

APPENDIX B

Summary of Membership, Contribution and Benefit Provisions of the Defence Force Retirement and Death Benefits Scheme (DFRDB)

The DFRDB is established under the *Defence Force Retirement and Death Benefits Act 1973*. The Act and associated Regulations, and the Defence Force (Superannuation) (Productivity Benefit) Determination under the *Defence Act 1903* set out the full membership, contribution and benefit provisions of the DFRDB. The provisions of the Scheme are complex and a summary of the principal provisions of the Scheme is set out below. It should not be used to calculate benefits for individuals.

Membership

Membership of the Scheme is closed to new entrants and consists of members of the Scheme as at 30 September 1991 who did not transfer to the MSBS.

Definitions

Salary	Salary is the highest incremental salary for substantive rank plus Service Allowance and some Qualifications and Skills allowances
Final Salary	Salary at the date of termination of service
Statutory Retirement Age	Varies between age 47 and 60 depending on rank for officers, age 55 for other ranks

Member contributions

Member contributions are 5.5 per cent of Salary.

Retirement pay (pension)

Members who separate from the ADF on other than invalidity grounds are entitled to Retirement Pay on separation after completion of a minimum of 20 years service or, if they have reached Statutory Retiring Age for their rank, on completion of 15 years service.

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Retirement pay

Years of service	Per cent of final salary	Years of service	Per cent of final salary
15	30.00	28	47.50
16	31.00	29	49.25
17	32.00	30	51.25
18	33.00	31	53.25
19	34.00	32	55.50
20	35.00	33	57.75
21	36.50	34	60.25
22	38.00	35	62.75
23	39.50	36	65.25
24	41.00	37	67.75
25	42.50	38	70.50
26	44.00	39	73.50
27	45.75	40	76.50

Officers who voluntarily retire or are discharged on disciplinary grounds before reaching notional retiring age (generally 5 years below the Statutory Retiring Age) have a penalty applied to the calculation of their Retirement Pay. The penalty is a 3 per cent reduction in Retirement Pay for each year that their age on retirement is less than their notional retiring age.

Commutation

A portion of Retirement Pay may be commuted to a lump sum. The maximum sum is currently 5 times the annual Retirement Pay. The residual pension after commutation is calculated by use of an expectation of life factor ranging from 40.18 at age 31 to 15.60 at age 60 for males, and from 45.53 to 19.51 respectively for females.

Resignation benefit (no entitlement to Retirement Pay)

On resignation prior to being entitled to Retirement Pay, a benefit of a refund of the member contributions is paid.

Retrenchment or redundancy benefit

There is no special retrenchment or redundancy benefit and the benefit is either the Retirement Pay or Resignation Benefit as appropriate.

Invalidity benefits

The invalidity benefit payable depends on the level of invalidity suffered by the member.

Invalidity Classification	Degree of Incapacity
A	60% - 100%
B	30% - 59%
C	Less than 30%

Invalidity A Benefit

A pension of 76.5 per cent of Final Salary.

Invalidity B Benefit

A pension of 38.25 per cent of Final Salary.

Invalidity C Benefit

A lump sum of 1.5 times member contributions.

Death benefits for contributory members

If the member is survived by a spouse, the spouse receives a pension of 62.5 per cent of the pension that would have been paid to the member on being classified Invalid A. An additional pension may be paid in respect of dependent children. The surviving spouse has an option to convert part of the pension to a lump sum. The maximum lump sum is twice the member's Final Salary at death.

If the member is not survived by a spouse but is survived by dependent children under age 25, orphan's pensions may be payable.

If the member is not survived by a spouse or dependent children, a lump sum of 1.5 times member contributions is paid.

Pensions

Pensions are payable for the life of the pensioner and are increased twice each year in line with the movement in the Consumer Price Index (CPI).

On the death of the pensioner, a pension of 62.5 per cent of the member's pension prior to commutation is paid to the surviving spouse (if any). An additional pension is payable in respect of children under age 16 (or age 25 if still in full time education).

If there is no surviving spouse then in some circumstances orphans' pensions may be payable.

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Productivity (3 per cent) superannuation benefit

A Productivity Superannuation Benefit of 3 per cent of Salary accumulated with interest at a rate based on the long term Commonwealth Bond rate after allowing for a notional 15 per cent tax is paid in addition to the benefits set out above.

Superannuation guarantee top up

A top up benefit may be payable in addition to the benefits payable above in order to ensure that the benefits payable from the Scheme are at a level which meets Superannuation Guarantee requirements.