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16 September 2012

Senator the Hon. David Feeney,
Senator for Victoria
PO Box 6100
Senate
Parliament House
Canberra ACT 2600

For Information

Senator Alex Gallacher
Senator Mark Bishop
Senator Penny Wright

Dear Senator Feeney,

I attended the Senate Chamber on Wednesday 12 September 2012 and listened to you from the advantage of the Public Gallery debate the MPI regarding military superannuation.

I attended specifically to listen to the debate because, I, like so many others in Australia who have committed all, or a substantial portion of their productive working life serving this great nation, needed to hear first-hand the rationale from those 'leaders' who continue to oppose fixing something that their predecessors correctly established, only to have others subsequently compromise their good intent. This abuse of past employees has until recently 'enjoyed' bi-partisan support and lamentably some today are even proud of their past actions.

Yours and my political forefathers who established the military superannuation scheme intended an entirely different outcome to what our current political 'leaders' deliver and defend. Consequently, I needed to hear first-hand the words of those who now perpetuate this abuse of workers' rights and you certainly delivered plenty for me to reflect upon.

I am a member of the Defence Force Welfare Association and sometimes make public non-partisan comment on matters relating to unfair indexation of military superannuation and the denial of fair compensation to military disability pensioners. In writing this to you I represent my own personal views and not necessarily those of DFWA or other military organisations.

The red bullet points below are your remarks that I found particularly 'educational' because they demonstrated the level of deception you and your party are prepared to exercise to stop the public from knowing the facts. My comments follow each of your statements. Please be aware that I intend to share my comments with all serving and retired military personnel,

their extended families and friends, and through them to the wider Australian community. I also note others have communicated their thoughts on your MPI comments to you.

- “The only people who would truly benefit from any changes to the indexation of military indexation are those already on higher pensions or with other incomes and significant assets.”

Comment I note you joined the Senate 1 July 2008; consequently, your superannuation scheme comes under the Parliamentary Superannuation Act 2004 which is an **accumulation fund** arrangement aligned generally with society norms except for its higher Commonwealth contribution rate of 15.4%. This may explain your apparent ignorance of how a **defined benefit** superannuation scheme must work.

Those many Senators and Members who were members of Parliament before 9 October 2004 belong to the Parliamentary Contributory Superannuation Scheme (PCSS). The PCSS, CSS and the DFRDB are **defined benefit** schemes. You cannot make direct comparisons between defined benefit and accumulation schemes. Both defined schemes were abolished because; *inter alia*, of shifting society norms, with the military scheme closing in 1991, leading the PCSS by some 13 years.

In your speech you appeared not to understand the difference, frequently criticising the DFRDB entitlements for exceeding current society norms and being a “very generous scheme”. Defined benefit’s entitlements must conform to the defined entitlements of the applicable Parliamentary Act. DFRDB, enacted in 1973, is not an exception to that rule, nor is the PCSS. Both major political parties had a hand in defining the indexation method of DFRDB, settling on CPI in 1976, yet since the late eighties governments of all political persuasions have very conveniently ignored that indexation arrangement and its mandated intent.

The DFRDB Act, as does the PCSS Act, rewards years of Service of loyal service with a fixed percentage of final ‘salary’. For DFRDB members that is 35% of current salary after 20 years of service, increasing to 76.5% after 40 or more years. For the politician that is 50% of current ‘salary’ after only eight years of service, increasing to 75% after just 18 years. From that you somehow deduced that the DFRDB is a generous scheme; so what does that make the PCSS?

How unfortunate it was to hear you say that the only people who would benefit “...are those already on higher pensions or with other incomes and significant assets.” So all those retired politicians receiving the PCSS ‘pension’ who held executive positions should not receive fair indexation of their defined benefit because they could have other incomes and significant assets now that they have left Parliament? I wonder what the response would be if I asked past prime ministers or ministers if they shared your view.

Senator Feeney, the day Parliament indexes the PCSS to CPI and bans anyone other than backbenchers from receiving indexation then your comments may have

relevance. Even then, I note that a backbencher's parliamentary allowance is more than double the salary of middle ranking non-commissioned and junior commissioned ADF personnel.

