



## DEFENCE FORCE WELFARE ASSOCIATION

A member of the Alliance of Defence Service Organisations

### **MONTHLY UPDATE #284 – August 2014**

**‘UPDATE’ is an e-letter produced by the Defence Force Welfare Association to inform the Service and ex-Service communities of those current issues that are of most concern to them. Distribution is intended to a wide audience that includes Members of Parliament, media outlets, Senior Service and Public Service Officers, and the members of DFWA, their families and supporters.**

---

#### **INTRODUCTION**

This Update is intended to inform you of a number of activities in which DFWA has been involved since the 2014 - 2015 Federal Budget. Needless to say, for many the budget contained not an insignificant array of unwelcome surprises, not the least of which included an inexplicable wind back of the method by which Veteran Disability Pensions are indexed. In effect, the Budget removed Male Total Average Weekly Earnings (MTAWE) and the Pensioner & Beneficiary Living Cost Index (PBLCI) from consideration, thus leaving only CPI in the formula when indexing those pensions.

While many in the ex-service community understood the Government’s dilemma in its need to bring budget spending under some control, there has been nothing but incredulous disbelief that there could have been any justification to revert back to an acknowledged unfair indexation methodology for those so otherwise vulnerable to cost of living increases. After all, the Veteran Disability Pension is a long-recognised compensation entitlement, not simply a social security payment.

Perhaps of a lesser surprise was the announcement by the Government that, with effect 1 July 2016, MSBS will be closed to new members, and that a new ‘accumulation’ ADF-specific scheme will come into being. More of that in the following paragraphs but suffice to say that existing MSBS members will have the option of moving to the new scheme or staying with the ‘old’.

And the time is now nigh for the Defence Force Remuneration Tribunal to soon meet to once again consider and decide on what increases are to apply to the salaries of permanent ADF members and those on the reserve, and to salary - related allowances. As an independent third party in the Tribunal process, DFWA will be given the opportunity to intervene and input ADF member views, and to comment on whatever positions the ADF and/or the Commonwealth may put to the Tribunal for an outcome in the 2014-2015 ADF Workplace Remuneration Arrangement. A status update is provided hereunder.

#### **BUDGET IMPACT ON THE VETERANS’ COMMUNITY**

So what did the 2014 – 2015 Federal Budget and its aftermath do to add ‘peace of mind’ to both the serving and the ex-service communities?

##### **Veterans’ Disability Pension Budget Impact**

Foremost, disappointingly the budget had the effect of not only reducing the compensation payments of all disabled veterans but had a particularly severe likely impact on the most disabled, namely those who are on Special Rate or TPI Pensions. War Widows Pensions and those on Income Support Supplements were also affected. What then did the budget in effect then do?

Despite every recent utterance by all sides of politics during the debates in Parliament to pass the Fair Indexation Bill 2014 that CPI alone was simply not a fair index to keep pace with the cost of living, the budget unilaterally reversed that principle by winding back the method of indexing the Veterans' Disability Pension to the pre 2007 formula by using CPI only. The Pensioner and Beneficiary Living Cost Index (PBLCI) and Male Total Average Weekly Earnings (MTAWE) consideration were to be excluded from the formula to index Veteran Disability Pensions. Could it have been a drafting mistake? For many, the thought that the Government would want to revert back to the use of CPI only by deliberate intent was unbelievable.

**Actions:** Writing a letter on behalf of the national leaderships of all the Ex-Service Organisations making up the membership of the Ex Service Round Table (ESORT) our National President, David Jamison, has firmly put to the Prime Minister himself the view that the ex service community believes the Veterans' Disability Pension, a compensation measure, should not have been caught up in the general provisions relating to the range of social security payments administered by Centre Link. He asked for the Prime Minister's personal intervention to quarantine the Veterans Disability Pension from the proposed changes to indexation. A Press Statement to that affect is imminent also.

## Other Budget Outcomes Affecting Veterans

Other than the profound announcement that there would be a new ADF Super Scheme, the budget contained a collective of arguably unwelcome changes as follows:

- Axing the three-month backdating of Veterans Disability Pension claims – a long standing benefit acknowledging the unique nature of military service;
- Axing the Seniors Supplement of Gold Card holders who do not receive income support - this amounts to \$876.20 annually;
- Withdrawing the Government's share of an agreement with the States to fund Service Pensioner's Concessions for travel, electricity, phone and council rates;
- Withdrawing the provision to not count as income Military Superannuation when applying for a Commonwealth Seniors Health Card; and
- Withdrawing indexation on the Clean Energy Supplement added to Veterans Affairs pensions and payments causing it to quickly lose real value over time.

Each issue has been taken up with the Government - they are aware of our concerns.

