

Example of Class C Employer Benefit for an MSBS Member

Commencement Age: 19
Retirement Age: 25

employer benefit payable on retirement at or after age 55:

6 years @ 18% = 108% x FAS3

If FAS3 is \$25 000 then the employer benefit will be:

\$25 000 x 108% = \$27 000
(adjusted yearly for inflation from separation up to age 55)

When will ineligibility conditions apply?

Members will not receive invalidity benefits if they deliberately inflict themselves with an injury which causes their retirement. However, the Trustees have the discretion to pay an invalidity benefit, if they decide the member's disablement was not entirely due to a deliberate action. The Trustees will also pay an invalidity benefit when the deliberate action itself was caused by a medical or psychological condition.

If a member is discharged as medically unfit within two years of entry, because of a pre-existing medical condition not aggravated by his/her ADF service, then invalidity benefits will not be payable. Members in this situation will receive a lump sum refund of their contributions plus interest. They will also receive an employer benefit based on their actual service and payable at age 55.

Invalidity benefits will not be payable when a member is retired because of an injury incurred while the member was absent without leave, illegally absent or a deserter and, under the Defence Force Discipline Act, salary and allowances had been forfeited. However, the Trustees have the discretion to pay benefits, if they decide the member was absent because of sufficiently mitigating circumstances.

Reviews

If you become a Class A or Class B retiree, and are under age 65, you may have your entitlement reviewed from time to time. If your capacity for civilian employment has changed your classification can be changed also. However, once you reach age 55 your entitlement may be reviewed but your classification cannot be downgraded.

If you are classified Class C on retirement you will not be reviewed. Generally, as a Class C retiree you would be expected to find a new civilian job and become a member of your new employer's superannuation scheme.

If, as the result of a review, you were reclassified to Class C your pension would cease but the whole of the Class C employer benefit will remain payable on retirement from the workforce at or after age 55.

This leaflet has been prepared by the Military Superannuation and Benefits Scheme (MSBS) Implementation Team to provide you with information about the invalidity benefits in the MSBS. This leaflet is only intended to provide you with a simple explanation of the invalidity benefit provisions and is not a substitute for the legislation or matters requiring specific interpretation of the legislation.

Further information may be obtained on this topic from the MSBS Hotline on (008) 020 555 or by writing to:

MSBS Implementation Team
PO Box 277
Civic Square ACT 2608

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INVALIDITY BENEFITS



MSBS
MILITARY SUPERANNUATION
AND BENEFITS SCHEME

How are invalidity benefits determined?

ADF members must maintain a high standard of fitness. Many servicemen and women have to retire from the ADF as invalids even though they are not permanently disabled. Most are able to find new jobs as civilians.

The aim of the MSBS is to give invalidity retirees a benefit which matches their ability to gain alternative civilian employment. The benefit received by a severely disabled retiree, for instance, will be different to the benefit received by a retiree with good re-employment prospects.

The MSBS Trustees determine the appropriate invalidity benefit by classifying retirees as Class A, Class B or Class C.

If on retirement your incapacity for suitable civilian employment is judged to be 60% or more, you will be classified as **Class A**.

If on retirement your incapacity for suitable civilian employment is judged to be less than 60% but more than 30%, you will be classified as **Class B**.

If on retirement your incapacity for suitable civilian employment is judged to be less than 30%, you will be classified as **Class C**.

Your benefits will vary according to your classification.

What benefits will I receive?

Class A Benefits

If you leave the ADF as a Class A retiree, you will receive a lump sum refund of your MSBS contributions plus interest. This is the **member benefit** component of your invalidity benefit. You can take this lump sum immediately or leave it in the MSBS and withdraw it later.

As a Class A retiree you will also receive a pension payable from the date of your invalidity retirement. This pension is the government financed or **employer benefit** component of your invalidity benefit. Your pension will be adjusted each year to keep pace with inflation. You will not be able to convert your pension into a lump sum.

The employer benefit is based on your final average salary and the total number of years you would have served if you had remained in the ADF until you turned 55. Final average salary (FAS3) is the average of your salary for contribution purposes over the three years before separation from the ADF. Your employer benefit is calculated by multiplying FAS3 by a factor related to your actual service plus the years of service you would have completed had you served to age 55 or retiring age for rank, whichever is greater.

Example of Class A Invalidity Pension for MSBS Member

Commencement Age: 20
Retirement Age: 30

Member Benefit:

Refund of Contributions = \$10 500
Interest = \$ 8 500

Employer Benefit:

Actual service is 10 years; prospective service from date of retirement to age 55 is 25 years. Therefore the employer benefit pension is based on a total of 35 years of service as follows:

7 years @ 18% = 126% x FAS3
13 years @ 23% = 299% x FAS3
15 years @ 28% = 420% x FAS3
Total = 845% x FAS3

If FAS3 is \$30 000 the employer benefit (before conversion to a pension) will be:

$\$30\,000 \times 845\% = \$253\,500$

The member's pension is obtained by dividing the lump sum employer benefit by 12 (the conversion factor applying at age 55)

Pension = $\frac{\$253\,000}{12} = \$21\,125$ per year

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Class B Benefits

If you leave the ADF as a Class B retiree, your member benefit will be a lump sum refund of your MSBS contributions plus interest (you can take the lump sum immediately or leave it in the MSBS and withdraw it later).

You also will receive an employer benefit pension payable from the date of your invalidity retirement. The amount of the pension will be one half of the Class A pension or a pension based on actual service, whichever is the greater.

For example, a member who joins the ADF at age 20 and is retired as a Class B invalid at age 30 will receive a pension based on the ten years of actual service or a pension equalling half of the pension based on 35 years of service to age 55, whichever is greater.

Your pension will be adjusted each year to keep pace with inflation. You will not be able to convert your pension into a lump sum.

Class C Benefits

If you leave the ADF as a Class C retiree your member benefit will be a lump sum refund of your MSBS contributions plus interest (you can take the lump sum immediately or leave it in the MSBS and withdraw it later).

You will also receive an employer benefit lump sum based on actual service completed to date of retirement. The benefit will become payable on retirement from the workforce at or after age 55. It will be adjusted to keep up with inflation each year until you retire.

Your Class C employer benefit is not like the normal employer benefit payable on resignation. Resignation benefits are phased in over the first seven years. Your full Class C employer benefit is always payable in full no matter your length of service.

For example, a member who joins the ADF at age 19 and retires as a Class C invalid at age 25 will receive an employer benefit lump sum based on six years of service as follows: