

4th March 2010

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

**SUBMISSION BY COLIN E BENSON
ON THE PROPOSED
GOVERNANCE OF AUSTRALIAN GOVERNMENT SUPERANNUATION SCHEMES BILL 2010**

Dear Committee Secretary

On 5th February, 1962, I enlisted as an RAAF Radio Apprentice for a period of 15 years through which I became a Radio Technician. I retired from the RAAF on 4th February 1982 with the rank of Warrant Officer after having been a technician, supervisor, instructor and acting engineer. In 1969-70, I served in Vietnam for 12 months (367 days) with our Canberra Bomber squadron, making me eligible for a War Service Homes loan as it was then known.

I served for a total of exactly 20 years and became eligible for DFR(D)B retirement pay / superannuation. Since leaving the RAAF, as now, DFR(D)B has often been my primary source of income.

I currently receive DFR(D)B of \$882.80 after tax, plus a combined Invalidation and Service Pension of \$272.33 per fortnight. A total of \$1,155.13 per fortnight, or \$30,115.89 per annum. Despite owning my own house, my annual rate of living expenses exceeds that level of income.

Australians who never served a long time in the military, especially those who never had Active Service (war service), receive their superannuation tax-free after the age of 60. My DFR(D)B is taxed and will be taxed throughout my life unless the Australian Government changes the conditions of DFR(D)B.

Although the Howard Government added a 10% rebate for my paying tax, until I gained a Service Pension last September, every dollar I earned in employment was added to my DFR(D)B before the tax rate was applied. I am still taxed on my DFR(D)B income and that will continue even if I ever gain paid employment.

Then Prime Minister Howard said that the military superannuation schemes were “unfunded”, yet during my time in the air force it was compulsory for every serviceman and woman to contribute 5.5% of their pay after tax.

I cannot confirm through my own research, but retired general officers have told us the Australian Government in the mid-to-late 1960s utilised all monies accumulated in the DFRB / DFR(D)B schemes for government purposes with a promise to look after ex-military personnel in retirement from consolidated revenue. Presumably, Mr Howard’s continuing to fully tax us with a 10% tax rebate was a miserable promise of the Australian Government “looking after us”.

Whereas my DFR(D)B is indexed at the CPI; and in the first part of 2009 that had a zero effect resulting in no increase despite high inflationary trends where I live; I believe other pensions, including those of former politicians, are indexed at a far higher rate.

How long, how often and why must we suffer?

In 1975, I purchased a house in Laverton, Victoria, where I was an air force instructor in radio and advanced electronics. I did so using my entitlement of a War Service Homes Loan after a year of Vietnam service. **Despite my loan having been approved for about two months of a three month process, there was no money when it came time for settlement!** I was advised of this by a WSH lawyer about an hour before settlement was due! By the time I had overcome breach of contract implications being vigorously pursued by the vendors, obtained a bridging loan from a bank and then received my original loan, I was out of pocket by several thousand dollars. I was prepared for certain contingencies but not a *force majeure* of the Government’s making that was not covered by contractual arrangements. I almost became bankrupt through saving myself from high interest charges on the loan default caused by the Australian Government. **In today’s terms, I lost about \$50,000 due to an incompetent Australian Government led by Prime Minister Gough Whitlam and Treasurer Dr Jim Cairns.** Dr Cairns, then my Federal Member in Lalor, was not sympathetic and offered no compensation.

This is a sad indictment for having begun my service career leaving home and my parents as a young teenager, and for having served my country effectively and honourably for 20 years. I sacrificed a family life to gain the career I wanted. In doing so, I offered my life for my country in one of Australia’s dirtiest wars that cost the life of several childhood friends and airmen I served with. You may recall Australia’s last two MIAs of the Vietnam War – airmen from my squadron – who were brought home to rest last August. I knew the pilot, Flying Officer Mick Herbert, very well. Many Australians may have forgotten the war, but it lives-on in every veteran.

I highlight my service and my situation because I am concerned about the proposed changes to the management of military superannuation; who controls it, how and why it is taxed and why it is indexed at the lowest rate of Government ‘pensions’.

