



VIETNAM VETERANS ASSOCIATION of AUSTRALIA

(QUEENSLAND BRANCH)

"Honour the dead, but fight like hell for the living"

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The Vietnam Veterans Association of Australia, Queensland Branch Inc. thanks you for the opportunity to enter a submission to the senate enquiry into fairer Indexation of DFRDB/DFRB however we do believe that there have already been a number of enquiries and reviews held and they almost all recommend that the method of indexation using CPI is not a suitable vehicle to achieve fairer indexation.

Three Senate enquiries now have recommended that Commonwealth superannuation schemes be indexed against CPI or MTAWA whichever is the higher! All Commonwealth superannuation schemes MUST be indexed against CPI or MTAWA, whichever is the higher, just like the Age Pension, Single Mother's pension and the Dole!

THE ANNUAL rise in 2006 for Military Superannuation (DFRB/DFRDB/MSBS) pensioners was 2.5%. The equivalent rise in parliamentarians' superannuation pensions was 6.8%. That is not an anomaly; it is the pattern. The year before, for instance, the figures were, for Military Superannuation the increase was 3 % and for parliamentarians' pensions, 7.2%. The government, despite a recommendation from a Senate Select Committee in 2001 and continuous appeals from the veteran community, refuses to allow war veterans to catch up. Indeed, it rather contemptuously informs Military Superannuation pensioners that they are doing well.

The reason for this disparity in annual increases is that whilst the government has tied increases in parliamentarians' superannuation pensions to increases in the wages of backbenchers, it has tied increases in Military Superannuation pensions to increases in the cost of living (measured by the CPI or Consumer Price Index). But wages have been rising faster than the cost of living for many years now, so indexing to increases in wages will get a much better result than indexing to the cost of living. Of course, when wages rise faster than the cost of living, it means the standard of living is improving. So Military Superannuation recipients are falling behind Australia's rising standard of living whilst Federal parliamentarians are racing ahead of it.

COULD THE GOVERNMENT easily stem the eroding value of Military Superannuation pensions? Yes it could. Indeed, in 1997 it saved the Age, Service, Civilian Disability Support, War Widows etc. pensions from similar erosion. It had become obvious over many years that wages were rising faster than the cost of living; the government sensibly indexed these pensions so that they could not fall below a certain percentage of the average wage.

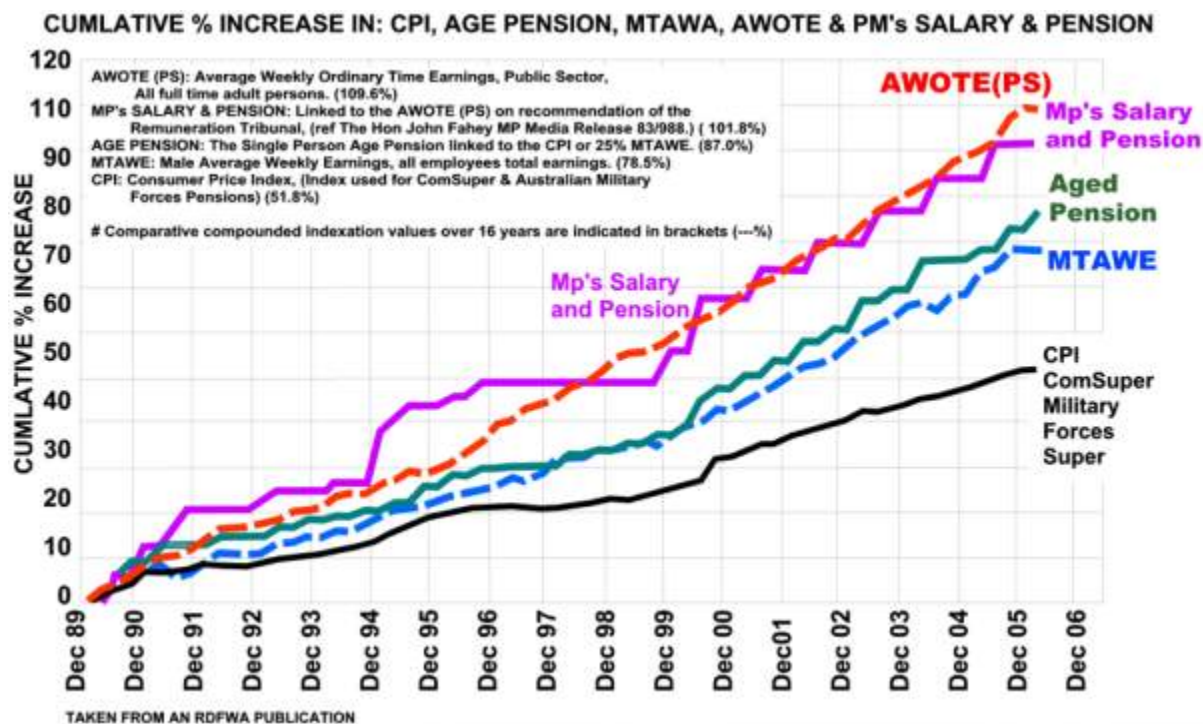
Military Superannuation pensions were left to languish linked only to increases in the cost of living. Their value, compared with other government pensions, compared with increases in the average wage and particularly compared with parliamentary superannuation pensions has been in decline ever since.

