

**Submission to
Senate Committee Enquiring into a Bill Proposing to Merge the DFRDB Board with other
Commonwealth Superannuation Trustee Boards**

I am a retired RAAF officer with more than 30 years service, and a DFRDB pension recipient. From what I have read of the proposed legislation, I am very concerned that the changes appear both unnecessary and potentially detrimental to me and other DFRDB pensioners.

While I have been, and remain, unhappy about some Government policy issues, most notably the recent decision to retain the unfair CPI indexation method, for almost 15 years as a pension recipient I have been very happy with the administration of my entitlements by COMSUPER, oversighted by the DFRDB Board. I have a clear communication channel to people who understand both the nature of military service and the special rules and features of the DFRDB scheme. I am concerned that a merged board of trustees, particularly if military-experienced members are in the minority, will have less capacity to understand and give proper consideration to matters that might affect DFRDB recipients in the future.

The different superannuation schemes proposed to be merged are quite different in their philosophy and implementation, so the benefits of scale are likely to be limited. In my opinion, "bigger" is not necessarily "better" - there are plenty of examples in both public and private sectors where the relationship between size and efficiency is inverse. The argument, that a merger to form a bigger organization and larger pool of managed funds will be more efficient, is purely ideological unless the exact method for obtaining the claimed efficiency is detailed and quantified. The onus of proof should be upon the proponents of the change.

As the DFRDB scheme (now closed to new members) is a defined benefit scheme, the performance of supporting fund investments is irrelevant to recipients. We should continue to receive the same financial benefits regardless of the performance of any underlying investments. However, I can see that Government, which must pick up any shortfall in funding, has a clear interest in investment performance. I would have no difficulty with the investment management of any funds underlying the DFRDB scheme being merged with other public sector superannuation funds (or indeed any other public funds). However, I believe the "non-investment" functions of the DFRDB Board should remain separate and distinct, reflecting the special nature of the DFRDB scheme and its recipients.

If it's not broken, why try to fix it?

Mr Michael Nixon
1527 Burra Rd, Burra, NSW 2620

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