The Treasurer talks frequently of a fair pay for a fair days work. You can take your egalitarian ideology too far by asserting that military personnel who committed their life to serving the nation now do not deserve to receive their defined benefit and that no service personnel deserves to have their benefit maintain its purchasing power by an indexation process that incorporates costs of goods and wages.

Had the DFRDB retiree's pension retained its percentage 'value, as intended by Jess and the government of the day, then those who have been retired since 1985 would not have seen their defined benefit almost halve in value. Senator, that is the issue, not who has what. Under a defined benefit everyone receives what they deserve, it's what happens after that that is at issues here. The defined benefit paid was intended to retain its purchasing power and it has not over the last 20 years. Consequently those who left after the minimum 20 years and managed to establish a limited tenure new career have watched the first half of their working life's superannuation degrade by 50%. Those who could not obtain work for any number of reasons have nothing but their shrivelling military superannuation pension; even those on DFRDB invalidity and reversionary (spouse) pensions get treated in like manner.

Playing the 'fat cat' card, or the 'politics of envy', only degrades you and your party and adds nothing to the debate and it certainly does not deliver fair outcomes for all loyal military service personnel.

- "For everyone else, the changes to indexation are small but they would create significant difficulty for the federal budget."

Comment The cumulative effect of twice yearly small indexation 'loss' has resulted in a devaluation of over 40% in the last 20 years in the value of all DFRDB pensions compared to MTAWA regardless of final salary or years served.

A retired Service Chief who left the ADF in the mid-eighties commented to me recently: "My wife and I now live in genteel poverty – a lifestyle demanding increasing thrift." What a wonderful reward from an ungrateful Parliament for a lifetime of dedicated service. All ranks are impacted by this iniquitous and sustained manipulation of the intent of the DFRDB Act by successive Australian Parliaments.

I would ask you to think especially about the senior NCO and middle ranking officers who commit their working life to the ADF, could not generate a high enough final salary to provide some buffer against this 'death by one thousand cuts'. Had their defined benefit retained its intended value they would not now find themselves in the welfare cues at Centrelink where they should not be. Let me give you factual data; a lieutenant colonel retiring in 1986 on 35% of the LTCOL salary at that time, now receives 19% of the current salary for a LTCOL. This individual tried but could not

get work due to ill health. Had his pension retained its purchasing power and had he been able to obtain full time employment with career prospects then he would have been able to retire with peace of mind; instead he is tormented by the shabby treatment by his original employer who he trusted and believed what he was being promised, a fully indexed pension, only to find that he had been lied to.

- “When we discussed the Defence Forces Retirement Benefits Scheme, DFRB, and the Defence Force Retirement and Death Benefit Scheme, DFRDB, we must remember that these are not the same as the aged pension and they are not the same as the service pension.”

Comment On this point we are in violent agreement – the two schemes are indeed different. Age Pensioners need not have worked throughout their entire life and yet quite correctly they are still eligible to receive the Age Pension welfare payment. They may not have paid one dollar of taxation to qualify. For a DFRDB member to receive a military service pension they must have served for at least 20 years and during that time paid a compulsory deduction from their salary of approximately 8% (after tax) – they paid tax and they contributed to their own superannuation.

The Government then took that money into consolidated revenue and did not invest it; rather, they used it to develop national infrastructure thereby saving considerably on borrowings. The troops received no compensation and if they left before being eligible at 20 years, and 75% did, then they were only given their contributions back without interest. The government made money by using the troop’s money and yet Finance and the AGA will not take that ‘interest free’ loan into consideration when they cost the DFRDB. As Lindsay Tanner disclosed after he left politics, there is a ‘dark art’ when it comes to the fiscal balance and accrual accountancy practices applied by Finance and Treasury.

Welfare payments and defined benefit superannuation entitlements cannot be compared; however, both were intended to retain their respective purchasing powers and share in increasing national wealth.

In 1976 the Parliament of Australia determined that welfare, Commonwealth and military superannuants would all receive identical indexation to guarantee that they all retain their purchasing power and share in the national wealth. You and the majority of your party seem to conveniently ignore this aspect.

- “Our military super systems are tailored specifically to meet the special needs of military service personnel and are already more generous than their counterpart Commonwealth civilian schemes.”

