

THE CIVILIAN

VOL. IX.

SEPTEMBER 1, 1916.

No. 10

Financial Scheme of Retirement

It is sometimes asserted that contributory schemes cost the Government less. All I shall say on this point is that the actuaries most experienced in both public and private pension schemes assert without reservation that of all systems the free pension system is the most economical for the employer. Salaries can be kept lower. Theoretically at least if a free pension scheme were introduced it would be necessary to make an adjustment in salaries, and, speaking in Irish, the most satisfactory way to make the adjustment would be to make the scheme contributory. Whether contributory or non-contributory, the employees do in one way or in another earn all the cost of salary and superannuation benefits. If an apparently liberal system of remuneration and pensions is introduced the Government will have the pick of the employment market, and, although temporarily there may be loss, an adjustment is bound to take place.

Under the free pension system it is difficult to make any claim for benefits to dependents,—a modern tendency. It is preferable to make a stiff contribution and in return get thorough-going and comprehensive benefits. It is never very satisfactory to get what does not meet our needs, no matter how cheap. Contributions should continue until retirement. If they cease at, say, thirty-five years of service, employees are almost certain to think they should be allowed to retire with full benefits' any time thereafter. Generally speaking, employees are better able to contribute after long periods of employment, as they then enjoy larger salaries and their dependent children have in the meantime grown up and ceased to be so dependent.

As to the proportion of the visible contribution which should be made by the employee it may be contended that as they in any event provide all the cost it does not matter what proportion is contribution. I think a good stiff contribution is preferable from the employees' point of view. The half-and-half basis has been consecrated by practice, and apparently this basis is as satisfactory as any other. I would, however, say it seems unsatisfactory, undesirable and unnecessary, either in public or private schemes, that the basis of contribution of employees,—or the benefits under the scheme,—should be subject to amendments due to exigencies of circumstances; that is due to fluctuations, or even more or less permanent tendencies in interest, mortality, etc. It would seem preferable to fix the basis of the employee's contribution well above the estimated one-half, and arrange that the balance of the contribution found necessary from time to time should betaken care of by the employer—the Government. The Government would thus accept the responsibility for adverse fluctuations and also profit by favourable ones, which seems to be reasonable. Under some schemes, however, the additional contribution which might thus be thrown upon the employer following a general increase in salaries would be very great, due to the method in which benefits and contributions are determined. It would, therefore, seem desirable that the benefits and contributions should