



**VIETNAM VETERANS' FEDERATION**  
8 Mary Street Granville PO Box 170 GRANVILLE NSW 2142,  
Phone (02) 9682 1788 Fax (02) 9682 6134  
Incorporating  
Vietnam Veterans Peacekeepers and Peacemakers Association NSW Branch  
Vietnam Veterans Federation Queensland Branch  
Vietnam Veterans Federation ACT Branch  
Vietnam Veterans Federation Victorian Branch  
Vietnam Peacekeepers Peacemakers Federation of Tasmania  
Vietnam Veterans, Peacekeepers and Peacemakers Federation of Australia WA  
Branch

6 April 2011

## **Inquiry into the Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill 2010**

### **Paper No 2 – Other Influences on the Value of DFRB/DFRDB/MSBS pensions**

SOME DFRB/DFRBF/MSBS MILITARY SUPERANNUANTS have opted to receive a 'commuted' lump sum payment with a compensating reduction of their fortnightly pensions.

The amount of this reduction was calculated by dividing the lump sum payment by how many years the recipient had to live according to government life expectancy tables. Other things being equal, the more years the recipient had to live, the less each pension payment had to be reduced to compensate for receiving the lump sum.

But life expectancy has increased markedly in the last thirty years. This means that the amount of money deducted from fortnightly pensions to compensate for receiving the lump sum should be reducing.

No such reduction has occurred, because the old, out of date, life expectancy tables are still being used.

It is easy to see that current life expectancy tables should be applied to those who opted for lump sum payments; a change which would result in modestly increased fortnightly pension payments.

We are at a loss to understand why out of date life expectancy tables should continue to be used.

WE NOTE THAT PENSIONS FROM 'taxed' superannuation funds are no longer subject to taxation but pensions from 'untaxed' superannuation funds, including DFRB/DFRDB/MSBS, receive only a minor tax concession.

Contributions to DFRB/DFRDB/MSBS were compulsory. Contributors could not choose to pay or not pay tax on their contributions. There having been no choice it seems unfair to deny veterans tax-free pensions.

This discrimination has imposed a double disadvantage on military superannuants. Firstly, as we have pointed out, they do not receive tax-free pensions. Secondly, unlike those whose pensions are not taxed, military superannuants pension income is added to any other income, the new total perhaps raising their marginal tax rate.

DFRB/DFRDB/MSBS military superannuation pensions should cease being taxed. If this is not possible, then, at least, pension income should not be added to other income but taxed separately so as not to push the pensioner into a higher tax bracket.

FINALLY, WE NOTE that, whilst the spouse of a deceased parliamentarian receives 83% of the deceased's superannuation pension, the spouses of deceased DFRB/DFRDB/MSBS superannuants receive only 62.5%.

Are the spouses of parliamentarians worth more than the spouses of war veterans?

Tim McCombe  
President