

charges incurred in connection with investments are met by the State. The Public Trustee's charges and legal expenses have been regarded as investment expenses and deducted from interest in the Consolidated Revenue Account.

Subject to certain limitations as to income and duration of membership, members of the Fund receive a payment of £6 on the birth of a child or children. Members of approved friendly societies also attract a like benefit, the payments being made through the National Provident Fund. In both cases the sums so paid are recovered from the State.

Finally, the State guarantees the solvency of the Fund.

The scale of State assistance to the Fund has been as above throughout its history, save for a short time during the inter-valuation period under review, when the Fund paid its own expenses and maternity claims, and the State subsidy on members' contributions was at the rate of 20 per cent.

The maternity claims paid cannot affect the financial stability of the Fund and have therefore been ignored in the valuation; nor has any specific provision been made for future expenses, it being assumed that the rate of interest earned by the funds will show sufficient margin over the valuation rate to meet investment expenses.

5. The average annual rates of interest earned by the accumulated funds for each year since the Fund was last valued were as follows:—

Year ended 31st December,	Average Rate of Interest, per Cent. £ s. d.	Year ended 31st December,	Average Rate of Interest, per Cent. £ s. d.
1926 ..	.. 5 17 2	1932 ..	.. 5 4 11
1927 ..	.. 5 19 3	1933 ..	.. 4 10 10
1928 ..	.. 5 15 9	1934 ..	.. 4 6 5
1929 ..	.. 5 14 1	1935 ..	.. 4 1 9
1930 ..	.. 5 12 11	1936 ..	.. 3 18 8
1931 ..	.. 5 12 1	1937 ..	.. 3 18 1

In calculating the above rates investment expenses have been deducted from interest, and allowance has been made for the fact that the State subsidy taken credit for in the accounts of any year is not received until some months later.

From the above rates and having regard to current investment conditions, it appears that 3½ per cent. is a suitable rate of interest to use in the valuation, and this has been adopted accordingly.

#### MAIN FUND.

6. Any resident of New Zealand who is over sixteen and under fifty years of age may become a contributor to the Main Fund, provided that his average annual income during the three years prior to his joining did not exceed £300. The benefits granted are:—

- (i) A pension commencing at age sixty of 10s., 20s., 30s., or 40s. per week.
- (ii) The first 10s. of any such pension carries with it the right to the following subsidiary benefits—

(a) An allowance of 7s. 6d. per week for each child under the age of fourteen years, and 7s. 6d. per week for the contributor's widow, payable from the date of his death should that occur after he has contributed to the Fund for five years. The widow's allowance is payable only so long as a child's allowance is payable.

(b) An allowance of 7s. 6d. per week for each child under the age of fourteen years, payable during the fourth and subsequent months of the contributor's total incapacity to work while he is under sixty years of age, and provided that he became incapacitated after contributing to the Fund for five years. The total weekly allowance so payable is not to exceed the contributor's pecuniary loss, and no allowance is payable if the contributor's income during incapacity exceeds £4 per week. Contributions cease while such allowances are payable.

- (iii) On the termination of the contract through any event, including the contributor's right to secede, a return to him or to his beneficiaries, of all contributions paid less any benefits received.

The contributions payable for the above benefits are shown in Table I of the attached Appendix.

7. An approved friendly society may become a contributor to the Main Fund on behalf of any of its members. The benefits granted are pensions of 10s., 20s., 30s., or 40s. per week commencing at age sixty, and a return of contributions paid, less benefits received (if any), on the death of the member, whether before or after attaining age sixty or on his withdrawal. Such members pay low rates of contribution, which their societies supplement by payments from their sick-benefit funds, the funds being reimbursed by release from liability of equal value in respect of the member's sickness after age sixty. These contributions—both members' and societies'—which are given fully in Table I of the Appendix, attract a 50-per-cent. State subsidy.