

37. *Medically Unfit Pensions.*—This is probably one of the most difficult problems in the administration of any Superannuation Fund. On the one hand, some teachers may be classed “medically unfit” although they are quite competent to undertake work of a less exacting nature than the particular work they have been performing, while, on the other hand, some teachers totally unfit to render efficient service in any occupation at all may not fall within the definition of “medically unfit” as interpreted by the Superannuation Fund in accordance with statute.

It seems advisable to consider the desirability of creating a special class of “medically unfit for duty” officers, grading each such officer as 100 per cent., 90 per cent., &c., unfit to carry on his occupation.

An officer graded 100 per cent. medically unfit would, of course, receive a full pension based on length of service, an officer graded 50 per cent. medically unfit for duty might be allowed a pension halfway between a “length of service” pension and an “actuarial” pension, and all other grades be dealt with similarly.

38. *Provision for Joint Life and Survivor Pensions.*—There have been from time to time suggestions to increase the widows’ pension now standing at £31 per annum. The cost of making any material increase is too high to warrant any recommendation that it should be provided out of the Consolidated Fund, and, moreover, it may very well be argued that it is no duty of the State as employer to relieve the teacher of his own obligations to provide for his widow by life assurance or other means.

On the other hand, there would be objections raised to any suggestion that all male teachers should be asked to pay any extra contribution for an increased widows’ allowance, partly because of the high cost of such a benefit and partly because in the cases where a pensioner or contributor died as a bachelor or a widower he would have been paying a substantial contribution for no actual benefit. It would be possible, however, to meet the case of any teacher who would prefer to accept a smaller retiring-allowance on the understanding that his widow’s allowance was increased by making provision in the Act for such an option on terms that would involve no increased strain on the Fund. One plan would be to allow such contributors the option to exchange their retirement pensions for a joint-life and survivor pension payable so long as either the husband or wife were alive. Alternatively another rate of pension could be payable to the contributor on the basis of a reduction on his death to, say, half-rates for his widow.

The Fund’s finances could be adequately protected, by providing for such an option to be exercised by the contributor not less than five years prior to the date of retirement, this to obviate any adverse selection against the Fund by the contributor. In order to meet the case of present contributors who are now within five years of retirement, or even of any existing pensioners, provision might also be made for them to have an option to exchange their pensions for joint-life and survivor pensions within a specified period, say, six months from the date of the passing of the amendment, subject to the production of such evidence of medical fitness as is determined by the Superannuation Board.

39. *Removal of Pension Limitation of £300 per Annum.*—The National Expenditure Commission of 1932 made a strong recommendation for the removal of the arbitrary pension limitation of £300 per annum in respect of officers joining the Service after the 24th December, 1909, so as to bring them into line with officers joining the Service before that date.

The injustice of compelling officers to contribute to a Fund and at the same time limiting them to a pension of £300 irrespective of the value of their contributions should be too obvious to require comment. A University Professor or a Medical Officer appointed to the Service at a salary remaining practically stationary during his whole service may pay three or four times as much as another teacher with similar service, but he gets no credit for it.

In this connection it may not be out of place to point out that the arbitrary pension limitation of £300 was never taken into account in the original estimates of cost furnished before the schemes were established, nor was it included as part of the original Act, being introduced some two years later for reasons I have never been able to discover. If the matter were not so serious in its broader aspects, one might be tempted to enlarge on the Gilbertian touch of an employer commencing a superannuation scheme for his employees and giving away, inversely to their future value to him, an *increased* pension benefit—(i.e., 97½ per cent., 75 per cent., 50 per cent., and 25 per cent. of pension benefit to employees with respectively one, ten, twenty, or thirty years of remaining service—without imposing any restrictions as to the maximum amount of pension granted, while at the same time asking new employees to devote themselves to his service, and to contribute for the whole period of their employment to a fund offering them an arbitrary maximum pension, that is equivalent in the case of the higher-paid officers to a pension at a rate for each year of service *decreasing* as the length of service increases. If any limitation had to be applied at all in a State scheme, it would more readily have been understood had it applied only in respect of those officers who had long years of back service for which they made no contribution to the Fund.

As the National Expenditure Commission has pointed out, each Actuary who has had to report on the Government Superannuation Funds has adversely commented on the arbitrary pension limitation.

There is, however, a danger in connection with this £300 arbitrary limit, that too much stress on the grave injustice done to the higher-paid officers may tend to obscure 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.