

## CONTRIBUTIONS.

The Fourth Committee considered at its meeting on the 19th September the report of the Special Committee on Contributions (Document A. 17, 1938, X), whose tenure of office it was decided to extend by one year. As there had been recent developments it was necessary to modify the report in some respects by means of an addendum bearing date 19th September.

It will be observed with satisfaction that the improvement noted last year in the prompt payment of contributions for the year in which they are due has been more than maintained. Whilst States which pay promptly have still to bear more than their fair share of the burden, it is worthy of notice that the total contributions due to the League since its inauguration have fallen short by little more than 6 per cent. There is no need to analyse the figures. Since the date of my report on the Eighteenth Assembly Guatemala's notice of withdrawal from the League has become effective, Salvador's notice will expire in August next, and other notices of withdrawal have been received. The retreat continues, and I am afraid little consolation is to be found in the fact that some of those withdrawing have been bad payers in the past.

The proposal made last year that States members who pay their contributions promptly should receive a rebate was examined by the Special Committee, whose comments will be found on page 6 of its report, but the present time is not considered propitious for the introduction of such a scheme.

Finally, we have to consider the problem raised by Austria consequent on its absorption in the German Reich early this year. Before examining the problem the Fourth Committee decided to ask the First Committee for legal advice. The Special Committee had assumed that absorption, as announced by the German Government in a letter addressed to the Secretary-General of the League, was tantamount to notice of withdrawal, and the question arose whether Austria was to be regarded as a member of the League for two years from the date of the receipt of the German Government's letter. In due course the First Committee reported as follows:—

"The First Committee finds that the German Government's letter to the Secretary-General of 18th March, 1938, is not a notice of withdrawal from the League of Nations within the meaning of Article 1, paragraph 3, of the Covenant.

"The obligation to pay contributions during two years is simply the consequence of the fact that a notice of withdrawal from the League under the above-mentioned provision leaves the State which gives such notice with the rights and obligations of a member of the League during a period of two years."

I have ventured to repeat this report of the First Committee not only because of its importance, but also because it was concurred in by the Fourth Committee.

The Fourth Committee approved the report of the Special Committee on Contributions.

## STAFF PENSIONS FUND.

I feel that this matter deserves more than passing notice, for the situation disclosed illustrates the problems which those in the position of trustees have to face and the difficulties created by the vicissitudes of the capital market. I draw your special attention to the documents relating to the fund. They are the Eighth Report of the Administrative Board to the Assembly (Document A. 9, 1938, X), the Fifth Actuarial Valuation of the League of Nations Staff Pension Fund (Document A. 8, 1938), and the Second Report of the Supervisory Commission (Document A. 5 (a), 1938, X). The second of these documents contains a report by Dr. Wyss, Consulting Actuary to the fund, and its value lies not only in the disclosure of the position but also in those comments which would apply to other funds faced with similar difficulties.

We learn that the actuarial calculations of the Pensions Fund are based on an interest rate of  $4\frac{1}{2}$  per cent., but that this rate of interest is no longer obtainable on the type of security which the dictates of prudence permit those controlling the fund to buy. So the Consulting Actuary was called upon to report upon the financial effect of a reduction to  $3\frac{1}{2}$  per cent. What does his report disclose? An additional liability to the fund of 3,000,000 Swiss francs, which could be met by—

- (1) An addition to the fund of this sum;
- (2) An additional yearly payment to 1960; or
- (3) An increase in the contributions of the members.

Now, unlike some other funds, age on entry has no bearing on rate of deduction from salary for pension purposes. It was hoped that in the process of time the contributions actuarially insufficient of members joining at later ages would be offset by the contributions of those entering at an earlier age. This hope has not been realized. Apart from this, world conditions have been abnormal, but with an effect not necessarily adverse to the fund. Indeed, on the contrary, abnormal conditions led to the devaluation of the Swiss franc; further, uncertainty caused those responsible for the investment of the fund's money to purchase gold assets; so that, at the present time, in spite of an average yield in interest of only  $1\frac{1}{2}$  per cent., the fund shows no deficit.