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Inquiry into the Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill 2010

Paper No 1 – Indexation

The he indexation of DFRB, DFRDB and MSBS military superannuation pensions is serving retiring Australian Defence Force members poorly compared with how the more generous indexation of other government pensions such as the Age, Disability and War Widows pensions has served their recipients and especially how the even more generous indexation of parliamentary pensions has served members of parliament.

Indeed, since 1989, the pensions of members of parliament have increased some 60% more than DFRB, DFRDB and MSBS pensions and other government pensions such as Age, Invalid, War Widow etc pensions have increased some 35% more.

Far from there being an acceptable rational for this disparity, there is every reason that DFRB, DFRDB and MSBS pensions should be the most favourably indexed. Members of the Australian Defence Force have suffered conditions of service far less favourable than civilians including:

- liability for compulsory high risk combat operations (in the life of the DFRB, DFRDB and MSBS pension schemes, Australia has been involved in many conflicts including the Malayan Emergency, Indonesian Confrontation, the Vietnam War, Timor, Iraq and Afghanistan);
- a restriction of liberty in a regimented way of life;
- compulsory long and irregular working hours;
- compulsory statutory retiring ages well below the community norms;
- compulsory high standards of physical fitness;
- frequent compulsory relocation causing schooling and network dislocation; and
- long periods of compulsory separation from family.

DFRDB, DFRB and MSBS military superannuation pensions were calculated as a certain percentage of the wage of the rank at which the member left the service. Justice demands that

each member's DFRDB, DFRB and MSBS pension be restored to that percentage of the current wage of that rank, then indexed either to increases in the wage of that rank or to increases in the other government pensions such as the Age, Disability and War Widows pensions.

Before 1997, other government pensions such as Age, Disability and War Widows pensions, were indexed to increases in the cost of living (CPI) only. But because these pensions were falling further and further behind community incomes, the government, in that year, re-indexed them so that they increased with increases in the cost of living (CPI) but established a minimum pension of 25% of the average wage (MTAWE).

Military superannuation pensions, however, were left to languish, indexed only to changes in the cost of living (CPI) and so have continued to fall farther and farther behind community incomes. It is a sad fact that long standing military superannuants have lost many thousands of dollars each by military superannuation pensions being excluded from the 1997 changes.

Tim McCombe
President