



EMBARGOED TILL MIDNIGHT 26 JUNE 2010

THE COALITION UNDERTAKES TO REMOVE DISCRIMINATION IN ADF SUPERANNUATION INDEXATION ARRANGEMENTS

David Jamison the National President of the Defence Force Welfare Association has welcomed the announcement that from 1 July 2011, under a Coalition Government, DFRB/DFRDB* members aged 55 years or over will have their superannuation pensions indexed in the same manner as Age and Service pensions.

In briefing DFWA on this policy initiative today, the Leader of the Opposition Mr Tony Abbott acknowledged that this was a matter of fundamental justice and the time had come for it to be fixed.

If adopted, this move will remedy an unfair and discriminatory feature of the DFRB/DFRDB military superannuation schemes. The current indexation formula for DFRB/DFRDB superannuation pensions is based solely on the CPI which no longer meets the original intention of maintaining purchasing power. The Australian Bureau of Statistics (ABS) says that "CPI is not a purchasing power or cost of living measure" which the previous Government recognised in 1997 when it abandoned the CPI for Age and Service Pensions. Reinforcing this inadequacy, the Matthews Review into indexation of Commonwealth funded superannuation commissioned by the current Government, reaffirmed the purpose of indexing was to maintain the purchasing power of pensions which showed the inadequacy of the CPI being used for this purpose for any of the Commonwealth superannuation schemes.

A comparison of the different indexation formulae over the last 20 years clearly shows the obvious unfairness of CPI, which does not protect pension purchasing power. After 20 years using CPI to index a \$20,000 commencing pension, the recipient receives \$7,000 per annum less than they would have received had their pension been indexed in the same way as the Age & Service pensions now are.

Adding to the pain, military super pensions although attracting a rebate, are taxed whilst the vast majority of Australians pay no tax on their super pensions after age 60.

This positive measure would leave just the current Military Superannuation Benefits Scheme (MSBS) as the sole remaining military superannuation scheme still subject in part to the now abandoned CPI indexation formula. This will be a disappointment to serving ADF members of MSBS as well as those receiving MSBS superannuation pensions.

DFWA recognises that this is but one of a number of policy announcements concerning the well being of our Nation's servicemen and women and would like to see this initiative extended all members of our military superannuation schemes.

Mr Jamison welcomed Mr Abbott's acknowledgement that our military are being treated unfairly, and called on the Gillard Labor Government to honour its commitment to supporting a fairer Australia by adopting a bipartisan approach and extending the Coalition's initiative to all members of the ADF's superannuation schemes.

* **Defence Force Retirement Benefits Scheme/Defence Force Retirement & Death Benefits Scheme.**

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