Australian Government
Commonwealth Superannuation Corporation

About your scheme

A summary of the Defence Force Retirement and Death Benefits Scheme

CSC — DFRDB Defence Force Retirement & Death Benefits Scheme

Published by Commonwealth Superannuation Corporation
GPO Box 2252, Canberra ACT 2601

csc.gov.au

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Every effort has been made to ensure the information provided in this publication is accurate and comprehensive.
Before relying on the material in any important matter, users should carefully evaluate its currency, completeness and relevance for their purposes, and should obtain any appropriate professional advice relevant to their particular circumstances. Links to other websites are inserted for convenience and do not constitute endorsement of material at those sites, or any associated organisation, product or service.

Contents

A guide to this booklet 4

Introduction 5
- The purpose of this booklet 5
- About DFRDB 5
- What are DFRDB's main features? 5
- Who manages DFRDB? 5

Contributions 6
- How much? 6
- Contributions after 40 years service 6
- Leave Without Pay (LWOP) provisions 6
- Providing your Tax File Number (TFN) to DFRDB 6

Ancillary contributions 7
- What are Ancillary contributions? 7
- Who can make Ancillary contributions? 7
- 1. Additional personal contributions 7
- 2. Salary sacrifice 7
- 3. Transfer amounts 7
- 4. Spouse contributions 8
- 5. Co-contributions 8
- 6. Super Guarantee (SG) 8
- 7. Low-income super tax offset (LISTO) 8
- Investment choice for Ancillary contributions 9
- MilitarySuper investment options 9
- Family Law and your Ancillary Benefit 9
- How is an Ancillary benefit paid? 9
- When can you claim your Ancillary benefit? 9
- Rolling over your Ancillary Benefit 9

DFRDB benefits 10
- General 10
- Form of benefits 10
- Productivity benefit 10
- Payment of benefit 10
- Family Law 10

Retirement benefits 12
- General 12
- Calculation of retirement benefit 12

Commutation 14
- General 14
- Date of effect 14
- Commutation amount and retirement pay increases 14

Notional Retiring Age (NRA) 16
- Retiring before reaching NRA? 16
- DFRDB retirement benefits quickguide 18

Resignation 20
- Gratuities 20
- DFRDB resignation benefits quickguide 21

Redundancy 22
- DFRDB redundancy benefits quickguide 22

Invalidity benefits 24
- General 24
- Entitlement to invalidity benefits 24
- How much? 25
- DFRDB invalidity benefits quickguide 26
- Review of invalidity cases 28

Death benefits 28
- General 28
- Who is eligible? 28
- DFRDB death benefits quickguide 1 29
- Death in service 30
- Spouse benefits 31
- Children's benefits 32
- Orphans' benefits 32
- Death after retirement 33
- Advising your dependants 33
- DFRDB death benefits quickguide 2 34

Productivity benefit 35
- General 35
- When is the benefit payable? 35
- Immediate payment 35
- Later payment from another rollover fund 35

Preserved benefits 36
- What is a transfer value? 36
- What is a deferred benefit? 36

Re-entered recipient members 37
- Re-entering the Permanent Forces or becoming a continuous full-time Reservist after 30 June 2016 37
- What happens if I join ADFSuper? 37

Surcharge 38
- Superannuation surcharge 38
- Payment of the surcharge debt 38
- Interest on the surcharge debt 38
- Payment from productivity benefit 38
- Payment of surcharge debt from pension 38
- Future pension adjustment 40
- Commutation 40
- Payment from a pre-tax amount 40
- Benefit preserved in DFRDB 40
- Surcharge debt assessment received after payment of benefit 40
- Disagreement with assessment 40
- Application to your own circumstances 41
- We may vary surcharge debt amount 41
- Enquiries 41

Taxation 42
- General 42
- Lower taxation of benefit 42

Twice yearly adjustment of pensions 43
- Commutation and pension adjustments 43

Appeal provisions 44
- Appeal procedures 44
- Administrative Appeals Tribunal (AAT) 44
- Federal Court or Federal Magistrates Court 44

Freedom of information 45

Applying for a benefit 46
- General 46
- Applying for retirement pay and commutation 46
- Applying for a refund of contributions 46
- Applying for invalidity benefits 46
- Applying for lower taxation of benefits 46
- Applying for dependants' benefits 46

Need more information? 47

i-Estimator 47

Pre-retirement information 47

A guide to this booklet

This booklet provides a general description of Defence Force Retirement and Death Benefits Scheme (DFRDB Scheme). DFRDB is governed by the Defence Force Retirement and Death Benefits Act 1973 (the DFRDB Act) and associated rules and regulations.

Please note that this booklet is not a substitute for the legislation, or for matters requiring specific interpretation of the legislation.

For further information about DFRDB enquiries should be directed to:

DFRDB
GPO Box 2252
Canberra ACT 2601

Members:	1300 001 677
Pensions:	1300 001 877
Facsimile:	(02) 6272 9616
Email:	members@dfrdb.gov.au pensions@dfrdb.gov.au
Website:	csc.gov.au

Introduction

The purpose of this booklet

This booklet has been designed to provide you with information on the main features of DFRDB.
This booklet covers how your benefits are calculated when you leave the Australian Defence Force (ADF).

You should use this booklet to help gain an understanding of your entitlements under DFRDB.
You can do this by working through the examples provided. However, should you need any additional information, please call DFRDB on **1300 001 677** or visit **csc.gov.au**

Any information in this document is general information only and does not take account of your personal financial situation or needs. You may wish to obtain financial advice tailored to your personal circumstances.

Information in this document may change from time to time. Information that is not materially adverse to you may be updated on our website **csc.gov.au** or contact us for a free paper copy.
You can find information about product dashboards, director and executive officer remuneration, and other mandated disclosure materials in the About us section of the website.

The offer to which this document relates is available only to persons eligible to become a member of DFRDB under the *Military Superannuation and Benefits Act 1991*, receiving this document (electronically or otherwise).

About DFRDB

DFRDB provides eligible members with an income when they leave the ADF, and also with security during their working life, by covering eligible members and their dependants in the event of their invalidity, retirement or death.

DFRDB is a defined benefit superannuation scheme where the benefits are financed by you and the Department of Defence. DFRDB provides benefits for members who entered the ADF between 1 October 1972 and 30 September 1991, and also for contributors to Defence Force Retirement Benefits (DFRB) Scheme who were compulsorily transferred to DFRDB from its inception in 1972.
If you are receiving retirement or invalidity pay and are resuming full-time ADF service you should read the special requirements on page 37.

The DFRDB was closed to new members on 30 September 1991.

From 1 October 1991 until 30 June 2016, former members who had deferred benefit rights or who were in receipt of DFRDB pensions were able to resume membership of the DFRDB under certain circumstances.

From 1 July 2016, former serving DFRDB members who are in receipt of DFRDB pensions are not able to join the DFRDB or MilitarySuper if they return to the Permanent Forces or become continuous full-time Reservists. Instead, they are covered by the new ADF superannuation arrangement, which includes ADF Super and ADF Cover.

What are DFRDB's main features?

Briefly, DFRDB offers:

- retirement benefits that become available when you have completed 20 years service, or 15 years service and you have reached your retiring age for rank
- invalidity benefits if you retire from the ADF on invalidity grounds
- benefits for your dependants when you die.

Who manages DFRDB?

DFRDB is managed by Commonwealth Superannuation Corporation (CSC). DFRDB's governing legislation is the Defence Force Retirement and Death Benefits Act 1973 (the DFRDB Act).

CSC is responsible for making sure that the provisions of the DFRDB Act are applied fairly to all members of DFRDB. CSC has delegated most of its powers and functions under the Act so that delegates and authorised officers make the majority of primary decisions. CSC reserves the right to reconsider any of those decisions.

Contributions

How much?

As a DFRDB member, you are required to contribute 5.5% of your fortnightly salary for superannuation purposes. Your superannuation salary is the maximum incremental rate of pay for your substantive, provisional, or probationary rank, and includes any service allowance or recognised environmental allowance that is payable. Your contributions are paid into the Consolidated Revenue Fund (CRF) and do not earn any interest.

Contributions after 40 years service

After 40 years of effective service, you are no longer allowed to contribute to DFRDB. Should this apply to you, DFRDB will maintain a record of your salary for superannuation purposes, so that when you leave the ADF, your benefit is based on your final salary.

Leave Without Pay (LWOP) provisions

If you go on LWOP for 21 days or less, you must continue to pay contributions.

However, for periods of LWOP that exceed 21 days, you cannot continue to pay contributions, and such periods will be counted as non-effective service. This is important because your retirement pay is based on your years of effective service.

Providing your Tax File Number (TFN) to DFRDB

Superannuation funds cannot accept contributions from members who do not provide their TFN.

Ancillary contributions

If you are a current DFRDB contributor you may choose to make voluntary superannuation contributions to MilitarySuper, these voluntary contributions are known as Ancillary contributions.

Should you choose to make voluntary Ancillary contributions to MilitarySuper, you do not become a member of MilitarySuper. You will however be a beneficiary of MilitarySuper, for the purpose of your Ancillary Benefit.

What are Ancillary contributions?

'Ancillary contributions' describes a range of voluntary contributions or transfers you can make to MilitarySuper for yourself, or on behalf of your spouse. When they become payable they are paid as an additional benefit to your DFRDB Benefit. There are seven types of Ancillary contributions offered by MilitarySuper. These seven types are described in detail below.