## Military Superannuation and Benefits Scheme (MSBS)

Largely following a recommendation of the National Commission of Audit which argued that the 'Commonwealth's unfunded superannuation liabilities', meaning MSBS, represented a significant long-term risk to the Government's balance sheet if it was to be kept, the Government decided as part of its budgetary processes to close MSBS to new members with effect 1 July 2016. It also decided that a new 'accumulation' ADF-specific scheme would come into being. The former decision left a few issues to be resolved as follows:

**The Indexation Issue:** As significant number of long serving ADF members are expected to remain members of the MSBS scheme after its closure, indexation will remain an issue for them as long as CPI is used to adjust their superannuation entitlements. These pensions will continue to lose their relative promised value of a dollar in 2011 being equivalent to a dollar in say 2025.

**Actions:** DFWA, along with its ADSO partners, has put to the Government its belief that the percentage adjustment incorporating the CPI, PBLCI with reference to the MATWE is the fairest outcome for all Military Superannuation Pensions, DFRB/DFRDB/MSBS alike. That includes

Preserved Funds and the Reversionary Pensions for the partners of deceased military superannuation pensioners.

In light of the projected closure of MSBS and the provision made in the Future Fund to meet the government liability for Commonwealth superannuation, DFWA believes that this is an affordable and just action for the Government to take.

**Access to Employer Benefits:** This continues to impose a significant financial shortfall on MSBS members who leave the service after a short time and do not have access to the employer benefit to roll over to an approved superannuation fund of their choosing.

**Actions:** DFWA, along with its ADSO partners, has implored the Government to give MSBS members no longer serving the opportunity to roll over their benefit into an accredited superannuation fund of their choice. For the individuals concerned it would represent a very welcome opportunity for them to earn much needed additional equity in their retirement savings.

**Maximum Benefits Limits (MBLs):** This provision adversely impacts on the longest serving and potentially most valuable ADF members.

**Actions:** DFWA, along with its ADSO partners, has implored the Government to abolish MBLs for on-going contributing members to MSBS.

## The New ADF Super Scheme

From 1 July 2016 when MSBS will be closed to new members a new ‘accumulation’ ADF-specific scheme will come into being. Existing MSBS members will have the option of moving to the new scheme – there will be no compulsion to do so. Much about the new scheme remains unknown but what is known is as follows – more information will be reported as it comes to hand:

- The final features of the proposed new Scheme are a long way from being finalized. Draft legislation could emerge by mid 2015. DFWA/ADSO will have inputs along the way;
- Employer contributions will be paid at a rate of 15.4% to a default superannuation fund, probably ComSuper. That employer contribution will increase to 18% for any period in which members are serving in war-like operations;
- There will be no mandatory employee contribution;
- The scheme will allow full portability to another Super scheme on leaving the Service;
- Death and disability benefit arrangements will be consistent with those under the MSBS;
- ADF members will have far more control over where their funds are invested. Any reputable fund can use its initiative to attract ADF clients.

**Actions:** DFWA/ADSO has no philosophical objection to an accumulation scheme for ADF members. There appear to be a number of benefits over the MSBS scheme, particularly the ability for member entitlements to be invested in the market rather than to be held as notional funds adjusted for inflation. The projected portability provision is welcomed. Some concerns with the new scheme, not all-inclusive at this time, are as follows – these have been put to Government for their consideration during the drafting of legislation process:

- The proposed rate of 15.4% does not appear to adequately account for the uniqueness and demands of military service;
- A higher employer contribution rate is appropriate to acknowledge uniqueness factors and to act as a potential retention incentive, particularly for those in the more highly skilled and technical areas where the training investment returns becomes a consideration;

- The proposed rate of 15.4% should be applied to a member's total salary not merely to the base salary rate;
- All Reserve service should also be included in the coverage of the new Super scheme.

## **ADF WORKPLACE REMUNERATION ARRANGEMENT (WRA)**

It should be noted that the WRA is used to increase permanent and reserve salary, and salary-related allowances. Changes to them may still occur throughout the life of the WRA through employment category reviews or other pay cases considered by the Defence Force Remuneration Tribunal (DFRT).

WRA forms just one element of the Defence Employment Offer, alongside others such as housing, flexible working arrangements and job satisfaction.

Before the DFRT hears the WRA submission, an agreement between the Minister for Employment (on behalf of the Commonwealth) and the Chief of the Defence Force (on behalf of ADF members) is always sought. Consistent with the ADF Remuneration Policy, increases in salary and salary related allowances must be offset by genuine and quantifiable productivity and efficiency gains.

**DFWA Position:** DFWA's strong view is that remuneration of ADF members should take account of the uniqueness of military service, the skill levels required, as well as representing fair recompense for the value of the work carried out by ADF individuals at various rank levels.