Comment The defined benefit was defined by the Parliament of Australia and in part it recognised the unique nature of military service; it also sought to retain people in the military for at least 20 years and it was designed to pay a percentage of final salary which increased for each additional year of service. Upon death the military

spouse receives approximately 5% less than the Commonwealth civilian and during service the military member had to contribute .5% more than his public servant counterpart. Detecting your alleged 'more generous' entitlement is difficult. The availability of a pension after 20 years was unique but it was also a very deliberate move by the parliament of the day for the reasons explained above.

Being able to convert a small portion of the entitlement into a lump sum was to offset a condition of service requiring regular movement around the country denying the majority the opportunity of home ownership. The commutation was intended to provide sufficient funds for a deposit for a home.

- “Many people on DFRB and DFRDB retired from the military while still at working age, with time to continue to save for their retirement.”

Comment From that statement do I deduce that you expect the DFRDB member to have dedicated at least the first 20 years of their working life to the nation and then when they left the military if they were still physically and mentally fit then that is when they should generate their superannuation. You say “continue to save” whilst the Government continues to erode the first 20 years of loyal service through deliberately not correctly indexing the members entitlements despite the Act and intent of Parliament to preserve the purchasing power of their superannuation.

- “The general trend has been that some 75 per cent of DFRDB members were under 45 years of age when they ceased service and 40 per cent of those were between 35 and 40 years of age. These are people who should have continued to work and continued to save.”

Comment Yes, and most did, starting out at the bottom of the ladder once again and trying to accumulate new superannuation while watching their first 20 + years of entitlements gradually erode 40% over the last 20 years when compared to MTAW. E.

From 1976 until the early nineties CPI underpinned the wage arbitration process and consequently CPI indexed pensions included a wage component. The wage accord process stopped that *de facto* linkage. By the mid-nineties the government of the day recognised the impact this was having on pensions linked only to CPI and introduced a 25% MTAW. E safety net. What a pity that corporate 'knowledge' or 'ethics' had been lost and no one remembered that in 1976 the same party deliberately linked the Commonwealth welfare and superannuation payments to CPI to preserve purchasing power and share in national wealth, and now, twenty years later they elect by neglect or deliberate action, to break that undertaking.

In 2009, a Labor government this time, introduced the PBLCI to provide a more appropriate measure of goods to help index the welfare pensions to retain purchasing power then in 2010 a further adjustment to 27.7% of MTAW. E became law. The higher increase in CPI, PBLCI or MTAW. E now produces a twice yearly percentage increase to the Age and Service Pension.

All DFRDB and MSBS retirees and serving members want is for that same percentage increase to be applied to their superannuation indexation process to re-establish the nexus established in 1976; that is, to ensure everyone's entitlements retain their purchasing power.

- “Relying on an indexation system designed for aged pensioners is not the answer to increased retirement wealth”

Comment Serving military and retirees are not trying to increase the wealth, just as the government is not trying to increase the wealth of Age and Service Pensioners. What we demand is that earned superannuation entitlements retain their value and are not eroded through unfair, if not illegal, indexation.

Please spare a thought for the current serving MSBS member. Whilst the employee compulsory contribution and productivity components are invested as per modern accumulation style superannuation schemes, the employer component is not; in fact; there is no actual employer component paid. Once again, just like DFRDB, the Commonwealth does nothing, no money is invested on behalf of the troops and the notional government contribution is only indexed at CPI.

Unbelievably, even when the troop leaves the ADF the government refuses hand over those funds, instead, it is retained inside consolidated revenue and still only indexed to CPI. Using government figures, a serviceman leaving the ADF after 10 years could be disadvantaged by up to \$360,000 by the time they reach their preservation age and the Commonwealth agrees to release the money.

Senator Feeney perhaps this is what you meant when you call military superannuation generous. While you consider that, perhaps you may also try to comprehend why MBL still applies to MSBS members but not to Commonwealth public servants. Is that more of your concept of “generosity”.

- “The majority of veterans who receive a pension from these systems still have access to other financial assistance such as the age or service pension—that is, it is not their only source of income.”

Comment Military superannuation is treated as income by the ATO and not as superannuation with associated discounting like everyone else in the community. The effect is profound. Any additional income generated by the member or spouse is taxed at the marginal rate for life. Additionally, the ‘income’ denies access to the Commonwealth Health Card at 65 for many.

