



**SUBMISSION TO THE SENATE
BY THE
ROYAL AUSTRALIAN AIR FORCE ASSOCIATION
ON
THE GOVERNANCE OF AUSTRALIAN GOVERNMENT SUPERANNUATION SCHEMES**

“There is perhaps no greater duty that we as a nation and as a parliament have than to honour, remember and express our gratitude to those Australians who have served in the defence of our nation in times of war, because our security and liberty have not come without a price.” Federal Labor Leader Kevin Rudd, 13 August 2007

“Labor will work hard to achieve six goals for veterans:

- *To restore the value of compensation and prevent further erosion due to unfair indexation.*
- *To heal our veterans both mentally and physically, providing the very best support.*
- *To care for the families of veterans, in recognition that it is not just veterans themselves who make personal sacrifices to defend our country.*
- *To empower veterans, giving them a strong leadership voice and due recognition.*
- *To improve the operation of the Department of Veterans’ Affairs (DVA).*
- *To recognise courage and sacrifice, through support for appropriate commemorative activity. Federal Labor Veteran Election 07 Policy Document*

Introduction

The Government announced on 31 October 2008, through a press release, that the ‘Boards of the Australian Reward Investment Alliance (ARIA), the Military Superannuation and Benefits Scheme (MSBS) and the Defence Force Retirement and Death Benefits Scheme (DFRDB) will merge to form a single trustee board.’ At no time prior to the announcement was the Royal Australian Air Force Association (RAAF Association) or as the RAAF Association understands, any other Ex-Service Organisation (ESO) consulted on the proposal.

The Government further announced on 26 November 2009, again through a press release, that the Government was ‘committed to ensuring governance arrangements for its superannuation schemes are effective and consistent with the broader superannuation industry.’ Again, there was no consultation with the RAAF Association or other ESOs before the release of this policy statement.

Instead, the Government simply announced that it would give effect to its intentions by introducing into the House of Representatives on 4 February 2010 the Governance of Australian Government Superannuation Schemes Bill 2010, the Comsuper Bill 2010 and the Superannuation Legislation (Consequential Amendments and Transitional Provisions) Bill 2010. This action runs contrary to the Government’s pre-election commitment to the veteran community to empower veterans and give them a strong leadership voice.

The RAAF Association is seriously concerned that by merging the Boards, the Government is implicitly denying the unique nature of military service. Moreover, the RAAF Association cannot see how the Governance of Australian Government Superannuation Schemes Bill

2010, the Comsuper Bill 2010 and the Superannuation Legislation (Consequential Amendments and Transitional Provisions) Bill 2010 will inherently recognise and give due consideration to the unique nature of military service or 'ensure that veterans and the ex-service community get a fair go.'

Issues of Concern

The RAAF Association has considered the submissions from both the Returned and Services League of Australia (RSL) and the Defence Force Welfare Association (DFWA) in detail and, while not wishing to unnecessarily repeat the arguments put forward in these submissions, stresses that we strongly endorse the arguments put forward in both documents. The RAAF Association is further concerned that the Government has not:

- Released any of the underpinning analysis for review,
- Demonstrated any benefit to the serving and veteran community resulting from the Bill,
- Demonstrated that they understand the difference between 'civilian' and 'military' conditions of employment,
- Presented a factual case for the merger of the various superannuation schemes,
- Proposed a governance structure which serves the serving and veteran community, or
- Demonstrated that the proposed Bill is consistent with previous legislation.

Underpinning analysis

The Government has advised that the Department for Finance and Deregulation, with assistance from PriceWaterhouseCoopers, has conducted a comprehensive review of the administration of both the civilian and military superannuation schemes. The main argument used by the Government to present the change to superannuation seems to be that administrative arrangements can be delivered more cost effectively by accessing the available competitive market.

At no time has the Government detailed the specifics underpinning any recommendation from the Department for Finance and Deregulation for change and as such the RAAF Association finds itself unable to form a positive view on the merits of the Government's proposal. The RAAF Association believes that Departmental review should be released so that an informed decision can be made on the need for change.

