

1 March 2010

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

**SUBMISSION ON THE PROPOSED GOVERNANCE OF AUSTRALIAN
GOVERNMENT SUPERANNUATION SCHEMES BILL 2010**

Introduction

Like many veterans, retired ADF members and currently serving ADF members, I am most concerned about the proposed *Australian Government Superannuation Schemes Bill 2010*.

I am particularly concerned about the composition of the 10 person Board (CSC) as proposed at Clause 10(2).

It is an insult to military veterans that on a Board managing military superannuation there will be only two members of the Board nominated by the CDF while there are three members nominated by the President of the ACTU.

The uniqueness of military service is being ignored.

My Background

I served in the Australian Regular Army and resigned my commission in 1996 as a Colonel. My service included front-line active service as an Infantry platoon commander in the jungles of South Vietnam.

For my entire service of nearly 32 years I contributed to the DFRDB Scheme and now draw a DFRDB pension which is taxed. I will continue to pay tax after I turn 65 even though all other "pensioners" over 65 (with the exception of Commonwealth Public Servants) pay no tax at all; this is hardly of comfort to me after 32 years of service to the nation.

I have outlined my service since I am very interested in what happens to my superannuation, who controls it, how it is indexed and why is it taxed?

Comments on the Proposed Bill

In Government correspondence, Ministers and Government bureaucrats state, in simple terms, that the Defence Forces Retirement Benefits (DFDB) and the Defence Forces Retirement and Death Benefit Scheme (DFRDB) are "unfunded" schemes and, therefore must be treated separately to all other Commonwealth superannuation schemes.

Yet the proposed *Governance of Australian Government Superannuation Schemes Bill 2010* (the Bill) appears to ignore this long-held "policy". This Bill proposes to merge the DFDB, the DFRDB, the Military Superannuation and Benefits Scheme (MSBS) with other superannuation schemes. In the "Outline", on Page 4, to the Bill's proposal, it states, inter alia:

"These outcomes provide an opportunity for benefits to all scheme members and the Commonwealth through lower costs and, potentially higher investment returns."

Does this mean that the DFDB and the DFRDB schemes will now be reclassified as "funded" schemes as they will now be earning interest from "higher investments"?

Also of concern to me is that in Page 4 of the "Outline", it states, inter alia:

"..the single trustee has a responsibility to act in the best interests of all members..."

Yet in *Subclause 10(2)* the proposed Bill states that the Commonwealth Superannuation Corporation (CSC) will comprise:

- Three directors nominated by the President of the ACTU,
- Two directors nominated by the Chief of the Defence Force (CDF), and
- Five directors chosen by the Minister for Finance.

How can such a representation be in the best interests of ex-service members? Why is the President of the ACTU able to nominate three directors while the CDF can only nominate two?

I cannot see the relevance of the ACTU being involved.

I can imagine the protests from ACTU members if their superannuation was to be under the control of three directors nominated by the CDF against only two nominated by the President of the ACTU. In fact, I simply cannot see the relevance of involving the ACTU with our Military superannuation schemes at all.

The Uniqueness of Military Service

Military personnel, unlike civilian employees, are required to take up arms and defend our Nation as directed by the Government of the day.

Military service means putting your life at risk in a war-zone unlike those who choose employment in other Commonwealth Government departments.

The facts are well known that the unique requirements of military service pose a far greater risk of personal injury or death to those of us who are prepared to pay the supreme sacrifice for the betterment of the Nation by enlisting in the ADF.

The uniqueness of military service not only affects military personnel. Because of the constant requirement to be ready for deployment on war service and the rigors of military life in general, (which are far greater than those experienced by the average Government employee and their families) has a profound impact on their entire lifestyle and that of their families, who suffer hardships above and beyond that suffered by families of other Commonwealth Government employees.

Military service has to be considered separately and, as the Government has stated in the past, military service is of the highest calling our country can ask of its citizens.

Surely then, it is the Government's responsibility to ensure that our country employs and properly trains the right people to do what is asked of them by the Government of the day (including the supreme sacrifice). It is also the responsibility of Government to recognise the uniqueness of military service and ensure that all Military personnel, past, present and future are **fairly** recompensed in retirement, for the unique role they play in the security of our Nation.

The proposed Bill appears to ignore this unique service to our nation. As a consequence there is a great deal of scepticism in the veteran and ex-ADF community about this proposed Bill.

Concerns

1. While I have no objections to the merger of the three military superannuation schemes (DFDB, DFRDB and MSBS) under a single authority or board, I have grave reservations regarding the merger of these three schemes with other superannuation schemes.
2. I am concerned that the proposed merger will also incur enormous costs, eg the remuneration of the CSC Directors and other related expenses such as administrative, travelling and accommodation costs.
3. The composition of the CSC is partly irrelevant and places the ADF Directors in the minority.
4. I am concerned regarding the establishment costs. They seem to have to be met by the merging schemes and I do not believe that the military superannuation schemes, being "unfunded," should have to bear these costs.
5. As the DFDB and DFRDB schemes have always been as Defined Benefit Schemes and, as such "unfunded", will they now be reclassified as "funded" schemes as investments will provide additional funds available for distribution?
6. I am concerned that the proposed Bill will eventually result in a diminution of benefits for military superannuants and that, in time, there will be an

aggregation of all schemes with the result that military superannuants will be treated exactly the same as all other Commonwealth superannuants.

Conclusion

Please note that I strongly object to the following:

- to merge all military superannuation schemes with other Commonwealth superannuation schemes.
- to the proposed composition of the CSC.
- to the apparent efforts to belittle the uniqueness of military service by lumping veterans and ex-ADF members in with all other Government superannuants

I am very concerned that if this Bill is passed by Parliament, military superannuants will be treated exactly the same as Commonwealth Public Servants and trade unionists.

Military superannuation schemes must remain separate from all other schemes, and be controlled by a separate authority.

Yours sincerely,

PD Gibbons