I recall reading the outcomes of reviews of DFR(D)B over the years that the Government cannot change the conditions because it is an Act. This includes updating the life expectancy

tables from the 1960s and cessation of repayment of commutation when the amount of commutation we drew has been reached. If that has been true, how can the Australian Government propose to combine all military superannuation schemes under a different management system with the proposed *Governance of Australian Government Superannuation Schemes Bill 2010*.

In the proposed Bill, why do military / ex-military personnel as directors have the least control over their companion's funds? What has the ACTU had to do with military other than to interfere, treasonously, with supplies and mail to Australian troops on Active Service that resulted in their devising "**Wallop a Wharfie**" and "**Punch a Postie**" slogans during the Vietnam War?

I understand there would be costs involved in the re-structure on top of which the 10 directors would be paid – certainly not "peanuts". Would the Australian Government pay these expenses? Would that result in a lesser amount of my DFR(D)B retirement pay? If there are to be financial benefits from investments, would my DFR(D)B payments increase over the defined benefit that I now receive?

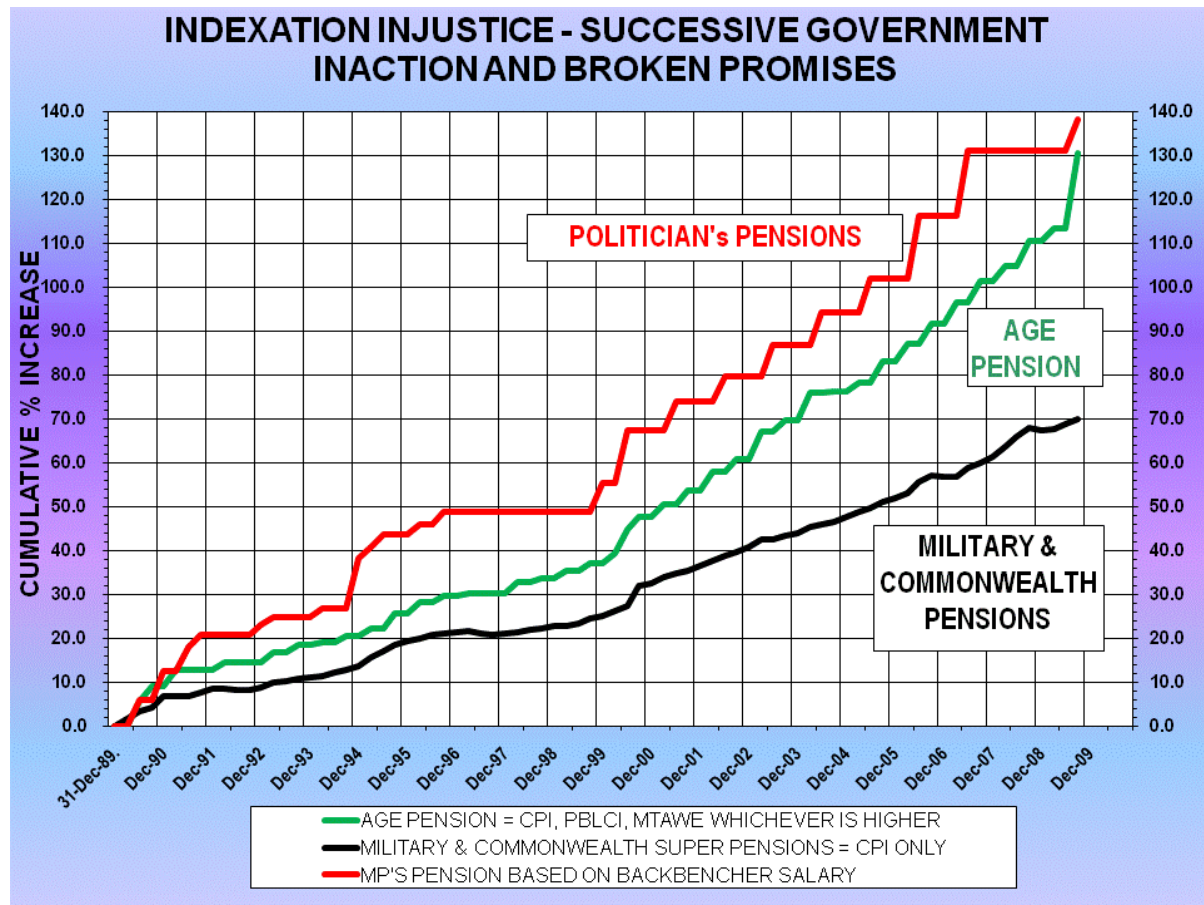
Australians in all military forces, regular and conscripted servicemen and women, have put their lives on the line for our country in the face of the nation's enemies. This is unique and, with the exception of police facing similar occupational dangers, is not expected of any other working group of Australians. Ex-military personnel and their families who have been disrupted through exigencies of military service deserve to be treated according to the sacrifices they have made or have offered. From the moment a man or woman signs to enlist, they become subject to much harsher military law in addition to civil law that applies to everyone. **While the Australian Defence Force (ADF) has high standards of safety, the very nature of military service – such as using weapons designed to kill or maim – makes its members unique and deserving of the Government's promise – expressed and implied – to ensure they treated fairly and not as second and third class citizens.**