In other words, the government has been happy to see the living standards of Military Superannuation pensioners decline compared with standard of living of the community for which they put their life on the line whilst looking after its own members very well indeed thank you.

The solution is, and has always been, simple. Link increases in the Military Superannuation pensions to increases in the CPI or the MTAW or PBCLI whichever is the greater. This would not result in the luxury increases parliamentarians have been enjoying recently but would result in increases in line with the increasing standard of living.

To give you some idea of what a difference this re-indexation would make, take the following example. If Military Superannuation had been indexed to increases in the cost of living or to increases in the average wage whichever is the greater 21 years ago and the original pension was \$20,000 a year, that pension would now be some \$11,463.86 or more a year more than it is. Yes, that's right, at least \$11,463.86 more than it is. The Vietnam Veterans Association of Australia, Qld Branch has many members who retired from the services 20 odd years ago on DFRB/DFRDB pensions of round \$20,000. They are being short changed by more than \$11,463.86 a year.

AS WE HAVE SAID, the government simply refuses to remedy this gross injustice whilst allowing luxurious increases for its own members. We leave it to you to decide what hypocrisy, meanness and lack of respect for its long serving war veterans, the government's refusal shows. The graph below shows the true position of the increases over a number of different sources. You will note that in this graph Comsuper Military Forces Super is the only one using CPI alone and it is the lowest of all schemes. You will note that this graph only covers up to 2006. We believe you can also work out that using this graph and bringing it up to date till the current year the results would be worse still and would show that recipients of DFRDB/DFB would be much further behind.



Indexation of Defence Force Pensions.

Defence Force Superannuates, who have made an important contribution to the quality of life enjoyed by this country, are falling behind in their retired incomes that are the basis of their standard of living and quality of life. If average weekly earnings are increasing at a faster rate than the CPI then those whose income is tied to the CPI will be left behind in the quality of life they can afford.

The Veteran Community is aware that any increase in DFRDB/DFRB will result in a decrease in their Service Pension as a result of the income means test which they are prepared to accept if it ensures that we are on parity with all other groups. It is assumed that the majority of the 55 000 recipients of DFRDB/DFRB may be in receipt of Service Pension as well.

Recommendation

We believe that the only fair way would be to have exactly the same methods of indexation for all schemes which would be to use CPI, MTAWA or PBCLI whichever is the greater. This would be the only fair way and would be acceptable to the Veteran Community. The VVAA Qld Branch Inc. trusts that this information although old hat will assist you to come to the right and just decision and that is to adopt the recommendation as outlined. We believe that the Veteran Community will accept nothing less.

John P Smith, OAM, JP (Qual)

President

VVAA Qld Branch Inc.

15th April 2011