



## DEFENCE FORCE RETIREMENT AND DEATH BENEFITS AUTHORITY

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Please Quote  
Reference No.Contact  
Officer:

Mr D. Cocks

Telephone:

31 Mar 1987

LT. CDR. W.L. Krause (RTD)

Dear Lieutenant Commander Krause

Following your retirement from the Defence Force on 13 Feb 1987 you are entitled to retirement pay under the provisions of the Defence Force Retirement and Death Benefits Act.

2. The Defence Legislation Amendment Act 1984 has changed the commutation provisions of the DFRDB Act. These changes take effect from 1 July 1983 and have been brought about following the enactment of the Income Tax Assessment Amendment Act (No. 3) 1984 which introduced new taxation arrangements for lump sum payments on retirement. The maximum commutation lump sum which may be realised is the annual rate of retirement pay payable on retirement multiplied by the maximum commutation factor. For exits during the period 1 Jul 1986 to 30 Jun 1987 the factor is 4.20.

3. You have completed 20 years of effective service which entitles you to a benefit based on 35% of \$38584 (your annual rate of pay for DFRDB purposes immediately before retirement); however, because you retired prior to attaining the notional retiring age for your rank the benefit is reduced by 15%; your retirement pay entitlement is therefore \$11478.74 per annum. Payment has been authorised at this rate from 14 Feb 1987. Your election to commute portion of your retirement pay became effective on 16 Feb 1987 and accordingly your retirement pay entitlement is reduced from that date to \$10084.96 per annum. Payment will commence on 9 Apr 1987 and will include all arrears due to that date. Each fortnightly payment thereafter will amount to \$386.82 (less any deduction in respect of income tax).

4. This Office has assessed and deducted tax from the portion of the lump sum attributable to service after 30 Jun 1983, and will issue you with a Group Certificate and Statement of Termination Payment. This statement contains details of the components of the eligible termination payment to assist you in completing any documentation which may be required by the Taxation Office for all taxpayers who have received an eligible termination payment.

5. An amount of \$48210.71 representing the lump sum realised by commutation less deductions as set out below has been authorised for payment to you.

(a) Total Lump sum, i.e. eligible  
termination payment

\$48210.71

2.

(b) Less tax assessed on the portion  
of the lump sum attributable to  
service after 30 Jun 1983 \$2340.51

(c) Lump sum payable \$45870.20

6. You have a period of 90 days from the date of payment of the lump sum to elect to make a "roll over" payment to a superannuation fund, an approved deposit fund or a life assurance company etc., for the purchase of an annuity. Depending on the extent to which the eligible termination payment is "rolled over", that amount could be exempt from tax. Further details are available from your Taxation Office.

7. Your retirement pay is payable by the Department of Social Security Brisbane who will arrange for the fortnightly payment to be credited to your bank account and, at the end of each financial year, issue a Group Certificate. You should contact that Department if you have any enquiries regarding taxation on your entitlement. Please note that the Income Tax Instalment Declaration form, if applicable, should be lodged with the Department of Social Security. This form is available from your Local Post Office.

8. To facilitate payment of your benefit, the Department of Social Security, Brisbane, and the Authority should be promptly notified of any change in your address.

9. Following amendments to the DFRDB Act in relation to re-entered members, effective from 18 Nov 1981, a member who re-enters the Defence Force on or after that date for a period of less than one year will retain his entitlement to retirement benefits and will not contribute to the DFRDB Scheme. For the purposes of the DFRDB Act 1973 such a member will be treated as if he had not re-entered the Defence Force.

10. A member re-entering the Defence Force for a period of one year or more should notify this Office immediately as retirement pay must be cancelled and fortnightly contributions to the DFRDB Scheme at the normal rate must commence. Payments in respect of previous commutation of pensions are not required. On second exit, the additional period of effective service will be credited when calculating retirement pay. There will, however be no entitlement to an additional commutation lump sum.

Yours sincerely

for G.N. Vanthoff  
Chairman DFRDB Authority

Encl.



Australian Government

Commonwealth Superannuation Corporation



040 33175 F

Mr William KRAUSE

Reference No.

Your Scheme:

DFRDB

Telephone:

1300 001 877

Date:

22 June 2018

Dear William

I am writing to inform you that your pension will increase by 1.5% on **payday 5 July 2018**.