Who can make Ancillary contributions?

To be eligible to make Ancillary contributions you must be a contributing DFRDB member. MilitarySuper cannot accept some Ancillary Contributions if you have not provided your Tax File Number (TFN).

More information is available online at **csc.gov.au**

1. Additional personal contributions

Additional personal contributions are contributions you can voluntarily make in addition to your regular DFRDB contributions. Additional personal contributions are classed as non-concessional contributions (i.e. non-taxed). There is a cap on the amount of non-concessional contributions you can pay into your superannuation without incurring additional tax.

No tax is payable on these contributions on entry to MilitarySuper, as these contributions are paid from your after-tax salary. However, if you exceed your non-concessional limit, these contributions will be taxed at the highest marginal rate at the end of the financial year.

2. Salary sacrifice

Salary sacrifice contributions are contributions from your pre-tax salary that you can voluntarily make in addition to (not instead of) your regular contributions to DFRDB. Even though they're voluntary contributions paid from your own salary, salary sacrifice contributions are classed as employer contributions. However, they don't count towards the minimum amount Defence is required to pay into your super on your behalf.

When we receive your salary sacrifice contributions, we'll deduct tax at a concessional rate of 15% and report the contributions against your concessional contributions cap. Salary sacrifice is an arrangement between yourself and Defence, so you'll need to contact your pay unit to set it up.

3. Transfer amounts

You can transfer benefits from any of the following institutions to MilitarySuper:

- another regulated superannuation fund
- a Retirement Savings Account (RSA)
- an approved deposit fund
- the Special Account, previously called the Superannuation Holding Account Reserve (SHAR).

You cannot transfer a DFRDB benefit into MilitarySuper.

15% tax is deducted from any untaxed portion of the transfer amount on receipt in to MilitarySuper.

Amounts transferred into MilitarySuper from other superannuation funds will not count towards the contribution caps. Further information about the tax consequences of contributions made to superannuation funds is available from the Australian Taxation Office (ATO) website at **ato.gov.au**

4. Spouse contributions

Spouse contributions are contributions you can make on behalf of your spouse. Your spouse will have a MilitarySuper interest established on their behalf and their contributions will be kept in a separate Ancillary account to yours. If you make spouse contributions, the benefit will belong to your spouse and will be payable to them as a lump sum—you'll have no right to the benefit, even if they cease to be your spouse. Spouse contributions are paid from your after-tax salary, so we won't apply tax when the contributions are received.

Your spouse must be a person who you are in a marital or couple relationship with to be eligible for spouse contributions. A marital or couple relationship exists if you've been living together as spouse or partner on a permanent and bona fide domestic basis for a continuous period of at least three years. If the period is less than three years, we'll need to consider evidence and determine if spouse contributions can be received.

Because these contributions belong to your spouse, only they can choose an investment option for these contributions. Spouse contributions will only count towards your spouse's non-concessional contributions cap and not your own. Your spouse will need to meet a condition of release to be eligible to claim their spouse contributions. Visit **ato.gov.au** for more information about conditions of release.

5. Co-contributions

In certain circumstances the Government may make additional contributions to your super. You don't need to apply for these contributions. If you're eligible, and we have your tax file number, they'll be paid into your benefit automatically. Super co-contributions are payable to low or middle-income earners (the thresholds change each financial year) who make personal after-tax contributions to their super. The amount of government co-contribution you receive will depend on your income and the amount you contribute, and is subject to an annual cap. For more information about Government contributions, including the current income thresholds and caps for these payments, please visit the ATO website **ato.gov.au**

6. Super Guarantee (SG)

Amounts received from the ATO

These are contributions collected from your previous employer by the ATO under the Superannuation Guarantee (SG) scheme.

Amounts received from the Department of Defence

From 1 July 2008, all employers in Australia have been required to use ordinary time earnings (OTE) as the earning base for SG purposes.

Ordinary time earnings encompasses a wider range of payments than salary and includes payments such as disability allowances and completion bonuses. Reimbursement-type allowances and amounts included under Fringe Benefits Tax laws are excluded from OTE.

SG employer contribution may not be achieved for some members who are in receipt of certain allowances and bonuses. To ensure there is no shortfall, Defence will pay additional employer contributions on the difference between salary for superannuation purposes and OTE. For the latest SG rate visit **ato.gov.au**

Under the SG legislation, employers are required to contribute the relevant percentage of OTE to superannuation for their employees (subject to a cap).

7. Low-Income Super Tax Offset (LISTO)

The low-income super tax offset (LISTO) is payable to individuals with an adjusted taxable income below the threshold set by the ATO. If you're eligible, you'll receive up to 15% of the total concessional (before-tax) super contributions that you make in a financial year, subject to an annual cap. The low income super contribution (LISC) was a similar scheme to LISTO, but ceased from 1 July 2017 when LISTO was established.

For more information about Government contributions, including the current income thresholds and caps for these payments, please visit the ATO website **ato.gov.au**

Investment choice for Ancillary contributions

Your Ancillary contributions plus investment returns make up your Ancillary Benefit. MilitarySuper offers a range of investment strategies in which you can choose how to invest your Ancillary Benefit (including any co-contributions).

Important: Before making an investment choice, you should read the MilitarySuper PDS. If you do not already have a copy, you can obtain one from the MilitarySuper website at csc.gov.au or by calling 1300 006 727.

MilitarySuper investment options

MilitarySuper offers you four investment options—Cash, Income Focused, Balanced and Aggressive—for the investment of your Ancillary contributions. You can choose different options for your existing member account balance and your future Ancillary contributions. You can change your investment options online or by completing an investment choice form available from **csc.gov.au**

When choosing an investment option you should consider the information provided in the MilitarySuper Product Disclosure Statement (PDS), available from **csc.gov.au** or calling **1300 006 727**.

Family Law and your Ancillary Benefit

As your Ancillary Benefit is an entitlement within MilitarySuper, this benefit may be valued separately from your DFRDB entitlement, and be included as part of your Family Law settlement if a splitting order or superannuation agreement was to be served on us.

Should you wish to split your MilitarySuper Ancillary Benefit the court order or superannuation agreement must specifically bind MilitarySuper in this regard.

How is an Ancillary Benefit paid?

When an Ancillary Benefit is payable, it will be paid as a lump sum only.

When can you claim your Ancillary Benefit?

You can claim your Ancillary Benefit either:

- when you have reached preservation age and permanently retired from the workforce
- when you reach 60 and you then cease employment, or change employers
- when you reach 65 years of age
- if we are satisfied that you have met the requirement of total and permanent incapacity
- if we are satisfied that you meet the requirements for severe financial hardship
- if the Department of Human Services (DHS) approves payment on specified grounds.

Your benefit will also be payable to an eligible spouse, eligible child or children, or your estate, in the event of your death.

Rolling over your Ancillary Benefit

You can rollover your Ancillary Benefit to another regulated superannuation fund, RSA or approved deposit fund at any time. However, you will not be able to claim the benefit from that rollover institution until you satisfy the age/employment conditions (or conditions of release) as outlined above.

Further details can be obtained from the MilitarySuper website at **csc.gov.au** or by calling **1300 006 727**.

Table 1: Preservation ages

Date of birth	Preservation age
Before 1/7/60	55
1/7/60 to 30/6/61	56
1/7/61 to 30/6/62	57
1/7/62 to 30/6/63	58
1/7/63 to 30/6/64	59
After 30/6/64	60

DFRDB benefits

General

Benefits from DFRDB are payable to you on your resignation or retirement. DFRDB's range of benefits may be summarised as follows:

- 'transition' benefits, which become payable on:
  - your voluntary or compulsory age exit or your eventual claim date after electing to defer your benefit

or

- 'in-service' benefits, which become payable on either:
  - your retirement due to physical or mental incapacity (i.e. invalidity)
  - your death, leaving eligible dependants
  - your death, leaving no eligible dependants

or

- 'post-service' benefits, which become payable following your death to your eligible spouse and children, provided you are receiving a pension at the time of your death.

Form of benefits

The primary form of DFRDB benefit is a combination of an indexed pension, and a lump sum payment referred to as commutation. See page 14 for more details.

Productivity benefit

You are also entitled to a productivity benefit under the Defence Force superannuation productivity benefit determination (issued under the *Defence Act 1903*). The amount of the benefit varies according to the circumstances under which you leave the ADF. DFRDB pays the productivity benefit at the same time as other benefits. See page 35 for more details.

Payment of benefits

Generally, a retirement/invalidity superannuation benefit is paid fortnightly by direct deposit to an account with any approved bank, building society, or credit union. The account must be with a financial institution in Australia and must be in your name. It may be a joint account, provided your name is one of the account holders.

Family Law

From 28 December 2002, changes to the Family Law Act 1975 came into effect. The legislation allows for superannuation to be split on marriage breakdown either by:

- a court order (that is, an order made by a court, or exercising Family Law jurisdiction such as the Family Court or the Federal Magistrates Court)

or

- a superannuation agreement between the parties (that is, an agreement between the parties that meets the requirements in the Family Law Act 1975).

On 18 May 2004, further legislative changes came into effect which allow a separate superannuation interest (i.e. account) to be created for a member's spouse or former spouse once a valid court order or superannuation agreement has been received.

From 1 March 2009, the Family Law Act 1975 allows couples in a de facto relationship access to property settlements under the Act. As a result superannuation can be split in the event of a de facto relationship breakdown.

