There is a further aspect of this arbitrary pension limitation which is probably not fully appreciated by contributors generally, and that is, its anomalous effect on officers compulsorily retired on actuarial pensions. If an officer paying contributions on a salary of £900 per annum retires after the completion of forty years' service, he receives a pension computed at a rate for each year of service equal to only one-half of the rate received by an officer of similar age and service retired on a salary of £450, but he at least receives the same annual pension (£300). If, however, after twenty-five years' service these two officers are compulsorily retired on actuarial pensions in accordance with the provisions of the Act, the officer receiving a salary of £900 per annum will actually be granted a pension of smaller amount than the officer drawing a salary of £450, this paradoxical result being due to the fact that the loss to the Fund of his future contributions would be greater than in the case of the officer drawing £450 per annum. The Fund, having in each case to provide for a deferred pension of £300, requires less capital in hand if its future income from contributions is greater, and accordingly will pay a smaller immediate pension to the more highly-paid contributor if he is compulsorily retired on an actuarial pension. Having established that with an arbitrary maximum pension limit of £300 per annum the higher the officer's salary the smaller will be his actuarial pension, it only remains to be seen whether it is possible for an officer's actuarial pension to vanish altogether—*i.e.*, a *reductio ad absurdum*.

Such a position would arise in the case of any officer who joined the Fund after 24th December, 1909, at age twenty and who succeeded in attaining a salary of £2,840 or over at age forty-five and was then retrenched. We have recently seen a General Manager of Railways in receipt of £3,500 per annum at age forty-five retired under the compulsory provisions of the Act, and if he had been subject to the £300 pension limit, his actuarial pension would have been nil. This may readily be verified from the fact that future contributions to the Superannuation Fund of £175 per annum from age forty-five to age sixty would be of greater capital value than a maximum deferred pension of £300 per annum at age sixty, and, accordingly, if future contributions are more than sufficient to provide the benefits the Fund would lose by his compulsory retirement even if it paid him no pension.

Amid the welter of evidence that was submitted to the Parliamentary Committee, appointed to consider the proposed Government Superannuation Funds Bill in 1932–33, there is a danger in connection with this £300 arbitrary limit that the aspect of grave injustice to the higher-paid officers—which has never been denied—may obscure one of the fundamental reasons for establishing a staff superannuation scheme—namely, to induce men of ability to join and continue in the Service, and to offer an adequate retiring-allowance to those who rise to high positions as the result of outstanding merit.

A superannuation scheme is not established by an employer—whether a Government or a private firm—from philanthropic motives, but rather from motives of enlightened self-interest. The State, in common with any employer of labour, does not remunerate its officers on philanthropic grounds nor on the basis of levelling-down all salaries to a uniform amount irrespective of the work performed, and it is unreasonable to suppose that it has in mind an intention to depart suddenly from sound business principles just when some of its employees reach old age. My object in stressing this aspect of the employer's motive is that once the principle is admitted that the establishment of a superannuation scheme is from enlightened self-interest, we are infallibly led to a certain line of reasoning regarding the relative benefits a superannuation fund should pay and the way the employer's subsidy should be allocated.

The opinion of any competent critic on the New Zealand Government superannuation scheme with its *maximum* pension of £300 per annum, especially when considered side by side with the *minimum* pension of £300 provided by the superannuation fund of an old established New Zealand bank would not only be unflattering to the State, but would also bring out prominently that those responsible for the 1909 amendment lost sight of the elementary principles of a staff superannuation scheme. Compared with the generally accepted idea that merit should be rewarded and an adequate subsidy paid on the contributions of all employees, the State is actually penalizing its best officers, present and future, and in effect allowing the Superannuation Fund to confiscate portion of their contributions and interest accretions.

Up to the present the position has been masked by the fact that those who have already retired were not subject to any pension limitation, since it only applies to officers joining less than twenty years ago. Obviously the bulk of these are many years short of the retiring-age and of the balance joining the Service late in life, none of those who have retired on salaries up to £900 per annum could possibly have been affected by the restriction.

I am strongly of opinion that the abolition of the present arbitrary pension limitation would be in the best interests of the Railway Department.

45. In conclusion, I have to acknowledge the assistance of the small but efficient staff engaged in carrying out the heavy work of the valuation.

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