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MADRAS RECORD OFFICE

Government of Madras

Public Works

DEPARTMENT

G.O. No.	728-89	(Ry)	Press
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Not to be folded or roughly handled

PUBLIC WORKS DEPARTMENT,
FORT ST. GEORGE, 28th March 1876.

No. 455.

No. 789.

FROM

MAJOR-GENERAL G. W. WALKER, R.E.,

Secretary to the Government of Madras,

Public Works Department,

TO

THE SECRETARY TO THE GOVERNMENT OF INDIA,

Public Works Department.

RAILWAY, No. 47.

SIR,—The subject of establishing a fund in connection with the Guaranteed Railways of this Presidency under which their servants may be granted some allowance on retirement after long and approved service has, on several occasions, been brought before the Government of India. The Commission appointed to inquire into the working of the Madras Railway invited evidence on the subject of the position, pay, and prospects of the Railway Staff, and they strongly urged the necessity for some provision for deserving railway employes on retirement, "which, while affording to a servant an additional incentive to retain his employment, and to the Company an additional guarantee for his good conduct, might place the Railway Company in a better position to compete with the Government departments for men of good social standing." And in the letter from the Secretary to the Government of India, of the 23rd September 1875, No. 2,355 R., it was intimated that the Agent may address his Directors on the question of establishing a Provident Fund.

2. The Directors of the Company have now elaborated a scheme which I am to submit herewith for the consideration and orders of the Government of India. The opinions of the Consulting Engineer and of the Examiner of Railway Accounts have been given on the proposals, and these are now forwarded together with the views of his Grace the Governor in Council.

I have the honor to be,

Sir,

Your most obedient servant,

Colonel,

*Offg. Under Secy. to Govt., P.W.D.,
for Secretary to Government.*

Exd. E. C. Shunker.
Spare Copies

AGENT AND MANAGER'S OFFICE

Madras, 17th January, 1876.

From

R. B. Elwin Esq^r

Agent and Manager, M. K. Co.

To

Lt Col H. H. Stewart, R.E.

Consulting Engineer for Railways.

Sir,

Advancing to the documents in the margin
 1. Engin. letter No 501 dated 30th May, 1873
 2. Proceedings of the Government of India
 3. 240-1 of G. O. R. dated 16th April 1873 embodied in G. O.
 4. 1367-16th May, 1873
 5. Engin. letter No 241 - 7th September 1874
 6. Order of Government - 2683-18th - 1875
 7. Report of Railway Commission - Jan 30.
 8. 2923-13th October 1875
 9. 5611-3rd December 1875

in Council copy of a letter addressed to us
 by the Board of Directors on the subject
 of the establishment of a scheme of insurance
 to the officers and servants of this company
 a Provident or Superannuation Fund.

The desirableness of such
 a fund has already been recognised by
 the Supreme Government and by the
 Government of Madras, and as pointed
 out by the Board, the necessity for the
 measure was strongly urged by the
 Commission which was last year to

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inquire into the causes of the falling off
in the traffic of this line of Railway.

3. The scheme referred to in the
Board's letter, a copy of which I enclose, ^{is},
has been very carefully prepared with a
view to the interests of the Government and
the shareholders, as well as to those of the
officers and servants of the Company, and
it has been approved by the Board of
Directors for the reasons stated in their
letter.

4. I am instructed to submit
those reasons, together with the accom-
panying six copies of the proposed Reso-
lution and memorandum relating to the scheme
for the consideration of His Grace the
Governor in Council, and I trust that
approval will be accorded to the con-
tribution proposed to be made to the Fund
out of the Revenue of the Company, and
to the Rules generally.

I have the honour to be,
Sir,

Your most obedient servant

H. J. Thom

Agent and Manager.

p 564.

S P 57
Madras Railway Company
33 New Broad Street
London 3^d December 1875.

Sir,

Provident
or Superannuation
Fund.

Proceedings of
the Government
of India, P.W.
Department,
dated 16th April
1873, p 240.
A.G. Resolution,
para 2.

The Board have had under their
attentive consideration para 2 of your letter
p 1077, and they quite agree in the views
expressed by His Excellency the Governor
General of India in Council as to the
advantages of securing to the employes of
the railway the establishment of a Provident
or Superannuation Fund.

2. With this object the great point
for consideration appears to be the amount
of encouragement which it would be proper
for the Company to offer to their officers and
servants, to induce them to lay aside the
necessary funds to meet the expenses of a
comfortable retiring allowance; in other
words, what addition to their own savings
the Board should be prepared to make in
the case of those who have merited considera-
tion by many years of faithful service.

3. After a careful enquiry into the
practice of some of the best English
Companies, and as to the outlay which
would be necessary with reference to the
risk of life in India, to provide super-
annuation allowances on a satisfactory
scale, the Board see reason to believe
that all that is required would be effected.

MADRAS RAILWAY.

From

The Agent and Manager.

To

The Consulting Engineer

for Railways.

Date 1st Dec 1875
Recd
No. 57.

For working copy of
a letter from the
Board of Directors
on the subject of the
establishment of a
superannuation or
Provident Fund.

if their officers and servants were permitted to set aside or subscription of 5 per cent from their salaries, to which unequal sum should be added by the Company.

4. A carefully prepared scheme on this principle has been submitted to the Board, from which it appears that an officer at the close of 30 years uninterrupted service would, out of his own payments, have accumulated sufficient to provide a pension of nearly one third of his average income, his pension being capable of increase by the contributions of the Company, if his conduct entitled him to the indulgence, to double that amount; officers entering the service at more advanced ages being allowed to subscribe a higher percentage of their salaries, so as to bring about nearly the same result.

5. According to the statement which has been furnished to the Board, of the number and salaries of their officers and servants, altogether about 2200, who desire the formation of the fund, and would subscribe to it, it appears that the average annual contribution on the part of the Company would be between £7000 and £8000, in addition to which there might be large payments from the revenues of the Company, during the first three years after the establishment of

the Fund, if the Government should in many cases allow the superior officers to present in the Company's service to take advantage of the provisions of Rule 15.