Further details of the splitting arrangements and requirements are available from the **Family Law and splitting super** booklet on the CSC website at **csc.gov.au**

The consequence of a Family Law payment split depends on whether the member's benefit is in the 'payment phase' or 'growth phase'.

Payment phase

If a DFRDB retirement or invalidity benefit is being paid fortnightly, it is regarded as being in ‘payment phase’ for Family Law purposes.

If a DFRDB retirement or invalidity benefit is subject to a Family Law split, the non-member spouse will become an **Associate** in DFRDB and will start to receive a fortnightly pension in his or her own right. The entitlement is indexed twice yearly.

If an Associate is in receipt of an Associate’s fortnightly benefit, there is no residual benefit for their dependants.

Growth phase

Each of the following entitlements are regarded as being in ‘growth phase’ for Family Law purposes:

- an accruing DFRDB benefit
- a DFRDB deferred benefit that has not been claimed (see page 36 for more information on deferred benefits)
- an entitlement under the productivity benefit scheme.

If any of these entitlements are subject to a Family Law split, the non-member spouse will become an **Associate** in MilitarySuper, with an **Associate B** benefit.

For Family Law purposes, DFRDB and productivity benefit scheme are regarded as two separate schemes. Therefore, if the benefit is still in the growth phase, and the parties wish to bind the superannuation interests in both schemes, there will need to be a separate order or separate clauses within a single order or agreement, for each scheme.

Retirement benefits

General

If you retire on non-medical grounds and have:

- 20 or more years of effective service

or

- 15 or more years of effective service and have reached your retiring age for rank

you are entitled to a retirement benefit. There is also an option to commute part of your future retirement benefit to a lump sum.

Your retirement benefit becomes effective on the day after the date of your separation from the ADF, and it will be paid to you fortnightly for the rest of your life, unless you resume continuous full-time ADF service.

Calculation of retirement benefit

Your retirement benefit is worked out as a percentage of your salary when you retire. The two factors used to work out your retirement benefit are:

- your annual rate of pay, and
- your completed years of effective service.

Your rate of pay, for DFRDB purposes, is the maximum rate of pay which applies to your rank and pay level, including any service allowance or recognised environmental allowance.

Effective service is the total of your full-time contributory service, plus any periods of past service you may have bought back. You can find out how much effective service you have by looking at your most recent annual member statement and then adding the effective service that you have accumulated since the date on the statement.

Table 2 on the next page shows the amount of retirement benefit you can expect to receive, depending on your annual rate of pay and your completed years of effective service. You can use the table and the following example to estimate how much retirement pay you will be entitled to when you leave the ADF.

There is a quickguide to calculating DFRDB retirement benefits on page 18.

To estimate your potential retirement benefit you can also use the i-Estimator on the DFRDB website at **csc.gov.au**
You will need an Access Number to use this service. Please call **1300 001 677** to obtain an Access Number.

Table 2: Retirement pay as a percentage of annual salary

Complete years	%	Complete years	%	Complete years	%	Complete years	%
15	30.00	22	38.00	29	49.25	36	65.25
16	31.00	23	39.50	30	51.25	37	67.75
17	32.00	24	41.00	31	53.25	38	70.50
18	33.00	25	42.50	32	55.50	39	73.50
19	34.00	26	44.00	33	57.75	40 or more	76.50
20	35.00	27	45.75	34	60.25		
21	36.50	28	47.50	35	62.75		

Example A: Calculation of retirement pay (before commutation)

Alex, a 42-year-old Squadron Leader with 22 years of effective service, has decided to retire from the ADF. Alex has a salary for superannuation purposes of $83,398 (the highest increment for his rank is always used).

Using **Table 2**, we see that as Alex has 22 years of effective service, therefore the percentage to apply to his final salary is 38.00. His annual retirement benefit is worked out as follows:

Step 1 $83,398 × 38% = $31,691.24 per year (before tax)

This figure, $31,691.24, is his annual retirement benefit, before tax, and is arrived at by multiplying his final annual salary for superannuation purposes and a percentage determined by his years of effective service (22 years service = 38% see Table 2).

Step 2 $31,691.24 × 14 ÷ 365 = $1,215.55 per fortnight (before tax)

The fortnightly entitlement is worked out by multiplying annual retirement benefit by 14 and then dividing it by 365. In Alex's case, he would be paid a fortnightly benefit of $1,215.55 before tax.

Commutation

General

Commutation is the lump sum prepayment of part of your future retirement benefit.

Elligibility

- If you have retired and are entitled to retirement benefit, you can elect to commute (that is, exchange) a portion of that future retirement benefit for a lump sum.
- Similarly, if you are classified Class C after being medically separated from the ADF (see page 24), and you would have been entitled to receive retirement benefit had you voluntarily transitioned out, you can elect to commute a portion of your benefit.
- If you have an entitlement to a deferred benefit (see page 36), you may also elect to commute a portion of that benefit.

An election to commute a portion of your retirement benefit may be made up to three months before, or up to 12 months after your retirement, or the date on which a deferred benefit becomes payable. An election to commute can only be made by completing the Application for **DFRDB retirement pay, commutation and superannuation productivity (D20)** form available at **csc.gov.au**

From 2002, the maximum amount that you may commute is five times your annual rate of retirement benefit on exit.

Note: Commutation of a benefit results in a **permanent reduction** in your retirement benefit based on your life expectancy—see factors at **Table 3** on page 15. If you choose to claim a commutation lump sum, this will **permanently** reduce your pension. The ongoing reduction in your pension is based on your age, and therefore your life expectancy, the day following your transition from the ADF, or the day that CSC receives your election, whichever is later. This may result in a higher pension reduction and therefore a lower pension amount. Your pension entitlement will not change if you outlive the life expectancy used to determine your reduction.

If you have accessed a commutation during a previous separation from the ADF and re-entered the ADF, you must elect the same commutation amount in all subsequent separations.

Date of effect

A commutation election becomes effective on the later of:

- the date the election is received by DFRDB
- the day immediately after retirement
- the date a deferred benefit becomes payable.

For taxation purposes a commutation election should be made within 12 months of exit.

Commutation amount and retirement pay increases

If you commute less than the maximum entitlement, and you elect to commute between four and five times your retirement pay, the total amount of the remaining retirement pay is indexed.

However, if no election is made to commute, or you elect to commute less than four times your retirement pay, indexation will only be applied to your notional retirement benefit, which is the rate of retirement pay that would be payable if you had elected to commute four times retirement pay.

These differences are demonstrated in the example on the next page.

Example B: Calculation of commutation

David is 43 years old and a Sergeant in the army. He retires after 25 years in the ADF.
David elects to commute a portion of his future retirement pay to a lump sum. His final salary for superannuation purposes is $66,709, his commutation factor is 5 and his life expectancy factor is 29.14 (see **Table 3** on **page 15**).

Step 1 **$66,709 × 42.50% = $28,351.33 (retirement pay before commutation)**

This step is exactly the same as in **Example A**, and is the multiplication of David's annual salary for superannuation purposes and a percentage determined by his years of effective service. The resultant amount, $28,351.33, is his annual retirement pay, before commutation and before tax.

Step 2 **$28,351.33 × 5 = $141,756.65**

This step calculates David's commutation lump sum by multiplying his annual retirement pay and the maximum commutation factor that applies to members leaving the ADF from 1 July 2002 onwards (see **Table 1** on page 9).

Step 3 **$141,756.65 ÷ 29.14 = $4,864.68**

In this step, we divide the lump sum arrived at in **Step 1** by David's life expectancy factor, which for a 43-year-old male is 29.14 (see **Table 3** on page 15).

Step 4 **$28,351.33 – $4,864.68 = $23,486.65**

Here, we subtract the figure resulting from **Step 3** from David's pre-commutation annual retirement pay (**Step 1**). This figure, $23,486.65, is his annual retirement benefit after commutation and before tax.

Step 5 **$23,486.65 × 14 ÷ 365 = $900.86 (per fortnight, before tax)**

This step simply converts the annual retirement pay into a fortnightly amount, before tax.

*

Notes:

If David decided to commute only four times retirement pay, his gross commutation lump sum would reduce from $141,756.65 to $113,405.32. His remaining indexed pension would then increase from $23,486.65 to $24,459.59.

If David decided not to commute any retirement pay, the commencing rate of retirement pay would be $28,351.33, of which $24,459.59 would be indexed. If David elected to commute less than four times retirement pay, only $24,459.59 of the remaining retirement pay would be indexed.

Table 3: Life expectancy factors

Age	Factor		Age	Factor	
	Male	Female		Male	Female
30	41.12	46.49	48	24.80	29.69
31	40.18	45.53	49	23.96	28.80
32	39.25	44.57	50	23.13	27.92
33	38.31	43.61	51	22.31	27.05
34	37.38	42.65	52	21.51	26.18
35	36.45	41.70	53	20.72	25.32
36	35.51	40.75	54	19.94	24.47
37	34.59	39.81	55	19.18	23.63
38	33.67	38.86	56	18.43	22.79
39	32.75	37.92	57	17.70	21.96
40	31.84	36.99	58	16.99	21.13
41	30.93	36.06	59	16.29	20.32
42	30.03	35.13	60	15.60	19.51
43	29.14	34.21	61	14.94	18.72
44	28.25	33.29	62	14.29	17.94
45	27.38	32.38	63	13.67	17.17
46	26.51	31.48	64	13.06	16.42
47	25.65	30.58	65	12.47	15.68

*

Note: The life expectancy factors used for determining DFRDB benefits are set out in the DFRDB Act.

