

The Chairman : I do not know. I think these reports are confidential to this Committee. I do not think other witnesses are entitled to know what they contain.

Mr. McCombs : That is a matter that can be discussed later. In regard to the alleged amount of the deficiency, £23,000,000 or £25,000,000, can we bring that down to an annual deficiency of £1,000,000 ?

Mr. Gostelow : Yes, an annual payment in perpetuity.

Mr. McCombs : An annual payment of £1,000,000 ?

Mr. Gostelow : Yes, forever.

Mr. McCombs : £25,000,000 is the capitalization of that £1,000,000 ?

Mr. Gostelow : That is so : it is just like £25,000,000 stock.

Mr. McCombs : It is really a deficiency of £1,000,000 a year ?

Mr. Gostelow : Yes.

Mr. McCombs : And if we choose to capitalize it and put the money out at 4 per cent., that amounts to the same thing. What percentage reduction in the benefits that would be received by the whole of the pensioners would be brought about by computation on the seven-year basis instead of three as previously computed ?

Mr. Gostelow : You cannot very well express it as a percentage reduction, because some officers will not get any reduction at all.

Mr. Combs : Computation on the basis of the last seven years of service will mean a certain saving to the Fund annually as compared with three years, have you computed that ?

Mr. Gostelow : We have not taken out an estimate of that. It would take a long time to get that information. There are some five thousand pensioners alone.

Mr. McCombs : Before you could recommend that seven years was better than three years you must have made some calculation or some estimate to know how it would be better ?

Mr. Gostelow : As a matter of fact I do not think it is necessary to make any computation at all. To my mind, the pension should be based over the whole period of service.

Mr. McCombs : I know that.

Mr. Gostelow : Obviously that would mean altering the whole scheme. All that the Commission suggests is to broaden the base. Instead of taking it over the whole period of service, take it over the last seven or ten years.

Mr. McCombs : Then we want to know what effect that would have on the finances of the scheme.

Mr. Gostelow : I could give you an estimate of that, but it would only be an approximate one. We have taken out an estimate from a body of data that I was working on, and it would effect a saving of $6\frac{1}{2}$ per cent.

Mr. McCombs : On the ten-year period or the seven year ?

Mr. Gostelow : On the seven-year period. The ten-year period would affect a saving of 10 per cent., but that is an average over the whole.

Mr. McCombs : I want the average, because some officers will not be affected ; but if the average is going to be $6\frac{1}{2}$ per cent. on seven years and 10 per cent. on ten years and some officers will not be effected, and other percentages will be different altogether from $6\frac{1}{2}$ per cent. and 10 per cent., it is possible that some may suffer a reduction, of 20, 30, or 40 per cent. ?

Mr. Verschaffelt : Quite easily.

Mr. Gostelow : They might suffer a reduction of 30 or even 40 per cent., but after all they are supposed to pay their share towards the pension. If a man's salary has gone up so rapidly in the last three years of his service that there is a 40-per-cent. difference in the average for seven years, he surely cannot complain if the pension is altered.

Mr. McCombs : I notice that you say that the contributors have carried out their part of the contract and so on.

Mr. Verschaffelt : There are really two cuts suggested, and one is that the basis of computation should be altered from three to seven or ten years.

Mr. McCombs : With regard to the deficiency, there was some recommendation that the interest on the deficiency amounted to one million pounds, and a suggestion that the position might be met by paying half that amount.

Mr. Gostelow : That is what we suggest here. A pound-for-pound subsidy would bring in about £500,000 (half a million).

Mr. McCombs : Would the seven or ten year basis fit in with that half-million suggestion ?

Mr. Gostelow : No. That half-million suggestion means cutting out 50 per cent. of the deficiency. The alteration to seven or ten years would only cut down $6\frac{1}{2}$ per cent. of the liabilities. That would not go very far in that direction.

Mr. Bodkin : It would be helped by extending the retiring-age ?

Mr. Gostelow : Yes, that would help.

Mr. Bodkin : Have you computed what that would be ?

Mr. Gostelow : It would take some six or eight months to do that. There are forty-odd thousand contributors to these funds.

Mr. Bodkin : Could you fix it approximately ?

Mr. Gostelow : I cannot give you any definite approximation. These recommendations which have been made have been very carefully considered in the light of years and years of experience, and represent, to my mind, the most equitable method of apportioning the deficiency. If the State cannot pay or will not pay the subsidy, then we have to find the fairest way of spreading the sacrifice over every one, and that is what this scheme represents—the fairest possible scheme we have been able to evolve.