Why? Successive governments have asserted that this is because the MSBS and DFRDB superannuation payments come from an untaxed source. Whose fault is that? The employee paid their tax on their contribution before it was taken from their pay. The government could just have easily taxed its notional employer payments to

consolidated revenue and then picked it up as a credit on the other side of the ledger but elected not to.

Surely Senator Feeney this is not your concept of more government generosity driving you to deny fair indexation of superannuation entitlements.

- “The DFRB and the DFRDB are guaranteed sources of income that are not subject to market fluctuations and are not subject to the same levels of risk that most Australians in the superannuation system are exposed to”

Comment This is precisely why the DFRDB scheme was closed in 1991 and yours own PCSS closed in 2004; however, please do not then create the impression that somehow the service personnel receiving or serving under DFRDB are obtaining some sort of unfair advantage because they are not. All that Commonwealth and military superannuants are receiving is what the defined benefit entitles them to; a benefit that was agreed and enacted by the Government of Australia in 1972 and refined in 1976 by automatic CPI adjustments.

- “These are generous schemes that receive benefits not received by other sectors and certainly not received by the average Australian.”

Comment The politics of envy does nothing for your status as someone who is supposed to be representing the interests of all Victorians, including serving and retired Commonwealth and military superannuants. Defined benefits can and must do as defined in their respective Acts. 1976 established the indexation arrangements for DFRDB, Age / Service Pensioners and Commonwealth superannuants. Simply acknowledge the law, correct the abuse and accept those on PCSS, CSS and DFRDB have entitlements that cannot and must not be retrospectively altered. The PCSS was not, but the CSS and DFRDB were altered in the early nineties and the consequence is having a disastrous impact to those who have loyally served this nation believing their interests would be protected.

May I suggest you direct your obvious considerable talents to correcting the iniquitous MSBS CPI indexation and withholding of payment arrangements and MBL restrictions.

- “I think this is an appropriate juncture for me to note in the context of some of the more inflammatory correspondence I have received—care of the provocations of Senator Ronaldson—it is a more generous arrangement than prevails for people elected to this place since 2004.”

Comment Senator is this your concern; that the DFRDB defined benefit, in your mind, offers superior superannuation to retired military personnel to what you can receive in your post 2004 superannuation scheme. If that is your concern then I feel sorry for you because you have been misled.

- “Recipients of DFRB and DFRDB get higher contribution rates—up to 30 per cent—compared to the national legislated rate of nine per cent. Even as the national rate of super gradually increases to 12 per cent, another Labor achievement, it is still nowhere near the potential 30 per cent contribution for military personnel.”

Comment The term is Notional Employer Contribution Rate (NECR) and the first word is the secret; notional, it does not exist. The DFRB and DFRDB scheme closed in 1991. When MSBS replaced DFRDB there were very clear financial advantages in transitioning to the new arrangement if you had less than 20 years service. Consequently, those approximately 4000 ADF personnel still serving under DFRB are now high in both rank and time in service. Just like the PCSS, DFRDB ‘rewards’ longevity in the job loading the last few years of service.

What you are seeing with current NECR DFRDB rates is precisely what you would expect, that is, a distortion in apparent Commonwealth contribution as the last few remaining DFRDB members approach the end of a long military career.

I note in your comments you conveniently did not talk to your own scheme and how your post 2004 scheme also has an NECR considerably above the “national rate” at 15.5%. Surely, in the interests of balance the public deserved to know this fact, just as they needed to know why the current DFRDB NECR is being distorted by those few remaining members still serving.

- “Military pensioners get an annual payment that is not subject to market risks.”

Comment Again, creating the appearance of an unfair advantage to make some sort of political point is demeaning of your position and status. Not all military pension are not subject to market risk. There is a component of the hybrid MSBS where the employee and productivity components are at market risk.

I will say it again because it needs to be reinforced – defined benefits for DFRDB and Commonwealth superannuants are defined by the Parliament of Australia – the troops had no say, nor are they gaining some unfair advantage. In 1972 Jess led the Government of the day to accepting the unique nature of military service and the importance of automatic fair indexation to preserve purchasing power and enable members to share increases in national wealth.

The world has moved on since 1972 and so have the CSS, DFRDB and even the PCSS some years later. Sure, since 2008 and the GFC the ‘at market risk’ superannuation schemes have underperformed that long term trend.