Notional Retiring Age (NRA)

Retiring before reaching NRA?

If you are an Officer, you are entitled to retirement pay, even if you retire before you reach your NRA for rank, as long as you have completed 20 years of effective service. However, if you do so, your retirement pay will be reduced by 3% for every year that your actual retiring age is less than your NRA. **Example C** on the next page shows you how a NRA reduction is applied.

The NRA provisions of the DFRDB Act exist to encourage Officers to serve until they reach a certain age. This age varies according to the rank that Officers hold at the time they retire. The notional retiring ages for the different ranks of Officers are outlined below in **Table 4**.

Note: The NRA provisions apply **only** to Officers.

Table 4: Notional Retiring Age

Rank			NRA (years)
Navy	Army	Air Force	
Admiral Vice Admiral	General Lieutenant General	Air Chief Marshal Air Marshal	55
Rear Admiral	Major General	Air Vice Marshal	52
Commodore Captain	Brigadier Colonel	Air Commodore Group Captain	50
Commander Chief Officer (WRANS) Matron (RANNS) Superintendent (Naval Police)	Lieutenant Colonel	Wing Commander Squadron Leader	45
Lower rank	Lower rank	Lower rank	42

NRA only applies to Officers who retire at their own request or are retired on disciplinary grounds. However, NRA does not apply to Officers who are either:

- made redundant
- separated medically unfit for further service
- on a short service commission, and completes that commission.

Example C: Calculation of retirement pay with NRA penalty

Paul, aged 40, is an army Captain retiring from the ADF after 20 years service. As the NRA for a Captain is 42 (see **Table 4** on page 16), Paul's retirement pay will be reduced by 6%, which is a 3% reduction for each year that his age at retirement is less than the NRA for his rank.

Step 1 $85,538 × 35% = $29,938.30 (before tax)

In this step, Paul's final salary for superannuation purposes is multiplied by the applicable percentage for his years of effective service as shown in **Table 2** (20 years service = 35% of final salary).

Step 2 $29,938.30 × 6% = $1,796.30

Because Paul is retiring two years before the NRA for his rank, a penalty of 6% is applied to the amount worked out in Step 1.

Step 3 $29,938.30 – $1,796.30 = $28,142.00

In this step, the NRA provisions are applied by subtracting the penalty resulting from **Step 2** from the amount worked out in **Step 1**.

In this example, Paul's annual retirement pay is $28,142.00, before commutation and before tax. Should he elect to commute a portion of his retirement pay to a lump sum, the steps are exactly the same as shown from **Step 2** in **Example B** on page 15.

DFRDB retirement benefits quickguide

If you retire on non-medical grounds and have:

- 20 or more years of effective service

or

- 15 or more years of effective service and have reached your retiring age for rank

you are entitled to retirement benefits. Retirement benefit becomes payable on the day after the date of your separation from the ADF, and it will be paid to you fortnightly for the rest of your life (unless you resume continuous full-time ADF service). Retirement benefits are subject to twice-yearly indexation.

Service

20 or more years

15 to 19 years AND reached retiring age for rank

15 to 19 years but NOT yet reached retiring age for rank

less than 15 years

Retirement pay 20 or more years

You are entitled to retirement pay based on the following:

Completed years	% salary*	Completed years	% salary*
15	30.00	29	49.25
16	31.00	30	51.25
17	32.00	31	53.25
18	33.00	32	55.50
19	34.00	33	57.75
20	35.00	34	60.25
21	36.50	35	62.75
22	38	36	65.25
23	39.50	37	67.75
24	41	38	70.50
25	42.50	39	73.50
26	44	40+	76.50
27	45.75		
28	47.50		

*Note: Salary means your salary for superannuation purposes, which may differ from your actual salary (see your annual member statement)

Refund and gratuity

Where you are not entitled to retirement pay, your benefit is:

- a lump sum refund of your contributions paid into the Scheme, plus
- a superannuation guarantee top-up, plus
- a gratuity in some cases

plus

Notional retiring age

If you are an officer your retirement pay will be reduced by 3% for each year that your age at retirement is less than your notional retiring age.

Rank	Notional retiring age
Major (or equivalent) and below	42
Lieutenant Colonel (or equivalent)	45
Colonel and Brigadier (or equivalent)	50
Major General (or equivalent)	52
Lieutenant General and General (or equivalent)	55

Commutation

You can elect to receive a lump sum prepayment of part of your future retirement benefit, up to a maximum of five times, AND your future retirement benefit will be permanently reduced to offset the commutation.

Productivity

If you have reached your preservation age and will not be working again, or you have reached age 60 and change employer, your productivity benefit is paid to you as a lump sum; otherwise it must be preserved in a rollover fund.

plus

Date of birth	Preservation age
Before 1/7/60	55
Between 1/7/60 & 30/6/61	56
Between 1/7/61 & 30/6/62	57
Between 1/7/62 & 30/6/63	58
Between 1/7/63 & 30/6/64	59
After 30/6/64	60

less

Surcharge

Any surcharge debt remaining at the time benefits are payable is normally recovered from the productivity lump sum but you can request that it be recovered from your commutation lump sum (if any), or retirement pay (if you do not elect to commute on transition) instead.

Resignation

If you leave DFRDB without an entitlement to a retirement benefit or invalidity benefit, you are entitled to a resignation benefit.

In these circumstances, you have the following options:

- a lump sum refund of your contributions paid into DFRDB
- plus a superannuation guarantee top-up
- plus a gratuity (depending on individual circumstances) (see below)
- preservation of your benefit (in limited circumstances) (refer to page 36).

Refer to the resignation benefits quickguide on page 21.

Gratuities

A gratuity is a sum of money paid to some members in the form of a one-off lump sum. Although gratuities are usually only payable to other rank members, some Officers are also entitled to receive them. These members will be informed of their eligibility upon separation. Once you become entitled to a retirement benefit or invalidity benefit you will not be eligible to receive a gratuity.

DFRDB resignation benefits quickguide

If you leave DFRDB without an entitlement to retirement benefit or invalidity benefit, you are entitled to a resignation benefit.

Refund and gratuity

Where you are not entitled to retirement benefit your benefit is:

- a lump sum refund of your contributions paid into DFRDB plus
- a superannuation guarantee top-up, plus
- a gratuity in some cases OR
- preservation of your benefit (in limited circumstances).

Productivity

If you have reached your preservation age and will not be working again, or you have reached age 60 and change employer, your productivity benefit is paid to you as a lump sum, otherwise it must be preserved in a rollover fund.

Date of birth	Preservation age
Before 1/7/60	55
Between 1/7/60 & 30/6/61	56
Between 1/7/61 & 30/6/62	57
Between 1/7/62 & 30/6/63	58
Between 1/7/63 & 30/6/64	59
After 30/6/64	60

less

Surcharge

Any surcharge debt remaining at the time benefits are payable is normally recovered from the productivity lump sum but you can request that it be recovered from your commutation lump sum instead.

Redundancy

If you are made redundant, and you are not eligible to receive retirement benefit from DFRDB, you will receive a lump sum refund of the contributions you have paid into DFRDB, plus a gratuity where applicable.

If you are entitled to a retirement benefit this is determined in the same manner as for retirement, except if you are an Officer and you are made redundant, you will be exempt from the NRA provisions (see the section on NRA on page 16).

Service

- 20 or more years
- 15 to 19 years AND reached retiring age for rank
- 15 to 19 years but NOT yet reached retiring age for rank
- less than 15 years

Retirement pay 20 or more years

You are entitled to retirement pay based on the following:

Completed years	% salary*	Completed years	% salary*
15	30.00	29	49.25
16	31.00	30	51.25
17	32.00	31	53.25
18	33.00	32	55.50
19	34.00	33	57.75
20	35.00	34	60.25
21	36.50	35	62.75
22	38	36	65.25
23	39.50	37	67.75
24	41	38	70.50
25	42.50	39	73.50
26	44	40+	76.50
27	45.75		
28	47.50		

*Note: Salary means your salary for superannuation purposes, which may differ from your actual salary (see your annual member statement)

Refund and gratuity

Where you are not entitled to retirement pay, your benefit is:

- a lump sum refund of your contributions paid into the Scheme, plus
- a superannuation guarantee top-up, plus
- a gratuity in some cases

DFRDB redundancy benefits quickguide

If you are made redundant and have:

- 20 or more years of effective service

or

- 15 or more years of effective service and have reached your retiring age for rank

you are entitled to retirement benefit. Retirement benefits become payable on the day after the date of your separation from the ADF, and it will generally be paid to you fortnightly for the rest of your life.* Retirement benefits may be indexed bi-annually on the first paydays in January and July.

*Note: that there are some exceptions to this if you return to the Permanent Forces or become a continuous full-time Reservist before 1 July 2016.

Commutation

You can elect to receive a lump sum prepayment of part of your future retirement benefit, up to a maximum of five times, AND your future retirement benefit will be permanently reduced to offset the commutation.

plus

Productivity

If you have reached your preservation age and will not be working again, or you have reached age 60 and change employer, your productivity benefit is paid to you as a lump sum; otherwise it must be preserved in a rollover fund.

Date of birth	Preservation age
Before 1/7/60	55
Between 1/7/60 & 30/6/61	56
Between 1/7/61 & 30/6/62	57
Between 1/7/62 & 30/6/63	58
Between 1/7/63 & 30/6/64	59
After 30/6/64	60

plus

Surcharge

Any surcharge debt remaining at the time benefits are payable is normally recovered from the productivity lump sum but you can request that it be recovered from your commutation lump sum (if any), or retirement pay (if you do not elect to commute on transition) instead.

