

MSBS AT A GLANCE

There is to be a new superannuation scheme for the Defence Force which will be called the Military Superannuation and Benefits Scheme (MSBS). It is expected to start in October 1991. You will have the choice of staying in the DFRDB Scheme or joining the MSBS.

Besides offering superannuation, invalidity and death benefits the MSBS will also offer a very important new benefit called the Retention Benefit. This is to encourage experienced members to stay in the Services.

This leaflet tells you about some of the important features of the MSBS. If you want to find out more you can read the booklet called *MSBS — The Guide* which has been sent to every member of the Defence Force. You also can ring the MSBS Hotline on 008 020 555.

Membership

When the MSBS starts, everyone in the Navy, Army and Air Force will be asked to decide whether they want to transfer to the MSBS or stay in the DFRDB Scheme.

If you decide to join the MSBS you will get a credit for the years you contributed to DFRDB. Also, you will get a credit of all your DFRDB contributions plus interest on these contributions. If you resign soon after transferring to the MSBS you will not get the full amount of this interest as access will be phased in over two years.

Those who join the Defence Force after the MSBS starts will automatically become members of the MSBS.

Contributions

You will pay a minimum of 5% of your pay to the MSBS. You can pay up to 10% if you wish to get a larger return on your contributions. Like the DFRDB Scheme your

contributions will be deducted from your fortnightly pay. This money will be paid into an investment fund.

Benefits

When you leave the Defence Force you will get a benefit from the MSBS. Unlike DFRDB this benefit will be paid no matter how long you have served. The benefit will be in two parts.

- The first comes from your own contributions plus the money they have earned in the investment fund. You will get this as a lump sum when you leave the Defence Force.
- The second comes from the Government which makes a contribution to your superannuation three or four times greater than the money you put in. The Government's contribution will not be invested in a fund.

You cannot get the Government's contributions to your superannuation before you retire from the workforce at or after turning 55 years of age. This rule applies to all modern superannuation schemes. If you resign before turning 55 the Government's share is put away for you and is adjusted upwards to keep pace with inflation.

The Government's share will be paid as a lump sum but you can decide to turn half or more into a generous pension.

The 3% benefit is also paid by the Government. This benefit has been paid to members of the Defence Force since 1988. It will be invested in the same fund as your contributions. Like the rest of the Government's share you cannot get this benefit before you turn 55.

Your entitlement to the Government's contribution to your superannuation is phased in over seven years. However your entitlement to the full amount of the 3% benefit begins when you join the Defence Force. A fuller explanation is in *MSBS — The Guide* in the section called "How Benefits are Calculated".

The Government's share of your retirement benefits in the MSBS is calculated using the average of your salary (including basic salary, higher duties allowance, and Service Allowance) in the three years prior to your resignation. This salary is called Final Average Salary or **FAS3** (example over page).

Invalidity

There will continue to be three classes of invalidity retirement — Classes A, B and C.

If you are retired as Class A or Class B, you will be paid a pension similar to that in the DFRDB Scheme. In addition to this pension you will receive a lump sum made up of your contributions to the MSBS fund plus earnings. This money will be paid to you when you leave the Defence Force.

If you are retired as Class C, you will receive similar benefits to those provided to members who resign.

Death

Substantial benefits will be paid to your family if you die while serving. Families of former members who are receiving a MSBS pension also will receive a benefit if the former member dies.

If you die while serving and don't have a family, a lump sum will be paid to your estate.

Example

This example shows the approximate MSBS benefits for an other rank member in the MSBS who resigns from the ADF after 20 years. The member's salary at the date of resignation is \$38 000. FAS3 for calculating benefits is approximately \$35 000.

Member's share of benefit (Employee Benefit) — payable when member leaves the ADF:

Refund of contributions = \$17 200
Earnings on contributions = \$24 300
Total employee benefit = \$41 500

Government's share of benefit (Employer benefit) — payable when member retires from the workforce at or after reaching aged 55.

Total employer benefit* = $4.25 \times \text{FAS3}$
= $4.25 \times \$35\ 000$
= \$148 750

Of this amount the
3% benefit = \$25 000
Balance of the employer
benefit = \$123 750

The 3% benefit will continue to earn interest at the earning rate of the MSBS fund. The balance of the employer benefit will be adjusted upwards with changes in the CPI.

Retention Benefit

In addition, this member would have been entitled to a lump sum equal to one year's salary after reaching 15 years service.

* Full details on how the employer benefit is calculated can be found in *MSBS — The Guide* in the section called "How Benefits are Calculated".

Retention Benefit

To encourage experienced members to stay in the Navy, Army or Air Force the Government has decided to pay a retention benefit equal to one year's pay before tax.

This benefit will be offered to members who have reached the rank of Sergeant (E) or Major (E) but not before they have completed 15 years of continuous service. Members who accept the offer will be asked to sign an agreement to serve for another five years.

If you have more than 15 years of service when you decide to transfer to the MSBS you will be entitled to a smaller retention benefit. If you have 20 years service or more when you transfer you will not be eligible for the retention benefit.

FOR FURTHER INFORMATION

The booklet *MSBS — The Guide* contains more detailed information. This booklet have been distributed to all serving members. If you have not yet received your copy, please ask at your orderly room or ship's office.

A copy of the *Report of the Defence Force Retirement and Death Benefit Review Committee* is available at all units. This report is on sale at Commonwealth Government Bookshops in your capital city at \$19.95 a copy. It also can be purchased by writing to:

- Mail Order Sales Australian Government Publishing Service, GPO Box 84, Canberra ACT 2601. Payment should be made to AGPS. Bankcard, Visa or Mastercard accepted.

The report explains the design of the MSBS.

You can contact the 008 Hotline 008 020 555 toll free if you have any queries on the MSBS