The following is a summary of your existing and new pension details:

Your old gross fortnightly pension was:	\$997.08
Your old net fortnightly pension was:	\$997.08
Your gross fortnightly pension increase is:	\$14.96
<b>Your new gross fortnightly pension is:</b>	<b>\$1,012.04</b>
We deduct this much tax:	\$0.00
<b>Your new net fortnightly pension is:</b>	<b>\$1,012.04</b>

Your new gross fortnightly pension contains the following tax components:

**Tax-free component**

Your new tax-free fortnightly component is:	\$0.00
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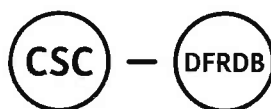
**Taxable components**

Your new taxed fortnightly component is:	\$0.00
Your new untaxed fortnightly component is:	\$1,012.04

Please note that the amount of your pension that is subject to an increase is dependent on the benefit options you chose on discharge from the Australian Defence Force (ADF).

Please find enclosed your 2017-2018 Payment Summary (please note the Australian Taxation Office (ATO) has already received your Payment Summary details, this copy is for your records only).

Please **retain your Payment Summary** as you will need it to complete your 2017-2018 tax return.



Defence Force  
Retirement & Death  
Benefits Scheme

Any financial product advice in this document is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs. You may wish to consult a licensed financial advisor.

Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243 AFSL: 238069 RSE: L0001397  
Trustee of the Defence Force Retirement and Death Benefits Scheme (DFRDB Scheme) ABN: 39 798 362 763

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## COMMONWEALTH OMBUDSMAN DFRDB SURVEY

### ADDITIONAL NOTES

Paragraph 3 of the Australian Government Retirement Benefits Office letter dated 31 March '1987 advised my annual uncommuted pension from the authorised date of 14 February 1987 will be \$11478 74 and because I elected to commute 4 years of my annual retirement pay entitlement was reduced to \$ 10084.96. This is a difference of \$ 1 393 78 pa. ( $\$1\,393.78 \times 14 \div 365 = \$53.46$  per payment)

Paragraph 5, the Australian Government Retirement Benefits Office letter dated 31 March 1987 states my eligible termination payment was \$48210.71. According to the Life Expectancy Factor Table my Notional Retirement Age factor is 34.59 Using the guide on page 14 of the DFRDB Guide  $\$48210.71 \div 34.59 = \$1393.78$  and  $\$1393.78 \times 14 \div 365 = \$53.46$ .

My eligible termination payment was \$48210.71 before tax as stated in the Australian Government Retirement Benefits Office letter dated 31 March 1987 my Retirement Pay Entitlement was reduced by \$1393 78 pa. This equates to a reduction of \$53.46 per fortnight. To repay \$48210 71 @ \$53.46 per fortnight will require 901.81 payments. This number of payments coincidentally aligns with my life expectancy based on Life Expectancy tables in use in 1987

The separation amount between my Retirement Pay Entitlement and Reduced Retirement Pay Entitlement is now \$57.66 per fortnight

Page 43 of the DFRDB Guide tells me "If you elect to commute from 4 times retirement benefit up to 5 times retirement benefit, the total amount of the remaining retirement benefit is indexed." This means my Reduced Retirement Pay Entitlement (Periodic Pension) is indexed automatically twice yearly

There is no mention in the DFRDB Guide of the "Separation Amount" or the Reduction Amount of my Retirement Pay Entitlement being indexed

There is nothing in the original contract I received from Australian Government Retirement Benefits Office letter dated 31 March 1987 that tells me the amount my Retirement Pay Entitlement Reduction will be indexed.

The Reduction Amount of the Retirement Pay Entitlement (Separation Amount) was set in the Australian Government Retirement Benefits Office letter dated 31 March 1987 as \$53 61. There has been no evidence provided by the DFRDB Authority to date justifying any change to this amount

A CSC letter dated 28 March 2019 has an attached Benefit Component Growth Table that shows all CPI indexations since 28 December 2001 have been applied equally by percentage to the Periodic Pension (Reduced Retirement Pay Entitlement), Notional Pension and Retirement Pay Entitlement (Uncommuted Pension).

In the absence of any evidence of authority to alter the information supplied in the Australian Government Retirement Benefits Office letter dated 31 March 1987 my Reduced Retirement Pay Entitlement (Periodic Pension) should be calculated as follows:

Uncommuted Pension - 1987 Separation Amount = Periodic Pension

$\$1077.80 - \$53.61 = \$1024.19$

William L Krause