



## DEFENCE FORCE WELFARE ASSOCIATION

# FAIR INDEXATION FOR ALL DEFENCE SUPER PENSIONS

[www.dfwa.org.au/policy/fair-indexation](http://www.dfwa.org.au/policy/fair-indexation)

## Policy Objective

The indexation provisions of the *Defence Force Retirement Benefits Legislation Amendment (Fair Indexation) Act* should be extended to include all DFRDB, Military Super and ADF Cover pensions, including pensions paid to under 55-year-old superannuants, invalidity benefit pension recipients, and reversionary benefit pension recipients.

## Background

There are four Defence Force Superannuation schemes that include indexed pensions in retirement:

- Defence Force Retirement Benefits (DFRB)
- Defence Force Retirement and Death Benefits (DFRDB)
- Military Superannuation Benefits Scheme (Military Super)
- ADF Cover (for invalidity benefit pensions)

Pensions paid by these schemes were indexed to the Consumer Price Index (CPI).

Indexation by CPI was intended to ensure that pensions received under these schemes maintained the **buying power** of that pension. While CPI was appropriate when it was one of the major tools for wages determination, it has changed and now the CPI no longer reflects costs of living but rather inflation.

The Government has recognised this and changed indexation for other payments to factor in both CPI and the Living Cost Index to better preserve buying power.

## Fair Indexation for Some Veterans

In 2014, the Government delivered on its promise of **fair indexation** for DFRB and DFRDB pension recipients aged over 55 years, through the *Defence Force Retirement Benefits Legislation Amendment (Fair Indexation) Act*. The method of fair indexation maintains purchasing power of those affected pensions.

This did not go far enough.

Military Super pension recipients under 55, and all ADF Cover pension recipients are either disabled or the dependent of a deceased ADF member. The pensions are not indexed fairly and will continue to lose purchasing power.

There is no justification for some Defence Force Superannuation pension recipients to have their pensions indexed fairly, but not others.

## How Should it be Fixed?

The Government and all Parties have acknowledged and agreed that indexation based solely on the Consumer Price Index is unfair. It does not maintain the buying power of the pensions.

The indexation provisions of *Defence Force Retirement Benefits Legislation Amendment (Fair Indexation) Act* should be extended to include all pensions paid under DFRDB, Military Super, and ADF Cover.