

THE DEFENCE FORCE RETIREMENT AND DEATH BENEFITS SCHEME

**Transfer to
the new scheme of
existing contributors
as at 1 October
1972**

A general outline of the provisions of the new D.F.R.D.B. Scheme including reference, where appropriate, to the transitional provisions for existing contributors.

Other brochures on the Scheme are:

- New Entrants
- Preservation of Rights
- Retirement Benefits
- Invalidity Benefits
- Widows', Widowers' and Children's Benefits

Further information is available from the Office of:

The Defence Force Retirement and
Death Benefits Authority
P.O. Box 4015
Canberra, A.C.T. 2600

OCTOBER 1972

1 The new Defence Force Retirement and Death Benefits Scheme

The new Scheme is based upon the recommendations of a Joint Select Committee which was appointed by the Parliament on 2 September 1970 to inquire into the Defence Forces Retirement Benefits (D.F.R.B.) Scheme in operation at that time. The basic recommendation of the Committee was that a new, less complex scheme based on the special needs of members of the Defence Force, should be introduced to replace the existing D.F.R.B. Scheme.

On 22 December 1972 the Government announced its acceptance of the recommendations of the Committee with some minor modifications and announced that the provisions of the new Scheme would be introduced with effect from 1 October 1972. The aim of the Scheme, as before, is to provide a form of comprehensive insurance for members of the Defence Force against the risks of invalidity and death during service and for benefits on retirement. The Scheme provides cover for the family, paying benefits to eligible dependants in the event of the death of a contributing member or a retired member in receipt of retirement or invalidity pay.

The new Scheme is administered by the Defence Force Retirement and Death Benefits Authority which is an independent statutory authority. The Authority consists of a Chairman and one representative from each of the three Armed Services and the Department of Defence, all of whom are appointed by the Governor-General. The costs of administration of the Scheme are met wholly from Consolidated Revenue.

2 Membership of the new Scheme

All members of the Defence Force serving on continuous full-time duty for a period of twelve months or more are eligible and required to contribute to the new Scheme. Retired members in receipt of retirement or invalidity pay or a pension under the D.F.R.B. Scheme who rejoin the Defence Force on full-time service are also required to contribute to the Scheme irrespective of the length of their additional period of service.

All existing contributors, that is, members who were contributing to the D.F.R.B. Fund on 30 September 1972, have been transferred to the new Scheme with effect from 1 October 1972. No option is available for members to remain contributors under the D.F.R.B. Scheme.

A member who had previously elected not to contribute to the D.F.R.B. Fund and who was still serving on full-time duty at 1 October 1972 may elect to become a

contributor under the new Scheme. If an election is made, the member will only be required to contribute with effect from 1 October 1972 but any prior service may be purchased under the normal conditions (see Item 4).

3 Contribution rates

All members of the new Scheme, regardless of age or rank, are required to contribute on a fortnightly basis during service with the Defence Force. Contributions are payable at the rate of 5.5% of the member's fortnightly rate of pay with effect from the first payday following 1 October 1972 (i.e. 5 October 1972).

The fortnightly rate of pay for contribution purposes is the member's annual rate of pay multiplied by 14 and divided by 365. The annual rate of pay for contribution purposes is the maximum rate of pay for the member's rank, (i.e. where increments are provided, the maximum of the salary range for that rank), plus Service Allowance, if payable. The only exceptions occur in the case of Chaplains and members undergoing training where certain intermediate points have been set because of the long salary ranges which apply.

A member whose annual rate of pay is reduced may elect to have the change in pay disregarded for the purpose of both contributions and benefits.

Under the new Scheme, on and from 1 October 1972, any period in excess of 21 consecutive days during which a member is on leave without pay; absent without leave; awaiting or undergoing trial on a charge of which he is later convicted; or undergoing field punishment, detention or imprisonment; is regarded as a period of non-effective service and the member does not contribute on any payday falling within such a period. Where any of these periods are continuous they are aggregated to determine whether or not the total period exceeds 21 days.

