

## APPENDIX A.

## SECOND REPORT OF CIVIL SERVICE COMMISSION, CANADA, 1881.

*Memorandum for the Civil Service Commission, re Insurance.*

That it is desirable that some provision should be made for the family of a Civil Servant in the event of his death will not be disputed, but there are many and serious objections to such provision being made by Government in the shape of gratuity or pension.

In the case of the allowance granted on superannuation, the amount of allowance is properly made dependent on the length of service and the amount of salary, which may be taken on the average as the measure of the worth of the previous service, but a gratuity or pension to widows and children, in order to be of much avail, would have to bear relation to the number and circumstances of the family, which are in no way connected with the man's service to the public. Neither does it seem possible to form any estimate of the present or future cost of such a scheme, nor could it be adapted to any equitable mode of contribution from the salaries if the servants were required to bear part of the cost.

It is certainly the duty of each individual to make some reasonable provision for his family in the event of his death, and the only way in which this can be done in the case of a person who depends on an annual salary, is by an insurance effected on his life, and Government may fairly require all persons in their service to keep insurances on their lives at their own expense, for such an amount at least as would not leave their families at death altogether destitute.

Hence a proposal was made, in the Report of the Committee on Superannuation in 1869, and was again brought by me with some modifications before the Civil Service Board in 1877, to the effect—briefly—that every Civil Servant should be required to keep an insurance on his life continually in force for an amount equal at least to double his existing salary.

As this requirement should be compulsory, it would evidently be difficult, if not impossible, to leave the method of fulfilling it to the discretion of each individual, and there appear to be two ways in which Government could secure its attainment:—

1. By Government effecting the insurances in some of the ordinary Life Insurance Companies, paying the premiums, and deducting them from the salaries.
2. By Government itself undertaking the insurance.

The objections to the first plan appear very serious, and it seems to be almost a necessity to fall back on the second, by which the Government would constitute itself the custodian of the funds contributed by the servants for this object, but would have no further responsibility, nor could any loss ensue unless it might be temporarily from a failure in the adopted table of mortality to represent the actual mortality among the insured, which would be checked and rectified by experience as time went on.

The suggested plan is therefore that the Government should hold the life of each Civil Servant insured for an amount equal at least to the double of his existing salary, such sum being payable by the Government on death occurring, the premium payable in consideration thereof being deducted in monthly instalments from the monthly pay, as at present is done for the contribution towards superannuation. The only machinery required for this purpose would be the employment of one or more clerks, whose duty it would be to keep the accounts and records, to fill in the monthly pay-sheets of the different departments with the proper deductions for the

premiums, and to make the readjustments necessary on changes in the status of the officials. These clerks would naturally be attached to the office of the Superintendent of Insurance, under whose supervision the system might be placed. The expenses connected herewith may fairly be requested to be borne by the Government.

In the Public Accounts it would only be necessary to enter the receipts arising from the deductions made for the premiums, and the payments actually made for claims, but a separate "Life-Fund" account would also be kept in which all receipts and payments, with interest credited at the rate fixed upon, would be entered, and the balance carried forward from year to year. This account would be included in the Superintendent's Report to be laid before Parliament.

As the basis of the Actuarial computations the H. M. table of mortality of the Institute of Actuaries would naturally be employed, and the Government would probably permit the rate of interest to be fixed at  $4\frac{1}{2}$  per cent. per annum; and if the expenses (which at any rate would be trifling) are borne, as above suggested, by the Government, the pure premium only need be charged.

Although the compulsory amount of insurance is herein fixed at the minimum of two years' salary, many of the officials might desire to increase the amount insured, and this should not only be permitted but encouraged, especially at the younger ages, though after a certain age (say 25) the persons so desiring should produce a medical certificate of unimpaired health.

This insurance being intended for the benefit of the widow or family, it is very essential that the interest in this insurance should not be attachable, transferable, or liable for debts. If not disposed of by will, the money should be paid to the widow or children, or to the next of kin under the Statute of Distributions. The circumstances of each case should be considered by the Civil Service Board or some other body entrusted with this duty, and their decision, after approval by the Governor in Council, should be final. In some instances it might appear desirable that instead of paying the sum assured an equivalent annuity might be granted to the widow for her life, or a temporary annuity for the maintenance of the children, or other equivalents might be granted; such details are only matter of actuarial computation, and might be left to the discretion of the Board.

The insurance of the minimum amount should be compulsory on all entering the service in future under ordinary conditions, and there does not appear to be any special necessity for a medical examination as preliminary to insurance, it being understood that certificates of good health are already required from such entrants. For persons, however, who are permitted to enter at later ages on account of special qualifications, who probably would already have effected insurance elsewhere, it may be left optional to accept the insurance, but if accepted it should only be after proper medical examination and approval.

When a member is superannuated, it might be left optional with him to adopt one of several courses, viz:—

(1) To continue his existing insurance by the same deduction from his superannuation allowance.

(2). To reduce his insurance to double his superannuation allowance, paying a reduced premium.

(3). To discontinue the deductions, and accept a free policy of insurance for the amount to which he would then be entitled.

When a member voluntarily leaves the Service, the return of a portion (say three-fourths) of the then value of his insurance might be granted. When the services of any member are dispensed with through no fault of his own, the full equitable value of his insurance should be returned to him; but in the case of dismissal from the Service for misconduct, the insurance should lapse without compensation.

With regard to persons already in the Service (at least above a certain age—say 25 or 30) it must be considered, (1), that the system did not exist when they entered, and many of them may have, therefore, already effected insurance elsewhere to as large an amount as they can conveniently afford; and (2), that the condition of their health may be such as to render the adopted table of mortality inapplicable to them. I

think, therefore, that it should be left optional with them to avail themselves or not of the offer; but if they wish to so avail themselves, it should only be permitted after medical examination, and in the case of impaired health with the addition of as many years to the actual age as the circumstances may require.

In all cases of medical examination, it should be conducted by one or more medical practitioners named by Government for the purpose, and the fee for such examination should be fixed by Government and paid by the applicant.

To sum up:—The advantages on the part of the Government in the scheme suggested are: the additional guarantee for the faithful discharge of duty by its officers, the relief from eleemosynary appeals on behalf of distressed families, and also the compensation for any unusual longevity in the superannuated members by the corresponding deferment of the insurance. The advantages to the members of the Service are—the absolute certainty of the provision thus made for their families; the comparative lowness of the cost of this provision; and the convenience of the payments being made by monthly instalments of small amount.

I append an illustrative scale of the payments or deductions from the salary, as an entrant at the age of 20 as junior clerk may rise through the different grades till his superannuation at 66 as chief clerk.

All which is respectfully submitted.

J. B. CHERRIMAN,

*Superintendent of Insurance.*

OTTAWA, 5th April, 1881.

	Age.	Salary.	Insurance.	Monthly Pay.	Monthly de- duction for insurance.
		\$	\$	\$ cts.	\$ cts.
Enters as Junior Clerk .....	20	700	1,400	58 33	1 37
	21	750	1,500	62 50	1 47
	22	800	1,600	66 66	1 57
	23	850	1,700	70 83	1 67
	24	900	1,800	75 00	1 78
	25	950	1,900	79 16	1 89
	26	1,000	2,000	83 33	2 01
Promoted to Senior Clerk—2nd Class.....	27	1,100	2,200	91 66	2 25
	28	1,150	2,300	95 83	2 37
	29	1,200	2,400	100 00	2 50
	30	1,250	2,500	104 16	2 63
	31	1,300	2,600	108 33	2 77
	32	1,350	2,700	112 50	2 91
	33	1,400	2,800	116 66	3 06
	34	1,400	2,800	116 66	3 06
	35	1,400	2,800	116 66	3 06
	36	1,400	2,800	116 66	3 06
	37	1,400	2,800	116 66	3 06
	38	1,400	2,800	116 66	3 06
Promoted to Senior Clerk—1st Class .....	39	1,400	2,800	116 66	3 06
	40	1,400	2,800	116 66	3 06
	41	1,450	2,900	120 83	3 25
	42	1,500	3,000	125 00	3 45
	43	1,550	3,100	129 16	3 66
	44	1,600	3,200	133 33	3 88
	45	1,650	3,300	137 50	4 11
	46	1,700	3,400	141 66	4 35
	47	1,750	3,500	145 83	4 60
	48	1,800	3,600	150 00	4 86
Promoted to Chief Clerk—2nd Grade.....	49	1,800	3,600	150 00	4 86
	50	1,800	3,600	150 00	4 86
	51	1,800	3,600	150 00	4 86
	52	1,800	3,600	150 00	4 86
	53	1,850	3,700	154 16	5 19
	54	1,900	3,800	158 33	5 53
	55	1,950	3,900	162 50	5 90
	56	2,000	4,000	166 66	6 28
	57	2,050	4,100	170 83	6 68
	58	2,100	4,200	175 00	7 10
Promoted to Chief Clerk—1st Grade.....	59	2,150	4,300	179 16	7 54
	60	2,200	4,400	183 33	8 00
	61	2,250	4,500	187 50	8 49
	62	2,300	4,600	191 67	9 01
	63	2,350	4,700	195 83	9 56
	64	2,400	4,800	200 00	10 13
	65	2,490	4,800	200 00	10 13

Retiring at the age of 66 on a superannuation of \$1,680, he may—

- (1.) Continue his insurance of \$4,800 at the above monthly deduction of \$10.13.
- (2.) Reduce his insurance to two years' superannuation, \$3,360, for which the monthly deduction would be 88 cents.
- (3.) Cease the deductions and accept a free policy for \$3,222.62, to which he would then be equitably entitled.

PARTICULAR CASES.

Age.	Salary.	Amount of Insurance.	Annual Premium for a Person entering on the Insurance at age stated.	Increase in Annual Premium the \$100 additional Insurance.	Person entering on Insurance at age 40.		Person entering on Insurance at age 45.		Person entering on Insurance at age 50.		Person entering on Insurance at age 55.		Person entering on Insurance at age 60.	
					Annual Premium.	\$ cts.	Annual Premium.	\$ cts.	Annual Premium.	\$ cts.	Annual Premium.	\$ cts.	Annual Premium.	\$ cts.
40	1,400	2,800	62 92	2 338	62 92	5 24								
41	1,450	2,900	67 74	2 430	65 25	5 44								
42	1,500	3,000	72 90	2 532	67 68	5 64								
43	1,550	3,100	78 49	2 639	70 21	5 85								
44	1,600	3,200	84 45	2 754	72 85	6 07								
45	1,650	3,300	90 88	2 874	75 81	6 30	30 88	7 57						
46	1,700	3,400	97 72	3 001	78 48	6 54	93 76	7 81						
47	1,750	3,500	105 04	3 134	81 48	6 79	98 76	8 08						
48	1,800	3,600	112 83	0 070	84 62	7 05	99 89	8 32						
49	1,800	3,600	117 90	0 000	84 62	7 05	99 89	8 32						
50	1,800	3,600	123 28	0 000	84 62	7 05	99 89	8 32	123 28	10 27				
51	1,800	3,600	128 99	0 000	84 62	7 05	99 89	8 32	123 26	10 27				
52	1,800	3,600	135 11	0 000	84 62	7 05	99 89	8 32	123 26	10 27				
53	1,850	3,700	145 60	3 935	88 55	7 38	103 83	8 65	127 20	10 69				
54	1,900	3,800	156 90	4 129	92 68	7 72	107 95	9 00	131 33	10 94				
55	1,950	3,900	169 07	4 335	97 03	8 08	112 29	9 36	136 66	11 30	169 07	14 09		
56	2,000	4,000	182 20	4 555	101 57	8 46	116 85	9 73	140 23	11 68	173 62	14 47		
57	2,050	4,100	196 31	4 788	106 36	8 86	121 63	10 14	145 01	12 08	178 41	14 87		
58	2,100	4,200	211 60	5 038	111 40	9 28	126 67	10 56	150 04	12 50	183 45	15 29		
59	2,150	4,300	228 07	5 304	116 70	9 72	131 98	11 00	155 35	12 95	188 75	15 73		
60	2,200	4,400	245 87	5 588	122 20	10 19	137 56	11 46	160 94	13 41	194 34	16 20	245 87	20 49
61	2,250	4,500	265 05	5 890	128 18	10 69	143 45	11 95	166 83	13 90	200 23	16 69	245 87	20 49
62	2,300	4,600	285 71	6 211	134 39	11 20	149 66	12 47	173 04	14 42	206 44	17 20	245 87	20 49
63	2,350	4,700	307 90	6 551	140 94	11 74	156 22	13 02	179 59	14 97	212 99	17 75	245 87	20 49
64	2,400	4,800	331 78	6 912	147 85	12 32	163 13	13 59	186 50	15 54	219 80	18 32	245 87	20 49
65	2,400	4,800	350 21	0 000	147 85	12 32	163 13	13 59	186 50	15 54	219 80	18 32	245 87	20 49



## APPENDIX C.

CIVIL SERVICE BOARD, OTTAWA, 5th March, 1877.

The Committee appointed at a general meeting of the members of the Civil Service of Canada, held on the 4th April, 1876, to report on the question of Superannuation, and of allowances to widows and orphans of members of the Service, beg to report that the several printed memoranda prepared and submitted by the Special Committee named by them for that purpose on the 8th May last, were referred by them to one of their number, Mr. Brymner, who presented the annexed draft report thereon.

Without expressing any opinion on the series of propositions contained in that document, the Committee think it proper to communicate Mr. Brymner's views to the Service generally for their information and consideration.

The Committee think, however, that under existing circumstances, it is not desirable at present to take any further action in this matter.

E. A. MEREDITH,  
*Chairman C. S. Board.*

### DRAFT REPORT, CIVIL SERVICE SUPERANNUATION.

The undersigned members of the Special Committee, to whom have been referred the several memoranda on Superannuation, and the allowances proposed to be made to the widows and orphans of the members of the Civil Service, beg leave to report, for the information of the Civil Service in general, the following propositions as the deductions from all the information laid before them:—

1. That the system of Superannuation allowances has been established solely on the ground of benefit to the State, or to the institution into which it has been introduced, and not out of consideration for the members of the Civil Service, or of employes in such institutions.

2. That by a well regulated Superannuation system, a higher class of men is attracted to the Civil Service and retained there, at salaries less than they could obtain in professional and other employments, and that the security for their future, thus assured, enables them to devote their whole time and talents to the Public Service, whilst it puts into the hands of Government a power of control which it would not otherwise possess.

3. That the principle thus laid down has been recognized by every State in Europe, with one exception.

4. That the same principle has been sanctioned and adopted by the Parliament of Canada in the Superannuation Act (33 Vict., chap. 4.) the preamble to which recites: "Whereas for better ensuring efficiency and economy in the Civil Service of Canada, it is expedient to provide for the retirement therefrom, on equitable terms, of persons who, from age or infirmity, cannot properly perform the duties assigned to them."

5. That the single exception of Switzerland proves the more clearly the universality of the rule, there being in that Confederacy no system of Civil Service, properly so called,—the terms of appointment to Government offices being, as in the United States of America, only temporary in their duration and; therefore, giving no room for the establishment of Superannuation allowances.

6. That in those States only in which provision is made for widows and orphans are abatements made from salaries.

7. That in the only British colony (Barbadoes) in which the undersigned find that abatements were made for a Superannuation Fund, the object of such abatements has been changed and they now go to form a Widows' and Orphans' Fund.

8. That the system of Superannuation having been adopted purely for the benefit of the State, it follows that no deduction should be made from the salaries of the officers, who derive benefit only incidentally by their retirement from active life in old age, or from infirmity, on a reduced salary; the economy and efficiency in the Service, secured by the power to compel the resignation of officers who have become inefficient from age or infirmity, being more than commensurate with the expenses of the retiring allowances.

9. That even this incidental benefit is only enjoyed by a small proportion of those who are subject to deductions from their salaries, and that the families of the officers derive no benefit from these payments, even when the death of an officer occurs whilst he is in active employment.

10. That provision for the widows and orphans of deceased civil servants has been made in France, Germany, Belgium, the Netherlands, Italy and Spain, as well as in other States, in the British Colonies and in the Indian Service, on the ground of the efficiency and economy in the Service thence arising, and not from any gratuitous consideration for the cases of individuals.

11. That not only have the State, Colonial and other Governments, named and referred to, adopted this system (which it might be urged was done from political rather than economical considerations) but the strongest possible argument in its favor is afforded by the fact, that Banking, Railway, Insurance and other trading corporations, as well as numerous private mercantile firms, have found it necessary, for the sake of efficiency and economy, and expressly and solely for the promotion of the best interests of the shareholders and partners, to institute not only a system of retiring allowances to old and infirm officers and employes, but also to provide for the continuance of these to the widows and orphans of deceased officers and employes.

12. (a) That a large branch of the public service in England—the Customs Department—has had in successful operation for more than sixty years, an Annuity and Benevolent Fund, the rules of which, and all the statistical information in connection therewith, are published in the annual return of Assurance Companies laid before the Imperial Parliament.

(b) That in connection with the Church of Scotland, in Scotland, there has existed since 1743 an Annuity and Endowment Fund, which, after three times increasing the rates of annuities, shows in November, 1875, an accumulated capital fund of £345,787 9s. 11d. sterling.

(c) That for a quarter of a century the London and County Bank has had in connection with that institution an Annuity and Benevolent Fund, whose capital at the end of 1874 amounted to £57,818 sterling.

13. That these funds have been managed entirely on the same footing and under the same arrangements as any private or joint stock corporations with similar objects; but the experience of other nations has clearly proved that special funds, created and managed by the Service itself, with the sanction of, and assisted by, Government, whether these have been established as Tontines, Insurances or under any other form, have ultimately proved to be failures, and that all provision for the Superannuation of officers and allowances to widows and orphans can only be effectually and permanently maintained when under the sole and exclusive direction and control of the Government itself.

14. That taking into consideration the facts and deductions in the two immediately preceding paragraphs, the undersigned are of opinion, that if the Legislature concede the abatement now made for Superannuation, and if the members of the public service are unanimous, there would be no difficulty in creating an Annuity and Benevolent Fund under the sole control and management of the Government.



## CIVIL SERVICE ALLOWANCES.

General meetings of members of the Civil Service were held on the 1st and 4th April, 1876, to consider the subject of securing a provision for the widows and orphans of members of the Service.

At the latter meeting it was resolved to refer the question to a Committee consisting of the Civil Service Board and such other members as they might select to aid them in their deliberations.

In pursuance of this resolution, the Civil Service Board selected Messrs. Cherriman, Brynner, Courtney, Wilson, and Montizambert, as members of the General Committee, and further appointed a Special Committee to report upon the whole question.

The result of the labors of this Special Committee has been the preparation of the accompanying reports of Messrs. Brynner and Courtney respectively. These reports were submitted to a general meeting of the Civil Service, held on the 27th December, 1876, when it was resolved that steps be taken to have them printed, with any report on the subject of Life Insurance by the Government for civil servants that might thereafter be prepared.

A report on the latter subject having been prepared by Mr. Cherriman since the date of the meeting, it has been added to those of Messrs. Brynner and Courtney.

## MEMORANDUM ON CIVIL SERVICE PENSIONS.

At a meeting of the members of the Civil Service of Canada, held on 4th April, 1876, it was resolved :

"That the whole question of Superannuation, and of the allowances proposed to be made to the widows and orphans of the members of the Civil Service, be referred to a Committee consisting of the Civil Service Board and such other members as they may select to aid them in their deliberations. Said Committee to prepare a report on the subject to be printed and circulated among the members of the Civil Service previous to calling a meeting for its discussion."

On the 8th of May, at a meeting held by the Committee, a Special Committee was named to draw up a report, Mr. Courtney and myself having been appointed to obtain the information which the Special Committee considered it desirable to have in their possession before preparing the report for submission in accordance with the above resolution.

In compliance with this appointment, I beg respectfully to submit the following memorandum. A considerable part of it is occupied with the laws of France on this subject, not only because the information obtainable is very full and complete, but also because very great thought and care have been given in that country to the consideration of the question. To save the space which would be occupied by giving the names of authorities for each particular statement, I beg to refer generally to the works I have consulted, which may be found in the Parliamentary Library. The chief of these are Block's *Dictionnaire General de la Politique* and *Dictionnaire de l'Administration Française*; Blanche's *Dictionnaire d'Administration*; J. B. Duvergier's *Collection des Lois* (a series of volumes which may be consulted with great advantage) Tardif's *Pensions Civiles, Caisses de Retraites et d'Assurance sur la vie*, Davost's *Code des Pensions Civiles*, works on the Tontine System, on Government Annuities, &c., both in French and English, besides a number of smaller volumes and pamphlets.

Although adding a little to the length of this memorandum, I conceive it to be not altogether without benefit to give a slight sketch of the various systems which have prevailed in France, as a consideration of these may prevent us from committing errors already tested. A full exposition of the reasons for giving pensions to civil servants is contained in the explanatory document transmitted to the Corps Legislatif of France by the Minister of State, along with the Pension Bill of 1853. This I have translated and embodied in the present memorandum.

In France, the right of servants of the State to be provided for in their old age has been always recognized. The words quoted by M. de Montalembert, during the discussion of the Bill of 1853, from the writings of Guy Coquille, the celebrated Juriconsult (born 1523, died 1603) show that such was the established principle in his days and long previous. He says: "In every well-regulated State, those who are in the vigour of their age are valued for what they do, the old for their counsel, and for the remembrance of what they have done and done well." And it is added: "In this respect no difference can be made between civil and military services. They have a right to the same rewards, to the same solicitude on the part of the State, and, it may be added, they have always obtained them."

From the *fourteenth century*, when the Royal administration began to take the place of the feudal system, the royal officers held possession of their emoluments for life, even when they had ceased to fulfil their duties. The poverty of the Treasury led to frequent changes and to the restriction of the right within the narrowest limits, but the right itself was respected. The ordinance of 19th March, 1341, whilst revoking certain life interests to royal officers, adds: "Excepting only such as from illness, old age or infirmity, cannot properly discharge the duties of their office, or who after our decease shall be dismissed from no fault of their own by our successors, \* \* \* and this we will to be observed towards all persons who shall receive pay from us, whatever their position."\* In 1405, length of service seems to have been first introduced as a condition of pension, twenty years being fixed in the case of the Counsellors of the Superior Court of Judicature (*Parlement*), and of the Courts of Enquêtes and Requêtes. The law anew revoked appointments for life, held without conditions of service, maintaining, however, the previous exceptions of illness, old age and infirmity, and adding a new exception—the right derived from length of service. These exceptions to the law against remuneration for life without service were not considered as favors, but as acts of justice, the letters patent of 1408 stating "that our good servants, who for a long time have been and still are engaged in our service, should be to some extent rewarded," and in 1409, the further reason was added for the consideration extended to them, namely, "the small salaries they receive on account of their good and loyal services."

The sale of offices, introduced in the sixteenth century, relieved the State of a great part of its obligations in this respect, but even then power was explicitly reserved by ordinance to provide for those who should have served faithfully for a long period. Up till 1789 the legislation appears to have been entirely directed to the financial aspect of the question. In 1789 the Constituent Assembly recognized the existing pensions, but owing to the frightful state of the finances, reduced to one-third the claims, which, from two millions of francs in 1610, had increased until they exceeded thirty-six millions in 1789, although the collection of the revenues from articles of consumption was entirely in the hands of the Farmers General, who paid for the privilege, and by excessive exactions had become immensely wealthy and correspondingly unpopular. In 1790 a new law on Pensions was passed by the Constituent Assembly, which proclaimed that the State should reward services rendered to society, when their importance and duration deserved this testimony of gratitude. The significance of this recognition of the justice and policy of granting pensions to civil servants can be fully appreciated only by remembering the period at which the declaration was made, and the circumstances of the country. It was made when the whole nation was in a ferment, amidst the throes of revolution, tokens of the coming birth of the new order of things, with men's passions inflamed to fury, the people smarting under a sense of oppression by the privileged classes, who, themselves exempt from taxation, delivered over the rest of the community to the tender mercies of the tax-gatherers, men without scruple, and anxious only to use to the uttermost the power they had purchased to enrich themselves, a course of

\* Fors tant seulement en ce que en vérité, il seroit en telle maladie ou telle vieillesse ou impotensse pour quoy en vérité ne peussent bonnement desservir leurs offices, ou que, après nostre trepassement, aucuns de nos successeurs les mettroient hors de leurs offices sans leur culpe . . . et ce voulons estre gardé entre toutes les personnes, qui prennent gages de nous, de quelque estat qu'il soient.

wrongdoing fearfully avenged in 1794, when all the surviving Farmers General were put to death by the guillotine. At such a period, when all special class privileges were swept away, the recognition of the claim of the public servant to a pension could only have proceeded from the strongest possible reasons of justice and policy.