6. It must be observed that the payments out of revenue here mentioned would not represent a corresponding expense to the Company. According to the rules a considerable part of these payments would revert to the revenue by the periodical valuations, and the remainder would take the place of all the superannuation grants at present and hereafter to be made. Besides this, without dwelling upon the other well-known and admitted advantages of a well established and liberal scheme of good service superannuation pensions, the fact that all the servants of the Company would be certain to obtain a moderate retiring allowance, and in case of good conduct a liberal one, could not fail to bring about a gradual reduction of the general expense of salaries, at the least equal to the sum above referred to.

7. It might be urged as an objection to the proposal of a fund such as this, that when a guaranteed railway is earning less than 5 per cent, any contribution made out of revenue necessarily constitutes a charge against the State; and that the managing body of a company

superannuation of
Pension Fund.

so situated have a strong temptation to be liberal with funds not their own.

8. This is undoubtedly true in regard to any occasional grant or outlay, but does not properly apply to a systematic and permanent expenditure, constituting the fixed establishment of the Company; because, in regard to that, the interests of the Company and the Government are one and the same.

9. It cannot, indeed, be disputed that it is equally the interest of the Company and the Government, that at the earliest possible period the net dividend realized from the undertaking should arrive at and exceed 5 per cent; any measure therefore which would permanently interfere with the attainment of that desirable object, and afterwards act as a continuous burthen upon the finances of the Company, could not fail to have the decided opposition of the Directors; and if the Board saw the least reason to suppose that the proposed Superannuation Fund would have the effect here mentioned, they would be the last to recommend it for adoption.

10. But the Board are strongly of opinion that instead of an additional expense such a fund would, in the end,

be the cause of material saving to the Company; for it must be remembered that, liberal as its terms are, no officer or servant has a claim thereby to a single farthing in excess of his own contributions, nor chance of receiving anything, excepting as a reward for realised past good conduct; and then only to the extent considered proper and just by the Board of Directors and the Government.

11. It has been already pointed out that the interests of the Company and the Government are identical in this matter, which apparently involves an addition of about 2 per cent to the current expenses. In other cases when additional expenses are from time to time proposed by the Agent or the Government they are gladly assented to by the Directors, if they are satisfied that they are calculated eventually to increase the profits of their lines; and for the same reason, reductions of their charges for passengers and freights, which tell in the same direction, and may last for many years to come, may nevertheless be accepted as prudent sacrifices for future advantage.

12. In all these cases the Government and the Directors agree that it is not the immediate gain or loss which is the object for consideration, but the permanent effect upon the future prosperity of the Company's undertaking; and in this case, the character

of the agency also by which it is administered.

13. It must be here mentioned that a fund such as that now proposed would not attain maturity for very many years, and to postpone the commencement of its operations till the Madras Railway has paid a net dividend of 5 per cent, though the Directors think that result may not be so very far distant as at present appears, would be its virtual abandonment. They would suggest, instead, that if the scheme be considered sound on full and careful examination, it should be tried as an experiment by one or more Companies, and its effects judged by lengthened experience.

14. Perhaps the most obvious answer to the objection that the proposal of such a scheme by the Board indicates liberality with funds not their own is furnished by the conduct of the English railways. The managing Boards of some of these lines, for instance the Great Western, London and South Western, London and North Western, Midland, and Lancashire and Yorkshire Railways, although ever striving to produce the largest possible dividends for their shareholders, nevertheless think it expedient and wise economy to adopt the principle objected to, viz. that of encouraging contributions by their officers and servants, by giving equal contributions out of their own revenues. The superior

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expectation of life and greater length of service in England, as compared with India, combined to make a smaller percentage, both on the part of the officers and the Company, sufficient, but the principle is the same.

15. It may be useful to remark, also, that a fund such as that which is described in the accompanying papers, cannot, by any possibility which can be imagined at present, become an embarrassment to the proprietors of the railway. Assuming the calculations to be correct (and the most important of them depend upon English experience), it is certain that there would always be on hand a very large capital fund, exceeding the aggregate amount of the annuities dependent upon it, and the periodical valuations would effectually tend to keep it sufficient, as the rules give power to alter the scale if it were seriously wrong, while minor adjustments, more or less, would be taken out of or added to the Company's revenues by the operation of Rule 13.

16. Another view which might be taken of this proposal is, that the contributions to the fund out of revenues should be treated as deferred salary, and in that case that the scale of salaries of the whole staff would require revising, as no such fund was contemplated when that scale was fixed. This would be quite true if the

scale of salaries were fixed and invariable, in that case the contributions of 5 per cent, might be met by a reduction of $\frac{1}{20}$ from every salary; but this is not a correct statement of the case, for all the salaries are constantly liable to change, and when the Board have to go into the market to obtain the services of the best men they can tempt from the home services, they take them for as small salaries, as, coupled with the other attractions and disadvantages of their employment, are sufficient to effect their object. The salaries must, therefore, in time adjust themselves. They could not be adjusted by a compulsory reduction, which would be unnecessary and most unwise, for the patent result would be simply to leave the officers and servants of the Company to find a fund of their own, without any help whatever from the Company.

17. Such a fund would not realise the advantages contemplated in a scheme encouraged and substantially supported by the Company. In the first place, as all the money subscribed, instead of only half, would be refunded to an officer retiring, or to his estate on his death, to purchase pensions of the same amount, these contributions must be more than double of 5 per cent, and being all deducted from salaries would be a heavy drain from the Company's

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service the attractiveness which it is the object of the plan to establish.

Secondly. — As every officer or servant would be entitled at any moment to demand and carry away the whole of the savings accumulated in his name, there would be no inducement on the part of any one to adhere to the service.

Thirdly. — And, as every officer on retirement would be entitled to claim the whole of the sum accumulated, as above, and in addition to his retiring annuity would be in the least degree dependent upon the will of the Directors and the Government, or influenced by his own good or bad conduct, such a fund would be wholly ineffectual for any good in that direction; and it would not be worth the while of the Board of Directors or the Government to interfere with its establishment.