AGGREGATE PAY

For the purpose of transferring existing contributors from the D.F.R.B. Scheme to the new D.F.R.D.B. Scheme each member's total past contributions prior to 1 October 1972 will be compared with 5.5% of the member's aggregate pay for D.F.R.D.B. purposes over the same period. This will involve three steps:

- the total period of effective service as at 1 October 1972 will be ascertained;
- a calculation will be made of the total contributions paid to the D.F.R.B. Fund up to 1 October 1972; and
- a calculation will be made of the amount of aggregate pay over the period of effective service.

To ascertain the total period of effective service that will be credited to an existing contributor as at 1 October 1972, the following periods will be taken into account:

- the period of continuous contributory service up to 1 October 1972;
- for members who have contributed to the D.F.R.B. Fund continuously since its introduction in 1948, any preceding period of continuous service in the Permanent Forces after age 20 as well as any period before age 20 whilst a contributor to the Commonwealth Superannuation Scheme; and
- any periods which were purchased as past service before 1 October 1972.

Special provisions will apply to those members who are re-employed pensioners or who have paid transfer values to the D.F.R.B. Fund.

When the total period of effective service has been established for each contributor transferred to the new Scheme, the aggregate pay for each such contributor will be calculated. If the contributions paid to the D.F.R.B. Fund by an existing contributor exceed an amount of 5.5% of aggregate pay, a refund of the excess amount will be paid to the contributor. If the contributions paid to the D.F.R.B. Fund are less than 5.5% of aggregate pay, the shortfall generally will not have to be made up.

However, in the case of an existing contributor who is:

- a pre-1959 contributor, and
- was not contributing for full benefits under the previous Scheme at 30 September 1972 because of an election to freeze or an election not to contribute for additional pension entitlements in 1959, 1962 or 1963,

the contributor will be required to pay an additional contribution to the new Scheme of an amount not exceeding the difference between:

- 5.5% of aggregate pay during the period when the member was not contributing for full benefits; and
- the total amount of contributions actually paid during that period.

Also, where an existing contributor is a pre-1959 contributor, who had elected to defer payment of any contributions due under the D.F.R.B. Scheme, the contributor will be required to pay an additional contribution of an amount not exceeding the amount of the deferred contributions. In addition to this amount, the compound interest at the rate of 5% per annum which is owing on the total contributions deferred as at 1 October 1972, will have to be paid.

Before the aggregate pay calculations can be made, complete pay and service details since date of entry to

- the Defence Force must be obtained for each contributor. It will take some considerable time to collect this basic data but when the data has been assembled and the calculations completed, each member involved will be informed of his or her position in the new Scheme as at 1 October 1972.

4 Purchase of past service

Under the new Scheme, a member may elect to purchase as effective service any period of service with the Defence Force not already taken into account (see Item 3). To be available for purchase, such a period must have been full-time service and, except where continuous with service covered by the aggregate pay calculation, of at least one year duration. Any period of service which would have been a period of non-effective service had the member been a contributor to the new Scheme during that period (see Item 3) may not be purchased.

The cost of purchasing a period which is continuous with service covered by the aggregate pay calculation is 5.5% of the amount assessed as being the member's aggregate pay over the period to be purchased. The cost of purchasing a period which is not continuous with service covered by the aggregate pay calculation, will be assessed on the basis of 5.5% of a flat daily rate of pay to be determined in respect of each member involved. In most cases it will not be possible to calculate the cost of purchasing past service until the aggregate pay calculation referred to in Item 3 has been completed. Each member will be advised of the cost of purchasing past service when advised of his or her position in the new Scheme. On receiving advice of the cost involved the member may elect to purchase all or part of the period(s) of that past service.

If any benefit (for example, a gratuity) was received by a member in respect of any period of past service being purchased, that benefit must be repaid. Members purchasing World War II service are not required to refund any war-earned gratuity.

5 Retirement pay

Retirement pay is payable to:

- officers and other ranks who leave the Defence Force after completing a total of 20 years effective service; and
- late entrant officers and other ranks who leave the Defence Force after completing 15 but less than 20 years effective service and who have attained the retiring age for their rank.

