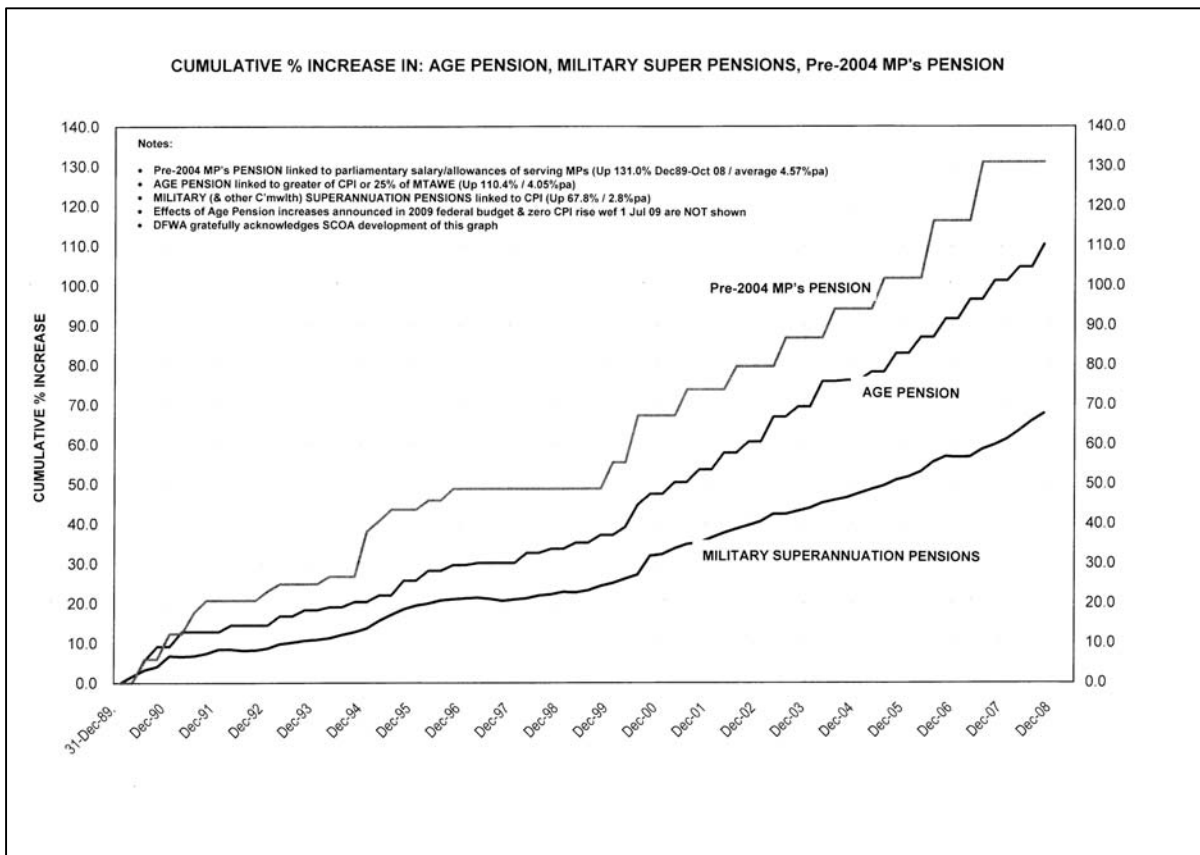




MILITARY SUPERANNUATION INDEXATION

The Government's acceptance in August 2009 of the recommendations of the Matthews Report of our Pension Indexation has ignited the defence community. We all need to campaign for fair indexation, and to do it now.

Matthews recommended no change to the indexation method (CPI) that has seen retired military men and women fall further behind in their standard of living. Today's CPI does not protect your superannuation pension's purchasing power. Check the graph!



CPI is not a measure of the cost of living. That's why CPI was abandoned in 1997 for indexing age pensions. The age pension is, rightly, effectively indexed to the greatest of CPI and the wage measure called Male Total Average Weekly Earnings (MTAWE) and more recently to a new index called the Pensioner & Beneficiary Living Cost Index (PBLCI). All are measures to maintain a pension's purchasing power.

We want a similar fair method. We do not want special treatment despite the unique nature of military service and despite our compulsory in-service contributions of 5.5% of pre-tax pay.