18. The Board of Directors have recently had strong reasons to lament the want of such an institution as that now referred to. Had their highly-valued Locomotive Superintendent, Mr. Wright, been entitled to hope for a retiring pension of £1000 a year, after seven years further service, he would, probably, in spite of his impaired health, have made an effort to remain in India, instead of accepting

an offer in England of little more than half his salary. Had the gentleman who was asked to take his place known of such a fund, he would probably not have declined £1800 per annum.

19. The want here referred to is not confined merely to the English market, but exists also in India. In the Report of the Commission lately assembled by order of the Government of India to enquire into the causes of the falling off in the traffic of our lines, they strongly urge the necessity for some such provision for deserving railway employees as they understood is in contemplation by the Railway Boards, in the form of a retiring fund; which, while offering to a servant an additional incentive to retain his appointment, and to the Company an additional guarantee for his good conduct, might place the Railway Company in a better position to compete with the Government departments for men of good social standing; and in the Order passed by the Government upon the Report, while the recommendation of the Commission is approved, the following is added:—"It is hoped that the introduction of the retiring fund scheme will tend to secure a superior class of subordinate officials, from whom constant consideration towards

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native passengers may be expected."

20. I am to request that you will have the goodness to bring the foregoing remarks to the notice of His Grace the Governor in Council, in order that he may, should he deem it expedient, procure the sanction of the Right Honourable the Governor General of India in Council to the establishment of a fund; by the appropriation on the part of the officers and servants of 5 per cent of their salaries, and a contribution of an equal amount out of the revenues of the Company. The details of the scheme may be forwarded for approval and sanction, or for any modifications which may be thought desirable; for which purpose I forward hereunto twelve printed copies of the proposed rules, and a memorandum respecting the advantages of the fund and the mode of calculation.

I am, Sir,
Your obedient servant
J. J. Lubbock
Secretary

To the Agent and Manager
Madras Railway,
Madras.

True Copy

J. J. Lubbock
Agent & Manager

Copy

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MEMORANDUM

RESPECTING A SUPERANNUATION FUND FOR THE MADRAS RAILWAY COMPANY.

1. It appears to be extremely desirable that the expectations of the Company's officers and servants, with respect to consideration when superannuated after many years of faithful service, should, if possible, be defined and limited, in such a manner as to provide the substantial assistance looked for, without giving birth to legal claims which it might hereafter be found inexpedient to acknowledge.

2. This is desirable, not only as a matter of policy, but even also on the score of economy; for while such claims to retiring allowances are unrecognised, they afford the basis of an argument, not unfrequently urged, for unusual liberality during actual service, as an offset to the want of retiring pensions, and for the purpose of enabling parties to make provision for themselves.

3. Notwithstanding this, experience shows that when instances occur of individuals retiring after a long course of meritorious service, the reasonableness of the application cannot be resisted, and grants have to be made, with more or less liberality, and more or less satisfaction to the parties concerned.

4. In this way the expense is doubly incurred. On the one hand, all the servants and officers of the Company, and especially those who are to be tempted to give up employments in England, are obliged to be paid larger salaries than would be gladly accepted in a more attractive service; and, on the other, retiring pensions or bonuses are nevertheless, actually given. Yet, as this is done in an irregular and uncertain manner, the expenditure is nearly as much as under a regular system; while these payments, having failed by their uncertainty to effect the economy in existing salaries, above referred to, from the same cause are ineffectual towards producing that attachment to the service, and stimulus to zeal and good conduct, which the recognised prospect of a good-service pension would naturally secure.

5. It appears, therefore, as a matter of strict economy, desirable to ascertain the existing practice as to the grant of superannuation allowances, with a view to frame a scheme whereby the Company's officers and servants may be encouraged by liberal assistance, not exceeding the present average outlay, to set aside such a portion of their salaries as would provide the cost of moderate retiring pensions, and afford the Company the opportunity, by a grant on their part, to place them upon a satisfactory and liberal footing.

6. The action of a fund, such as is now contemplated, would be highly beneficial in the encouragement of savings, which in the event of the death of the subscriber would be of inestimable value to his widow and family. For this no provision exists at present, and it is only in rare instances of extreme distress that the Board of Directors could feel justified in recommending an outlay of the Company's funds in a charitable donation.

7. Almost all of the larger English Railway Companies have established funds for the above purpose, and many of them give the encouragement of contributing equal sums to those set aside by their servants, whose contributions are limited to a certain percentage of their respective salaries.

8. In the Indian Railway Companies the practice in regard to superannuation grants has been, as above stated, irregular, the cases respecting which the particulars are known, consisting of gratuities varying from the ratio of six days to fifty-four days' salary for every year of actual service.

9. One cause of the irregularity here referred to is, no doubt, the varying circumstances under which, the grants are made; and this is unavoidable, for it must be

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considered an essential feature of any established system that the assistance granted by the Company should in all cases be absolutely voluntary, and to be governed by a consideration of the claims to indulgence established by the past services of each individual; though, at the same time, with a view to avoid any interference with the system of short covenant engagements, and to give the most perfect freedom to the Directors in regard to the renewal of agreements, or the discontinuance of the services of their Officers, whenever they may deem it expedient, the rules should be so framed that under no circumstances should any Member suffer pecuniary loss, or his contributions be alienated from himself or his family.

10. In order to arrive at some idea of the amount of retiring pensions or gratuities at present given, it may be useful to observe that, the data mentioned above at paragraph 8, if applied to a service of thirty years, would give, as the money ratio of the gratuity, in the one case, six months, in the other nearly four and a half years of the superior salary.

11. In the proceedings of the Madras Government of the 14th April, 1866, "Pension Department," the maximum gratuity for the uncovenanted service was laid down as one month's salary for each year of service. The same regulations allow after thirty years a retiring pension of one-third of the average salary of the five years previous to retirement, which, converted into a gratuity, would probably be about equivalent to four years, or forty-eight months of the average salary from first employment.

12. The principle of giving about one month's salary as a gratuity on superannuation for each year of faithful continuous service is adopted to regulate such donations in many cases, and it may be assumed to be not an exaggerated representation of the prevalent idea of what is desirable and just.

