



Ex-Service Organisations

Issues Paper.....



Ex-Service Organisations Major Issues Paper

Introduction

The Ex- Service Organisations¹ listed on the previous page believe that the community's appreciation of the special and unique nature of Defence Service has been allowed to deteriorate. There is a grave concern at the progressive move to see service conditions for Australian Defence Force members benchmarked against community standards and veterans support as welfare. Service in the ADF comes with a cost not just to the individual service member but their dependants as well. Government and Departments have a leadership role in ensuring that the community clearly appreciates that servicemen and women and their families deserve special recognition reflecting their contribution to the service of our Nation.

ADF serving and former members expect that the conditions under which they enlist and serve will be honoured. Serving ADF members expect that there will be no reduction of benefits, and that Government's clear obligation to servicemen and women will be met. There is a growing understanding that over time, successive Governments have fallen well short of meeting their responsibility to the individual members of the Australian Defence Force and their dependants.

The serving and former ADF Members and Veteran communities' principal concerns are outlined in the following sections of this paper, noting that there are several particular elements to each. Many of the issues listed are examples where the "unique nature of military service" rather than being recognised and compensated for is in fact being used to create an additional detriment and burden for ADF personnel.

As well as the organisations listed as contributors to this paper, the Australian Veterans and Defence Services Council (AVADSC) has been closely involved in its development and is supportive of the proposals contained in it. We are also cognisant and supportive of the issues contained in the Legacy "Wish List" forwarded to the Department of Veteran Affairs on the 10th September.

The issues are grouped into those where we believe attention in the shorter term is warranted and those that may require a longer term to fully develop an appropriate government response. In formulating this paper, we have been mindful of the existing economic conditions and their consequent effect on the Commonwealth Government financial outlook over the next four years. However, we also note the recent spending programs of the Government and the absence of any initiative to address the long standing deficiencies in ADF service conditions that are the principle concerns of the veterans and wider ex-service communities. Members of the ADF rely on the Government for fair and equitable treatment in their service conditions in a way that is unique within the Australian community. We are firmly of the opinion that this expectation is not being matched by government policies and decisions. By its continued neglect of its responsibilities, the Government is placing an unfair burden on former ADF members to bear the consequences of its policy decisions in a way not imposed on other sections of the Australian community.

¹ APPVA; Australian Federation of TPI's; Australian SAS Assn; DFWA; DRA; DFA; Naval Assn; Partners of Veterans Australia; RAAF Assn; RAR Assn; VVAA; VVFA; War Widows Guild.

ISSUES REQUIRING ATTENTION IN THE SHORT TERM

1. **Military Superannuation**

Membership of the military retirement, death and disability schemes is compulsory for ADF personnel.

1.1 **Indexation**

The present military superannuation payment represents an unacceptable minimal level. Governments must maintain the real value of these payments by adopting an appropriate method of indexation.

Military pensions were originally indexed at CPI to maintain their value relative to national wages. In the last 15-20 years, national standards of living have increased in real terms, which are not reflected if relying on the CPI. Acknowledging this, in 1997 the then-Government changed the method of indexing the Aged and Service Pensions from CPI to a combination of CPI and Male Total Average Weekly Earnings (MTAWE) and the present Government further extended this formula to include the "Pensioner and Beneficiaries Living Cost Index" to keep pace with increase in prices and improvements in community living standards.

Military retirement and disability pensions now stand out as being more harshly treated than almost every other long-term Commonwealth payment that is subject to regular indexing to maintain its value. The same formula used for Age/Service pensions should be adopted for all components of Military retirement pensions (DFRB/DFRDB/MSBS) including the total reversionary pension for partners of deceased military superannuation pensioners.

Table 7 of the Department of Finance and Deregulation's (DOFD) submission to the Matthews Review of Indexation Arrangements in Australian Government Civilian and Military Superannuation Schemes indicates the gross budgetary costs before "claw back" (estimated to be in the range of 37–58% by the National Centre for Economic and Social Modelling) due to consequent increased tax revenue and reduction of support payments to be as follows:

YEAR	AMOUNT
2009-10	\$1M
2010-11	\$16M
2011-12	\$36M
2012-14	\$59M
2019-20	\$255M

1.1.1 **Proposal**

We seek the same community standard of indexation, as adopted for the Age and Service pensions to be applied to all components of DFRB/DFRDB/MSBS military superannuation pensions.

