



# Australian Defence Force Retirees Association Inc.

No. A0108026R

We represent the interests of Defence Force Retirees regarding their Superannuation

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The Hon. Darren Chester MP  
Minister for Defence Personnel  
Minister for Veterans Affairs

10 March 2020

Dear Minister,

I am the President of the Australian Defence Force Retirees Association (ADFRA) Inc., an incorporated Ex-Service Organisation which currently has 3,958 registered members. I am writing regarding the 'independent inquiry' into the Defence Force Retirement and Death Benefits (DFRDB) superannuation scheme which you and Senator the Hon. Zed Seselja foreshadowed in your Media Release of 25 March 2019.

Our members have complained *en masse* about the nature of the resultant inquiry and its findings.

Contrary to your statements in your Media Release that:

*The Government recognises the importance of open and transparent discussion around veteran concerns, and we will consult with the ex-service community about the terms of reference for the inquiry, as well as panel membership.*

And that:

*Ex-Service Organisations and scheme members will have the opportunity to make submissions to the inquiry and raise any other concerns relevant to the scheme.*

There was no consultation with the ex-service community about the terms of reference or panel membership. Instead, you initiated an 'own motion' investigation by the Commonwealth Ombudsman. Presumably this was endorsed by ESORT, whose charter does not include military superannuation and whose members know little or nothing about DFRDB.

The Department of Defence funded the Ombudsman's investigation, and the Ombudsman established the terms of reference in consultation with the Department of Defence and Commonwealth Superannuation Corporation.

The resultant Ombudsman's investigation commissioned biased financial modelling to support a finding that the decision to commute did not cause a financial loss when we presented clear evidence to the contrary.

However, the Ombudsman did acknowledge that the information provided, regarding the workings of the commutation arrangement, was not sufficiently clear. As a result of that misleading information, a majority of members elected to receive a pre-payment of their retirement pay entitlement to help them resettle into civilian life after 20 or more years' service.

For more than three-quarters of those members, the resultant lifetime retirement pay reduction exceeds the amount of their advance, on average, by more than 60%.

Furthermore, the Ombudsman's report suppressed our '*other concerns relevant to the scheme*' which we raised during our meeting with the Ombudsman's investigation team.

Those concerns are that:

- a. From 1976, DFRDB adjustments failed to maintain the relativity of those benefits because they were linked directly to the Consumer Price Index, which has not fairly represented changes in general community standards;
- b. In other Commonwealth superannuation schemes, the Government-funded portion of pensions is fully indexed. However, in the DFRDB scheme, which is 100% Government funded, between 11% and 40% of benefits determined by; age, gender, date of retirement and whether or not the member elected to commute, is excluded from indexation; and
- c. DFRDB (Fair Indexation) Act 2014 introduced a fairer indexation methodology for members aged 55 and over. However, it failed to remove the partial indexation provision or restore the relativity of members' benefits to community standards.

If you are in any doubt, then please review the evidence in:

<https://www.youtube.com/watch?v=MIhpQpYwlv4&feature=youtu.be>

The Ombudsman's investigation was a sham from the outset, designed purely to ensure that there would be no impact on Defence Budget Program 2.14 – Defence Force Superannuation Benefits and Program 2.15 – Defence Force Superannuation Nominal Interest.

DFRDB beneficiaries do not accept the Ombudsman's report and will only be satisfied by a fully representative and transparent inquiry by the Senate or a Joint Parliamentary Committee.

Minister, we will persist until we get a fair hearing, and the Government demonstrates that the Australian Veterans' Recognition (Putting Veterans and their Families First) Act 2019 is something more than just rhetoric.

Yours sincerely,

***Jim Hislop***

President  
Australian Defence Force Retirees Association Inc.

***"When you're right you've got to fight."***

Christian Bennett R.I.P.