13. In the accompanying rules, the Company's servants are required to lay by a certain percentage of their incomes which, carefully husbanded during thirty years of service, would suffice to purchase for each individual a retiring pension of one-third his average salary, or probably somewhat more than one-fifth of that of his last few years. To this, owing to the provision made by the payments of the Company, it would be in the power of the Board of Directors to make such an addition as would bring up the total retiring allowance to not far short of one-half of the salary enjoyed at the time of retirement.

14. It is important to observe that the grant on the part of the Board of Directors would be in every case quite voluntary; and their action in declaring that the pension purchased by any officer should be subject to an increase of 25, 50 or 100 per cent., wholly dependent upon their judgment as to the claims of the individual. The funds necessary to provide for the payment of the largest grant would have been previously laid up in readiness by the regulations of the Fund, but the Company's proportion, if not bestowed to the full extent, or withheld, as in the case of misconduct, would return and be repaid to revenue by the operation of the rule in section 13.

15. The scheme of retiring allowances contained in the Rules, if limited to subscriptions of 5 per cent., would not afford a sufficient inducement to officers who may be invited to give up important situations on the English Railways and proceed to India at an advanced age in life. They are not able to remain long enough in the service to give sufficient value to their accumulations. It has therefore been thought necessary to meet such cases by giving older Officers the privilege of subscribing a higher percentage of their salaries, as arranged in section 4 of the Rules.

16. In order to form an estimate of the operation of this clause, it may be observed that in the case of an officer who enters the service at the age of 20, and continues at his post uninterruptedly for 30 years, should the Board be pleased to treat his case with the utmost possible liberality, and give him a pension double of that paid for by his own contributions, he would be entitled to receive, as stated in paragraph 13 of this Memorandum, an annuity of nearly one-half (six months' income) of his terminal salary, or, if the same were commuted into cash by Rule 11, a gratuity of 60 months, of which one-half or 30 months, being at the rate of one month for each year of service, would be paid by the Company.

17. An officer of higher rank going out to India at the more advanced age of 40, and allowed to subscribe till the age of 50 at the rate of 20 per cent of his salary, according

to Rules 4 and 6, would by that time have purchased a pension of nearly one-fourth of his average—or probably one-fifth of his final—salary, and if his conduct and services had been of such a kind as to justify an addition of 100 per cent., the Company would then bestow upon him a benefit which, converted into cash by Rule 11, would be equivalent to a bonus of 24 months.

18. It is important to observe, that although such liberal retiring pensions would be placed within the reach of all the officers and servants of the Company as the reward of long and meritorious service, yet the expense to the Company would be comparatively small, if there were not even a financial advantage. In regard to death casualties, the subscriptions paid by the Company would not revert to revenue, because the calculations are so made as to apply them for the benefit of the surviving relatives; but as no annuity is in any case claimable till the full age of 50 has been attained, all subscribers leaving the service at younger ages would, except in rare cases, take with them only their own contributions, with interest at 4 per cent.; and the Company's subscription, with interest, would be saved and returned to Revenue by the operation of Rule 13. In all cases, also, wherein any grant of less than 100 per cent. of the acquired annuity should be made, the difference would be returned to the Company's Revenue.

19. It will be apparent, therefore, that the cost to the Company by the establishment of the proposed fund could never exceed 5 per cent. of the salaries of all the subscribers, deducting all those who retire under the age of 50. On the other hand, all the gratuities at present given would be saved, and it is not improbable that the great advantages connected with a liberal retiring pension would gradually lead to a general diminution of salaries of more than one-twentieth, that is, more than the utmost possible contributions of the Company, under any circumstances.

20. The annuities have been calculated in the usual way from the Carlisle Tables, the interest of money being reckoned at 4½ per cent. The subscriptions have been at the same time calculated by General Hannington's Tables of the Mortality of Officers in the Indian Army, as given in the scheme for granting pensions to widows and orphans submitted to the Secretary of State for India in 1870. But only one-half of the mortality is calculated, in order to provide, according to Rule 3, for the refund to a subscriber's estate of one-half of the accumulations of his own and the Company's contributions.

21. It must not fail to be remarked that, in the event of the mortality amongst the railway officers and servants proving to be greater than that laid down by General Hannington for Indian officers, the result would be in favour of the stability of the Fund. But an institution, such as that proposed, would not suffer from fluctuations, because all the annuities granted would be paid out of accumulated funds, independently of large annual subscriptions constantly flowing in. Besides which, its steady action and prosperity would be insured by the operation of Rule 13, intimately associating its welfare with the general revenues of the Company.

22. It has been suggested that a difficulty may occur in establishing ages, especially with natives; but in any case, if satisfactory proof of age be not produced, the managers will fix it themselves, taking care that it be not overstated. From the remarks contained in the last paragraph, it will be evident that a Pension Fund on the principles laid down would not be uncertain or hazardous in its action. Nevertheless, if it were thought desirable to avoid annuities, and substitute gratuities dependent upon length of service only, the Rules and Schedule No. 1 would be made to apply by reversing the first column, and deducting 20 from every number in it, so as to convert it into a series diminishing downwards from 30 to 0, which would represent the years elapsed since each payment was made; and also by removing the decimal point in the fourth column one place to the right, so as to multiply all the pounds therein contained by ten, when the last number would become £325.80. According to the schedule so arranged, an officer who had been 24 years in the service, and who had paid £5 regularly every year, would be entitled to a bonus of (325.80 less 110.35) £215.45, the 110.35 representing the sum of payments in the table for years previous to his first subscription.

15th March, 1875.

J.T.S.

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PROPOSED RULES OF A SUPERANNUATION FUND FOR THE
OFFICERS AND SERVANTS OF THE MADRAS RAILWAY
COMPANY.

1. This Fund is intended to be applicable to all the permanent employes of the Company in India, who are in the receipt of fixed salaries of Rs. 100 per annum or more.

2. With regard to those officers and servants already in the Company's service it shall be optional, on terms to be hereafter stated, and with regard to those hereafter engaged, whose salaries exceed Rs. 240 per annum, it shall be compulsory to contribute to the Fund, at the rate of not less than 5 per cent. of their annual salaries, the subscriptions being paid by instalments, or deducted from salaries and wages in such proportions as may be arranged by the Managing Committee.

