

27 March 2021.

Chairperson,
Foreign Affairs, Defense and Trade Committee
Department of Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir or Madam,

RE: **DEFENCE FORCE RETIREMENT AND DEATH BENEFIT (DFRDB)**
INVESTIGATION

My submission to the Committee on the Accuracy of Information provided to me as a Contributor to, first the Defence Force Retirement **Benefit** Scheme (DFRB), and the transfer, in 1972, to the Defence Force Retirement and Death **Benefit** Scheme (DFRDB) is attached.

To the Submission, I have attached two letters **answering my request** for information about my Retirement Entitlement. The first Official information I had received. Neither of these replies, nor any of the Brochures concerning the DFRDB Scheme, gave any indication that, when I had repaid my Commutation, (advance of 4 years pension), I would continue to pay the yearly amount of my Commutation for the rest of my life. **This has resulted in over \$109000, increasing ever fortnight, being paid, over and above the repayment of the Commuted amount received, since the payment in full of my Commuted amount. taken.**

I understood, from Retirement Seminars I attended, that Commutation **was a BENIFIT** to allow me to find my feet in my Retirement to Civilian Life after 39years service beginning in WW2.

Yours sincerely

W G RITCHIE AM RAN RTD

Attached: Submission.

Attachment 1. (DFRDB Letter dated 16 September 1977

Attachment 2. (DFRDB Letter dated 31 May 1983.

**SUBMISSION
TO FOREIGN AFFAIRS,
DEFENCE AND TRADE COMMITTEE
DEPARTMENT OF SENATE
BY
WILLIAM GRAY RITCHIE AM RAN RTD**

Background.

I served in the Royal Australian Navy from 25 July 1944 to 1 September 1983. I saw service in World War II, Korea, Malaysia and Indonesia Confrontation x 3, and Vietnam x 2. I also did three-year Exchange Service with the Royal Navy on two occasions during the Cold War.

I was promoted to Officer on 26 October 1956 and completed some additional Officer training before joining HMS Tumult on 18 December 1956.

Defence Force Retirement Benefit (DFRB) Scheme

It was during the period October to December 1956 I received a letter, from Australia House London, advising me that all my Deferred Pay had been transferred into the DFRB Scheme and was required to provide an additional amount to bring me up to 100% member of the scheme. I sent the required money. There was no discussion and **No details of the DFRB Scheme were provided in the form of a brochure or anything else.**

Sometime after my return to Australia in late April 1959, I borrowed a Brochure outlining the DFRB Scheme. I carefully read all the information in the brochure and in particular read about being able to Commute a part of the Pension. I studied the relevant Computation details and Table which, in the absence of any statement in writing, I took to mean that there would be the opportunity to obtain an advance of part of my pension to allow resettlement into civilian life. I also appreciated that for four years my pension would be reduced to payback the advance of pension due to Computation. Subsequently, over the years I heard other people discussing the Scheme and I gleaned that my interpretation was the same as theirs. That is four years retirement pay would be provided in advance. This advance was to be repaid over a set period against age. Over the years, I attended some Retirement Seminars, and this was the position when someone asked a question about it.

DFRB Funds

During my research I became aware that Member's **contributions went into a Fund that was controlled by a Board who invested the Funds.** The Scheme was never going to be able to meet all the commitments and the Government topped up the outgoings from Consolidated revenue. See below what happened when the DFRDB Scheme replaced the DFDB Scheme. There was no doubt in my mind that the applicant's health was a major consideration to ensure the advance would repaid before death. I believe the DFRDB computation was a right,

and I don't believe is the concern or the business of Government how the member used the advance of future entitlements.

Defence Force Retirement Benefit (DFRDB) Scheme

I do not recall receiving any correspondence or brochures, concerning this Scheme. I managed to find a brochure, a 1972 DFRDB brochure by accident, and on reading, it appeared to be provide exactly the same table, and more or less the same written words concerning computation, as the Brochure I'd read when I returned to Australia in 1959.