On 15 Germinal of the year XI of the Republic (1803) and again in 1806, laws were passed on the subject, the terms of the latter of which will be found embodied in a subsequent part of this memorandum, along with those of the law of 1853.

But the state of the finances was such that the intentions of the law could only imperfectly be carried into effect. To supplement the provisions of the law, funds derived from deductions (*caisses de retenues*) were created in the different Departments (*Administrations*) of which twenty-four were in existence when the law of 1853 was promulgated. Those engaged to pay the retiring allowances in return for the deductions from the salaries of the officers. The Government authorized these funds, assisted them by grants, and sanctioned their by-laws (*règlements*). But besides the officers drawing from these funds, were others not contributing, and, therefore, deriving no benefit from them, whose right to pensions was recognized, and who received them without deduction from their salaries, on the ground that they had a just claim on the State. The law of 15 Germinal XI (1803), which decreed that every year a Pension Fund should form one item of the Budget (*un article particulier de la loi sur les dépenses publiques*) and the decree of the 13th September, 1806, which regulated the mode and measure of the remuneration, applied exclusively to the case of functionaries deriving no benefit from the deduction funds. As a consequence, the whole administration of pensions was in the greatest confusion. The pensions for the army and navy were, it is true, regulated by general laws, but those for the Civil Service were administered by virtue of special and exceptional legislation, being sometimes paid out of the general revenue, sometimes out of funds derived from deductions, sometimes settled according to the law of 1790 and the decree of September, 1806, at other times, according to one of the twenty-four regulations in force, so that a reform became absolutely necessary. Partial attempts were made with this end in view, but they only served to increase the confusion.

No immediate results followed the labors of various Commissions sitting in 1818, in 1831 and in 1833. The evidence seemed to prove that the creation of Special Funds tried with repeated modifications had been a failure. Yet, in the face of this experience, in 1837 and in 1840 bills were presented with the object of creating new Special Funds. In a long and able report presented by M. Mathieu (Saône-et-Loire) it was proved by the most convincing calculations that the charge on these Funds far exceeded their resources and that seeing how impossible it was to exact new sacrifices from the civil servants, it was imperatively necessary to fall back on the State.

This was the death blow to Special Funds, whether these went under the name of Benefit Funds, Insurance, Tontine or other title. The principles of the bill of 1838, which had been set aside, were adopted and various attempts were made (in 1841, 1843 and 1851) to have them embodied, but unsuccessfully. When the bill of 1853 was brought forward a very keen debate took place. On one point all were agreed. The report on the Bill sets forth: "That what is understood by pension, is remuneration in the form of a periodical payment, granted after the cessation of active duty, to the functionary, or to the widow and orphans of the functionary, who has served during a determinate time and on determinate conditions, or whom certain circumstances have prevented from accomplishing the fixed time. The pension constitutes a supplement of the salary, regulated and determined by the State in the same manner as the salary in the active exercise of duty." The difference of opinion was as to the best mode of giving the principle effect.

The commission of the Corps Legislatif had proposed to create a General Fund, supported by deductions and subsidized by the State, but distinct from the Public Treasury. Thus the State would have been responsible only within the limits of a credit granted yearly by the Corps Legislatif, and in case of the insufficiency of the

Fund, the increase of grant by the State would have been met by means of an extraordinary deduction from all the salaries.

On the other hand, the proposal made by the Government acknowledged: 1. That civil pensions are a debt due by the State. 2. That the deduction is a tax upon salaries and not a saving made by the functionary. 3. That for this reason it must never exceed certain limits. 4. That the insufficiency of the funds derived from this source does not discharge the Public Treasury from its obligations.

It was on the principles laid down by the Government that the bill was framed and carried after a long and warm discussion, each paragraph of the law being closely scrutinized by the members who had composed the Commission.

By this Act all pensions were placed under a uniform system; restrictive and economical provisions were introduced, the application of the system was made general to all functionaries and employés, the receipts and expenditure were centralized in the Treasury, the special Retiring Funds were suppressed, their assets being transferred to the State which also assumed their liabilities, and order took the place of the confusion which had hitherto existed.

I would respectfully call attention to the able document transmitted to the Corps Legislatif, by the Minister of State, explanatory of the Bill of 1853. It says:—

"It is a matter of justice, says the preamble to the law of 22nd August, 1790, that, in infirm age, the country should come to the help of him who has devoted to it his talents and his strength. This principle has become the origin of our legislation on Pensions. The State, after having profited by the labors and entire life of a functionary, cannot abandon him without resources when old age deprives him of power to provide for his maintenance. The good of the Service, the interest of the Administration itself, impose on it the obligation of averting so painful a situation. Some have appeared to believe that the wisest course would be to abandon altogether the principle of retiring pensions; that by suppressing them the Departments (Administrations) would never want officers to fill the posts, nor means of stimulating their zeal or preventing breaches of trust.— Would there be no danger to the public in trying such an experiment? Would it not be putting in a questionable position almost the whole administrative organization of the country? Before any decision can be arrived at as to the close connection that exists between a system of retiring allowances and the benefit of the State, the whole details of the public service must be considered; and also how far the moral strength of the Administration is increased by these rewards, of which an official must render himself worthy, or which he loses by misconduct. If the numerous agents to whom is entrusted the protection of social interests and the collection of the taxes are to look forward only to a miserable and forsaken old age, we must run the risk of extinguishing their faithfulness, zeal and courage. It need not be said that they would themselves create resources for the future. Their foresight cannot be too much relied on; some, at least, would fail in this respect. Deprived of the means of existence, should they be left to beg their bread? The Legislature has manifested such solicitude on this point, that it has declared pensions inalienable and not seizable, in order that the old servants of the State might, in any event, preserve the means of existence. But supposing all the employés prudent and economical, would it be possible for the most of them to deduct, from their small pay, savings sufficient to produce the means of existence in their old age? Must their salaries then be raised? The burden imposed on the Treasury would, in that case, be at least equal to that from which it is proposed to be relieved; the State would gain nothing; the fate of the officer would not be the less exposed, and the Administration would lose the lever put into its hands by the system of pensions. It cannot be denied that the prospect of a pension exercises the happiest influence over the zeal and devotion of the officers. Assured as to their future, they are not tempted to seek resources in other work, incompatible, to some extent, with their duties. Henceforth there is a right to insist on them attending entirely to their functions. In their case there is fulfilled the consoling law of human existence, which provides that the labors of the mature years of life shall guarantee a provision for old age. On the other side, the prize attached to the continuance of

their services retains in their public functions those who have once entered, and who perhaps, but for that prospect, would carry to a private career an experience gained and talents trained in the Administration. The pension thus makes up for the smaller immediate return often presented by public employments, as compared with those of independent and liberal professions.

"The Bill submitted to you gives to nearly 200,000 functionaries, for themselves and families, an income for the present and for the future assured by the State. If the old and infirm employé had no right to a pension, the Administration would find itself, almost of necessity, compelled, to the great prejudice of the public service, to keep on the staff worn-out agents, whom it could not dismiss without exposing them to wretchedness. These considerations, which are inevitable in dealing with persons whose situation is deserving of sympathy, might react in a very prejudicial manner upon the important interests entrusted to the Government. Thus, in the interest of the public service, in the interest of the Administration and in support of its strength and dignity, it is useful to maintain and even to extend the principle which secures pensions to the servants of the State. But it should be remarked that this principle imposes on the State only the obligations which it decides as being proper to contract, in the measure and on the conditions which it has itself stipulated. The pension, in fact, constitutes a supplement to the salary, or rather a continuation of the salary, which is divided into a salary during the active exercise of office, and a salary when that has ceased. In the same way as the State has a right to regulate the salaries, it retains the right of regulating the pensions, and of determining the conditions on which they may be obtained. These conditions should be simple, easily understood and yielding certain results; or, in other words, they ought to inspire confidence in the employé and enable him to calculate with confidence on the resources which he has for life, when the period of his retirement has arrived. To do anything which would leave the door open to doubts as to the future and uneasiness as to the results, would be to fail in the object proposed. Thus it is that functionaries and employés have always received unfavorably plans of Savings Funds and Tontine Establishments, on which some persons, more intent on thoughts of economy than on the necessity of obtaining efficient officers, had supposed that the civil servants might rely for support in old age. In every system, however, it has been satisfactorily shown that the annual contributions of the functionary cannot rise above one-twentieth of his salary, or five per cent. Experience has demonstrated that the deduction of five per cent. is the extreme limit beyond which the salaries cease to be sufficient for the great proportion of the employés. These seem to be a very little interested in the question of the system, since the rate of deduction has always been the same, but they understand that the Savings Fund secures but a small capital to them at the end of their career, and that once spent they have a miserable prospect before them; they would fall into a situation believed to be contrary to the dignity and interest of the State, that of reduced civil servants, deprived of the necessaries of life in their old age. These were the considerations which led the Legislature to substitute, by the law of 15th March, 1850, a Retiring Fund for a Savings Fund, which had been instituted for the benefit of primary teachers, by the law of 28th June, 1833. It is true that this inconvenience is not felt in the case of a tontine. It secures to the surviving functionaries, after a certain age and a certain length of service, a life rent constituted by means of stoppages successively capitalized and accruing for the benefit of those who have resigned, been dismissed or die before the time. This system, which many persons for a long period considered as presenting the solution of the question in which we are still engaged after fifty years study, seemed to be the one most in favor, until a distinguished scientific authority, a member of the Chamber of Deputies and reporter on one of the numerous projects relating to Civil Pensions, which were successively submitted to the House, demonstrated that the annual deduction of five per cent. and the stoppage of the first month's salary and the first month's increase of salary, were not sufficient to give a functionary, at the end of thirty years' service, a pension equal to half of his salary, and to continue to his widow the third of that pension. It established, by calculations that have not been refuted, that this result could only be

obtained by making a deduction of seven per cent. from the annual salary, and a stoppage of the first two months' salary on being appointed, and of the first two months of each successive increase. "But," adds M. Mathieu, in the name of the Commission of which he was the organ, "the annual deduction which has been increasing, and which is now in all branches five per cent., has reached a point beyond which it would be difficult to go. Not being able to impose new burdens on the functionaries and employés, recourse must be had to a subsidy from the State." Thus a subsidy from the State is the conclusion arrived at by every system. According to M. Mathieu, that must be equal to two per cent. on the amount of the salaries. This condition being accepted, what would the functionary be entitled to after thirty years' service? Forty-nine hundredths of the salary on the supposition of a *tontine rapide* and only forty hundredths on the supposition of a *tontine lente*.

"The term *tontine rapide* is applied by M. Mathieu to cases in which the dismissals and resignations are more numerous than the deaths, and *tontine lente* to those in which they are equal to the deaths. If the supposition be true of some of the Departments and in respect to the ill-paid officers, it may be asserted that this assumption is not generally correct, especially if the sum of the salaries, rather than the number of employés, be taken into consideration. It thus appears to be certain that the amount left for the survivors, in consequence of the deaths, would be more considerable than that arising from resignations or dismissals. Hence it follows that the *tontine lente*, which gives a pension for life at a rate which does not exceed forty per cent. of the salary, is the only one admissible.

"But this is not all. M. Mathieu, who wished to determine the conditions on which a Tontine could exist, could only take into consideration the certain and appreciable elements which enter into the calculation. He has thus been forced to omit all account of the very different circumstances met with in the cases of the functionaries, circumstances which it is impossible to neglect in framing a law on pensions, in which all cases must be provided for, by which the employé is rendered incapable of continuing his functions, and which give him the right to receive an annual assistance from the State, in room of the salary of which he is deprived. Thus, in the work of M. Mathieu, nothing is provided for in respect to the employé who has been wounded, or has become infirm in the exercise of his functions; to him whose office has been suppressed; to him who has completed his thirty years' service by a certain number of years of military service; orphans receive nothing; the rate of pension is not calculated, as the Bill proposes, upon the mean of the last six years of service, or upon the mean of the last three or four years, as determined by the present regulations. The report to which we allude demonstrates by figures what was already known by reasoning, that the absolute and general rules of the Tontine are not applicable to Pensions; that the diversity of, and unforeseen circumstances in the situations for which it is necessary to provide, resist the rigorous calculations upon which a Tontine must be founded, and without which it cannot exist. This report, then, has rendered the service of getting rid from the debate of ingenious systems, inspired by honorable feelings, but which had the inconvenience of satisfying only part of the necessities of the Service, of presenting uncertain results, and of thus placing those having a right to pensions in the presence of unknown conditions, of such a nature as must disquiet their minds. It would be imprudent to venture on experiments on so delicate a matter, one which concerns the very existence of the functionaries. More than fifty years of practical experience have sanctioned several leading ideas, which it does not seem possible to banish. Thus the pensions for life, which the State should secure to its old servants, cannot be less than half of their last salary in active employment, saving the limit of a maximum for the higher salaries; the last salary in active employment should be calculated on the mean of the salary received during the last years of service; wounds received and infirmities contracted in the exercise of the duties of office, as well as the suppression of employment, should open a right to a pension by abridging the time which is the usual condition of this right. Widows and orphans should receive, as a reversion, a determinate proportion of the pension granted to the husband or father, or a pro-

portion of that to which he would have been entitled. Such are some of the general bases on which experience has shown that every system of reward for former services should be founded. The systems which do not recognise these are necessarily incomplete; they do not fulfil the objects which it has been the duty of the Government to propose to itself. After a serious consideration of the different plans which have been brought forward, we are led to recognise that there is only one which can meet the conditions of the scheme, the principal features of which have now been sketched. It is that whose object is to maintain the present state of affairs, in this respect, that it should continue to make the employés contribute for part of the expense of pensions; that it should be restricted to the substitution of the State for the Retiring Funds, whose assets it should assume, becoming responsible for the liabilities, seeking a guarantee for them in the future by means of the restrictive conditions imposed on the granting of new pensions. So far as concerns the expense to the State, the change is rather nominal than real, as the State has, for a long period, covered by grants the deficits in the Retiring Funds. We have seen that the law of 22nd August, 1790, established the principle that it was just that the State should concede pensions to the functionaries whom age or infirmities prevented from continuing the duties of their office. The authority of this principle continues to exist in its integrity; all Governments have conformed to it; it governs our legislation on pensions; the different laws and regulations which have successively intervened have only modified the application of the principle according to the necessities of the moment.

"When in the year IV (1795-6) and subsequently, the officers at the seat of Government (*les employés des administrations centrales*) and afterwards nearly all the other officials, formed Retiring Funds, the Government did not consider the creation of these Funds as in derogation of the principles of 1790, but as an assistance which was afforded by the employés who wished to secure at the same time regularity in the management of pensions, and an improvement in the conditions of settlement. The financial embarrassment which followed the first Revolutionary whirlwinds, and the war which we were obliged to maintain against Europe in coalition, caused the payment of arrears due to State pensioners to be suspended. On the other hand, the pensions were liquidated in accordance with the law of the 3rd August, 1790, and of the decree of 13th September, 1806, which fixed the rate of pension at a sixth only of the salary, and did not sufficiently acknowledge the rights of the widows and orphans. These different circumstances suggested the idea of forming Funds by means of deductions (*caisses de retenues*), which, by affording new resources to the Treasury, would enable it to embody in the regulations much more favorable conditions for the employés, the widows and children. The Government which authorized these Funds, and reserved to itself the most absolute authority over their administration, as well as over the conditions contained in their by-laws, saw in them only a useful auxiliary, a relief to the obligations of the State, but not a negation of its obligations. Thus, when in consequence of the inherent defects of every Tontine system, when applied to the payment of pensions, the Funds were deficient, the State never hesitated to cover the deficiencies by grants, which now form two-thirds of the amount necessary for meeting the pensions upon the Deduction Funds. So clearly was the Government of opinion that the deductions from the functionaries should only be considered as a contribution to the expense of pensions, that it claimed the right to be the sovereign ruler of the Retiring Funds, to change the conditions, to introduce new classes of claims, to suppress certain Funds, to appropriate their assets, and to endow with them another Fund. The State has acted in this manner only because it recognized the fact, that the management of the pensions was one of those public charges which its interest commanded it not to decline, and that in its view the deductions were only part of the means of meeting this expense. It is of importance to notice, indeed, that the employés for whose benefit no Retiring Fund has been constituted, find still, in the law of 22nd August, 1790, a title to a pension by the Treasury, although it might be impossible to point out in the nature of the functions of most of them, any character to justify the concessions in their favor, of particular privileges. It would

be difficult to comprehend that the pension was due by the Treasury when it was gratuitous, and that it ceased to be so when it was in part the fruit of savings. In the present case, the Government pays the pension, and provides for this expense from resources obtained by means of deductions from the salaries, and out of the general funds of the State. This is what the present Bill proposes to sanction by regulations in accordance with a usage prevailing for more than fifty years, as well as with the practice of almost all the Governments of Europe, which have adopted analogous systems for the payment of pensions. This is apparently the only system admissible, as it has been proposed by several Ministers of Finance, and adopted, after profound study, by two Commissions of the Chamber of Deputies, and by the Chamber itself, according to the terms of the present Bill. The three principal objects proposed may be thus described: 1st. To reduce the liquidation of the pensions to uniform rules, and to introduce restrictive and economical provisions. 2nd. To generalize the application of the system to all functionaries and employés. 3rd. To centralize in the Treasury receipts and expenditures in connection with pensions, and, consequently, to suppress Special Retiring Funds."

The provisions of the new Bill did not give entire satisfaction to those affected, and this feeling was shared by publicists, who regarded the matter from a disinterested point of view, and expressed grave doubts as to the policy of lessening the rate of pensions, a step which appears to have been taken from the exigencies of the Treasury, caused by the lavish expenditure in other directions.

The following comparative table will serve the double purpose of giving the regulations of 1853, and of showing the difference between them and those of 1806.

### COMPARISON OF THE PROVISIONS OF THE LAWS RELATING TO PENSIONS IN FRANCE OF 1806 AND 1853.

1806.

1853.

#### PAYMENTS TO FUND.

Deduction of five per cent. from the monthly salary

Deduction of five per cent. from the monthly salary, and of one twelfth from each first salary or increase of salary.

#### PERIOD OF ADMISSION TO PENSION.

##### 1st. Ordinary Pension.

After 30 years' service without condition of age.

After 30 years' service and 60 years of age, unless it is decided that the person entitled is not in a state to continue his functions.

##### 2nd. Pensions for Premature Infirmities.

No condition of age or service.

50 years of age and 20 years' service.

##### 3rd. Pensions for Suppressed Office.

A pension granted where there is a service of ten years.

This case, not provided for in the law of 9th June, 1853, has been temporarily regulated by the law of the 3rd of April, 1872, to be in force till 31st December of that year. After 20 years' service a pension may be granted; up till 20 years a temporary indemnity only.

(M. Tardif, writing on this subject says: "A law so hard that no Ministry would probably ever apply it.")



1806.

1853.

RATE OF PENSION

1st. Ordinary Pension.

For the first 30 years of service, half of the mean salary of the last three years.

Plus the twentieth of this half for each year's service above 30 years.

The maximum of retiring allowance cannot exceed two-thirds of the annual salary.

One-sixtieth of mean salary of the last six years for each year of service.

It can neither exceed two-thirds of the mean salary, nor the maximum determined by a table annexed to the law.\*

Tardif, in his work on *Pensions Civiles*, gives examples to show the effects of the two laws of 1806 and 1853.

First Example.

M. Maurice retires on the 31st December, 1871, after 40 years' service. His salary was 3,300 frs. in 1865. On the 31st December, 1868, the salary amounted to 3,600 frs.

1. M. Maurice had the right for the first 30 years' service to the half of his mean salary during the last three years..... 1,800 frs.

2. At one-twentieth of this half, or 90 frs. for each year above 30:  $90 \times 10$ ..... 900

The pension then would be 2,700

but as it can never exceed two-thirds of the mean salary 3,600 frs., it will be reduced to..... 2,400 frs.

1. The pension of M. Maurice would be one-sixtieth of the mean salary for the last six years. This mean is 3,450 frs., of which one-sixtieth is 57 frs.

$50c. \times 40$  equal to..... 2,300

but the maximum by table reduces the pension to half the mean salary, or..... 1,725

M. Maurice, then, has, after 40 years' service, the same pension as he would have had after 30 years', and the law of 9th June, 1853, has deprived him of..... 675 frs. yearly pension.

Second Example.

M. Saint Victoire retires on 31st December, 1871, after 40 years' service. On the 31st December, 1868, his salary was raised from 10,000 frs. to 12,000 frs.

1. For the first 30 years M. Saint Victoire has the right to half the mean salary of the last three years..... 6,000 frs.

2. This is increased 1-20th of this half for each year's service above 30 years,  $\frac{6,000}{20} \times 10 =$  3,000

making the pension..... 9,000

but as the pension cannot exceed two-thirds of the annual salary (12,000 frs.) it would be reduced to..... 8,000 frs.

1. The 1-60th of the mean salary of M. Saint Victoire during the last six years service (11,000 frs.) is 183 frs. 33c.

This 1-60th multiplied by 40 years' service would give..... 7,333.33c but the maximum of Table 3 reduces this pension to..... 5,000 frs.

\* Maximum.—Salary 1,000 frs. and under 750 frs. 1,001 to 2,400 frs. § but not below 750 frs.  
 2,401 to 3,200 1,600 " § 8,200 to 8,000 " § mean salary.  
 3,001 to 3,000 2,000 " § 9,001 to 10,500 " § 4,500 frs.  
 10,501 to 12,000 3,000 " § 12,000 and upwards 6,000 "

1806.

1853.

M. Saint Victoire has, then, after 40 years' service, the same pension as he would have had if he had served the State for 30 years only, and the State grants him a pension 1,000 frs. less than that assured to him by the Central Fund of the Administration by virtue of the decree of 1806.

### 2nd Rate of Pensions granted for Infirmities.

The pension granted before 30 years' service, in case of infirmities or suppression of office, was one-sixth of the mean salary for ten years' service and under.

It is increased by 1-60th of the mean salary for each year's service above ten, but not to exceed the salary.

The pension for infirmities can be granted only after 20 years' service.

It is fixed at the ratio of 1-60th of the last salary for each year's service, but cannot be less than one-sixth of this salary.

Pensions for suppression of office are temporarily regulated by the law of 3rd April, 1872. After 20 years service a pension is granted to the amount of  $\frac{1}{3}$  of the mean salary of the last four years, for each year's service. Below twenty years' service, a temporary indemnity only is allowed, of  $\frac{1}{3}$  of the salary of the last four years. If the functionary has been more than ten years in service, he will receive the indemnity during half the duration of his service.

### WIDOWS AND ORPHANS.

Widows and orphans could obtain a pension or allowance equal to half the pension of the husband or father.

The pensions to the widow, or allowance to the orphans, cannot exceed one-third of the pension which the husband or father had obtained, or would have been entitled to, except in certain specified cases.

The following is a summary of the provisions of the law of 1853, relating to the rights of widows and orphans:

1. The widows of officers who have died in the enjoyment of the pension, or in the possession of a right to it, have themselves the right to a life pension. In the case of an officer, who has served partly in the active, and partly in the sedentary service, dying before he had accomplished the thirty years required to constitute the right of his widow to a pension, a fifth of his term of service in the active part may be added fictively in excess of the effective service to complete the required thirty years. The liquidation is, however, calculated on the length of effective service.

2. (1.) Reversion is equally granted to the widow of the officer who, in the exercise of, or in connection with his functions, loses his life by shipwreck, &c., as specified in Article 11.\*

\* The text of article 11 is as follows: "Peuvent exceptionnellement obtenir pension, quels que soient leur âge et la durée de leur activité. 1o. Les fonctionnaires et employés qui auront été mis hors d'état de continuer leur service, soit par suite d'un acte de dévouement dans un intérêt public, ou en exposant leurs jours pour sauver la vie d'un de leurs concitoyens, soit par suite de lutte ou de combat soutenu dans l'exercice de leurs fonctions; 2o. Ceux qu'un accident grave résultant notamment de leur fonctions met dans l'impossibilité de les continuer. Peuvent également obtenir pension, s'ils ont, au cinquante ans d'âge et vingt ans de services dans la partie sédentaire, ou quarante-cinq ans d'âge et quinze ans de services dans la partie active, ceux que ces infirmités, graves résultant de l'exercice de leurs fonctions, mettent dans l'impossibilité de les continuer ou dont l'emploi aura été supprimé."

(2.) The widow whose husband has lost his life by accident, or in consequence of that accident, as provided in articles 11 and 14 (article 14 provides for widows and refers to article 11 for definition of rights.)

3. In order that the widow may have the right to a pension by virtue of length of service, the marriage must have been contracted six months before the cessation of her husband's functions. But if the pension is claimed on account of reduction, from physical disability or otherwise, the marriage need only have been contracted at any date prior to the event which occasioned the death or retirement of the husband.