1.2 **MSBS Maximum Benefit Limits (MBL)**

MBL's in MSBS are limits on the maximum amount that the military superannuation fund will pay out. They should not to be confused with Reasonable Benefit Limits which limited the amount that could be contributed and accumulated at concessional tax rates. RBL's were abolished in "Better Super" changes but MBL's were not. MBL's include the sum of both Employer and Employee benefits. There are two MBL's;

- a. All pension MBL at which the member **must stop** contributing because the member's total payout has peaked; and
- b. Lower Lump Sum MBL at which the member **may stop** contributing because the member is getting close but is urged to seek specific advice.

The effect of the application of this measure is that many long serving ADF personnel are receiving no retirement income benefit for their final years of service.

The Report of the Review of Military Superannuation recommended that MBLs be scrapped for the MSBS. The combined Ex-Service Organisations response supported that particular recommendation.

1.2.1 Proposal

We seek the immediate removal of MBLs in the MSBS superannuation scheme.

1.3 DFRB/DFRDB Commutation Issues

The option to commute a lump sum was an early manifestation of a reward for the unique nature of military service. The Jess Report refers to military personnel being compulsorily retired at relatively early ages having been frequently moved and having not had the opportunity to establish a home. The need for a lump sum payment being a pre payment of future entitlements was justified against this background. It was not expected that retiring members would be able to invest the lump sum to provide an income stream and there was never any mention of a conversion factor. Furthermore in other Commonwealth funded superannuation schemes the lump sum is provided without any repayment or conversion factor. It is believed that it was an oversight that the DFRDB Act did not provide for the periodic updating of the life factors. Any other explanation requires us to believe that the Parliament intended the repayment of the lump sum should become progressively more disadvantageous as time passed and life expectancy increased. We have now reached the ridiculous situation that a DFRDB member retiring at age 60 with a notional life expectancy of just 15.6 years must earn 6.4% on the lump sum to offset the amount by which his pension has been reduced.

The continued use of out of date life tables means that the amount of money deducted from each fortnightly pension payment to repay the lump sum far exceeds the amount that would apply if the latest life tables had been used.

1.3.1 Proposal

We seek the immediate adoption of up to date life tables in calculating commutation and fortnightly payments for all new DFRDB superannuants;

1.4 Extension of Military Superannuation to ADF Reserve Members

Membership of the military superannuation scheme for the ADF reserve is restricted to members on continuous full time service with most therefore not eligible.

1.4.1 Proposal

We seek:

- a. More flexible MSBS membership for all ADF reserve members; and;
- b. Commonwealth employer contribution of 9% under the Superannuation Guarantee (Administration) Act 1992 to all reserve service not presently covered.

1.5 Taxation Aspects of Military Superannuation under “Better Super”

Military pensions are paid from what are defined as “untaxed” superannuation funds and, under the taxation changes introduced by the *Better Super* changes, those pensions are not only taxed but also included in pensioners’ total income for tax purposes.

The only reason why the military schemes were “untaxed” was because of a Government convention that it did not pay tax to itself. Had it done so, the net cost to the Government would have been exactly the same. The *Better Super* distinction between “taxed” and “untaxed” schemes is artificial but it leads to distinct disadvantages for military pensioners.

The most obvious disadvantage is that military retirement pensions are taxed.

The present provisions although including a 10% rebate, are not equitable with the treatment given to most other superannuants in the community. They also include an additional effect of taxing military pensions at the taxpayers’ marginal rate, which puts them at a significant disadvantage when compared with taxpayers receiving pensions from “taxed” funds.

1.5.1 Proposal

We seek the removal of income tax on DFRB/DFRDB/MSBS military superannuation pensions, including death and invalidity, in line with the most of the remainder of the Australian community but, at the very least if that is not agreed, we ask for a separation of taxed military superannuation pensions from other taxed income on the taxpayers’ tax return.

2. Adjustment of the Veterans Disability Pension Rates

The Government has stated it understands the impact of rising costs of living and the importance of ensuring that entitlements do not erode in value and is committed to making sure that our disabled war veterans have their pensions adjusted to take account of ***“not just of the cost of living but also the standard of living”***.

