1928.
NEW ZEALAND.

NATIONAL PROVIDENT FUND.

ACTUARIAL EXAMINATION FOR THE TRIENNIUM ENDED 31st DECEMBER, 1925,

BY THE ACTUARY APPOINTED BY HIS EXCELLENCY THE GOVERNOR-GENERAL TO MAKE THE ACTUARIAL EXAMINATION OF THE NATIONAL PROVIDENT FUND FOR THE TRIENNIAL PERIOD ENDED 31ST DECEMBER, 1925.

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

Government Actuary's Department, Wellington, 7th June, 1928.

1. I HAVE the honour to submit the following report on the National Provident Fund as at the 31st December, 1925, as required by section 24 of the National Provident Fund Act, 1910.

2. The National Provident Fund falls to be considered under three headings: first, the main scheme; second, the local-authorities scheme; and third, the approved-friendly-societies scheme.

THE MAIN SCHEME.

3. The National Provident Fund Act, 1910, which Act, together with subsequent amending Acts, has now been consolidated in the National Provident Fund Act, 1926 (hereinafter referred to as "the Act"), is an endeavour to solve two of the pressing problems of the times—namely, (1) the making of provision for old age, and (2) the maintenance of some degree of family comfort (the bare necessities of life at the very least) when sickness or death robs the breadwinner of his earning-powers.

4. It is somewhat startling to consider that even in such a prosperous country as New Zealand more than one person in every four to reach old age is in receipt of a free old-age pension. The State's annual bill for old-age pensions has risen in the last ten years from £480,000 to £982,000, while in addition free widows' pensions have soared from £38,000 to £302,000.

5. It is therefore in the interests of the State, no less than the individual, that a contributory scheme should be fostered to stimulate thrift. State-subsidized old-age insurance schemes are in force in a number of countries, and, while details naturally vary, two important classes of schemes stand out, one in which participation is voluntary and the other where it is compulsory. Voluntary schemes have been in force in the following countries from the dates shown, viz.: Belgium (1850), Switzerland (1898), Hungary (1900), Holland (1919). France, Italy, and Portugal commenced with the voluntary scheme, but after a trial of sixty, twenty-one, and twelve years respectively they changed over to the compulsory idea, while in the following countries the scheme took a compulsory form from the beginning: Germany (1889), Austria (1906), Rumania (1912), Sweden (1913), Bulgaria (1918), Spain (1919), Czecho-Slovakia (1920), Jugo-Slavia (1922), Russia (1922).

6. The New Zealand National Provident Fund scheme is of the voluntary type, the broad principle underlying the main scheme being that the State undertakes the cost of providing family allowances (proportionate to the size of the family) in the event of the death or prolonged sickness of the wage-earner, and bears the expenses of administration, conditional on the wage-earner contributing sufficient to provide a pension for himself at age 60. To extend the scheme to a national scheme imposing more than voluntary obligations on the community, a correlation of the organizations conducting similar schemes of thrift would be almost essential.

7. The benefits provided by the principal Act and the requisite contributions are fully set out in the Appendix, Table I. A feature of the scheme is that under no circumstances is a member to receive from the fund less than he has paid in. The member has the option to withdraw the whole of his contributions (less benefits) on giving twelve months' notice, and if after his death the allowances that are or have been previously paid to his family fall short of his total contributions the balance is handed over to his representatives.

8. The Government subsidy amounts to one-fourth of the contributions received in the previous year—that is to say, the contributor pays 80 per cent. and the State 20 per cent. of the total cost of the various benefits.