That view has been put to both the Commonwealth and to Defence at the highest levels, as has the opinion that a fair outcome should recognise the efforts of ADF members in achieving efficiencies under the 'Strategic Reform Program'.

The current situation is as follows:

- The Defence position vis the WRA for 2014 – 2015 should be known imminently – the Chiefs of Staff Committee met on Friday last week (22 Aug 2014). Once known, DFWA will formulate its position to take to the Defence Force Remuneration Tribunal (DFRT). The Commonwealth position should make reference to the movements in the Employee Living Cost Index as a basis to consider salary levels for the course of the new arrangement;
- The DFRT is scheduled to now sit on Wednesday 1 October 2014;
- The outcome is likely to not reflect and have no relation to what was rumored as an outcome in the APS's Defence Collective Agreement (DECA). That rumor predicted an increase in working hours and loss of stand down days. That will not be a WRA consideration – CDF was quoted to say that when servicemen/women already work 24/7 then talk of adjusting working hours/leave for them is misplaced;
- The outcome of the WRA is likely to be a 'more prescriptive' than in the past. There will be discussions about 'productivity and savings' but the outcome is likely to be much better than what was conjectured for the DECA, namely the 2.65% over three years.

Most members will be aware that a series of 'Road' Shows' were conducted throughout Australia during June 2014 to brief ADF members on the progress of the new WRA. A total of 62 presentations were conducted. The estimate of attendance was approximately 3000 overall. Directorate of Military Remuneration invited feedback and while some was received they had hoped for more.

## **OTHER MAJOR ISSUES**

### **ADF Health Support System**

DFWA is still receiving some negative reports from members on the performance of the outsourced arrangements for ADF Health Support. Professional medical associations are still concerned. The

Government concedes that the implementation of the outsourcing arrangements could have been handled better but recent comprehensive reporting suggests that the situation was improving.

As for ADF health support to families, indications are that about 40% of eligible families have enrolled with the numbers growing weekly. DFWA has urged the Government to fully support and make information about the emerging ‘peer support’ programs aimed at helping ADF members and veterans with mental and emotional health issues more accessible.

## The Government’s Priorities

In discussions with the Government they emphasized their budgetary dilemma and proffered that, while they would like to do more, the short term holds little prospect that much can change. With its resources limited in the current environment its short-term priorities are to shore up the BEST grants scheme, focus on mental health issues, and support those who have returned from conflict zones, including their families.

## Fair Indexation Bill 2014 – Results Following First Increase

When the **Defence Force Retirement Benefits Legislation Amendment (Fair Indexation) Bill 2014** passed the Senate and into law late on Thursday 27th March 2014, the Government was widely and rightly congratulated for keeping its long-held election promise. The Bill was to take effect on 1 July 2014. So what did the change look like when the first increases in DFRDB superannuation pensions under the new arrangements come to hand?

Under the previous arrangement, all DFRDB pensions for those aged under 55 (and for all ComSuper pensions) increased by 1.3% from 1 July, as part of the twice-yearly CPI increase. However, under the new arrangement, DFRDB payments to those aged 55 and over increased by 1.5%. This increase of an additional 0.2% reflects the disparity between CPI and a wage-based index. Some perspective can now be gained as to what DFRDB pension would have been if these arrangements had been in place over the last 20 years or so! Equally, an insight is now available as to how DFRDB for those under 55 and for all MSBS pensions will reduce in purchasing power as they continue to be indexed only by the inadequate CPI.

## Reminder About the Rolling Thunder Vietnam Concert

An epic concert drama called ‘**Rolling Thunder Vietnam**’ is touring most State capitals and some country centres. The show is in part a musical filled with the songs of the 60s and 70s and the stories of young Vietnam soldiers. [Discounts of \\$20 apply for all serving and ex-military folk](#). The show’s organisers are also supporting DFWA through a paid full-page advertisement in Camaraderie. Reviews suggest that if the show is scheduled for your city/town, it is well worth seeing.

### Contacts

#### Executive Director:

**Alf Jaugietis** (0438) 282 284

[www.dfwa.org.au](http://www.dfwa.org.au)

#### National President:

**David Jamison** (0416) 107 557

\***ADSO** comprises the Defence Force Welfare Association (DFWA), the Naval Association of Australia (NAA), the RAAF Association (RAAFA), the Royal Australian Regiment Corporation (RARC) and the Australian Special Air Service Association (ASASA); and the RAAF Association (RAAFA) with the Australian Peacekeepers and Peacemakers Veterans Association (APPVA) and the Vietnam Veterans Association of Australia (VVAA) as partners.