



## DEFENCE FORCE WELFARE ASSOCIATION

June 2018

### FACT SHEET #1 - OVERVIEW

#### **COMMONWEALTH SUPERANNUATION CORPORATION ESCAPES ROYAL COMMISSION SCRUTINY**

The Commonwealth Superannuation Corporation (CSC) is the fund manager for both the Defence Force Retirement and Death Benefits (DFRDB) and the Military Superannuation and Benefits Schemes (MSBS).

The Terms of Reference of the Royal Commission into Financial Services specifically excludes only **ONE** financial organisation from scrutiny – **CSC**. It is reasonable to ask why the Government doesn't want CSC Executives to be held accountable before the Royal Commission in the same way as other financial organisation executives. What is the Government trying to keep hidden from the Australian people? This Fact Sheet helps to answer that question.

Superannuation law requires CSC to act in the best interests of fund members. That is, it must act in good faith; there must be no conflict of interest; it must not act for its own benefit or the benefit of a third party without the informed consent of the member. That CSC has failed its fiduciary duty is evidenced below where the truth about CSC's policies, practices and organisational behaviour are revealed. It is responsible for causing harm to many veterans who have suffered injuries from their service to the Nation.

In cases where veterans are compulsorily discharged from the Defence Force for medical reasons, CSC administers Invalidity payments paid to Veterans under the provisions of their superannuation fund. This group includes our most vulnerable veterans who have been forced to leave the ADF and then face the stress of transitioning to civilian life whilst trying to cope with their injuries. In such circumstances, the stresses on family life can and do lead to relationship breakdowns and Family Court proceedings that further compound the veteran's mental wellbeing.

**These injured veterans live with the uncertainty of a re-assessment and possible total loss of invalidity payments for the rest of their lives or until age 55 years** (depending on which super scheme the member belongs to). This means the payments they receive can and do go up and down by large amounts. Similar civilian scheme benefits can only be reviewed for about 2 years and are then permanent.

Under the Family Law Regulations, Invalidity payments in other schemes, are excluded from Family Court income calculations whilst they remain subject to assessment. **However, CSC deliberately reports the nature of veteran invalidity payments to the Family Court as if they were permanent. This results in large financial losses for affected veterans. CSC also misreports the Invalidity Payments to the Australian Tax Office causing these veterans to face massive increases in their tax liability.** So much for CSC acting in the members' interests.

One veteran won a Federal Court case against CSC for acting unlawfully. **CSC ignored the Federal Court Ruling and continued to misrepresent veteran invalidity payments for many members.** Other veterans have also taken legal action against CSC for similar reasons. As a direct result of veteran legal action, **CSC decided to formalise their rip-off practices by working with Government to introduce retrospective laws that made their previous unlawful actions, lawful.**

Meanwhile, the Government steadfastly refuses to allow CSC to be included in the Royal Commission, denying veterans the same opportunity available to other Australians to have their grievances independently investigated.

There have been many complaints to MPs and Senators about CSC, and **both the RSL and ADSO have called for CSC to be included in the Royal Commission.** The Government argues that it is unnecessary because CSC faces more scrutiny than other funds – **this is demonstrably untrue**, at least for the protection of members' interests. (See Fact Sheet Two for more details)

CSC has reported to Parliament that all members' complaints (including the military superannuation schemes) have been resolved – **this is also demonstrably untrue.** The documented failures of CSC to act in the best interests of its members is similar to some of the unethical behaviour and cultural indifference of other financial organisations that the Royal Commission has exposed.

Is this why the Government is determined to protect CSC from Royal Commission scrutiny?