

2 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,

I served our Nation for 35 years in the RAAF. I was a contributor to the DFRDB Scheme and now draw a DFRDB retirement pension. Unlike most other superannuation pensions, my DFRDB pension is taxed. And I will continue to pay tax until the day I die, albeit with a 10% rebate, even though all other "pensioners" like me, over 65 (with the exception of Commonwealth Public Servants) pay no tax at all. This seems to be very small comfort for service to our Nation of over 30 years!

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

In numerous Government correspondence, Ministers and government bureaucrats state, in simple terms, that the Defence Forces Retirement Benefits (DFRB) and the Defence Forces Retirement and Death Benefit Scheme (DFRDB) are "unfunded" schemes and, therefore must be treated separately from 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". This Bill proposes to merge the DFRB, the DFRDB, the Military Superannuation and Benefits Scheme (MSBS) with other superannuation schemes.

I note that the proposed Bill states that the Commonwealth Superannuation Corporation (CSC) will comprise:

- Three directors nominated by the President of the ACTU,
- Two directors nominated by the Chief of the Defence Force (CDF), and
- Five directors chosen by the Minister for Finance.

On the surface this does not appear to guarantee equal representation. Those ex-service personnel who currently (or in the future) draw a military retirement pension do not appear to have any representation. The President of the Defence Force Welfare Association (DFWA), or his nominee, would be a very able person to represent our interests. One has also to ask why the President of the ACTU is permitted to nominate three directors while the CDF can only nominate two, especially when the relevant numbers of the Australian Defence Forces are taken

into account! In fact, I cannot see the relevance of involving the ACTU with Military superannuation schemes at all.

Military personnel, unlike their civilian counterparts, are required to take up arms and defend our Nation. Unlike any other group in the country, military personnel can be ordered to put their lives at risk.

The facts are well known that the unique nature of military service poses a great risk of personal injury or death to those who serve in the Australian Defence Force. The uniqueness of military service not only affects military personnel. Because of the constant requirement to be ready for deployment on war service and the rigors of military life in general, a profound flow-on impact is felt by all military families. Children of military personnel suffer real hardships.

Military service has to be considered separately and, as the Prime Minister has stated in the past, 'Military Service' is of the highest calling our country can ask of its citizens. It is therefore the responsibility of Government to recognise the uniqueness of Military Service and ensure that all service personnel, past, present and future are fairly recompensed in retirement, for the unique role they play in the shaping and security of our Nation.

The proposed Bill appears to ignore this unique service to our nation. Despite the statement on Page 4 of the "Outline": *"Each scheme will retain its own legislation base and provisions"*, history is replete with examples of such "guarantees" being broken. One has only to look at how the DFRDB funds were purloined by the Government, placed into Consolidated Revenue and used how the Government wanted. Then in 1986, the Prime Minister, Mr Keating, unilaterally reduced the CPI on DFRDB recipients by almost 2% (commonly referred to in ADF circles as "Keating's stolen 2 %") from 9.2% to 7.2% because the Nation was "going broke". It should be noted that this penalty remained in force until 1998 and those members affected have never been reimbursed.

Consequently there is a great deal of scepticism in the veteran and ex-service community about this proposed Bill. Many see it, as I do, as yet another step to do away with the concept of the uniqueness of military service.

While I have no objections to the merger of the three military superannuation schemes (DFRB, DFRDB and MSBS) under a single authority or board, I have grave reservations regarding the merger of military schemes with civilian superannuation schemes.

The composition of the CSC is unbalanced and certainly appears to place the ADF Directors in the minority. It takes little or no notice of the veteran and ex-service community.

As the DFRB and DFRDB schemes have always been Defined Benefit Schemes and, as such "unfunded", will they now be reclassified as "funded" schemes as investments will provide additional funds available for distribution? If so, will I still have to pay tax on my military pension?

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.

This, in turn, will be yet further erosion of the uniqueness of military service and the service person's conditions of service.

Conclusion

I wish to lodge my strong objection to the proposed merger of all military superannuation schemes with other Commonwealth superannuation schemes. I would, however, support a merger between the governance of the three military superannuation schemes.

I wish to 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. The proposed composition makes no allowance for a Director to represent the veteran or ex-service community. I propose that the President of the DFWA should nominate a Director.

This is yet another step in the Governments' efforts to devalue the proven fact that employment in the Australian Defence Force is unique. It is very different from all other Government employment conditions. Despite all guarantees and undertakings, history is full of examples where Governments change such arrangements for financial reasons and to the detriment of the recipient (in this case, the retired service community). 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.

I believe I have made a compelling case for the military superannuation schemes to remain separate from all other schemes, and be controlled by a separate governing body.

Yours sincerely

R M Porter (Wing Commander Ret'd)