

**Australian Flying Corps and
ROYAL AUSTRALIAN AIR FORCE ASSOCIATION
NATIONAL COUNCIL INC.**

Patron: Her Excellency Ms Quentin Bryce AC
Governor-General of the Commonwealth of Australia



President:
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16 January 2009

The Hon Wayne Swan MP

Treasurer
Parliament House
Canberra ACT 2600

Dear Treasurer,

Since its inception, in 1920, as the Australian Flying Corps Association, the Royal Australian Air Force Association (RAAFA) has had as a principle objective the welfare of its membership and that of serving and former members of the Royal Australian Air Force. The attached submission is made in pursuit of that objective.

Military service differs markedly from civilian employment in that members of the ADF are subject to military discipline and regimentation, are obliged to retire earlier than is normal in civilian occupations, are required to maintain high standards of physical fitness and are subject to frequent relocation and separation from family.

Members of the ADF are on call 24 hours per day, 365 days per year. They are liable to be deployed on combat or other operations at short notice and in the current environment multiple deployments at short intervals are not uncommon. Even training for combat and other emergencies incurs risks and dangers not present in other occupations.

The unique nature of military service places upon government a particular obligation to make special provisions for members of the Australian Defence Force (ADF) during and after their service. The policy that veterans' benefits be more generous than those granted to civilian employees, in recognition of the unique nature of military service, must be maintained.

We believe that the issues raised in the attached submission are matters that must, as a priority, be addressed by Government in order to adequately discharge its obligation.

As a supplementary issue, we believe that the time has come for the Government to display largesse by making an ex gratia grant of the Gold Card to all surviving Australian veterans of World War II regardless of qualifying service and to British and other Allied veterans, with qualifying service, and who meet Australian residential and Service Pension criteria.

Roxley McLennan, AO
Air Vice-Marshal (Retd)
National President

cc: Minister for Veterans' Affairs
Minister for Defence Science and Personnel
Minister for Superannuation and Corporate Governance

Submission to Government in respect of the Commonwealth Budget 2009-10

Issue: As a consequence of being indexed by movements in the Consumer Price Index (CPI) military pensions have incremented by only 63.54 per cent since December 1989 compared with an increase of 104.6 per cent in the single Age Pension and an increase of 131 per cent in Parliamentary pensions.

Age and Service Pensions, while indexed by CPI, have a safety net provision that they are maintained at not less than 25% of Male Total Average Weekly Earnings (MTAWE). Service Disability Payments have recently been accorded the same protection. The safety net provisions acknowledge that the CPI, alone, is not an adequate measure by which to maintain of the relativity of pensions to living standards in the wider community.

Submission: *That the indexation of all components of Disability Pensions and Military Superannuation under the Defence Force Retirement & Death Benefits Scheme (DFRDB) and the Military Superannuation and Benefits Scheme (MSBS) be calculated in the same manner as increases in Age and Service Pensions.*

Issue: **Military superannuants are doubly disadvantaged by the current application of taxation law.**

Pensions paid from "taxed" superannuation funds to persons over 60 years of age are exempt from income tax and are not taken into consideration in the determination of the pensioner's marginal tax rate.

Military superannuation schemes were "untaxed" was because of a Government convention that it did not pay tax to itself. Because the net cost to the Government would have been the same, had it done so, the distinction between "taxed" and "untaxed" schemes is artificial and the different taxation treatment of pensions from the two fund types seriously disadvantages military pensioners.

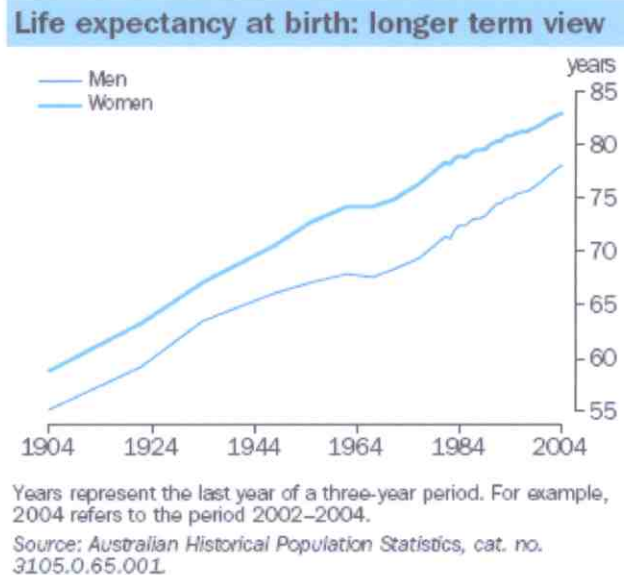
The disadvantages are two-fold in that not only are military retirement pensions taxed, but because they are treated as assessable income they can affect the marginal rate of tax paid on any other income of the taxpayer.

Submission: *That military superannuation pensions paid to veterans over the age of 60 years be exempt from income tax, in common with the treatment of superannuation pensions paid from "taxed" superannuation funds.*

That if Government is unwilling to exempt military superannuation pensions paid to veterans aged 60 years and over it should at least exclude those pensions from the calculation of the veteran's marginal rate of tax.

Issue: DFRDB pensioners who commute part of the pension to a lump sum are required to repay the lump sum via a reduction in the rate of pension. The amount of pension reduction was calculated by reference to the pensioner's life expectancy, according to the 1960-1962 Australian Life Tables, at the date of the election to commute. There is no provision for the pension to revert to the full rate once the pensioner passes the life expectancy upon which the repayment was based.

Life expectancy has increased markedly over the years since 1972 when the DFRDB scheme was introduced, as shown in the following graph.



Because there is no reversion to full pension a veteran passing the 1960-62 life expectancy is repaying in excess of the amount commuted.

The use of out-dated life expectancy tables causes current and future retirees to suffer a lower rate of pension by virtue of having to repay a larger amount over a lesser number of years than would be the case if current life tables were used. Combined with the inadequacy of indexation, previously discussed, this adversely affects the standard of living able to be enjoyed by the pensioner.

Submission: *That the legislation be amended to provide that existing DFRDB pensioners revert to one hundred per cent of pension fully indexed once the life expectancy upon which repayment was based has been exceeded AND to provide that for all future retirees the life table to be used in the calculation of the repayment of the commuted amount be the life table current at the date of the election to commute.*

Issue: Only a portion of the pensions of Defence Widows is indexed and that only in accordance with changes in the CPI.

The combination of these factors means that for these vulnerable members of the community the relativity of their income to community norms erodes at an even greater rate than if the Defence pensioner was still living.

Submission: *That one hundred per cent of Defence Widows' pensions be indexed AND that indexation be calculated in the same manner as increases in Age and Service Pensions.*

Issue: Aged Care Nursing facilities are not appropriate accommodation for young veterans in need of residential care.

Within the ex service community there are Veterans, generally in the 30's to 50's age groups, who because of significant physical, medical or emotional care needs are unable to live in the community or with their families.

In cases of extreme physical disability there are circumstances in which a younger person may be assessed as eligible for admission to a nursing home by an Aged Care Assessment Team. However, this is not adequate for younger Veterans whose need for residential care is related to complex psychological disorders.

Co-location with aged dementia or terminally-ill patients is not conducive to the treatment of psychological disorders or to the provision of an appropriate quality of life for young veterans facing extended periods of residential care.

Submission: That Government develop a program to provide suitable residential care accommodation for disabled veterans for whom aged care accommodation is not appropriate.