

DFRDB UPDATE – August 2018

Screwed by Senior Public Servants and Politicians

The terms of reference for the royal commission into banks, superannuation funds and other parts of the finance industry were carefully crafted so that the royal commission would have no mandate to look at the biggest scandal of all; the unfunded public service defined benefits for senior public servants and politicians who joined the public service or were elected to the Parliament before June 30, 2005.

According to business columnist Robert Gottliebsen, senior public servants have lined their pockets, creating a huge funding shortfall that endangers the money being committed to people with disabilities, health, education, defence and other “worthwhile” causes, including future tax reduction.

Unless Australia is very prosperous in the decades ahead the current pledges for future benefits to ordinary people are in grave danger because Australia’s senior public servants have engineered massive benefits that are not funded and will need to be paid from future Government revenues.

These senior public servants and politicians include the same people who engineered massive retrospective reductions in the superannuation entitlements of ordinary Australians including Defence Force retirees.

Those who have already viewed Herb’s YouTube [Presentation](#) will be aware of the scale of all the reductions built into the DFRDB scheme alone, which, by the time we and our dependents are all dead will amount to more than \$23 billion. Contrary to the recommendations of the Parliamentary Committee which set down the provision of the scheme, these senior public servants and politicians put in place legislation (i.e. the DFRDB Act) which:

- a. Uses the Consumer Price Index as the basis for adjusting retirement benefits, an index which only ever maintained pace with the cost of living while the Hawke/Keating wages accord was in place. A basic outcome being that; before even considering the reductions associated with the commutation and spouses’ pension arrangements, the retirement pay and spouses’ pensions for those who retired before 1991 had, by 2014, already been reduced by more than 25%.
- b. Transformed a commutation arrangement in which an advance lump sum payment of future retirement pay entitlements could be exchanged for a proportional reduction of future retirement pay, into an arrangement where the lump sum is exchanged for a lifetime reduction of future retirement pay. Furthermore, the legislation uses outdated life expectancy factors to maximise that lifetime reduction. The outcome being that the lifetime reduction for many will total more than **five (5) times** the amount of their lump sum advance.
- c. Applied an indexation arrangement, for **funded** Commonwealth superannuation schemes to the **unfunded** DFRDB scheme. By not indexing fully the pre-commutation retirement pay our spouses’ pension entitlements are based on, their entitlements are reduced from the day we retired until the day our spouses die. Rather than receiving 5/8ths (62.5%) of our uncommuted retirement pay our spouses will typically get just 56.5%. The same method of indexation applies for anyone who did not commute. Interestingly, this indexation arrangement does not apply to the **unfunded** DFRB scheme.

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Finally, an explanation for *Notional* Retirement Pay

After further research into Cabinet approval of Spouses' pension adjustments, Herb has finally gotten to the bottom of the contrived *notional* indexation arrangement for which we previously had no explanation. That prompted this [Letter to the Minister](#) (click to follow the link).

Ongoing Research

Herb is still researching the executive approval process for the 1973 DFRDB Act, including the commutation arrangement. These records have not yet been digitised and require a manual search at the Australian National Archives. There we expect to find exactly how and why the dodgy commutation arrangement came to be approved by the Cabinet.

We must be better organized

If less than 8,000 views of the YouTube presentation is any indication, then a vast majority of the more than 50,000 of us don't know how badly we are being ripped off.

In tackling these issues, it is essential that we are all reading from the same song book. We cannot do that while we are fragmented over a myriad of organizations and our efforts are not unified.

We now have a platform <https://www.adfra.org/> on which we can get properly organised. Please make yourself known by registering on the site and encourage others to do so. There you can help us gather more meaningful information about the shoddy, deceitful treatment of uniformed personnel so that we can better state our position. It doesn't cost you anything.

Jim and Herb