

02 March 2010

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

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Dear Ministers,

GOVERNANCE OF AUSTRALIAN GOVERNMENT
SUPERANNUATION SCHEMES BILL 2010 PROPOSAL

The proposal, that the management of civilian and military superannuation schemes be merged into one new authority, with a 10-person board comprising three trade union representatives and two Defence representatives, the remaining five representatives to be chosen by the Finance Minister is of particular concern to me.

I believe the Coalition does not support the inclusion of three trade unionists onto a board managing military superannuation and I agree the merger does not appear to be in the best interests of veterans, ex-service members or the broader Australian community.

Background

In January 1961, enlisted in the Royal Australian Navy. Subsequently serving our nation for 24.25 years, resigning from the RAN with the rank of Warrant Officer in 1985. I have been a contributor to the DFRDB Scheme and now draw DFRDB superannuation, after commutation, of \$865.45 per fortnight after tax. I continue to pay tax, even after I turned 65 years old, albeit with a 10% rebate, even though all other "pensioners" over 65 (with the exception of Commonwealth Public Servants) pay no tax at all. Seems to be very small comfort for service to our Nation of over 24 years!

I mention these facts to emphasise that I am very interested in what happens to my superannuation, who controls it, how it is indexed and why is it taxed?

Comments

I have seen the value of my DFRDB pension eroded over the last 20 + years with other pensions being reindexed away from CPI, with no equity.

Concerns

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.

I am concerned that this proposed merger will incur unknown costs especially with the payment of the remuneration of the CSC Directors. 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 of the CSC is unbalanced and certainly appears to place the ADF Directors in the minority.

Again, I am concerned regarding the establishment costs as these, too, appear to have to be met by the merging schemes. I do not believe that the Military superannuation schemes, being "unfunded" should have to bear these costs.

As the DFDB and DFRDB schemes have always been as Defined Benefit Schemes and, as such "unfunded", will they now be reclassified as "funded" schemes as investments will provide additional funds available for distribution?

I am concerned that this proposed Bill will eventually result in a further decrease of benefits for Military superannuants.

Conclusion

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.

So much for labour's pre election promises of securing a better outcome for superannuants.

For your information and consideration,

Michael Currie