

Committee Secretary
Senate Standing Committee on Finance and Public Administration
PO Box 6100, Parliament House
CANBERRA ACT 2600

Dear Sir/Maam,

This is my submission to the Senate Standing Committee on Finance and Public Administration Legislation Committee in regard to the Governance of Australian Government Superannuation Schemes Bill 2010, the ComSuper Bill 2010 and the Superannuation Legislation (Consequential Amendments and Transitional Provisions) Bill 2010.

Background

The *Governance of Australian Government Superannuation Schemes Bill 2010* seeks to give effect to the Government's announcement in October 2008 to merge the Australian Reward Investment Alliance (ARIA), the Military Superannuation and Benefits Board (MSB Board) and the Defence Force Retirement and Death Benefits Authority (DFRDB Authority) to form a single trustee body from 1 July 2010.

The Bill is part of a package of three purporting to modernise Australian Government superannuation and establish governance arrangements for the Commonwealth superannuation schemes that are effective and more consistent with the broader superannuation industry. The other two Bills in the package are:

- the *ComSuper Bill 2010*, which makes changes to the governance framework for superannuation administration arrangements for the main civilian and military superannuation schemes; and
- the *Superannuation Legislation (Consequential Amendments and Transitional Provisions) Bill 2010*, which contains the consequential and transitional provisions necessary to facilitate the merger, the changes to superannuation administration and the modernisation of specific aspects of Australian Government superannuation to better align with the broader superannuation industry.

Following the merger of ARIA, the MSB Board and the DFRDB Authority, the single trustee will be responsible for managing the main Commonwealth civilian and military superannuation schemes. These schemes are:

- the Commonwealth Superannuation Scheme;
- the Public Sector Superannuation Scheme;
- the Public Sector Superannuation Accumulation Plan;
- the Military Superannuation and Benefits Scheme;
- the Defence Force Retirement and Death Benefits Scheme; and
- the Defence Forces Retirement Benefits Scheme .

The single trustee will also be responsible for the superannuation scheme established by the 1922 scheme and the Papua New Guinea scheme. These schemes were previously the responsibility of the Commissioner for Superannuation. The position of Commissioner for

A number of Issues

Issue 1

The findings and recommendations of the Government review (with Price Waterhouse Coopers) cited as underpinning the need for the merger have not been made public for critical review.

The assumption that these revised arrangements will result in cost savings and an increase in efficiency is unlikely to be realised. The disparate nature of the military schemes and the governance expertise required inevitably means there would need to specialist “policy committees” formed to provide advice to the governing board and would limit the opportunity for staff rationalisation.

Furthermore there will be additional costs associated with the administration and remuneration of the board.

Issue 2

The government did not consult with any of the Ex Service organisations in regard to this bill and ignored letters that were sent objecting strongly to the merger of the Military schemes with the public Service Schemes.

Issue 3

The decision makes no effort to acknowledge the unique nature of Military Service which is espoused in the attached paper.

Issue 4

There appears to be no reason that politician's superannuation was not included in the merger. The pre 2004 superannuation is a defined benefit scheme that is similar to the military defined benefits schemes and the post 2004 is an accumulation scheme. The management of these schemes is similar and if there were to be benefits to amalgamating the other schemes surely further benefit to the commonwealth could be attained by including the politician's schemes.

Issue 5

The Governing Board (Board of CSC) has ten members including the Chair of which only two are appointed by CDF. In this environment with three members nominated by the ACTU and five by the minister it is highly unlikely that the ADF representatives will have sufficient influence in board considerations to ensure the uniqueness of ADF service is given appropriate weight.

The board composition also means that although the public service members will be well represented (but not necessarily those retired), the serving and retired men and women of the ADF are left without direct representation on this governing board.

To suggest that the CDF provide for that representation is a bridge too far. His nominees will undoubtedly perform their roles with diligence but with the best will in the world they will inevitably represent the ADF as an entity and understandably would focus on serving members and it is highly unlikely based on experience up until now that they could effectively represent retired members of the military schemes.

Issue 4

Review into Military Superannuation Arrangements has acknowledged the military schemes disability and death benefits are unique to the responsibilities of the trustees of the current military schemes and require a different and additional skill set to that needed for the public service schemes. The concern is that this skill set will be lost with the merger of the boards

The RMSA recommendation is to establish a single board to manage all military superannuation schemes. This seems to be a reasonable action and Defence Force Welfare Association (DFWA) has already advised its agreement with this and has recommended a possible board composition designed to meet the governance requirements as well as protect the interests of both the members of these schemes and the Commonwealth. DFWA has suggested a 7-member board constituted as follows:

- Independent Chairman

- Independent member with superannuation industry expertise
- Independent member with investment/financial services industry expertise
- 2 employer members (with at least 1 from Department of Defence)
- Employee member nominated from within the ADF.
- Ex-employee member nominated by the military superannuants' community.

In summary

The financial justification for introducing this bill has not been released for public scrutiny sand comment.

The bill seeks to normalise the operation of Commonwealth Super boards (excluding the politician's superannuation) and does not recognise the unique nature of military service.

The make up of the board almost guarantees that the ADF representatives will have insufficient influence in board considerations to ensure the uniqueness of ADF service is given appropriate weight.

Recommendations

My recommendations are:

- This bill be delayed and the government release the Price Waterhouse report to public examination and comment
- The government recognise the unique nature of military service when determining superannuation issues for the ADF and maintain a separate (combined) board for military superannuation.

Yours truly

R.J.Shortridge

Enclosure :

DFWA Information Sheet – Unique Nature of Military Service