I did not hear a peep from those on parliamentary accumulation schemes from 2004 to 2008 – only when the market turns south does a defined benefit look attractive.

I might add at this point Senator Feeney that I personally think that service personnel should still be on a pure Defined Benefit because the nature of their work means they cannot be in routine or emergency contact with their financial advisers – they should

not have to worry about their superannuation and a DFRB style for service personnel is entirely appropriate if you do recognise the unique nature of military service PROVIDED such as scheme is fairly indexed.

- “Those under the DFRDB get the option to receive a larger payment upon retirement, a commutation of between four and five times, for a reduced annual payment. This is a choice exercised by over 99 per cent of retirees, and accessed immediately upon retirement after 20 years of service as opposed to the preservation age for the rest of the Australian community.”

Comment I am not going to labour this point as I have already partially addressed this earlier but I do want to make one point. You may not realise that if a member did not access the commutation entitlement then the full pension is assessed as if he or she had accessed the commutation entitlement and the difference between the full pension and the residual pension is not indexed at all. This may help you understand why the vast majority accessed – to do otherwise would be throwing money away. I hope you are keeping count of all the ‘benefits’ being debunked Senator.

- **Changes would be inequitable.**

Comment We are not seeking change, we are seeking restoration of an entitlement promised on enlistment, a promise still made today, which was established in 1976 and progressively corrected from 1996 for Age and Service pensioners but conveniently overlooked for Commonwealth superannuants.

- **Changes would be costly.**

Comment Had you said ‘changes can be made to look costly’ then you and I would be in violent agreement.

If you conveniently ignore, as you do, the compulsory contribution made by all military members; ignore that the government did not invest the employee or employer components; that it paid no interest to the troops if they left before 20 years and 75% did; do not declare that the government does not physically allocate their employer component, freeing it to use both the employee contribution and its own for other government projects thereby saving on borrowings; and then if you cunningly apply fiscal balance and accrual accounting techniques and then liberal doses of ‘Tanner Dark Arts’ dressing then yes you can make it look costly.

Also if you do not tell the public that as of 31 March 2012 the Government had \$77.049 billion in the Future Fund (set up by a previous government to fund unfunded Commonwealth superannuation entitlements) of which \$8.537 billion is held in cash then public does not get the full picture and perhaps that is deliberate.

What a pity you did not disclose the Australian Governments Actuary report showing that the “additional payments” figure across the forward estimate is only \$109.6 million dollars.

Instead your Government elects to project figures out to 40 years, electing to ignore that in 2020 the Future Fund is meant to cease its Accumulation Phase and be available to meet Commonwealth superannuation costs.

I will refrain from comment on the prospect of how many DFRDB military superannuants will still be alive in 40 years!

- “Vitality, they would have a minimal impact for those on lower pensions—minimal impact for those not on higher incomes.”

Comment A percentage increase is just that and it applies to all. The problem is that by stripping 40% out of all military and Commonwealth pensions over the last 20 years has meant that even the lowly entitled, because of low final salary at retirement, now finds insufficient funds to exist.

Please remember that 89.8% of DFRDB pensioners receive \$30,000 or less per annum. You seem to be infatuated with those who receive more but are willing to write off the vast majority saying that a percentage increase will have little effect. Well I can assure you that dropping 40% compared to MTAWA over the last 20 years is having a real impact on all those retired that long.

- “Finance and the Government Actuary costed the opposition's bill, Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill 2010 at a cost of \$1.7 billion over the forward estimates. That is \$1.7 billion to change a system that will provide little real help for retirees on lower incomes.”

Comment No, the AGA costed the additional payments at 109.6 million Senator across the forward estimates. The Dark Arts Brigade costed it at \$1.7 billion!

- “If we are talking about fairness, if we are talking about justice, if we are talking about equality, then what about those under the current Military Superannuation and Benefits Scheme, the MSB?”

Comment A second point where we are in violent agreement. Current Military Superannuation publications relating to the MSBS says: “Pensions are subject to full CPI updating every six months (ensuring that \$1 in 2011 will be equivalent to \$1 in 2028)”. When I put this recently to an executive from the Commonwealth Superannuation Corporation his response was: “that is clearly misleading.”

