Mr. W. Nash: I am just asking if the average is smaller over the three years than over the seven in that case. The three years would be a smaller sum than the seven years unless the man elected to contribute at the higher rate ?

Mr. Verschaffelt: Yes.

Mr. W. Nash: Then the Bill will cost the State more money.

Mr. Gostelow: No. There is provision in the Bill that no existing pension shall be increased.

Mr. W. Nash: There is another matter I wish to bring up, and that is in regard to the £25,000,000 and the £1,000,000 annual liability. What will be the difference between capitalizing the deficiency, and getting £1,000,000 a year out of the capitalization, and finding the £1,000,000 each year out of the revenue of the country ? Perhaps you can tell us that later on ?

Mr. Gostelow: There is no difference in principle. If you issue a loan of £25,000,000 at 4 per cent. you have to pay out £1,000,000 a year. It would have to come out of revenue from taxation in the same way as you would have to find it to pay interest on the loan. The two things are exactly equivalent.

Mr. W. Nash: Then why try to find the £25,000,000 ?

Mr. Gostelow: No one wants to find the £25,000,000, because £25,000,000 would not be put up. You would only issue scrip or give an undertaking to pay. That is all it is.

Mr. W. Nash: Is it not one of the suggestions that the Fund shall be put on a sound basis, and to do that an amount of £25,000,000 will require to be paid into the Fund ?

Mr. Gostelow: No; so long as there is an undertaking to pay the £1,000,000.

Mr. W. Nash: You report and recommend that the Fund should be put on a sound financial basis. I admit that it is not possible, taking the existing circumstances of the country into account, to do that; but assuming that it was possible to get the £25,000,000 and put it aside for this Fund, it would then be on a sound actuarial basis ?

Mr. Gostelow: Yes. And as far as now can be seen, no further payments would be required of the Government in respect of present contributors.

Mr. W. Nash: The Fund needs £1,000,000 annually, which it will use to pay out pensions. What is the difference between that proposal and the State paying £1,000,000 every year without worrying about the £25,000,000 ?

Mr. Gostelow: There is no difference whatever so long as the State honours the promise to pay the £1,000,000.

Mr. W. Nash: I would like Mr. Verschaffelt and Mr. Gostelow to tell us the difference between where the £1,000,000 comes from if you get the £25,000,000 of capital invested, and where the £1,000,000 comes from to pay the pensions each year if you do not get the £25,000,000 invested ?

Mr. Gostelow: From the same place. One is a guarantee and the other is a promise.

Mr. W. Nash: In one case it comes from interest on the loan and the other from taxation.

Mr. Gostelow: It comes from taxation in either case. You cannot get it otherwise unless you could hand over £25,000,000 in, say, discharged soldiers' settlement bonds. If you cannot get it from surpluses it is equivalent to raising an internal loan.

Mr. W. Nash: You raise an internal loan and pay the interest on the loan. Why worry about the £25,000,000 if it has to come from the same source ?

Mr. Gostelow: No one is worrying about the £25,000,000. What is wanted is £1,000,000 a year.

Mr. W. Nash: Then why all this fuss about the £25,000,000 ? The position of the funds when you have made them actuarially sound is exactly the same as if they were actuarially unsound. The point is this: that you would have to, in the one case, raise £1,000,000 to pay the interest on the £25,000,000, and, in the other case, you would have to raise £1,000,000 to pay the pensions—both amounts of £1,000,000.

Mr. Gostelow: That is right.

Mr. W. Nash: Then why worry about the £25,000,000 if the £1,000,000 has to come from the same source ?

Mr. Gostelow: No one expects to see the £25,000,000 in golden sovereigns. The capital would be in script. That is the point. There is no real difference whatever between the £25,000,000 and the annual sum of £1,000,000.

Mr. W. Nash: The point is this: to make the Fund actuarially sound you borrow £25,000,000, and then you raise £1,000,000 each year to pay the interest thereon. The other way you raise £1,000,000 for the purpose of paying the pensions. I cannot see any difference at all.

Mr. Gostelow: There is no difference whatever, except that one is a guarantee. If you have stock of 25 millions, you can sell it—that is, it is a negotiable security. The other promise to pay of a million a year is not worth a snap of the fingers if it is not paid.

Mr. W. Nash: I should say the one difference worth while from the Civil servants' point of view is that 25 millions is raised and paid into a Superannuation Fund, and they in turn every year pay their contributions to the Fund. It would be a better case, from their point of view, to say, "This is our Fund," whereas now they have to depend on the Government levying taxation to pay it. There is a further point: that the recommendation of the Commission was for an amount of £150, but the Bill provides for £100 minimum before the cuts start to take effect. Then I want Mr. Gostelow, if he would, to give us an estimate of the amount of money that was actually paid out of the funds on account of back service that is not actually provided for. You take into account a certain deficiency, and show it here. A portion of the deficiency is due to the fact that large sums of money were paid out on account of back service.

Mr. Verschaffelt: The contributions of present members of the Fund are paying the pensions of past members.