Invalidity benefits

General

Invalidity benefits are designed to address the circumstance of retirement from the ADF due to a physical or mental incapacity.

If you are separated from the ADF as medically unfit for service, you may be eligible for an invalidity benefit from DFRDB. However, you may not be eligible for an invalidity benefit if you have a pre-existing condition. You will also not be eligible for an invalidity benefit if you deliberately bring about your invalidity, or if you are absent without leave for a period exceeding 60 consecutive days, and your invalidity occurs after this period.

Although DFRDB is responsible for paying your invalidity benefits, compensation benefits are provided by the Department of Veterans' Affairs (DVA).

Entitlement to invalidity benefits

If you are retired on invalidity grounds, we are required to determine the percentage of your incapacity in relation to your ability to perform civilian employment.

When deciding whether or not you are entitled to an invalidity benefit, we (or a delegate) have regard only to the following:

a) your vocational, trade and professional skills, qualifications and experience

b) the kinds of civilian employment which a person with the skills, qualifications and experience referred to in (a), but without any incapacity, might reasonably undertake

c) the degree to which the physical or mental impairment that was the cause of the invalidity retirement has diminished your capacity to undertake the kinds of civilian employment referred to in (b).

Having determined the degree of your incapacity, we are required to classify you in accordance with a percentage of incapacity as follows:

- Class A, 60% or more
- Class B, 30% or more but less than 60%
- Class C, less than 30%.

How much?

If you are classified as **Class A**, you will receive invalidity pay based on 76.5% of your annual salary for superannuation purposes. If you are classified as **Class B**, you will receive invalidity pay based on half a **Class A** pension (38.25%). However, if you have completed 23 or more years of effective service and are classified as **Class B**, your invalidity pay will be higher as it is based on the number of years you have actually served, up to a maximum of 40 years.

A member who is classified as **Class A** or **Class B** has no entitlement to elect to commute. If you are classified as **Class C**, and you have less than 20 years service you will receive a lump sum benefit and, in some cases, a gratuity as well. Your lump sum will consist of a refund of your contributions made to DFRDB, multiplied by 1.5.

If you are classified as **Class C** but you would have been entitled to retirement pay if you had retired on grounds other than invalidity (that is, you have 20 years of service or have reached retirement age for rank), you will receive a benefit equivalent to retirement pay, at a rate determined by your length of service if this is greater than your invalidity benefit. In this situation, if you are classified as **Class C**, the commutation option is available.

If you require further assistance, please contact DFRDB. Contact details are available on page 48.

Example D: Calculation of invalidity pay

Alison and Ben, both Seaman, are injured in a training accident. Both have 21 years of effective service. Ben is classified by CSC as **Class B** invalidity, while Alison is classified as **Class A**.

Class A

In Alison's case, as she has been classified as **Class A**, her benefit will be based on 76.5% of her annual salary for DFRDB purposes ($56,543). To calculate her annual benefit, we simply multiply her annual salary by 76.5%

$56,543 × 76.5% = $43,255.40 per year (before tax)

Class B

As Ben has been classified as **Class B** invalidity, his invalidity benefit will be based on 38.25% of his annual salary for DFRDB purposes ($56,543). Again, to calculate his invalidity benefit, we simply multiply his annual salary by 38.25%

$56,543 × 38.25% = $21,627.70 per year (before tax)

In both cases—as with all ongoing benefits from DFRDB—the benefits may be indexed bi-annually on the first paydays in January and July.

DFRDB invalidity benefits quickguide

DFRDB invalidity benefits are designed to meet the possibility of your retirement from the Defence Force due to your physical or mental incapacity to carry out your duties and to cover your subsequent resettlement into the civilian workforce.
Invalidity pensions may be indexed biannually on the first paydays in January and July.

Class C invalidity pay

As a Class C retiree you would be entitled to a lump sum payment unless you would otherwise have qualified for retirement pay

20 or more years

15 to 19 years but NOT yet reached retiring age for rank

less than 15 years

Incapacity

Class C: less than 30%

Class B: 30%—less than 60%

Class A: 60% or more

The amount of invalidity benefit depends on the percentage of your incapacity to undertake civilian employment

Class B invalidity pay

You are entitled to invalidity pay based on the following:

Completed years	% salary*	Completed years	% salary*
under 23	38.25	32	55.5
23	39.50	33	57.75
24	41	34	60.25
25	42.50	35	62.75
26	44	36	65.25
27	45.75	37	67.75
28	47.50	38	70.50
29	49.25	39	73.50
30	51.25	40+	76.50
31	53.25		

*Note: Salary means your salary for superannuation purposes, which may differ from your actual salary (see your annual member statement)

Class A invalidity pay

Class A invalidity pay is 76.5% of your salary*

Class C invalidity pay

You are entitled to invalidity pay based on the following:

Completed years	% salary*	Completed years	% salary*
15	30.00	29	49.25
16	31.00	30	51.25
17	32.00	31	53.25
18	33.00	32	55.50
19	34.00	33	57.75
20	35.00	34	60.25
21	36.50	35	62.75
22	38	36	65.25
23	39.50	37	67.75
24	41	38	70.50
25	42.50	39	73.50
26	44	40+	76.50
27	45.75		
28	47.50		

Class C lump sum and gratuity

Where you are not entitled to retirement pay your benefit is either:

- a lump sum of 1.5 times your contributions paid into DFRDB
  - plus a gratuity in some cases

OR

- preservation of your benefit

plus

Class C commutation

You can elect to receive a lump sum prepayment of part of your future invalidity pay, up to a maximum of five times, AND your future retirement pay will be reduced to offset the commutation.

Productivity

Your productivity benefit must be preserved in a rollover fund until you reach your preservation age.

Surcharge

Any surcharge debt remaining at the time invalidity benefits are payable is normally recovered from the productivity lump sum but you can request that it be recovered from your commutation lump sum (if any), or retirement pay (if you do not elect to commute on transition) instead.

Review of invalidity cases

As part of the 2009 Federal Budget, the Government announced a reduction in the number of employer initiated medical reviews of DFRDB invalidity recipients.

From 1 July 2009, there has been no employer initiated reviews of DFRDB invalidity recipients.

However, it is important to note that should you consider that your health has deteriorated, you retain the right to initiate a review to have your classification re-assessed.

If you think that the impairment that caused your retirement has become worse since you were first classified, or since you were last reviewed, you can request that your classification be reviewed. If you want a review, all you have to do is write to us and request one.

You can appeal against any decision that we make regarding your DFRDB entitlements.
For information on appeal procedures, see page 44.

Death benefits

General

Your DFRDB membership not only provides you with a superannuation benefit for your retirement, but it also guarantees a benefit for your eligible dependants or your estate in the event of your death. The eligibility criteria is set out in the DFRDB Act. We will decide whether or not your dependants satisfy the conditions in the Act and qualify for the payment of a benefit.

Your dependants may also be entitled to claim benefits from DVA or under the Social Security Act in addition to those from DFRDB.

Who is eligible?

In the event of your death, benefits are payable to the spouse and child/ren (including orphans) of deceased members of DFRDB, and differ according to whether you die in service or after you retire. Examples of how these benefits are calculated and the eligibility requirements that need to be satisfied are explained on the next page.

DFRDB death benefits quickguide 1

Death in service (ie death while a contributor)

DFRDB membership provides benefits for your eligible dependants and/or estate when you die.
We decide whether your dependants are entitled to benefits.

Dependants

None

Orphan(s)

Spouse/children

Estate benefit

A lump sum of 1.5 times your contributions will be paid to your estate.

Orphan benefit

Each eligible orphan will receive an indexed pension commencing at the rate of $8,977.30 pa plus 5.9766% of your salary* at the time of death. The total benefit for all orphans cannot exceed 76.5% of your salary*.

plus

Spouse benefit

Your eligible spouse will receive an indexed pension commencing at the rate of 47.8125% of your salary*.

plus

Productivity

Your productivity benefit is paid to your estate.

plus

less

Commutation

Your eligible spouse can elect to receive a lump sum prepayment up to a maximum of two times your salary* AND future spouse pension will be reduced by 4% of the amount commuted.

Child

Each eligible child will receive an indexed pension commencing at the rate of $560.19 pa plus 7.9688% of your salary*.

Surcharge

Any remaining surcharge debt at the time of death is recovered from your productivity benefit.

*Note: Salary means your salary for superannuation purposes, which may differ from your actual salary (see your annual member statement).

The rate of indexation applied depends on the age of your eligible spouse and not the age you would have attained. It is the age of your spouse on or after 1 July 2014, not the age you would have been, that dictates which method of indexation is to be applied to the notional rate of retirement pay for child and orphan pensions from your date of death or 1 July 2014, whichever is later.

Death in service

If you die in service, your spouse's benefit will be five-eighths of 76.5% (or 47.8125%) of your salary for superannuation purposes at the time of your death.

In addition, your spouse is entitled to commute (that is, exchange) part of his or her future pension to a lump sum. The maximum amount that your spouse can commute is twice the amount of your annual salary for superannuation purposes that you were receiving immediately prior to your death. If your spouse chooses this option, the initial rate of pension is determined by dividing the commutation lump sum by 25 and deducting the resultant amount from the annual pension that would have been received if there had been no commutation.