4. The widow has no right to a pension in the case of *séparation de corps* pronounced against her on the application of the husband, but the right revives in case of reconciliation.\*

5. The rate of pension varies according to the title by which the husband has acquired it. It is one-third of that which the husband had obtained, or might obtain on the ground of length of service (*ancienneté*.) In this case it cannot fall below 100 frs, nor can it exceed what the husband had enjoyed or might obtain. It is also one-third of that to which the husband was entitled, or which he had obtained from serious infirmities arising from the exercise of his functions, and rises to two-thirds in cases provided for by article 11, by which the husband has been disabled.

6. The minor orphan or orphans of a functionary or employé having acquired his pension, or having completed the services required by law, or having lost his life (as provided for in article 11) have a right to an annual assistance when the mother is dead, or unable to receive her pension, or has lost her right to it, always provided that the marriage of which they are the issue has preceded the retirement of the father.

7. This assistance, whatever the number of children, is equal to the pension which the mother had obtained, or was entitled to. It is divided among them in equal shares, and paid until the youngest has attained the age of 21, the share of those who die, or who have attained their majority, reverting to the minors. If there exist a widow, and one or more minor orphans of a former marriage of the functionary, one-fourth is deducted from the widow (saving reversion in her favor) for the orphans of the first marriage, if there be only one minor, and one-half if there are several.

## PENSION LAWS OF OTHER COUNTRIES.

I subjoin a summary of the law on Pensions in force in other countries. After as close an examination as the information I could procure, enabled me to make, I believe the summary contained in Blook's *Dictionnaire General de la Politique* to be so clear and correct, that I have simply translated it. I have omitted his summary of the British law, as that will be separately treated by Mr. Courtney, and that of the French law for obvious reasons.

### GERMANY.

In Germany every public function confers on the holder a right to the enjoyment for life of the fixed salary attached to it. The Government may, at any time, dismiss the functionary, suspend him, or superannuate him, and thus deprive him of the accessory benefits of his place, such as payments for special services which he renders in the exercise of his functions, but cannot touch his salary. The functionary may also, when age or infirmities render it necessary, demand this salary as a pension; but his rights cease at death, and pass neither to his widow or children.

These are the principles admitted by the authors and tribunals, but they are applied more or less strictly by the legislative provisions of the different States. We will show, with the necessary developments, those of Austria, Prussia, Bavaria and

\* Under the old law there was no such distinction, the *séparation de corps*, whether obtained on the demand of husband or wife, being a bar to the pension.

Wurtemberg, and as the legislation of the other German States approaches these more or less closely, it will be sufficient to point out, in passing, the important differences. At the same time, whatever differences may exist, all German legislation agrees on this point, that a *functionary* alone has a *right* to the pension. Consequently this right does not apply, 1st: To those who have been called for a time to render service to the State, unless they have been invested with an office; nor 2nd: To inferior agents, who are only employed to assist the functionary by services of a material nature, and to execute his orders. Such are copyists, office-keepers, messengers, and others occupying similar situations.

Another point upon which all the legislations are equally agreed is, that the personal fortune of the functionary has no connection with the right to a pension. The pension constitutes part of his salary, and is in no respect an assistance or act of benevolence.

The laws of every State require, before the right to a pension is recognized, that the functionary shall have served during a certain number of years. The minimum is *ten* years in Austria, *fifteen* in Prussia, and *nine* in Wurtemberg. Any one superannuated before he has been in service for this minimum period, receives in Austria an indemnity equal to a year's salary; in Prussia, if his services have been meritorious and he has no fortune, the king may grant him a proportionate pension. In Bavaria, a distinction is made between the provisional and the definitive situation. All functionaries of the Administration are first named provisionally, but at the end of three years their nomination becomes definitive without other formality. Judges are at once named definitively, and have the right to a pension from the first year; in the Administration the right begins only at the fourth year.

The causes which may lead to putting in retirement are especially the following:—On the one side, changes in the administrative organization may cause the suppression of offices which have become useless; on the other, the functionary may become incapable of continuing his service, in consequence of illness, from age, or by accident, and in such cases it is for the public interest that he should retire. When an office is suppressed, the practice is often confined to ranking the holder as an officer unattached, or to give him what is called in Prussia *Wartegeld* (in French, *traitement d'attente*; in English, half-pay), equivalent to half of the salary. Even in States like Bavaria, in which the *Wartegeld* is not customary, the functionary whose office has been suppressed must resume his active duties on the demand of superior authority, provided the new place is not inferior to that which he formerly held.

When a functionary demands to be superannuated before having attained the age, or the number of years' service which is considered as a presumption of infirmity, he must prove his incapacity for work. If the cause appear to be of a temporary nature, he is granted only a provisional retirement, the power being reserved to make him resume the active exercise of his office if he recover.

As to the amount of pension, all the legislations make that depend on the amount of salary, only the rate or proportion is not everywhere the same. In Austria the functionary has a right to one-third of his salary, if he has been from ten to twenty-five years in the service; to one-half, for twenty-five to forty years; to two-thirds after forty years. In Prussia he has a right to two-eighths, after fifteen years' service; to three-eighths after twenty years, and for each group of five additional years, one-tenth of the income of the place, but not to exceed half the salary. In Bavaria the income of each functionary is divided into two parts—salary of rank (*Standesgehalt*), and salary of employment (*Dienstgehalt*)—it is the first which remains to the functionary on his retirement. When there are no special provisions, the division is thus made:—If the remuneration proceeds only from a salary without accessory pay, seven-tenths of the salary for the first ten years are considered as belonging to the grade; from ten to twenty years, eight-tenths; from twenty to thirty years, nine-tenths. If there has been an accessory income not brought into account, there is attributed to the functionary, after ten years' service, eight-tenths; from eleven to thirty years, nine-tenths; the rest is considered as belonging to the employment.

The amount of pension is fixed by the superior administrative authority. In Austria there is no appeal from this decision, nor the power to plead the right to a pension before the courts; but this power is accorded to the functionary by the laws of Bavaria and Wurtemberg.

Whilst the theory recognizes no right on the part of a widow of a functionary to a pension, the laws grant her part of the pension to which her husband would have been entitled, or which he may have enjoyed at the time of his death. The Bavarian law, which is the most liberal of them all, grants a pension to the widow of a functionary holding only a provisional situation, and who, consequently, had himself no right to a pension. But in order that the widow may have this right, the marriage must have been contracted whilst the functionary was in the active discharge of his office; that it should have been notified to the superior authority, and that the latter should have made no objection to it. If the widow dies or marries again, the pension is granted to the children, up to 18 in Wurtemberg, and to 20 years of age in Bavaria.

As to the proportion allotted, it is, in Bavaria, one-fifth of the salary, and if the functionary were superannuated, one-fifth of the pension. In Wurtemberg the share of the widow is one-fourth of the husband's pension for the first 1,000 fls. of salary, one-fifth for the following 500 fls., and one-tenth for the excess. Thus, if the pension were 2,500 fls., it would be—

1. One-fourth of 1,000 fls.....	250 fls.
2. One-fifth of 500 " .....	100 "
3. One-tenth of 1,000 " .....	100 "
<u>Total... 2,500</u>	<u>450</u>

In Austria the law makes numerous categories, but whenever it is not otherwise decided, the widow has the right to one-third of her husband's pension. The orphans, besides, have special rights.

In Prussia the State gives nothing to the widows and orphans of functionaries. There exist, since the time of Frederic II, *Widows' Funds*, of the nature of a Tontine, or life assurance; every functionary whose salary amounts to 250 thalers (about \$187.50) must contribute to them in such proportion as to secure the widows and orphans an income equal to one-fifth of the pension of the husband or father.

#### BELGIUM.

The first article of the law of 21st July, 1844, which with the law of 17th Feb., 1849, regulates retirement in Belgium, reads thus: "Magistrates, functionaries and employes, forming part of the General Administration and paid by the Public Treasury, may be admitted to a pension at sixty-five years of age, and after thirty years' service." The second article of the law of 1844, reduced the age for functionaries in the active service, but the law of 1849 did away with this favor.

Articles three to five provide that every magistrate, functionary and employe, ascertained to be unfit to continue his functions in consequence of infirmities, may be admitted to the benefit of a pension, whatever his age, if he has served at least ten years. If these infirmities have arisen in the exercise of his functions, five years of service are sufficient. In case of wounds or accidents, no condition as to age or service is required.

Ordinary pensions are liquidated at the rate of one sixty-fifth (law of 1849) of the salary for each year's service, based on the mean of the last five years. In case of accident or wound, the pension will be one-fourth of the last salary increased by one sixty-fifth for each year's service beyond five. No pension can exceed two-thirds of the salary forming the basis of the calculation, nor the sum of 5,000 frs. This is the provision by the law of 1849; that of 1844 had fixed the limits at three-fourths and 6,000 frs. There exist special provisions for different classes of functionaries.

The pensions of widows and orphans are provided by a special fund, supported by deductions from the salaries of the functionaries, already subject to a deduction of one per cent. for the benefit of the Treasury.

## NETHERLANDS.

In the Netherlands civil pensions are regulated by the laws of 9th May, 1846, and of 3rd May, 1851, the military pensions by the laws of 28th August, 1851, and 8th August, 1862. Civil functionaries have a right to pensions when they have reached sixty-five and have served the State for forty consecutive years. The rate of pension is at the maximum two-thirds of the salary, each year's service counting for one-sixtieth. To these rules the law admits the following exceptions: Those who in the exercise of their functions have received wounds or contracted infirmities which render them unfit for service are pensioned, whatever the duration of their service. When the incapacity proceeds from other causes, the pension is granted only after a service of at least ten years and at the rate of one-sixtieth of the salary for each year's service; the heads of ministerial departments have a right to a pension after their resignation. The maximum of the pension is 4,000 fls. for the Ministers, and 3,000 fls. for the other civil functionaries, whether named by the King, by one of the two Chambers of the States General, or by the Provincial States, provided they had a fixed salary paid by the Public Treasury.

There is a deduction from salary of twenty per cent. during the first five years when the functionary receives more than 700 fls. a year; of twelve and one-half per cent. for the first eight years for salaries from 400 to 700 fls. Salaries less than 400 fls. are exempt from deduction. In case of increase of salary, the stoppage or deduction takes place by fourths, or in four years. When these temporary deductions have been effected, the ordinary deduction of the two per cent. takes effect. The salaries of Ministers are subject to an annual deduction of five per cent.

The widows and minor orphans of functionaries receive three-fourths of the pension coming to the deceased, when the functionary has died from wounds or accidents received or occurring in the exercise of his functions. In other cases, the functionaries maintain a special Widows' Fund, to which bachelors as well as married men are obliged to contribute.

## ITALY.

Functionaries and employes have a right to a retiring pension after forty years' service. However, they have the same right after twenty-five years' service, if they have reached the age of sixty-five, or if they have contracted infirmities, or in event of suppression of office.

Wounds and infirmities contracted in the exercise of the duties of office, give a right to a pension at any age, if they have rendered the officer unfit for duty.

The Government may put in retirement, independent of their own demand, officers who are in certain specified conditions, the irremovability of judges and professors being always understood and respected.

In certain cases, if the officer has served at least ten, but less than twenty-five years, he is granted an indemnity in one sum proportionate to the years of effective service.

The time of service of professors of Universities and Counsellors in the Courts of Appeal and Cassation, is increased by one-third, if at the time of their first nomination they were more than thirty-five.

The maximum of the pension is four-fifths of the mean of the appointment; in any case the pension cannot exceed the sum of 8,000 frs.; the minimum of the pension is 150 frs.

When the mean salary does not exceed 2,000 frs. the pension is liquidated at the rate of one-fortieth for each year's service; when it exceeds this sum the liquidation is at the rate of one-sixtieth for each year.

The officer who has been forty years in service has always a right to a pension equal to four-fifths of the mean of his salary, provided that the four-fifths do not exceed 8,000 frs.

The widow, who has not been *separée de corps* at the suit of the husband, and the children of this employé, have a right to the third of the pension which the deceased enjoyed, or to which he would have had the right. If the officer has died in consequence of wounds received, or disease contracted in service, the pension of the widow and children is increased to one-half. The widow who is married again loses the pension. The children when they attain their majority (21 years) also lose it; daughters lose the pension even before that age, if they marry.

The officer loses all right to his pension if he incurs any criminal penalty whatever, even should it be only correctional, inflicted on account of corruption, prevarication, or malversation. He loses it also when dismissed; at the same time, he cannot be dismissed without the previous sanction of an administrative commission. Even after having obtained the pension he loses it if he has undergone a sentence which condemns him to criminal punishment, or if he lose the Italian nationality.

#### SPAIN.

Spanish legislation distinguishes among the functionaries two sorts of pensioners, the *Cesantes*, who from any cause whatever have ceased to exercise their functions before the age fixed by law, and the *Jubilaciones*, who have attained that age.

First, the *Cesantes*. If the loss of office has been due to crime, naturally the official loses his right to a pension. If the office has been taken from him, not from his own fault, he has a right to the fourth of his salary after fifteen years' service, and the half after twenty years. If the office is suppressed on account of reduction or reorganization, the official has a right to the fourth of his salary after twelve years' service; to the third, after sixteen; to the half, after twenty years. In order to have the right to these favorable conditions he must have exercised his functions previous to May, 1815.

The employés and functionaries who enjoy a retiring pension acquired by right of age, &c., are *Jubilaciones*. The age which entitles to this right is sixty, the only exceptions being for cases of grave infirmity. At the time of retirement on account of advanced age, the pension is two-fifths, if there has been a service of twenty years; three-fifths if of twenty-five years, and four-fifths for those who have reached thirty-five years' service. The functionaries and employés transmit to their families part of their right to a pension. The scale has varied; it is now one-fourth.

#### SWITZERLAND.

In this Republic, the functionaries of all grades, of the Confederation as well as of the Cantons, are named for a short period of time, namely, from one to six years; in the Confederation the term of office is three years, but they may be re-appointed. There is, however, an exception in favor of functionaries connected with education and religious worship, but in certain Cantons only, in that of Zurich, for instance. In the others, the teachers have formed a special Retiring Fund, which provides a pension proportionate to the payments. There also exist other combinations; and in some of the Cantons, whilst nothing is done by the State for the functionaries and ministers and aged professors—the Communes sometimes comes to their assistance by annual grants. However, this organization is the subject of many complaints, and is only maintained because Switzerland is composed of small States.

#### UNITED STATES.

As the result of a correspondence with the United States, I find that there is no system of retiring allowances in that country, the peculiar tenure of office appearing to act as a bar to the introduction of such a system.

## PUBLIC COMPANIES.

The following summary shows, under their respective heads, the systems adopted by various railway and other public companies in France and in this country. I am indebted to Mr. T. B. Hawson, Secretary, for the rules as well as for the reports of the Grand Trunk Railway of Canada Superannuation and Provident Fund Association, which accompany this memorandum.

## 1.—PENSION FUND.

## NORTHERN RAILWAY OF FRANCE.

1. Deduction of three per cent. from salary, deposited to the personal account of each employé in the Retiring Fund.
2. Supplementary contribution made by the Company to each of the individual accounts.

## WESTERN RAILWAY.

1. Deduction of four per cent. from the salaries, and of the first twelfth of every increase, deposited every three months to the personal account of each employé, into the fund for old age, capital *transferable* or capital *reserved* at his option; the funds are placed in obligations of the Company, in real estate, or in *rentes* of the State.
2. Payment: (*versements*) by the Company equal to the amount of the deduction.
3. Voluntary gifts.
4. Interest on: produce of investments.

## EASTERN RAILWAY.

1. Assessment or deduction of two per cent. on the salaries.
  2. Payment by the Company equal to the amount of this assessment.
- These payments are invested in obligations of the Company, or in *rentes* of the State. The interest is immediately capitalized and invested.

## ORLEANS RAILWAY.

The employés are not bound to make any payment or deduction. Every year there is deducted from the net proceeds, before any division of profits (*repartition*) a sum intended to constitute the fund for assistance and encouragement.

The sum to be distributed is divided among all the employés in proportion to the salary which each has had during the year.

The amount of this is deposited to the credit of each employé in the fund for old age, to the amount of ten per cent. on his salary.

## LYONS—MEDITERRANEAN RAILWAY.

1. Obligatory deduction of four per cent. on salaries under 12,000 francs.
2. Grant by the Company of three per cent. of these salaries.
3. Interest on these deductions and grants.

## SOUTHERN RAILWAY.

1. Deduction of three per cent. obligatory on all employés having at most 3,000 francs salary; optional to all with more than 3,000 francs, and to men employed by the day.
2. Deduction of the first month on every increase of salary.
3. Endowment Fund (*fonds de dotation*) established by the Company, equal to one-third of the total deductions from salaries.

## GRAND TRUNK RAILWAY, CANADA.

1. Deduction of two and a half per cent. on actual salary.
2. An equal sum of deductions from salaries is contributed by the Company. (Members to be under thirty-seven years of age at first admission. All above that age to be admitted by special arrangement.)



## CREDIT FONCIER DE FRANCE.

1. Deduction of four per cent. from the fixed salaries of all the employés.
2. Deduction of the first month from every increase of salary.
3. Deduction on account of absence, dismissal, or from disciplinary measures.
4. Annual grant of four per cent. of the total amount of salaries, which shall be paid on the profits and paid into the fund by the society.

## BANK OF FRANCE.

Deduction of two per cent. from salaries, and deferred products of fines, gifts, placed in bank stock, Government three per cents. and obligations of French railways.

## PROVIDENT FUND OF THE GENERAL ASSURANCE CO.

1. The Company pays annually to the fund one-twentieth of the net profits which among the shareholders. An individual account is opened in the name of each employé participating. The payments by the Company are distributed among the individual accounts, proportionately to the respective salaries received by the employés during the preceding year.
2. Interest at the rate of four per cent. is credited to every individual account.

## 2.—ENJOYMENT OF PENSIONS.

## NORTHERN RAILWAY OF FRANCE.

Fifty years of age; 25 years' sedentary service.

## WESTERN RAILWAY.

Sixty years of age; 30 years' service.

## EASTERN RAILWAY.

Fifty years of age; 25 of service.

## ORLEANS RAILWAY.

Fifty years of age.

## LYONS—MEDITERRANEAN RAILWAY.

Sixty years of age; 30 years' service (exceptionally 25 years) for the agents in the sedentary service.

The Company reserves to itself the right to place in retirement and by anticipation every employé above 50 years of age, and of at least 15 years' service.

## SOUTHERN RAILWAY.

Fifty-five years of age and minimum service of 25 years.

## GRAND TRUNK RAILWAY OF CANADA.

Fifty-five years of age.

## CREDIT FONCIER DE FRANCE.

At any age after 30 years' service; at 55, after 21 years' service; at 60, after 20 years' service.

Without condition of age when accident or serious infirmity, properly verified, render it impossible for the employé to continue his work.

## BANK OF FRANCE.

At any age, after 30 years' service; at 60 years, after 20 years' service; at 70 years, after 10 years' service.

- PROVIDENT FUND OF THE GENERAL ASSURANCE COMPANY.

At any age after 25 years' service; or at 65 without condition as to duration of service.

### 3.—RATE OF PENSION.

#### NORTHERN RAILWAY OF FRANCE.

The pension *constituted*, with the reductions capitalized and placed in the Fund for old age, increased by one-eightieth of the mean salary of the last four years, a supplement derived from the payments made by the Company to the account of each employé.

#### WESTERN RAILWAY.

Half of the mean salary of the last six years, increased by one-sixtieth for each year's service above 30 years.

#### EASTERN RAILWAY.

The valuation of the capital for a retirement is obtained by multiplying the value of the capital stock in the Fund on the day of the liquidation of the retirement, by the sum of the salary of the retiring officer, and dividing the product by the sum of the salaries received by the whole staff in employment at the same period.

The value of the capital stock in the Fund shall be calculated on the mean value of the investments during the three preceding months.

The retiring allowance shall be at the minimum 75 per cent. of salaries for 1,000 frs. and under. The rate of 75 per cent. decreases by a half per cent. for each 100 frs. increase, and remains at 50 per cent. for salaries of 6,000 frs. and over.

In case of insufficiency of the Fund, the Company assures two-thirds of the maximum of the retiring allowance.

#### ORLEANS RAILWAY.

The pension is proportioned to the payments, according to the tariff of the Fund for old age.

When the employé remains in the service of the Company after fifty years of age, the payments are made to the Retiring Fund, with entry to enjoyment in the following year. The enjoyment of the income acquired by former payments is equally deferred for a year, according as the employé begins a new year's service after fifty years of age.

The surplus of the amount of allowance is handed to the employé in cash, to the extent of seven per cent. of his salary.

After these two deductions (for the first deduction see Pension Fund) making together 17 per cent. of salary, the remainder, if any exist, is placed to the employé's account in the Savings Bank of Paris.

#### LYONS—MEDITERRANEAN RAILWAY.

Half of the mean salary of the last six years for the total length of service, increased by a sixtieth for each year exceeding thirty years' service; maximum, 6,000 frs.

In case of retirement before the usual time, the pension to be one-third of the mean salary, increased by one-sixtieth for each year's service in excess of the first fifteen.

#### SOUTHERN RAILWAY.

The half of the mean salary for the last ten years' service. The maximum of the pension is limited to 4,000 frs.; but no employé whose salary exceeds 8,000 frs. shall be subject to any deduction on the excess.

## GRAND TRUNK RAILWAY OF CANADA.

One sixtieth for each year's service of the salary at the date of retirement, but in no case to exceed two-thirds of the salary.

Incapacity from bodily injury received in the discharge of duty, or mental or bodily infirmity, not the result of his own mis-conduct, entitle to a pension after ten years' service. *Conditions.*—Any one dismissed on account of fraud, mis-conduct or dishonesty, shall forfeit all contributions and be deprived of the benefit of the Fund.

## CREDIT FONCIER DE FRANCE.

After thirty years' service, half of the mean fixed salary for the last three years' service.

After twenty-four years, two-fifths.

After twenty years, one-third.

The pension is increased by one-sixtieth of the mean salary for each year's service above these different periods, but the pension can in no case exceed two-thirds of the mean salary, as fixed by rule given above.

## BANK OF FRANCE.

After thirty years' service, the third of the mean salary of the last three years' service. The pension is increased by one-twentieth for each year's service above that number. The maximum cannot exceed half the annual salary.

## PROVIDENT FUND OF THE GENERAL ASSURANCE COMPANY.

The amount of the individual account, or *livret*, as capital or in life rent, which may either be transferable or not, at the option of the employé, who is not obliged to decide till the moment of liquidation.

## 4.—WIDOWS AND ORPHANS.

## NORTHERN RAILWAY OF FRANCE.

The third of the husband's pension.

## WESTERN RAILWAY.

Pension transferable to the widow or children under 18, in proportion varying from one-third to one-half.

## EASTERN RAILWAY.

The widows and orphans are assisted from the Provident Fund (*Caisse de prévoyance*) from which also assistance is granted to sick or wounded employés.

This Fund is made up by an assessment of one per cent. on the salaries, and an equal payment by the Company.

## ORLEANS RAILWAY.

The annuity may be constituted from reserved capital. This capital reverts to the heirs, besides which the Company assists the widows and orphans.

## LYONS—MEDITERRANEAN RAILWAY.

Half of the pension of the husband and father.

## GRAND TRUNK RAILWAY OF CANADA.

In event of the employé dying before superannuation, the widow or children, or other relatives dependent on him, receive a sum equal to the payments made by him up to the day of his death, but without interest.

## CREDIT FONCIER DE FRANCE.

For the widow, half of the pension to which the employé would have been entitled, or which he had enjoyed. Orphans have a right to the same pension up till eighteen. It is divided among them by equal shares without reversibility.

## BANK OF FRANCE.

Half the pension of husband or father.

## PROVIDENT FUND OF THE GENERAL ASSURANCE COMPANY.

The widow, children and grand children and the ascendants have the right to the sums at the credit of the employé, if he die in active service.

It is scarcely necessary to call attention to the very strong argument presented by the fact of the trading corporations, whose systems are here given, providing not only for superannuated officers and men employed, but also for their widows and children. The object of these corporations is, of course, to make the most profitable use of their means and to give to the shareholders the largest interest on their investments. Pensions are granted, therefore, to promote the best interests of the service, and thereby to promote the best interests of the shareholders, and can in no sense be said to be given from either political or benevolent motives. It is sufficient to point this out; no elaborate argument is needed to strengthen the proposition.

