



Office of the Hon Darren Chester MP

Minister for Veterans' Affairs
Minister for Defence Personnel

MC20-003431

Mr Jim Hislop OAM
President
Australian Defence Force Retirees Association Inc.
Wodonga Plaza
PO Box 5167
WODONGA VIC 3685

Dear Mr Hislop

Thank you for your letter of 25 August 2020 to the Minister for Defence, Senator the Hon Linda Reynolds CSC, concerning the Defence Force Retirement and Death Benefits (DFRDB) scheme. As this matter falls within the portfolio responsibility for the Minister for Defence Personnel, the Hon Darren Chester MP, your correspondence has been passed to our office, the Minister has asked me to respond on his behalf.

Your correspondence notes that the Commonwealth Ombudsman's report on its investigation into the administration of the DFRDB scheme is irrelevant to your request for the amendment of the DFRDB Act. The Commonwealth Ombudsman's core function is to safeguard the community in its dealings with the Australian Government, providing an independent and impartial assessment in the public interest, reporting their recommendations to Parliament.

Whilst the Ombudsman found that some DFRDB scheme members were provided with misleading, and in some cases incorrect, advice about their rate of retirement pay by Defence, he found that at all times the scheme was administered in accordance with the law.

The DFRDB scheme legislation was derived from the 1972 report of the Joint Select Committee (the Jess Committee) on Defence Forces Retirement Benefits (DFRB) legislation. The Jess Committee made 20 recommendations, the majority of which were accepted by the Government of the day.

The DFRDB scheme was tailored to meet the unique nature of military service. Like all Commonwealth defined benefit schemes, DFRDB was developed as a structure of benefits and therefore elements of the structure should not be considered in isolation.

The DFRDB scheme has been formally reviewed multiple times and enhancements to the scheme to the benefit of members have occurred over time. The 1974 review conducted by Professor Pollard and Mr Melville resulted in the introduction of automatic annual indexation for DFRDB pensions in 1976.

The 1990 review of the DFRDB scheme, chaired by Sir William Cole, formalised the three percent Productivity Benefit arrangement and introduced the option of commutation for dependent spouses on the death of a contributing member.

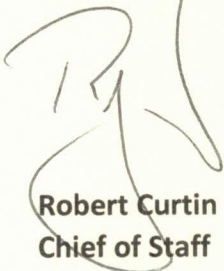
The 2001 Watson Senate Select Committee recommended bi-annual indexation, which was subsequently accepted by the Government of the day.

The 2007 Review into Military Superannuation Arrangements, chaired by Andrew Podger, resulted in the indexation methodology for DFRDB retirement pay and reversionary recipients aged 55 and over changing in 2014. These pensions are now indexed in the same way as age and service pensions.

As the DFRDB scheme has been reviewed multiple times and these reviews have recognised the beneficial nature of the scheme, the Government has no plans to make further changes to the scheme.

I trust this information is of assistance to you.

Yours sincerely



Robert Curtin
Chief of Staff

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