



Royal Australian Regiment Association

*Defence Force Welfare Association
National Office*

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The Hon Lindsay Tanner MP
Minister for Finance and Deregulation
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to attach for your attention and action our combined response to the Review of Pension Indexation Arrangements in Australian Government Civilian and Military Superannuation Schemes (“The Matthews Report”) and to the Government’s acceptance of the report’s recommendation to continue using the CPI as the basis for adjusting military superannuation pensions.

This response was developed by the Defence Force Welfare Association in conjunction with the Australian Peacekeeper and Peacemaker Veterans’ Association, the Naval Association of Australia, the Royal Australian Air Force Association and the Royal Australian Regiment Association. It is endorsed by Defence Families Australia and the Defence Reserves Association.

We welcome Mr Matthews’ acceptance, and the Government’s unqualified endorsement, of the longstanding fundamental premise that the purpose of indexation should be to maintain the purchasing power of military superannuation pensions.

But we are extremely disappointed by the Review’s superficial analysis of the available evidence and by the report’s lack of depth, which led to deeply flawed conclusions. The conclusions do not support the Review’s fundamental premise. Today’s CPI or even the new post-Matthews PBLCI do not of themselves protect pension purchasing power.

We are also disappointed by the Government’s endorsement of a demonstrably flawed report.

As the attached response demonstrates, an indexation method including the CPI together with an outlays based living cost index such as the Pensioner Beneficiary Living Cost Index (PBLCI) and reference to a wages based index such as the MTAW (effectively tied to movements in the CPI or PBLCI or MTAW, whichever is the greatest) is fair, equitable and reasonable. This method would help protect the purchasing power of military superannuation pensions as it does for today's welfare pensions. We seek no more and no less than this for military superannuants.

Importantly, we do not seek a generous indexation method tied to today's military salaries even though certain other Commonwealth superannuation pensions are very generously tied to today's parliamentary and judicial salaries.

We recognise that pension purchasing power protection comes at a cost. But the Government pays this cost for welfare pensioners and exceeds it significantly for certain other Commonwealth superannuation pensioners. The Government cannot continue to discriminate against Australian Defence Force members, its former members, and their families, on grounds of cost.

We believe unequivocally that the Government has the strongest of grounds to:

- Review its endorsement of the Matthews Report,
- Request the Australian Government Actuary to generate long term liability and related figures upon which all parties can rely, and
- Concurrently and without further delay introduce a fair indexation method that maintains the purchasing power of all military superannuation pensions.

Noting that the Government is still considering the Review of Military Superannuation Arrangements, we look forward to early discussions with you or with the Government's representative on the Government's plans to protect the purchasing power of Australia's military superannuation pensioners.

I commend the attached response to you for your attention and action.



David Jamison AM
National President DFWA
On behalf of the Contributing Ex-Service Organisations

Attachments:

1. Response to the Review of Pension Indexation Arrangements in Australian Government Civilian and Military Superannuation Schemes ("The Matthews Report")
2. Graph – Comparison of MP, Age, and Commonwealth Superannuation Pensions 1989-2008

CC:

The Hon G. I. Combet MP
Minister for Defence Personnel, Materiel and Science