## WIDOWS' AND ORPHANS' FUNDS.

## BANK OF MONTREAL.

In 1860, the Bank of Montreal obtained a charter for an Annuity and Guarantee Funds' Society. The Annuity Fund is for annuities to widows and orphans, the payments (for an annuity of \$200) being calculated on rates of which the following are specimens :

*Husband and Wife.*

Same age.			Five years difference.			Nine years difference.		
H.	W.	Prem.	H.	W.	Prem.	H.	W.	Prem.
21	21	\$26 50	25	20	\$31 25	29	20	\$36 25
25	25	29 33	30	25	35 00	35	27	40 50
30	30	32 67	35	30	38 25	40	31	45 83
35	35	35 17	40	35	42 83			
40	40	38 83						
Three years difference.			Seven years difference.			Twelve years difference.		
24	21	\$29 83	29	20	\$33 67	32	20	\$39 42
30	27	33 92	30	23	36 00	35	23	42 25
35	32	37 00	35	28	39 08	40	28	47 67
40	37	41 42	40	33	44 42			

Every employé of and above twenty years of age, to be a member, and to continue a member so long as he is employed in the Bank.

Unmarried men, or widowers with no minor children, becoming members, shall pay annually \$6, if their salary is under \$600, or \$12 if the salary is \$600 and upwards.

Members married, or widowers with minor children, may contribute for a double, treble or quadruple rate of annuity.

An unmarried member neglecting to intimate his marriage when it takes place with evidence of age, &c., shall incur a penalty, not exceeding ten dollars, for each month and part of a month the neglect continues.

Annuity is to be paid to the widow till her death or re-marriage; in either case the minor children shall receive the sole use of the annuity in equal shares, until they are of age, the total amount not diminishing so long as there is a minor child.

CHURCH OF SCOTLAND.

This Fund was authorized by an Act passed in 1743, the operations of the Fund to begin on the 25th of March, 1744. It was optional to the incumbents of the Church to join or not. The rates varied according to the rate desired for annuities or endowments.

The capital was at first restricted to £35,000, after each minister or professor had received a loan of £30, which he was obliged to take and pay interest for at the rate of four per cent.

In 1748 the authorized capital was raised to £50,000; the surplus above that amount to be divided amongst the widows and children then entitled to annuities in proportion to the rates paid, but any loss of capital was to be made good before a division should take place. The optional clause was also removed.

In 1778 the capital was authorized to be raised to £100,000. By 1788 the whole of this had accumulated with a surplus in addition, of £2,814 11s., which was set aside as an additional Fund. The *Old Fund* was to remain constant at £100,000, the surplus of that Fund being always divided.

In 1814 the rates were raised 20 per cent. They then stood:—

Old rate—£2 12s. 6d.	£3 18s. 9d.	£5 5s.	£6 11s. 3d.
New rate—£3 3s.	£4 14s. 6d.	£6 6s.	£7 17s. 6d.

and twenty per cent. to be added to marriage rates, and to the charge for those admitted above forty years of age.

A sum of £10 was to be charged for first admittance to a benefice or office.

The portion of vacant stipend heretofore applied to pious purposes, was to be paid over to the Fund.

Two new Funds were to be created, to be known as *First New Fund* and *Second New Fund*.

The total amount of accumulations for six years was to be ascertained, and the annual product of such stock, together with the twenty per cent. addition to the previous rates, was to be, on and after 26th May, 1821, annually divided among existing widows and children enjoying a pension according to the annual amount of the six years' produce of the excess and of the 20 per cent. Any deficiency that might arise was to be drawn from the *Second New Fund*, and any surplus to be paid into it. The division in this case was to be in proportion to the rates paid by contributors.

The *Second New Fund* was to accumulate for six years, after which two-thirds of the annual free revenue were to be divided, not according to contributions, but equally among existing widows and children. After the first division the capital was to accumulate during periods of fourteen years at least.

Under these various Acts the annuities to widows stood thus:—

1st Class	£2 12 6.....	£10
2nd "	3 18 9.....	15
3rd "	5 5 0.....	20
4th "	6 11 3.....	25

But by successive additions they stand thus:

	Original.	1821 1st increase.	1827 2nd increase.	Total to each case.
1. £10	4	2	6	£22
2. 15	5	4	6	30
3. 20	7	5	6	38
4. 25	8	7	6	46

*Children.* When a contributor dies a widower, leaving a family, the child or children is or are entitled, *irrespective of age*, to a provision in one sum of £100, £150, £200, or £250, according to the class for which the father contributed. These are equal to ten years' annuities of the original amount.

In addition, children so left, *under eighteen*, are entitled to the increase to the annuities made in 1821 and 1827, namely: £8, £10, £11, and £13 (see above) to be increased by any further additions that may be made to widows' annuities. The children are paid share and share alike, and as they severally attain the age of 18, those remaining below that age continue to receive the whole amount without deduction.

In event of a widow dying or marrying before receiving the annuities for ten years, the children under 16 are entitled to the difference between the payments and ten years, the deduction being calculated on the original annuities. Thus, if three payments have been made in the first class, the deduction is £30, leaving the children to receive £70, instead of a deduction of £66 actually paid as annuities to the widow, which would have left only £34.

If a widow is left, but who does not survive long enough to draw an annuity, the children under 16 are entitled (share and share alike) to the £100, £150, £200 or £250 as the case may be.

I beg to lay before the Committee two very elaborate reports on the subject of this Fund, the first and probably the most carefully managed of any of a similar kind. I am indebted for them to the attention of the Rev. R. H. Muir, Dalmeny, Scotland, and of Mr. George S. Wilson, of Edinburgh.

I beg also to hand in the Rules, &c., of the Bank of Montreal Fund, forwarded to me by Mr. A. B. Buchanan, Secretary-Treasurer, as well as those of the Grand Trunk Railway. I have also received from the Hon. Mr. Church copies of the resolution on this subject, introduced in the Legislature of Quebec, one of which is herewith sent.

The subject is so important, and any decision arrived at involves so many considerations, that I make no apology for the length to which this memorandum has extended, and now most respectfully beg to submit it for the consideration of the Committee.

DOUGLAS BRYMNER.

OTTAWA, 28th November, 1876.

#### MEMORANDUM—No. 2.

In the Appendices to a Return to an Order of the House of Commons, dated 24th July, 1866, of Accounts of the Public Income and Expenditure of Great Britain from 1868 to 1869 there is to be found the following short account of "Retired or Superannuation allowances to Civil Officers."

"The distinction may be noted between retired or compensation allowances granted to officers of Government Departments upon the abolition or regulation of their offices, and superannuation allowances granted to officers upon their retirement when disabled by age or infirmity.

"It was formerly the custom for the first description of annuities to be granted under the special authority of an Act of Parliament. The earliest instance appears to have been in the year 1757, when, under the Act 30 Geo. II., c. 19, pensions were authorized to be granted out of the Aggregate Fund to the late officers of wine licenses on the abolition of their offices, no such pensions to exceed the amount of salary and wages paid to any such officer. No other similar instance occurs until 1786, when pensions to the late auditors of imprests were authorized by 25 Geo. III., c. 52.

"But by far the larger amount of the retired and superannuation allowances which in more recent times have been granted to officers of Civil Departments, have

been charged on supplies and annually voted by Parliament; and it may be convenient here to give an explanatory statement of the amount of these charges.

"The fullest and most recent inquiry into the system of granting superannuation allowances to civil officers voluntarily retiring from age or infirmity, took place in 1856, by a Royal Commission specially appointed for that purpose. In their report the Commissioners reviewed the several proceedings of Parliament and the Government upon this subject. \* \* \* \* \*

"It appears that, previously to the year 1786, there was no attempt to establish any general system of superannuation, although in some Departments pensions were charged on Fee Funds, or Contingent Funds or Superannuation Funds, to which the officers contributed. In the offices of the Treasury and the three Secretaries of State, in case of any deficiency of the Fee Funds, the amount was charged upon the Civil List. \* \* \* \* \*

"In 1786 the Commissioners appointed to enquire into the fees and emoluments of public officers, under the Act 25 Geo. III., c. 19, recommended with respect to the principal public departments, that 'every officer, when from age and infirmities it may become necessary for him to retire from his station, shall have a decent provision for his future subsistence, payable out of the General Fund.'

"The Finance Committee in 1797, in the 15th and 19th Reports, recommended 'in future an adherence to the plan of superannuating upon a part of their salary, such officers as have, from age or infirmity, become inefficient;' and they expressed their concurrence in the general principle of giving to persons who have retired from age or infirmity a liberal compensation for their past services.'

"The first commencement of a systematic scheme of superannuation appears in a Treasury minute dated 10th August, 1803, which regulates superannuation allowances to officers of the Customs. The maximum pension was two-thirds of the salary to an officer who had served twenty years or more, or fifteen years if above sixty years of age.

"The subject of superannuation allowances was considered by the Finance Committee of 1803, and in their third report they strongly recommended the extension to other Departments of the regulations adopted in the Customs 'as uniting a due consideration towards long and meritorious services, with a just attention to economy.'

"These regulations thus approved of became the foundation of the system of superannuation allowances which has since been established generally in all the public departments.

"In 1809 similar regulations were adopted with respect to the Excise Department under the authority of the Act 48 Geo. III., c. 96.

"In 1810 the first Act was passed for establishing a system of superannuations for other civil officers; and the authorized scale began with four-twelfths of the salary after ten years' service with two-twelfths additional for every ten years, and a pension equal to the whole salary after fifty years' service. Certificates of infirmity were required for officers retiring under sixty years of age.

"Under the provisions of this Act the charge upon the public for the superannuation allowance of civil officers increased rapidly. Their amount attracted the notice of Parliament in 1821; and an Address was presented to His Majesty by the House of Commons with a view to some economical arrangements being made.

"A new scheme was accordingly proposed by the Treasury, which, in a somewhat modified form, received the assent of Parliament in 1822 by the Act 3 Geo. IV., c. 113.

"A superannuation fund was to be formed by deductions of 2½ per cent. from salaries between £100 and £200 a year, of five per cent. from salaries of £200 and upwards, and of ten per cent. from any excess over the regulated salary. The scale of superannuation allowance in the Act of 1810 was adopted with an additional one-twelfth for each intermediate quinquennial period.

"The feeling of Parliament, however, as well as of the Civil Service, was so adverse to the system of deductions, that two years afterwards the tax was repealed

by 5 Geo. IV., c. 104, and provision made for the repayment of the sums which had been contributed. About £90,000 was thus returned to the different offices.

"In 1828 the Finance Committee, of which Sir H. Parnell, afterwards Lord Congleton, was Chairman, recommended in their Third Report the re-establishment of the system of deductions, with the view that provision should thus be wholly made for the charge of superannuation allowances, so that the public should eventually bear no part of the expense. A bill was accordingly introduced into Parliament to carry out their recommendation, but it was withdrawn upon the motion for a second reading in consequence of the opposition raised against it.

"In the following year the Treasury, by a minute dated 4th August, 1829, established a regulation for deducting  $2\frac{1}{2}$  per cent. on all salaries above £100 a year of persons thereafter entering the Civil Service, for the purpose of forming a superannuation fund. By a further minute of 21st June, 1831, the Treasury expressed their intentions to grant the full pension authorized by the Act of 1822, only in cases of more than ordinary meritorious services, and to grant in ordinary cases no more than four-fifths of the amount authorized.

"An Act 4 and 5 Will. IV., c. 24, to amend and consolidate the laws relating to Retired and Superannuation Allowances was passed in 1834, which confirmed the Treasury regulation for deducting  $2\frac{1}{2}$  per cent. from the salaries of persons entering the Civil Service after the 4th August, 1829, and increased this rate to £5 per cent. on salaries above £500 a year. A new scale of superannuation allowances was created for all such civil officers, the allowance being four-twelfths of the salary after from ten to seventeen years' service, and an additional one-twelfth for every further period of seven years, but not to exceed eight-twelfths in any case; whilst the former scale established by the Act of 1822 remained in force for officers who entered the Civil Service before 4th August, 1829.

"The Royal Commission of 1857, after affirming the expediency of providing superannuation allowances for civil officers, recommended in their report the total abolition of deductions for the purpose of providing a superannuation fund, and proposed certain regulations applicable to these allowances, and affecting the officers entitled to pensions, at the same time leaving the two scales of the Act of 1834 unaltered.

"They calculated that the gradual diminution of the more liberal superannuations of the older civil servants would ultimately reduce the amount then payable to nearly one-third of the whole amount.

"These recommendations were carried into effect, first, by a short Act in the same year (20-21 Vic., c. 37) for abolishing the abatement from salaries for superannuation, and, subsequently, by an Act passed in 1859 for amending the laws relating to superannuations to civil officers. The provisions of this Act still remain in force.

"Sec. 23 of the Act of 1834 provided that an account of all the retired and superannuation allowances granted to civil officers should be annually laid before Parliament; and Sec. 20 provided that all such allowances, when not specially provided for by Parliament, should be charged on the funds for the respective Departments."

The extract quoted gives concisely the history of superannuation in England as far as the year 1869. I am obliged, however, to retrace my steps a little, and I now propose to refer more fully to the Report of the Commission of 1857, because that Report went very carefully into the consideration of all points connected with the question.

The Commissioners appointed in 1856 to inquire into the operation of the Superannuation Act, were Lord Monck, Lord Belfer, Sir Edward Ryan, Sir Alexander Young Spearman, and Thomas Matthias Weguelin, ex-Governor of the Bank of England. Their report is dated 15th May, 1857, and is in part as follows:—

"The system of superannuation allowances now existing in the Civil Service is of modern introduction. It appears that previously to the present century (with the exception of some old superannuation funds in the Customs and Excise for the benefit of inferior officers) no attempt had been made to establish any general system on the subject. It must not, however, be supposed on that account, that public officers were



in all cases left without provision on their retirement from the Civil Service. In some cases the practice of granting certain offices for life would dispense with the necessity of any such provision. In others, the existence of sinecures, and the practice, at that time common, of charging the salaries of public officers with retiring allowances to their predecessors, afforded a means of providing for retired servants. For instance, the late Mr. Groville (Groville Memoirs) enjoyed through his life the office of Clerk of the Council of Jamaica, to which he was appointed by his grandfather the Duke of Portland, and Sir Walter Scott, in accepting office, made an arrangement with his predecessor, and many cases are extant where, with the consent of the Head of a Department, salaries have been charged with annuities to a widow and children of a predecessor.

"The power then existing in different departments of granting pensions, chargeable upon various funds, such as Fee Funds, contingencies, and even in some cases on the produce of old stores, offered another means for a similar provision. Any such mode of providing for retired servants is obviously most objectionable in principle, and liable to great abuse in practice, both as regards due economy in public expenditure, and the fair and equal remuneration of public servants. \* \*

"The first general Treasury Minutes on the subject, which were issued in July, 1802, and August, 1803, related to the Department of the Customs. The system introduced into the Customs by these minutes was enlarged and improved by subsequent minutes; and by an Act of Parliament of 1809, a similar arrangement was extended to the Excise. In the year 1810 the first Act was passed for establishing a system of superannuations with regard to all offices. By that Act allowances on retirement might be granted by the Treasury upon the following scale, viz:—To persons under sixty years of age, having served ten years, four-twelfths of the salary; more than ten and less than twenty years, six-twelfths; above twenty years, eight-twelfths; in all these cases with certificates of infirmity:—To persons above sixty years of age, having served fifteen years, eight-twelfths; to persons above sixty-five, having served forty years, nine-twelfths; fifty years, the whole; and in these last clauses without certificates of infirmity. By Acts passed shortly afterwards, the old Superannuation Funds in the Customs and Excise, mentioned above, were directed to be paid into the Exchequer.

"In the year 1821 the attention of Parliament was directed to the heavy charge for superannuations which had been thus imposed on the revenue; and in consequence of an Address from the House of Commons, a Treasury Minute was passed, stating the necessity of adopting some new regulations for the purpose of limiting this branch of the public expenditure and recommending that the civil servants who were to enjoy the benefit of superannuation allowances should be required to contribute to a separate fund.

"In the following year (1822) an Act was passed to carry this arrangement into effect. By this Act a considerable reduction was effected in the rates at which, with reference to periods of service, superannuation allowances were thenceforward to be granted, and all civil servants were required to contribute to a superannuation fund by a deduction at the rate of two and a-half per cent. from all salaries between £100 and £200; five per cent. from all salaries above £200; and ten per cent. from all salaries above the regulated amount. One half of the superannuations afterwards granted were to be paid out of this fund, the other half remaining as a charge upon the general revenue. It was further provided that in case of the death of any civil servant, or of his resignation or removal from office, without his having received any retired allowance, the whole amount of his contribution should be repaid. These enactments did not remain long in force. It seems to have been considered that the deduction was a violation of the terms on which public officers had entered the Service and accordingly an Act was passed in 1824, by which the whole charge of superannuations was again placed on the public revenue, and by which it was directed that the whole amount of the deductions already received should be repaid to the contributors.

"After some years the heavy charge for superannuations again attracted the attention of the Legislature. In 1828 the Select Committee of the House of Commons

on Public Income and Expenditure recommended, in their third report, the re-adoption of the measure suggested by the Treasury in 1821 for creating a fund by deductions from salaries. They proposed, however, to make a distinction, as to the scale of superannuation, between the then existing civil servants and those who should be afterwards appointed. They recommended that, in the case of future appointments, the scale and conditions of the superannuation should be so regulated that the whole charge should be provided out of a fund raised by deductions, without any cost to the public. But they so far paid regard to existing interests as to propose that the scale prescribed by the Act of 1822 should be maintained in the case of the existing civil servants, any deficiency in the fund being paid out of the public revenue. They further recommended that in no case should contributions made to the fund be repaid. The Government brought in a bill to carry the recommendations of the Committee into effect; but, again, the objections made to the measure on the ground of its interfering with existing interests of civil servants were found insurmountable, and the Bill was withdrawn.

"The sense of Parliament, as to the question of dealing with the salaries and superannuations of the existing civil servants, having been thus unequivocally ascertained, the Treasury seem to have proceeded to consider in what manner they might comply with the recommendation of the Committee, so far as it related to future appointments, with reference to which no questions of existing interests could arise; and in the year 1829 a Treasury Minute was passed "for the purpose of reducing at a future period the heavy charge for providing superannuations" by which deductions were imposed on the salaries of all civil servants who might thereafter be appointed. These deductions were to be at the rate of two and a-half per cent. on salaries not exceeding £100, and of five per cent. on salaries exceeding that amount. It was also provided that all appointments should be subject to such regulations with regard to superannuation as might be thereafter laid down; and notice of these terms was to be given to all civil servants on receiving their appointments. By a subsequent Treasury Minute passed in 1831, regulations were made as to the mode of awarding retired allowances, and it was required that every case should be fully investigated and reported on by two Lords of the Treasury. The opinion of Parliament was not taken on the subject till the year 1834, when an Act was passed sanctioning the arrangements. By this Act a reduced scale of superannuations was enacted for the civil servants appointed after the 4th August, 1829, commencing at one-fourth of the salary after ten years' service, and ending with two-thirds of the salary as a maximum after forty five years' service. A schedule of the officers and Departments in which the deductions should be charged was appended to the Act, and power was given to the Treasury from time to time to add other officers to the list. Civil servants appointed before the 5th August, 1829, are not subject to the deductions imposed by the Act, their higher scale of superannuations being secured to them without abatement. As the Bill was originally brought in the exemption from deductions was intended to apply only to those salaries which the civil servants in question might hold at the time of the passing of the Act, future increments of salary being liable to the charge; but in the progress of the Bill, by a very liberal concession made to existing interests, it was provided that the exemption from deductions should be personal, continuing through life, and applying to any office which might be subsequently held by the same person. The Act does not apply to the diplomatic service or to the higher judicial offices. \* \* \* \* \*

"The different officers in the Civil Service, at the time of the appointment of the present Commission, may, with reference to their position in regard to superannuation allowances, be divided into the following classes:

- "1st. The higher political and judicial officers and the diplomatic service whose pensions are granted without the condition of paying deductions from their salaries.
- "2nd. The civil servants who received their first appointments before the 5th August, 1829. Superannuations are provided for this class on a very liberal scale, and also without the payment of deductions.

"3rd. The civil servants in the Departments enumerated in the schedule of the Act of 1834, who received their first appointments subsequently to the 4th August, 1829, as well as those who belonged to Departments which, since the passing of the Act, have been brought under its operation by Treasury orders or warrants. The salaries of this class are charged with deductions at the rate of two and a-half per cent. on salaries not exceeding £100, and of five per cent. on salaries exceeding that amount; and the superannuations provided are on a much lower scale than for the last class.

"4th. A numerous class of civil servants who neither are charged with deductions nor are entitled to superannuations, though retired allowances have been occasionally granted to them. They belong partly to Departments which existed previously to 1834, but which have not been brought under the operation of the Act.

\* \* \* \* \*

"5th. A class of civil servants who, like the last class, have not been brought under the operation of the Act of 1834, and who, consequently, are not charged with deductions, the office of the Registrar of the Admiralty, &c." \* \* \*

In addition to the five classes enumerated, anomalies existed in the classes themselves; for instance, the officers in the Post Office establishments of London, Edinburgh and Dublin were charged with deductions and entitled to superannuations, whilst similar officers in the Post Offices of Liverpool, Manchester and Glasgow neither paid deductions nor received superannuations, though the post offices in those towns were not less important, in point of either business or revenue, than those of Edinburgh and Dublin.

The Commissioners employed actuaries, sent out circulars to the Departments of the Civil Service, and called upon all feeling aggrieved to make their complaints, and these complaints, as set forth in petitions and statements, were, by the Commissioners, classed as follows:—

"1st. Certain civil servants complain of their insufficient remuneration. This complaint assumes different forms. Sometimes it is alleged that the payment of deductions has the effect of rendering the salary an insufficient remuneration for the services performed, or of causing the labor of public servants to be paid at a lower rate than similar labor in other employments. At other times the complaint is, that the heavy charge for deductions, especially when coupled with the pressure of the income tax, renders the civil servant incapable of providing for the future support of his wife and family by paying annual insurance on his life. Another grievance is the alleged insufficiency of the scale on which superannuations are awarded under the Act of 1834. It will be seen that these and similar allegations, whatever form they may take, amount to neither more nor less than a complaint of the insufficiency of the remuneration of the civil servants. Without expressing any opinion on that question, it may be sufficient for our present purpose to observe, that the civil servants received their appointments on certain definite terms, of which they were informed at the time, that these terms have been strictly adhered to, and that, consequently, whatever their remuneration may be, there can be no just complaint of any breach of engagement.

"2nd. It is considered a grievance that deductions are charged upon a large proportion of civil servants who eventually derive no advantage from these payments. This is, no doubt, perfectly true with respect to all those who die in the Service, or who voluntarily retire from it without having been superannuated on account of ill-health or old age, and the number of old persons so retiring is considerable, especially in the department of the Post Office. There are, also, some cases in which civil servants are charged with deductions without having the prospect even of a chance of deriving any benefit from them, as, for instance, in the case of military officers employed for a limited time in the Civil Service. But the case of hardship which seems to be most felt is, when a public servant dies in the Service after a long and laborious life, leaving a wife and family destitute, who conceive that they have some claim upon the Government for relief in consequence of the large contributions which had been levied upon him in the shape of deductions, from which he had derived no

benefit. Without denying that such feelings are natural in persons so situated, and without expressing here any opinion as to the policy of the system, it may be sufficient for our present purpose to state that the civil servant was, or ought to have been, aware that on his appointment he entered into a contract under which he agreed to make certain payments on condition of receiving a return for such payment in the shape of a superannuation allowance, only in the event of certain specified contingencies, which in the cases in question have never happened. The contract, therefore, has been strictly fulfilled.

"3rd. Another ground of complaint, which has been strongly relied upon by the civil servants, is that the deductions charged upon them will, on a fair calculation, be found to be much more than an equivalent for the superannuation allowances awarded, so that the State has made a profit out of the transaction at their expense."

\* \* \* \* \*

#### THE COMMISSIONERS THEN TOOK UP THE WHOLE CASE OF SUPER- ANNUATION, AND REPORTED THAT

"The first question which presents itself, with reference to the subject, is the expediency of providing superannuation allowances at all. It has sometimes been argued that the only duty of the Government is to offer due remuneration in the shape of salary, for the services performed, and that it ought to be the business of the civil servant to make provision out of that salary for his own future wants or those of his family. Although this question must be considered as settled by the established practice of this country, and also as assumed by the appointment of the present Commission, it may be convenient, with reference to our future course of argument, that we should state the grounds for the opinion which we hold upon it. *Having regard to public interests alone*, we think that there are ample reasons for maintaining a system of superannuation allowances.

"1st. It must be recollected that incapacity, caused by illness or other infirmity, may happen at any period of life, and is not a calamity for which it is easy to provide by means of insurance, as in the case of death; and it must also be borne in mind that, with a view to the due performance of his duty, it is important that a civil servant should feel himself in a safe and independent position, and that his mind should not be harassed or distressed by anxiety respecting his future condition."

