The Case for the amendment of DFRDB Act 1973 and the restoration of Unindexed Benefits

The indexation of Defence Force Retirement and Death Benefits (DFRDB) age retirement pay or invalidity pay has been the subject of a long-running complaint by DFRDB recipient members.

In ***April 2001*** a Senate Select Committee on Superannuation and Financial Services recommended that;

*“the Government examine the feasibility of adopting an indexation method other than the Consumer Price Index (CPI) for Commonwealth public sector and defence force superannuation schemes, to more adequately reflect the actual increases in the cost of living.”*

Finally, in ***July 2014***, the Abbott Government acted on that recommendation, after a long-running campaign spearheaded by the Defence Force Welfare Association (DFWA) and Alliance of Defence Service Organizations (ADSO). But it applied the change in the method of indexation ***only for recipients aged 55 and over***.

Regarding the DFRDB scheme, neither the Senate Select Committee report nor the DFWA/ADSO campaign indicated any awareness of the fact that, since the commencement of the scheme in 1973, indexation increases have not been applied to the full amount of DFRDB benefits. A fact that was discovered only recently, in a Submission to Cabinet underlying Cabinet Amended Decision No. 1991, dated 8 December 1976.

In response to a projected Budget deficit in 1976/77, that submission recommended that member contributions to the DFRDB scheme should not be indexed. While there was no record of member contributions, the submission equated members’ contributions to their entitlement to commutation, that is, a pre-payment of a portion of future benefits, in exchange for a lifetime reduction of those benefits based on their 1960-1962 life expectancy.

As shown in this [audio-visual presentation](https://youtu.be/e-wdXo_Ru6M) Life expectancy has increased steadily since 1960-1962 and differs with age, resulting in the application of indexation increases, typically, to only 60% to 90% of DFRDB benefits, depending on recipients’ gender, age on retirement and date of retirement.

Aside from the fact that this grossly exceeds members’ contributions to the scheme, those contributions were paid directly into Consolidated Revenue where they earned no income.

The failure to apply indexation increases to the full amount of DFRDB benefits makes unfair indexation based on the CPI pale into insignificance.

That DFRDB members’ superannuation benefits were appropriated to meet budgetary shortfalls was an abuse of Government power and exploitation of the vulnerability of retired members of the Australian Defence Force, which does not differ in any way from an unscrupulous business using its employees’ benefits to prop up its operation.

This discovery of partial indexation does not mean that commutation is no longer an issue. It is just not the major issue. The Minister for Defence Personnel’s Department will not acknowledge the irrefutable proof that the commutation formula, which uses outdated 1960-1962 life expectancy factors, is inequitable to the detriment of DFRDB recipients and discriminates against individuals by gender, age on retirement and date of retirement.

For more information, please visit:

**Australian Defence Force Retirees Association**

We act on behalf of Defence Force retirees and represent their

Military Superannuation grievances

Visit <https://www.adfra.org/> or email [admin@adfra.org](mailto:admin@adfra.org).