

Major William A Wallace (Ret)

3 March 2010

Committee Secretary
Senate Standing Committee on Finance
& Public Administration
P O Box 6100
Parliament House
CANBERRA ACT. 2600

Dear Sir/Madam,

SENATE INQUIRY INTO SUPERANNAUTION REFORM

I make the following submission to the Senate Inquiry into the military and civilian superannuation reforms proposed by the Australian Government.

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 ComSuper Bill 2010 and the Superannuation Legislation (Consequential Amendments and Transitional Provisions) Bill 2010, are complementary legislation to facilitate the changes proposed by the major piece of legislation.

Service in the military forces in a democracy is a unique form of public service. It requires servicemen and servicewomen to surrender control of their fundamental human rights, as agreed in the United Nations Charter, to the Government. No comparison can be drawn between the demands placed on the individual in the Commonwealth Public Service (CPS) and those placed on the members of the Australian Defence Force (ADF). It is therefore ludicrous to assume that a single body could adequately represent the best interests of both the CPS and the ADF.

Few, if any, would be able to understand the needs and aspirations of members of the ADF who have not seen military service. Certainly, it is almost impossible for a normal member of the Trade Union Movement to have this understanding, as the basic tenets of the Trade Union Movement are diametrically opposed to the tenets which underpin the military forces. To suggest that the governance of the superannuation for the military forces can be left to a trustee body where the majority of members are ignorant of the special needs of the military, is insulting.

Servicemen and women, both serving and ex-service, constitute approximately 10% of the total number of current and retired public servants. I fail to see that, in the proposed unified Trustee Body the special needs of the minority will always coincide with the needs of the majority, especially one dominated by representatives committed to preserving and improving the benefits of the majority. It would be foolish to assume that the best interests of the military superannuants and the retired public servants will always be the same.

It appears that this legislation is but another instance of the Government paying only lip service to the uniqueness of military service. Having promised to address the anomalies in the military superannuation schemes, the only answer has been to attempt to make it harder for military superannuation to be considered as a separate entity, ignoring the equity principles one would expect to underpin the decisions of a Labor Government. Promised reviews of military superannuation have either never been released or are yet to be completed, and yet the Government is making decisions which will have long term consequences. Members of the ADF continue to pay 5.5% of salary as superannuation contributions, compared to 5% by the CPS, and yet the mandatory retiring age system which was the justification for the higher contribution has been abolished.

It is also disappointing that the Government is prepared to continue to accrue a legacy of unfunded liabilities with regard to military superannuation. By paying only a part of the superannuation guarantee levy, the investment fund is about 40% of what should be available. This either means that the retirement benefits to servicemen in the future will be severely reduced, or that the input from consolidated revenue to meet these costs on an annual basis will place an increasing burden on future taxpayers. It is also scandalous that, unlike every other employee in Australia, members of the ADF are not permitted to nominate a superannuation fund of choice. MP's superannuation is fully paid (a generous 15.4% of salary) into a fund of choice, whilst people who are risking life and limb to implement national policy, are not even being afforded the same entitlements as all other employees in Australia.

I urge the committee to recommend that this legislation be rejected by the Senate, or at least recommend amendments that recognise that military superannuation must continue to be governed separately from all other Government Schemes. I suggest that a separate Trustee Body could be established for military superannuation to govern DFRB, DFRDB and MSBB only. The Senate should insist that no decisions affecting military superannuation are taken until there has been a satisfactory review which provides solutions to all of the current anomalies, penalties and inequities.

Alternatively, an amendment could be inserted into the current legislation which would require that two of the nominees of the President of the ACTU, and one of the nominees of the Minister, must have completed 20 years satisfactory service in the ADF in a combatant role. This would ensure that, alongside the nominees of the CDF, the special interests of the military would be protected.

In the consequential legislation, the committee should recommend that the costs associated with the proposed changes must be borne by consolidated revenue and not be charged to the superannuation funds. The proposed changes are a Government initiative and not an initiative of the superannuation funds. Therefore the Government alone must be responsible for any costs incurred.

Yours faithfully,

WILLIAM A WALLACE
Major (Ret)