



THE
DEFENCE FORCE
RETIREMENT AND DEATH BENEFITS
SCHEME

Retirement Benefits

Further information is available from the Office of:
The Defence Force Retirement and
Death Benefits Authority
P.O. Box 22,
Belconnen A.C.T. 2615

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This leaflet has been prepared by the Defence Force Retirement and Death Benefits (DFRDB) Authority to provide information on the benefits available to members of the Defence Force who are retiring with an entitlement to retirement pay. The leaflet relates to benefits payable under the DFRDB Act 1973 and the information contained is a broad outline and is based on the legislation as at 25 October 1984. It is not intended to be a substitute for the legislation and matters requiring specific interpretation are determined by reference to the DFRDB Act 1973. Further information may be obtained from the Authority at the address and phone number provided at the back of this leaflet.

ELIGIBILITY FOR RETIREMENT PAY

2. The DFRDB Scheme provides retirement benefits to members of the Defence Force who, on retirement, have completed the minimum qualifying period of service. The scheme is essentially based on the concept of completion of years of service rather than age at retirement.
3. You will be eligible to receive retirement pay if you leave the Defence Force on grounds other than invalidity if you have:—
 - completed 20 years effective service;
 - completed 15 years but less than 20 years effective service and you have attained the retiring age for the rank held immediately before retirement; or
 - completed a second period of service (or more) and prior to rejoining you had been in receipt of retirement pay, or a deferred benefit payable under either the DFRDB or the previous Defence Forces Retirement Benefits Scheme. (As special arrangements apply in these cases you should contact the Authority for advice if this situation applies to you.)
4. In general, effective service for retirement purposes is the total of all continuous full-time contributory service plus all periods of past service that you may have purchased.

WHAT YOU GET

5. Your rate of retirement pay is a percentage of your annual rate of pay at the date of retirement, the percentage being determined by your total completed years of effective service. The annual rate of pay is the maximum rate of pay for your substantive, provisional or probationary rank and, if appropriate, your pay level (where increments are provided it is the maximum of the salary range) plus service allowance if payable. The only exception occurs in the case of Chaplains where certain intermediate points have been set because of the long salary ranges which apply.

6. If you have made an election to have a reduction in pay disregarded for the purpose of benefits under the Scheme you should contact the Authority to ascertain the rate on which retirement pay will be assessed.

7. Table I setting out the percentages of retirement pay applicable to years of effective service and Table IV giving two Retirement Pay Examples are at the back of this leaflet.

NOTIONAL RETIRING AGE (APPLIES TO OFFICERS ONLY)

8. If you are an officer and you have retired at your own request or you have been discharged on disciplinary grounds, and you have:—
 - completed 20 years or more effective service; but
 - you have not attained the notional retiring age designated for the rank held immediately before retirement,

then your retirement pay entitlement (retirement pay not the percentage) is reduced by 3% for each year that your age on retirement is less than the appropriate notional retiring age. The notional retiring ages applicable to Army Officers and equivalent ranks in Navy and Air Force are Major and below 42; Lt Colonel 45; Colonel and Brigadier 50; Major General 52; Lt General and General 55. Example 2 in Table IV includes a notional retiring age adjustment.

DETRIMENT (APPLIES TO OFFICERS ONLY)

9. If you are an officer who, with effect from 1 October 1972, was transferred as an officer from the previous DFRB Scheme to the present DFRDB Scheme, then your rate of retirement pay available on retirement may be less than that which would have been applicable to you under the previous scheme. You may be 'in detriment' if you have attained the retiring age for rank held at 30 September 1972 or, under certain circumstances, if you retire to accept a resettlement opportunity or to meet the needs of service. Should you believe you might be 'in detriment' you should contact the Authority to ascertain the benefits and requirements.

HOW TO APPLY FOR RETIREMENT PAY

10. Payment of Retirement Pay is generated by the Form 'Application for Retirement Pay'. This form is generally completed about 6 weeks before discharge at parent units or the pay office. The form is sent from the unit to the Defence Force Pay Accounting Centre, Melbourne which will forward it to the Authority.

PAYMENT ARRANGEMENTS

11. Your first retirement pay cheque can be expected approximately 4 to 6 weeks after your official discharge date. In most cases payment of arrears from the day following retirement will be issued by means of a separate cheque. Payments are made fortnightly and must be paid direct to an account in your name, or to an account held jointly with one other person, with:—

- most savings banks
- any trading bank (i.e. cheque accounts)
- an approved building society
- an approved credit union

Arrangements can also be made for payment overseas if your absence from Australia will be for 12 months or more. Please indicate your requirements on the application form where applicable or by letter to the Authority.

12. Taxation and Medicare Levy deductions are made from fortnightly pension payments by the Authority's paying agents. The agents are the Department of Finance in Canberra and the Northern Territory and the Department of Social Security in the Capital City of each State. The agents will forward a group certificate at the end of each financial year.