Analysis undertaken as part of the Harmer Review found that at certain times, the rates of change in the out of pocket living costs experienced by age pensioner households have moved faster than the rate of changes in the living costs of households as measured by the CPI. In 2007 the Parliament recognised this in relation to Veteran Disability Pensioners and provided a “one off” catch up increase and also brought their indexation arrangements into line with the other pensions. However this “one off” increase did not fully recover the erosion suffered by Veteran Disability Pensioners particularly in the previous 10 years when the revised indexation arrangements were introduced for the Age and Service Pensions. The Government’s failure to adjust the rate of the veterans disability pensions in line with the adjustments made to other government pensions in the 2009/10 Budget, further accentuated this disparity and has meant that the relative value between veterans’ disability pensions and the other pensions has diminished. It follows that there has to be an erosion of the standard of living for veterans and their families.

The Government’s failure to adjust the rate of the Veterans Disability Pensions in line with the adjustments made to other government pensions in the 2009/10 Budget, was an opportunity lost to make up this disparity in Veterans’ Disability Pensions for the benefit of our veterans who have suffered a disability as a result of their service to the Nation.

2.1 Proposal

We request that all rates of veterans' Disability Pensions – including the general rate, EDA, intermediate rate, temporary special rate and the special rate, be increased by the same percentage as the single rate Service Pension was increased in the 2009 Budget, which is by 2.7% of MTAW. ¹²

3. Integrated People Support System

Transition from Service life to post-Service life is regarded as a critical step in the maintenance of well being of ex-service personnel and their families.

3.1 Proposal

The Government conduct a thorough review in conjunction with selected ESOs who are stakeholders in the transition process to ensure that this process is comprehensively managed to ensure that deficiencies in the following processes have been eliminated:

- Appropriate invalidity and other financial entitlements are in place to ensure discharging personnel can access these without delay.
- Members records of service be more comprehensive and include full details of postings and particularly deployments to operational zones, overseas and to remote localities.
- Any adverse service related medical conditions identified during the member's service have been fully identified and adequately recorded in ADF service documents.
- Appropriate treatment and rehabilitation programs have been instituted and will continue without interruption.
- Servicemen and women are offered comprehensive relevant financial advice, vocational support, and family assistance to ensure a smooth transition from the Service.
- Servicemen and women are provided with comprehensive advice on how they may access medical and other support services including those provided by ESOs, post separation when the need arises;
- Provision of timely follow-up by the Services to ensure that any residual issues are quickly resolved.

4. Pharmaceuticals Co-Payments

Pharmaceuticals prescribed to entitled ex-service personnel should be available at no cost. Failing this the Pharmaceutical Allowance must be increased in line with any change to co-payments in order that the change is cost-neutral to the client. The Government has funded a review the cost of pharmaceuticals for war caused disabilities in the 2009/10 budget but so far the review has been conducted internally with limited consultation from the veterans community.

There is also a discriminatory application of the Pharmaceutical Allowance between single and married recipients. A single disabled veteran receives the allowance at the full rate of approximately \$6 per fortnight whereas a married disabled veteran and spouse receive half of the allowance each, approximately \$3 per fortnight. We believe that the allowance for married disabled veterans should be the full rate (\$6) and half rate (\$3) provided for the spouse.

² The VVAA and APPVA have reserved their position on this issue, but emphasise that they would be genuinely concerned if there was evidence of such erosion to the Disability Pension

4.1 Proposal

We seek an assurance that;

- There will be no reduction of support for entitled veterans; and
- The Ex- Service Organisation Round Table Members will be consulted on the review recommendations prior their submission to government.

ISSUES WITH A LONGER TERM DEVELOPMENT REQUIREMENT

5. DFRB/DFRDB Commutation Issues

As stated above, the continued use of out of date life tables means that the amount of money deducted from each fortnightly pension payment to repay the lump sum far exceeds the amount that would apply if the latest life tables had been used.

5.1 Proposal

We seek rectification of injustices associated with the application of inappropriate life tables for existing DFRDB superannuants.

