



Committee Secretary
Senate Standing Committee on Finance and Public Administration

Dear Sir/Madam,

I am writing to ask you to take action to address the injustice being applied to military superannuants. The government appears to be intent in trying to wind back existing service or "employment" conditions and is resisting fixing the present inequities and discriminatory provisions. Unfortunately the previous and present governments have bought the departmental line (usually "it's too costly" or "it would be unfair to others in the community") and no action has been taken. In the meantime of course they are happy to see the ADF committed to war zones but pay lip service to the consequences faced by ADF individuals and their families.

What the Government is proposing is to disband all the military and civilian Commonwealth Superannuation Boards/Authorities and replace them with a single board of 10 members plus an independent chair. The only military representation on this body will be two nominees by the CDF. The effective result of these provisions is that although the public service members will be well represented (but not necessarily those retired), the serving and retired men and women of the ADF will be left without direct representation. The total of 2 members in the number of 10 constituting the board inevitably means that the specific nature of the service aspects in board considerations will be subordinated by the weight of numbers. The board needs a blend of experience and knowledge, including a comprehensive understanding of the unique nature of military service, in order to best serve the military and the wider Australian community. The way it is intended to be constituted gives me no confidence that it will have this and to the extent it may have, that this expertise will have sufficient influence in board considerations to ensure the uniqueness of ADF service is given appropriate weight. I am also concerned that the proposed merger has two clauses that in turn have sub clauses enabling regulations to be made which reduce the scope of the tax exemption. It is not clear how it would be intended to use these but they provide an avenue to siphon off funds that would otherwise benefit fund members to Government revenue with a minimum level of scrutiny.

I have made two representations to my local member on the subject of indexation of military superannuation and both replies that I have received indicate an attitude that Commonwealth Superannuants should be happy with the fact that they will receive the age pension once the real value of their superannuation has declined sufficiently. This begs the question of why even bother attempting to look after yourself, particularly with a job defending the country, when you're going to end up getting the same as people who have never worked a day in their life? And what about those of us that are still working trying to add sufficient value to this dwindling pension so that we can look after ourselves in retirement? The argument put forward that the Government cannot afford to index the DFRDB pension to MTAWWE belies the fact that these schemes were self funded and the Government raided the funds back in the late 70s or early 80s. What happened to the money that was taken from these funds?

In the period 1989 to 2008 military superannuation pensions rose by 68% while Age Pensions rose by 110% and those of retired MP's rose by 131%. In the 17 years since I retired from the RAAF after serving for almost 25 years, my pension has effectively dwindled from something my wife and I could almost live on, to a payment that not even the most frugal couple could hope to exist on. I have continued to work in an attempt to build my superannuation and provide for my retirement, but I am increasingly disillusioned by the decline in real terms of my

DFRDB pension and the prospect of my current Public Service Superannuation scheme being indexed in the same manner.

Military Superannuants 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 MP's and High Court Judges pensions are wage based indexed to the salaries of serving backbench MP.

The purpose of pension indexation is to maintain the purchasing power of the 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 Pensionary and Beneficiary Living Cost Index (PBLCI). Nothing however has been done for Military Superannuants, even though six parliamentary inquiries have recommended a form of wage based 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."

While on the subject of DFRDB pensions there is also the matter of commutation where members could elect to receive the equivalent of four years of pension as a lump sum and their subsequent pension was reduced on the basis of a calculation of years remaining to average life expectancy. With the average life expectancy figures steadily increasing, the pension of those people that took the commutation option should revert to the full entitlement once they have reached that life expectancy figure and the commutation has been repaid. To continue to only pay a reduced pension after the amount has been repaid is tantamount to robbery.

I, and a lot of other retired RAAF members, am extremely disappointed that no action has been forthcoming and our pensions continue to be eroded by inflation while they are indexed only to the CPI and not MTAWE or another more suitable wage based index. I would be very appreciative if you could pursue these injustices on my behalf and in the interests of all retired Defence Force Members.

Yours sincerely,

Bruce Macfarlane