

If the 3% benefit had been a separate component in MSBS, there would have been an offsetting reduction in the employer benefit. The 3% benefit was incorporated to assist communication of the total superannuation benefit.

What happens if there are subsequent rounds of the 3% benefit?

There are no plans at this stage to extend award based superannuation. You will be kept informed of progress should there be any change.

How will I know what my 3% benefit is worth?

Each year members of the DFRDB Scheme and the MSBS will receive a report which will show the amount of the 3% benefit and the interest it has earned.

This leaflet has been prepared by the Military Superannuation and Benefits Scheme (MSBS) Implementation Team to provide you with information on the 3% benefit. The leaflet is not a substitute for the legislation, or matters requiring specific interpretation of the legislation.

Further information may be obtained from the MSBS Implementation Team on 008 020 555 or by writing to:

MSBS Implementation Team
PO Box 277
Civic Square ACT 2608

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THE 3% BENEFIT



The 3% Benefit

In June 1986, as part of a National Wage Case, the Conciliation and Arbitration Commission allowed employers and unions to negotiate superannuation arrangements costing no more than 3% of wages. These arrangements are generally referred to as 3% productivity benefits or award superannuation.

The Commonwealth decided that the 3% benefit should apply to all its employees, including members of the ADF, and that it should be phased in from 1 January 1988.

The 3% Benefit and DFRDB

As a member of the DFRDB Scheme you are entitled to a 3% benefit as well as your DFRDB benefit when you separate from the ADF. The Commonwealth will pay into a rollover fund an amount equal to 3% of your salary plus interest at the long term bond rate. If your 3% benefit on separation is less than \$500, it is not rolled over but is paid to you as a lump sum.

Under Commonwealth legislation which applies to all 3% superannuation schemes, you can only withdraw the benefit from a rollover fund before retirement from the workforce in special circumstances. These circumstances include permanent disablement, death, or permanent departure for overseas. The 3% benefit is normally paid on retirement from the workforce at or after age 55.

If you decide to stay with DFRDB after 1 October 1991 the current arrangements will continue. The interest rate which will apply in the future will be the long term bond rate as at the 1st January in each year.

Since the benefit was introduced the interest rates have been 12.68% for 1988 and 1989, 12.93% for 1990 and 12.01% for 1991.

The 3% Benefit and MSBS

In MSBS there are two distinct superannuation benefits:

- A lump sum of your own contributions and interest payable when you leave the ADF.
- An employer financed benefit payable as a lump sum, a pension or as a combination of both.

Generally, the employer financed benefit is paid on retirement from the workforce at or after age 55.

The Commonwealth will pay an amount equal to 3% of your fortnightly pay into the MSBS Fund, that is, the same Fund into which your own 5% or higher contributions are paid. The 3% contributions will earn the same return as the earning rate of the Fund which will be declared every six months.

Although the 3% benefit is paid into the MSBS Fund it forms part of the employer benefit. The employer benefit, including the 3% component, grows as follows:

Years of service	% of final average salary
0 to 7	18
8 to 20	23
21 onwards	28

Example of benefit after 20 years of service

A member resigns after 20 years of service on a final average salary of \$35 000.

Member benefit: refund of contributions and interest

Employer benefit:

7 years @ 18%	= 1.26 (126%) of \$35 000
13 years @ 23%	= 2.99 (299%) of \$35 000
Total	= 4.25 (425%) of \$35 000
	= \$148 750

If we assume the 3% benefit, with interest, has amounted to \$25 000, then the Commonwealth makes up the balance — \$123 750 to reach the total employer benefit of \$148 750.

Generally, the employer benefit is not paid immediately but is preserved to retirement from the workforce at or after age 55. The 3% component (\$25 000 in the above example) remains in the MSBS Fund and continues to grow at the Fund earning rate until it is paid. The balance (\$123 750 in the above example) is adjusted annually in line with changes in the CPI.