

1st March 2010

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

SUBMISSION ON THE PROPOSED
GOVERNANCE OF AUSTRALIAN GOVERNMENT SUPERANNUATION SCHEMES
BILL 2010

Dear Committee Secretary,

Background

In 1953 I was enlisted into the Royal Australian Air Force as an Aircraft Apprentice and served continuously in Regular service for 29 years as both an airman and an officer, with a further 9 years of service as an officer in the RAAF Active Reserve. I was a compulsory contributor, firstly to the DFRB, then to the DFRDB schemes and now draw DFRDB superannuation. This superannuation is taxed and continues to be so even though I am 73 years old, detrimenting my income in retirement. Why this tax is imposed is an inequity, as all other pensioners over 65 (with the exception of Commonwealth public servants) pay no tax at all. Further, increases in my superannuation are determined by rises in the CPI, a scale of measure which even the Australian Bureau of Statistics considers inaccurate for such a purpose.

Comments on the Proposed Bill

Government Ministers, specifically the Minister for Finance, Mr Tanner, in a recent ABC Q & A TV program, and Government bureaucrats state that the Defence Forces Retirement Benefits (DFRB) and the Defence Forces Retirement and Death Benefit (DFRDB) schemes are “unfunded” and therefore must be treated separately to all other Commonwealth superannuation schemes.

However the proposed *Governance of Australian Government Superannuation Schemes Bill 2010* (the Bill) appears to ignore this long-held policy, in direct contravention of the Minister’s and the bureaucracy’s statements. This Bill proposes to merge the DFDB, the DFRDB and the Military Superannuation and Benefits Scheme (MSBS) with other Commonwealth superannuation schemes. This implies a substantial reclassification of the DFRDB scheme and consequent alteration to it.

As a compulsory contributor to that scheme, with no other option for the entire length of my service but to contribute to it, simple justice would require that I and every other compulsory contributor be given the opportunity to accept or reject any changes intended, changes which on the face of the terms of the Bill so far disclosed do not appear in the best interests of DFRDB recipients.

For example, the Bill proposes that the replacement scheme be governed by a “Commonwealth Superannuation Corporation”, managed by ten directors. Only two of these ten will be nominated by the Chief of Defence Force (CDF). This implies that there will be at least five times as many superannuants in the scheme who are from non-Defence Force origins. Given the numbers of superannuants and potential superannuants of Defence Force origin over the past 60 years or so since the DFRB scheme originated, this hardly seems possible.

Further, three of these directors are to be nominated by the President of the ACTU. Why is this so? The Australian Defence Force (ADF) has never had any involvement with the Australian trades union movement. There is no recognised Defence trade union. Why then should trades union origin directors govern Defence superannuation, and in a majority to those directors with ADF origins?

That the President of the ACTU is permitted to nominate three directors while the CDF can only nominate two smacks strongly of partisan and anti-ADF politics. There can be no rational basis or reason for involving the ACTU with military superannuation schemes.

Further still, the Minister of Finance will nominate five of the ten directors. These will certainly be political nominations, therefore presumably not with an ADF background and subject to change with each change of government. This is again an unsatisfactory situation, both from the viewpoint of continuity and of relevant background.

The Bill does not specify how the CSC will be remunerated. Who pays the directors’ salaries? Will this expense come from the superannuation schemes? On Page 6 of the proposed Bill, under *Financial Impact Statement*, I note with considerable alarm that this proposed merger will cost \$1.1 million to the ARIA, the MSBS Board and to the DFRDB Authority. This, inevitably, will again come at the expense of the members. Why? On what reasonable premise should these boards and authorities be penalised for a questionable Government initiative?

The Uniqueness of Military Service

ADF personnel, required to take up arms and defend our nation and so put their lives at risk, face service and domestic conditions completely unlike those who choose employment in other Commonwealth Government departments. They do not have the democratic choice of either specific employment or domestic location enjoyed by other Commonwealth employees.

ADF service not only affects military personnel. Because of the constant requirement to be ready for deployment on active or operational service, the constant and compulsory shifts in location, frequently interstate and occasionally overseas, owing to military manning requirements and the rigors of military life in general, (which are far greater than those experienced by the average Government employee and family) there is a profound impact on the entire lifestyle of military families. This is particularly so for wives/partners, who suffer domestic and marital hardships far above and beyond that suffered by families of other Commonwealth Government employees.

ADF service, as the Government has stated in the past, is the highest calling our country can ask of its citizens. Surely then, it is the Government’s responsibility to recognise the uniqueness of military service and ensure that all ADF personnel, past, present and future are fairly recompensed in retirement for the unique role they play in the security of our nation. In particular, their retirement remuneration should not be tampered with on political or bureaucratic whim.

The proposed Bill appears to ignore this unique service to our nation. The statement on Page 4 of the “*Outline*”: “*Each scheme will retain its own legislation base and provisions*”, is worthless as a guarantee. History is replete with examples of such “guarantees” being broken. In 1986, the then Prime Minister, Paul Keating, unilaterally reduced the CPI on DFRDB recipients by almost 2%. Note that this penalty remained until 1998 and those members affected have never been reimbursed.

I mention these facts to emphasise that there is a great deal of scepticism in the veteran and ex-ADF community about this proposed Bill. Many see it, as I do, as yet another step to do away with conditions of service which amounted to a valid contract of enlistment, with absolutely no effective recourse to challenge or counter that. One hopes that the committee you chair will do that for us.

Concerns and Conclusion

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

I am concerned that this proposed merger will incur unknown costs, especially with the payment of the remuneration of the CSC directors. I do not believe that the military superannuation schemes, being “unfunded”, should have to bear these costs. There will also be other related expenses, travelling, accommodation, etc. If the military superannuation schemes have to contribute to these costs, this will further reduce the funds available to their members.

The composition the Bill proposes for the CSC is clearly unbalanced and certainly appears to place ADF origin directors in the clear minority for no valid reason apparent in the text. Nor is there any rational basis for an organisation like the ACTU, with no ADF trade union under its purview and which traditionally has been antipathetic to the ADF, to control an ADF superannuation scheme.

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, with no account of, or provision for, the uniqueness and hardships of ADF service.

In conclusion, as a former contributor and now recipient of the DFRDB scheme, I wish to lodge my strong objection to merging all military superannuation schemes with other Commonwealth superannuation schemes. I also strongly object to the proposed composition of the CSC, where there will be only two ADF origin directors, but three trade union origin representatives and five directors appointed by the Minister for Finance.

I am very concerned that if this Bill is passed by Parliament, military superannuants will be treated exactly the same as Commonwealth public servants and trade unionists, with no credence given to the uniqueness or hardship of their service.

For the reasons stated in this letter, military superannuation schemes must remain separate from all other superannuation schemes and be controlled by a governing body separate from such and with an appropriate ADF background.

Yours sincerely,

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