



**Australian Government**  
**Department of Defence**

MC20-002653

Mr Jim Hislop  
President, Australian Defence Force Retirees Association Inc.  
jghislop1937@hotmail.com

Dear Mr Hislop

Thank you for your email of 19 July 2020 to Senator the Hon Linda Reynolds CSC, concerning the Defence Force Retirement and Death Benefits (DFRDB) scheme. Senator Reynolds has asked me to respond on her behalf.

The Office of the Hon Darren Chester MP, Minister for Defence Personnel, previously addressed your concerns on 5 July 2019. Defence has also previously responded to your concerns on multiple occasions. I have enclosed a copy of the response dated 5 July 2019 from Minister Chester's Office for your reference, noting the information provided remains current.

The Commonwealth Ombudsman also responded to the Australian Defence Force Retirees Association (ADFRA) on 30 January 2020, responding to ADFRA's request that the Ombudsman review his decision. I have also enclosed a copy of this response for your reference.

I trust this information is of assistance to you.

Yours sincerely

A handwritten signature in blue ink that reads 'Fiona McSpeerin'.

Fiona McSpeerin  
Acting First Assistant Secretary  
People Policy and Culture

Department of Defence  
PO Box 7927  
Canberra BC ACT 2610

17 August 2020

Enclosures:

1. Letter from the Office of the Hon Darren Chester MP dated 5 July 2019
2. Letter from the Commonwealth Ombudsman dated 30 January 2020



## Office of the Hon Darren Chester MP

Minister for Veterans and Defence Personnel

MC19-001302

Mr Jim Hislop  
[jghislop1937@hotmail.com](mailto:jghislop1937@hotmail.com)

Dear Mr Hislop

Thank you for your email of 27 May 2019 to the Minister for Defence Personnel, the Hon Darren Chester MP, regarding the terms of reference for the investigation into the administration of Defence Force Retirement and Death Benefits (DFRDB) commutation. The Minister has asked me to respond on his behalf.

On 25 March 2019, the Australian Government announced an independent inquiry into the administration of the DFRDB Scheme commutation arrangements and the accuracy of the information provided to members with regards to the DFRDB commutation.

On 20 May 2019, the Commonwealth Ombudsman announced that he had decided to commence an own motion investigation into this matter. A copy of the media release is available on the Ombudsman's website ([www.ombudsman.gov.au/news-and-media](http://www.ombudsman.gov.au/news-and-media)).

As the Commonwealth Ombudsman has decided to commence an own motion investigation, the scope of the investigation is outlined on the Ombudsman's website.

Under the *Ombudsman Act 1976* the Ombudsman is empowered to investigate matters of administration. The Ombudsman does not have the power to investigate the policy or overall Scheme design.

DFRDB pensions for people under the age of 55 are adjusted twice yearly in line with upwards movements in the Consumer Price Index (CPI). For those over the age of 55, pensions are now indexed by the greater of positive movements in CPI and the Pensioner and Beneficiary Living Cost Index (PBLCI). The PBLCI is a measure of price changes used by the Australian Bureau of Statistics that better take into account those goods and services used by retirees. Regard is also paid to movements in average wages.

The change in indexation arrangements for over 55 year olds occurred in 2014 when the Government introduced fair indexation for Defence Forces Retirement Benefit (DFRB) and DFRDB superannuation pensions in its first budget. Since 1 July 2014, DFRB and DFRDB superannuants age 55 and over have had their pensions indexed in the same way as age

pensions. The change is estimated to provide over \$4 billion in additional pension benefits to military superannuants and their families over the life of the DFRB and DFRDB Schemes.

The other Commonwealth Government superannuation schemes, the Commonwealth Superannuation Scheme (CSS), Public Sector Superannuation (PSS) Scheme and Military Superannuation Benefits (MSB) Scheme, are indexed by CPI. Only DFRDB Scheme pension recipients over the age of 55 have their pensions indexed by the greater of the PBLCI or the CPI. There are no plans to make further changes to the indexation arrangements for the DFRDB Scheme.

The 2007 Review into Military Superannuation Arrangements (commonly known as the Podger Review) examined the operation of the life expectancy factors and concluded that if any change were to be made, it should be to require a substantially larger reduction in retirement pay in return for the commuted lump sum, not a smaller reduction.

There are currently no plans for further investigations into the overall design of the DFRDB Scheme.

I trust this information clarifies this matter for you.



**Robert Curtin**  
**Chief of Staff**

5 . JUL 2019

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30 January 2020

Mr Herb Ellerbock  
Australian Defence Force Retirees Association  
12 Alluvial St  
RUTHERGLEN VIC 3685

By email: [admin@adfra.org](mailto:admin@adfra.org)

Dear Mr Ellerbock

### **Defence Force Retirement and Death Benefits Scheme Report**

Thank you for your letter dated 14 January 2020 asking me to review my report into the administration of the Defence Force Retirement and Death Benefits (DFRDB) scheme, published in December 2019.

The scope of my investigation was framed having regard to the legislative remit of the Commonwealth Ombudsman (which is limited under s 5 of *the Ombudsman Act 1975*, to the investigation of ‘action that relates to a matter of administration’) and the allegations of defective administration of the DFRDB, which had gained considerable public interest at the time I initiated the investigation.

Correspondence between the Minister for Veterans’ Affairs, the Hon Darren Chester MP, and I, in advance of the investigation are included in my report. My letter, and subsequent public communication, were clear that the investigation was to look into the accuracy of information provided by scheme administrators and relevant departments to DFRDB scheme members in relation to commutation.

As the report makes clear, I particularly focused on of the allegation that government agencies had given members incorrect information about their DFRDB entitlements, and the implications of this for members. This was the central issue in my investigation, an action that relates to a matter of administration. I found that there had been defective administration, and recommended the Department of Defence and Chief of the Defence Force apologise to members for the historic maladministration. I am pleased that this recommendation was accepted.

As I outlined in my report, the many other issues you raised in your letter, which you also raised with us in your submission to our investigation, are matters of policy. These are determined by the Government and the Parliament of the day and are outside my jurisdiction to address. This means it would not be appropriate for me to explore these issues in great depth or advocate for any particular policy position to be taken, but for completeness I did outline these issues in my report. I note that the scope of my investigation was discussed with you by my staff in a meeting on 27 June 2019.

I am satisfied that I thoroughly considered the matters of administration that were brought to my attention during this process, and therefore fulfilled the legislative remit available to me under the *Ombudsman Act 1976*. I did so in the absence of any undue influence and came to conclusions based on a balanced assessment of the issues that were brought to my attention. I therefore completely reject your suggestion that my findings were “biased and selective”.

While I understand your frustration and disappointment that my report may not achieve all the outcomes you desired, I will not be revisiting the scope, findings or content of my report.

I have considered your feedback that there is a factual error in the report. I acknowledge the sentence ‘*DFRDB pension increases were authorised by separate annual Acts between 1 October 1972 and mid-1976*’ would have been better expressed without the word ‘annual’. I have approved a minor clarifying corrigenda to this effect. However, I note this issue is not material to the matters of administration at the core of my report, or to its findings and recommendations.

I will not be responding individually to your members who also sent me your letter of 14 January 2020. However, you are welcome to circulate this response letter to your members.

Thank you for your feedback. I trust this information is of assistance.

Yours sincerely



Michael Manthorpe PSM  
Commonwealth Ombudsman

*Influencing systemic improvement in public administration*