Note here that pensions for federal MPs elected before the 2004 election are indexed (very generously) to today's MP salaries. That's why MP superannuation pensions rose by more than 130% between 1989 and 2008. Meanwhile, the age pension rose just 110% and military superannuation pensions by a lowly 68%.

Most Australians are probably unaware that fair indexation has been a bone of contention for many years with governments of all political colours. Australians remain unaware because old



soldiers do not take to the streets behind banners except on Anzac Day, and you won't hear or see their union call them out on strike. Soldiers don't have a union...

Military people are not even employees in the sense that most Australians understand the word. They are members of the Australian Defence Force, a unique and significant difference in legal and industrial relations terms. Unlike employees, members of the ADF rely solely on their employer, the Government, to look after their interests. Serving military folk can do nothing but seethe when a government fails to do so.

In the lead up to the 2007 election, Labor effectively wooed the retired military vote by promising to take action on indexation. Careful not to say that it would definitely implement the wage based indexation recommendations of numerous Senate inquiries and other reviews, Labor left no doubt in the minds of ex-service people and families that it saw CPI indexation as an injustice.

Expectations soared. The Coalition government lost votes as a result. Most notably, Labor won the bellwether seat of Eden Monaro in southern NSW, with its significant numbers of military and other Commonwealth retirees. Similarly, the South East Queensland seats of Longman and Petrie changed hands. Both seats have large numbers of ex-service people.

But when the new Government appointed an actuary, Mr Matthews, to conduct yet another review, it was clear that the main (only?) consideration would be cost and not fairness or equity. And so it has proved.

Your RAR Association has formed an alliance with the Defence Force Welfare Association (DFWA) and other ex-service organisations to lobby the Government for fair indexation for military superannuation pensioners. We presented our detailed response to the Matthews Report in a September paper to the Finance Minister. The covering letter is on page 10 of this Newsletter. We encourage you to read the response in full at our website www.rar.org.au or www.dfw.org.au

We believe the Government has been poorly advised. The Matthews Report is seriously flawed in its analysis, its costings and its conclusions, and we believe that the Government should review its endorsement. A number of serving Labor and Coalition MPs agree with us, and to their credit have said so publicly.

We accept that ministers in any government are genuinely busy people who do not have time to study reports such as Mr Matthews in detail before responding. We believe that Minister Tanner and his colleagues would not have endorsed the flawed Matthews Report if they had had time to read it and to consider the implications for retired ADF people, their families, and defence widows.

IT'S TIME FOR ACTION ON INDEXATION

We, as individuals in the Defence Family, need to do more to make our concerns known to our Federal MPs and to all Australians. On pages 11 and 12 is our call for your support and your action NOW. And don't forget two important things:

Successive governments all *chose* to have unfunded superannuation schemes for their ADF members. Why should we have to pay the price for the Government's choice?

Regardless of the Matthews Report's scare costings, which cover a 45 year timeframe, it is reasonable for all of us to ask the Government: How can it afford fair indexation for 3.3 million welfare pensioners and can afford very generous salary based indexation for retired pre-2004 MPs but cannot afford fair indexation for 63,000 military superannuation pensioners?

(We acknowledge the assistance of Win Fowles, a former Army officer and member of the DFWA's National Retirement Benefits Team, with the preparation of this article.)



MILITARY SUPERANNUATION INDEXATION

CALL TO ACTION – NOW!

Members should by now be aware of our campaign to improve the indexation of Military Superannuation Pensions. The Association has done much on your behalf but we now need YOU to take some action.

BACKGROUND

The Government has endorsed the four recommendations of the Matthews Report into the indexation of Military and other Commonwealth Superannuation. This means that those on Military Superannuation pensions will remain disadvantaged by continuing to have their superannuation pensions indexed by the Consumer Price Index (CPI) - whereas welfare and Age Pensions are indexed at a higher rate (the greater of CPI or Pensioner and Beneficiary Living Cost Index (PBLCI) or Male Total Average Weekly Earnings (MTAWE)) and pre-2004 MP's and High Court Judges pensions are wage based indexed to the salaries of serving backbench MP.

In the period 1989 to 2008 military superannuation pensions rose by 68%,

Age Pensions rose by 110% and those of retired MP's rose by 131%!

