

50,000 veterans fired up over pension ‘shortfall’

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Herb Ellerbock, left, and Jim Hislop in Wodonga

Fifty thousand veterans — some of whom served in Vietnam — are gearing up for a fight over a pension they say has cost them “millions” and left them being paid less than other retirees, despite having put their lives on the line for their country.

The newly formed Australian Defence Force Retirees Association is taking up the case of members of the Defence Force Retirement and Death Benefits scheme, arguing that indexation arrangements and the treatment of some members who took out lump-sum payments when they retired has left them earning 30 per cent less than other retirees.

Herb Ellerbock, one of the men behind the newly created association, said he had lost 30 per cent of the amount he should have received.

The 50,000 members’ complaints centre on the fact that the once-compulsory scheme was indexed at a lower rate than other pensions up until 2014, when it was brought in line with the pension for those over 55. The veterans also complain that many members who took lump sums have been disadvantaged.

The DFRDB was created after a review of military superannuation for soldiers leaving the forces between 1972 and 1991.

Members were given the option to “commute” their pensions (take a lump-sum advance) which would, theoretically, be recouped over the time they were expected to live by reducing their fortnightly pay.

It could be up to five times their annual retirement payments. But many veterans have lived long - beyond the life expectancy forecasts from the early 1960s, which were used to calculate their reduced benefits.

Their payments have continued to be paid at a lower amount, meaning those veterans have repaid their “commutation” several times over.

Mr Ellerbock spent 20 years in the army through the apprentice scheme and did a tour of Vietnam in the late 1960s.

He said he and association co-founder, Vietnam veteran Jim Hislop, had written to Attorney-General Christian Porter, who passed their submission to Veterans Affairs Minister Darren Chester.

Mr Chester said the government was committed to looking after veterans but would not be making any changes to the death benefits scheme.

“We expect him to reject it,” Mr Ellerbock said. “The next step is to take it to the Defence Ombudsman. We will test it there. Failing that, we will raise the money to go to the Federal Court.”

Kel Ryan, the national president of the Defence Force Welfare Association, receives a pension from the DFRDB and said he welcomed moves by veterans to take the issue to court.

“It’s disadvantaging a lot of individuals,” he said. “Any work that’s being done to force some sanity in this space is more than welcome.”

Mr Ryan also chairs the Alliance of Defence Service Organisations, a group of 18 ex-service organisations, which will be taking the issue to this year’s federal election.

“Presently the unfair system disadvantages former members of the ADF in comparison to their civilian counterparts,” new ADSO policy documents say.

Fred Pallas was 15 when he joined up in 1963 to learn a trade. “I grew up in Wollongong,” the 71-year-old said. “Back then it was all steel and BHP.”

He served in New Guinea and Vietnam as a motor mechanic, before returning to Australia to work in apprentice schools. He left in 1987 as a major.

“I hope we manage to achieve the moral equity that is rightfully owed to us,” Mr Pallas said. “Most people took the lump sum because that was a way of setting up your own investment portfolio. Some people took it to establish a small business, but for the majority it was a way to supplement their DFRDB superannuation potential with their own portfolio.”

The ADSO will push for updated life expectancy tables for “the rectification of the financial injustices caused by the application of outdated tables to superannuants”.

“The DFRDB is unfair,” the Australia Defence Association’s executive director, Neil James, said.

“No government will fix this. Nearly everyone commutes. Any financial adviser says, ‘You get some money upfront; if you put that in the bank at 5 per cent, you’re ahead. But people are continuing to pay back their commutation.’”

Mr Chester said those who chose to commute their payment did not get a boost when they had paid it back.

“(This) reflects a misunderstanding of the scheme,” he said. “The commutation payment was neither an advance nor a loan, but rather an immediate payment in exchange for a permanent reduction in pension.”

The ADFRA has calculated a gap of 25 to 30 per cent between payments from the DFRDB if the scheme had been indexed to average weekly earnings between 1991 and 2014. It is now indexed every six months to the greater of the CPI and the Pensioner and Beneficiary Living Cost Index.