

**The Hon Gregory Ivan Combet AM**

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**Dear**

## **REVIEW OF MILITARY SUPERANNUATION**

Over recent months I have been corresponding with various Ministers and Members of parliament on the subject of **Military Superannuation Indexation**.

As a retired professional Army Officer of 28 years I am entitled to a superannuation pension under the MSBS scheme. Recently I retired from full time work making me fully dependent on my pension. Since then I have observed that changes to the indexation of other retirement pension schemes (age and service) highlight the failure of the MSBS indexation to maintain pace with living standards.

My correspondence particularly with the Minister for Finance is ongoing and essentially is concerned with achieving parity in the indexation of my superannuation pension.

In the course of my research into this initial subject I have become aware of the Australian Government's intention to revise the nature of Military superannuation thus aligning such benefit with Commonwealth civilian superannuation.

As I understand it 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 single 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 merger proposal in my view ignores the unique nature of military service.

*"It is a commonly held view that the unique nature of military service is rooted in the nature of society itself. Most democratic societies recognize the central place of the individual as the primary unit of sovereignty. Sovereign individuals are vested with inalienable human rights, recognized in the Universal Declaration of Human Rights as, among others, life, liberty and the security of the person (Article 3). Australia is a signatory of the Declaration, adopted by the General Assembly of the UN in 1948. In no other calling, occupation or profession has the State the power to accept or demand the surrender of these rights. Military service in this fundamental respect is unique, and the obligation this places on the State is as inescapable, as it is enduring.*

*In volunteering for military service, the individual accepts the surrender of his basic rights under Article 3 and places his life, liberty and security of person in the hands of the State. This surrender is not unconditional, though in the extreme, it is absolute.*

*The State, for its part, accepts the obligation to preserve, as far as is consistent with the achievement of the military mission, the physical and spiritual wellbeing of such individuals who place themselves at its disposal. This obligation extends beyond the period of service itself, to the physical and psychological consequences of that service."*

All major political parties acknowledge that no other avenue of service to the Australian people places its participants at the same, or even distantly similar, levels of personal and collective risk nor requires the complete surrender of basic human rights to the State.

Unique service requires unique solutions, not ones which further blur the distinction between the uniqueness of military service and civilian norms. That is why Australia has a separate Department of Veterans' Affairs and is a key reason why Australia needs to retain a separate board to administer the military superannuation schemes (one an unfunded defined benefit scheme and the other comprising an employee contributory fund and an unfunded employer defined benefit component).

These differ markedly from other Commonwealth Government administered schemes particularly in respect to the Australian Defence Force (ADF) disability and death provisions.

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 in its recommendation to establish a single board to manage all military superannuation schemes.

In essence then my purpose in writing is to;

- Draw your attention to the passage of the Bills.
- Seek your agreement on the unique nature of military service.
- Register my concern at the merger of all Commonwealth superannuation schemes; and
- Seek your support for the maintenance of a single and separate board to manage all military superannuation schemes.

Yours faithfully

Phil Hayden