I know little of the proposed legislation, but I already experience the effects of the Government's policy on taxing DFR(D)B and it's lowest rate of CPI indexation. Only changes for the better for all recipients could be acceptable.

Today's *Courier Mail* (Brisbane, March 4, 2010, page 1-2) reported on the demands by Federal politicians to increase allowances and other changes designed to increase their wealth and compensate them should they lose their parliamentary seats. Everyone I know who read of those demands said they were outrageous! **Compare those demands, the time served to receive parliamentary pensions, and the double rate of indexation of politicians' pensions over the last decade with lower CPI indexation and taxing of recipients of military superannuation payments.**

Recently, Finance Minister Tanner said on ABC-TV "Q&A" that CPI indexation was a part of the terms of our employment when we enlisted. When I enlisted, and I'm sure that applied to everyone in my era, there was no mention of conditions for pension after 20 years of service. Most people only began to consider retirement and DFR(D)B considerations after 15 years of service. Did the term "CPI" exist in 1962? If it did, I don't recall the air force officers

and non-commissioned officers who were my guardians ever mentioning CPI or pensions during general service and technical training. I trust members of your committee are much wiser than Lindsay Tanner who was talking through his hat!



Assuming this chart being widely circulated is true, I hope members of the Committee put on wise hats when considering my future and that of the serving and ex-military fraternity. The long term future of the ADF depends upon “happy chappies”. Already, there is a great deal of scepticism and disenchantment amongst military superannuants and veterans who receive service or invalidity pensions. When they learn of the latest politicians’ demands there will be a great deal more discontent. Besides ex-military organisations such as the RSLA and Defence Force Welfare Association informing this fraternity of the superannuation issue, many veterans have descendants, relatives and friends in the ADF where bad news travels like wild-fire.

Do members of the Committee and in the Senate and House of Representatives insure their house and contents, as well as their cars and business interests? What risk would they be taking if they ignored those insurances or didn’t pay the premiums? During their service, ADF personnel have comprised Australia’s insurance policy to protect its citizens and assets from foreign invaders. Almost daily, we hear of the ADF carrying out that function when illegal immigrants approach our shores. Along with many thousands who have served with honour in the navy, army and air force, I was part of that insurance scheme.

We rightly deserve to be treated fairly rather than with the contempt many of us feel.

I strongly object to combining all military superannuation schemes with other government superannuation funds. It must remain separate from “wannabees” in the public service and government who most likely have proposed the changes, and do not wish Australian men and women who have served in the military to gain benefits they cannot obtain for themselves.

I also object to the composition of the proposed board of directors that is strongly biased against Australians who have served or are serving in the ADF to provide Australia’s insurance against foreign invaders.

Yours faithfully

Colin E Benson