See my earlier comments regarding MSBS. The MBL restrictions must be removed just as they have for other Commonwealth employees. CPI has to be replaced with a process that captures costs applicable in retirement and wage costs. DFWA argue for the same percentage increase as is applied to the Age Pension. That seems fair to me without being greedy. The employer must contribute his component to the CSC on a fortnightly basis just as the employee is forced to do. When the service member leaves the ADF he or she must be allowed to roll over those employer funds into an approved fund of their choosing. If the member elects to convert those funds into an

annuity then the annuity must be indexed fairly and not simply to the CPI as is the case today.

- “What about those on civilian Commonwealth schemes?”

Comment Anyone’s entitlement covered by an Act of Parliament that is subsequently ‘tampered’ with to deny that entitlement should have it reinstated. Personally I believe the unique nature of military service demands that the military superannuation schemes be allocated the highest priority and if funding is limited then they should be addressed first. However, anyone’s entitlements indexed to CPI where it is intended by the Act that the entitlement retain its purchasing power must have that index adjusted in light of the changes made to CPI in the late eighties and early nineties. The fact the governments of both political persuasions saw fit to adjust the CPI indexation of the Age and Service Pensions to re-establish a wage component through a fixed percentage of MTAW and then more recently an age targeted basket of goods (PBLCI) demonstrates a level of understanding of what impact solely indexing entitlements to CPI can have.

- “We would also need to alter the indexation arrangements for those in other schemes if this were really about fairness and not entirely about politics.”

Comment I would like to think that my Government is always about fairness and never makes decisions purely on politics – after all, I thought the government of the day acts for and on behalf of all the people.

Fortunately in this issue the fault lies across the political spectrum and the way is clear for genuine bi-partisan agreement to correct and restore a non-discretionary payment.

- “Changes to these systems are not financially sustainable nor are they fair.”

Comment Changes are needed because what has been allowed to happen for over two decades is not fair, but it is entirely financially sustainable because the entitlement is non-discretionary. The benefit was defined by the Parliament of Australia, the intent of the indexation process was to preserve purchasing power of that entitlement and the ACT employed CPI to do just that because in 1976 CPI underpinned the wage arbitration process.

- “The proposed changes would be zero help for those under the current MSBS.”

Comment We are in total agreement on this point. Any change must also include the DFRDB Invalidity and Reversionary Pensioner in addition to all components of MSBS because they must not be left floundering on just CPI indexation.

- “Changing the index arrangements is not the answer.”

Comment I am certain the serving and retired military communities have an open mind to alternative proposals provided it results in purchasing power of their retirement, invalidity and reversionary pay being preserved and restored on the entitlements of all military superannuants. Any means tested outcome would be unfair because this is not a welfare payment, this is an employer's obligation for services rendered, just as a partial solution of one group over another would be unfair.

- “There is no intention here to deny former servicemen and servicewomen their beneficial rights.”

Comment Wrong; there is denial of benefit entitlements and it has been happening since 1986 (2% reduction for three years, 1989 Quality Offsets in CPI and finally Wage Accords 1 & 11 on 1991).

- “Our military super schemes are generous, providing early access and a higher percentage of employer contributions than most other Australian workplace schemes.

Comment See earlier comments – a defined benefit is defined and it was defined by your predecessors of all political persuasions.

- “Comparing military super with the age pension is just not relevant.”

Comment It is not irrelevant when it comes to preserving purchasing power of entitlement though appropriate indexation. Nowhere in the Act does it say that Defence is entitled to reduce the DFRDB pension by 40% over 20 years when compared to MTAW. The 1976 decision of parliament was to index Commonwealth welfare and superannuation payments by CPI because it was correctly argued back then that CPI could protect purchasing power. Now it can't.

- “Super payments are an employment based benefit; the age pension is a means-tested income support system that forms part of our welfare system.”

Comment No argument and I am not saying they are the same – what is important is for both the employment benefit and the welfare benefit to retain their purchasing power over time in accordance with the 1976 directive of the Parliament of Australia.

- “Military super payments are a guaranteed level of income regardless of the person's other income or assets and does not remove their eligibility for the service or age pension.”

Comment Eligibility for Service or Age Pension is impacted because of the ATO interpretation of the term ‘income’ – no superannuation discounting is applied as it is to the civilian community superannuation payments.

- “They are not the same and they are not comparable.”

