

# REGULAR DEFENCE FORCE WELFARE ASSOCIATION INC NATIONAL OFFICE

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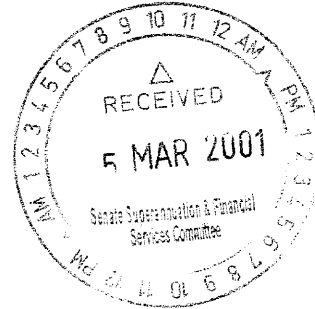
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Patron: His Excellency Sir William Deane, AC, KBE  
Governor-General of the Commonwealth of Australia

## RDFWA

Ref: 51.01  
1 March 2001

The Secretary  
Senate Select Committee on Superannuation and Financial Services  
Parliament House  
CANBERRA ACT 2600



Dear Madam,

### QUESTION ON NOTICE

I refer to the Hansard for 14 February 2001, at pages 67/68 where Senator Allison asked about the DFRDB widow's pension, its 62.5% level and indexation anomaly. This letter provides our answer to that question. It is on RDFWA letterhead as RDFWA provided ACPSRO's military input to its overarching submission.

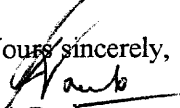
The DFRDB Scheme differs from other Commonwealth superannuation schemes in the novel way it indexes a widow's pension. The DFRDB widow is not allocated a percentage of her late husband's pension which is then indexed by the CPI each year. Instead her pension is notionally indexed as described below.

Initially, a DFRDB widow is paid her late husband's pension for seven pay days after his death in a similar way to other Commonwealth pensions. Thereafter she is paid her own pension which initially is 5/8ths (62.5%) of the pension her husband would have been entitled to at the time of his death if he had not commuted. Government correspondence launders the generosity of this scheme because the widow's pension is initially based on the contributor's uncommuted pension. However, her pension is only notionally indexed. Correspondence from Government over the years has never denied that the widow's pension is notionally indexed.

A widow's 'notional' pension is calculated as 5/8ths of the pension her late husband was receiving at the time of his death and this will always be less than her initial widow's pension. Each year thereafter the CPI is applied to this 'notional' pension and the result added to her real pension, the resultant pension being less than if her initial pension was fully indexed.

We have no facts on which to base the original concept of a DFRDB widow's pension being 62.5% against an APS widow's pension being 67% and a Parliamentary widow's pension being 83.3%. We note from page 138 of the Hansard for 15 February 2001, in answer to a question from Senator Allison, that Defence was unable to explain the origin of the 62.5%.

Yours sincerely,

  
J/A Paule  
National Secretary