

4 March 2010

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

## **SUBMISSION TO THE SENATE INQUIRY INTO SUPERANNUATION REFORM**

I am writing to express my concerns in relation to the provisions of the *Governance of Australian Government Superannuation Schemes Bill 2010* (the Bill) recently introduced to the House by the Minister for Finance and Deregulation and now before this Senate Standing Committee. I submit that this Bill and related Bills serve purposes that are contrary to the interests of serving and retired ADF members, and ignores the unique nature of military service and the obligation of the State to those who have rendered military service.

At the outset I would like to emphasise that I am not a member of any military superannuation scheme, having cashed out/rolled over my DFRDB entitlement on leaving the Regular Army. I make this submission on behalf of the officers and soldiers I have served alongside during more than 25 years of service to the nation. I am particularly concerned about the impact of the proposed superannuation changes on younger veterans and service personnel.

I submit that this Bill is symptomatic of a malaise that has been developing in public policy in recent years. This malaise is spread by those that consider that the salaries and allowances received by members of the Australian Defence Force are adequate compensation for their service, even after that service has finished. Some wish to treat military service the same way as the service of police and other emergency workers. As a former policeman who has also seen active service with the ADF, I can only observe that this is misguided.

Military service is unique within the social contract between individuals and the State because in volunteering (or agreeing to be conscripted) for such service, an individual places their life, liberty and security of their person in the hands of the State. In extremis,

this surrender is total, in that members of the Defence Force must carry out orders that they are given, despite the fact that they may lose their lives as a result. These orders are given by their superiors in the interest of the State. In return, the State must accept responsibility for the wellbeing of those that surrender their basic rights in order to serve the nation. This surrender of rights is in no way equivalent to the situation of police or other emergency workers.

Just as the nature of military service is unique, so is the obligation of the State. It endures beyond the end of that service, as evidenced by the existence of the Department of Veterans' Affairs and even the recognition of veterans as a special needs group in the Aged Care Act 1997. It also includes obligations in relation to the governance of military superannuation.

It would be shameful and disrespectful if legislation and policies were adopted which undermined and eroded the inescapable obligation the government has to current and former members of the ADF as a result of the unique nature of their service.

I have several specific concerns about the content of the Bill itself, particularly in relation to member representation on the proposed governing Board.

Placing the governance of military superannuation under a Board dominated by political and union nominees will dilute the understanding of the unique nature of military service and the consequences of that service for individuals throughout their lives. The military superannuation schemes have unique death and disability provisions which require different and additional skills sets of the governing board. These skill sets will be diluted by the Bill to the detriment of current and serving members of the ADF.

I note that subclause 10(2) of the Bill empowers the Chief of the Defence Force to nominate two of the ten Board directors to represent the members of the military superannuation schemes. The President of the ACTU will nominate three directors. The remaining five directors will be nominated by the Minister for Finance. It is specious to suggest that the CDF-nominated Board directors, however erudite and diligent, will do anything other than represent the interests of the ADF as an organisation. Serving and retired ADF members will therefore not have any direct representation on the Board. In addition, whilst it is intended that the Minister for Finance will consult with fellow ministers in the Defence portfolio in relation to the directors appointed by the Minister, it is unlikely that this will have any practical effect in terms

of ensuring that an understanding of the unique nature of military service is taken into account in these appointments.

Governance of military superannuation must be maintained separate from that of the public service, and should not be combined under a single board as is the current thrust of the Bill. There are no grounds or rationale for combining them that justify an erosion of the obligation the State has to service personnel.

I submit that this Bill and its associated bills should be amended to place all military superannuation schemes under the governance of a single board separate from that of the board governing public service superannuation schemes. This would achieve some cost efficiencies whilst maintaining the obligation that the government has to current and former members of the ADF due to the unique nature of their service.

Sincerely,

  
Ian Smith