

THE DFWA MONTHLY UPDATE



PO Box 4166 KINGSTON ACT 2604
Telephone: 02 6265 9530 Facsimile: 02 6265 9776
W: www.dfwa.org.au E: national@dfwa.org.au

Patron-in-Chief: His Excellency Mr Michael Bryce AM AE

ISSUE 235

NOVEMBER /
DECEMBER
2008

Update is a monthly newssheet (except for January) produced by the Defence Force Welfare Association (DFWA) containing items of interest to the Service and ex-Service community. It is distributed to politicians, media outlets, senior Service officers and DFWA branches.

TAXATION TREATMENT OF MILITARY SCHEMES

The Association notes the Government has asked its Review Teams to bring forward consideration of the retirement income system and report by the end of March 2009 and has also asked them to make recommendations on the adequacy of retirement income arrangements and the appropriateness of the current taxation arrangements.

With this in mind the Association has advised that the segregation of the current military retirement schemes into “untaxed” schemes in the 2006 *Better Super* policy was artificial. Indeed, military personnel had no say in the fact that Government convention from the 1960s and 70s, when their schemes were imposed on them, precluded the Government from paying tax to itself, thereby ensuring that in 2006 their schemes would be classified as “untaxed” and their pensions would be treated differently to pensions paid from other defined benefits schemes derived from ‘taxed’, eg company, funds. Had the Government paid tax to itself, the benefits received by military pensioners – ie the Government’s net expenditure - would have been exactly the same up to 2006 and, after that date, the pensions would have been tax-free in the hands of the military pensioners.

The measure adopted in *Better Super* to overcome part of that disadvantage – the 10% tax offset – was arbitrary and *ad hoc*, and led to further disadvantage.

Because military pensions are treated as taxable income in the hands of the military pensioner, any additional income is taxed at marginal rates, whereas pensions from ‘taxed’ funds do not enter into the tax equation. In most cases that additional disadvantage more than offsets any benefit the military pensioner might receive from the 10% tax offset in comparison with the ‘taxed fund’ pensioner.

The Association has asked that the artificial segregation of military retirement, death and disability schemes into ‘untaxed’ schemes should be eliminated and if that is not done then, at the very least, military pension income should be taxed quite separately from any other sources of income received by the pensioner. In addition to any action taken on the above recommendations, the review team should be prepared to consult widely upon the impact on military retirement, death and disability schemes before finalising its recommendations.

SOLOMON ISLANDS HEALTH STUDY

The Government’s recent media release advised that a study into the health of Solomon Islands veterans found no immediate health effects from deployment, but qualified the statement by saying that some health effects may not become evident for many years, so follow up further into the future is vital. The media release stated that the study involved a sample of 500 veterans who had deployed to the Solomons and a matched comparison group of ADF members who had not deployed.

The Association’s understanding of health studies such as these is that the number of persons studied in the group has to be of sufficient size such that meaningful data can be obtained and on that basis a number of 500 seems to be quite small and restrictive. Furthermore, the Association understands that there was only a 44 per cent response rate to the study although we are unclear as to whether this was an overall response rate of both groups or a 44 per cent rate among the study group or the control group. In any case the number of ADF members studied must surely produce results that are statistically insignificant.

A continuing problem faced by veterans suffering from complaints attributed to operational service is that their complaints are denied on the basis that there is little evidence to support their claim. This is particularly so in the case of relatively rare diseases or conditions. A health study involving only a small number of veterans is therefore unlikely to highlight such a disease or condition particularly in the early stages.

Of particular concern, the media release was based on a study, the full report of which is not available to the ex service community.

PROPOSED BUDGET INITIATIVES

The Association, in its submission to the Government on recommended Budget policy initiatives, has identified the following for Government’s consideration:

- Indexation using the general community standard, ie that used for the Aged and Service pensions, as the military pension indexation rate, to maintain the living standards of military pensioners relative to the general community.
- Adjustment of the provisions of “*Better Super*” affecting military retirement and disability pensions.
- Immediate adoption of up to date Life Expectancy Tables for DFRDB commutation arrangements and restoration of the full DFRDB pension after repayment of the lump sum commutation amount for existing DFRDB pension recipients.
- Adjustments to Defence widows’ pensions indexation arrangements.

ONLY 44 YEARS FOR REASON TO PREVAIL - HMAS VOYAGER CLAIMS

The Association has welcomed the announcement by the Attorney-General and the Minister for Defence Science and Personnel that, after more than 44 years, all but one of the unresolved claims from the HMAS Melbourne/HMAS Voyager collision have been resolved by mediation.

The Association’s National President, David Jamison, said that while the outcome is welcome, the Association remains most concerned that the Department of Defence was seen to be using legal processes to deny justice to Service personnel for such a long time, which contributed to an environment of corrosive distrust amongst ADF personnel and veterans about such issues.

The Association hopes that in the future Defence would put a higher value on the wellbeing of the nation’s service men and women and ensure they receive timely and just support and that alternative dispute resolution processes, as espoused by Mr McClelland, will become the norm for multi-plaintiff matters.



A HAPPY AND SAFE CHRISTMAS TO YOU ALL.

THE NEXT UPDATE WILL BE PUBLISHED IN EARLY FEBRUARY 2009

<i>Media Contacts</i>	
Editor: Les Bienkiewicz 0411 444 248	DFWA National President: David Jamison 02 6265 9530
REGULAR DEFENCE FORCE WELFARE ASSOCIATION INC Incorporated in the ACT: Reg No: 1496 ABN 49 929 713 439	