Actuary's report. The maternity benefit is provided for by an annual parliamentary grant.

After careful consideration the valuation of the actuarial liabilities has been made on the following bases:—

(1.) Mortality rates of contributors between those of the New Zealand population, 1906–10, and those of the New Zealand Civil Service Superannuation Fund (see graph annexed). The rates are much below, and therefore more stringent than, the Healthy English, with which, however, they agree from age 73 onwards.

(2.) Rates of discontinuance approximating to those of the Second Division of the New Zealand Railways.

(3.) Rates of invalidity as exhibited by New Zealand friendly societies.

(4.) Probabilities of being married, approximately 12½ per cent. above those of the New Zealand population, 1911.