

The Chair
Senate Finance and Public Administration Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Chair

Governance of Australian Government Superannuation Schemes Bill 2010, the ComSuper Bill 2010 and the Superannuation Legislation (Consequential Amendments and Transitional Provisions) Bill 2010

I am making a submission to the Standing Committee's inquiry into the ComSuper Bill 2010 and suite of accompanying legislative proposals as a recipient of a DFRDB payment and as a former ACT Government employee with superannuation assets under management by Australian Reward Investment Alliance. I also work in government in an area of policy and legislative review.

I note the two matters about which the Committee is to determine and consider that these matters alone severely fetter the Committee from considering other matters in the Bills package that have a latent potential to undermine the military superannuation schemes.

Retention of separate administration of military superannuation schemes

Recently, I compiled and edited all the Defence superannuation questions that I could download from the ABC's Q and A program on 15th February 2010. The principal issue was the Government's manipulation of the indexation method used to index Defence and Commonwealth superannuants' pensions, when compared with the Aged Pension and Parliamentarians' pensions. This method was based on the advice of a single actuary in the 2009 Matthews' Report.

From the tone of these questions, there is outright anger and outrage amongst Defence superannuants not only about the indexation issue, but also about the distinctly different nature of Defence qualifying service for the DFRDB payment and the blatant mistrust of the Government's proposed merger of the funds.

There are Defence superannuants like myself, who recall the Whitlam Government's takeover of the fully self-funded DFRB fund in 1973, and see the

current proposal as a further attempt to demean the value of military superannuation schemes.

Military superannuation schemes differ markedly from other schemes.

In my last three years in Defence in the late 1980s, I worked in a predominantly public servant-filled Branch. It was clear that public servants resented the condition of Defence service, whereby a serving member could qualify for a service pension after 20 years' service. There was no understanding about the deprivations and exigencies of service life that service personnel consider justified that condition of service. It comes as no surprise that there is an ongoing campaign to denigrate those long-held conditions of service.

Questions posed to the ABC's Q and A program from current serving members showed outrage over how the MSBS was being changed and manipulated, causing these members to hold legitimate concerns about their service careers and their superannuation. This can only lead to instability in retention of service members and skills and result in additional recruitment and training costs.

The current Bills with disproportionate and inappropriate representation on the Commonwealth Superannuation Commission (CSC) Board will guarantee a diminution of service entitlements. There is no way that a current serving member of the Australian Defence Force or Defence civilian officer, who is appointed to the CSC Board can fairly represent the interests of ex-service members and those who have retired from the workforce. No other private superannuation scheme would be so misrepresentative of its members.

Other matters of concern in the governance of superannuation package

Based on my reading of the Explanatory Memorandum and Notes on Clauses for the package of governance arrangements, there are some additional key points for the Senate Standing Committee to consider:

- The merger is not an initiative of the superannuation funds and the funds should not have to bear the merger and due diligence costs of \$1.1 million.
- The assurance in the Explanatory Memorandum that "member entitlements and benefits will not change" needs to be reflected as a clause in the Governance of Australian Government Superannuation Schemes Bill 2010.
- The Governance of Australian Government Superannuation Schemes Bill 2010 should clearly list all of the governing Acts for the relevant schemes.

- The CSC has administrative responsibility for the governing Acts for each of the superannuation schemes – it needs to be stipulated in this Bill as to whether that responsibility specifically extends to proposing amendments to those governing Acts and not vague statements about “doing anything incidental or conducive to the performance of its (CSC) functions.”
(*Clause 7 – CSC functions*)
- The CSC is required to submit an annual report, but is not required to report on “the 1922 scheme, DFRB, DFRDB and PNG scheme because there is no superannuation fund in relation to these schemes.” The CSC is only required to report on the administration of the enabling Acts for these schemes. This means there will be no transparency or accountability to the Parliament and of that, the members and beneficiaries about decision making, financial statements, revenue funding secured through the Consolidated Revenue Fund, tax on payments, expenditure, overheads and payments to Board members. This is exactly the sort of obscuring of the truth that makes Defence superannuants suspicious of the Government’s intentions with this merger. (*Clause 29 – Annual report*)
- The Governance of Australian Government Superannuation Schemes Bill 2010 provides for regulations to be made to specify that different superannuation funds are subject to tax under differing laws. The Government can make a particular law to apply a tax to a scheme and the Bill provides for a regulation to be made to adopt that “tax under a particular law.” If a Minister approves a Regulation, then there is no Parliamentary scrutiny over the taxing of a superannuation scheme.
(*Clause 32 – Taxation*)

Recommendations

It is recommended that the Senate Finance and Public Administration Committee determine that:

1. It is necessary to retain separate administration of military superannuation schemes for both current serving members and ex-service members;
2. The military superannuation schemes differ markedly from other Commonwealth Government administered schemes; and
3. There are amendments required to the Governance of Australian Government Superannuation Schemes Bill 2010 to ensure that member benefits and entitlements will not change, any changes to schemes are subject to legislative change and that there is transparency and accountability to the Parliament in the operations of the Commonwealth Superannuation Commission.

The Senate Finance and Public Administration Committee should be aware that the campaign that ran during the ABC's Q and A show on 15 February 2010, clearly demonstrated the strength of feeling and vehemence amongst serving and ex-serving members of the Defence Force about the treatment by the Government in its administration of their military superannuation schemes and member entitlements. Due to advances in social networking capabilities, the service and ex-service communities are extremely well-connected and are keenly monitoring the development of these governance arrangements.

If the Senate Finance and Public Administration Committee has any questions about this submission, I can be contacted at work on (02) 8281 7718 or home on (02) 9938 1385 or 24/7 mobile 0439 580 609.

Yours sincerely,

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