3. On the death, retirement, or removal of any Member of the Fund, not an annuitant, all the contributions made by him, or on his behalf, except those made by the Company as hereafter mentioned, shall be returned to him or his representatives, with compound interest at 4 per cent. per annum reckoned half-yearly, up to the date of payment.* On the death of any member of the Fund, who is an annuitant, all his claim on the Fund, except for arrears of annuity, will be at an end.

4. European officers entering the service of the Company after the age of 20 years will be allowed the option of making their payments to the Fund to the extent of half per cent. in addition to 5 per cent. for each year of age beyond 20 years at the time of entrance up to the age of 30, and 1 per cent. from 30 to 40, after which they will be entitled, if they please, to subscribe 20 per cent. or any smaller part of their yearly salary for any or every year up to 50. Thus, an officer entering after he has attained the age of 28 years may, in any year, or all future years, be allowed to pay 9 per cent. of his salary; an officer entering the service at the age of 38 years 18 per cent., and so on.

5. For every sum contributed as above, an equal sum shall be contributed by the Company, being credited to the Fund and paid out of Revenue; but no claim shall be acquired by any individual to the sums so contributed by the Company, either for himself or his family, except to the extent to which a grant may have been specially made by the Board of Directors.

6. Every Member on joining the Fund will be required to satisfy the Board of Directors and the Managers as to his date of birth, which will be recorded; and at the end of each year, the accounts of the Fund will be made up, and he will be credited for that year with the value of an annuity, to be enjoyed from and

* In any very exceptional case of retirement after not less than 20 years' active service, but before attainment of the required age, a small addition to this refund of payments, in no case exceeding 50 per cent., may be granted by the Board of Directors, if the same be considered very necessary, and the approval of the Government be obtained.

after his attainment of the age of 50 years, calculated by multiplying the net amount of all moneys paid by him during the year by the factor belonging to his then age, shown in accompanying Schedule No. 1. On the Member's attaining the age of 50, and subsequently retiring from the service of the Company, the annuity which will be paid to him on retirement will be the sum of all the several annuities acquired during his various years of service up to 50.

7. In case of a Member being incapacitated by illness or otherwise from earning any or not sufficient salary, the Committee of Management may permit him to suspend payments to the Fund, in whole or in part; in the former case he will gain no increase to his future annuity, in the latter only to the extent corresponding with the actual payments made by him during the year or years in question.

8. If, in any case, the circumstances of an officer or servant should be such, owing to illness or otherwise, not occasioned by any fault of his own, that he was not only unable to make any payments, but was in urgent need of pecuniary assistance, it will be competent for the Board of Directors or the Committee of Management to make an advance to him out of the moneys of the Fund, to an extent not exceeding one-half of his total previous payments; and the sum thus advanced to him, less any payment made by him during the same year, multiplied by the factor corresponding with his age in the same year, will constitute a *negative* annuity; or in other words will represent the amount of deduction to be made from the value of the annuity he would otherwise have attained on reaching the age of 50 years.

9. A subscriber who has been granted a loan under the above rule may be allowed the option of repaying it at 5 per cent. compound interest, reckoned half-yearly, within such a period and by such instalments as may be fixed by the Committee of Management, the payments being in all cases added to the ordinary per centage subscriptions of the half-year in which they are made, and reckoned for annuity by the factor belonging to the same.

10. The accounts being made up at the close of each year, the age of every Member on the last day of the year shall be taken to be the number of full years he has actually completed; the odd months and days he may have lived in excess of that number not being reckoned. Thus a Member who is 50 years old on the 2nd January, 1874, shall not be considered 50 years old until the 31st December, 1874.

11. Every contributing Member, on attaining the age of 50 years, will be entitled to receive the annuity represented by the sum of his payments in the manner explained above, and on retiring from the service of the Company, such addition thereto, if any, not beyond 1,000 per cent. of the annuity, as the Board of Directors, with the sanction of Government, may be pleased to order; no annuity being allowed to exceed £1,000 per annum. Or in lieu of the annuity so ordered, he may, if he should within six months after retirement make the request, and obtain the sanction of the Board of Directors, receive on retirement ten times the amount of the annuity in cash;

and thereupon cease to have any further claim upon the Fund. But in granting their sanction, the Board of Directors may take into consideration the state of health and general habits of the applicants.

12. From an examination of schedule No. 1, it appears that for every 100 per annum salary upon which the 5 per cent. is regularly paid, throughout a continuous service from age 20 to 50, both inclusive, a permanent annuity of £32. 10s. per annum would be secured, which might be increased by a Company's grant to £65. An officer or servant, therefore, who completes a service of 30 years without intermitting the regular payment of 5 per cent. on his salaries, may count upon retiring with a pension of nearly one-third of his average income, and if his conduct has given perfect satisfaction, not far from two-thirds of the same.

13. The accounts of the Society must be submitted to an Actuary, to be named by the Secretary of State for India, once in every seven years, in order that a comparison may be made of the assets and liabilities; and whatever deficit or surplus may be found to exist, must be either made good by, or paid over to the Revenue Account of the Company by a series of equal instalments, extending throughout the next succeeding seven years.

14. It is to be understood that the Directors of the Company are to have the power to alter the schedule of factors when upon the advice of the Actuary they have reason to believe it requires correction, and also to make such further rules as they may consider necessary.

15. Officers now in the service may be allowed to join the Fund, if above the age of 20 years, and with the sanction of the Board and the approval of Government may be permitted to pay, during the first three years, in addition to the percentage of their salaries for those years, any further sum not exceeding in the aggregate the regulated per centage on all their previous salaries since they entered the service after the age of 20, the amounts so paid being reckoned for ultimate pension in the same manner as the percentage of salary for each year, that is the year of actual payment.

16. No amount shall be claimable from the Fund until the retirement from the service or decease of a subscriber; and any sum due to a retiring subscriber, or to the estate of a deceased one, is to be considered subject to make good any demand of the Company on account of guarantee security, or otherwise, or on account of any loan or other debt.

