

Government Actuary's Office,
Wellington, 4th November, 1932.

MEMORANDUM FOR THE CHAIRMAN, SELECT COMMITTEE, SUPERANNUATION FUNDS' BILL, HOUSE OF REPRESENTATIVES.

FURTHER to my memorandum of the 2nd instant, the enclosed copy of a memorandum submitted to the National Expenditure Commission on the 22nd March, 1932, will doubtless be of value, and will enable members to visualize the parlous financial position of the funds.

C. GOSTELOW, Government Actuary.

Government Actuary's Office,
Wellington, 22nd March, 1932.

MEMORANDUM FOR THE CHAIRMAN, NATIONAL EXPENDITURE COMMISSION, WELLINGTON.

Government Superannuation Funds.

IN accordance with your request for figures showing the position of the Superannuation Funds if, for hypothetical purposes, they were to be regarded as adjudged bankrupt at the last valuation date and liquidated solely in relation to their accumulated funds, I submit the following comparative statement of the accumulated funds, the contributions of existing contributors, and the liabilities in respect of existing pensioners, widows, and children :—

Name of Fund.	Amount of Accumulated Funds.	Amount of Contributions paid by Contributors still in the Service.	Capital Value of Pensions and Allowances actually entered upon.
	£	£	£
Public Service (1930)	2,882,504	2,443,225	3,375,540
Teachers' (1930)	1,198,711	1,103,814	2,293,201
Railways (1927)	985,828	1,261,560	2,257,446
All funds	5,067,043	4,808,599	7,926,187

I. On the hypothetical assumptions that the funds were put into liquidation, and that the existing pensioners were treated as "preference shareholders," with the prior right of having their claims satisfied before existing contributors shared in the assets, the position would be as follows :—

Name of Fund.	Proportion of Existing Pensions that the Funds could meet.	Proportion of Contributions available for refund to Contributors still in the Service.
Public Service (1930)	85.39 per cent. or 17s. 1d. in the pound	Nil.
Teachers' (1930)	52.27 per cent. or 10s. 5d. in the pound	Nil.
Railways (1927)	43.67 per cent. or 8s. 9d. in the pound	Nil.
All funds	63.93 per cent. or 12s. 9d. in the pound	Nil.

It will be seen from the above table that on such a hypothetical basis of liquidation of the combined Government Superannuation Funds existing pensioners would sacrifice 36.07 per cent. (7s. 3d. in the pound) of their pensions or allowances, and the contributors still in Service would forfeit all the contributions they have paid into the funds.

II. If on the other hand existing contributors were allowed to withdraw their contributions (without interest) before the hypothetical liquidation of the funds, the position would be as follows :—

Name of Fund.	Proportion of Existing Pensions that could be met from Balance of Funds after refunding Contributions of Existing Contributors.	Proportion of Contributions that the Funds could meet.
Public Service (1930)	13.01 per cent. or 2s. 7d. in the pound	Full.
Teachers' (1930)	4.14 per cent. or 10d. in the pound ..	Full.
Railways (1927)	Nil	78.14 per cent. or 15s. 8d. in the pound.
All funds	3.26 per cent. or 8d. in the pound ..	Full.

It will be seen from the above table that, if all contributors still in Service were given their money back, the balance of the accumulated funds would be sufficient to pay only 3.26 per cent. (8d. in the pound) of the pensions of those already on the funds.

I should perhaps make it clear that in the above tables no account has been taken of future Government subsidies, and that the main objects in presenting them in this form are for illustrative purposes, and to substantiate the contention previously put forward that, in order to place the funds on a satisfactory footing, one of two courses should be followed, namely—

- (1) That the Government should meet its contractual subsidy obligations; or, alternatively,
- (2) That if any alteration in the subsidies is considered necessary, any consequent reconstruction of the scheme should apply to pensioners and contributors alike.

C. GOSTELOW, Government Actuary.