

underlying principle of the superannuation-fund scheme, sow the seeds of dissension and revolt throughout the Civil Service, and also, so far as the lower-paid men particularly are concerned, destroy the reasonable expectation of their lives.

The underlying principle of the Railways Superannuation Fund scheme was to make adequate provision for old age—strictly on the terms embodied in the original statute—at a time in the life of every contributor calculated to allow a reasonable number of years for well-earned, happy retirement; and nothing should be introduced now to break the contract by altering the anticipated annuity or the time at which it was to be granted. In other words, as stated when the original Bill of 1902 was introduced, “the principle underlying the scheme is that the men of the Railway service of the country, the most difficult and onerous of all the public services, are to be rewarded after their life’s work in a manner worthy of the State.”

Any interference with or alteration of the original contract will be an indelible blot on the legislative escutcheon of New Zealand. It will destroy absolutely the confidence of the people in the sacredness of British governmental contracts, create grievous antagonisms and strife, reduce the incentive that an adequate superannuation benefit is to the wage-earner to make provision against impecunious old age, and possibly undermine the whole Fund by wholesale demands for a return of their money by present contributors.

The Commission’s theoretical actuarial deficit is also grossly misleading. It falsifies the true position, for in our opinion the Fund, taking into account the fact that it was not founded on an actuarial basis, is in a no more perilous position in this respect than most of the businesses, banks, and other institutions in the country, or, for that matter, the Dominion itself; but such an allegation, made in an atmosphere of panic, unfortunately creates an entirely wrong psychology regarding the Fund and its contributors.

When the Fund was established in 1902 it was not intended to be on an actuarial basis. Sir Joseph Ward, when moving the second reading of the Bill, said, “Now, if you are going to ask for a superannuation scheme to be established in this country, or in any country, upon what may be termed, from an actuarial point of view, a sound basis, you would never get a scheme at all.” It will thus be seen that at the inception of the Fund it was never contended that the income of the Fund as laid down in the original statute was an adequate income from an “actuarial” point of view to provide for the benefits set out in the original Act. The basis of our Fund was similar to that of most superannuation funds—*i.e.*, a contribution from the employer and the employee. A 2½-per-cent. contribution from the wages of the employees, and a 2½-per-cent. contribution from the employer, was the example quoted by Sir Joseph Ward of one of the leading British railways (the North-western) Superannuation Funds, which, founded on that basis and after forty-seven years’ experience, and after meeting every conceivable claim, had £1,114,000 of accumulated assets to its credit. As a practical proposition this British railway scheme was eminently successful, but, as pointed out by Sir Joseph Ward, from an “actuarial” point of view, it was unsound.

To ensure success with his scheme, Sir Joseph Ward, in the first instance, provided for a 3-per-cent. contribution from the wages of railwaymen, and a 3-per-cent. contribution from the Government as the employer. This basis, however, was subsequently altered, and the Government guaranteed the Fund, instead of paying a cash contribution year by year. The then leader of the Legislative Council said, “The State, instead of paying a direct contribution annually, calculated on a percentage scale, came in as guarantor of any possible deficiency.” Speaking on the same question, Sir Joseph Ward said, “In the case of the North-western Company, the fact of the company itself giving its contribution of 2½ per cent. was a large guarantee on the side of the company, which would ensure that provision of capital which is looked to as the basis upon which to rest the structure, and when the State is behind such a scheme as this I do not think there are any honourable members who will assert that the fact would not to some extent take the place of what is looked upon as being necessary to make the scheme actuarially sound.” And again, “If the system were found to be unsound, it could only be because the State refused to make up the deficiency.”

It is clear that the Government, by substituting a guarantee as its contribution instead of an actual money contribution from the inauguration of the Fund, was committing itself to a definite liability towards contributors, which the present Bill proposes to repudiate. Had a cash payment been made annually by the Government, as originally intended, there can be no doubt that the state of the Fund would have been even “actuarially” sound to-day, and the present psychology regarding it would never have developed. But to endeavour to introduce at this late date an “actuarial” soundness to a fund which has been carrying on under Government guarantee for the past thirty years is to place too heavy a load upon present taxpayers and present contributors, and it can be shown that there is no need for such a change.

The State guaranteed the Fund, and the 1902 Act promised that no future legislation would interfere with the rights of contributors as laid down therein, and the State should honour its pledge, and, if it is honest, must honour its pledge. This pledge was that “all benefits under this Act shall be conferred upon any person who has actually contributed, and shall remain in force, and shall not be prejudicially affected by the amendment or repeal of this Act.”

The spirit and intention of this clause has been faithfully observed by all subsequent Governments, and it will ill become the present Administration, for the sake of complying with a sudden demand for actuarial soundness, to ignore the validity of the contract entered into by the State with the contributors at the inception of the Fund. Such action destroys at one fell stroke the sanctity of contracts which the Empire went to war to preserve.

The State guaranteed the Fund, and there is no present or future justification for failing to maintain that guarantee. The guarantee is that, without altering in any way the rights of contributors at the time they joined the Fund, the State will pay annually to annuitants the amounts agreed upon from the specified time of retirement.