COMMUTATION

13. If you are eligible to receive retirement pay you may elect, within 12 months after your date of retirement to commute a portion of your retirement pay; that is, receive a lump sum prepayment of part of your future retirement pay. The maximum amount that you may commute is shown in Table III. As you will see the maximum amount available increases by .05 times in each whole period of 12 months following 30 June 1983 up to a maximum rate of 5 times retirement pay. Your reduced retirement pay following commutation is determined in accordance with your life expectancy on the date the election is received by the Authority. The life expectancy factors are provided at Table II. Examples of retirement pay and commutation are also provided at the back of this leaflet.

HOW TO APPLY FOR COMMUTATION

14. An election for commutation can be made on the applicable form, which is available at your parent unit/pay office, or by letter to the Authority. An election made, or received by the Authority, on or before your date of retirement is invalid.

15. Any outstanding DFRDB debt that you have on retirement (e.g. shortfall in contributions, repayment of advance on gratuity, repayment for the purchase of past service) may be deducted from the lump sum on commutation providing you elect for the lump sum within 90 days after retirement.

TAXATION OF LUMP SUM

16. The question of taxation of superannuation lump sums is complex and this leaflet can only provide a guide. The taxation law has been changed to provide new arrangements for the taxation of commutation lump sum payments made after 1 July 1983. Under the new arrangements the Authority is required to deduct taxation, if appropriate, from the part of your commutation lump sum which relates to service after 30 June 1983. Members will be advised by the Authority, shortly after payment, of the amount of tax deducted and will be provided with details of the apportionment of the lump sum for service up to and after 30 June 1983. The part which relates to service prior to 1 July 1983 will remain subject to the former rules and members will be required to declare 5% of this part as income in their income tax return for the year in which the commutation lump sum is received. Any further questions regarding taxation should be directed to a Deputy Commissioner for Taxation in each State.

PAYMENT OF COMMUTATION

17. There are 3 methods of payment available in respect of the lump sum. These are by cheque.—

- sent to your residential or postal address;
- to you, care of your bank, building society or credit union manager. (You make the arrangements with the manager to credit your account.) If payment is required care of your 'bank manager' you should also request that the manager provide, to the Authority, written agreement of the arrangement; or
- transferring all or part of the payment to an approved deposit fund, deferred annuity fund or to a superannuation fund; (the address for payment must be provided).

18. In most cases the lump sum can be expected approximately 4 weeks after the election and relevant documentation e.g. application for retirement pay and discharge advice, is received by the Authority.

19. A letter will be issued by the Authority with details of your entitlements and payment arrangements. The letter should be received prior to your first retirement pay payment.

PENSION INCREASES

20. Pension increases are applied only to Government financed components of pensions. The legislation provides for increases based on upward movement of the Consumer Price Index for the 12 months ended 31 March each year, paid on the first pension payday in July that year. There are proportionate adjustments if pensions have been paid for only part of the preceding year.

However it should be mentioned that in 1986 separate legislation was enacted which provided that the pension increase of 9.2% based on the increase in the Consumer Price Index for the year ending March 1986 was reduced by 2% from payday 23 October 1986. The Government indicated that this reduction was due partly to the need for general economic stringency, and also to ensure equitable treatment between those who retired before 1 July, 1986 who received the advantage of all or part of the 9.2% pension increase, and later retirees whose pensions were calculated on salaries which had taken the 2% reduction as a result of the July 1986 National Wage Case discounted increase.

YOU CAN APPEAL

21. If you are dissatisfied with a decision made by the Authority you can apply in the first instance to the Authority for the decision to be reconsidered. A request for the Authority to reconsider a decision should be made within 30 days after you have received advice of that decision and the grounds on which the request is being made should also be stated. Supporting evidence should be forwarded with, or as soon as possible after, your request.

22. If you are dissatisfied with the Authority's decision after reconsideration, you can apply to an independent body, the Administrative Appeals Tribunal, for a review of the Authority's decision.

23. The Freedom of Information Act provides a right to request access to documents held by Government Agencies including documents relating to your personal affairs. This right may be pursued in accordance with the provisions of that Act.

GENERAL ENQUIRIES

24. If you have any enquiries concerning benefits payable under the Scheme please do not hesitate to contact the Authority on Canberra (062) 52-6338 or write to:—

The DFRDB Authority,
PO Box 22,
Belconnen, ACT, 2616.

You may also visit the Authority at Unit 1, Cameron Offices, Chandler St, Belconnen, ACT, to discuss your entitlements. If you wish to use this facility you should arrange an appointment with a counselling officer on phone (062) 52-6338. The counselling officer is also available to discuss benefits under the DFRDB Scheme at Resettlement Seminars for members of the Defence Force who are retiring. It is strongly recommended that you obtain information on your retirement benefits entitlements before committing yourself to a retirement date.