Dated 16 September 1977 I received a letter from the chairman of the DFRDB authority providing me with information I had requested concerning my Pension at retirement at age 55. This gave me details of what my pension would be, and the alteration if I took computation. There is no mention in this letter that the yearly repayment of the computed amount at the end of four years four would continue be taken from my pay until death. Copy of this letter is at **Appendix 1**.

Dated 31 May 1983, I received a letter to my 7 May request concerning my entitlement if I retired on 1 September 1983. The information in paragraph 2 of this letter stated in part, **"which is a pension benefit based on the number of effective Service completed by you at retirement."** Further on in paragraph 5 there is a set of figures showing that if I commuted my retirement pay would be reduced from **"\$25210.50 annually to \$19 513.21"**. From these figures the yearly amount being repaid over four years would be **\$5697.29**. Copy of this letter is at **Appendix 2**.

DFRDB Funding

Unlike the DFRB Scheme, the DFRDB Scheme contributions, by members, were paid into Consolidated Revenue where no interest was earned. These funds obviously assisted with the balancing of the budget. I am led to believe there were Departments, who did not wish to see the DFRDB introduced.

Repayment of Computation

The 1981 DFRDB Brochure shows that at age 57, the length of time required to have repaid the commuted amount for 17.7 years. From what I have been told and read, his means that the **.7 would mean the 17 years would start from 1 March 1984 and finish on 1 March 2001**. This is **20 years that I have been paying \$5697.29/year, or at 1 March 2021, \$113,945 and increasing yearly while I am alive at \$5697.29**.

Retirement Benefit v Retirement Liability

My Submission Is¶ that the change from **DFRD Scheme** that I joined, on becoming an Officer, and offered a **Retirement Benefit to allow Resettlement into Civilian life after 39 years in the service of my country**, was changed without any consultation **to Retirement Liability that will continue until my Death**. **Presently I have paid over twice the amount I received as Computation**. I am sure that if this had happened in a Private Company, rather than in the Government Department, heads would be rolling.

Question

When can I expect to recover the overpayment of my commuted amount of over \$103945 and increasing evry fortnight I have the privilege of living?

Why was a Retirement Benefit Scheme changed to a Retirement Liability Scheme until death?

HERE ENDTH MY SUMISSION.

W G RITCHIE AM

AUSTRALIAN GOVERNMENT RETIREMENT BENEFITS OFFICE



DEFENCE FORCE RETIREMENT AND DEATH BENEFITS

Appendix 1
W G RITCHIE
Submission

Postal Address: P.O. Box 22 Belconnen A.C.T. 2616

Business Address: Unit 1 Cameron Offices Belconnen A.C.T.

Telex: AA 62052

Telegrams: 'DFRDB'

Telephone: 52 7911

Date: 16 Sep 1977

Reference:

Contact:

Commander W.G. Ritchie

Dear Commander Ritchie

I refer to your enquiry made with Mr Cook of this Office during his recent visit to Perth, concerning your entitlements under the provisions of the Defence Force Retirement and Death Benefits (DFRDB) Act 1973.

2. Section 23 of the DFRDB Act provides for retirement pay based on the number of years of effective service completed by the member on retirement. Should you retire from the Defence Force on 1 March 1978 you will have completed 33 years and 220 days of effective service, according to records currently held at this Office, and you would be entitled to retirement pay at the rate of 57.75% of your pay for DFRDB purposes at retirement. Based on current rates of pay this would be an amount of \$12,053.58 per annum (\$462.33 per fortnight).

3. You would be eligible, within twelve months after retirement, to elect under section 24 of the Act to commute portion of your retirement pay to realise a lump sum not exceeding four times the annual amount of retirement pay entitlement at retirement. The maximum lump sum available from commutation would be \$48,214.32. If you commute the maximum amount at age 52 years your retirement pay would reduce to \$9812.10 per annum (\$376.35 per fortnight).