The purpose of pension indexation is to maintain the purchasing power of YOUR pension. Until 1997 CPI was considered the relevant index but the Australian Bureau of Statistics (ABS) concluded that *the tight nexus between movements in the CPI and wage and salary adjustments no longer exists*. In 2001 ABS said that *CPI is not a measure of the cost of living.*"

In 1997 the Government acted to maintain the purchasing power of Age and other welfare pensions by changing indexation to CPI or MTAWE whichever was the greater. More recently it included another index factor, the New Pensionary and Beneficiary Living Cost Index (PBLCI).

Nothing however has been done for Military Superannuants, even though six parliamentary inquiries have recommended a form of wage based indexation. The Chair of the recent Senate Inquiry on the Effect of Cost of Living Increases on older Australians' said that *It is hard to explain to Commonwealth superannuants why their pensions, to which they contributed during their working life, should fall behind the pension increases of those who have generally not made provision for their retirement.*

WHAT DO WE WANT?

Put simply, a fair, equitable and reasonable indexation method that includes the CPI together with an outlay based living cost index and with reference to a wages based index such as the MTAWE.

WHY DO WE WANT IT?

To maintain the purchasing power of your military superannuation pensions so you can maintain your standard of living. Is that not an unreasonable expectation? After all welfare recipients and politicians superannuation benefits have this....why shouldn't you?

HOW WOULD WE BENEFIT?

Apart from your standard of living being maintained, other benefits of fairer indexation include:

The Economy: the multiplier effect of increased military superannuation pensions recirculated into the financial system by expenditure and return as taxes will increased stimulate the Australian economy.



The Government: from the goodwill generated within the Defence Force Family by a demonstrable reaffirmation of the PM's own words that —we have a particular responsibility towards those who have worn the nation's uniform.

The Defence Family: from the correction of an injustice and the correction of a declining standard of living to superannuants. Fairer indexation will have a positive impact on ADF morale and re-enlistments.

The Community: from recognition of the Government's support to the defence family leading to positive impacts on ADF recruiting and national security.

IF YOU WANT FURTHER INFORMATION go to www.dfw.org.au and start at the 'What's New' page. Alternatively, contact the DFWA's National Office on 02-62659530 email national@dfwa.org.au and ask for Information to be sent to you.

WHAT WE ARE ASKING YOU TO DO

We ask YOU and all military superannuation pensioners, the Defence family and supporters to write to their local Federal MP's and in their own words outline their concerns on the matter.

WHY? *The strong advice from politicians is that this matter MUST be seen as a national issue affecting all electorates. Therefore all members of Parliament need to be approached by their constituents (the more the better) so that they in turn raise the matter on the party floor.*

Only *individuals*, writing to their members, can make this happen.

When writing to your local member, use some of the information above and also include the following three questions:

Are you aware of the Matthews Report and its recommendations?

What is your personal position on the Matthews' recommendations which will see the further erosion of the purchasing power of military superannuation pensions? Do you agree, disagree or have no opinion on them?

Will you raise the indexation of military superannuation pensions in your party room and on the floor of the House of Representatives?

In writing we suggest you:

- Be courteous, avoid anger statements
- Make it clear how your standard of living has deteriorated, whilst other pension and superannuant recipients have been better treated
- Ask for a written response. Do not accept a phone response!
- Write again if you have not received a written response, say within six weeks.

Please forward a copy of any responses received to DFWA, PO Box 4166, KINGSTON ACT 2604 or e-mail national@dfwa.org.au (so we can track the responses of every politician in order to plan further lobbying).

Your MP's electoral office address is available at:

www.aph.gov.au/House/members/memlist.pdf

If you have any questions, call DFWA on 02 6265 9530



POLLYS, SMOKE SCREENS AND THE MAGIC CPI (2)

When you hear our Pollys' claiming
"Those who wore the uniform come first"
Then you must begin to wonder why
Is it them or you whose marbles have burst?
None of it makes sense-- you just wanna cry
Today, via media, we hear their political spin
With shiny mirrors and smoke screens galore
Casting magic spells, weaving webs and praising CPI
Uttering "how grateful you should be, don't ask for more
You're old soldiers, and don't you dare to bloody cry"
It's true that soldiers we have surely been
Made a life of it with no regrets I would say
Paid our super and tax--planned for a rainy day
Believing there was enough to live in a modest way
Then hung up our boots and said a fond hooray
But when old mates have to join the pension queue
Cos now their super's hardly worth a zac or sou
Then if the CPI is so great for us, the privileged few
Could the PM explain to all who wore such honoured cloth
Why doesn't everyone, including ex Pollys' use CPI too?

George Mansford 19 August 09