

## Suspension of offer

The offer of the retention benefit will be suspended if you do not meet the medical standard or are facing a disciplinary charge which may result in your discharge or reduction in rank.

If you are found fit at a later date or retain your rank in the ADF following the disciplinary charge, the retention benefit will be paid together with an interest component.

## How do I get the benefit?

The retention benefit will be administered by Navy, Army and Air Force Offices and will be quite separate from your MSBS superannuation benefit which will be administered by the Retirement Benefits Office.

Your Service Office will offer you the retention benefit only once. If you refuse the offer of the benefit you cannot change your mind at a later date. The payment of the benefit cannot be deferred.

This leaflet has been prepared by the Military Superannuation and Benefits Scheme (MSBS) Implementation Team to provide you with information about the retention benefit aspect of the MSBS. The leaflet is only intended to provide a simple explanation of the provisions of the retention benefit 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 Implementation Team on 008 020 555 or by writing to:

MSBS Implementation Team  
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Civic Square ACT 2608

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# RETENTION BENEFIT



## What is the retention benefit?

The retention benefit is a lump sum in-service payment which will be offered to you if you are a member of the MSBS who has served in the Defence Force for more than 15 and less than 20 years and who has reached the rank of Sergeant (E), Major (E) or has been commissioned from the ranks.

## Who can receive the retention benefit?

### New Entrants

Members who join the ADF after 1 October 1991, the commencement date of the MSBS, will be offered the full retention benefit after 15 years of continuous contributory service if they have reached the rank of Sergeant (E) or Major (E) or are officers commissioned from the ranks. (See *Example 1.*) A member promoted to Sergeant (E), Major (E) or commissioned from the ranks after 15 years and before the completion of 20 years of continuous service, will receive a partial retention benefit. (See *Example 2.*) Should a member be promoted to these ranks after 20 years, no retention benefit will be payable.

### Members transferring to the MSBS from the DFRDB Scheme

If you transfer from the DFRDB Scheme with less than 15 years continuous contributory service, the full retention benefit will be offered to you at the 15-year point if you have reached the rank of Sergeant (E), Major (E) or were commissioned from the ranks. (See *Example 1.*)

If at 1 October 1991 you have reached the required rank and have 15 years of service, you will be offered a retention benefit based on your rank, years of service and salary at that date regardless of when you join the MSBS during the 12-month transfer period.

Should you transfer from the DFRDB Scheme with more than 15 years and before the completion of 20 years of continuous contributory service and have attained the rank of Sergeant (E), Major (E) or were

commissioned from the ranks, you will receive a partial retention benefit. This partial benefit will also be payable if you are promoted to the requisite ranks after 15 and before 20 years of service. The partial benefit will be phased in on a daily basis, that is, if you are promoted after 15 years and 180 days, you will receive a larger benefit than if you are promoted after 15 years and 300 days.

If you transfer to the MSBS and are eligible to receive the retention benefit, you will have 90 days after the offer is made in which to decide whether to accept.

The retention benefit is not available if you are transferring with 20 or more years of service.

There is a discretion to pay the retention benefit in special cases for some members who cannot achieve promotion to the requisite ranks by 15 years because of the lack of promotion opportunities in specific employment groupings. Your Service Office will advise you if you fall into one of these specific groupings.

## Broken service

If you take leave without pay you may be able to continue to contribute. In some circumstances, such as leave to undertake an approved course of study, the employer benefit continues to accrue and where it does the period of leave counts towards the retention benefit. In other circumstances, such as leave to accompany your spouse on a posting, the employer benefit will not accrue and the leave will not count towards the retention benefit but it will not break continuity of service. If you do not choose to contribute when you have the opportunity to do so, you will break your continuity of service.

## Maternity/Paternity Leave

If you take a period of leave without pay following three months maternity/paternity leave you may continue to contribute for a further nine months. In these circumstances, the employer benefit will continue to accrue and your period of leave without pay will count for retention benefit purposes. If you do not choose to contribute, the employer benefit will not continue to accrue, your period of leave will not be counted for retention benefit purposes and you will break your continuity of service. When you go on leave, you may request to pay the contributions for the nine months period in instalments when you resume employment.