Effective service includes the period of service over which the aggregate pay calculation has been made plus any contributory service completed after 1 October 1972 and all periods of past service purchased by the member but does not include a period of non-effective service (see Item 3).

The rate of retirement pay payable to an eligible member is a percentage of the member's annual rate of pay at the date of retirement, the percentage being determined by the member's total number of years of effective service. Annual rate of pay for retirement purposes is the same as annual rate of pay for contribution purposes (see Item 3). Tables I and II set out the percentage of retirement pay applicable in relation to years of effective service.

TABLE I
Retirement Pay — Officers and other ranks who have completed 20 or more years effective service.

<i>Total number of years effective service completed</i>	<i>Retirement pay as a percentage of pay at date of retirement</i>	<i>Total number of years effective service completed</i>	<i>Retirement pay as a percentage of pay at date of retirement</i>
20	35.00	30	51.25
21	36.50	31	53.25
22	38.00	32	55.50
23	39.50	33	57.75
24	41.00	34	60.25
25	42.50	35	62.75
26	44.00	36	65.25
27	45.75	37	67.75
28	47.50	38	70.50
29	49.25	39	73.50
		40	76.50

Where an officer:

- retires from the Defence Force at own request or is discharged on disciplinary grounds, and
- has completed 20 or more years effective service, but
- has not attained the notional retiring age designated for the rank held immediately before retirement,

the retirement pay entitlement shown in Table I is reduced by 3% of the amount of retirement pay for each year by which the officer's age last birthday on retirement is less than the notional retiring age. The notional retiring

ages applicable to Army officers, and equivalent ranks in Navy and Air, are, Major and below 42; Lt. Colonel 45; Colonel and Brigadier 50; Major General 52; Lt General and General 55.

TABLE II

Retirement Pay — Late entrant officers and other ranks who have completed less than 20 years but more than 15 years effective service and have attained the retiring age for their rank.

Total number of years effective service completed	Retirement pay as a percentage of pay at date of retirement
15	30.00
16	31.00
17	32.00
18	33.00
19	34.00

DETRIMENT

In the case of certain officers, the retirement pay entitlement available under the new Scheme for their period of effective service, expressed as a percentage of pay, is less than the retirement pension applicable under the previous Scheme at 30 September 1972, expressed as a percentage of pay. If:

- this detriment situation persists up to the date the officer retires from the Defence Force, and
- on retirement, the officer has fulfilled the conditions for eligibility,

that officer may elect, within ninety days after retirement, to receive retirement pay based on the higher rate. In such cases the officer will be required to pay an additional contribution on retirement of an amount to be determined by the Authority.

COMMUTATION

Officers and other ranks who retire with an entitlement to retirement pay have the option to elect, within twelve months from the date of retirement, to commute a portion of their retirement pay (i.e. to receive a lump sum prepayment of a portion of future retirement pay). The maximum amount that a retired member may commute is four times the annual retirement pay received. Where a retired member commutes, the annual rate of retirement pay is reduced by an amount which is calculated by dividing the lump sum amount received, by the retired

member's life expectancy (see Table III) at the date the election is received by the Authority. For example, if a retired male member is 50 years of age on the date his election is received and his lump sum advance is \$20,000 (i.e. annual retirement pay of \$5,000 x 4), his annual retirement pay would be reduced by \$864.68 (i.e. \$20,000 divided by 23.13 which is the average life expectancy of a male aged 50).

Invalidity pay may not be commuted.

