

Statement to the Senate Finance and Public Administration Committees

Why the DFRDB scheme is unfit as a Pension or Superannuation Scheme

Chair and Committee members,

The Defence Force Retirement and Death Benefits (DFRDB) Scheme fails the most basic tests of what a pension or superannuation scheme should deliver. It is not fit for purpose because:

“It exploits members by taking their contributions without crediting them, shifts all risk onto members, and siphons off every possible return for the Commonwealth. What was promised as compensation for enduring sub-commercial pay rates has instead delivered a system of harsh, permanent pension reductions with tax burdens that operate entirely outside any legitimate actuarial and indexing framework.

Veterans are taxed on their own capital. CPI adjustments, meant to preserve purchasing power, are themselves taxed on top of being eroded as reduction offsets, defeating the very purpose of indexation. Interest on lump-sum pre-payments is concealed as “pension reductions.” Contemporary benefits are subject to formulae using 60-year-old data, taxed at 30% (upcoming Division 293 - high earner rates), while the small cohort of affected retirees must lodge an annual tax return long after leaving service.

This is not compensation for extended insufficient salary remuneration. It is superannuation erosion: systemic, structural, and sustained, redirection of benefits promised to those who served”.