6. FBT Reportable Issues Relating to Families of Serving ADF Personnel

Many entitlements for ADF members and their families designed to offset adverse effects of posting turbulence, remote area localities and other detrimental effects on the member and family of service in the ADF, are subject to payment of fringe benefits tax by the Department of Defence. As a consequence members have the “value” of these benefits added to their income recorded on the annual payment certificates. This has the effect of increasing their income levels for the purposes of assessing eligibility for a whole range of government provided benefits paid through Centrelink with the most significant impact on members paying child support. Many of the lower paid ADF members therefore find they cannot access these benefits without suffering adverse financial consequences which in turn adds stress and anxiety to their families, particularly when they are posted to remote localities distant from normal family and social support networks.

6.1 Proposal

All conditions of service related benefits provided to members and their families be non FBT reportable.

7. Support for Reservists Returning from Operational Deployment

There is no formal structure to “demobilise” Reservists back into their/our community. In fact until recently there has also been little informal support of them or structure to assist with their “normalisation”.

It is not a problem unless Reservists have had an experiential problem from their service or arrive home to a domestic or employment issue. The challenge is for Defence to develop processes to support a disparate group of individuals that are geographically scattered when they have completed

their deployment. The answer to date has been their unit, but any support has depended on other priorities and even attitudes, especially when the reservist separates after the overseas deployment.

A related issue is the provision of support to families of deployed Reservists.

7.1 Proposal

We note the considerable improvements the Department has recently made on this issue but seek a review of the effectiveness of the current policy and the development of a more robust process to support members and families of the ADF reserves on deployment and on return from operational deployments.

8. Compensation & Support for ADF Members Exposed to Toxic Chemicals as a Result of Aircraft Maintenance Programs

The recent decision to expand support to the RAAF F111 “pick & patch” workers is welcomed but does not go far enough. RAAF members who worked on similar tasks on other aircraft types (e.g. Hercules) were exposed to the same and similarly toxic chemicals but were not offered the same support. In addition there has been cross contamination of family members of affected ADF members and they should be entitled to support from the Commonwealth.

8.1 Proposal

Compensation and support be made available for all affected ADF members and their family members resulting from the ADF aircraft maintenance activities on the same basis as that applying to those involved in the F111 deseal/reseal program.

9. Mental Health Disorders and Rehabilitation

There is need for a Government funded national mental health rehabilitation scheme for veterans suffering with chronic mental health problems based on individual case assessment and management programs which includes, where necessary, accommodation assistance options for homeless Veterans.

During 2004/2006 a veteran’s mental health project which was funded by DVA was conducted. The aim of the project was to “provided a rehabilitation continuum for veterans experiencing the effects of mental illness involving effective treatment in their local communities”. This project was based on a case management approach with all relevant stakeholders involved. Statistically significant improvement was noted in a number of measurable areas, particularly reduced incidence of rehospitalisation. Recommendation 5 of the Report of that project, states “That DVA provides support, including financial support, for appropriate community accommodation models to meet the needs of veterans with mental health issues e.g. step-down accommodation for short term rehabilitation, care review/renewal and relapse support.”

The need for such accommodation is also supported by the report of the Council of Australian Governments (COAG) released on 14 July 2006. This report recognises that “people with mental illnesses are amongst the most socially disadvantaged and economically marginalised” who require a range of services including “stable housing by linking them with other personal support services” and “improving referral pathways and links between clinical, accommodation, personal and vocational support programs”.

9.1 Proposal

We seek early implementation of recommendation 5 of the Report - "That DVA provides support, including financial support, for appropriate community accommodation models to meet the needs of veterans with mental health issues e.g. step-down accommodation for short term rehabilitation, care review/renewal and relapse support."

10. Residential Care-Younger Veterans

There is an identified problem related to the accommodation of younger veterans who require 24 hour care / supervision as a result of medical / emotional disabilities and who would not qualify for admission to residential aged care. It was noted that at present no agency / government department has responsibility for finding appropriate (or as close as possible) residential care. This is despite the COAG meeting of 2007, which money was allocated by all States and the Federal Government toward the construction of such a facility, that would accommodate under 50 year olds, in particular in our case – Younger Veterans. The MRCA and SRCA Acts state that they will provide any reasonable treatment, including hospital care of an eligible person. Within the VEA, TPIs are able to be accommodated at Government expense within the Defence Housing Act 1918.