## Past leave without pay

If you took leave without pay when you were a member of the DFRDB Scheme you will not lose continuity of service to count towards your retention benefit because different rules apply to leave without pay under the DFRDB Scheme.

(For further information on leave without pay provisions, see MSBS leaflet *Leave Provisions and the MSBS*.)

## Purchase of previous DFRDB service

Although previous DFRDB service which has been purchased by a member counts towards the MSBS

superannuation benefit it is not included as service for retention benefit purposes. This is because only continuous contributory service is counted as service for retention benefit purposes.

## Conditions attached to the payment of the retention benefit

If you accept the offer of a retention benefit, you will have to sign an undertaking to serve either a further five years or until you have completed 20 years of service, whichever occurs first.

If you leave the ADF voluntarily or are discharged for disciplinary reasons before completing your undertaking to serve, you will have to repay a part of the benefit. The amount will depend on the length of committed service outstanding at the time you leave. You should note that while you received a net benefit (i.e. the after-tax amount) you will be required to repay a proportion of the gross amount (the before tax amount).

No repayment will be required if you die or leave the ADF because of invalidity retirement, retrenchment or redundancy during the period you have undertaken to serve.

## Return of Service Obligation

If you are under a Return Of Service Obligation (ROSO) at the time the retention benefit is offered, you are still eligible to receive the benefit but the additional undertaking to serve will not commence until the current ROSO has been completed. If you incur a ROSO after you have accepted the benefit and are part way through the undertaking to serve, the undertaking will be suspended for the duration of the ROSO and will recommence once the ROSO has been completed.

## Medical examination

Before you can take up the offer of a retention benefit, you will need to undergo a medical examination. This is to ensure that you will be fit to carry out your undertaking to serve.

## How much do I get?

If you are eligible for the full retention benefit, you will receive a lump sum equal to one year's salary plus Service Allowance. No other allowances will be included. The amount of the retention benefit will be added to your taxable income in the year of receipt. You will receive the benefit as a net lump sum through your normal mode of pay.

The retention benefit will be taxed at your marginal tax rate. For instance, based on tax rates applicable at 1 January 1991, a Sergeant Pay Level 4 on promotion would pay tax at the rate of 38 cents in the dollar on the first \$6,248 of the retention benefit, 46 cents in the dollar on the next \$14,000 and the top rate of 47 cents in the dollar on the remainder. The retention benefit will be taxed before you receive it.

### Example 1

	Gross Value of Benefit	Net Value (after tax)
<b>Sergeant (E) Pay Level 4, 15 years of service</b>		
Salary plus Service Allowance	\$29 752	\$16 473*
<b>Major (E) 15 years of service</b>		
Salary plus Service Allowance	\$43 588	\$23 166*

\* Tax rates applicable as at 1 January 1991

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## Partial benefit

If you are a member who is within five years of your statutory retiring age at the date of qualifying, you will be offered a retention benefit which has been reduced in line with the amount of time you have left to serve. For instance, if you have four years left to serve at the qualifying point, you will be offered 4/5ths of the retention benefit.

Should you transfer to the MSBS after 15 years continuous contributory service, or attain promotion between the 15 and 20-year point, you will be offered a benefit proportionate to the number of years you can serve until reaching the 20-year mark.

For example, if you had 17 years continuous contributory service on transfer, you would be entitled to a retention benefit of 3/5ths of your basic salary plus Service Allowance.

### Example 2

	Gross Value of Benefit	Net Value (after tax)
<b>Sergeant (E) Pay Level 4, 17 years of service</b>		
Salary plus Service Allowance	\$29 752	
Pro rata benefit (3/5ths of \$29 752)	\$17 851	\$10 148*
<b>Major (E) 17 years of service</b>		
Salary plus Service Allowance	\$43 588	
Pro rata benefit (3/5ths of \$43 588)	\$27 533	\$14 656*

\* Tax rates applicable as at 1 January 1991

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