17. All the moneys belonging to the fund will be invested by the Managing Committee in Government or other undoubted securities, or advanced upon mortgage of the same with the sanction of the Board of Directors. At the close of each year a statement will be prepared by the Secretary or Accountant showing all the cash transactions of the year, the balance in hand, and the number of subscribers and annuitants. The same will be circulated with a report from the

Managing Committee among the subscribers to the Fund. The cost of the necessary establishment will be charged to the General Fund.

18. A subscriber continuing in the service of the Company after the age of 50 years, will discontinue his subscription, and the annuity which has been purchased by his previous payments will be credited to him year by year. Part, with the sanction of the Board of Directors towards the purchase of an additional annuity, according to the scale given in Schedule No. 2 the remainder to be paid to him with interest on his retirement.

19. A subscriber on attaining the age of 50 becomes an annuitant, and at his death, if in the service of the Company, his estate will be entitled only to the sums credited to him under Rule 18, and to no other sum.

20. If any subscriber shall become insane or otherwise incapacitated to act, and the same shall be proved to the satisfaction of the Board of Directors, they shall be at liberty to authorise payment at any time of any moneys which may be due to such subscriber on his leaving the Company's service to any person whom they may judge proper, and the receipt of such person shall be a good discharge for the same.

21. If any dispute shall arise between the Committee of Management and any individual subscriber, or any executor, administrator, next of kin, or assignee of a subscriber who may become insolvent, or any person claiming to be such executor, administrator, next of kin, creditor or assignee, the matter shall be referred in writing to the Board of Directors of the Company, and whatever award, order or determination shall be made by the said Board of Directors, shall be binding and conclusive to all parties, and shall be final to all intents and purposes without any appeal.

22. The following agreement shall be signed by every subscriber to the Fund:—

I hereby agree to subscribe to the Madras Railway Superannuation Fund, and to be bound by the Rules and Regulations of the same.

23. The Committee of Management shall be appointed by the Board of Directors, and shall have the power to make such bye-laws as they may find necessary, subject to their sanction.

15th March, 1875.

J.T.S.

SCHEDULE No. 1.

Age.	Factor.	FOR EVERY £5 OF ANNUAL SUBSCRIPTION.	
		Annuity purchased this year.	Total Annuity.
		£	£
20	416	2.080	2.080
21	396	1.980	4.060
22	376	1.880	5.940
23	357	1.785	7.725
24	340	1.700	9.425
25	322	1.610	11.035
26	306	1.530	12.565
27	290	1.450	14.015
28	275	1.375	15.390
29	261	1.305	16.695
30	248	1.240	17.935
31	235	1.175	19.110
32	223	1.115	20.225
33	211	1.055	21.280
34	200	1.000	22.280
35	190	.950	23.230
36	180	.900	24.130
37	170	.850	24.980
38	160	.800	25.780
39	152	.760	26.540
40	143	.715	27.255
41	136	.680	27.935
42	128	.640	28.575
43	121	.605	29.180
44	115	.575	29.755
45	108	.540	30.295
46	102	.510	30.805
47	.097	.485	31.290
48	.091	.455	31.745
49	.086	.430	32.175
50	.081	.405	32.580

N.B.—A Member beginning his subscriptions later than age 20, has a total annuity less than 32.58 by the amount due to the previous ages; thus a subscriber paying 5 per cent. on £100 from age 40 to 50 inclusive, would have an annuity of only (32.58, less 26.540) £6.040. If he subscribed according to rule 4, at the rate of 20 per cent. on £100, he would have an annuity of £24 for every £100 of his average salary.

SCHEDULE No. 2,

Shewing the additional annuity secured under Rule 18, the same being claimable at the end of one year from the time at which the payment has been made.

Age.	Factor.	FOR EVERY £5 ANNUAL PAYMENT.	
		Additional Annuity purchased this year.	Total Additional Annuity.
		£	£
50	·088	·440	·440
51	·090	·450	·890
52	·092	·460	1·350
53	·095	·475	1·825
54	·097	·485	2·310
55	·100	·500	2·810
56	·103	·515	3·325
57	·107	·535	3·860
58	·110	·550	4·410
59	·114	·570	4·980

GOVERNMENT OF MADRAS.

P. W. DEPARTMENT.

RAILWAY BRANCH,

EXAMINER'S OFFICE.

MEMO. No. 153

The undersigned has the honour to return the papers in original regarding the establishment of a provident and superannuation fund upon the Madras Railway, which were received with the Consulting Engineer's Memo: No. 79 dated 20th ult.

2. The reasons for and against the establishment of a fund of this nature are stated very fully and clearly in the letter of the Board of Directors; and the undersigned inclines to the opinion that its formation would, besides being fraught with great advantage to the Staff, tend towards economy. It would not be possible at once to reduce salaries; but there is every reason to expect that persons would join the service in the

M. 144³/₃ / 96

By 28 March 96. P. W. 452

the future and remain in it on smaller salaries than those drawn by the present incumbents. It is a usual thing to hear railway officers say that they would willingly forego a portion of their present income if they could secure the advantages of a pension.

3. As for as the undersigned is able to judge the scheme is perfectly sound; and there is no prospect of its bringing embarrassment to the Railway Company and the Government. The only question appears to be whether the Government would be justified in agreeing to add five per cent to the cost ~~of the~~ of the present establishments by the expectation that the movement would conduce to economy in the future.

4. Present incumbents of appointments in the railway do not appear to have any claim to be treated exceptionally, as they have enjoyed the

the

17 19
the larger salaries which it is necessary to give in a service which does not carry with it pension. In exceptional cases gratuities are given to persons leaving the service; and the establishment of the fund should not operate to the disadvantage of present employes considered at the time of leaving the service worthy of gratuities. If however an attempt be made to give to present officials superannuation allowances of anything near the amount they would have received had the fund been in operation since they joined the service, the expense to the Government would be very great, and it would not be in discharge of a legal or moral claim.

5. It is necessary to recollect that the institution of a fund of this nature would

Ans. $\frac{144^3}{24} / 76$

Examiner, Railway Accounts,
Madras.

