

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

SUBMISSION BY RAY GIBSON, AM
ON THE GOVERNANCE OF
AUSTRALIAN GOVERNMENT SUPERANNUATION SCHEMES BILL 2010

Dear Committee Secretary,

I wish to make a submission on the subject legislation which is before the Parliament.

The Terms of Reference for the inquiry require the Committee to determine:

1. Whether it is necessary to retain a separate board to administer the military superannuation schemes and;
2. Whether these schemes differ markedly from other Commonwealth Government administered schemes.

Having recently been made aware of this legislation, I feel compelled to express my urgent concern to the Committee on this matter. The proposal to disband the existing MSBS Board of Trustees and the DFRDB Authority and replace them with a combined board with responsibilities for all Commonwealth superannuation funds is, I believe, ill-conceived and misguided. I am of the strong view that this proposal is little more than a further attempt by elements within the Government and bureaucracy to pursue an unwritten agenda which aims to dilute the distinct military conditions of service for the unique profession of arms.

Military superannuation schemes do differ markedly from other Commonwealth Government administered schemes, and nowhere more so, than in respect to specific ADF disability and death provisions. Committee members need only to peruse the relevant provisions of the legislation for the DFRB, DFRDB and MSBS Schemes to see that superannuation arrangements provided for members of the Australian Defence Force stand in marked contrast to that provided for the Public Service. And it is reasonable to ask the question why? Why has the Parliament, over a period of some sixty years, deemed it necessary to maintain distinct and separate superannuation schemes for Australia's military forces, and importantly, with their own governance boards? Why hasn't military superannuation simply been lumped together with the various Public

Service Schemes? There have been numerous opportunities to do so.

The clear and unambiguous reason is that over many years, Parliament has consistently acknowledged and recognized the unique nature of service in Australia's Armed Forces which is unlike any other group in our society. No employee working in the Public Service has to forfeit important human rights as a condition of service – ADF members do. And no employee of the Public Service can be ordered into battle; to kill and accept the risks of being killed or wounded – ADF members can and are subject to such lawful orders. The impact of unique military life on members and their families places a clear obligation and duty of care on the Government to provide for the wellbeing of the member throughout their service, and equally importantly, for the effects of their service when they retire. This is one key reason why Australia needs to retain a separate board to administer the military superannuation schemes for ADF members.

The proposed legislation provides for a board of 10 directors with an equal number of employer and employee directors and an independent chairman. The directors are nominated, in writing, by:

- the President of the ACTU who represents the interests of members of the civilian schemes and nominates 3 directors;
- the Chief of the Defence Force who represents the interest of members of the military schemes and nominates 2 directors; and
- the Finance Minister who will be responsible for choosing the remaining five employer directors to represent the employer-sponsor of the relevant civilian and military superannuation schemes.

How could such an arrangement fairly protect the interests of retired ADF members? Putting aside the Government gloss and spin, the board composition will always be potentially stacked against the interests of the military superannuation schemes. Clearly, any conflict of interest would inevitably be resolved in favour of the Commonwealth as employer and the ACTU. And what possible relevance does the ACTU have in military superannuation matters anyway?

Given the current Government's abysmal handling the military superannuation indexation issue, and a demonstrable lack of interest in military retiree matters, I have absolutely no confidence in this Government, the Minister for Finance and Deregulation and his Department to consider the military interest in making board appointments.

Despite the Prime Minister acknowledging that no other avenue of service to the Nation demands similar levels of personal and collective risk or requires forfeiting of many human rights that others take for granted, it seems his Government, together with elements within the bureaucracy, are hell-bent on destroying the existing policy and programs that recognize that uniqueness. Unique service requires unique solutions, not policy that further blurs the distinction between military service and civilian norms.

The ex-service community has learned the hard way over many years that Government assurances count for nothing. Once serving members leave the ADF and are no longer useful to help in the pursuit of Government policy, there has been, and remains today, a strong push by certain Government elements to abrogate Commonwealth responsibility towards these veterans; by ignoring their representations, by neglecting their needs, by forgetting their sacrifice and by denying their rightful entitlements. Governments of all

persuasions have been guilty of this. It is a National disgrace.

If the Committee needs further evidence of past and present Government attitudes on how it respects and values ADF members' contribution to the Nation, then I offer the following points for your consideration:

- Refusal to allow retired veterans' the dignity of having a pension that meets their costs of living by not indexing them the same way as the age pension;
- Blatantly unfair taxation of veterans' superannuation pensions after age 60 when most of the population enjoy tax free superannuation;
- Stubborn refusal to update the **50 year old** actuarial life tables used to calculate military pensions in **2010**, which denies members their true entitlements;
- Continued theft of military pension payments from retired members who have repaid the advance on their pensions; and
- Ready acceptance of the principle that a military widow is worth significantly less than an MP's widow (62.5% vs 85% of retired pay).

After this Government has its way with military superannuation, one can only speculate what will be next on its agenda? I have no doubt that the same clique within Government circles would like to see the Department of Veterans' Affairs abolished and its responsibilities absorbed by Social Welfare and Centrelink, so that veterans are treated no differently to others on welfare benefits. Is it any wonder that the ex-service community feels so strongly disenfranchised from uncaring Governments that time and time again fail to honour their legal and moral commitments to those who have selflessly served their Nation?

I have no objections to the merger of the three military superannuation schemes (DFDB, DFRDB and MSBS) under a single board, but for the reasons outlined above, I strongly object to the merger of the management of these three superannuation schemes with other Commonwealth funds just to suit the apparent convenience of the Government. Neither the responsible Minister nor his department has advanced any compelling reason why this current Government whim should override sixty years of Parliamentary wisdom.

I therefore respectfully request that the Committee consider an amendment to the bill to support a single board, specific to the military superannuation schemes, with equal representation for the Commonwealth and scheme members.

Yours sincerely,

Ray Gibson