The following example shows how this is worked out.

Example E: Calculation of a spouse's commutation benefit

Brian, a Petty Officer, dies in service, and is survived by an eligible spouse and one child. At the time of his death he was receiving an annual salary of $66,709. Jenny, Brian's spouse, decides to commute the maximum portion of her future pension. Her benefit is calculated as follows:

Step 1 $66,709 × 47.8125% = $31,895.24 (per year before tax)

In this step, we calculate Jenny's pre-commutation pension by multiplying Brian's annual salary at the time of his death by 47.8125%.

Step 2 $66,709 × 2 = $133,418

Here, we simply multiply Brian's salary at the time of his death by two, in order to get the maximum lump sum amount payable to his spouse.

Step 3 $133,418 ÷ 25 = $5,336.72

This step calculates the reduction to apply to the initial pension by dividing the lump sum (calculated in **Step 2**) by 25.

Step 4 $31,895.24 – $5,336.72 = $26,558.52 (per year before tax)

In this step, we subtract the cost of commutation (**Step 3**) from the pre-commutation amount (**Step 1**). The resulting figure is Jenny's annual pension, before tax.

In summary, Jenny will receive a lump sum payment of $133,418, as well as an annual indexed pension of $26,558.52 before tax. The lump sum payment is tax-free and she would not lose her spouse's pension should she remarry or commence a new relationship.

As well as receiving a spouse's benefit from DFRDB, Jenny is also entitled to claim a benefit on behalf of her child. This is calculated in **Example F** on page 33.

Spouse benefits

Generally, DFRDB pays benefits to an eligible spouse upon the death of a DFRDB member or pensioner. The eligibility requirements are as follows:

- you must be a DFRDB member or pensioner
- your spouse must be in a marital or couple relationship with you at the time of your death
- the marital or couple relationship must have existed for a continuous period of at least three years immediately before your death.

For the purposes of DFRDB, a marital or couple relationship will exist if another person has been living with you as your husband, wife or partner (including a same sex partner) in a permanent and bona fide domestic basis at the time of your death.

If the marital or couple relationship existed for a continuous period of less than three years at the time of your death, your spouse may still be eligible for a spouse's benefit, at our discretion.

From 1 January 2008, if after becoming a pensioner you commence a marital or couple relationship after your sixtieth birthday, that relationship must exist for at least three years for your spouse to be eligible for a full spouse's benefit. Relationships of less than three years will result in a pro-rata reduction in the pension payable.

The final category of eligibility for spouses concerns a situation where you are legally married or in a registered relationship, but you are not living in a marital or couple relationship at the time of your death. To receive a spouse's benefit in these circumstances, your husband, wife or partner will have to prove to us that they were wholly or substantially financially dependent on you at the time of your death.

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 of 37.5% of the total benefit to each spouse, with the remaining portion allocated at our discretion, which will have regard to the financial needs of each of the spouses. In these circumstances, the total of the two pensions cannot exceed the total of the pension that would have been payable if there had only been one eligible spouse.

Note: It is a common misconception that spouses lose their eligibility and have their benefits stopped if their circumstances change. However, you can be assured that once we decide that your spouse is eligible to receive a benefit, then they will get that benefit for life and it will not be stopped under any normal circumstances (for example, in the event your spouse commences a new relationship).

Since 1 January 2008 widows whose pensions previously ceased upon remarriage may request that the pension be reinstated prospectively at the rate it would now be payable had it not ceased.

Children's benefits

A child is defined as either:

- your natural child, stepchild, adopted child, foster child, ward, or child within the meaning of the *Family Law Act 1975* who is under 18 years of age or is a full-time student aged between 18 and 25
- an ex-nuptial child or child within the meaning of the *Family Law Act 1975* of your spouse, who satisfies the age criteria above and who was wholly or substantially dependent upon you at the time of your death.

A child's benefit (regardless of the number of children), is payable as a base rate per annum, plus an amount equal to one-sixth of your spouse's entitlement. It is based on your spouse's original uncommuted pension, regardless of whether or not your spouse chooses to commute. The base amount increases on the first pension payday in January and July each year.

Orphans' benefits

An orphan is an eligible child where there is not an eligible spouse benefit payable under DFRDB.
An orphan's benefit is calculated as a base amount per annum, plus an amount equal to one-eighth of your spouse's entitlement prior to any commutation. The base amount increases on the first pension payday in January and July each year.

If the number of eligible orphans who are entitled to receive a pension exceeds the benefit on which it is based, then each orphan's pension is calculated by dividing the number of orphans into that rate.

Example F: Calculation of a child's benefit

Following on from **Example E**, as Jenny's child is aged under 16, DFRDB provides the following benefit:

Step 1 $31,895.24 x 1/6 = $5,315.87 (per year before tax)

An eligible child is entitled to receive one-sixth of the annual pension that your spouse can receive, prior to any commutation. Therefore, in this step, we multiply Jenny's precommutation pension (see Step 1 of Example E) by one-sixth.

Step 2 $560.19 + $5,315.87 = $5,876.06 per year

Under the Act, there is also a fixed pension component due to eligible children. In this step, we simply add the fixed amount applying for the period July to December 2009 ($560.19) to the figure that we arrived at in **Step 1**.

The pre-tax figure, $5,876.06, will increase each January and July with upward movements in indexation. The child will be eligible to receive a benefit until the age of 16, or the age of 25 if involved in full-time study.

Similar steps are followed when working out an orphan's benefit. The main exceptions are that an orphan's benefit is calculated using one-eighth of your spouse's benefit and a different fixed amount component applies (e.g. $8,977.30 for the period July to December 2009).

Based on the above example, in the period July to December 2009 the pension payable in respect of one orphan is $12,964.21.

Whilst there is no upper limit placed on pension payable in respect of eligible children, the pension payable in respect of orphans cannot exceed 76.5% of the former member's DFRDB salary at date of death.

Death after retirement

If you die after retirement, your spouse's benefit will be paid at the rate of 62.5% (five-eighths) of the benefit you were receiving at the time of your death, **disregarding any previous commutation reduction**. However, for the first seven paydays following your death, your spouse will be paid at the same rate you were receiving at the time of your death, before changing to the spouse's rate.

It is the age of your eligible spouse on or after 1 July 2014, not the age you would have been, that dictates which method of indexation is to be applied to the notional rate of retirement pay for eligible spouse's pensions from your date of death or 1 July 2014, whichever is later.

Advising your dependants

It is important that your dependants are aware that a benefit may be payable from DFRDB in the event of your death.

DFRDB death benefits quickguide 2

Death after retirement

Benefits available to your dependants should you die after retirement are generally based on the benefit you would have been receiving at the date of your death had you not commuted any part of your retirement pay.

Dependants

None

Orphan(s)

Spouse/children

Estate benefit

In rare cases where your pension had been paid for a short time only, a residual capital value may be payable to your estate.

Orphan benefit

Each eligible orphan will receive an indexed pension commencing at the rate of $8,977.30 pa (this amount is increased in line with upward movement in the CPI) plus 7.8125% of the rate of your retirement pay at the date of death had you not commuted. The total benefit for all orphans cannot exceed the uncommuted rate of your retirement pay.

Spouse benefit

Your eligible spouse will receive an indexed pension commencing at the rate of 62.5% of the retirement pay you would have been receiving at the date of death had you not commuted.

plus

Child

Each eligible child will receive an indexed pension commencing at the rate of $560.19 pa (this amount is increased in line with upward movement in the CPI) plus 10.4167% of your retirement pay at the date of death had you not commuted.

Productivity benefit

General

A productivity benefit has been accruing on behalf of all ADF members since 1 January 1988. This benefit is paid for completely by the Department of Defence and is separate from DFRDB benefits outlined in this booklet.

When is the benefit payable?

Under certain circumstances, the productivity benefit is payable immediately after you leave the ADF. However, in most cases it must be paid into a rollover fund of your choice until you retire from the workforce on or after reaching your preservation age (see **Table 1** on page 9 for preservation ages).

Immediate payment

If you leave DFRDB and you satisfy any of the following criteria, the productivity benefit is payable to you or your family immediately:

- if you retire from the workforce on or after preservation age
- if you reach age 60 and change employer
- in the event of your death.

Later payment from another rollover fund

If you do not meet the above criteria, you must nominate a rollover fund (for example, an approved deposit fund) into which your benefit will be deposited, until one of the above conditions is met. The rollover fund may allow early release of some part of the productivity benefit should you find yourself in a position of financial hardship. Early release is subject to you meeting prescribed conditions.

Preserved benefits

If you leave DFRDB without an entitlement to retirement or invalidity benefit, you may be entitled to elect for what is called 'preservation of rights'. On such election, continuity of your accumulated superannuation rights is maintained when you move from one employment to another.

The preservation provisions are designed to enable you to either:

- transfer your superannuation entitlements from DFRDB to another eligible superannuation scheme by means of a **transfer value**
- retain your entitlements in DFRDB, and on meeting certain conditions, receive a **deferred benefit** at a future date.

What is a transfer value?

A transfer value is a lump sum amount, comprising your total contributions plus an amount contributed by the Commonwealth, which is payable to another eligible superannuation scheme to receive additional benefits from that scheme.

A transfer value is only available if you become a member of an eligible superannuation scheme within 90 days of your separation from the ADF, and if that scheme is prepared to accept the transfer value. DFRDB can advise you of the schemes that are eligible superannuation schemes.

What is a deferred benefit?