4. Should you retire on 1 March 1981, however, you will have completed 36 years and 220 days of effective service, and you would then be entitled to retirement pay at the rate of 65.25% of your pay for DFRDB purposes at retirement. At current rates of pay this would be an amount of \$13,618.98 per annum (\$522.37 per fortnight). The maximum lump sum available from commutation would be \$54,475.92, and if you commute this maximum amount at age 55 years your retirement pay would reduce to \$10,778.73 per annum (\$413.43 per fortnight).

2.

5. I should mention that the foregoing information assumes that retirement is on non-medical grounds. In the event that your retirement is on medical grounds the invalidity provisions of the Act would apply and you should contact this Office for alternative advice. It is important to note that there is no provision for commutation of invalidity pay.

6. I trust this information is of assistance.

Yours sincerely

for R.C. Davey
Chairman DFRDB Authority



AUSTRALIAN GOVERNMENT RETIREMENT BENEFITS OFFICE

DEFENCE FORCE RETIREMENT AND DEATH BENEFITS

Postal Address: P.O. Box 22 Belconnen A.C.T. 2616

Business Address: Unit 1 Cameron Offices Belconnen A.C.T.

Telex: AA62052

Telegrams: 'DFRDB'

Telephone: (062) 62 7911

Please Quote
Reference No.

Contact
Officer

Telephone: 526484

Appendix 2
W G RITCHIE
Submission

31 May 1983

CDR. W.G. Ritchie

Dear Commander Ritchie

I refer to your letter of 7 May 1983 concerning your entitlements under the Defence Force Retirement and Death Benefits (DFRDB) Act 1973.

2. Upon cessation of your service with the Defence Force you may become entitled to retirement pay which is a pension benefit based on the number of years of effective service completed by you at retirement. It is expressed as a percentage of your pay for DFRDB purposes immediately prior to retirement from the Defence Force.

3. As a recipient member you may elect for commutation and realise a lump sum not exceeding four times your retirement pay entitlement. An election for commutation should be made within one year after the date of retirement and must specify the amount required. The election for commutation is deemed to have been made on the day on which the notice of election is received by the Authority, and retirement pay is reduced with effect from that date. A form of election should be given to you as part of your discharge procedure.

4. An election for commutation can be made from the day after the date of your discharge. The commutation cheque can be expected about four weeks after the date of receipt of the election form provided that all relevant documents and information relating to your retirement have been received from your Pay Accounting Centre.

5. Listed below are your retirement pay and commutation entitlements based on current rates of pay.

Substantive rank : Commander

Annual rate of pay : \$34,300.00

Retirement date : 1 Sep 1983

2.

Effective service	39 years 39 days	
Percentage of pay	: 73.5%	
Retirement pay	: \$25,210.50 p.a.	\$966.98 p.f.
Lump sum on commutation	\$100,842.00	
Reduced retirement pay following commutation at age 57 (factor 17.7)	: \$19,513.21 p.a.	\$748.45 p.f.

5647.24

6. If you elect to commute at an age other than the one shown in paragraph 5 your reduced rate of retirement pay will be different from the rate quoted. It should be noted that, in law, you are regarded as having attained a particular age on the day preceding the anniversary of your birth.

7. The benefits quoted herein are based on current computer records held in this Office and information supplied by the Department of Defence which may require confirmation before benefits can be approved. It is also assumed that you will be discharged on other than medical grounds. In the event that you are discharged for medical reasons the invalidity provisions of the DFRDB Act 1973 will apply and you should contact this Office for alternative advice.

8. Enclosed is a leaflet entitled Retirement Benefits which may be of interest to you as it explains these provisions in greater detail.

9. I trust that this information will be of assistance to you. Please do not hesitate to contact this Office should you need further advice.

Yours sincerely

for R.C. Davey
Chairman DFRDB Authority

/ Encl.