"2nd. Supposing an assiduous and devoted public servant, who has spent the best part of his life in the service of the State, to become suddenly incapacitated by disease or bodily infirmity, public opinion would not allow that such a man should be permitted to starve; although the want of any provision may be attributable to his own improvidence, this would not be considered as exonerating the Government from making some special provision for him. Sir J. Graham says, in his evidence before the Committee of 1856 (the previous year), 'I have the strongest opinion that whether there were any deduction made or not, and whether there were any specific contract made by the State or not, cases of such extraordinary hardship would present themselves on the part of faithful servants, worn out in the public service, that the claim for pension upon retirement would be irresistible.' Such cases might not unfrequently occur, and an irregular and objectionable practice of making special provisions for particular cases would thus be gradually introduced. There can be little doubt that it would be more for the interest of the Service to establish, beforehand, general rules under which superannuations should be awarded, and it is also probable that this system would, in the long run, be found more economical, inasmuch as the prospects of a provision on retirement would be considered as a part of the remuneration for the services to be performed, and would be taken into account in regulating the amount of the salary.

"3rd. It is probable that, in many cases, the hardship of removing an estimable public servant, without provision, would be avoided by retaining him in the Service after he had become incompetent to perform his duties. This is, perhaps, the

strongest argument in favor of a system of superannuations. It may be true that it is strictly the duty of the Heads of the Departments to remove from the Service all public officers who have become, from any cause, incompetent fully to discharge their duties, without regard to their feelings or future position; but experience has shown that this is a duty, the performance of which it is most difficult, if not impossible, to enforce; and as it is impracticable, by any regulations, to define beforehand at what stage of declining health or increasing bodily or mental infirmity, incompetence begins, the result is that, in the absence of superannuations, *inefficient persons are retained in the public service*. The injury caused to the Service by the retention of inefficient officers, might, no doubt, be in part corrected by increasing the numbers of the establishments beyond what would have been required had all the servants been effective; but it would be impossible to justify such an arrangement, and under such circumstances the public service would be a loser for want of superannuation allowances, probably in actual money, and at all events, in the less direct results. The evil consequences of retaining a single civil servant in an important post for which he has become incompetent, cannot be estimated in money, and may be much more than an equivalent for the expense of the superannuation of a whole Department. For these reasons we are unhesitatingly of opinion that the public interests will be best consulted by maintaining a system of superannuation allowances.

"In some countries the provision made by the State for its servants has been carried still further, and has included their widows and children after their death. As a question has been raised in some of the memorials of the civil servants as to the expediency of such an extension of the system, it may be right to notice the subject. It appears to us that none of the three reasons which have been stated in favor of superannuation allowances, apply to the case of a provision for widows and children.

"1st. It is true that many civil servants may feel an equal anxiety for the future welfare of their wives and children as for their own; but against the chance of premature death there is a certain and easy mode of providing by means of insurance; and it cannot be doubted that those who would suffer from anxiety on this subject would be likely to have recourse to this means.

"2nd. It does not appear that in this country, at least, public opinion would require that the civil servant should be relieved from the duty of providing by insurance or otherwise, for the future support of his family, and that this burden should be thrown upon the State. It is true that sympathy has, of late years, been excited in favor of some claims for assistance made by the widows of deceased civil servants; but in these cases the applications were grounded, not upon a general claim for provision as widows of civil servants, but on the fact that their husbands had made large contributions under the name of deductions to a supposed fund, from which they had themselves received no benefit, and on which it was, therefore, supposed that their families might have an equitable claim. The third reason is, of course, inapplicable to the present case.

"Having thus explained the grounds on which we think it desirable to retain the system of granting superannuation allowances, and having shown why we are of opinion that the same reasons do not apply to a provision for the widows and children of deceased civil servants, we proceed next to consider whether it is desirable to establish a fund for the purpose, to be supported by the contributions of the civil servants. Assuming that means are to be taken for securing in all cases the power of awarding due superannuation allowances, it follows that the contributions to any such fund must be compulsory, that the administration of the fund must be under the direct control of the Government, and that the Government must guarantee its sufficiency. Experience has proved that it is most difficult, if not impossible, in such a case, to prescribe beforehand any scale of contribution which shall be so adjusted as to supply the requisite amount without material surplus or deficiency. If then the fund should prove deficient, such deficiency must be supplied from the public revenue, and no object will have been gained by carrying the compulsory contributions of the civil servants to a separate account. If, on the other hand, the fund should prove to be in excess, difficult questions must arise as to the equitable appropriation

of the surplus. We are, therefore, disposed to agree with the Legislature of 1834 in considering it inexpedient to establish a Superannuation Fund.

"Assuming that no such fund is to be created, the next question for our consideration is, whether, on general principles, it is desirable that the civil servants should be charged with deduction from the nominal amount of their salaries on account of superannuations, or whether it is advisable that the salaries should be paid net, so that the nominal amount should be identical with the income actually received."

"It appears to us that unless some good reason can be shown to the contrary, the most natural and proper course in all such transactions is, to call things by their right names, so as to prevent, as far as possible, any mistake as to the nature of the arrangement intended. If it is intended that the salary actually paid to a civil servant shall be of a certain amount, and that in addition to this salary he shall, under certain circumstances, be entitled to a retired allowance according to a prescribed scale, it seems *prima facie*, to be the most correct course to describe the remuneration of the civil servant as consisting of a certain salary, with a prospect, under certain circumstances, of a retired allowance, rather than to add to the salary a certain nominal amount which is supposed to be an equivalent for the chance of a superannuation allowance, and thus to describe the salary as being of a larger amount than it really is, without mentioning the superannuation. If the deductions supposed to be levied were actually paid into a fund to be applicable to no other purpose (as was required by the Act of 1822), and if the superannuation allowance were dependent on that fund, and regulated ultimately by its amount, the case would be different, but it is a serious objection to the present system that it seems to imply the maintenance of a fund which has no existence in fact.

"Assuming, then, that some grounds should be shown for substituting for the simple and correct description of the arrangement, a statement which seems to partake in some degree of the nature of a fiction, we proceed to consider the validity of the two reasons which have been stated for its adoption.

"1st. Sir James Graham, in answer to the question, 'With regard to the policy of making deductions from a salary as an equivalent for a prospective superannuation do you think that is a sound policy?' says, that 'it is sound in principle, and in effect is excellent. It acts as a powerful moral check upon the civil servants, as a penalty for misconduct, and as a reward for good conduct. When they retire, from age or infirmity, and their case is brought under the notice of the Treasury, as it is in each individual case specially brought, the Heads of the Departments are bound to give a report as to the past conduct of that individual, and if it be favorable, it is carried to his credit, and an increased superannuation is given to him.'

"Without questioning the correctness of this argument, it would appear that Sir J. Graham has in some degree misapprehended the question, and that his answer is applicable rather to the merits of a system of superannuation than to the policy of making deductions. Whether the salaries be correctly described as paid, or whether their nominal amount be swelled by the addition of deductions, in either case superannuation may be granted on the same terms and under the same conditions as to the conduct of the parties, and will therefore equally operate as an inducement for the good conduct of the civil servants.

"2ndly. It is argued that the system of deductions operate as an advantage to the civil servant in protecting him against the danger of interference by Parliament with his superannuation allowance.

"The argument is thus stated by Sir James Graham, and Sir F. Baring. In answer to the question, 'Considering the fluctuations of public opinion with regard to salaries and pensions, do you not conceive that the fact of the public servants now paying a certain deduction from their salaries towards meeting the charge for superannuation, affords a firmer and moral security for the permanence of their pension greater even than an Act of Parliament saying that the public servants shall have pensions upon retirement without having paid deductions?' Sir J. Graham says, 'I have no doubt that it gives greater security and steadiness to the administration of equity to the civil servants.'

"Sir F. Baring also says: 'Whether, if you had to commence again, you would take deductions or not is another question; but there is one great advantage for the civil servants in the deductions, which is, that they are a shield against the House of Commons in any momentary feeling of economy running in and making a great alteration with regard to retired allowances,' and afterwards he says, speaking of the time when he first came into Parliament: 'If the retired allowance was a mere advantage given in addition to the salary; the feeling was that the House of Commons might deal with it as it pleased; but if there was a deduction (I do not mean to say that it is strictly logical, but it would have been argued), there would have been, as there is now, a strong feeling that the civil servant had paid his own superannuation, and that you were taking from him what he had actually paid. I have no doubt that would have been very much pressed.'

"High as these authorities are, we must express our dissent from the conclusion at which they have arrived.—In the first place, we doubt the existence of the danger apprehended. It is true that at former periods both Parliament and the Treasury have, on some occasions, thought proper to deal with the prospective retired allowances of existing civil servants. Increased discussion on these subjects seems to have led to a fuller recognition of the propriety of not interfering with the existing interests and reasonable expectations of public servants; and accordingly, by the Act of 1834, the superannuations of the civil servants appointed before the 5th August, 1829, were strictly protected, and the regard for existing interests was carried to an extent which, in the opinion of some, may be deemed excessive. Since that time the same principle has been strictly adhered to; and if in any Act to be hereafter passed on this subject, the remuneration of public servants were represented (as we think it should be) as consisting partly of salary and partly of the superannuation to be awarded on retirement, we cannot doubt that they would both be regarded as standing on the same footing, and that they would both receive the equal protection of the Legislature.

"We therefore hesitate to admit the existence of the danger apprehended.

"But even supposing the danger to be real, we do not understand how protection can be found for the civil servants in the system of deductions.

"Assuming their remuneration to consist partly of their salaries, and partly of the prospect of a superannuation allowance, it is not easy to understand on what ground their moral claim to the one should be considered less strong than to the other. Still less can we understand how their case is strengthened by making a nominal addition to their salaries, which is never paid to them, and calling this nominal addition a deduction or abatement paid by them for the purpose of providing their superannuations. Sir F. Baring himself seems not to be without misgivings as to the force of his argument when he admits that it is not 'strictly logical.'

"But, if it is thus difficult or impossible to show that a system of deductions can be any protection to the interests of the civil servants, it is certain, on the other hand, that it has an injurious effect in creating an erroneous impression as to the real nature of the transaction. The payment of a charge on the salary for the purpose of providing superannuations almost necessarily suggests the idea of the existence of a fund to which each civil servant has contributed, and in which he, therefore, may be supposed to possess a certain right of property.—We have already had occasion to refer to this result of the impression as manifested in the claims made on the Government for relief by the widows of deceased civil servants on the ground of the contributions made by their husbands to this supposed fund. The sense of hardship produced by this impression is not confined to the relatives of civil servants and to persons who may be supposed to be naturally misled by their position or prepossessions. The same feeling has, on some occasions, been expressed by persons in high official stations who must be supposed to be well acquainted with the system; and we are thus led to doubt whether this impression can be entirely removed, except by an alteration of the system.

"Another objection to the system is, that it necessarily raises questions as to the sufficiency or insufficiency of the superannuation allowance considered as an equivalent

lent for the deductions paid, and this not only with reference to the whole Service, but with regard to particular Departments, or even individual cases.—For example, it is a subject of complaint in the Post Office that as it is found that in that Department a much larger number of officers voluntarily retire in the course of their service than in most other branches of the public service, the result is that the deductions levied are supposed to be much more than an equivalent for the superannuation granted. In a similar manner individuals complain that they are compelled to pay deductions, although from special circumstances there is little or no chance of their every deriving benefit from superannuations. Were the simple and more straightforward system adopted of engaging public servants at a certain net amount of salary, with a conditional prospect of superannuation on certain terms, all these causes of misapprehension and complaint would be entirely removed.

“There can be no doubt that economy was the object principally in view in the original establishment of the system of deductions. The Committee of 1828 on Public Income and Expenditure, amongst various suggestions for the reduction of the public expenditure, had recommended the establishment of a fund for providing superannuations which should be supported by the contributions of the civil servants themselves, in the shape of deductions, in order that ‘the public might not eventually have to bear any part of the expence of these allowances.’ The Legislature, by the Act of 1834, adopted the system of deductions, but without establishing a fund. It seems to have been thought that the remuneration of public servants (including their salaries and retiring allowances) was at that time too high; and the Legislature may probably have considered the system of deductions a convenient mode of reducing salaries on new appointments. We think that subsequent experience has proved that, if either the salaries or the superannuations were found to be too high, the more simple and direct remedy of reducing them on all new appointments by the requisite amount, would have been a far preferable course. If, on the other hand, the remuneration of public servants was at that time not more than a fair equivalent for their services, when compared with the rate of payment in other employments, it must be obvious that any attempt at reduction by withholding a portion of the salaries, under the name of abatements, could neither be beneficial to the public service nor, in all probability, of permanent duration. The pecuniary saving effected by a system of insufficient remuneration can never be an equivalent for the loss of efficiency in the services obtained; and in all probability, under such circumstances, the result would be that advantage would be taken of some of the numerous occasions, when the salaries of public departments are under revision, to remedy the evil by raising the salary in each case, by an amount equal to the abatement.

“Having thus disposed, for the present, of the question of deductions, we proceed to consider what should be the scale of the superannuation allowance as compared with the salary. Assuming the obvious and reasonable principle which has been invariably observed, that the amount of superannuation should increase with the number of years' service, we have first to consider what shall be the maximum superannuation awarded, and after what number of years' service it should accrue. We are disposed to think that, from a due regard to economy, as well as with a view to the efficiency of the Service, there ought always to be a marked distinction between the amount of salary paid for actual services and the retired allowance. The objects for which we have advocated retired allowances will be amply fulfilled, though their maximum should fall short of the full salary. We are therefore disposed to adopt the same maximum as that which is now in force with reference to the civil servants appointed since 1829, namely: two-thirds of the whole salary; but we should propose that it should accrue after forty instead of after forty-five years' service. Supposing, therefore, the civil servant to have entered the Service at twenty years of age, he would obtain his maximum superannuation at sixty. The period at which superannuation allowances may be granted at present commences at the end of ten years' service, to which we see no objection; but instead of beginning at one-fourth of the whole salary (as at present in the case of the civil servants appointed since 1829) we should propose to begin at one-sixth. We should also recommend that the



superannuation should rise by equal yearly increments, and not as at present by a more considerable increase taking effect on the termination of each period of seven years, which is, in fact, the system which, as we are informed, has been practically adopted by the Treasury in their administration of the present law. The scale which we propose is, that which was suggested by the Committee of the House of Commons last year. It will commence at ten-sixtieths after ten years' service, and advancing by equal increments of one sixtieth each year, it will reach its maximum of forty-sixtieths at the end of forty years' service."

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"At present no superannuation allowance can be granted to any civil servant under sixty-five years of age, except on medical certificate of incapacity to discharge his duties in consequence of actual infirmity of body or mind. We should recommend that this limit of sixty-five years be reduced to sixty years. We are disposed to think that, when a civil servant has reached an age at which bodily or mental vigour often begins to decline, it may be advantageous to the Service to give to the Government the power of facilitating his retirement by granting, if they should so think fit, a superannuation allowance without a medical certificate. We do not anticipate that such a regulation would be likely to cause the premature loss of valuable service. We believe that industrious and devoted public officers, who have spent the greater part of their lives in the Service, are not usually found to be desirous of retiring from it, so long as their energies remain unimpaired. Whatever advantages they may have anticipated from retirement, it is believed that they would not unfrequently decline to apply for it, when the opportunity of doing so arrived, even if that retirement did not involve the loss of at least one-third of their income. For these reasons we are of opinion that this reduction in the limit of age would, on the whole, be more likely to be advantageous than injurious to the interests of the Service, whilst it would no doubt be received as an acceptable boon by the civil servants themselves.

"The only question which remains as to the term of superannuation is, whether any age should be fixed at which retirement should be compulsory. We have, in a former part of this Report, shown the importance of taking means to facilitate the removal from the Service of officers who, from age or infirmity, have become inefficient in the performance of their duties. It must, however, be an invidious and painful duty to the Head of a Department to suggest to a meritorious public servant that his powers are beginning to fail, and that it may, therefore, be expedient to dispense with his services; and under ordinary circumstances there must be reason to fear that this duty will not be fully performed. But it may be possible to assist in promoting the same end, if some age be appointed at which it is found by experience that in ordinary cases, bodily or mental vigour decline; and if retirement at that age is made the rule, the Heads of Departments being authorized, in any special case, to invite the officer to remain in the Service, should they think a continuance of his service desirable.

"The practical difference which will thus be made will be that retirement at that age will be the rule instead of being the exception; and that when the appointed age has been reached, Heads of Departments will be relieved from the painful duty of suggesting retirement; though, on the other hand, in some special instances in which long services are found to be accompanied by undiminished power of usefulness, they may have to perform the more agreeable task of inviting the civil servant to continue in the performance of his public duties. We should suggest sixty-five years of age as a fit period of life for this purpose.

"There are other provisions in the Superannuation Act of 1834, in which we should propose no alterations. Such are the proof of good conduct in all cases, and of infirmity when the applicant is under the age of sixty years; the regulation that the superannuation allowances shall be calculated on the amount of the average salary during the three preceding years, and the power given to the Treasury to make special grants for special merits or special services, on condition that the grounds on which such grants are made, shall be laid before Parliament.

"In the Bill of last year provision was made for awarding certain gratuities to civil servants who might by ill-health be compelled to retire from the Service before they had become entitled to a retired allowance, and also for awarding gratuities or pensions to persons who, under similar circumstances, had been compelled to quit the Service in consequence of severe bodily injury sustained in the execution of their official duty. Provision has already been made, under the authority of the Treasury, for such cases, when they have occurred, but it seems desirable that the sanction of the Legislature should be given to the requisite regulations as proposed in the Bill.

"Under another clause in the same Bill, provision was also properly made for regulating the amount of compensation to be awarded to a civil servant in the shape of a retired allowance, in case of the abolition of his office. It is to be hoped that the allowances which may be awarded under any such regulation will be few in number, or, at all events, of short duration, inasmuch as the earliest opportunity should, in all cases, be taken of reintroducing into the Service any efficient public servant who has thus been temporarily removed from it."

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"On the subject of continuing to enact the abatement the Commissioners stated that the other mode of effecting the object, namely, by simply abolishing deductions, and thus increasing by that amount the incomes of the civil servants by whom they are at present paid, presents no such difficulty. On the contrary, by such a measure the members of all the leading departments of the Civil Service would be placed on an equal footing as to salaries, inasmuch as all would alike receive, without abatement, the salaries which are stated to have been awarded to them on equal terms.

"The single, but not unimportant, objection to this solution of the difficulty is, the additional charge which it would impose on the public revenue. We are not disposed to treat lightly the pecuniary view of the question, and we are well aware of the reluctance which the Legislature must feel in imposing an additional burden on the public finances."

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"A question is thus raised as to the sufficiency of the present net salaries after the payment of deductions. It is sometimes argued that no doubt can exist as to the sufficiency of the existing salaries, inasmuch as civil appointments are eagerly sought for, and no difficulty is experienced in finding candidates for them. We doubt whether such a question can be so summarily disposed of. Even if salaries were still further reduced, we doubt whether there would be any lack of candidates for appointments. And for some time there might be no deterioration in the qualifications of the applicants, as, without scanning the terms of engagement very nicely, there would be a reasonable expectation that the Government of the country would not fail to provide due remuneration for useful services. But if an impression was once allowed to prevail that public servants were treated with unfairness, and their remuneration awarded in a niggardly and penurious spirit, although there might still be an abundant supply of candidates, we cannot help fearing that the public service would suffer from a deterioration as well in the qualifications of the applicants, as in their subsequent conduct when appointed. It may be true that in past times many incompetent persons have received appointments whose services were not worth the salaries they received; but this fact is a reason, not for reducing salaries, but for imposing a test of qualification on admission into the Service, as in fact has recently been done. It appears to us that in the public service, no more than in private undertakings, can the number of candidates who may be seeking employment be considered as any criterion of the sufficiency of the salary. In both, the salary ought to be such as to command the requisite ability and character, and also such as may be sufficient to maintain the servant in that position of life in which it is desirable, with a view to the interests of his employers, that he should be placed. Whether the present salaries exceed that amount is a question on which we possess no sufficient means of forming an opinion. Even with regard to any single office, it must be difficult to give an opinion whether the salary ought to be higher or lower, by such an amount as two and a half or five per cent. Much more difficult must it be to

form such an opinion with reference to the salaries of a large portion of the whole Civil Service. Whether, therefore, under these circumstances, the proposed abolition of deductions ought to be regarded on the one hand as a boon, or on the other as the mere removal of an injustice, we cannot undertake to decide; but considering the doubts which embarrass the question, and the effects which those doubts must have produced on the minds of the civil servants whose interests are at stake, it may be well to consider whether with a view to public interests alone it may not be wise to incur the risk of some temporary sacrifice, rather than to adopt the alternative either of continuing to maintain an anomalous and indefensible system, or of attempting some intermediate settlement, by way of compromise, which could be founded on no intelligible principle, and which might have the effect of disappointing the hopes and damping the energies of an important body of public servants.

"We have spoken of the supposed loss of revenue as temporary. It must be evident in the case of any civil servant now liable to deductions, that under any circumstances this loss could not continue for a longer period than the remaining time during which he continues in the Service. On his retirement an opportunity will at all events occur of revising the salary; but it is probable that in the majority of cases an opportunity of revising the salary will occur at a much earlier period. It appears that in each public department the clerks are divided into classes, with reference to the importance of the duties which they have to perform. In the same class each clerk proceeds from the minimum to the maximum salary by length of service; but in all promotions from an inferior to a higher class, it is required that the selection shall be made only from superior fitness for such higher class. The principle of promoting from class to class, in consequence of merit alone, without regard to seniority, has been enforced on the Heads of the Departments by the highest authorities, and may be considered the established rule of the Civil Service. The practice has been to revise, from time to time, the salaries of each class, such revision to take effect only with regard to such persons as might thereafter be introduced into the class, and not to affect the salaries of those who were already within it. Whenever, therefore, the salaries of any class have been revised, every clerk who is promoted into it from an inferior class, receives his appointment at the revised salary without reference to the position which he previously occupied. It is found that under this system civil servants of superior merit rise gradually from class to class, and attain, ultimately, a high position in the Service; and also that a large proportion of those who enter the Civil Service are, sooner or later, promoted from the class in which they were originally placed. Even, therefore, if we were to assume, in opposition to the evidence which we have quoted, that the increase of salaries caused by the abolition of deductions would, in the first instance, impose on the revenue a charge not strictly justified by a mere regard to the duties to be performed, it is obvious that this charge would at once be in a course of gradual reduction, as opportunities occurred of making appointments at a revised scale of salaries, as well in consequence of retirements from the Service as of promotions from class to class."

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"The Commissioners then stated, as the result of their investigations, that it has not been without much anxious consideration that we have arrived at the conclusion that it is our duty to recommend the total abolition of deductions for the purpose of superannuation, without any corresponding reductions in the salaries on which such deductions have been charged. Our first impression in entering on the enquiry referred to us was adverse to this arrangement; but, on a careful review of all the difficulties of the case, we became satisfied that, with a view to public interests alone, we could recommend no other settlement of the question as likely to be permanent and satisfactory. We are aware that the present system of deductions has had high authorities in its favor, and at the time when it was introduced it may have been considered a convenient mode of carrying into effect the unpopular measure of a general reduction of salaries. Nevertheless, for reasons which we have already stated, we believe it to be unsound in principle; and we think that its inherent defects

have developed themselves in difficulties of administration, of which the effect has been to create a mass of anomalies and inconsistencies most injurious to the public service. In this, as in other similar cases, it may be found impracticable to escape from a vicious principle, and to establish a reasonable and uniform system without some temporary pecuniary sacrifice. But believing that there is no other satisfactory solution of the difficulty, being confident that the ultimate advantage of the public will be much more than a compensation for any possible temporary loss, and having regard to the importance of maintaining the character and efficiency of the Civil Service, we are of opinion that by the recommendation which we have made, we shall best discharge the duty which has been assigned to us."

In the correspondence called for by the Commission of 1857, only one Department made any mention of contributions to the widows and orphans of civil servants, and that Department was the Foreign Office. "Mr. Hammond, the Under-Secretary, stated that he was to add, as the expression of Lord Clarendon's own opinion, founded on the experience of the last four years, "that the case of the widow of an officer who dies on service and who has contributed towards the Superannuation Fund, is a peculiarly hard one." The Commissioners are aware that widows so circumstanced cannot, under the present Act, claim either an allowance for themselves or even the return of the amounts which their husbands may have contributed; and Lord Clarendon has frequently had occasion to regret that, in cases where a trifling allowance would have been most beneficially bestowed, the Board of Treasury have informed him that the stringency of the Superannuation Act prevented the possibility of such an allowance being granted.

