



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

SUBMISSION
PROPOSED GOVERNANCE OF AUSTRALIAN GOVERNMENT SUPERANNUATION
SCHEMES BILL 2010

Dear Committee Secretary,

In 1997 I retired from the Royal Australian Air Force after 34 years of service. I was a contributor to the Defence Forces Retirement and Death Benefit Scheme (DFRDB) Scheme and now draw a DFRDB pension.

Most significantly my entitlement to a defined benefit retirement scheme was a key (and comforting) factor in deciding to make RAAF service a career and not leave for "greener pastures" at an early age. Notwithstanding, I continue to be amazed at the blatant and unjust erosion of my pension in real terms at the hands of government policy over the past 13 years.

And now after oversighting years of pension erosion, the government is seeking to change the administration of the DFRDB Scheme. Am I suspicious - too right!

This proposal flies in the face of long standing statements by government that the Defence Forces Retirement Benefits (DFDB) and the DFRDB are "unfunded" schemes and, therefore must be treated separately to all other Commonwealth superannuation schemes.

The proposed *Governance of Australian Government Superannuation Schemes Bill 2010* (the Bill) which proposes to merge the DFDB, the DFRDB, the Military Superannuation and Benefits Scheme (MSBS) with other superannuation schemes, ignores this long-held and publicly stated "policy".

In the "*Outline*", on Page 4, to the Bill's proposal it states, inter alia, "These outcomes provide an opportunity for benefits to all scheme members and the Commonwealth through lower costs and, potentially higher investment returns." This is a non sequitur as the DFDB and the DFRDB schemes are "unfunded" schemes.

Also in the “*Outline*”, on Page 4, it states, inter alia; “..the single trustee has a responsibility to act in the best interests of all members...”. But this also is nonsense as the members of the unfunded schemes have fundamentally different interests to the schemes that are fully funded – notwithstanding the fact that military retirement schemes require a totally different policy mix to non-military schemes.

Subclause 10(2) of the proposed Bill states that the Commonwealth Superannuation Corporation (CSC) will comprise:

- Three directors nominated by the President of the ACTU,
- Two directors nominated by the Chief of the Defence Force (CDF), and
- Five directors chosen by the Minister for Finance.

This demonstrates my point; what has the President of the ACTU got that is relevant to my pension arrangements? The fact that the CDF can only nominate two of ten directors will ensure that the special policy circumstances of retired Australian Defence Forces members are not taken into account.

My concerns become even more when on Page 6 of the proposed Bill, under *Financial Impact Statement*, I note that this proposed merger will cost \$1.1 million to the ARIA, the MSBS Board and to the DFRDB Authority. It does not make policy sense nor financial sense.

At the risk of stating the obvious, the unique requirements of military service place the member at significant risk of personal injury or death. The uniqueness of military service and the rigors of military life in general, (which are far greater than those experienced by the average government employee and their families) has a profound impact on lifestyle and families, who suffer hardships above and beyond that suffered by families of other Commonwealth employees.

The implications of military service need to be considered separately particularly as the government has stated in the past, military service is of the highest calling our country can ask of its citizens. Part of that is the responsibility of government to recognise the uniqueness of military service and ensure that all service personnel, past, present and future are fairly recompensed in retirement, for the unique role they play in the security of our nation.

The proposed Bill ignores this unique requirement.

Despite the statement on Page 4 of the “*Outline*”: “*Each scheme will retain its own legislation base and provisions*”, history is replete with examples of such “guarantees” being broken. One has only to look at how the DFRDB funds were purloined by the government, placed into consolidated revenue and used how the government wanted.

Then in 1986, the Prime Minister, Mr Keating, unilaterally reduced the CPI on DFRDB recipients by almost 2%; from 9.2% to 7.2% because the nation was “going broke”. It should be noted that this penalty remained in force until 1998 and those members affected have never been reimbursed.

This Bill is at best ill-informed and at worst anti-veteran.

In summary, I have no objections to the merger of the three military superannuation schemes (DFDB, DFRDB and MSBS) under a single authority or board but I have grave reservations regarding the merger of these three schemes with other superannuation schemes.

I am concerned that this proposed merger will incur unknown costs especially with the payment of the remuneration and expenses to the (unwanted) CSC directors.

The composition of the CSC is unbalanced and places the ADF directors in an ineffective minority.

I am concerned regarding the magnitude of unnecessary establishment costs.

I am concerned that this proposed Bill will eventually result in a diminution of benefits for military superannuants and that, in time, there will be an aggregation of all schemes with the result that military superannuants will be treated exactly the same as other Commonwealth superannuants.

I wish to lodge my strong objection to merge all military superannuation schemes with other Commonwealth superannuation schemes. I also strongly object to the proposed composition of the CSC, where there will be three trade union representatives, only two Defence directors and five directors appointed by the Minister for Finance.

This is yet another step in the governments' efforts to devalue the uniqueness of service (not employment) in the Australian Defence Force.

Guarantees and undertakings are ineffective. History is full of examples where governments change such arrangements for financial reasons and to the detriment of the recipient (in this case, the ex-service community).

The military superannuation schemes must remain separate from all other schemes, and be controlled by a separate governing body (Board of Directors).

Yours sincerely,