

Ceasing Contributions

You will no longer have to contribute to the DFRDB Scheme after completing 40 years of service.

The 3% Benefit

Since 1 January 1988, you have received additional superannuation of 3% of salary, attracting interest at long term bond rates. This benefit must be preserved until you turn 55. The current interim arrangements governing the entitlement, accrual and administration of the 3% benefit will become permanent, ensuring the benefit remains a feature of your total superannuation package (see MSBS leaflet *3% Benefit* for further details).

When will the changes take effect?

The changes to spouses', children's and orphans' benefits have already taken effect. The amendments to the conditions covering re-entered recipients and the cessation of contributions are expected to become effective no later than 1 October 1991.

This leaflet has been prepared by the Military Superannuation and Benefits Scheme (MSBS) Implementation Team to provide you with information about changes to the DFRDB Scheme. The leaflet is only intended to provide a simple explanation of the changes 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
PO Box 277
Civic Square ACT 2608

When reordering copies of this Brochure, quote No. 7

CHANGES TO THE

DFRDB

SCHEME

MSBS
MILITARY SUPERANNUATION
AND BENEFITS SCHEME

CHANGES TO THE DFRDB SCHEME

Arrangements for the introduction of the MSBS on 1 October 1991 give you the option of remaining in the DFRDB Scheme or joining the MSBS. Several changes are being made to the DFRDB Scheme which may be important to your final decision. They will be beneficial to you or your dependants should you choose to remain a DFRDB member.

Spouses' Benefits

If you die in service, the DFRDB Scheme provides your spouse with a pension equivalent to 47.8% of your final salary (62.5% of the maximum invalidity pension you would have received). The DFRDB Scheme has been amended to give your spouse the option of converting part of this pension into a lump sum payment. The conversion of part or whole of a pension into a lump sum payment is commonly called commutation.

Your spouse will be able to nominate any lump sum up to a maximum of two years of your salary, for DFRDB purposes, at the time of your death. This means your spouse can receive up to twice your salary at highest increment, including Service Allowance, as a lump sum.

The residual pension will be calculated by reducing your spouse's uncommuted pension by one twenty-fifth of the commuted sum. For example, the spouse of a member earning a salary of \$30 000 would receive the following benefits after commuting his or her pension:

Example of a Spouse's Commutation

Member's salary	\$30 000
Spouse commutes maximum amount	\$60 000 (salary x 2)
Spouse's pension before commutation	\$14 340 (47.8% of \$30 000)
Reduction	\$60 000 divided by 25 = \$2 400
Residual pension	\$11 940 (\$14 340 - \$2 400)

The spouse receives a commuted lump sum of \$60 000 plus a residual pension of \$11 940

Orphans' and Children's Benefits

When the DFRDB Scheme was introduced, an orphan's benefit consisted of a fixed annual payment of \$702 and a pension equalling one eighth of the uncommuted pension that would have been payable to the deceased member's spouse. Children of a deceased DFRDB member were entitled to a fixed payment of \$312 and a pension equalling one sixth of the spouse's pension.

Orphans

The fixed payment to orphans was increased to \$5 000 on 30 June 1989. The benefit is indexed annually by the Consumer Price Index (CPI) and from 1 July 1990 it was \$5 430.

The pension-based component of an orphan's benefit will remain unchanged at one eighth of the uncommuted pension that would have been payable to the deceased member's spouse.

Children

In line with the indexation of orphans' benefits, the fixed component of \$312 of the children's benefit also has been increased annually by the CPI and from 1 July 1990 it was \$338.83. The pension component of a child's benefit will remain unchanged at one sixth of the spouse's uncommuted pension.

Your spouse's new commutation option will have no effect on your children's benefit. Your children will still be entitled to a pension of one sixth of your spouse's original uncommuted pension, regardless of whether your spouse chooses to commute.

Improving Benefits for Re-Entered DFRDB Recipients

If you are presently receiving a DFRDB pension and have decided to re-enter the ADF for 12 months or more, you must contribute again to the DFRDB Scheme and your pension will be cancelled. If you stay in the DFRDB Scheme, these arrangements are to remain. However, the formula for recalculating DFRDB benefits on second and subsequent exits will be altered to reflect, as closely as possible, the benefits that would have been obtained if your periods of service had been continuous.

This means that your residual pension on second retirement will be equivalent to the pension received by an ADF member of the same age and same rank and who has completed the same period of your combined service with a break. For example, a 38 year-old Warrant Officer retires after 21 years service. After a two-year break, he re-enters for another three years and retires for a second time at age 43. The Warrant Officer would receive the same pension on final exit as a Warrant Officer who had served 24 years continuously to age 43.

In the past, re-entered recipients have not been able to take a commutation lump sum on their second retirement. The amendments will allow you to receive a lump sum payment equal to the difference between the commutation due had you served continuously and the commutation which you received on your last exit from the ADF. This payment will be adjusted to CPI movements from the date of your last commutation payment to the date of your most recent exit (see MSBS leaflet *Re-entered Members* for further details).