"It appears to Lord Clarendon deserving of the serious consideration of the Superannuation Commissioners whether, assuming that they consider that the State should in the same manner as private individuals and mercantile firms, provide for those who are worn out in its service, without making any deduction from their allowances during the period of their servitude to form a fund for that purpose, it might not be proper that it should be made compulsory on public servants to insure their lives to an amount in proportion to their salaries, so as to form a provision for their families in case of death. This system, Lord Clarendon is informed, is acted upon by the Bank of England, and probably by other large mercantile corporations; but at all events it cannot be doubted that it would be highly advantageous to the families of public servants, and would spare Her Majesty's Government the painful position in which they are now placed of being unable to relieve cases of deep distress which are constantly brought before them."

In the course of time the report of the Commissioners was laid before the House of Commons, and on 30th June, 1857, the late Lord Mayo, then Lord Naas, moved for leave to introduce a Bill to repeal the 27th section of the Superannuation Act of 1834. He reviewed the history of Superannuation, quoted from the several Commissions and acts upon the subject, and stated that the remedy he proposed was sharp and decisive; it was to introduce a Bill containing but one clause, repealing the 27th section of the Act of 1834, which authorized the deductions.

In the course of his speech he stated: \* \* \* "The merits of the civil servant had been admitted from time to time by every eminent statesman. Also that the civil servant was seldom rewarded by popular applause. He worked generally in retirement and often in obscurity, and the only reward which he hoped to receive was his small salary and the consciousness that he had faithfully discharged his duty." \* \* \*

Mr. Hankey M.P. for Peterborough, and Governor of the Bank of England, followed Lord Naas, and, in supporting the motion, said "that it was a sound principle acknowledged by all the highest authorities who had considered the subject, that the proper way of paying the civil servants was to give them a moderate salary, and to hold out to them the expectation of a moderate retiring pension when no longer able to discharge their duties. If the salaries were fixed on a fair and equitable scale, then it was unwise and unjust to impose a tax upon them such as they were now subjected to. It was said that notwithstanding this tax there

were always plenty of candidates for these offices. He believed that if a tax of twenty per cent. were employed, the Government would still find plenty of applicants, but that would not prove the system to be a wise one. Was it a wise provision to make a man put by a certain amount of his daily earnings, when he might prematurely die, and his wife and family derive no benefit from it? The House had no right—it was not morally honest—to call on the clerks of the Civil Service to make such a sacrifice. They could make a much better and safer use of their money themselves in providing for those who had a claim upon them than any Government or Parliament could possibly do. Where was the fund to which they were said to contribute? It had no existence. He defied any hon. member to show that the amounts paid by those clerks were credited to them in any of the public accounts."

The Chancellor of the Exchequer, Sir G. Cornwallis Lewis, replied as follows:

"I shall feel it my duty to follow the noble Lord through the statements which he has laid before the House. The subject is too wide, the questions involved are too large, the Civil Service, whose interests are affected, is so important, and the sum of money which the noble Lord proposes to vote away is too great to allow me to be silent on this occasion, or to pass the motion by without putting the House in possession of what I consider to be the material facts of the case. I can assure the House that the task is not one that I have any desire to undertake; but I feel that it is a task from which, in the discharge of my duty, I ought not to shrink. The noble Lord has given a very clear, and, with one or two exceptions which I shall presently notice, a very fair account of the origin of the present law with respect to superannuations. The true origin of the present state of things is this:—In the period immediately after the peace, the feeling in the House and country ran strongly in favor of economy, and one of the objects to which economy was directed was a reduction in the Civil Service superannuations—"the dead weight," as it was called. I have before me the works of Sir Henry Parnell on financial reform, which embodies the general view held at the time, and in which he expresses a decided opinion against all superannuation pensions whatever. He says the salaries of the civil servants are unnecessarily high, so high as to afford every person adequate means of making provisions for himself, and speaks of it as being undesirable that Parliament should grant them any superannuation pensions whatever. I do not coincide in that opinion. I only mention it to show the opinions in which this Legislature began, and which there are in the House hon. members old enough to remember. The Finance Committee at that time appointed recommended that reductions should be made from the salaries of the civil servants sufficient to create a fund out of which superannuation pensions might be paid, and an Act was passed embodying that recommendation. But when they came to apply the system to the salaries of existing civil servants, the strongest objections were made to it by them and by their friends in the House, on the ground that it was an undue interference with vested interests; that persons who had entered the Service on certain conditions ought not to have those conditions disturbed by the interference of Parliament and by the imposition of an annual tax on salaries for the creation of a fund out of which superannuation pensions should be paid. The result was that the Act which enforced that system was repealed, and the sums actually received as abatements from the civil servants were, by the order of this House, repaid. In consequence of the failure of that attempt, the Treasury, on the recommendation of the Finance Committee in 1829, introduced the system at present existing, namely: that all persons entering the Civil Service after a certain day should be subject to a deduction from their salaries. Inasmuch as that regulation did not interfere with existing interests, and as everybody who accepted office had full notice of the deduction, it was thought a fair one, and was first embodied in a Treasury minute, and afterwards, in 1834, in an Act of Parliament.

"Every civil servant who entered the Service since 1829, and, subsequently, since 1834, has had full notice that he accepted office upon these terms, and knew that the full salary voted by this House was not the sum which he would receive, but that in case his salary was under £100, he would receive it subject to a deduction of 2½ per

cent.; and, if above £100, of 5 per cent. That regulation, as I have said, was embodied in an Act of Parliament; everybody had full notice; and there is not the smallest pretence for the assertion that any breach of contract has taken place with any portion of the Civil Service. The same Act of Parliament also introduced a certain scale of pensions, and, in like manner, as each civil servant knew that he was liable to the annual deductions, so he knew that he would only receive a pension under the terms described by the Act. The question of a fund never arose. Neither the Treasury Minute nor the Act of Parliament contained a word about a fund. The Treasury made no fund, they merely accounted for the deductions, which were in the nature of a tax-laid upon the salaries of the civil servants, and these deductions were annually stated in the papers presented to Parliament. There never was the smallest pretence for saying that the whole matter was not fully within the cognizance of Parliament. Remember I am not now justifying the system, but describing the way it arose. That system has continued from 1834 down to the present time, under the operation of an Act of Parliament, but as the number of civil servants who were liable to the abatement increased, which they did in successive years, and as the operation of the war income tax made itself felt, the deduction from the salary of five per cent. under the superannuation tax, and of six per cent. under the income tax, no doubt pressed very hardly upon them. Their complaints gradually increased, owing to the joint operation of those two causes, and on succeeding to the office I now hold I found that many representations were made, that the question had been brought forward in this House, and I was also informed that a Bill had been prepared in the Treasury which dealt with the subject to a certain extent, making no alteration in the abatements, but introducing an improvement in the scale of pensions. In the beginning of the Session of 1856 I introduced a Bill which brought the subject under the notice of the House; and at the same time, wishing to treat the question in the fairest manner, I moved for a Select Committee, in order that the measure which I had introduced should undergo consideration by it, but principally for the purpose of enabling the House to hear the complaints of the civil servants and examine the foundation upon which the existing system rested. The complaints in question turned very much upon the opinion as to the existence of a fund to which the noble Lord has adverted, and also upon the circumstance that, as it was alleged, the civil servants paid more than they received; that the bargain between them and the public was an unfair one, that the public gained more than it was entitled to, and that the deductions were, in fact, an unjust arrangement between the two parties. This matter was very fully gone into, and during the course of the investigation, the Committee desired that the opinion of two eminent actuaries should be taken upon a question which involved the equity of the case of the civil servants—that is to say—whether or not they paid more than they received. The matter was accordingly referred to by two actuaries, who found it involved such a vast quantity of numerical details, that they were unable to complete their report before the Committee terminated its sittings; and, therefore, the members of that Committee were not assisted in their decision by the opinions of these two gentlemen. The Committee, however, came to an important resolution as affecting the subject of the noble Lord's motion. They resolved upon the motion of the noble Lord, the Member for Lynn (Lord Stanley), 'that in the opinion of this Committee it is desirable to do away with a system by which a portion of the salaries of civil servants is deducted, on account of superannuation allowances. They, therefore, condemned the system of annual abatements. When this resolution was under the consideration of the Committee, a noble Lord, not now in the House, but who then represented Portsmouth (Lord Monck) at my suggestion (for I was chairman, and could not myself propose it) moved the addition of these words: 'With respect to all persons who may enter the Civil Service after a future day to be named.' The proposal which seemed to me an equitable one, was, that we should leave all those persons now in the Civil Service in their present positions, without varying the terms upon which they accepted office, but that the system of deductions should be abolished with regard to all future civil servants. The noble Lord (Lord Stanley) acceded to that amendment, but the majority of the Committee were hostile

to it, and therefore the resolution was carried simply as a condemnation of the system of annual abatements. However, the Committee felt the difficulty they had to encounter in making an indiscriminate addition to the salaries of the existing civil servants, without any corresponding increase of duty on their part, without any claim on the ground of merit, but simply because this tax had been imposed, and it was now thought advisable to remit it. - The Committee, on consideration, felt the difficulty of adding £60,000 or £70,000 a year to the salaries of the civil servants without any apparent reason, and, therefore, they came to the additional resolution which, as they thought, would meet the difficulty, they resolved: -

"That as a condition of such deductions being done away with, the rates of payment in the various branches of the Civil Service shall, at the earliest possible period, be revised, with a due regard to the amount of deductions remitted, as there is no ground for an indiscriminate augmentation of salaries, which would otherwise result from the change proposed; that the revision now referred to shall be made previous to the 1st of April, 1857, when the abatements shall cease."

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"The Chancellor of the Exchequer said he was willing to assent to the introduction of the Bill, provided that it was fully understood that the object of such concession was merely to give an opportunity for fuller discussion, but the noble Lord must not be misled into believing that the Government would agree to the principle of the measure which was proposed."

The Bill was accordingly read for the first time.

On the motion for the second reading of the Bill, Mr. Wilson, then Secretary of the Treasury and Editor of the *Economist*, moved that the Bill be "read upon this day three months."

In the course of his speech he stated that "some hon. gentlemen were disposed to think that the abatements were no security to the public servants for their pensions. That those who took that view were not acquainted with the fluctuating temper of the House of Commons. Not long ago a proposal was made to the House by the right hon. gentlemen the member for Oxfordshire (Mr. Henley), and supported by a large minority, to reduce the salaries of the whole public servants by ten per cent. The Government of the day had great difficulty in resisting that proposition. What, however, was the answer which had enabled them to do so? It was that the Government had made a contract with the civil servants, and that it would be a breach of faith to reduce their salaries. - Supposing that the same could fit were to come over the House with respect to the pension fund, would it not be an advantage to the public servants if they could say that Parliament had entered into a contract with them, that in consequence of that contract they had paid abatements, and that they, therefore, claimed their pensions as a right, and not as a favor. Under any circumstances, indeed, he did not think the House ought to separate the pensions from the salaries, or to abandon the system of granting superannuation allowances. He believed not only that the existence of such a system created a bond between the Crown and its servants, but that the discontinuance of it would be highly injurious to the public service. - It was all very well to talk of discharging public servants when they were unfit for duty, but the thing was simply impossible. In this country, where the Heads of Departments were continually changing, no chief of a department would ever expose himself to the odium of discharging a public servant without some provision. Moreover, a superannuation viewed as a means of promoting the efficiency of the Service was, upon the whole, an economical and beneficial arrangement."

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Mr. Weguelin, who was one of the Commissioners who had inquired into the subject,

"Thought the real question for the House of Commons was, as to the policy of continuing these abatements. - Everybody, when they came to examine the matter, abandoned them. The Committee appointed to investigate the matter had thrown them over; the Commissioners had given them up; every debate in the House had

been conducted on the principle of the abandonment of the system of abatements, and the real question before the House appeared to him to be, whether or not there ought to be an increase of salary on account of those deductions. That question of salary he admitted the House were incompetent to enter into; it must be left to a Committee of the Treasury. Judging from what he saw around him, he believed that salaries generally were on the increase. He knew they were in commercial concerns; but with respect to that, the right hon. gentleman made a statement which was not exactly in accordance with the fact. He stated that the average salaries paid at the Bank of England were lower than the average salaries paid to the civil servants. (Mr. Wilson: Not higher officers.) The general average, however, in the Bank was £195 per annum, whereas in the Civil Service it only amounted to £147. (Lord Naas, £141.)

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“What was the present position of this question? It had been frequently debated in the House, it had been referred to a Select Committee, the Government had brought in two Bills on the subject, and a Commission had been appointed to inquire into the case. There had been a remarkable coincidence of opinion, and yet the Government were not prepared to act.”

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Mr. Seymour Fitzgerald said,

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“The claim of the civil servant was simple and powerful, and constituted a claim to justice. They based it chiefly on these two grounds—first, they said that a great many of them were called on to contribute to this fund who never by any ordinary chance could have the slightest benefit from it. The hon. Baronet (Sir F. Baring) referred to returns, but did not venture to deny that there were many cases in which those who contributed to the fund could receive no benefit from it. It was only the other day that a member of the Civil Service gave him (Mr. Fitzgerald) a case which happened in his own family. A civil servant had contributed to the fund for sixteen years, and on his death, which took place last week, he left a widow and seven children totally unprovided for, and without the slightest claim either upon the fund or upon the Government. The civil servant felt such a case as that to be very hard. Nothing was more honorable in the middle classes than their desire to assist persons in difficulty, and he was sure that they would condemn a system by which the members of the Civil Service were compelled to contribute to a fund from which, in the long run, nine out of every ten would receive no benefit whatever.”

Lord Naassaid that, “having already stated, upon introducing the Bill, his reason for so doing, he would confine his remarks upon the present occasion to a reply to certain comments which had been made during the debate.”

“It had been said that the Bill did not call upon the House to decide whether or not the system of abatements should be abolished; but the statement was incorrect, for that was the only question the House was called upon to decide; nothing could be clearer from the terms of the Bill itself than that this was the very point they had to determine. The Secretary for the Treasury (Mr. Wilson), whose motives in opposing the Bill no one could doubt were very proper, had, however, made some statements of facts and figures in a manner which tended to create a false impression. The hon. gentleman had stated that there was “an impression” abroad that the civil servants of the public were called upon to pay more in deductions than they received back as pensions. That was not “an impression,” it was a distinct matter of fact, and it could be proved beyond all dispute that the contributions of the civil servants far exceeded in amount the pensions that were granted to them. That matter ought to have been set at rest after the evidence which had been taken before the Committee which sat last year upon the subject. They examined Dr. Farr, Mr. Edmunds and Mr. Hardy, actuaries of the highest eminence, and documents were produced showing that six other distinguished actuaries agreed with them in an opinion that the average value of the pensions actually granted was considerably less than what should have been given in return for the contribution paid by the civil servant, even



omitting all profits arising from resignations and discharges. It was true that an enquiry was going on, or was supposed to be going on, directed in some measure to that point, but the evidence before the House would lead them to believe it was unlikely there would be any different conclusion arrived at than had been come to by the Committee. Much had been said in the course of the debate about the present system not being a breach of contract. He had never said it was. He did not think the Government had broken faith with the civil servants, nor did he think the civil servants were seeking to depart from any contract they had made with the Government. What he had said and repeated now was, that the present system was decidedly bad, and he could not show that in better words than by reading to the House the words of Sir Charles Trevelyan:—

“The arrangement is in its nature inequitable and belongs to that class of bad laws which are contrary to the natural sense of justice of mankind. In criminal jurisprudence the effect of such laws is that jurors will not convict upon them. In civil administration the effect is that they obstruct and baffle all our endeavors for the improvement of the Civil Service,—the fact of the clerk submitting to the condition does not make that justice which is its principal injustice.”

“That was, in a few words, the view which the civil servants took of this question; they contended that the system was a bad one, an unjust one, and detrimental to the public service.

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“He believed he had shown that there had been no general increase of salaries, although there had been a very considerable increase of labor. The hon. gentleman had also told the House that the civil servants of the public were paid at higher rates than the clerks in the Bank of England for doing the same description of work. The statement, however, had been disposed of by the Governor of the Bank (Mr. Weguelin,) who had proved that the average salary of the clerks in the Bank of England was £196, while that of the public civil servants was only £141. The House must also remember that in the Bank the clerks had their chance of succeeding to the higher positions in the establishment, while in the public offices the chief post was frequently filled up with persons who had never served in any subordinate capacity and sometimes even members of that House had been appointed to such offices. The Bank of England also gave their clerks superannuation allowances without making any deduction from the clerk's salaries on that account. The clerks of the Bank of England, therefore, received better pay, enjoyed better terms, and were in a more advantageous position in every respect than the civil servants.

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“But the hon. gentleman went on to say that the payments made were in the nature of insurance. Now, what the civil servants complained of, was, that they were not in the nature of an insurance at all. Had they been so there would by this time have been more than £1,000,000 at their disposal and available for the purposes of insurance. In truth, these payments were not an insurance but a Tontine, and one of the worst kind too, for not more than one in seven ever received any benefit from it. Then the hon. gentleman proceeded to say that the Treasury made provision for widows. Since that statement was made he had seen several gentlemen connected with the Civil Service, and they could not bring to their recollection any cases in which the widows of civil servants were recommended to receive this provision, while the applications that were made were always refused. It was possible there might be exceptional cases, though he did not know of them, but certainly it was not the general practice of the Treasury to provide for the widows of those who contributed to this fund, and a man might have paid all his life five per cent. to the Civil Service Fund, and die leaving a large family, but at his death his family would not derive one shilling of benefit from his contributions. The hon. gentleman also said that if these abatements were made into a fund he did not see what difference it could make, as no officer could receive more than the allowance by the Act of Parliament; but he (Lord Naas) contended that if the deductions were put into a fund there would be this difference—that there would be a gradually increasing sum placed at

the disposal of the civil servants, which in course of time would, by compound interest, swell to an enormous amount for their benefit. The hon. gentleman referred to the Metropolitan Police Fund, and stated that at this moment it was unable to meet the demands upon it. But that was not a case in point. He asked the House to remember that the men who contributed to that fund were a class very distinct from the civil servants of the Crown. They entered the Service much older than the civil servants did—he believed at least ten years older—and they retired far sooner. From constant exposure to all weathers and from the nature of the duties in which they were employed, their constitutions broke down, and they came comparatively early upon the fund, so that the case of the police did not apply to the one now before the House.

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“The right hon. gentleman the member for Portsmouth (Sir F. Baring) gave as one of his reasons for supporting the present system of superannuations, that it gave additional security to the civil servants for their pensions; but in this he was at variance with the Commissioners, who plainly stated that they did not think the abatements gave any additional security whatever. It had been objected that the Bill before the House did not deal with the whole question, and did not carry out all the recommendations of the Report of the Commissioners. Now, the principal recommendation of the Commissioners was, ‘the total abolition of deductions for the purposes of superannuation, without any corresponding reduction in the salaries on which such deductions are charged.’ This was the great cardinal recommendation of the Commissioners, and it was embodied in his Bill; and he would undertake in twenty minutes to frame clauses that would embrace all that was necessary in the other recommendations if the House wished it. What were those recommendations? They were, in the first place, that the scale of superannuations recommended by the Committee of last year, which did not differ materially from that at present in force, should be adopted, that superannuations should be given at sixty instead of sixty-five, except in cases of ill-health, and that there should be compulsory retirement at sixty-five. Then there were recommendations with regard to gratuities, and compensations on loss of office, which did not properly come under the head of superannuations, and ought to be made the subject of another Bill.

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“If he understood properly the objections of the Government, they were directed not against the details of the Commissioners’ recommendations, but the principles they had laid down. He wished to know from the right hon. gentleman, the Chancellor of the Exchequer, whether the Government meant to set their face once and for all against every attempt to do away with the abatements made for superannuation allowances? His decided opinion was that they must make up their minds to do away with those abatements, or not deal with the question at all; unless they made the principle of non-abatement the root of their measure, it would be unsatisfactory to the civil servants, and, he believed, to the House and country. The system had been condemned by that House, by the Press, and by the good sense of the people of this country. In former times it was discussed and disapproved by such men as Lord Sidmouth and Mr. Charles Grant, and by one whose genius and eloquence adorned every subject on which he spoke (Mr. Canning); and in our own days by high authorities in the House of Commons, by the public press, and by petitions to Parliament—it had been condemned by a Committee of that House which had given long consideration to the subject, and, lastly, by a Royal Commission, whose report should be looked at more in the light of an arbitration than anything else. In fact, the whole system of taxing salaries stood condemned; and although there might be hon. members who thought the system just and proper, he trusted that with the weight of the authority to which he had alluded to support them, the Government would put the matter on a satisfactory footing. The continuance of the existing system caused great dissatisfaction among a large and important body of public servants whom it was most desirable to keep contented. They felt they had a grievance to complain of, and the House might depend upon it

they would not be satisfied till that grievance was removed. The agitation would go on, and they would not rest contented with less than was now proposed for their relief. Next year the demands of the civil servants, instead of being lessened, might be enlarged: and the House might find that it was not one grievance only they were called on to redress. We boasted in this country of the stability, the firmness and integrity with which the business of every department was conducted. These we owed very much to the exertions and abilities of the civil servants of the Crown, and when they were told by high authorities that this class labored under an oppressive grievance, he maintained that the House ought to redress it at the earliest possible opportunity, and he trusted the House would, by accepting his Bill, put an end to the grievance at once, and thus confer a boon and recognize a right."

Mr. Gladstone said:

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"I have no doubt whatever that it is the intention of the Government to abide firmly in the substance by the present system, and that they intend to retain the remuneration of the public servants in the main on its present basis. If they had intended to make great changes in that system, it would have been their duty to let those intentions be known to the House; but judging from the Bill which the Government brought in last year, and from what has since taken place, there can be no doubt, as I have said, that they mean in the main to keep the remuneration of the public servants as it is; and I have no doubt we shall hear that intention announced to us by the Chancellor of the Exchequer in the clearest and firmest language; for it is not just or fair to the civil servants or for the public interest that any uncertainty should be allowed to exist with regard to the views either of the Government or House of Commons on that point.

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"The question raised upon this case appeared to be raised in this form. It is stated or assumed that the system of making deductions from the salaries of the civil servants with a view to *providing funds for superannuation is a system which has been condemned on all hands.* It has been condemned, it is said, by a Parliamentary Committee, by the Royal Commission, and it is assumed to have been condemned by the Government. It was condemned, I am sorry to say, by the Parliamentary Committee—I greatly regret that such should have been the case; it has been condemned by a Royal Commission, which I look upon as being of less authority; whether it has been condemned by the Government or not, I am not aware; but the system which at present exists was founded under recommendations entitled to quite as much weight as any of the recommendations which have been made in the opposite direction. I will read to the House the answer given by Sir James Graham on this point before the Committee. The right hon. gentleman was asked:—'With regard to the policy of making deductions from a salary as an equivalent for a prospective superannuation, do you think that that is a sound policy?'

"And his answer to that question was:—'Much higher authorities than I, and authorities which I most respect, namely, those who formed the Committee in 1828, and who were some of the ablest and best men that I have ever known in public life, such as Mr. Tierney, Mr. A. Baring, Lord Althorp, Mr. Herries, Mr. Goulburn and Sir Henry Parnell, all concurred in the opinion which I have adopted, that it is sound in principle, and in effect is excellent. It acts as a powerful moral check on the civil servants, as a penalty for misconduct, and as a reward for good conduct. When they retire from age and infirmity, and their case is brought under the notice of the Treasury, as it is in each individual case specially brought, the Heads of Departments are bound to give a report as to the past conduct of that individual, and if it be favorable it is carried to his credit, and an increased superannuation is given to him. Therefore I think that, both financially and morally, the arrangement is good.'

"Although the world goes onward or backward—whichever it may be—at a very considerable pace in these days, I do not think that the House of Commons will be

inclined to put aside the authority of the names quoted by my right hon. friend in his answer. They were men, most of them amongst the most experienced administrators of their day, and one or more of them had originally belonged to the permanent Civil Service. The weight of testimony, therefore, in favor of this system is sufficiently strong, not perhaps to induce you to maintain it under all circumstances, but at least entirely to deprive the noble Lord of the right of saying that it is a condemned system.

"On every ground of justice and expediency I protest against this Bill; but I protest against it most of all upon the ground that it practically, although not intentionally, is a complete evasion of the rule of this House, which prohibits private members from proposing augmentations of the public burdens; that it takes that function out of the hands of those who are responsible to the country, and that it is our duty, if we wish to maintain a wholesome spirit in the administration of the public service, to leave that office where it now is, namely, in the hands of Her Majesty's Government."

