

12. The income and outgo of the Fund since the previous valuation were as follow:—

CONSOLIDATED REVENUE ACCOUNT OF THE GOVERNMENT RAILWAYS SUPERANNUATION FUND  
FROM THE 1ST APRIL 1927, TO THE 31ST MARCH, 1934.

<i>Income.</i>			<i>Outgo.</i>		
	£	s. d.		£	s. d.
Funds at 1st April, 1927 .. ..	985,828	4 0	Pensions to members .. ..	2,182,650	3 8
Members' contributions .. ..	1,091,380	15 4	Allowances to widows and children .. ..	191,379	6 2
Government subsidy .. ..	1,190,000	0 0	Refund of contributions .. ..	222,418	19 3
Additional subsidy on account of widows and children .. ..	86,537	18 1	Transfers to other funds .. ..	2,283	17 4
Interest .. ..	519,003	8 2	Public Trust Commission .. ..	13,041	0 8
Fines .. ..	302	7 6	Interest remitted .. ..	558	10 0
Other receipts .. ..	2,917	9 10	Audit fees .. ..	350	0 0
			Travelling-expenses .. ..	625	5 6
			Office expenses .. ..	11,071	13 6
			Reserve for bad debts .. ..	10,760	11 2
			Funds at 31st March, 1934 .. ..	1,240,830	15 8
	<u>£3,875,970</u>	<u>2 11</u>		<u>£3,875,970</u>	<u>2 11</u>

13. *Income.*—On the income side, the chief items of importance are the average annual increases of about £21,000 and £43,000 in the contribution income and the interest earnings respectively as compared with the previous valuation period. The net effective rates of interest credited to the Fund each year for the period under review are given below, together with those of the previous seven years for the purpose of comparison.

	£	s.	d.		£	s.	d.
1920-21	5	3	3	1927-28	5	14	4
1921-22	4	14	1	1928-29	5	14	9
1922-23	4	15	1	1929-30	5	15	3
1923-24	4	13	1	1930-31	5	15	2
1924-25	5	7	11	1931-32	5	18	3
1925-26	5	12	9	1932-33	6	1	8
1926-27	5	12	10	1933-34	6	0	5

These interest rates are on the average about  $\frac{3}{4}$  per cent. per annum greater than those earned during the previous valuation period, a feature of great importance to the Fund, as a good margin between the rate of interest earned and that assumed in the valuation tends to counteract the adverse effect of any fall in the estimated mortality rates above the pension age.

14. *Outgo.*—The average annual outgo for pensions to members is more than double that of the previous valuation period. The causes of this increased outgo are the increased number of pensioners referred to earlier in this report. The cumulative effect is shown in the following figures in respect of new pensions granted (excluding those to contributors retired medically unfit).

Valuation Period.	Number of Retirements.	New Annual Pensions.
1912-19 .. ..	435	£ 48,282
1919-27 .. ..	719	158,452
1927-34 .. ..	1,191	238,259

It will be seen that in the seven years covered by the present valuation, there were more retirements and more new annual pensions granted than in the previous fifteen years.

15. The Consolidated Revenue Account shows that the funds have increased by approximately £255,000 during the period under review as compared with £622,000 during the previous valuation period of eight years. Whether or not this is evidence of progress can be determined only by actuarial valuation of the liabilities, and noting if the increase in funds is keeping pace with the increase in accrued net liabilities.

To explain what I mean by accrued liabilities, let me take the case of an officer who has served for twenty years and paid £300 into the Fund. By his service, he has earned the right to a deferred pension at the rate of twenty-sixtieths of his final salary. True, the pension will not emerge till he is sixty or sixty-five years of age, but the Fund is in the position of having in effect issued a promissory note or an obligation to pay him such a pension when it falls due, and if this contributor's money is in the Fund—and it is supposed to be, since the Fund is liable to repay it in the event of his death or withdrawal from the Service—it should be regarded as ear-marked for him.

Applying this reasoning to the whole body of contributors, and assuming that officers in receipt of £2,700,000 per annum contributed for the full seven years covered by the valuation, it will be seen that on the most favourable assumption to the Fund—namely, that they will receive no further salary increases between now and retirement—the Fund has incurred the liability of deferred pensions totalling £315,000 per annum. Even allowing for those dying in service before earning a pension, it should be apparent at a glance that