Benefit to the Serving and Veteran Community

The RAAF Association is in favour of change when there is clear benefit to be derived from it. However, in this instance the RAAF Association is not convinced that there is any benefit to be gained by either the serving or retired Service community. The RAAF Association is concerned that the only benefit will be to Government in terms of the administrative arrangements surrounding the management of the schemes. The RAAF Association is further concerned that, given the composition of the amalgamated board, there is the possibility that

military superannuants may be disadvantaged by an overtly heavier civilian presence on the board who will not therefore fully appreciate the unique nature of military service and Servicemen's needs.

Understanding the Nature of Military Service

The RAAF Association applauds the Government's acknowledgement that '[t]here is perhaps no greater duty that we as a nation and as a parliament have than to honour, remember and express our gratitude to those Australians who have served in the defence of our nation in times of war, because our security and liberty have not come without a price' (Kevin Rudd). To that end we must ensure that the unique nature of military service is understood and that specific legislation will be required to recognise such service.

Federal Governments over the years have introduced specific superannuation legislation framed especially for the serving and veteran community. The Government's proposal now seems at odds with the previous policy and resulting legislation. The RAAF Association would like to understand the rationale behind the merger, beyond the administrative benefit of a common board, and would like to see the risk assessment undertaken by the Department and the consultant on the current DFRDB and MSBS schemes.

The Facts behind the Decision

The RSL has presented a well developed cogent argument based on the available evidence resulting in the statement that '[t]here were lots of reassuring words in the speech but no hard facts backing up the need for change.' The RAAF Association is of the same view. The Government has not adequately explained why the change is necessary and has provided little written justification beyond what can be found in a number of press releases. The RAAF Association would like to understand why the decision has been made to amalgamate the various superannuation boards and as such would like to see any arguments underpinning the decision.

The Proposed Governance Structure

Both the RSL and DFWA mention the composition of the board as an issue. The DFWA submission goes into greater detail on the composition of the board pointing out the concern to the serving and veteran community. The RAAF Association shares those concerns. The board is comprised of 11 members (five from the Government, three from the ACTU and two from the ADF) with a business rule that allows for decisions to be made with a 9:2 majority, which could mean that the serving and veteran community's position could always be in the minority. This is a major concern which the RAAF Association believes needs to be addressed before the legislation could be supported.

Previous Legislation

Australian Parliaments have had specific legislation in place for superannuation for members of the armed forces since 1922. Central to that legislation was, to quote the DFWA submission 'the legislated right of military superannuation scheme members to have their own boards of governance'. To illustrate that point the Defence Force Retirement Benefit (DFRB) had a board structure of a chairman who was the Chairman of the Commonwealth

Superannuation Board in addition to three senior Federal public servants along with three senior service officers.

In a like manner the successor to the DFRB, the Defence Force Retirement and Death Benefits (DFRDB) scheme is administered by an authority which is chaired by the Commissioner for Superannuation and is comprised of four other Authority members, all of whom are appointed by the Minister for a two year period. The point being that previous legislation always provided for a balanced board with little likelihood that the voice of the serving and veteran community would not be heard in any matter relating to their superannuation schemes. The RAAF Association is gravely concerned that this may no longer be the case.

Conclusion

The RAAF Association is firmly of the position that the decision to amalgamate the civilian and military superannuation boards needs to be reviewed. The RAAF Association believes that there is the potential for the serving and veteran communities' voices to be lost in the future given the composition of the board and the business rule surrounding the majority decision on any issue. The RAAF Association has a strong view that the proposed legislation and the underpinning logic behind the legislation:

- Fails to recognise the unique nature of military service,
- Creates an administrative environment in which the voice of the serving and veteran community may be lost due to a voting business rule,
- Provides no evidence as to the need for change or benefit to the serving and veteran community,
- Provides no factual basis as to why the amalgamation of the various superannuation boards is necessary, and
- Is directly contrary to extant and long standing legislation which addresses the unique needs of the serving and veteran community.

Recommendation

The RAAF Association recommends that:

- The *Governance of Australian Government Superannuation Schemes Bill 2010, Comsuper Bill 2010 and Superannuation Legislation (Consequential Amendments and Transitional Provisions) Bill 2010* be deferred until the ESO community is afforded an opportunity to engage with the Government on the issues identified by the RAAF Association, and
- The spirit of the Government's Veteran Election Policy of 2007 of empowering veterans, giving them a strong leadership voice and due recognition, be preserved.

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