

REGULAR DEFENCE FORCE WELFARE ASSOCIATION INC NATIONAL OFFICE

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SERVICEMEN SUPER SUCKERS

All Australian ex-service men and women who depend on military superannuation are about to be advised that their anticipated half-yearly pension increase will not happen.

- Defence widows will receive the same advice.
- The “notional” superannuation funds of service personnel, who have retired but not reached preservation age, will also not be increased.

How can such a state of affairs be allowed to happen? The answer is easy: military superannuation is increased with the CPI, and as it is measured, the CPI did not increase between September 2006 and March 2007 and so military, like public service pensions, will not increase on 1 July. Yet it will be impossible to convince any of the aforementioned groups of people that their cost of living has not increased over the past six months !

This situation is patently unfair. It has been obvious for many years that the CPI does not reflect the true cost of living nor does it ensure the maintenance of living standards. The Government acknowledges this – for example, many other Government funded pensions such as the Age Pension, War Service Pension, War Widow’s Pension and TPI Pension have been indexed to Male Total Average Weekly Earnings (MTAWE) from as far back as 1997 and this method of indexation has been twice supported by the Senate Select Committee on Superannuation and Financial Services.

When changing the indexation of the Age and War Service Pensions from CPI to the higher of CPI and MTAWE, the Government proudly announced that this change would allow older Australians to enjoy the benefits of Australia’s improving standard of living.

The RDFWA and other ex-service organisations have lobbied since 1997 to have military superannuation indexed in the same way as the Age and War Service Pensions. The response from Government has been that the cost would be prohibitive. If that’s the case, why wasn’t it prohibitive for the other Government pensions and why is the ex-service community being discriminated against? The fact is that Government claims about the cost of changing indexation have been grossly exaggerated. Ministers have repeatedly stated that to change the indexation of military superannuation would cost \$500 million per year whereas the true cost is \$18 million in the first year, eventually rising to \$500 million after 17 years.

Over time, the effect on military superannuants is dramatic. Over the last 17 years the average annual increase in CPI has been 2.7% whilst MTAWA has increased by 4.2% pa. To put this issue into perspective, since June 1997 the Age and Service pensions have risen 51%, military superannuation pensions have risen 30% and parliamentary pensions have risen 55%. Put another way a military pension of \$20,000 at June 1997 is now worth \$25,880 whereas if it had been indexed the same as the Age Pension it would be worth \$30,180. The difference this year is \$82 per week, whilst the cumulative loss exceeds \$16,000.

The RDFWA has welcomed the opportunity to make submissions to, and meet with the Military Superannuation Review Team that is about to report its findings. The Government stipulated that the overriding guiding principle for the review was that military superannuation should reflect the 'unique nature of military service'. It is hard to see how that guiding principle is satisfied if military superannuation continues to be indexed at a lower rate than Centrelink pensions and we are naturally fearful that any recommendations by the Review Team to change indexation will be ignored, in the same way as recommendations made by Senate Select Committees have twice been ignored.

With regard to the Simpler Superannuation rules that come into force on 1 July, approximately 60% of military superannuants receive less than \$20,000 pa and will therefore derive little or no benefit from the 10% tax offset. Military superannuants and other Australians receiving superannuation pensions from 'untaxed' funds will also be disadvantaged in the tax treatment of other income, which will be added to their superannuation income and then taxed at their marginal rate.

Further information can be obtained from RDFWA Vice President – Retirement Benefits, Bryan Wilson, on 02 9416 9947.