

Committee Secretary

Senate Standing Committee on Finance &
Public Administration
PO Box 6100 Parliament House
CANBERRA ACT 2600

Dear Secretary

As you are aware, the ALP Government has recently endorsed the four recommendations of the Matthews Review into the indexation of Military and other Commonwealth Superannuation. This means that those on Military Superannuation pensions will remain disadvantaged by continuing to have their superannuation pensions indexed by the Consumer Price Index (CPI) - whereas Welfare and Age Pensions are indexed at a higher rate (the greater of CPI or Pensioner and Beneficiary Living Cost Index (PBLCI) or Male Total Average Weekly Earnings (MTAWE)) and pre-2004 MPs and High Court Judges pensions are wage-based indexed to the salaries of serving backbench MPs.

**In the period 1989 to 2008 military superannuation pensions rose by 68%,
Age Pensions rose by 110% and those of retired MP's rose by 131%!**

The purpose of pension indexation is to maintain the purchasing power of our pension. Until 1997 CPI was considered the relevant index but the Australian Bureau of Statistics (ABS) concluded that "*the tight nexus between movements in the CPI and wage and salary adjustments no longer exists.*" In 2001 ABS said that "...CPI is not a measure of the cost of living."

In 1997 the Government acted to maintain the purchasing power of Age and other Welfare pensions by changing indexation to CPI or MTAWE whichever was the greater. More recently it included another index factor, the New Pensioner and Beneficiary Living Cost Index (PBLCI).

Nothing however has been done for Military Superannuants, even though a number of Senate inquiries have recommended a form of wage-based indexation be introduced. Unfortunately these recommendations were rejected by previous Coalition Governments. The Matthews Review recommended that the CPI should remain the basis of indexation for military superannuation pensions and Commonwealth Public Servants' pensions. Not surprisingly the Government accepted this recommendation, with Minister Tanner stating, words to the effect that it would cost the Australian taxpayers too much to implement a higher indexation. The Chair of the recent 'Senate Inquiry on the Effect of Cost of Living Increases on older Australians said that: "*It is hard to explain to Commonwealth superannuants why their pensions, to which they contributed during their working life, should fall behind the pension increases of those who have generally not made provision for their retirement.*" This includes DFDB/DFRDB superannuants.

Military retirement and disability pensions now stand out as being more harshly treated than almost every other long-term Commonwealth payment that is subject to regular indexing to maintain its value. The same formula used for Age/Service pensions should be adopted for all components of Military retirement pensions (DFRB/DFRDB/MSBS).

Table 7 of the Department of Finance and Deregulation's (DOFD) submission to the Matthews Review of Indexation Arrangements in Australian Government Civilian and Military Superannuation Schemes indicates the gross budgetary costs **before** "claw back" (estimated to be in the range of 37– 58% by the National Centre for Economic and Social Modelling) due to consequent increased tax revenue and reduction of support payments to be as follows:

YEAR	AMOUNT
2009-10	\$1M
2010-11	\$16M
2011-12	\$36M
2012-14	\$59M
2019-20	\$255M

This “claw back” will be substantial as many military superannuants also receive the Service Pension. As their superannuation increases, the amount of Service Pension decreases. In addition many military superannuants will have passed on by 2019. Unfortunately Treasury has not extrapolated these figures but it is considered that the figure of \$255 Million in 2019 – 2020 could be grossly exaggerated when these two factors are taken into account (claw back from Service Pensions and the decreasing number of recipients of superannuation [and Service Pension]). In any event it is a decreasing liability each year.

To me it appears incongruous that the Federal Government is reportedly spending some \$680million, **annually**, on welfare payments to refugees and yet the Government seems immutable on the subject of improving the quality of life of its veterans and ex-ADF members, many of whom have served our Nation for 20 years or more! This amount is exponentially greater than the projected costs for introducing a higher indexation for military superannuants, as outlined above. This is morally and ethically wrong particularly as there are military superannuants who are living on an income that is below the Henderson Poverty Line.

I must emphasise that, while I have a great deal of empathy with Commonwealth Public Service pensioners and I would support any similar claim proposed by them, I believe that military superannuation must be considered separately from the Commonwealth Public Servants pensioners. Service in the ADF is unique and it must be treated that way. It is the military who use every firepower resource available to kill or capture the enemy. The military endure the greatest hardships and it is the military who give up their personal freedoms to carry out the Government’s orders. We must not contaminate the uniqueness of military service by including other non-military members or organisations. If the DFRDB superannuants are treated separately funds could be available to provide a higher benchmark for indexation.

My questions to your Committee are as follows:

1. The number of reports are ridiculous with no outcomes when will a logical decision be made?
2. What is the government’s position (both sides) on the Matthews’ recommendations which will see the further erosion of the purchasing power of military superannuation pensions? Do you or your committee agree, disagree or have no opinion on them?
3. Will you raise the indexation of military superannuation pensions in line with other pensions?
4. Do you support the proposal to introduce a higher benchmark for the indexation of DFDB/DFRDB superannuation?

I would appreciate your written responses to these questions.

I look forward to receiving your reply.

Yours sincerely,

Bob Ney Ex Soldier of 30 Years

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