



AUSTRALIAN DEFENCE FORCE RETIREES ASSOCIATION

We act on behalf of Defence Force Retirees and their Military Superannuation grievances

Register on: <https://www.adfra.org/>

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DFRDB UPDATE - April 2019

Hi All,

Recently, three events occurred which could have a direct effect on all DFRDB recipients:

1. On 25 March, Minister Darren Chester announced an Independent Inquiry into the Administration of DFRDB Scheme Commutation Arrangements;
2. On 2 April, the ESO representatives at the ESO Round Table meeting with the Minister agreed unanimously that the Commonwealth Ombudsman should head that Inquiry; and
3. On 17 April, the Alliance of Defence Service Organizations (ADSO) released its Major Policy Objectives – 2019 Election and Beyond.

As they stand, **none** of these initiatives are in the best interests of DFRDB recipients, because:

- a. The focus of the Inquiry is “to examine the information provided by scheme administrators and relevant departments to members of the DFRDB scheme”, when the real issue is that the DFRDB Act, fails to deliver on the Government’s stated intent to provide a **fully indexed** defined benefit scheme which includes a **proportionate** commutation arrangement;
- b. The Commonwealth Ombudsman is:
 - (i) Not sufficiently independent of Government; and
 - (ii) Does not have the power to address the real DFRDB issues.
- c. ADSO’s Policy Objectives do not represent DFRDB recipients’ concerns.

ADSO’s major policy objectives in relation to DFRDB are:

Fair Indexation for All DFRDB Recipients

Objective: *To extend the provisions of the Defence Force Retirements Benefits Fair Indexation Act to include all DFRDB superannuates under 55, especially to those in receipt of DFRDB invalidity superannuation pensions.*

DFRDB Commutation

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for current and new DFRDB superannuates; and the rectification of the financial injustices caused by the application of outdated life tables to superannuates.*

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.*

These ADSO policy objectives **do not** address our concerns:

1. Our concerns on indexation are that;
 - a. The pensions of those of us who were subjected to indexation based on the Consumer Price Index (CPI), for up to 38 years, are up to 38% below the **Fair Indexation** baseline established by the Fair Indexation Act in 2014.
We want the rates of our benefits restored to the **Fair Indexation** baseline, but as it did in its pre 2014 **Fair Go** campaign, ADSO fails to address this huge inequitable loss of benefits suffered by the majority of DFRDB recipients.
 - b. In conjunction with indexation linked to the CPI, a partial indexation formula was incorporated which excludes a part of our benefits from the application of indexation increases.
This formula discriminates against members by gender, age on retirement and date of retirement, **regardless of whether or not we commuted** and continues for the determination of our widows' pensions after our death.
2. Our concerns on commutation are;
 - a. The restoration of commutation to a **proportionate** exchange, where total retirement pay reduction equals the amount commuted; and
 - b. The refunding of retirement pay reductions which exceed the amount commuted.
ADSO's objective of immediately applying up to date life tables will only benefit DFRDB members who are still serving. But with increasing life expectancy those members will find themselves in the same position we are in now when they reach their life expectancy.

These concerns affect nearly all DFRDB recipients. But there is another rip-off which affects members who commuted and subsequently re-enlisted. Their first commutation amount, fully indexed, is deducted from their second commutation but their retirement pay reduction after the first commutation is totally disregarded. They also deserve to be represented.

ADSO is aware of the real DFRDB concerns but have ignored them because they are not prepared to put up a fight. If you are a DFRDB recipient and are a branch member of an Ex-Service Organization (ESO) affiliated with ADSO, you should raise your concerns within your local branch and the National Executive of your ESO, regarding the stance taken by ADSO.

This failure by ADSO to represent our DFRDB concerns is why we felt compelled to form the Australian Defence Force Retirees Association.

We will represent your concerns. If you are not already a member then please go to our <https://www.adfra.org/> web site and register.

Regards,

Jim Hislop