Mr. Disraeli said :

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 \* \* \* \* \* "It cannot be denied, as has been stated by my noble friend, who has treated this subject with great ability and knowledge of the subject, that the arrangements connected with the Superannuation Fund are, to say the least of them, so clumsy, that on an average only one man in every seven who pays the tax derives any benefit whatever from it.  
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"No one can deny that a Parliamentary Committee has decided in favor of the abolition of deductions from the salaries of public servants. Under these circumstances, the House expected that the Government would once more attempt to legislate on the subject and carry into effect the principal recommendations of that Committee. The Government, however, did not appear to be satisfied with the report of that Committee, and they thought it proper that a subject of such great importance should not be precipitately dealt with, and that as even the decision of a Parliamentary Committee, in the face of awakened public sympathy, might not be above suspicion, they thought it best to submit the subject to the investigation of a Royal Commission.  
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"We have the sanction of a Parliamentary Committee, Her Majesty's Government and a Royal Commission. \* \* \* Well, then, under these circumstances, what takes place?—No doubt there has been much anxiety and agitation among that particular class of persons who are immediately interested, and in those who are connected with them—indeed I may say, in the House and country generally; and this, no doubt, has occupied the serious attention of the Government, because they must know that it is most inexpedient that there should be any chronic discontent among so useful a class of persons as the public servants of the country, arising from the feeling that injustice was being exercised towards them. Every one is agreed that, one way or another, this question ought to be settled. But when an inquiry was addressed to the Government, whether they were prepared to legislate in settlement of the question, a most unsatisfactory answer was received; and we were told that the Government were not prepared to legislate on the subject, as they thought some further inquiry was requisite relative to what were admitted to be very minor details. Now, those details are not in any way vital to the main issue, and I think, therefore, that my noble friend, in asking the House to divide upon the main question, and thereby put an end to a long and painful struggle, has adopted a wise and expedient course. If the Bill of my noble friend, which repeals the clause of the Act justifying these deductions from salaries, is passed, in that case it will be perfectly open to the Government hereafter to legislate upon those minor points to which the Report of the Commission refers. Well, Sir, it is said that to adopt the course which is now proposed by my noble friend, would be to add greatly to the public expenditure. I confess that I agree with the right hon. gentleman opposite (Mr. Gladstone)

that, considering not only the present state of our finances, but the gloomy future in prospect with regard to expenditure, it would be most unwise thoughtlessly to increase the expenditure of the country; but I do not think that any member of this House, if he thinks that this is an unjust and impolitic tax, and who remembers the opinion of this House as reflected by a Select Committee, of a Commission of the Crown, and of the Government, I do not think there is any gentleman here who is prepared to refuse to perform an act of justice on considerations of mere economy. Nor can it be said, if we adopt the principle which is now before us, that we shall be acting upon impulse, or without consideration or inquiry. This has been a matter of painful inquiry and mature deliberation. Nor can I agree with the right hon. gentleman and those who preceded him, that the abolition of this tax will otherwise lead to a large expenditure. It is said by some, that if we put an end to those deductions, all those public servants who do not share that boon will ask for an increase of salary. Now, I cannot admit the force of that objection, nor do I think that the inference is irresistible.

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"I trust my noble friend will, upon this occasion, succeed in obtaining the assent of the House to a measure, the operation of which, I think, will be virtually to settle this important question. I may remind hon. members that, even should that measure pass into a law, it will still be open to the Government to carry out all those other arrangements with respect to the Civil Service which have been recommended by the various Committees and Commissions, or which they themselves may deem it desirable to introduce. It will be perfectly in their power to take that course with the concurrence of Parliament, and they may even without that sanction revise the salaries of those officers who would be affected by the proposal which is made by my noble friend. In conclusion, I have only to say that if this Bill be carried, the result will be to terminate a controversy which is at once painful and impolitic, and, believing myself that we shall thereby be doing an act of justice, I shall give to the measure my cordial support."

The Chancellor of the Exchequer, Sir G. Cornwallis Lewis, said:

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"It appears to me, Sir, that the question which has been submitted to the consideration of the House by the noble Lord the member for Cockermouth, in the Bill which is now before us, may be regarded under three different aspects. It may be looked upon as a question of feeling, as a question of equity, or as a question of expediency. Now, if we view it as a question of feeling, I can only say that, so far as I individually am concerned, nothing would afford me greater satisfaction than to accede to the motion of the noble Lord to make that addition to the salaries of the civil servants which his Bill proposes. It is my lot to be in daily communication with the members of that body, and while for many of them I entertain the highest respect, my feelings towards others are those of friendship and regard. If then I were to give way to mere personal considerations, I could perform no act which to me would be more gratifying than to vote for the second reading of this Bill. But, Sir, although there may be many hon. members who would feel that they were justified in giving their votes upon the ground which I have just mentioned, no one who has a public duty to discharge would venture to yield to the influence of mere individual inclination. The Government must therefore be guided exclusively by reasons of public policy with respect to the decision in reference to this Bill at which they may arrive. Now, the next point which we have to consider, is whether this claim put forward upon the part of the Civil Service is or is not founded upon principles of equity and justice. When it was first submitted to Parliament it was, to the best of my recollection, based altogether upon that ground. It was treated as a grievance—it was put forward as a right. The civil servants contended that the Government, by a misinterpretation of an Act of the Legislature, had virtually defrauded them of a portion of the emoluments to which they were entitled. They alleged that the Executive had acted improperly in making deductions from their salaries for the formation of a fund which had never been created. It was in consequence of the

existence of that most serious charge that I deemed it to be my duty to ask this House to refer the Bill which I introduced in connection with this subject last year, to a Select Committee in order that these allegations might be examined. Before that Committee, the principal members of the Civil Service from whom the charge to which I have just alluded had emanated were examined, and every opportunity was afforded to them to lay their cause before Parliament. Now, whatever may be the policy of delegating the responsibilities of government to a committee of the House, it seems to me that so long as such serious allegations remained unexamined by a competent tribunal it would not have been satisfactory to the House to have come to a decision on the subject. Well, the Committee had a large amount of evidence brought under their consideration, and not being able to make up their minds as to that which I may term the question of insurance—that is to say, the question whether the deductions which had been made from the salaries of the civil servants were or were not greater in value than the pensions to which they would be some entitled as an equivalent,—resolve I to refer the matter to two actuaries, who were to be furnished with the whole evidence and to report thereupon. The noble Lord, the member for Cokermonth, has indeed quoted the testimony of the actuaries who were examined before the Committee, to prove that its members were satisfied with the information which had been laid before them; but I appeal to the recollection of those hon. gentlemen who were members of the Committee to corroborate the statement which I have made, that the Committee not being satisfied with the evidence before them came to a deliberate resolution to refer the question for the report of two actuaries specially selected, who were to be furnished with the evidence for that purpose. I therefore entirely dispute the statement that the Select Committee were satisfied upon the ground of equity and justice. The result of the investigation of the Committee was, in my opinion, to leave the question of insurance quite undetermined, and I may add that their labors were brought to a close before the report of the two actuaries to whom the point had been submitted could be received. The claim of the Civil Service has nevertheless been re-argued in this House upon the ground of justice, and upon that footing it was placed by the hon. gentleman, the member for Hereford (Mr. Olive), who spoke on the first day of this debate, and by the noble Lord, the member for Cokermonth, in his speech upon this occasion. Now, I utterly deny the validity of the claim of the civil servants upon the ground upon which both the hon. gentleman and the noble lord have put it. I maintain the contract which was entered into with them by Act of Parliament is, in its terms, perfectly clear and precise; that every one of them who has taken office since the passing of that Act has accepted upon conditions which were well known; that those conditions have been strictly adhered to by successive Governments, and that it is absolutely impossible to prove that even if a fund had been created, any additional benefit to the members of the Civil Service would be the result.

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“ We then come to the ground of expediency upon which the claim is placed by the Commissioners; but before I address myself to that part of the subject I take the liberty of calling the attention of the House to the course of proceeding which has been followed in this House with respect to the whole inquiry. The Bill which I first introduced into this House, and which was referred to a Select Committee, proposed to make some alterations in the scale of pensions, but did not touch the question of abatements. The Committee went very fully into the question. They examined many witnesses, and agreed to certain resolutions, one of which condemned the principle of abatement of salaries, but affirmed the policy of a revision of salaries, with reference to the abatements. Therefore the Committee, in recommending the abolition of abatements, at the same time recommended that a corresponding reduction should be made in the salaries of the civil servants. They did not recommend an absolute remission of abatements, but a qualified and conditional remission—that qualification and condition being that the salaries of the entire Civil Service should be revised with regard to the deduction. After the Report of the Committee had

been presented, it became my duty, as Chairman of the Committee, to introduce a bill embodying the decision of the Committee, and the Bill I introduced at the end of last session contained a clause that the Commissioners of the Treasury should, with all convenient speed after the passing of the Act, cause the salaries or rates of payments of the Civil Service to be revised with due regard to the deductions which should be remitted. The principle embodied in the Bill was that the Treasury, after the deductions had been abolished, were to revise the salaries according to the remission of those deductions, whereby engrafting upon the Act the principle on which the revision of salaries was to be effected; and that was the principle and no more to which I assented. The result, then, was this, that I prepared a Bill which contained the principle of abatement; the Select Committee, however, determined not to uphold that principle, but they accompanied their reversal with a decision that the salaries of the Civil Service should be revised. The Bill was introduced at the end of the session when there was not sufficient time for its consideration. It did not receive any general support in this House, and, with the concurrence of both sides of the House, I abstained from any attempt to proceed with it. Finding that the proposal I made did not receive the approbation of the House, and being unwilling to adhere obstinately to the principle that I originally proposed, I thought it my duty to propose that the matter should be referred to a Royal Commission, believing that the inquiries of impartial persons would afford the best means of assisting and advising the Government in the difficulty in which they were placed.

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“This brings me to the last point which I have now to put before the House, namely, whether they are prepared to agree to the measures proposed by the noble Lord, which involves the simple and unconditional abolition of the deductions now made from the pay of the Civil Service. I have already stated my opinion that the rights of the Civil Service to such a concession cannot be established; and in the official position which I hold, I do not feel myself justified in asking the House to be generous with the public money. If the House think fit to perform an act of liberality and generosity, it is no doubt competent for the House so to act; but it would ill beseem me, as Chancellor of the Exchequer, to propose any increase in the salaries of the Civil Service, except upon the ground of justice, or of the insufficiency of the present scale of remuneration. No doubt it is perfectly competent for the House of Commons, if it think fit, in a spirit of gratuitous liberality, to bestow upon the civil servants of the country this annual sum in addition to their existing salaries, and to diffuse the increase rateably over the whole Service without any reference to individual merit, or to any augmentation in the amount of the work performed. On the other hand, if the House is not disposed to take that step, they may accompany the remission of these abatements by the principle which was adopted by the Committee of last Session—that is to say, they may call on the Government to make a reduction in the salaries equivalent to the abatements remitted. In that manner either the whole or a considerable part of the deductions to be abolished would be recovered in the shape of a diminution in the regular rate of pay. That, however, is a matter entirely for the House to consider. For my own part, standing in the situation which I have the honor to fill, I see no sufficient ground to justify me in acceding to the proposition of the noble Lord, and therefore I shall support the amendment of my hon. friend (Mr. Wilson) that the Bill be read a second time this day three months.”

“The House divided on the second reading of the Bill, and it was carried by a majority of 60 in a House of 282. Ayes, 171; Nays, 111; majority, 60—the minority including all the members of the then administration.”

On the 30th July, 1857, Mr. *Seymour Fitzgerald* said, he would beg to ask the First Lord of the Treasury what course the Government propose to pursue with reference to the Civil Service Superannuation Bill, the second reading of which had been carried the previous day by so large a majority?

*Viscount Palmerston*:—Sir, Her Majesty's Government felt it their duty to state to the House at considerable length the objections they felt to the Bill proposed by

the noble Lord opposite (Lord Naas), considering that the effect of it would be to add a very large sum to the annual expenditure of the country; but the House having, in a very full attendance and by a very considerable majority, confirmed the second reading of the Bill, of course Her Majesty's Government would not deem it respectful to the House to offer any further opposition to the progress of the measure.

Mr. Gladstone:—In connection with the subject I beg to ask the noble Lord at the head of the Government whether it is the intention of the Government to institute any revision of the salaries of persons holding offices in the Civil Service in connection with the removal of the deductions to which they are liable.

Viscount Palmerston:—The effect of the Bill will be to add  $2\frac{1}{2}$  per cent. in some cases, and five per cent. in others to those salaries; but the only revision that would naturally arise out of it, would be a revision by which the salaries would be diminished in proportion to the alteration made by the Bill, which I think would hardly be consistent with the decision of Parliament.

The Bill passed through Committee during the sitting of 30th July.

On the 4th August, on the motion for the third reading, Mr Ayrton, moved the adjournment of the debate. The House divided, and the third reading was carried by Ayes, 91; Nays, 23—majority, 68.

During the same session questions were asked in the House of Lords respecting the report of the Royal Commission—in some cases short debates resulted on these questions, and it is very evident that the Lords were almost unanimously in favor of the abolition of abatements.

The Act as finally passed was very short and may be quoted in its entirety.

20 and 21 Vic., Cap. 37.

An Act to repeal the twenty-seventh section of the Superannuation Act, 1834.

Whereas an Act was passed in the fourth and fifth years of the reign of His late Majesty, intituled: "An Act to alter, amend and consolidate the laws for regulating the pensions, compensations and allowances to be made to persons in respect of their having held civil offices in His Majesty's service;" and whereas it is expedient to enforce the provisions of the said Act, so far as relates to the abatement to be made under the twenty-seventh section of the said recited Act from the salaries of those civil servants of the Crown who have taken office since the 4th day of August, 1829; Be it therefore enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Lords, Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same as follows:—

1. The said twenty-seventh section of the said recited Act shall be, and the same is hereby repealed from and after the 30th day of June, 1857."

No further step was taken with regard to superannuation until the year 1869, when an Act was passed authorizing the commutation of pensions and half-pay in the Departments of the War Office and the Admiralty. That Act included civil employés of the War Office and the Admiralty, but did not apply outside those two Departments.

On the 18th April, 1871, Mr. Monk, member for Gloucester, called the attention of the House of Commons to the privilege of commuting pensions being confined exclusively to the War and Admiralty Departments, and moved that in the opinion of the House it was expedient to extend the provisions of "The Pensions Commutation Act, 1869," to all the Departments of the Civil Service.

The Chancellor of the Exchequer, in replying to Mr. Monk's motion, proposed that they should restrict the commutation of pensions to one class of pensioners only, namely: those who received pensions on account of the abolition of the office they held, and that they should extend that principle to the whole Civil Service.

Mr. Monk said he thought the offer a most reasonable one, and was most thankful on behalf of the Civil Service generally, to accept the proposed compromise. Subsequently, by 34 and 35 Vic., cap. 36 (1871) the provisions of the Pensions Commutation Act of 1869, and of the Act of 1870 in amendment thereof, were extended



to persons "who have RETIRED or have been removed from public civil offices in consequence of the abolition of their offices, or for the purpose of facilitating improvements in the organization of the Departments to which they belonged, and to whom annual pensions have been granted by way of compensation for such RETIREMENT or removal."

By order of the House of Commons of 18th February, 1873, a Select Committee was appointed to enquire whether any and what reductions could be effected in the expenditure for Civil Service (other than the national debt and civil list), whether charged on the Consolidated Fund or defrayed from votes of Parliament; and the following are extracts from the evidence taken by that Committee:—

Examination of Mr. *Robert G. W. Herbert*, permanent Under Secretary of the Colonial Office, and formerly Colonial Secretary and Premier of Queensland:

*Question.*—You have mentioned superannuation; do you think that you would either diminish the quality of the clerks, or that there would be any lack of candidates to fill those offices satisfactorily if there were no such thing as superannuation?

*Answer.*—I do not think you would get a sufficiently good stamp of men without the superannuation for the higher branches, unless you very largely increased the pay. You would have to turn £1,000 a year into £2,000 a year at once, I should say, if you took away the superannuation. These men are as good as those who get perhaps £3,000 a year, frequently, from companies, and I do not think that you would retain them in the Queen's service—I am speaking with regard to the higher classes without a superannuation on a liberal footing. It is difficult sometimes now to keep good men.

*Question.*—Unless large superannuations are given, is it not rather the tendency for people to hang on to their offices long after they become inefficient?

*Answer.*—Yes, there is that tendency. There is no legal means of requiring a man to leave. The English Superannuation Act does not exact that at a certain age a person shall retire; it is merely by what I suppose I may call a friendly arrangement that he goes whenever it is found necessary for him to go. I think the Superannuation Act ought to contain a proviso that at a certain age, either sixty or what ever other age might be thought expedient, a clerk should be compelled to leave the Service; unless he were asked to remain for a particular time, say two or three years longer, by the Head of his Department, on special grounds, I think that retirement should, as a general rule, be compulsory at a certain age.

Examination of Mr. *Thomas Henry Farrar*, Secretary of the Board of Trade.

*Question.*—On the subject of superannuation at present, all the employes belonging either to the upper or to the assistant division equally come within the terms of the general Superannuation Act, do they not?

*Answer.*—Yes.

*Question.*—Is it your opinion that in the public interest, and of course having full regard to anything approaching vested interests, that is essentially necessary?

*Answer.*—I used to be of opinion that it would be a better plan to pay higher salaries and give no pensions; but seeing the extreme difficulty of ever getting rid of an old public servant, however useless, without a pension, I have changed my opinion, and I think there must be pensions for the upper part of the establishment.

*Question.*—With regard to the question of superannuation, the difficulty which you have stated as to getting rid of old and inefficient officers, which seems to have weighed in your mind rather than any other, was your reason for changing your opinion upon this subject?

*Answer.*—Yes.

*Question.*—Would you consider it impossible to have an arrangement under which the retirement should be compulsory at a certain age; and if there were such an arrangement, would not that, to a great extent, meet the difficulty which you have named?

*Answer.*—The difficulty is to fix the age. Some men are still excellent public servants at 60, and some become useless very much before that age. It does not apply simply to the case of becoming inefficient through age; public servants become

inefficient from other reasons, and there is always the greatest possible difficulty in getting rid of them, unless a fair pension can be given to them.

*Question.*—Then in cases of that kind, of course, you point to the public servants who are really unable to do their duties efficiently, and you think that the Heads of the Departments would scarcely be inclined to fulfil their public duty in discharging such persons, because they would be influenced by the benevolent motive of retaining them?

*Answer.*—I think so.

*Question.*—You said that you had been led by experience to approve of pensions in the higher offices from the difficulty of getting rid of employes when they become inefficient; is not that difficulty increased when a man has lost his health by extra devotion to business?

*Answer.*—Certainly.

Examination of the Right Hon. Sir T. F. Freemantle, Bart., now Lord Cottesloe, late Chairman of the Board of Customs:—

*Question.*—Are you satisfied that, with respect to future appointments, it is necessary that everybody should be entitled to a pension of one-sixtieth for each year of service?

*Answer.*—Indeed I am; I should be very sorry to interfere with the scheme of superannuation.

*Question.*—You do not think that the country would get as good service unless the prospect of pension was held?

*Answer.*—I think not; and in one respect the country would get very much more service, because, in the case of an officer who is nearly worn out and unable to do his work in a satisfactory manner, it is really essential for the transaction of the business of the establishment that that man should be removed, and if we are able to say, "You are entitled to superannuation," we can put pressure upon him and get rid of him, but if he had no superannuation it would be practically impossible to remove a man.

*Question.*—Under the age of sixty no one is entitled to superannuation unless upon adequate medical reason?

*Answer.*—That is so.

*Question.*—Do you not find that condition sometimes a difficulty in the case of people who are really past work, although not medically certified to be so?

*Answer.*—Those cases are very rare, because if a man is past work it is generally more or less connected with physical disability, and we find that under those circumstances we can get medical certificates.

Examination of Sir W. H. Stephenson, K.C.B., Chairman of Inland Revenue Board:—

*Question.*—With regard to the economical influence of superannuation, I think that you are under the impression that the salaries which are given in your Department would not secure the services of suitable parties, unless there was a superannuation at the end of them; have you formed that opinion from any careful consideration?

*Answer.*—I did not exactly mean that; but I go back to what I believe to have been the origin of superannuation. The reason, I take it, why superannuation allowances were originally granted was simply because it was found that after a man had served the public faithfully for a certain number of years, whatever his circumstances might have been, you could not cast him off upon the world without giving him something in the shape of a retiring allowance. That, in the first instance, was done without any method at all, but it was afterwards reduced into a method. It has been two or three times very carefully considered by Committees of the House of Commons, and I think that they have always felt the necessity of keeping up a system of superannuation.

*Question.*—Do you consider that it would be at all possible, by having a compulsory retirement at a certain age, to make an arrangement that public officers should make provision for their own superannuation, so to speak, either by the purchase of

annuities, or by the natural providence which people in other ranks in life have to exercise?

*Answer.*—You mean by establishing some annuity fund or something of that kind. No doubt it would have an effect to a certain extent; but still the difficulty then would be to secure it for the man himself. You can get a provision for a man's family by that means; but you would not so readily get the payment to the man himself.

*Question.*—Are you aware that that is done to a very great extent, and that by paying a certain sum of money per year, a man may have an annuity payable to him at a certain time of life?

*Answer.*—Yes.

*Question.*—At all events you are quite aware that in private practice, in the general positions of life people have to prepare during their years of vigour for that period when they may not be able to maintain themselves?

*Answer.*—Yes; but it strikes me that even in private life, if a person has served you for a certain number of years, and gets too old for your work, you do not send him away without making some provision for him; and I apprehend that is very much the case in mercantile offices. There are within my own knowledge many instances of men after serving a certain number of years in a mercantile house going away, when they would not be allowed to leave the public service, with a very handsome retiring allowance, because the man's work was getting a little beyond his powers, and his employers desired to have a more vigorous officer in his place.

*Question.*—Assuming for the sake of argument, that the present salaries, without superannuation, would not command the same class of employes that you now get, do you not think that a comparatively small increase upon the salaries of five per cent. or very little over five per cent., would be sufficient to secure the services of an equally efficient class of men, without any expectation of superannuation?

*Answer.*—I have not the slightest doubt that you would get the men, but my doubt is how far the public service in the end would profit by it.

Examination of the Hon. A. F. O. Liddell, Under Secretary of State for the Home Office:—

*Question.*—Is it your opinion, from what you know of the public service, that it is necessary for all officers employed under the Home Office to be employed with the right of superannuation?

*Answer.*—I do not say that it is necessary, but there is no manner of doubt that you get a much more satisfied man, and a man who is likely to stay with you much better, if you have a system of superannuation.

*Question.*—Considering the great facilities which are now offered to persons, particularly in humbler life, for making provision for old age, through societies of different kinds, you nevertheless think, that for the public service the rule of superannuation is required?

*Answer.*—I think that if you have no superannuation, some objection will arise which I tell you we now find with regard to the writers, that you cannot ensure their staying with you. If a man feels that he is safe, and that he has some little provision when he is an old man, he is content, and he says, "I have a certainty, and I will stay here and do my work as well as I can;" but, if not, he is overlastingly fidgetting and looking about for something better.

Examination of the Right Hon. the Chancellor of the Exchequer, Sir Stafford Northcote:—

*Question.*—The Committee may gather from your evidence as to writers, that you are not favorable to any tendency towards abolishing superannuation for the future?

*Answer.*—I think that superannuation is a very good institution indeed; we get young men; we teach them their business; we shall get them, I think, with a fair prospect of having men of good intelligence; and by practising their business they learn it until they become very valuable, and worth indeed a great deal more than the salaries in the public service; whereas, if we had not superannuation we should always be teaching and bringing up persons who would be going off and carrying

their attainments to a higher market. I think that superannuation is a very good institution and an economical one.

*Question.*—We have had in evidence from the Chairman of the Board of Customs and Inland Revenue, that the charge for superannuation in those Departments is somewhere about or a little more than a fifth of the charge for the actual salaries; do you consider that that is not too great a price to pay?

*Answer.*—I think that if you had no superannuation you would pay a great deal more than one-fifth more in order to keep your men, and even then you would not keep them, because competition in trade at times is so very brisk that a particular person may be worth almost any money. A clerk in the Treasury was promoted to an office in the city with a salary of £1,500, which was twice the salary that he was receiving at the Treasury, and now he has left that for an appointment of £1,000 a year. Of course nothing that we could do in the way of salaries could compete with that, and therefore it is only by the stability of the Service, by the certainty of the Service, by the *esprit de corps* which obtains in the Service, that we can retain, and do retain, such men.

*Examination of Mr. R. E. Welby, of the Treasury:—*

*Question.*—Do you not think that if there was a compulsory retirement at the age of 65, and if salaries were so arranged that parties might be expected to provide their own means of future subsistence, that would protect the public from having persons remain in office beyond the time when they are able to do public duties?

*Answer.*—If that were the understanding upon which an individual entered office, I do not think that he individually would have any very good claim; but I do not think that you would find that heads of offices would dismiss a careless man who had made no provision for old age, and who had perhaps been a good servant to them, or at all events had been a decent man under their employ, to comparative poverty, and in some cases it might be almost to beggary.