TABLE III

Commutation of Retirement Pay
Expectation of Life Factor

Age (in yrs) at date election received	Factor		Age (in yrs) at date election received	Factor	
	Male	Female		Male	Female
31	40.18	45.53	46	26.51	31.48
32	39.25	44.57	47	25.65	30.58
33	38.31	43.61	48	24.80	29.69
34	37.38	42.65	49	23.96	28.80
35	36.45	41.70	50	23.13	27.92
36	35.51	40.75	51	22.31	27.05
37	34.59	39.81	52	21.51	26.18
38	33.67	38.86	53	20.72	25.32
39	32.75	37.92	54	19.94	24.47
40	31.84	36.99	55	19.18	23.63
41	30.93	36.06	56	18.43	22.79
42	30.03	35.13	57	17.70	21.96
43	29.14	34.21	58	16.99	21.13
44	28.25	33.29	59	16.29	20.32
45	27.38	32.38	60	15.60	19.51

6 Invalidity benefits

Under the new Scheme, members retired on the grounds of invalidity or physical or mental incapacity to perform their duties are eligible for invalidity benefits. The benefit may be either invalidity pay or a lump sum payment. The type of benefit applicable depends on the invalidity classification of the member. The classification is based on the member's percentage of incapacity in relation to civil employment as determined by the Authority. Table IV sets out the benefit payable for each classification.

TABLE IV
Invalidity Benefits

<i>Incapacity in relation to civil employment</i>	<i>Classification and Benefit</i>
60-100%	Class A — Invalidity pay at the rate of 76.50% of pay at date of retirement.
30-59%	Class B — Invalidity pay at the rate of 38.25% of pay at date of retirement except where the member has completed 23 years or more effective service, in which case the invalidity benefit will be equal to the accrued retirement pay entitlement applicable in Table I.
0-29%	Class C — The invalidity benefit is a refund of contributions plus a lump sum of half the total contributions paid by the member or, if the member would have been eligible for retirement pay had he or she been retired on grounds other than invalidity, the invalidity benefit will be equal to the accrued retirement pay entitlement applicable in Table I or II.

The invalidity classification applicable to a retired member entitled to invalidity pay is not fixed and may be increased or decreased by the Authority if it is satisfied that the retired member's incapacity in relation to civil employment has changed.

7 Refund of contributions

Contributing members who retire or are discharged without an entitlement to retirement pay or invalidity benefits are entitled to a refund (without interest) of the total contributions paid during service including any additional contributions for the purchase of past service.

As an alternative to accepting a refund of contributions, the member may elect for preservation of rights and, subject to certain conditions, become eligible for either a transfer value or deferred benefit.

8 Widows', widowers', and children's pensions

In the event of the death of a contributing or retired member in receipt of retirement or invalidity pay, pensions are payable to eligible dependants of the member. In normal circumstances, eligible dependants

under the new Scheme would be a widow, or a de facto wife or a dependent widower, and each child of the member who is under 16 years of age or under 25 years of age in the case of a full-time student.

The benefits payable to eligible dependants are:

- to a widow, de facto wife or widower of a contributing member, a pension calculated at the rate of five-eighths of the maximum retirement pay entitlement that would have been payable to the member (i.e. five-eighths of 76.50% of the member's annual pay for D.F.R.D.B. purposes at date of death);
- to a widow, de facto wife or widower of a retired member in receipt of retirement or invalidity pay, a pension calculated at the rate of five-eighths of the retirement or invalidity pay entitlement that was payable to the retired member;
- to each child (other than an orphan), a pension of \$312 per annum plus one-sixth of the pension payable to the widow, de facto wife or widower;
- to each orphan child, a pension of \$702 per annum plus one-eighth of the pension that would have been payable to the widow, de facto wife or widower.

9 Review of decisions by the Authority

A member discharged on invalidity grounds who is dissatisfied with the determination of the Authority in relation to his or her invalidity classification, may request that the case be reconsidered. A request for reconsideration should be made in writing to the Authority within 30 days from the date notification of the decision is first received. The request should state reasons for disagreement with the assessment and, where possible, include medical or other information in support. The Authority will reconsider the case and advise the person of its decision. Provision exists to enable a further appeal to be made to an *Invalidity Classification Review Tribunal*.

Similarly, a person dissatisfied with an administrative decision of the Authority may request the Authority to reconsider the case. The request should be made in writing within 30 days from the date notification of the decision is first received. The Authority will reconsider the case and advise the person of its decision. A further request can be made to have the matter submitted to an independent *Administrative Review Tribunal*.

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