As regards the second great factor in the increase of the State's liability during the valuation period under review—namely, the retirement irrespective of age of men with service of thirty-five years and upwards—the following table is illuminating:—

TABLE SHOWING FOR EACH OF THE FOUR VALUATION PERIODS THE AGE INCIDENCE OF THE PENSIONS GRANTED (EXCLUDING RETIREMENTS MEDICALLY UNFIT).

Ages.	Number of Contributors retiring as the Result of attaining Pension Age, or Length of Service.				Number of Retirements at each Age or Age-group expressed as a Percentage of Total Retirements.			
	1903–12.	1912–19.	1919–27.	1927–34.	1903–12.	1912–19.	1919–27.	1927–34.
					Per Cent.	Per Cent.	Per Cent.	Per Cent.
Under 55	..	6	51	274	..	1·4	7·1	23·1
55	1	2	41	92	0·1	0·4	5·7	7·7
56	..	7	49	106	..	1·6	6·8	8·9
57	..	3	48	107	..	0·7	6·7	9·0
58–59	2	16	65	129	0·3	3·7	9·0	10·9
60	232	166	124	191	30·5	38·2	17·3	16·1
61	110	98	134	100	14·5	22·5	18·6	8·4
62–65	245	123	151	155	32·2	28·3	21·0	13·0
Over 65	170	14	56	35	22·4	3·2	7·8	2·9
	760	435	719	1,189	100·0	100·0	100·0	100·0

The table shows that in the first valuation period no contributors were retired under age fifty-five, while in the second period 1·4 per cent. of the total retirements took place before this age, in the third period 7·1 per cent., and in the valuation period under review no less than 23·1 per cent. of the total retirements were at ages under fifty-five. It also shows that while for the period 1903–1912 the retirements under age sixty were less than ½ per cent., for the 1912–1919 about 8 per cent., for 1919–1927 about 35 per cent., in the period 1927–1934 the percentage of such retirements under age sixty to the total retirements was about 59½ per cent.

If, on account of the special circumstances following the inception of the Superannuation Fund, the first period is ignored, and the experience of the second valuation period is taken as an indication of the extent to which contributors voluntarily elect to retire after forty years' service, the difference between the percentages in the last two columns of the above table gives a rough measure of the effect of the policy adopted by the Railway Department during the period of compulsorily retiring men irrespective of age.

The extent to which this policy was carried may be seen from the age distribution of contributors given in Table IV of the Appendix. At the valuation date, out of nearly 12,000 contributors, there were twenty aged sixty-one and only two over that age.

32. The importance of the ascertainment of the state of the Fund in the form given in paragraph 29 lies in the fact that the shortage in the Fund to be made good by the State—viz., £9,099,898—is equivalent to an annual interest income (at 4½ per cent.) of £409,495. It follows that if any less sum than £409,495 is paid in by the State as subsidy the present deficiency will increase, and the subsidy must accordingly by way of compensation rise later on to a much higher figure than £409,495 per annum in respect of present contributors alone. If, however, any annual amount in excess of £409,495 is paid in, the Fund would, in respect of present members, attain solvency within a definite period of time. It should be clearly understood that this amount of £409,495 is a perpetuity, and does not cease with the lifetime of the present members, nor does it include any subsidy to new entrants.

RECOMMENDATIONS.

33. Section 119 of the Government Railways Act, 1926, as amended in 1927, provides as follows:—

"In the event of the Fund at any time being unable to meet the charges upon it, and as often as such occurs, the following special provisions shall apply:—

"(*a*) The Board shall forthwith report the fact to the Minister of Finance, setting forth the amount of deficiency and the causes thereof.

"(*b*) If the Minister of Finance is satisfied that the deficiency exists, and that provision should be made therefor, there shall, without further appropriation than this section, be paid into the Fund out of the Working Railways Account, a sum sufficient to meet the deficiency."

34. I have shown above that to keep the Fund solvent the annual State subsidy must be fixed at some amount greater than £409,495, exclusive of such additional amount as is necessary to cover salaries and expenses charged to the Superannuation Fund. I also made it clear that this minimum amount only represents interest, and accordingly will not redeem the deficiency, but merely prevents it from increasing, nor does it include any subsidy in respect of new entrants. It will therefore be apparent that, subject to future salary and other conditions remaining as at present, the payment of such minimum subsidy will mean that at each succeeding valuation of the Fund an increase in the annual subsidy will be required by reason of the number of new employees enrolled in the Fund at rates of contributions which in general are less than adequate to provide the benefits. In order to avoid large increases in the subsidy at intervals of, say, seven or eight years, it would be advisable to