Within the ex service community a small number of Veterans, generally in the 30's to 50's age groups, are unable to live in the community or with their families as a result of significant physical, medical or emotional care needs. There is a need for a system to ensure access to appropriate accommodation for disabled Veterans who require 24 hour supported living but are too young to qualify for aged care services.

10.1 Proposal

We ask that identified processes be established within DVA, in order to provide a seamless and responsive approach toward accommodating severely incapacitated young veterans.

11. Recognition by DVA of the Role of Partners Who are Carers of Disabled Veterans

The accountability for Partners who are carers of disabled veterans should be the direct responsibility of DVA and controlled by that department. More and more veterans are being diagnosed as High Care and many of these veterans are being cared for by their partner in their own home, having no wish to be placed in a care facility, particularly if they are of a younger age. Partners who become carers have to give up their employment and devote their lives to care for their disabled veteran. By no longer being employed these partners are not able to accrue superannuation to provide for their own old age. These carers are not asking for a Gold Card; but we believe they are in dire need and deserve support to continue their caring role. There are very few carers who do not suffer ill health and/or some disability brought about by the constant care they give to their disabled veteran and yet the DVA declines to help in any way.

When we consider the government's policy of keeping the disabled veteran in their home for as long as possible, one can only wonder just how much the DVA is committed to this policy. It appears to us that the government is steadfastly sitting back and watching the only means available to enable the veteran to stay in his home become so disabled themselves that they will no longer be able to care for the veteran. The outcomes for veterans are better with healthier caregivers.

The end result of this would be that the veteran would be forced into a full care facility earlier than necessary because the caregiver is not well enough to continue in her caring role. This situation could deteriorate even more where the Government may be forced into a situation where it could be faced with the job of caring for two instead of one.

11.1 Proposals

- 11.1.1 **Health Management Plan:** There is great need for the establishment of a Health Plan/Programme for carers of veterans to enable them to continue in their caring role. Access to prompt medical and hospital treatment is vital to their well-being and this should include all medical conditions as well as spectacles.
- 11.1.2 **Carer's Allowance Cut Offs:** We are concerned with the current system of cancelling the Carer's Allowance payment after their veteran has been hospitalized for six weeks. Centrelink advises they pay for 63 days in one year with an additional 63 days a total of 126 days if the Veteran is transferred into an approved Aged Care Facility after their hospital stay for respite or convalescent care. As soon as they are discharged, the carer must re-apply for payment. We suggest that it would be much more cost effective and less distressing to the veteran for the carer allowance to be suspended after 126 days. Once the veteran has been discharged and is home again the Dept can then be advised to re-start the Carer allowance from that date.
- 11.1.3 **Transport Plan for carers while Veteran in Hospital:** There is an urgent need for a transport plan for carers while their Veteran is in hospital. Carers who accompany a veteran to hospital are left to find their own way home when the veteran is hospitalised and does not return with them. It is totally unacceptable for the partner/carer to be obliged to find their own way home.
- 11.1.4 **Subsidised Accommodation:** Many Carers are experiencing great difficulty in visiting their Veterans when hospitalised. Their visits are vital to the recovery and well being of the veteran. Subsidised accommodation is needed to enable carers to be available to veterans who are hospitalised away from their home.
- 11.1.5 **Inadequate Respite Care:** The effect on the mental and physical health of many partners/carers of veterans has been profound and naturally if and when the condition of the veteran deteriorates the carer then has the added burden of insufficient respite care. A carer is allowed only 196 hours (3.76hrs per week) of respite care per annum. This is totally inadequate for a veteran when a carer is providing high level full time care in the home. Whilst palliative care in a hospice is available it needs to be remembered that those veterans who also suffer from PTSD are often not amenable to leaving their homes. Respite care should be monitored by DVA with a dedicated Case Manager within DVA whose role is to tap in to any other community or government department to access additional respite care. The carer should not be left in the position of having to investigate themselves for additional respite care. We seek an increase of respite hours to 260 per annum.
- 11.1.6 **Departmental Responsibility:** We seek a change of policy to designate DVA as the agency to administer the support provided to the carers of veterans.