Memorandum. SP 20

1911
The working of the rules as regards officers entering the service hereafter is clearly shown in the papers, and seems to be generally fair. The rules are more favourable to officers entering the service at an advanced age, but the reason for this is explained in paragraph 15 of the Board's Memorandum.

The only difficulty appears to be in regard to the claims of officers at present in the service, and perhaps the best way of exemplifying the working of the rules will be to give a few hypothetical cases.

First. An officer who entered at 20
and

and is now 40. Average salary during
all this time ————— £800

Average subscription at 5 per cent — 40

Total for 20 years ————— £800

By paying down this sum he can
the purchase an annuity of

$$800 \times .143 = 114.4$$

Suppose his average salary during the
remaining 10 years of service to be £1000,
his average subscription will be — £50,
and the annuity which this will purchase —

$$50 \times 1.065 = 53.25$$

$$\text{Add} \text{ ————— } 114.40$$

Total annuity purchased ————— £167.65

Had the fund been in operation at the
commencement of his service he would have
purchased

purchased annuities of

* These are not quite
exact as the factors
decrease as the amount
of subscription rises,
and the average will
be something less than
these amounts. They
are, however, near
enough for purposes
of comparison.

$$40 \times 5.451 = 218.04^*$$

$$50 \times 1.065 = 53.25^*$$

Total £ 271.29

The maximum additional annuity —
which this officer could be awarded is
£167.65, in one case, and £271.29 in
the other. The difference between these
must be supposed to have been made up
to him in the shape of higher pay than
will now be found necessary for men
joining the service. Capitalising these
annuities the amounts awarded will be
equivalent to 18.3 and 29.6 months of final
salary, supposing this to be £1100.

Second. An officer entered the
service

service at 35 and is now 45. —

Average salary ————— £ 800

average subscription at 15 per cent — £ 120

and for 10 years ————— £ 1200

By paying down this sum he can purchase an annuity of

$$1200 \times .108 = \text{£} 129.6$$

Supposing his average salary during remaining 5 years to be £1000, his yearly subscription will be £150, for which he would get an annuity of

$$150 \times .457 = \text{£} 68.55$$

$$\text{Add} \text{ ————— } 129.60$$

Total annuity purchased £198.15

The maximum additional annuity being £198.15, its capitalised value represents

represents 21.6 months of final salary²²
supposing this to be as in the first²¹ case £1100. Had the fund been in operation at the commencement of his service, he would have purchased annuities of

$$120 \times 1.413 = \text{£} 169.56$$

$$150 \times .457 = \text{£} 68.55$$

$$\text{£} 238.11$$

the capitalised value of which represents 26 months of the final salary.

Maunton

Lt Col. R.E.

Hon. Engineer for Railways.

RAILWAY DEPARTMENT

CONSULTING ENGINEER'S OFFICE.

Madras, 21 February 1876.

No. 101

From

LIEUT.-COLONEL J. H. M. SHAW-STEWART, R.E.,

Consulting Engineer for Railways,

To

MAJOR-GENERAL G. W. WALKER, R.E.,

Secretary to Government,

Public Works Department,

Fort Saint George.

SIR,

In the Resolution
of the Government of India dated
the 16th April 1873, No. 240 A.G.R.,
the Governor General in Council
commended to the attention of
the Madras Government the ad-
-vantage of securing the establish-
-ment of a Provident Fund for
the benefit of the employees of
the Madras Railway; and in
the order of the Government

dated

dated the 16th May 1873, N^o 1369, the Governor in Council stated that he would gladly support the formation of a Fund of that nature. Subsequently, in the Orders of Government dated the 2nd May 1874 N^o 1160, and the 18th September 1875 N^o 2683, the Governor in Council expressed his satisfaction at learning that a scheme for establishing the Fund had been drawn up; and his hope that its introduction would tend to secure a superior class of subordinate officials.

2. I have now the honour to lay before Government a letter from the Agent N^o 51-17th of the Madras Railway, forwarding the details of a scheme for a Provident or Superannuation Fund which has been drawn up by the Board of Directors, along with an explanatory letter from that body. A memorandum upon the subject by the Examiner of Railway Accounts is also forwarded.

3. There can be but little doubt that the establishment of a Fund of this nature will tend to improve the condition of the Company's Staff, in a direction which cannot fail to have a corresponding effect upon the general prosperity of the Railway. Whether or not it will be followed by a gradual reduction of the general expenses

N^o 153-3rd
February 1876.

Original
received
printed
to be
sent
to the
Secretary

expense of salaries," as anticipated
by the Directors, is a question which
time alone can solve. In order
that the anticipated reduction may
be accomplished, it will be ne-
cessary that the possibility of it
should be kept constantly in
view by the Directors themselves.

See also
the remarks

4. The scheme seems
to have been elaborated with
great care; and the figures
entered in the two schedules
which accompany the proposed
Rules are apparently based
upon thoroughly sound cal-
culations. Of the Rules
themselves, Nos. 4 and 15 appear
to be the only questionable ones.
With regard to the latter of
these,

* Certain hypo-
thetical cases are
appended, showing
the mode in
which these rules
would operate.

23 3
these, the Examiner of Railway
Accounts points out that "if
an attempt be made to give
to present officials superannu-
ation allowances of anything
near the amounts they would
have received had the fund
been in operation since they
joined the service, the expense
to the Government would be
very great, and it would not
be in discharge of a legal
or moral claim". This is
undoubtedly true; but it should
be observed that Rule 11 makes
the sanction of Government
necessary before any allowance
is made to a retiring member,
over and above that to which
he is entitled in virtue of
his

his own payments to the Fund.
5. There is one point
in which the proposed Rules
seem to be deficient. As
remarked by the Directors in
their letter to the Agent, every
contribution made by the Com-
pany towards the Fund, is
virtually a charge upon the
Revenues of India; and,
bearing this in view, it seems
essential that all action taken
under the proposed Rules
should be subject to the
general control of Government.
It may perhaps be deemed
advisable that the Government
should be represented upon
the proposed Committee of
management;

26. 4
management; but, in any case, it
seems expedient that the discretionary
power which, under the Rules
generally, and especially under Nos.
2, 8, 14, 17, 21, and 23, is vested in
that Committee and in the Board
of Directors, should be exercised
subject to the immediate control
of Government. Particular attention
is drawn to Rule 14, under which
the Directors have "power to make
such further rules as they may
consider necessary"; and to Rule
23, under which the Committee
of management "have the power
to make such bye-laws as
they may find necessary", subject
to the sanction of the Directors.
It seems highly inexpedient
that these powers should be
exercised without the direct
control

control of Government.

