



DEFENCE FORCE WELFARE ASSOCIATION

A member of the Alliance of Defence Service Organisations (ADSO)

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UPDATE is a monthly news sheet produced by the Defence Force Welfare Association containing current items of interest to the Service and ex-Service community. It is widely distributed to Members of Parliament, media outlets, senior Service and Public Service Officers and DFWA members.

MR TANNER CALLED TO ACCOUNT

The recent words of Lindsay Tanner, the previous Minister for Finance, brings light to the rubbery data offered by the Department of Finance and Deregulation to counter the longstanding claims for fair indexation of military and civilian Commonwealth superannuation schemes:

“... 'misuse of government spending information is a favourite artifice.....as a shadow minister and Minister for Finance I became adept at these dark arts using some of what are now the standard tricks employed to maximise political appearances: switching between cash and accrual accounting; using nominal, real or proportion of gross domestic product indicators of spending according to which indicator suited the argument better; classifying yearly spending as capital; making commitments beyond the forward estimate years.....”

He goes on to say:

"The lesson is simple: whenever a politician cites spending figures to show what a fine job he or she is doing, examine the fine print very carefully."

In its submission to the Senate Finance and Public Administration Committee Inquiry into the Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill the Department offers a choice of three costings: (1) an unfunded superannuation liability of \$6.2bn or (2) a fiscal impact of \$1.667bn; or (3) a cash impact across the forward estimates of \$175M.

The chasm between \$6.2bn at one extreme and \$175m at the other demands a more thorough explanation - unless it is read in the light of Mr Tanner's comments ?

The Association wonders if Mr Tanner will now retract his statement, made on 15 February 2010 on Q&A, that the cost of fair indexation to military and civilian commonwealth superannuants would be “billions and billions” – advice we assume received from the now discredited Matthew Report (and ultimately from the bureaucracy he now derides). That comment caused great harm and distress to hundreds of thousands of senior Australians now struggling on superannuation pensions that average less than the Aged / Service pension.

DEFENCE SUBMISSION MISSES THE POINT

The Submission by the Department of Defence to the Senate Finance and Public Administration Committee Inquiry into the Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill causes the Association to muse whether the Department is there to support its uniformed (and retired) members or to simply pamper to the Government of the day and tell them what they want to hear.

In its submission, the Department suggests it would have to pay for fair indexation to its retired members (and *ipso facto*, adversely affect operational capability). Even if the Defence Budget does “pay” the Association submits that it is an accounting device by way of a ledger entry for monies received from Consolidated Revenue. If the Government agrees to change Indexation then it will provide the funds to pay for it – by Special Appropriations (added to the Defence Budget) – and so to infer that an increase must come from current Defence allocations is somewhat disingenuous.

GREENS ON NOTICE!

The Association welcomes the following advice received from the Office of the Leader of the Greens, Senator Bob Brown:

The Greens remain committed to securing improved superannuation arrangements for military superannuants At the same time they have indicated that they are not satisfied with all aspects of the (Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill), have foreshadowed their own amendments and noted amendments moved by other Senators. It is anticipated that the proponent of the Bill will introduce further amendments when the Bill comes back before the Senate. The Greens MPs will consider these and seek to ensure that the Bill proceeds in a way that provides a good outcome for superannuants but is also fiscally sound.

We invite the Greens to objectively consider the submissions made by the Alliance of Defence Service Organisations and others that clearly show that fair indexation is affordable and fiscally sound. After all, the Treasurer in his Budget speech assured Australians that Australia is in a very sound financial position and that he was confident that there would be a surplus budget in 2012-2013. Mr Tony Windsor MP has also stated that he too thought that Australia was in a very strong financial position.

More importantly it is what is morally right !

DEPARTMENT OF FINANCE CLAIMS A RETROSPECTIVE UPGRADE - OH REALLY ?

In its submission to the Senate on the Fair Indexation Bill, the Department of Finance and Deregulation showed its total ignorance of the issue of fair indexation what it stated that fair indexation “..... *would be a retrospective upgrade to the terms and conditions of service ...*”

This statement is fundamentally wrong, and infuriates the Association, its supporters and DFRB/DFRDB scheme members.

The clear intention of the DFRDB Scheme from the outset (i.e. the “employer” promise) was to provide an indexed pension that would maintain purchasing power – as indeed the original CPI did in the 1970s. The “*terms and conditions of service*” that existed for many years included a superannuation pension that unambiguously maintained purchasing power, by providing appropriate indexation. Today's CPI does not maintain pension purchasing power.

All the ADSO is seeking is a restoration of previously eroded conditions of service. That clearly is NOT a “.. retrospective upgrade ...” !

BUDGET DISAPPOINTS

The 2011 Federal Budget disappoints. In late 2010 ADSO submitted to the Government the need for the Budget to address the following issues:

1. Indexation of all Military Superannuation Payments;
2. Abolition of MSBS Maximum Benefit Limits (MBL);
3. Adjustment of the Veterans Disability Pension Rates; and
4. The unfair balance of Legal Resources at the Administrative Appeals Tribunal

The Treasurer's Budget ignored these matters, offering nothing to address them.

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