



DEFENCE FORCE WELFARE ASSOCIATION

## **MONTHLY UPDATE #251 – 17 June 2010**

**UPDATE is a monthly newsheet produced by the Defence Force Welfare Association containing current items of interest to the Service and ex-Service community. It is widely distributed to politicians, media outlets, senior Service and Public Service officers and DFWA members.**

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### **INDEXATION – THE NEXT STEPS**

In recent months officials from the Association met with a number of Members of Parliament and Ministers on the issue of improving the indexation arrangements for military superannuation pensions. The position put by the major parties, and our response, is summarised as follows:

#### **The Government's Position**

On the whole, the Government remains wedded to not pursuing any change and offering full support to the recommendations of the flawed Matthews Report. However on 27 May 2010, Mr Chris Hayes MP (ALP) advised the House that:

It is also important that I point out tonight that the government is committed to considering a better indexation method for civilian and military superannuation pensions. Again, that is one of the recommendations that we accepted from the Matthews inquiry. I take the opportunity to encourage veterans associations to work with government to determine the best long-term method for indexing military superannuation pensions.

We also note that Recommendation #4 of the Matthews Report opens the way for a new indexation regime, and in his Executive Summary Mr Matthews concluded that purpose of pension indexation (being to maintain the purchasing power of pensions ie, to protect them from erosion by inflation), remains relevant today. It follows that there is agreement that the current CPI methodology is flawed, and this is the fundamental basis of our claims.

With the above in mind, the Association welcomed the offer of the Government to work with us towards determining the best long term method for indexing military superannuation pensions, and we have formally advised the Minister for Finance and deregulation of this. We look forward to hearing what the Government intends to do and to work with Government to progress this long standing matter.

#### **The Coalition's Position**

The Coalition has advised us that it supports the following claims that:

- the proposal to index military superannuation more fairly has merit;
- previous Governments have been slow to move on this issue and veterans have every right to be disappointed and disillusioned;
- the Coalition will be honest and open with the ESO community on the matter and commits to determinedly pursue the case for reform of Indexation arrangements for military superannuants when in government; and
- the Coalition believes that it will be important to tackle this issue as soon as the budget is back in surplus – and if at all possible within the government's next term.

The Association welcomes this as a welcome first step. However, we believe that improved indexation is affordable now (given the minimal annual net cost, etc) and that any additional liabilities incurred could be completely negated if excess profits from the Future Fund were used as an offset. As such, we have asked that the Coalition's policy state:

- In Government we will in our first year of our first term legislate for a military superannuation indexation formula that achieves the same percentage increase that is afforded to the Age/Service Pension.

## **The Independents**

On the whole, Independents are strongly supportive of our position.

## **The DFWA Position**

Notwithstanding our formal advices to the parties as outlined above, we note that this matter has been identified as the single most pressing issue of concern to the ESO community. We believe the matter has gone on long enough and our case has been adequately put – it just takes the Government of the day to accept the fundamental injustice of the matter and take responsibility for it to be resolved once and for all.

The Association will soon embark on a “Fair Go”! public awareness campaign that aims to make our objectives unavoidable issues for political parties in the lead up to the next election. The campaign will highlight, and aim to remedy, the unfair and discriminatory features of the three extant military superannuation schemes and address the grossly unfair CPI indexation formula and ongoing disregard of the Australian Military Covenant. The campaign will promote our issues and target the defence community, the Australian community and all political parties nationally.

## **PROPOSED MERGER OF THE SUPERANNUATION BOARDS**

The Association’s reservations to the proposed merger of the Commonwealth Superannuation boards as presently proposed have been well documented. The Association has no fundamental objection to the merger: our concern centers on ensuring that the unique interests of members of the military schemes are protected by the legislation. Although the probability of better investment returns have been flagged by Government Ministers and officials, much will rely on the expertise of the advisers and the quality of investment decisions by the Board as is the case now and the amounts quoted should be regarded as purely speculative.

Following discussions with Departmental and Ministerial officials as well as the designated head of the proposed merged Board and in an attempt to accommodate the Government’s objectives, we significantly altered our position from total opposition to qualified support as long as there were sufficient safeguards written into the bills to acknowledge and give force to the unique nature of service in the ADF. After the original legislation was amended (supposedly to take into account our concerns), the final versions did not include the safeguards we believe are necessary for the long term wellbeing of serving and retired members of the military superannuation schemes.

We firmly believe that the inclusion of the requirement that "The Board of Trustees shall in its deliberations and decisions acknowledge, recognise, consider and report upon the impacts of "The Unique Nature Of Military Service’..” and legislating a requirement for a "Defence Case Reassessment" body are fundamental in limiting the possibility that there be no gradual erosion (or erosion by stealth) of the military specific nature of our schemes, their operation and administration.

Looking at history we believe we have every reason to continue to be sceptical about Government assurances and watch with keen interest the handling of this legislation in both Houses of the Parliament.

## **CLOSURE OF DEFENCE HOME OWNERSHIP SCHEME (DHOS) SCHEME**

Ex-service members have until 30 June to apply for entitlements under the Defence Home Ownership Scheme (DHOS). Further information is at [www.dhoas.gov.au](http://www.dhoas.gov.au).

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