

PROPOSED ADSO POLICY OBJECTIVES

Introduction

As far back as its “Fair Go” Campaign, the Alliance of Defence Service Organisations (ADSO) has failed to adequately represent retired ADF members’ concerns with the detrimental effect of provisions incorporated in the Defence Force Retirement and Death Benefits (DFRDB) scheme.

Australian Defence Force Retirees Association Inc. (ADFRA), incorporated under the Consumer Affairs Victoria and Associations Incorporation Reform Act 2012, was formed after extensive evidence of the detrimental effect of the *Indexation* and *Commutation* provisions in the DFRDB Act failed to alter ADSO’s DFRDB related policy objectives. With 4,660 members, ADFRA represents more DFRDB recipients than any ADSO member organization.

The proposed ADSO Policy Objectives, expressed in the attached *ADSO POLICIES and OBJECTIVES 2022 – 2025* have not changed since the formation of ADFRA and therefore, continue to mis-represent members’ concerns with the detrimental effect of the DFRDB Act’s provisions.

Proposed ADSO Policy Objectives relating to DFRDB

DFRDB Commutation

Objective: *To immediately apply the up-to-date life tables for calculating commutation and fortnightly payments for current and new DFRDB superannuants; and the rectification of the financial injustices caused by the application of out-dated life tables to superannuants.*

Explanation: The use of 50+ year old life tables is unconscionable and effectively robs DFRDB superannuants of their entitled level of super payments. In addition, there must be rectification of the financial injustices caused by the application of out-dated life tables to superannuants.

Comment: The out-of-date life tables do not only relate to commutation. They also determine the part of benefits excluded from indexation. We have already shown that this proposal will result in an insignificant and inequitable outcome for most DFRDB members. The immorality lies in the disproportionate and inequitable reduction of retirement and invalidity pay after commutation. The only equitable solution is to make the benefit reductions, due to commutation, equal to the amount commuted.

Reversionary Benefits (*for widows, widowers and dependent children*)

Objective: *To redress the reduction of all their benefits, i.e. retirement pay, invalidity pay and reversionary pensions for widows, widowers and dependent children, resulting from the manner in which those benefits were indexed before 1 July 2014, and continue to be indexed for those aged under 55.*

Comment: The indexation method has not only affected reversionary benefits. It has had the same effect on members' retirement and invalidity pay since they retired. The restoration of those benefits to a fair, current value will automatically flow onto the reversionary benefits due to the effect of the existing legislation.

Proposed ADFRA Policy Objectives relating to DFRDB

DFRDB Indexation

Objective: *To remove the partial indexation provisions in the legislation and restore all DFRDB benefits to a current fair value*

Explanation: The pension increase (indexation) provisions incorporated into DFRDB Act from 1977 linked increases directly to the Consumer Price Index (CPI) until 1 July 2014. During that time, the CPI fell some 25% below Average Weekly Earnings, resulting in a corresponding erosion of the value of all DFRDB benefits. For members who were entitled to commute, whether they exercised that entitlement or not, the effect of the CPI is exacerbated because a percentage (between 10% and 40%) of their benefit is excluded from the application of indexation increases. The effect of the CPI and partial indexation flows on to all reversionary benefits for widows, widowers and dependent children.

DFRDB Commutation

Objective: *To make benefit reductions after commutation equal to the amount commuted*

Explanation: The benefit reduction for members who commuted is permanent rather than proportional, resulting in benefit reductions that are inequitable from member to member and significantly disproportional to the amount commuted.

Conclusion

If ADSO is not prepared to adopt these recommendations, then, rather than providing the Government with an option to enact yet another insignificant outcome, as was the case with "Fair Indexation", it should acknowledge that it does not represent DFRDB recipients' concerns and remove all reference to DFRDB from its Policy Objective.

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President

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