

of age, a considerable number of officers with from thirty-five to forty years' service. During the quadrennium under review, the position was intensified, as the Fund appears to have been deliberately used to facilitate retrenchment. The total number of pensioners (exclusive of widows and children), which had increased from 1,563 in 1927 to 1,706 in 1930, grew to no less than 2,248 in 1934.

20. In view of the special influences operating during the quadrennium, the experience was clearly abnormal, and it was decided to adopt rates of mortality, withdrawal, and retirement based on the period 1919 to 1930 and used in the 1930 valuation.

21. Similar investigations were made into the actual experience of female contributors before adopting rates of mortality, withdrawal, and retirement in respect of such officers.

22. Details of the Experience Tables adopted and the Life and Service Tables deduced therefrom are given in Tables VII and VIII of the Appendix.

23. The factors necessary for the valuation of widows' and children's benefits were built up from population statistics combined with the experience of the Fund itself.

RESULTS OF VALUATION.

24. Section 49 (2) of the Act requires the actuarial report to be so prepared "as to show the state of the Fund at the close of the period, having regard to the prospective liabilities and assets."

The valuation has been made accordingly, and the results are shown in Table X of the Appendix, but they may be shortly summarized as follows:—

Present value of existing pensions and allowances	£	4,471,373
Present value of prospective benefits	11,001,720	
Less present value of members' contributions	2,761,470	
		<u>8,240,250</u>
Total net liabilities		12,711,623
Funds in hand		2,964,064
		<u>9,747,559</u>
Present value of total liability of State		9,747,559
Less present value of present subsidies of £86,000 and £40,000 (if treated as a perpetuity)		2,800,000
And less present value of State subsidy under section 114 of the Act		625,839
		<u>6,321,720</u>
Value of future subsidies to be provided for by the State over and above the present subsidy		6,321,720

25. The above statement shows a total State liability of £9,747,559, as compared with £7,871,439 at the last valuation, giving an increase of £1,876,120. It should, however, be pointed out that £625,839 of this increase is due to the inclusion of the special widows' and children's subsidy under section 114 of the Act as a permanent liability. In the past this has been treated as a supplementary payment to widows and children, and confusion has at times arisen in endeavouring to reconcile statements made as to the amount of Government subsidies paid to the Fund. The balance of the increase is mainly due to the accumulation at interest of that part of the State's liability which is unprovided for and to the excessive number of retirements of comparatively young officers.

26. As regards the first-mentioned source of valuation loss, it is scarcely necessary to point out that if a fund is in deficiency at one valuation the amount of the deficiency at the succeeding valuation will, in the absence of profit and loss from other sources, increase at compound interest, since, in addition to the shortage in capital, the fund is deprived of the interest which that capital would have earned during the valuation period.

Reference has been made in previous valuation reports to the serious drain on the Fund due to early retirements from causes other than medical unfitness. I have pointed out time after time that there is no particular virtue in forty years' service, and that retirement should be governed only by age or physical unfitness. No attention has been paid to this advice, nor has there been any abatement of the misuse by Ministers of the extended provisions of the Act to retire male officers after thirty-five years' service.

From the inception of the Fund to the end of 1930 the number of retirements per annum averaged 126, with average annual pensions granted of £21,337. During the quadrennium under review the figures, which exclude widows' and children's allowances, show the following heavy increases:—

	New Pensions granted.	Amount of Annual Pension. £
Year ending 31st March, 1931	134	25,983
Year ending 31st March, 1932	473	87,024
Year ending 31st March, 1933	164	36,426
Year ending 31st March, 1934	97	20,369
	<u>868</u>	<u>£169,802</u>
1930-34	868	£169,802