TEACHERS' PENSION FUND (IRELAND).

RETURN

To an Order of the Honourable The House of Commons, dated 11 March 1892;—

for,

Copy of Memorandum by the Treasury upon the Position of the Teachers' Pension Fund, Ireland, on the 31st December 1890.

Treasury Chambers,
11 March 1892.

JOHN E. GORST.

(*Sir John Gorst.*)

Ordered, by The House of Commons, *to be Printed,*
11 *March* 1892.

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TEACHERS' PENSION FUND, IRELAND.

Memorandum by the Treasury upon the position of the Teachers' Pension Fund, Ireland, on the 31st December 1890.

Before 1880 there was no provision for the grant of pensions to Irish National School teachers. The teachers themselves were not subject to compulsory retirement at given ages. They therefore remained in active service, if health permitted, to an advanced period of life, receiving only in cases of long service gratuities on retirement.

The Teachers' Pension Fund was established in 1879 by the Act 42 & 43 Vict. c. 74., which endowed it with a capital of 1,300,000*l.* charged upon the Irish Church surplus. Interest is allowed on this capital charge at the rate of 3 per cent., and this interest, together with premiums paid by the teachers calculated to meet one-fourth of the pension charge, constitutes the income of the fund. Under the Act retirement became compulsory for males at 65 and for females at 60. The minimum age of entry to the teacher class was in 1880 17 for males and 16 for females.

The Teachers' Pension Act came into operation on the 1st January 1880, and a valuation was made of the assets and liabilities of the fund at the expiration of five years, viz., on the 31st December 1884. This actuarial valuation anticipated that the fund would suffice to meet the future charge upon it, with 197,000*l.* to spare. The Treasury forthwith improved the terms under which pensions could be earned to an extent that would absorb, it was estimated, this anticipated surplus.

On the 31st December 1890, the assets and liabilities of the fund were again valued, and it was estimated that a sum of 196,000*l.* would be required in order to enable the fund to meet its future liabilities. Thus the fund which was computed to show on the 31st December 1884 a surplus of 197,000*l.* is computed to show on the 31st December 1890 a deficit of 196,000*l.*

The concession made in 1885 on conclusions drawn from the first valuation will account in great measure for this result.

The natural anxiety of the Treasury to give the teachers the full benefit of the Act induced them to proceed less cautiously than the subsequent experience of the Fund has been found to justify, and it is clear now that they should have waited for further experience of the working of the pension system before they relaxed the regulations in favour of the beneficiaries of the fund.

The concessions made in 1885 were calculated to cost about the amount of the then computed surplus. If the Treasury had held their hand, and left the regulations for the time, untouched, it is clear that the fund would have been richer by that amount than it actually was on the 31st December 1890, but the computed surplus of 1884 would have disappeared. Different causes have contributed to the result as now reported. An actuarial calculation must be based upon certain assumptions, and in whatever degree those assumptions are not realised, or are altered by subsequent regulations, the correctness of the calculation will be proportionately affected. Thus, there is reason to believe that the number of pensions granted at the higher rates will be greater than was anticipated at the outset. Again, the Commissioners of National Education in Ireland have raised, since 1880, the minimum age for entering the service from 17, for males, and 16, for females, to 18 for both, and the general tendency of the service is apparently towards entry at even a higher age than 18. This increase in the age of entry diminishes the length of service, and increases the numbers who will come up each year for pensions, so that the total amount of premiums paid by each teacher is diminished, and the number of pensions is increased.

Again, a considerable number of persons retire voluntarily from a service to which no pension attaches, who would remain if prospect of pension were held out. Experience only can show how far this inducement to remain will increase the number of pensioners, and any allowance made for voluntary retirement in the computations made at the creation of the fund are in consequence liable to error.

The Treasury are only pointing out some of the causes which have affected or may affect unfavourably the solvency of the Pension Fund. The subject is so important that they have placed the papers in the hands of three actuaries for further and full report upon the condition and prospects of the fund; and they are assured that a preliminary investigation shows a deficit of not less than 196,000*l.* to exist. It is a question whether it may not prove considerably more. This question can only be answered when the full investigation now in progress is completed.

11 March 1892. JOHN E. GORST.

TEACHERS' PENSION FUND (IRELAND).

COPY OF MEMORANDUM by the TREASURY upon the POSITION of the TEACHERS' PENSION FUND, IRELAND, on the 31st December 1890.

(*Sir John Gorst.*)

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