I have the honour to be
Sir

Your most obedient servant

M. M. M. M.
Lieut. Col. R.

Cons. Engineer for Railways.

28/6-1876
22/6/76 - 4604161
18/6/75 - 2378275
18/5/75 - 2682488
13/6/75 - 2923.

P. M. 1876 Dept
RAILWAY DEPARTMENT.
No 1443

The Secretary to Government,
P. W. Department,
Fort Saint George,
Dated 22/8/76
Recd 25/8/76
No 101

Substituting letter
from the Agent for the
Railways upon the
subject of establishing
a superannuation fund
for the railways.

PROCEEDINGS OF THE MADRAS GOVERNMENT.

UNDER date the 28th March 1876.
Read the following:—

The Cons. Engineer for Railways } (P. W. Dept 101 of 22nd Feb 1876)

His Grace the Governor
in Council observes that
the scheme of Superannu-
ation allowances for
servants of the Madras
Railway which the Board
of Directors of that
Company have proposed
bears evidence of careful
elaboration, and is in
the opinion of the Examin-
ers of Accounts sound in
principle. Its intro-
duction will doubtless
exercise a beneficial
effect

Not as
1876
25/6
P. M.
May 1876
3

effect on the service generally
and render employment
therein much more
attractive than at present.

The financial effect of
the scheme involves an
addition of
5 per cent to the cost of
Establishments, but this
enhanced charge will, the
Directors anticipate,
be in time balanced by
a corresponding decrease
of salaries.

It seems desirable
before the Govern-
ment are committed to
the permanent additional
outlay contemplated that
some distinct assurance
should be given that this
general reduction of
salaries will be carried
into effect. Detailed
proposals

I do not see much use
in requiring this before
sanctioning the Establish-
ment of the retiring
Fund. I do not think
that there any sufficient
data on which the assurance
can be given. The
market value of

professional skill is
variable. & the additional
temptation that a
pension offers, tho' it
is certain that such
will be the effect of
a Retiring scheme, can-
not, at once, be stated
in pounds shillings &
pence. - The Govt
will of course bear
this additional charge
in mind when sanctioning
the scale of salaries -
More than this cannot
be expected. M

I entirely agree with
falling by chance & dissatisfaction in dealing with
cases

proposals might be
submitted showing the
maximum scale of
salaries which it would
be proper to allow under
the new conditions of
service, contrasted with
the amounts now drawn.
It is quite understood
that any estimate of
future expenditure which
may be framed is neces-
sarily liable to dis-
turbance influences
which cannot be foreseen
at present; but His
Grace the Governor in the
Council considers that an
estimate of the kind
indicated would form
a useful guide for future
cases

cases as they may arise,
and afford some guarantee
when new appointments
come to be sanctioned in
detail that the liability
which the State accepts
by the sanction of the
scheme of Superannuation
allowances is not being
unduly enhanced.

The Consulting Engineer
properly remarks that
as the contribution made
by the Company towards
the fund is virtually a
charge upon the Revenues
of India it is necessary
that the operation of the
rules should be subject
to State control. This
object may best be effected
probably by associating
the

ways can be looked
for. We had best
lean this point - He
decided as the
govt. or crisis

This is too arbitrary. The
Consulting Engineer should
be an ex-officio Member
to watch over the interests
of govt. & no new Rules
or Bye Rules should be
passed without the
consent of the govt.

I concur
7/2 M

26
the Consulting Engineer
with the Managing Com-
mittee as an ex-officio
Member, [with a veto on
all measures which
may be brought for-
ward for consideration].
With these remarks
the papers will be for-
warded for the considera-
tion of the Government
of India.

H. E. No. 789 dated 28th March 1876.
To the Secy. to the Govt.
of India, S.H.C.

The subject of estab-
lishing a fund in con-
nection with the gua-
ranteed Railways of
this Presidency under
the Cong. for Reg. which their servants
may

To the Cong. for Reg.
Dec 25-4-76

may be granted some allowance on retirement after long and approved service has, on several occasions, been brought before the Government of India. The Commission appointed to enquire into the working of the Madras Railway invited evidence on the subject of the position, pay, and prospects of the Railway staff, and they strongly urged the necessity for some provision for deserving Railway Employees on retirement, which, while affording to a servant an additional incentive to retain his employment, and to the Company an additional guarantee for his good conduct, might place the

27
the Railway Company in a better position to compete with the Government Department for men of good social standing." And in the letter from the Secretary to the Government of India of the 23rd Sept 1875 No 2355 R, it was intimated that the Agent may address his Directors on the question of establishing a Provident Fund.

The Directors of the Company have now elaborated a scheme which I am to submit herewith for the consideration and orders of the Government of India. The opinions of

of the Consulting Engineers
and of the Examiners of
Railway Accounts have
been given on the pro-
posals; and these are
now forwarded together
with the views of His
Grace the Governor in
Council.

GMR

See P. 111. 13
1. 50 to 100. 100
100 to 100. 100

Commissioners

Desp 15/4/76 ltr 38 Cj

of Leno 788 d 28/3/76

20 Hare Copies Despd
out 26/5/76

One copy of P.
Comm. Report
made over to
de Brown
29-3-76

452 @ 455

W. C. 3. 2. 76

14438
Govt. of 1876 Madras.
PUBLIC WORKS.

To
The Secy^r of Railways

Dated

Issued

Recd.

Encl.

G. O., 28th March 1876, No.

Nos. 452 @ 455

Superintendant, Indian
Railways, Madras.

Passing orders on letters from
the Secy^r of Railways, Madras.
Correspondence on the
subject of establishing a

25-4-76