

1st March 2010

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

SENATE INQUIRY INTO SUPERANNUATION REFORM

PROPOSED GOVERNANCE OF AUSTRALIAN GOVERNMENT
SUPERANNUATION SCHEMES BILL 2010

Dear Secretary,

I respectfully request that this submission be presented to the Senate panel conducting this enquiry. The submission essentially objects to the Bill in its current form but explores an alternative arrangement for consideration – an arrangement that could auger well with the community of superannuants affected.

Many points and concerns opposing this Bill have been aired in one form or another in a number of documents. In my view the most relevant are:

- ***The endorsed concept of a single governing board for all military schemes is jeopardised.*** The merger proposal ignores the unique nature of military service. Unique service requires unique solutions and is a key reason why Australia needs to retain a separate board to administer the military superannuation schemes which differ markedly from other Commonwealth Government administered schemes. “Unfunded” schemes must be treated separately.
- ***The merger is inconsistent with legislation.*** Three times the Parliament has legislated for separate military superannuation schemes, and three time has decided to include in this legislation the need for a separate military board of governance for the schemes. No reasons have been advanced as to why this will of the Parliament should be overturned.
- ***The Government did not consult the representative groups for military superannuants about these proposed changes.*** The proposed amalgamation was initiated without prior consultation and without regard for the views of key ex-service organisations.
- ***The reasons cited for seeking to change the governance arrangements of the military superannuation schemes are non-specific.*** Many findings and recommendations in support of the merger have not been made public for critical review. Accordingly, military superannuants and their representative bodies are not persuaded that the Government has made a case for the proposal to merge the DFRDB and MSBS Boards with ComSuper.
- ***The process has been rushed.*** The decision to introduce and proceed with this Bill before several relevant reviews and inquiries had been finalised was at best premature and at worst unnecessarily provocative.
- ***The notion that a merger plan will result in improvements in effectiveness and efficiency does not necessarily follow.*** The global financial crisis showed that large mergers can fail as easily as any other institution, whilst some relatively small super funds have produced very creditable results despite the crisis.
- ***The composition of the Commonwealth Superannuation Corporation (CSC) is unbalanced.*** The stated composition does not provide or guarantee equal representation. To the contrary, the method of appoinment of directors smacks of cronyism. As such, it represents a significant slap in the face and the threat of further diminution of benefits for Military superannuants. Yet a further erosion of the uniqueness of military service!
- ***Outsourcing administration of the superannuation schemes is of concern.*** Who will be accountable when, as is almost inevitable, something goes wrong with the outsourced administration of the superannuation schemes? Where is the Risk Analysis and has it been made public?
- ***The Bill does not specify how the CSC will be remunerated.*** Does this expense come from the superannuation schemes? If so will this not be disadvantageous to the members?
- ***Relevant organisations for protection of beneficiaries is not acceptable.*** This provision simply places yet another bureaucratic barrier between superannuants and their managers. Another reason supporting the “single governing board” concept above.
- ***Effect on Australian Defence Force manning.*** Already looking at recruitment difficulties, it is

obvious that the pursuit of these policies of degradation of benefits for military personnel will be counterproductive to the maintenance of a capable military force and ultimately the security of the nation.

Alternative Arrangement

I agree with the consensus among fellow superannuants in that, whilst we have grave reservations regarding the merger of the three military superannuation schemes (DFRB, DFRDB and MSBS) with other superannuation schemes, we do however, have no objections to the merger of these three schemes under a single management authority.

Adoption of such a simple merger alternative could avert the perception of diminution of benefits for Military superannuants, thereby helping them retain the quality of being 'one of a kind' and to preserve the identity of those who have served for this great nation.

Accordingly, acceptance of this arrangement would likely attract support amongst this very special community.

Conclusions

First and foremost, from the first two points above, military superannuation schemes must:

- (a) remain separate from all other schemes, and
- (b) be controlled by a separate governing Board of Directors.

Secondly, considering the other points and concerns raised above, the Bill in its current form should not be permitted to proceed.

Recommendations

The committee is urged to take action to suspend the passage of this Bill to be:

- (a) deferred for further review and subsequent consultation with ex-service authorities, and/or
- (b) rewritten, amended or whatever process is deemed suitable to achieve a satisfactory alternate arrangement as described above.

Yours Sincerely

Geoff Peterkin
WgCdr RAAF (Retired)