

SENATE HEARING INTO GOVERNANCE OF AUSTRALIAN GOVERNMENT SUPERANNUATION SCHEMES OPENING STATEMENT

Senator Polley (Chair) and Senators,

My name is David Jamison and I am the National President of the Defence Force Welfare Association. I thank you for the opportunity to amplify the contents of our Submission to your Committee Inquiry on this most important matter. In this matter I speak on behalf of DFWA, Royal Australia Regiment Assn, Defence Reserves Assn, Defence Families of Australia, the Naval Association of Australia, the RAAF Association and the Vietnam Veterans Federation.

Various Australian Parliaments since the late 1920's have clearly demonstrated their acceptance of the unique nature of Military Service, by their deliberations upon and agreement to Acts relating to military superannuation schemes. Within the Acts setting up each of the schemes (currently the Defence Force Retirement & Death Benefits Scheme and the Military Superannuation Benefits Scheme) and during the Parliamentary debates, the requirements of the Military circumstances warranting different and separate arrangements have been clearly articulated.

The unique nature of military service is rooted in the nature of society itself. Most democratic societies recognize the central place of the individual as the primary unit of sovereignty. Sovereign individuals are vested with inalienable human rights, recognized in the Universal Declaration of Human Rights as, among others, life, liberty and the security of the person (Article 3). Australia is a signatory of the Declaration, adopted by the General Assembly of the UN in 1948

Implicit in Article 3, is also a right to defence of self and of others from attack, and this right inevitably gives rise to an obligation to do so if it is the State which is under threat or attack.

The inter-relationship of rights and responsibilities borne both by the State and the individual, is complex, and based on the principle of the social contract. The State may not alienate the rights of the individual without that person's consent. The individual, while preserving the integrity of his or her rights, may agree to the State's demand for surrender of some of them for the common good, but in all circumstances save one, the State is obliged to uphold and defend the individual's rights.

In volunteering for military service, the individual accepts the surrender of his or her basic rights under Article 3 and places his or her life, liberty and security of person in the hands of the State. This surrender is not unconditional, though *in extremis*, it is absolute. The State, for its part, accepts the obligation to preserve, as far as is consistent with the achievement of the military mission, the physical and spiritual wellbeing of such individuals who place themselves at its disposal. This obligation extends beyond the period of service itself, to the physical and psychological consequences of that service.

Even when the State demands surrender of these rights by imposing a compulsion for service, the terms of the social contract imply that such compulsion is done only within the democratic framework and is therefore with the assent of the individual, who at all times is party to it.

In no other calling, occupation or profession has the State the power to accept or demand the surrender of these rights. Military service in this fundamental respect is unique, and the obligation this places on the State is inescapable, as it is enduring.

DFWA and other Ex-Service Organisations have long held that this philosophy or concept of the Unique Nature of Military Service is the bedrock upon which conditions of service for the Australian Defence Force should be built. My organisation was gratified to receive confirmation of this broad philosophy from the current Chief of the Defence Force – Air Chief Marshal Angus Houston – who in a letter to DFWA of the 8th February 2010 stated in part “*that the unique nature of modern military service is, and will continue to be the key tenet of the comprehensive range of benefits and support services available to ADF members.....*”

The provisions of this intended legislation will be such as to diminish and compromise this important philosophic foundation – to the detriment of present and future members of the ADF and also members of the military superannuation schemes.

Senators will be well aware of the longstanding and more recent issues surrounding the Indexation of Military Superannuation Pensions. Members of the ADF and recipients of pensions from these schemes are well aware, if only because we keep reminding them, that the Senate has long been a supporter of the campaign to achieve fairer indexation. Repeatedly, the Senate has made appropriate recommendations after various studies and investigations.

That Executive Government of both major political persuasions have not seen fit to take up these recommendations is a matter of profound regret. The most recent iteration of this saga, the Matthews Review of June to December 2008 and the current Governments acceptance of the first Report (out of 7) that provided the ‘No Answer’ have breached the reservoir of goodwill towards the broader political establishment. The deep disappointment, level of frustration and disillusionment towards those viewed as being responsible for this adverse outcome, should not be underestimated.

Indeed, it is difficult to decide whether the efforts of Guy Gibson, Barnes Wallace and the Bouncing Bombs of World War II represent a better example of reservoir destruction.

As outlined in our submissions we have specific concerns:

- Notwithstanding the fact that one of the prime functions of the trustees is to manage the investment of members’ funds, the service / employment environment differences between the members of the ADF and public service memberships is entirely different and this has flowed into the design of the funds. Each will retain its own legislative base and identity. But again notwithstanding the ability to appoint a Defence Force and “specialist” committees, we are concerned that over time and with the inevitable budgetary pressures, the understanding of the nature of the military schemes at Board level will diminish to the detriment of ADF members.
- We have not been given specific cost projections but from what we can see from the proposed bills we are yet to be convinced that the new arrangements will indeed reduce costs both for the Commonwealth and for members of the schemes. Indeed it would seem there is great potential for costs to increase.
- We agree there is need for change and that is why we have supported recommendation 9 of the Review of Military Superannuation Report for a consolidated board and have suggested a *7-member board is appropriate constituted as follows:*

Independent Chairman

Independent member with superannuation industry expertise

Independent member with investment/financial services industry expertise

2 employer members (with at least 1 from Department of Defence)

Employee member nominated from within the ADF.

Ex-employee member nominated by the military superannuants' community.

- The case for consolidation of the governance arrangements based on the potential for a larger pool of investment funds earning better returns, is in our eyes, questionable and there are examples of schemes with high membership bases and large funds achieving large losses as well as some that do well. A similar situation exists for smaller funds. It would appear that investment decisions rather than size is the governing factor.
- In the case of the military schemes the issue of spread of age would not seem to be a significant issue limiting investment decisions (specifically MSBS as DFRDB does not have funds to invest). There is a steady throughput of ADF recruits and the members fund is increasing.
- We have seen no evidence that the proposed arrangements will result in any additional benefits to members that would not be available if governance for the military schemes were to be consolidated but remain separate from the other Commonwealth superannuation schemes.

DFWA has a concern that if this Legislation is enacted and the governance of Military Superannuation Schemes is subsumed and diminished within a polyglot structure, and when as inevitably it will, an adverse outcome whether intended or not occurs, there will be no trust or goodwill toward the parliament left in the ex-service community and there is a danger we will be overtaken by an unrestrained wave of criticism and anger.

In summary, the provisions of this proposed Legislation subordinate, fundamental philosophies and ethos critical to the proper development of ADF conditions of service to administrative convenience. Moreover, they are likely to create circumstances where the reputation of the Parliament and its relationship to current and former members of the Australian Defence Force is significantly diminished and tarnished.

We recommend most strongly that this legislation not be enacted but consideration be given to retaining a separate board solely for the Military Superannuation Schemes as outlined in the DFWA submission.

May I clarify any matters for the Committee?