If a transfer value does not apply, you may be eligible for a deferred benefit. A deferred benefit is similar to retirement benefits and is calculated at the rate of 1.75% of your salary for superannuation purposes at the date of your separation for each completed year of effective service in the ADF.

To be eligible for a deferred benefit, you must engage in public employment within 90 days of your separation from the ADF. Also, you must remain in public employment without a continuous break of more than 89 days until your combined ADF and public employment totals 20 years, or 15 years where you reach your retiring age for your rank at separation.

Public employment includes employment with the Commonwealth, State or Territory Governments and certain bodies established for a public purpose. In some circumstances where you have a period of previous eligible employment, or you are in receipt of a pension in respect of previous employment, you may not be required to engage in public employment. Please contact DFRDB for further information.

If you do not stay in public employment until your deferred benefit becomes payable, or if you have a break of more than 89 days, you will cease to be entitled to a deferred benefit and you will receive a refund of your contributions and, if applicable, a gratuity.

Re-entered recipient members

Re-entering the Permanent Forces or becoming a continuous full-time Reservist after 30 June 2016

If you are a former serving DFRDB member in receipt of retirement pay or an invalidity pension and you return to the Permanent Forces or commence continuous full-time service after 30 June 2016, you will not be able to resume membership of the DFRDB. Instead, you will be covered by the new ADF superannuation arrangement, which includes ADF Super (**csc.gov.au**) and ADF Cover (**csc.gov.au**).

Additionally, if you resumed membership of the DFRDB due to a period of continuous full-time service in the Reserves and you receive an extension to this service on or after 1 July 2016, you will be deemed to have retired for the purposes of the DFRDB at the end of the initial period of service and you will be covered by the new ADF superannuation arrangement for the extension period.

Can I join MilitarySuper?

DFRDB recipient members who return to the Permanent Forces or become continuous full-time Reservists after 1 July 2016 cannot join MilitarySuper.

What happens if I join ADF Super?

If you join ADF Super:

- you will continue to receive your DFRDB pension
- Defence will contribute 16.4% of your Superannuation Salary to ADF Super on your behalf during your engagement, and you will accrue an ADF Super benefit (see the ADF Super website for more information at **csc.gov.au**)
- you can make additional pre or post tax contributions in addition to the 16.4% contributions that Defence makes on your behalf
- you receive Death and Invalidity benefits at no cost through ADF Cover (see the ADF Cover website for more information at **csc.gov.au**).

Surcharge

Superannuation surcharge

Superannuation surcharge was calculated by the ATO and imposed on a member's surchargeable contributions where the member's adjusted taxable income (taxable income plus notional employer contributions) exceeded certain levels before 1 July 2005. Surcharge amounts notified by the ATO are recorded in a surcharge debt account. Although surcharge does not apply from 1 July 2005 onwards, amounts recorded in surcharge debt accounts must still be paid.

Payment of the surcharge debt

The amount in a surcharge debt account can be paid in part or full progressively during the period of membership, or left to accrue with interest at the 10-year Treasury bond rate. Any amount in a surcharge debt account remaining when a benefit becomes payable, whether in cash, or by transfer or rollover to another fund, will be deducted from DFRDB benefit payable.

There are some important matters to consider before deciding to pay the amount in a surcharge debt account before your DFRDB benefit becomes payable, especially if you have less than 20 years' effective service.

If you wish to make a payment, in part or in full before you leave the ADF, it should be sent directly to DFRDB with a **Surcharge remittance advice (SUR–DM1)** form, available at **csc.gov.au**. Alternatively, you can attach a note with your payment that clearly states your full name, address, service number, scheme membership (DFRDB), and instruct the payment to be credited to your surcharge account.

Interest on the surcharge debt

Interest, calculated at the 10-year Treasury bond rate is required to be imposed on any amount in a surcharge debt account remaining at 30 June in any year. If you wish to avoid the imposition of interest on the amount in the surcharge debt account, you would need to ensure that payment of the amount is received by DFRDB before the close of business on 30 June.

Payment from productivity benefit

Any surcharge debt remaining at the time a benefit becomes payable will normally be recovered from the productivity lump sum benefit. However, you can request that it be recovered from DFRDB benefit instead.

If the productivity benefit is insufficient to counteract the surcharge liability, the excess amount will be recovered by reducing retirement pay/pension.

Payment of surcharge debt from pension

Payment of the amount in the surcharge debt account from a DFRDB pension is achieved by converting the surcharge debt to an annual pension reduction amount and reducing the pension by that amount. This is a **permanent** pension reduction (that is, the pension is not increased if it continues beyond the period of the surcharge reduction factor).

The annual pension reduction amount is determined by dividing the amount in the surcharge debt account by a DFRDB pension surcharge reduction factor as shown in **Table 5** on the next page.

Table 5: Pension surcharge reduction factors

Age in completed years at start date of pension	Pension reduction factor	Age in completed years at start date of pension	Pension reduction factor	Age in completed years at start date of pension	Pension reduction factor
65	14.7	55	18.1	45	20.6
64	15.1	54	18.4	44	20.8
63	15.5	53	18.7	43	21.0
62	15.9	52	19.0	42	21.2
61	16.2	51	19.2	41	21.4
60	16.6	50	19.5	40	21.6
59	16.9	49	19.7	39	21.7
58	17.2	48	19.9	38	21.9
57	17.5	47	20.2	37	22.0
56	17.8	46	20.4	36	22.2

Example G: Payment of surcharge debt from DFRDB indexed pension

Surcharge debt amount	**$10,000**
Age in completed years at date of commencement of pension	**58**
Pension per year before reduction	**$40,000**
Calculation of pension reduction amount	
$\frac{\$10\ 000}{17.2} = \$581.40$	**–$581.40**
Indexed pension payable after reduction	**$39,418.60**

Future pension adjustment

The reduced pension is subject to adjustment in the normal manner on the first pension payday in January and July each year.

Commutation

Where you elect to commute retirement pay/pension, the commutation factor is applied to the normal rate of retirement pay/pension (that is, before a reduction on account of a surcharge debt). If an election is made to commute and there is a debit balance in the surcharge debt account, the following provisions apply:

- you make an election to have the surcharge deduction amount applied to DFRDB benefit rather than the productivity benefit, the lump sum payable following commutation is reduced by the surcharge debt
- if no such election is made, the surcharge debt is recovered from the productivity lump sum benefit. However, if the productivity benefit is insufficient to pay the debt in full, the excess amount is recovered from the post-commutation rate of retirement pay/pension.

Payment from a pre-tax amount

As the benefit is reduced by the amount in the surcharge debt account before it becomes payable, the amount applied to pay the debt does not form part of taxable income and is not subject to the tax that would otherwise apply to the pension or lump sum. In other words, the payment is made from a pre-tax amount.

Benefit preserved in DFRDB

As there are no contributions being made to a benefit that is preserved in DFRDB (and because surcharge no longer applies from 1 July 2005), it is unlikely there will be any further surchargeable assessments on surchargeable contributions up to 30 June 2005 (unless the ATO issues late assessments or amended assessments). However, any amount in your surcharge debt account remaining at 30 June each year the benefit is preserved will be charged interest at the 10-year Treasury bond rate.

Surcharge debt assessment received after payment of benefit

Any surcharge assessment received after your ceasing membership and payment of the benefit is either sent on to the new provider by the ATO for payment where the full benefit is rolled over/transferred to another fund; or, the ATO will send the assessment to you where all superannuation entitlements are paid out because you are liable to pay the assessment.

Disagreement with assessment

A member who disagrees with the assessment, in so far as it is based on adjusted taxable income, may lodge a formal objection with the ATO.

If the disagreement relates to the calculation of the amount of surchargeable contributions reported for you, a request for reconsideration can be made to us.

Application to your own circumstances

You need to consider your own financial situation when deciding whether to pay any surcharge debt progressively as it arises, or leave the debt until the benefit becomes payable, and then, whether it may be preferable to have the debt deducted from your DFRDB benefit due, or paid from other sources.

As with most financial considerations, every case is different and it is necessary to analyse the alternatives in the light of your own particular circumstances and, if appropriate, seek financial advice. CSC has partnered with experienced financial planners from Industry Fund Services (ABN 54 007 016 195, AFSL 232514) to bring a personal financial advice service to you. It is 'fee for service' advice, which means you receive a fixed quote upfront. There are no obligations, commissions or hidden fees. To arrange an initial appointment please call **1300 277 777** during business hours.

We may vary surcharge debt amount

If you have an amount in your surcharge debt account at the time benefits become payable, we must determine the surcharge deduction amount from your benefit that is fair and reasonable.

This means that we may vary the amount required to be funded by you when benefits become payable. The legislation specifies that we must take certain matters into account in making such a determination. In particular, the legislation specifies that the surcharge debt amount cannot be more than 15% of the employer-financed component of the benefit accrued since 20 August 1996 up to 30 June 2005.

We have issued guidelines to the effect that the surcharge deduction amount will ordinarily be the same as the amount in the surcharge debt account unless:

- in special circumstances relating to the retiree, deduction of that amount would cause the retiree to suffer an unfair or unreasonable financial detriment
- the amount of the surcharge debt was based on an incorrect calculation of surchargeable contributions.

The amount you are required to fund can only be varied if you have a surcharge debt at the time benefits become payable. If you have paid any surcharge liability before benefits become payable, we cannot determine an alternative amount to pay (because there would be no liability at the time the benefit became payable).