12. Veteran Entitlement for the Defence Service Home Loan (DSHL)

The Veteran Entitlement of the Defence Service Home Loan (DSHL) was \$25,000 in 1972, which was able to pay for a three bedroom brick veneer home. Today, Australia is enduring a housing crisis. This has a severe effect on ex-service members who hold entitlement to the DSHL which has not been indexed for over 35 years.

12.1 Proposal

We seek an increase of this loan amount to reflect the Australian Median Home Price Index.

13. Health Initiative for Defence Families

The Government has announced a program to extend free basic medical and dental care to 12,000 spouses and children of Australian Defence Force personnel. A trial of this initiative has commenced in several locations throughout Australia. At this stage the program only covers GP visits at participating General Practices and \$300 per annum amount towards dentistry fees. It is also FBT reportable. This certainly does not provide 'free basic medical and dental' to all families in the ADF.

A significant missing component however, is the provision of this support to families accompanying ADF members in overseas postings, often in areas in which there are specific health risks and sometimes limited health and medical support services. Free medical care remains a key factor in the decision to remain in the ADF and the success of this venture and its extension to families in overseas accompanied postings will provide a key benefit for our service families.

13.1 Proposal

That all ADF families be provided with private health insurance through the Navy or Defence Health Funds and with tailored Medicare "bulk billing" arrangements to provide basic medical care. This would enable the service to be provided to all families around Australia, provide real savings, allow families to choose their medical practitioners and support the growth of private health insurance designed for the ADF community.

14. Requirement to Access Multiple Government Agencies for Support

Veterans are encountering problems because they are required to deal with multiple government agencies all with differing eligibility standards to access entitlements. The Government has taken some initial steps to ease this problem but these stop short of a "one stop shop".

14.1 Proposal

We propose that DVA coordinate a "one-stop shop" for ex-servicemen and women and their families requiring assistance to provide a consistent and beneficial interpretation of all the relevant pieces of legislation affecting their welfare and other entitlements

15. Coordination of State Education Systems

Each State education system is unique and there is a lack of consistency in standards and curriculum content. This imposes additional burdens on ADF families as they are moved between the various States on normal posting rotations.

We are strongly supportive of the Federal Government's move toward more consistency in education across Australia and the establishment of the Education Curriculum Board. We are monitoring the development via the Board's website: www.ncb.org.au. We are also monitoring the establishment of the Australian Curriculum, Assessment and reporting Authority (ACARA) which hopefully will continue the development of a national curriculum.

It was extremely disappointing to receive the following information from DEEWR in relation to a consistent school starting age:

“In 2004, education authorities working through the Ministerial Council on Education, Employment Training and Youth Affairs agreed in principle to work towards a uniform school starting age however it was decided in 2007 not to proceed because no educational benefit had been demonstrated, affected States and Territories would incur significant costs and funding arrangement had not been identified.”

Speaking to the majority of ADF families they are adamant that not having a uniform schooling age has affected their child’s education – both academically and socially. Defence and ESOs need to work in partnership to highlight this to ACARA.

We would like to see Defence Ministers formally advocate Federal Government support for a more consistent system. It should be noted that DEEWR states that over 340,000 Australians move each year including 80,000 school-age students.

15.1 Proposal

The Commonwealth Government sponsor a move by the Council of Australian Governments (COAG) towards national consistency of education curriculums to ease transition of dependant children from one State education system to another.

16. Reversionary Pension Rate

The current military superannuation schemes have a reversionary component on the member’s death. That is, in the event a member in receipt of an indexed pension dies, their surviving spouse would continue to receive percentage of the relevant pension. This rate is 67% for MSBS with the effective DFRDB rate slightly more. This is considerably less than the reversionary rate for the pre 2004 parliamentary scheme of 82.5%. We are also concerned that the proposal within the Report into Military Superannuation seeks to reduce this percentage to 62.5 % for the proposed new military superannuation scheme and we firmly oppose such a suggestion. We can think of no valid reason why the reversionary rate of pension for a surviving spouse of a military superannuation pensioner should be less than that for the comparative parliamentary pension schemes.

16.1 Proposal

We seek an assurance that in any future military superannuation scheme that the reversionary rate will not be reduced below that of the current MSBS rate and also that consideration be given to increase the reversionary rate to the level of the pre 2004 parliamentary scheme for the DFRB/DFRDB and MSBS schemes.