TABLE I
PERCENTAGE OF RETIREMENT PAY APPLICABLE TO YEARS OF SERVICE

Total Number of Years of Effective Service Completed	Percentage of Pay at date of Retirement	Total Number of Years of Effective Service Completed	Percentage of Pay at date of Retirement
* 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
* see paragraph 3(b) (late entrants only)		33	57.75
20	35.00	34	60.25
21	36.50	35	62.75
22	38.00	36	65.25
23	39.50	37	67.75
24	41.00	38	70.50
25	42.50	39	73.50
26	44.00	40	76.50
27	45.75	or more	

TABLE II
COMMUTATION OF RETIREMENT PAY: EXPECTATION OF LIFE FACTOR

Age (in yrs) at date election received	Factor		Age (in yrs) at date election received	Factor	
	male	female		male	female
31	40.18	45.53	48	26.51	31.48
32	39.25	44.57	47	25.65	30.58
33	38.31	43.61	46	24.80	29.69
34	37.38	42.65	45	23.96	28.80
35	36.45	41.70	50	23.13	27.92
36	35.51	40.75	51	22.31	27.05
37	34.59	39.81	52	21.51	26.18
38	33.67	38.86	53	20.72	25.32
39	32.75	37.92	54	19.94	24.47
40	31.84	36.99	55	19.18	23.63
41	30.93	36.06	56	18.43	22.79
42	30.03	35.13	57	17.70	21.96
43	29.14	34.21	58	16.99	21.13
44	28.25	33.29	59	16.29	20.32
45	27.38	32.38	60	15.60	19.51

TABLE III
MAXIMUM COMMUTATION ENTITLEMENT

Date of Retirement	Maximum Amount
1.7.82 to 30.6.83	4.00 times
1.7.83 to 30.6.84	4.05 "
1.7.84 to 30.6.85	4.10 "
1.7.85 to 30.6.86	4.15 "
1.7.86 to 30.6.87	4.20 "
1.7.87 to 30.6.88	4.25 "
etc	
1.7.2002 and later dates	5.00 (maximum)

**TABLE IV
RETIREMENT PAY EXAMPLES**

Example 1 is that of an Army Sergeant, pay level 4 and 5, (equivalent Navy and Air Force ranks) who completes 20 years of effective service on 1 August 1987 at the age of 39. The salary used is that applicable as at 1 September 1986. All figures are gross and do not take into account taxation deductions.

Rank	Sergeant
Salary (para 5)	\$25,306.00
Effective Service (para 3 & 4)	20 years
Retirement Pay % (Table I)	35%
Retirement Pay Per Annum	\$ 8,856.76
Retirement Pay Per Fortnight	\$ 339.71
Commutation (para 13) 4.2 times	\$37,641.18
Age 39 Factor (Table II)	32.75
Reduction	\$ 1,149.35
Reduced Retirement Pay Per Annum	\$ 7,707.40
Reduced Retirement Pay Per Fortnight	\$ 295.63
Method of Calculation used is:-	
$\$25,306 \times 35\%$	\$ 8,856.76
$\$ 8,856.76 \times 4.25$	\$37,641.18
$\$37,641.18 - 32.75$	\$ 1,149.35
$\$ 8,856.76 \text{ less } 1,149.35$	\$ 7,707.40
$\$ 7,707.40 \times 14 - 365$	\$ 295.63

Example 2 is that of an Army Major (equivalent Navy and Air Force ranks) who completes 20 years of effective service on 10 May 1987 at the age of 39. The salary used is that applicable as at 1 September 1986. All figures are gross and do not take into account taxation deductions.

Rank	Major
Salary (para 5)	\$29,584.00
Effective Service (para 3 & 4)	20 years
Retirement Pay % (Table I)	35%
Retirement Pay Before Reduction	\$13,504.40
Notional Retiring Age Reduction for Age 39 (para 8)	9%
Reduction	\$ 1,215.40
Actual Retirement Pay Per Annum	\$12,289.00
Actual Retirement Pay Per Fortnight	\$ 471.36
Commutation (para 13) 4.2 times	\$51,613.80
Age 39 Factor (Table II)	32.75
Reduction	\$ 1,575.99
Reduced Retirement Pay Per Annum	\$10,713.01
Reduced Retirement Pay Per Fortnight	\$ 410.91
Method of Calculation used is:-	
$\$29,584.00 \times 35\%$	\$13,504.40
$\$13,504.40 \times 9\%$	\$ 1,215.40
$\$13,504.40 \text{ less } \$1,215.40$	\$12,289.00
$\$12,289.00 \times 4.2$	\$51,613.80
$\$51,613.80 - 32.75$	\$ 1,575.99
$\$12,289.00 \text{ less } \$1,575.99$	\$10,713.01
$\$10,713.01 \times 14 - 365$	\$ 410.91

LEAFLETS

Other Leaflets available are:-

Widows', Widowers' and Children's Benefits. (If you are retiring with an entitlement to retirement pay and you are married, separated, divorced or in a de facto relationship you should obtain and read a copy of this leaflet.)

Preserved Benefits

New Entrants

Invalidity Benefits