

I should, perhaps, point out that in the last two years scores of officers with service between thirty-five and thirty years have been retired on "actuarial" pensions resulting in deductions of from 30 per cent. to 45 per cent. of the pensions that would have been allowed if determined solely on the basis of length of service, and as the law now stands future retirements for similar service will be treated similarly. Moreover, if the Commission's scheme is adopted in respect of *future* pensioners, officers with service of thirty-five years and upwards will receive actuarial pensions equivalent to deductions ranging to more than 20 per cent. Under the circumstances it seems desirable to bridge the gap between existing pensioners retired respectively after 34·95 and 35·05 years' service in a scientific manner, instead of fixing an arbitrary maximum deduction of 20 per cent., which will apply only in respect of *existing* "early retirement" pensioners.

It may be said that as far as "actuarial" pensions proper are concerned the proposed maximum deduction of 20 per cent. will, in general, operate only to benefit those officers who have already retired with service between thirty-five and thirty-seven years; and it will certainly create a very striking anomaly as between officers who were retired a few weeks before completing thirty-five years' service and those with service a few weeks more than thirty-five years.

I desire to stress the fact that, in the Railway Superannuation Fund alone, hundreds of officers, after completing thirty-five years' service, have been retired without any regard to actuarial requirements, and if any reconstruction of the scheme fails to secure a proper adjustment of such pensions it will be to a large extent ineffective, since it is this class of retirement which has been a prime factor in the growth of the Fund's deficiencies.

*Paragraphs 1470-1474 (Sections 9, 21, and 33 of the Bill).*

The suggestion is to remove the arbitrary pension limitation of £300 per annum to officers joining the service after the 24th December, 1909, thus bringing them into line with officers joining before that date.

The injustice of compelling officers to contribute to a fund and at the same time limiting them to a pension of £300 irrespective of the value of their contributions is obvious. It is in no way different in principle to compelling a body of men to place a specific portion of their salary in a savings-bank on the undertaking that in no case shall they receive back more than some arbitrary amount determined by the directors of the savings-bank. Surely if a University professor or a doctor appointed to the Service at a salary remaining practically stationary through his whole service pays twice, three times, or even four times as much as any other officer whose ratio of salary increase is in the same proportion, elementary justice demands that his pension should be respectively twice, three times, or four times as much as that granted to the latter officer.

In this connection, it may not be out of place to point out that the arbitrary pension limitation of £300 was never taken into account in the original estimates of cost furnished before the schemes were established, nor was it included as part of the original Act being introduced some two years later, for reasons I have never been able to discover. If the matter were not so serious in its broader aspects one might be tempted to enlarge on the Gilbertian touch of an employer commencing a superannuation scheme for his employees and giving away, inversely to their future value to him, an *increasing* proportion of pension benefit (*e.g.*, 97½ per cent., 75 per cent., 50 per cent., or 25 per cent. of pension benefit to employees with respectively one, ten, twenty, or thirty years of remaining service) without imposing any restrictions as to the maximum amount of pension granted, while at the same time asking new employees to devote themselves to his service and to contribute for the whole period of their employment to a fund offering them an arbitrary maximum pension—that is, equivalent to a pension at a rate for each year of service *decreasing* in proportion as the length of service increases. It would more readily have been understood that if any limitation were to be applied at all in a State scheme it would be in respect of those members who had long years of back service during which they made no contribution to the Fund.

As the National Expenditure Commission has pointed out, each Actuary who has had to report on the funds has adversely commented on the arbitrary pension limitation. My own carefully considered views are given in paragraphs 30 and 31 of the actuarial investigation of the Government Railways Superannuation Fund as at the 31st March, 1927, and it is of interest to point out that they are backed by the opinion of Mr. George King, F.I.A., F.F.A., probably the greatest living authority on pension funds.

*General.*

In conclusion, I should perhaps point out that this report has been furnished at somewhat short notice, and consequently some of the points touched on may require further elaboration.

I have made no attempt to deal with the individual clauses of the Bill, but have confined myself to the National Expenditure Commission's recommendations on which the Bill was based.

*The Chairman:* Would any of you gentlemen like to ask Mr. Verschaffelt or Mr. Gostelow any questions?

*Mr. McCombs:* There will be other witnesses appearing before us. Will they be cognizant of what takes place here after to-day? Would it not be possible for the witnesses that will appear in the future to know what has already been submitted to the Committee, and what may be in the minds of the Committee as a result?