The Committee reported as follows:

With respect to superannuation, what your Committee have already stated will indicate the doubt they feel as to the practicability of excluding any considerable body of the clerical establishments from its benefits. The advantages of the system, as retaining in the Service trained officers, as protecting the public from combinations, and as a means of enforcing discipline are obvious. On the other hand, the aggregate charge on the Exchequer for superannuations and pensions is increasing; and your Committee fear that the extent to which it is likely to grow may produce an effect on the public mind unfavorable to the whole system. Whether, however, it should, or it should not, be thought desirable to limit for the future, the members entitled to the benefits of the Superannuation Act, your Committee recommend that powers should be sought from Parliament for compelling the retirement of officers at a given age (say 65) if in the opinion of the Head of the Department such retirement would be for the public benefit."

I have thus traced, as far as the public service in England is concerned, that the question of superannuation, after repeated inquiries, has gradually shaped itself into such a position that a public servant receives his salary free from all abatement, and it is possible, under certain circumstances, that at the time he retires from the public service he may be able to commute his superannuation allowance at rates not unfavorable to himself. In doing this I have gone into greater length than I at first anticipated; but judging from the past I thought it right to provide the arguments used in England for retaining superannuation when the principle has been attacked.

In the several reports reference has been made to the case of the Bank of England, and it is interesting to know that at the present time English banks are considerably moved by the question of causing their employes to form Provident Societies, to encourage stability of habits.

In the last number of the *Banker's Magazine* the editor takes notice of the system pursued in the Bank of England. At the time an officer is appointed he is compelled to join the Provident Society in connection with the Bank, and to insure his life for a sum of not less than £200 sterling. This insurance might be increased at

any period, or at various periods, to a sum not exceeding £1,000, and might be paid for either in a single sum, or in annual premiums, deducted quarterly under authority of the Court of Directors, from the salary of the clerk. This insurance the clerk can make any disposition of as may best suit his relations in life.

In connection with the Provident Society of the Bank of England there is also a Savings Deposit Department, in which any clerk in the service of the Bank can deposit sums of not less than £1 at a time, and not more than £50 in a year, and can withdraw from this deposit account on the first Tuesday of each month, without previous notice. —The rate of interest on such deposits has hitherto been four per cent., which is a higher rate than that realized in the old "Trustee" or in the Post Office Savings Bank.

The insurances in connection with the Bank Provident Association are converted, if desired, into annuities in favor of the widows of clerks, the scale of administration being as follows:—

Age of Widow.	Annuity.
25.....	£19
30.....	20
35.....	21
40.....	23
45.....	25
50.....	28
55.....	32

But when the annuity provided by the husband in the "Bank Provident Society" is less than the annuity to which she would be entitled by her age according to the above scale, the widow is made to lose the difference, and she receives the same amount as that provided by her deceased husband.

But it is right to state that the Court of Directors have also at their disposal a Compassionate Fund, which is used chiefly to supplement the annuities to widows; and it is further right to state that the officers of the Bank of England are, on the average, paid half as much again as officers in the public service; it should also be remembered that members of the Court, who were also members of the House of Commons, spoke strongly in favor of the abolition of abatements in the public service.

The Editor of the *Bankers' Magazine* states that the habit of looking forward, of saving and laying up a fund thus early, and uniformly initiated, cannot fail to have a favorable influence in promoting steadiness of character and general uprightness of conduct, apart from the future benefits secured. He further states that some stress is also to be placed on the beneficial effect which a good and perfect example of this kind in the banking companies might have upon other classes of the community.

Coming to the main question, I find that, although the Imperial Government has never taken into consideration the question of forming a "Benevolent Fund" for the widows and orphans of deceased civil servants, there has been in operation since the year 1816, in connection with the Customs Department, an institution called "The Customs' Annuity and Benevolent Fund."

The originators of this Fund submitted their scheme to the Treasury of 1816, and the result was the passing of the 56 Geo. III., c. 73: "An Act for establishing and regulating a fund for the widows, children and relatives of officers or persons belonging to the Department of Customs in England."

I placed myself in communication with the Chief Accountant of the Customs Department, and submit herewith, for the information of the Civil Service Board, the following papers which I have received from that gentleman:—

"A."—Letter dated 16th November, 1876.

"B."—Report explaining the origin and object of the Customs Fund, and showing the progress of the institution from its establishment by Act of Parliament, dated June 22, 1816, to the present time (December 24th, 1856). I would like to be allowed to retain this report, as it is now out of print.

"C."—Rules, regulations and tables of rates of subscription and payment of the Customs' Annuity and Benevolent Fund.

It will be seen by the preamble of the Act of 1816 that the fund established was supplemented by aid from the Exchequer in the shape of poundage (now abolished); that secondly, the annuity to the widow could not be burthened with the husband's liabilities; and that, thirdly, by letters patent still in existence, a source of Imperial Revenue, the publication of the Daily Bill of Entry is in possession of the Society.

In considering how far the Imperial system can affect Canada, we have to notice, in the first place, the amount of contributions annually received from the superannuation abatements, and the amounts paid for retired allowances.

In round numbers the sum now received annually for superannuation abatements amounts to \$38,000; but part of this is the sum received from the officers of the Houses of Parliament, a mere book-keeping entry, as their abatements are paid out of the contingencies of each house.

The annual sum now paid out amounts to, say, \$100,000.

The value of annuities which lapsed by death during the last year was, say, \$8,400.

The value of annuities created during the last year was, say, \$23,000—a decrease from previous years; and looking at the Service as it now stands, it seems probable that the amount payable annually for superannuation allowances has nearly reached its maximum.

The question arises whether the superannuation deductions should be continued or abolished.

I have stated the amount received from the abatements is far short of the amount paid out for retired allowances. I have also shown, that the abatement as it existed in England was considerably higher than the abatement in force in Canada. As far as I can see, that is all that can be said on the one side of the question.

On the other side, the civil servant who was in office before the Superannuation Act was passed, may say that the Act was prepared and passed without his knowledge or consent—that his opinion was not even asked—that the abatement is compulsory, that his pay is regulated by an Act which existed prior to the passing of the Superannuation Act, and that as his pay has never been revised, he is absolutely a loser by the transaction; that he could do better with his money; that promotion is not secured, as the law does not allow an officer to retire at his own option, or compel an officer to go at a certain age; that he may be retained in the Service till the last stage, and then in the end, like the late Dr. Rae, of Hamilton, and M. Dennechaud, of Quebec, he may die within a month of being superannuated; and, finally, he may say that it is very unlikely that he will ever enjoy superannuation, for how many men live to sixty-five, and how much larger is the proportion of public servants who die before superannuation than after!

To my mind the latter is the best argument. I have not at present the Public Accounts either of 1875 or of '76\* by me, but I feel confident that even counting all the old, worn-out and inefficient men who have been placed on the Superannuation List—and the number is, of course, large at the beginning—yet still more men have died in employment, and as time goes on the percentage of difference will increase.

If the Government choose to abolish the system of abatements, as has been done in England, it may be questioned whether the Civil Service would voluntarily allow them to remain, and place them towards a fund for providing for their widows and orphans.

It may be further noticed that abatements at present are only made from those who have had less than thirty-five years' service. Of course, if a fund for the provision of widows and orphans were established, all members of the public service, without reference to length of service, would be required to contribute.

In round numbers the amount of contributions to the fund would be, in such a case, I think about \$45,000 per annum.

\* In 1875 52 employés died—49 were superannuated.

It would be well to enquire what amount would be necessary to pay two years' income to the families of deceased officers.

The amount paid as gratuities during the last fiscal year to the widows of officers who died in the public service, that is the equivalent of two months' pay, amounted to over \$2,000, which would be about \$50,000 a year, or over \$100,000 for two years.

To provide for two years' income it would therefore take another contribution of three per cent. at least, that is supposing we were also to take into consideration the payments on account of those who have died while receiving superannuation allowances, the gratuities being only paid to the representatives of those persons who actually die in harness; and there is doubt in my mind whether, even if the Government were disposed to give up the two per cent. abatement, the public service as a body would contribute another three per cent. to make such a fund effective. Of course, if it partakes of the character of life insurance, the rate that would be asked from the older members of the Service would be in effect prohibitory.

Another point would also have to be taken into consideration, that is, how far should the officers of the public service be compelled to contribute to such a fund, but this I leave in the hands of the Civil Service Board.

I regret that I have not had the time to give the subject the attention it deserves, and I would suggest that if any further enquiry is made, recourse should be had to Mr. Todd, who is thoroughly conversant with the systems of superannuation pursued in England, the Colonies and foreign countries.

J. M. COURTNEY.

OTTAWA, December 22nd, 1876.

#### MEMORANDUM ON A SCHEME OF LIFE INSURANCE FOR MEMBERS OF THE CIVIL SERVICE.

It is suggested that every member of the Civil Service shall be insured for an amount payable at his death equal to two years of his current salary, the amount being paid by Government in consideration of a deduction being made from his monthly salary of the equitable equivalent for such insurance.

It is not proposed that any expense or cost should be imposed on Government in connection herewith, nor can any loss be incurred unless through a failure of the adopted table of mortality to represent the actual mortality occurring, which would be tested and remedied by the experience of a few years. On the other hand, Government would not only have an additional guarantee for the faithful discharge of duty by the members, but would diminish any loss arising from an unusual longevity among the superannuated members. The advantages to the members are obvious:—

1. In the absolute security of the provision thus made for their families;
2. In the reduced rates as compared with those ordinarily charged by the companies, amounting, as will be seen from the following table, to between 14 and 37 per cent.;
3. In the convenience of the payments being made by monthly instalments of small amount.

As there will be very little machinery required for the establishment and working of the system, no commission to agents, no expensive staff of officers, no margin required for profits to shareholders and provision against loss on investments, the usual "loading" added by the companies to the pure premium may be entirely dispensed with and the net rates only charged.

The table of mortality of the Institute of Actuaries is proposed for adoption, with five per cent. rate of interest, and the rates are here compared with those of some of the leading companies doing business in Canada.

ANNUAL PREMIUMS charged for an insurance of \$1,000, payable at death by the named Companies.

AGE.	CANADIAN.	CANADIAN.	ENGLISH.	AMERICAN.	INSTITUTE HM. NBT.	Least reduction per cent.	Greatest reduction per cent.
	Canada Life.	Confederation.	Royal.	Ætna.	Proposed.		
21	15.40	14.17	18.00	15.10	11.36	20	37
28	17.90	16.35	20.30	17.60	13.14	19	35
31	20.70	19.09	23.60	20.00	15.51	18	34
36	24.00	22.66	26.20	23.90	18.50	18	29
41	28.30	27.04	30.20	28.10	22.38	17	26
46	33.20	33.07	35.40	33.10	27.69	16	23
51	40.90	40.93	42.70	41.10	34.71	15	19
56	52.80	51.68	53.10	53.40	44.37	14	17

The only machinery required will consist in having a list of the members with their current salaries; the premium and monthly payment will be determined from a table provided for that purpose by the Superintendent of Insurance, and the deductions made in the same way as those for the superannuation. On satisfactory proof of death being given to the Treasury Board the Receiver-General will pay the amount. As the salary rises from year to year the sum insured will increase, and the premium increase also in accordance with the table.

In the Public Accounts the deductions will appear as receipts by the Receiver-General, and the payments on account of deaths as payments; but it will be advisable also to have a private and separate insurance account kept, and to have such account balanced every year, allowing interest on all receipts and payments at five per cent, and making an actuarial valuation of the policies so that the profit or loss arising may be ascertained, and the rates of premiums modified if found necessary in the course of time.

The insurance should be made compulsory on all members entering the Service in future (except as noticed presently), and no special medical examination seems necessary, as a medical certificate is already required for entrance; but in the case of members entering at an age exceeding 40 years (who have probably previously made arrangements for insurance) it may be left optional for them to take the insurance; but if they choose to take it, a special medical report of their lives being good should be required, and the expenses of such medical examination should be borne by themselves. The Government may, from time to time, nominate medical practitioners whose certificates will be accepted.

With regard to those at present in the Service it may be left optional with them to be insured or not, but if they choose to be insured, a medical certificate as above should be required, and in no case should any one be allowed to insure who is over 60 years of age.

In the case of a member who has been insured becoming superannuated, it might be left optional with him to keep up the insurance by monthly deductions as before, either for two years' final salary or two years' superannuation allowance with a diminished premium, or to accept a free policy (without further deduction) for such sum as he is equitably entitled to have payable at death, according to the ordinary actuarial valuation.

In the case of an insured member voluntarily leaving the Service, he may be paid the equitable value of his policy at that time, and the insurance should cease.

In the case of an insured member being dismissed, his policy should be cancelled without allowance.



It may be provided that any insured member may state to the proper officer in writing that his insurance is for the benefit of his wife and children, or either, and in such case the amount payable should be paid to the parties named; but if no such statement has been made the amount should be paid to his heirs, executors or administrators, and in no case should this amount be capable of assignment or liable to attachment.

J. B. CHERRIMAN,  
*Superintendent of Insurance.*

## CIVIL SERVICE ALLOWANCES.

### APPENDIX.

[NOTE.—Since my report on the above subject was in print, the following very interesting paper has reached me, and I have no hesitation in publishing it as an appendix to that report.—J. M. COURTNEY.

Ottawa, 22nd January, 1877.]

*From the Bankers' Magazine (London, Eng.,) for January, 1877.*

#### BANK CLERKS' PROVIDENT FUNDS.

The subject which we approached in November last with some diffidence, but with an assured conviction of its utility and importance to the banking profession, is one likely to grow in interest the more it is discussed. Not only have wise and excellent arrangements been in operation for some time in many of the principal banking companies, but it is a fact well worthy of being recorded that, as far as our information extends, wherever such provisions have been adopted they are held in much esteem by the leading officers and employes of the banks. There may not be much uniformity in the arrangements that have come under our observation, but they all aim at, and secure in a large measure, the same good ends; and there is this general remark to be made on the whole subject, viz., that a bank and the people in its employ do not supersede, by arrangements within their own professional association, the common duty of saving, insurance, and provision for future life which belongs to all prudent persons, to whatever class or profession they may belong. The moral effect, indeed, is quite in the opposite direction. There is a certain amount of providence which is necessary and beneficial to the good and cordial service of a bank. This is what has to be established, but when it has been established, the probability, or rather the certainty is, that all the more the open and ordinary means of economy and providence will rise in the estimation of the employes, and obtain a larger share of their attention and concern. It is in this as in other of the more paramount and self-denying duties of life, that a beginning is the main difficulty. But a beginning once established and secured, the impulse is likely to be pursued with increasing steadiness of purpose.

It may be frankly admitted, since it is no doubt the fact, that in what bank directors and bank shareholders do in a matter of this kind, there may be a good deal of self-interest. It gratifies their employes almost more than an equivalent increase of salary, however acceptable that might be; it cordializes their whole disposition, and it binds them in some measure to a faithful and continued service of their company, which in most cases is not antagonistic to their own interest. We have heard, indeed, such genial expressions of the *powerful influence of superannuation and other provident arrangements in securing steadfast and devoted service*, that there can be no doubt in our own mind that the examples in this respect will be apt to have a very contagious effect, and that very few banking companies in the kingdom will be long content without adopting and maturing some similar provisions as much as possible. But apart from this, which is the purely professional view of the question, there is the larger consideration of the general human effect on the character of

employés flowing from this policy—for a policy we must deem it to be, extending far beyond the circle of the banking profession, and applicable in nearly all the social and industrial relations of life. Does it tend to raise and steady the purpose and disposition of masses of people who have to begin, as nearly all of us have to do, on the lower rungs of the ladder and to mount gradually upward, some higher, some not so high?—does it reconcile them more to what has become their occupation in life, prosaic it may be enough, but still the bread and staff of existence?—does it give them a higher pride in their occupation, and a more complete satisfaction, as if they felt that they were doing their duty and pursuing their interest at the same time; that having secured one good point they were all the more easy and free to establish other good points, and having their hand on a fair amount of comfort and enjoyment, they could look forward to be always better rather than worse? If these points are to be conceded in the affirmative, as in our opinion they must be, then the whole question would seem to be carried.

Now, in the banking companies there has been a development, which illustrates not unaptly how questions of this kind are approached in all spheres of business, how they begin, and how they grow in interest and in form until they attain a more or less complete solution. There is, first, the Guarantee Fund, which is common in one degree or other to nearly all banking companies, and which is practically an insurance against the sometimes painful results of errors, or the still worse results of frauds in which more than the guilty may be involved, and the like of which has been found a needful provision in most situations where much trust has to be reposed in the accuracy and integrity of employés. This fund, we will suppose, is contributed by the employés themselves out of their salaries; the contribution is seldom large enough to be felt perceptibly, save as a slight discount from a previous realization, and yet the fund grows and grows; and while doing good service directly and indirectly, is found to be always more and more than sufficient for all demands upon it, till the contribution is at length reduced, and at the smallest cost to every one the object is fully attained and covered. The contribution is an admonition to every one of his individual responsibility, notifying to him quite plainly that he is in a society where the strictest accuracy and integrity are cardinal virtues, and where not only his employers, but his fellow-employés expect every man to do his duty; while the fact that the fund is the common interest of all, develops a general spirit of mutual consideration, an *esprit de corps*, in which all discover themselves to be on their honor as gentlemen, while maintaining their fullest attention and ability as men of business. Then there is the Pension or Superannuation Fund, which has been found almost indispensable in some form or other in all large banking companies, though in some, perhaps, never assuming any exactly organized form, and which is usually contributed out of the profits of the companies. One man's working life may be comparatively short, another's comparatively long. Before there has been more than twenty years' service a bank employé without fault, of strictly exemplary habits, and who has done his duty well and faithfully to his employers throughout, may be disabled, and the disablement may come in circumstances, and may leave circumstances, which make an invincible appeal both to gratitude and humanity. On the other hand, another faithful and most useful man may live and work on and on, long after the other has returned to kindred dust, leaving a widow and children, the latter of whom, under the generous backing they have received, may be supposed to be striking out fairly for themselves in the world—working on, this invincible old man, past three score, or perhaps three score and ten, with no sign of giving up, brisk and cheery, and of as good digestion as ever, with a knowledge of the whole history of the bank and the bank's affairs quite at his finger ends. He may have seen decades of directors passing away behind him on the wings of the wind, till the earliest of them are scarcely visible to the aged seer in the mist of a distant period. Since he was fifty-five he may have read again and again with general sympathy the famous essay in which Charles Lamb describes his feelings on receiving a retiring pension from the India House, and may have looked forward to the time when he too would enter into the same sense of relief and

freedom, but he never come to the point where he could retire with all the satisfaction of so hypothetical an event. And so he will continue to pursue the even tenor of his way until his turn comes to quit the busy scene of life. However honorable and evergreen such a career may be, yet it may sometimes, and indeed as a general rule must be, the true interest of a banking company to provide some regular means of retirement to employes at advanced periods of life, not only by way of calling into play the energies of younger and stronger men, but in order that they themselves may breathe some few sweet years of repose, and prepare to die secure from all the din, anxiety and friction of this world's monetary and commercial affairs.

Our previous remarks were confined chiefly to the Provident or Insurance Society and the Savings Deposit Fund of the Bank of England; but we need hardly say that the Bank of England has a system of superannuation and superannuation pensions, which forms a substantial element in the future of every employe of our great national corporation. *Similar arrangements are, we believe, in force in most, if not all, of all our important private banks.*

The London and County Bank, which, without either pretence or suspicion of flattery, may be justly said to have given a good and laudable example in this matter, has developed a system *which ingeniously combines under one fund and one arrangement retiring allowances with all the effect, so far as it goes, of life insurance as regards widows and children.* The foundation of a Provident Fund was made in this bank as early as 1852. At the end of 1874 the capital of the fund amounted to £7,818, all invested in first-class securities, and yet yielding, we should say, rather more than the average rate of interest. And in 1875, the Board of Directors, having referred the subject to the investigation and report of a committee of officers, and being authorized by the annual meeting of shareholders, adopted a definite scheme for granting superannuation and other allowances to employes of the bank and their families, which has since been, and, we may safely predict, will long be in operation. In defining the amount of allowances supreme regard is given to three conditions—(1) length of service; (2) amount of salary; and (3) age. But the duration of a retiring allowance is regulated by length of service only. Thus, for example, a retiring annuity for life appears only to become possible when there has been 20 years' service; if the service has been 26\* years and upwards, the annuity is for life. Shorter periods of service carry annuities for a term of years corresponding to the service; but, by additional regulations, the amount of annuity may either be increased by a reduction of the term of duration, or diminished under an extension of that term, thus giving a power of adaptation to peculiar circumstances in individual cases. Indeed, the great care that has been taken to render the system flexible and suitable to the condition of the recipients is very obvious in all the various details. Any officer of the bank attaining 60 years of age may claim retirement, and the provided allowances. At 65 retirement is compulsory, save when there may be special reasons for the officer to continue in the service, and he himself is willing to serve. Under the area of optional and compulsory retirement, the condition of being incapacitated by ill-health or affliction applies to all the employes, and entitles them, under evidence satisfactory to the Board of Directors, to the benefits. The only person excluded are those who voluntarily retire, or are dismissed, or called upon to resign on blamable grounds.

A scheme of this kind could only be wrought out and adjusted by much nice calculation. Age, of course, affects most materially an annuity for life. The amount of salary earned while in harness by a retiring officer could not with any justice be left out of consideration; and length of service was an equally important element in the case. All these conditions have been blended and harmonized on mathematical principles applied uniformly throughout, an explanation of which would occupy too much space here, nor can it be the least necessary, since we have little doubt that any inquiring minds of the banking world will find all information they may require at the fountain head. But an example or two will illustrate the

whole. At the ages of optional or compulsory retirement, of course, where the service has been lengthened and the salaries large, the retiring pensions are no mean composition. At 60, for instance, and officer of 30 years' service, and in receipt of £1,000 salary, retires on an annuity of £482.10s. for life; if £500 be the salary, the retiring life-annuity is £250; if £240 the salary, the life-annuity is £144. Where the service has been shorter, say 15 years, the age 35 years, and the cause of retirement consequently ill-health or affliction, an officer of £900 of salary would receive an annuity of £100. 8s. 1d., and one of £150 of salary, £41. 6s. 10d. for 16 years. And so on. But another important part of the London and County system is the provision made for families, and that presents itself under two aspects. (1) Where the officer has died, and has left a widow and children, in which case the widow receives one-half what her deceased husband would have been entitled to, under certain limitations: as to annuity for life, &c., and an allowance equal to 20 per cent. of her annuity for each child under 15 years of age until it has attained that age. (2) Where the officer has not died, but has retired, and has children under 16 years, in which case there is an allowance equal to 10 per cent. of his annuity (but not to exceed £20) for each child until that age. Children without parents, or after the death of the parent, and parents and other relatives dependent on an officer who has died, are also included in the system, which thus, as we have said, is not only a system of retiring allowances, but has effects practically equivalent to what would be attained *pro rata* under a life policy payable at death.

These arrangements are all secured by the guarantee of the bank, which has engaged to pay any deficiency of the income of the Trust Fund for its purposes out of the profits of the bank, and as a part of its current expenses, though not claimable, out of any other funds or property of the company.

When a great bank like the London and County has been at the pains to work out a provident system of this magnitude, with the full sanction of the shareholders, under the attentive care and supervision of the directors and managers as a part of their necessary duty, and it is executed and kept in working order *ex-gratia* with the utmost satisfaction and even enthusiasm by the leading officials, there can be little doubt of what may be accomplished in other cases, nor yet of the growing attention that is likely to be paid to the subject in banking circles, and the growing desire likely to arise for an extension and enjoyment of similar arrangements, modified and adapted as they freely may be to particular circumstances, and even improved, as in some cases or in some respects they may also probably be. A bank with such a system in full and pleasant operation must, of necessity, have a superiority as regards employes over a bank, all other things being the same, which has no provisions of this kind. But the main consideration, and that which will have most weight, is the tendency of such provisions to improve the condition, to sustain the character, and impart the sense of a more comfortable and satisfying life to the working part of the profession, as well as to throw gleams of warm and sunny light over pictures often painful enough to those who never know and may never know themselves what want is—the gloom of an unprovided-for old age, or the distress of untimely-bereaved families. Nor is it without importance to consider what wonderfully good effects may arise from the example already given by many banking companies, and still more if the example should be widely extended in many other industrial and commercial relations, of all of which the banks may be regarded as the centre. For though our object is directed simply and chiefly to those who take a particular interest in our pages, yet we cannot help thinking while we write what power there may be in such arrangements to cordialise the business of life in many other directions, to cement the interest of employers and employed, and to assuage that war of capital and service which has produced, and is ever producing, baleful consequences on the manufacturing and commercial prosperity of the kingdom.