

DEPENDANTS' BENEFITS



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

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For information on DFRDB dependants' benefits, see DFRDB leaflet: *Widows', Widowers' and Children's Benefits*.

When reordering copies of this Brochure, quote No. 14

MSBS
MILITARY SUPERANNUATION
AND BENEFITS SCHEME

Who is eligible for dependants' benefits?

When you contribute to the MSBS you are not only providing a superannuation benefit for your retirement, but also an insurance benefit for your dependants or estate in the event of your death. In the MSBS, spouses, children and orphans are regarded as eligible dependants.

A spouse is defined as:

- a person to whom you are legally married and who is living with you in a bona fide domestic relationship at the time of your death;
- a person to whom you are legally married who is not living with you in a bona fide domestic relationship but is wholly or substantially dependent upon you at the time of your death;
- a person who is not legally married to you, but has lived with you in a bona fide domestic relationship for a continuous period of three or more years immediately before your date of death;
- a person who is not legally married to you, has lived with you in a bona fide domestic relationship for a continuous period of less than three years immediately before your date of death and who is wholly or substantially dependent upon you.

These definitions of spouse also apply to MSBS pensioners except where a person was married to, or was in a de facto relationship with, a pensioner where the marriage or relationship started after the pensioner turned age 60. This does not apply if the marriage or relationship had been in existence for a specified period at the time of death (generally, the period is five years).

A child includes:

- a stepchild, an adopted child, a foster child or a ward of the member or pensioner;
- a child who is under 16 years of age or between 16 and 25 years and is a full time student;

- a child who meets the above criteria and is not ordinarily engaged in employment;
- an ex-nuptial child of the member or pensioner, or spouse of the member or pensioner, who was wholly or substantially dependent upon the member or pensioner at the date of death.

An orphan's benefit is payable only when:

- a contributor or pensioner dies and is not survived by a spouse, but is survived by an eligible child or children.

What are the benefits upon the death of a contributor?

If you die while you are an MSBS contributor, a member benefit (refund of your contributions and interest) is payable as a lump sum to your dependants. If you have no dependants, the member benefit is payable to your estate. As well, your dependants or estate will receive an employer benefit. The employer benefit is a lump sum equivalent to an amount which would have been payable if you had retired on invalidity grounds and had been entitled to maximum invalidity benefit. The maximum (Class A) invalidity benefit is based on actual and prospective service, that is, the number of years served, plus the number of years you could have served between the date of death and age 55, or retiring age for rank, whichever is the greater.

If you are survived by a spouse, the spouse may either take 100% of the employer lump sum or convert 50% or more of the lump sum to a pension. If your spouse wishes to convert the whole lump sum to a pension, the rate of pension will be 67% of the Class A invalidity pension. The pension benefit will be increased if there are eligible children — 11% of the Class A pension for one child, 22% for two children and 33% for three or more children.

Where two surviving spouses meet the criteria for eligibility for benefits (for example a dependent legal spouse and a dependent de facto spouse) the benefit will be apportioned at the rate of a minimum 3/8ths of the of the total benefit to each spouse with the

remaining 2/8ths portion allocated at the discretion of the MSBS Trustees, who will have regard to the financial needs of each of the spouses. Each spouse will have the choice of taking the employer benefit as a lump sum or pension.

Orphans receive the member benefit lump sum plus an employer financed pension. The rate of orphan's pension is 45% of the Class A invalidity pension for one orphan, 80% for two, 90% for three and 100% for four or more orphans.

If you do not leave a spouse or child, the benefit would normally be paid to the estate, however, the Trustees will have a discretion to pay a benefit to a person who is dependant on your, has been named as a beneficiary in your Will and was previously nominated by you to the MSBS Trustees.

Example of benefits payable upon the death of a member in service:

A member entered the Defence Force in 1974 at age 17 and died in service in 1991 at age 34 leaving a spouse and one child. The spouse would receive a member benefit, that is, a lump sum of the member's contributions and interest and an employer benefit, that is, either a defined lump sum or pension.

The member is a Sergeant (E) Level 4 with an annual salary of \$30 000 (including Service Allowance). FAS3 is \$26 500.

Spouse's benefit is calculated as follows:

Employer benefit — actual service 17 years
Prospective service from date of death to age 55
= 21 years
Total service for calculation purposes = 38 years

0- 7 years @ 18% = 1.26 times FAS3
8-20 years @ 23% = 2.99 times FAS3
21-38 years @ 28% = 5.04 times FAS3

Total employer benefit 9.29 times FAS3

Benefit if spouse chooses to take the total entitlement as a lump sum:

9.29 times FAS3 (\$26 000) = \$246 185
plus lump sum contributions and interest
\$48 500

(The amount of contributions and interest will vary between individuals depending upon the rate of promotion, level of contributions and the earning rate of the fund).

Benefit if spouse chooses to take the total entitlement as a pension:

Member's notional pension is obtained by dividing the lump sum \$246 185 by 12
= \$20 515

Spouse's pension entitlement is 78% of member's pension of \$20 515 (67% plus 11% for one dependent child).

Spouse and child's fully indexed pension
= \$16 000 per annum
plus lump sum of contributions and interest
= \$48 500

(The amount of contributions and interest will vary between individuals depending upon the rate of promotion, level of contributions and the earning rate of the fund).

Benefit if spouse chooses to take 50% of the lump sum as a pension:

50% of the lump sum of \$246 185 = 123 092
divided by 12: member's pension of \$10 257

Spouse's pension entitlement is 78% of member's pension of \$10 257 (67% plus 11% for one dependent child)

Spouse and child's fully indexed pension = \$8 000
plus 50% of lump sum = \$123 092
plus further lump sum of contributions and interest of \$48 500.

(The amount of contributions and interest will vary between individuals depending upon the rate of promotion, level of contributions and the earning rate of the fund).

What are the benefits upon the death of a pensioner?

If you are an invalidity pensioner, upon your death your estate will receive a lump sum if the amount of pension already paid to you was less than the lump sum from which the Class A pension is calculated.

If you do have dependants, upon your death your spouse will receive a pension of 67% of the amount of a pension that you were receiving at the date of death. If you also leave eligible children, their pension entitlement will be added to your spouse's pension. The rates applicable to children are 11% for one child, 22% for two children and 33% for three or more children.

If your children become orphans upon your death, that is, no spouse's benefit is payable, their pension will also be paid as a percentage of the amount of pension you were receiving at the date of death. The rates applicable for orphans are 45% for one, 80% for two, 90% for three and 100% for four or more orphans.

or lump sum. A lump sum only will be paid to your estate if you have no dependants.

Pension benefits

A spouse's benefit is payable for life irrespective of income level or remarriage. Children and orphans' benefits cease when the child attains the age of 16 or, if engaged in full time education, at age 25.

All MSBS pensions are indexed annually based on the upwards movement of the Consumer Price Index.

Examples of benefit payable upon the death of a pensioner:

A pensioner receiving a pension of \$20 515 dies and is survived by a spouse and two eligible children. The amount of dependants' benefit payable would be \$18 258 (67% of \$20 515 plus 22% of \$20 515 for two children)

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A pensioner receiving a pension of \$20 515 dies and is survived by two orphans. The amount of reversionary benefit payable would be \$16 412 (80% of \$20 515)

Preserved benefit

If you die after you have left the Defence Force and before you have attained age 55 or have permanently retired from the workforce, your spouse will be paid your preserved employer benefit as either a pension