

Ex Service Organisations Major Issues Paper

Introduction

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.

1. MILITARY Superannuation

Membership of the military retirement, death and disability schemes is compulsory for ADF personnel. The following points are examples of the “unique nature of military service” rather than being recognised and compensated for are in fact being used to create an additional detriment and burden 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 “Living Cost Index for Age Pensioner Households” 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).

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

As at 16-Jul-09

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 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.

1.2.1 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 pensions from other taxed income on the taxpayers’ tax return.

1.3 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 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.

As at 16-Jul-09

1.3.1 Proposal

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

1.4 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.

1.4.1 Proposal

We seek:

- a. Immediate adoption of up to date life tables in calculating commutation and fortnightly payments for all new DFRDB superannuants; and
- b. Rectification of injustices associated with the application of inappropriate life tables for existing DFRDB superannuants.

1.5 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.

1.5.1 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.

Your Organisation's Position – Military Superannuation	Comments
Agree/Not Agree	

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2. 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. 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.

2.1 Proposal

The Government conduct a thorough investigation into the application of the fringe benefit tax regime as it is applied to the ADF with the objective of removing anomalies adversely affecting ADF families.

Your Organisation’s Position – FBT Reportable Issues	Comments
Agree/Not Agree	

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 either DFWA or the RSL or both to ensure that this transition 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 post separation when the need arise;

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- Provision of timely follow-up by the Services to ensure that any residual issues are quickly resolved.

Your Organisation's Position – IPSS	Comments
Agree/Not Agree	

4. 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. Most Army Reserve deployments have been basically benign to Timor L’este, Solomon Islands, Butterworth Malaysia, etc. However operations will not always be benign and even so there is always stress and complications in life that must be addressed and supported.

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.

4.1 Proposal

We seek a review of policy and the development of a robust process to support members of the ADF reserves on return from operational deployments.

Your Organisation's Position – Support for Reservists Returning from Operations	Comments
Agree/Not Agree	

5. Adjustment of the Veterans Disability Pension Rates

The Government has stated it is committed to making sure that our most severely disabled war veterans have their pensions adjusted to take account of “***not just of the cost of living but also the standard of living***”.

The recent changes to the indexation arrangements for DVA disability pensions had gone some way to ensuring that the veterans’ benefits did not suffer further erosion but the Government’s failure to adjust the rate of the TPI pension in line with the adjustments made to other government pensions in

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the 2009/10 Budget, 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.

5.1 Proposal

We request that military disability pensions be increased by the same percentage as the other government pensions - that is, 11.4% and the same indexation formula applied to age/service pensions be applied to DVA disability pensions.

Your Organisation's Position – Veterans Disability Pension Rates	Comments
Agree/Not Agree	

6. 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 has yet to announce a start date for the review.

6.1 Proposal

We seek an early advice of;

- When the review will commence;
- Who will conduct it; and
- Its terms of Reference.

Your Organisation's Position – Pharmaceuticals Co-Payments	Comments
Agree/Not Agree	

7. 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, sponsored by RSL Care and 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”.

7.1 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.”

Your Organisation’s Position – Mental Health Disorders and Rehabilitation	Comments
Agree/Not Agree	

8. Residential Care-Younger Veterans

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.

8.1 Proposal

We ask that the Government develop 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.

Your Organisation’s Position – Residential Care-Younger Veterans	Comments
Agree/Not Agree	

9. Recognition of Partners and Carers

Veteran wellbeing is directly related to the level and quality of family support available. Partners and carers do play a key role in holding families together and looking after veterans who are either physically or mentally disabled. We recognise that partners in these circumstances are themselves often denied the opportunity to engage in remunerative employment and need support from the community.

9.1 Proposal

We seek a review of carer payments, allowances and provisions, which more accurately reflect the very significant contribution that recognised carers make.

Your Organisation's Position – Recognition of Partners and Carers	Comments
Agree/Not Agree	

10. 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”.

10.1 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.

Your Organisation's Position – Requirement to Access Multiple Government Agencies for Support	Comments
Agree/Not Agree	

11. 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. These services will either be provided on base by allowing families to access the facilities where health care is provided by the ADF, or through commercial tendering to establish new facilities close to Defence bases. The intention is that ADF families in these locations will now have access to regular GP and dental services without having to travel tens or hundreds of kilometres to access such basic health care. What is missing 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.

11.1 Proposal

We seek the extension of free health care support to ADF families in overseas localities and a rapid roll out of this program across all ADF bases in Australia.

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Your Organisation's Position – Health Initiative for Defence Families	Comments
Agree/Not Agree	

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.

Your Organisation's Position – DSHL	Comments
Agree/Not Agree	

13. Coordination of State Education Curriculums

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.

13.1 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.

Your Organisation's Position – Coordination of State Education Curriculums	Comments
Agree/Not Agree	

14. 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

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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.

14.1 Proposal

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

Your Organisation's Position – Toxic Chemicals Exposure	Comments
Agree/Not Agree	

15. Other Initiatives

- Compensation for Australians involved in the British nuclear tests.
- Classification of certain RAN submarine & RAAF surveillance operations and SAS deployments as warlike allowing eligibility for additional support under MRCA.

Other issues Your Organisation wishes to include	Comments
1. 2. etc	