Comment The Parliament's intent of ensuring purchasing power retention for Age, Service and superannuation payments is where commonality exists – in this

specific aspect Commonwealth superannuation non-discretionary payments and welfare payments were meant to be treated equally as clearly enunciated by the Parliament of Australia in 1976.

- “The age pension is indexed so that the maximum basic rate of the single adult age pension, after indexation, does not fall below a rate equal to 25 per cent of total average weekly earnings. This was done so that pensioners would share in the increase in community living standards.”

Comment I think you will find the correct figure is 27.7%. Again I refer to the very deliberate decision by the Parliament of Australia in 1976 to index all the Commonwealth welfare payment and the Commonwealth superannuation payment (excluding judges and parliamentarians) to the same index so that they all could retain purchasing power and share in increases in national wealth.

- “The DFRB and the DFRDB pensions, unlike the age pension, were not intended to ever be the sole lifelong income source for those who were still of working age when they ceased service either through choice or due to rank retirement age.”

Comment Senator, your statement would be fine provided what they had ‘earned’ in the 20+ years of military life was not lost or significantly devalued because of inappropriate indexation. Since 1991 successive Commonwealth Governments have set their retired employees on an accelerated ‘road to ruin’ by inadequately indexing their non-discretionary superannuation payments. Your statement would also be fine if there were no invalidity work related pensioners and if no service personnel died in military work related accidents leaving a reversionary pension for the surviving spouse. You would also be correct if people were not forced out of the ADF through management initiated early retirements or the issuing of involuntary redundancies.

Unfortunately, many service personnel suddenly find themselves in their mid to late working life being cast aside by their ADF employer and find themselves standing on ‘civi-street’ with little or no prospect of productive work, let alone being able to establish a new career which would generate superannuation in sufficient quantum to cover their new civilian period of work and make up for their military superannuation lost through inappropriate indexation.

- “The rate of indexation of the age pension is not relevant to military super payments and yet here we see the opposition trying to use it to justify changes.”

Comment Your comment is directed to your political opponent and I will not offer specific comment. However, I will say; correct indexation is essential to all non-free market driven payments. In our case our employer enticed us to join promising then, as it does now, a fully indexed pension that will retain its purchasing power. For years it delivered on its promise but for the last 20 years successive Commonwealth governments of all political persuasions have failed their employees.

- “Criticisms of the DFRDB Scheme are not justified. It is a generous scheme, even more so than most other Commonwealth superannuation schemes, and changes to the indexation proposed by those opposite would be unfair, unjust and costly without helping those on lower pensions.”

Comment Rather than regurgitate all my earlier comments I will simply say a defined benefit offers no flexibility in quantum or the indexation process unless the Act is changed. In 1972 the Whitlam Government adopted the Jess Report and in 1976 the Government of the day adopted a standardised indexation process for its welfare and superannuation recipients to guarantee that purchasing power of those entitlements were retained and national wealth shared.

I appreciate this has been a long read but I thought it was worth my time to try and give you my perspective on what I thought was so wrong with your comments last Wednesday during the MPI debate on military superannuation. The good men and women, past and present, of the ADF deserve better than this.

I am also aware others have written to you on this same subject; hopefully, with more brevity. I would encourage you to read Mr Hoebee’s letter if you have not already done so. I sat with him in Parliament last Wednesday and we were both equally disappointed by what we heard those on your side of the house argue. In saying that, please let me assure you that I am staunchly non-partisan on this issue. Throughout my long working life I interacted with many from all sides of politics and I remain politically non-aligned. Like the vast majority of active and retired military personnel all I want is fair treatment when it comes to conditions of service. Loyalty has to be a two way street and right now it’s one way traffic.

I take heart in the knowledge that not all in your great party are of like minds to yourself when it comes to military superannuation indexation and I encourage you to listen to their arguments. I understand only too well the necessity for party loyalty; however, I also understand the importance of one demonstrating the courage of one’s convictions when a moral issue has to be dealt with. On this issue you and others of like-mind are doing a great injustice to the honourable men and women of the ADF, both those still serving, those retired and especially to those widows who have lost their partner’s through military operations or training related accidents.

I urge you to reconsider your stance and consider an immediate bi-partisan solution – an equitable and affordable solution is at hand if the will exists. Please act.

Yours sincerely,

Peter Criss AM AFC