

The *subsidy arrears* (excluding interest) amount to £1,301,000 in the Public Service Superannuation Fund, and £735,251 in the Teachers' Superannuation Fund, a total of £2,036,251 for both funds (exclusive of interest) (*vide* Tables X and IX of the appendices to the statutory reports on the Public Service and Teachers' Superannuation Funds—parliamentary papers H.—26A and E.—8A of 1932).

As already explained, no data is available as to the subsidy arrears (as the term is understood in relation to the Public Service and the Teachers' Funds) in the Railways Superannuation Fund.

The *actual deficiency* represents the additional assets the funds should have in hand before they can be said to be in a position fully to meet their liabilities, present and prospective—*i.e.*, before they can be regarded as being solvent. It is immaterial whether such assets are in liquid securities or in the form of a guaranteed regular income of adequate amount. At the last valuation dates the actual deficiency of the combined funds amounted to £20,240,845 (*vide* page 16 of my memorandum of the 2nd instant), and at the 31st March, 1933, it is estimated that it will be in the neighbourhood of 25½ millions sterling.

The recommendations made by the National Expenditure Commission, which are embodied in the Bill now under discussion, are in the direction of providing a pound-for-pound subsidy, which, if regularly paid, will, with the guarantee of a 5-per-cent. interest yield, provide for about one-half of the annual income required to cover the deficiency. The reductions in benefits are estimated to provide for the remaining half.

This would have the effect of wiping off all arrears, and the future annual liability of the State would be approximately 5¼ per cent. of the salary bill.

C. GOSTELOW, Government Actuary.

*Mr. Ansell*: For 1911 to 1912 no subsidy was recommended, yet £25,000 was paid in in each case. Can you give an explanation of that?

*Mr. Gostelow*: The Railways Fund was started in 1903 without any actuarial certificate as to the contributions. There was no provision for a subsidy. The Government undertook to guarantee any shortage in the Fund. Nothing was paid till 1910, and then it was seen that the contributions of the existing members were being eaten up too quickly, and the Government accordingly put into the Fund £25,000 from the Working Railways Account.

*Mr. W. Nash*: You say that the deficiency disclosed at the second valuation would have been less by £150,000 (and interest thereon) than the amount of £3,959,455 shown in the actuarial report.

*Mr. Gostelow*: That was the deficiency disclosed.

*Mr. W. Nash*: It would have been £3,809,000-odd had that amount of £150,000 been paid?

*Mr. Gostelow*: Yes, round about that.

*Mr. W. Nash*: On page 3 of the report you mention the interest rate as 4 per cent., and as 4½ per cent. in this letter.

*Mr. Gostelow*: The last valuations have been made at 4½ per cent.

ERNEST JOHN DASH, President, Amalgamated Society of Railway Servants of New Zealand. (No. 3.)

Mr. Chairman and Gentlemen, it gives us very great pleasure to meet you this morning on behalf of the Amalgamated Society of Railway Servants, representing over eight thousand members of the Second Division, who are very much concerned at the moment about the proposed alteration in the Superannuation Act. We consider that we have entered into a contract with the Department in regard to superannuation, and we on our part have kept that contract. What we ask is that the Government do their part and keep to the contract—namely, a State guarantee. We have prepared a very lengthy statement showing reasons why the Act should not be amended, and I will now ask Mr. McIlvride to read it to you; he will also explain any points or answer any questions you may desire to ask.

LEWIS MCILVRIDE, Secretary, Amalgamated Society of Railway Servants of New Zealand. (No. 4.)

The Amalgamated Society of Railway Servants of New Zealand, an organization of men who have been either induced, by definite promises of the management, or compelled, as a condition of their employment, to contribute to the Railways Superannuation Fund, is seriously perturbed over certain proposals of the National Expenditure Commission, and the Bill based upon that Commission's Report in relation thereto.

Whilst admitting that the duties entrusted to the Commission necessitated investigation into questions complex and varied—questions covering an exceptionally wide range and of the greatest magnitude and national importance—and whilst recognizing the appearance of thoroughness with which they have accomplished their difficult task, we cannot agree with their recommendations so far as the Railways Superannuation Fund is concerned, and submit that such recommendations should not have been made before the representatives of the contributors had been given an opportunity of stating their case, as viewed in the light of the history of the Fund. In fact, we are at a loss to understand why the Superannuation Fund came within the ambit of their investigations at all, as it was in no way responsible either for the depression or for the adverse budgetary position which prompted the Government to set up the Commission. On the contrary, the economic position of the country has been vastly improved as a result of the Fund relieving the Government from payment of compensations for "back service," and old age and widows' pensions on account of ex-employees—obligations which otherwise would have been a direct liability on the State. The financial position and prestige of the country have likewise been at least temporarily improved by the utilization, in the interest of the country generally, of moneys which the Government, as an employer, should have paid into the Superannuation Fund as an ordinary business precaution to strengthen the Fund. If the recommendations as set out by the Commission are now given effect to, they will defeat the