2 March 2010

Committee Secretary
Senate Standing Committee on Finance and Public Administration
PO Box 6100, Parliament House
CANBERRA   ACT   2600

SUBMISSION TO SENATE INQUIRY INTO SUPERANNUATION REFORM

I wish to express my deep dissatisfaction with the way the Australian Government continues to treat superannuated service men and women. The facts are well known and have been subject to a number of Parliamentary inquires. The current Government criticised its predecessor for not taking action to redress the unfair aspects of the indexing system used to maintain the purchasing power of military pensions and yet has done nothing itself to rectify this very unfair arrangement.

The continuing erosion of purchasing power of military pensions is distressing enough for many superannuated service men and women but the way commuted benefits are treated is as unfair and equally distressing. After electing to commute part of their superannuation entitlements on retirement it is understood that their pensions would be reduced to compensate for the bringing forward of the "up front" benefit. However, this reduced pension is being carried on long after the commuted amount has been fully repaid. This is largely due to the financial modelling of the commutation arrangements being done on 1962 actuary figures. The result is that the reduction of service pensions is carried on long after the pension should have been adjusted upwards to the full entitlement. Worse still! On the death of the member, the surviving spouse payment is reduced to 5/8th (62.5%) of the REDUCED pension.

As a matter of fairness and equity, and as recognition of the unique nature of defence service, indexing of military pensions should be brought into line with that applied to the Age Pension and other pension arrangements such as enjoyed by politicians.

As a matter of correcting a procedural anomaly, the return to full pension entitlements after any commuted amount has been repaid should be included in any reform of superannuation.

Yours sincerely,