Enquiries

The Australian Taxation Office (ATO) is the primary point of contact for enquiries on the superannuation surcharge and related matters. The ATO superannuation helpline is **13 10 20** for the cost of a local call.

If you have an enquiry about the administration of the surcharge, you can call DFRDB on **1300 001 677**. Alternatively, you can email your enquiries to DFRDB at **members@dfrdb.gov.au**

Taxation

General

Fortnightly pensions from DFRDB are subject to normal Pay As You Go (PAYG) tax deductions, in much the same way as your salary is subject to tax assessment. Lump sums are also taxed.

We deduct tax on the following lump sums:

- gratuities
- commutations (lump sums)
- lump sum invalidity payments.

The Commissioner for Taxation has directed, using discretionary powers contained in the *Tax Act 2007*, that no tax be deducted from refunds of contributions which have not earned interest. This applies to all such refunds from DFRDB.

The taxation legislation also provides that no tax is deducted where the total lump sum is rolled over to an approved deposit fund or to another superannuation scheme, or is used to purchase a deferred annuity. However, 15% contributions tax will be deducted from the taxable component, untaxed element of the rollover amount by the institution receiving the rollover.

This booklet does not cover taxation in any detail as it is an area of such rapid and constant change. However, further information, including a series of factsheets, is available online at **csc.gov.au**

Lower taxation of benefit

When you leave the ADF remember to complete a **Tax File Number Declaration** form and send it to DFRDB. Otherwise, your retirement or invalidity benefit will be taxed at the top marginal rate.

If you need any information on the way your future benefits will be taxed, you should contact DFRDB on **1300 001 677**.

Twice yearly adjustment of pensions

If you are under 55

DFRDB pensions will be automatically adjusted twice yearly if there are upwards movements in the Consumer Price Index (CPI) for the six months ending 30 September and 31 March each year. Your pension will not decrease if there is a downwards movement in the CPI.

If you are aged 55 or older

Your pension will be adjusted in January and July each year by the greater of positive movements in the Consumer Price Index (CPI) and the Pensioner and Beneficiary Living Cost Index (LCI). The LCI is a measure of price changes used by the Australian Bureau of Statistics that better takes into account those goods and services used by retirees. Regard is also paid to movements in average wages.

For more information on how a pension increase is calculated please visit **csc.gov.au**

Commutation and pension adjustments

If you elect to commute from four times retirement benefit up to five times retirement benefit, the total amount of the remaining retirement benefit is indexed. However, if you do not elect to commute, or you elect to commute less than four times retirement benefit, indexation will only be applied to your notional retirement pay, which is the rate of retirement pay that would be payable if you had elected to commute four times retirement pay. This is illustrated in the notes following **Example B** on page 15.

Keeping you informed

As a pensioner, you will receive a letter after each January and July increase showing any adjustment to your rate of pension. Your income tax payment summary and other relevant information will be included with the July statement.

Your initial pension adjustment will be proportional, according to the number of months that you have been receiving the pension up to 30 June or 31 December. Subsequent twice yearly adjustments will receive the full amount.

Appeal provisions

We, or our delegates, often have to make decisions affecting members' benefits, the DFRDB Act contains an appeals mechanism.

There are three main stages at which you can appeal against any of our, or our delegates', decisions or level of service. The first is to us, requesting reconsideration of your decision. However, if you are still dissatisfied following reconsideration of your case, you can then appeal directly to the Administrative Appeals Tribunal (AAT).

Appeal procedures

If you want to make a complaint about the level of service you have received, you can call the complaints line on **1300 033 732** or send an email to **complaints@dfrdb.gov.au**. If you want to appeal against a decision, you must first write to us requesting that the decision be reconsidered.
This initial letter should outline the grounds for making your request and provide any information which would support your request, and should normally be made within 30 days of receiving notification of the original decision. Special circumstances are needed to accept a request after that time period.

On receiving your request, we will either confirm or vary its original decision and then notify you of the result and advise you of further appeal provisions.

However, if you are still dissatisfied following reconsideration of your case, then you have a second avenue of appeal—you can appeal directly to the Administrative Appeals Tribunal (AAT).

Administrative Appeals Tribunal (AAT)

Your second avenue of appeal is through the AAT, though you may also be able to use the Commonwealth Ombudsman and the normal legal system.

The AAT is an independent tribunal which is presided over by a Federal Court Judge.

The AAT only has jurisdiction over our decisions **after** you have had us reconsider a decision.

If you want to appeal to the AAT, you can either put your case in writing or lodge an application form. If you write to the AAT, you should state the reasons for your appeal and also include the information that you believe supports your case.

If you are successful before the AAT your legal costs are not paid or reimbursed by us. If you are unsuccessful, you will not have to pay our legal costs.

More information about the appeals procedure is available from the AAT or by going to their website at **aat.gov.au**

Federal Court or Federal Magistrates Court

You may also appeal to the Federal Court of Australia or Federal Magistrates Court, on any question of law from any decision arising from your AAT hearing.

Freedom of Information

The *Freedom of Information Act 1982* (the FOI Act) provides you with a general right of access to information held by DFRDB. However, the FOI Act provides some exemptions which are necessary to protect matters of essential public interest and the private affairs of individuals.

You may obtain documents held by DFRDB and which relate to your entitlement to DFRDB benefits by telephoning the FOI Officer on **1300 033 732**, by email at **foi@admin.csc.gov.au**, or sending your request to DFRDB, GPO Box 2252, Canberra ACT 2601.

Applying for a benefit

General

When applying for a benefit it is important that you complete all the necessary benefit application forms correctly. Failure to do so will result in DFRDB returning the form to you, which will cause a corresponding delay in the time it takes to process your application.

In order to avoid this delay, you should read the explanatory notes on the forms before completing them. If you are not sure about something you can contact DFRDB for information.

To protect your benefit against fraud, money laundering and terrorism financing, under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* you must prove your identity when applying for a benefit. To do this you will need to provide a number of identification documents which total at least 100 points.

On the benefit application form, you can elect to have these documents verified electronically or you can provide certified hard copy documents. More information is available on each application form.

Applying for retirement pay and commutation

When you decide to retire from the ADF, you will need to fill in a benefit application form which is available from the DFRDB website at **csc.gov.au**. To allow adequate processing time for your application, you should send the completed form to DFRDB in advance of your separation date (but not more than three months before). DFRDB will check that your application has been completed correctly and return it to you if more information is required. However, we cannot commence calculating your benefit application until the day after your separation. DFRDB is required to check that your separation date was not changed or extended and that your final salary did not change.

The form that you need to fill in is called **Application for DFRDB retirement pay, commutation and superannuation productivity (D20)** form. This form asks you for your personal details, including details of the financial institution you want your retirement benefit to be paid to.

You can also use this form if you decide to commute a portion of your retirement pay. For taxation reasons you should send in the form no more than six months after your separation date.

Applying for a refund of contributions

If you do not qualify for a retirement benefit or an invalidity benefit, you will receive a lump sum refund of all the contributions you have paid into DFRDB.

Applying for invalidity benefits

If you are anticipating invalidity retirement, you must complete an **Application for invalidity benefit and superannuation productivity (D40)** form. This form requests personal information needed for the processing and payment of the benefit. On the form, you are requested to provide information about your skills, qualifications and employment experience to assist in the consideration of employment types relevant to the invalidity provisions of DFRDB. The form provides explanatory notes and also contains useful information about invalidity benefits.

You should send the completed **D40** application form directly to DFRDB no earlier than three months before your expected date of invalidity retirement.

Action to process an invalidity benefit cannot be taken until the relevant medical documents are received by DFRDB.

Applying for lower taxation of benefits

If you wish to avoid having tax deducted from your benefit at the top marginal rate, you must also provide DFRDB with a completed **Tax File Number Declaration** form. This form is available from the ATO website at **ato.gov.au**

Applying for dependants' benefits

In the event of your death, your eligible dependants will need to complete an **Application for spouse, child/student or student pension (D80)** form. This package includes application forms for your children as well as for your spouse.

There are also some documents which will have to be sent to DFRDB so that the eligibility of your dependants can be confirmed. These documents are listed in the **D80** form, and they should be sent in with the completed form.

Generally, your spouse's eligibility can be confirmed if your marriage/registered relationship certificate is provided, and your children's eligibility can be confirmed if their birth certificates are provided. If additional documentation is required to determine your dependants' eligibility, DFRDB will request it

Need more information?

If you need more information on your DFRDB entitlements, you should contact DFRDB or visit the website at **csc.gov.au**. The factsheets available will provide specific information on topics such as taxation, retirement benefits, invalidity benefits, dependants' benefits and appeal provisions.

i-Estimator

As well as working through the examples in this booklet, you can use the DFRDB i-Estimator to quickly gain an estimate of your likely DFRDB benefit.

You can access the i-Estimator tool via your online account at **csc.gov.au**, i-Estimator allows you to work out prospective benefits on various types of exit. Because the calculations are based on several assumptions, they cannot be regarded as official estimates. If you are retiring from the ADF within 12 months, you should get an official benefit estimate from DFRDB.

To use the i-Estimator, you will need an Access Number from DFRDB. Please call **1300 001 677** to obtain an Access Number.

Note: You cannot use the i-Estimator when you have had a Family Law payment split, or if you are a recipient member who has resumed full-time ADF service.

Pre-retirement information

DFRDB can provide you with an estimate of your potential benefits.

Requests for benefit estimates can be made by phone or in writing up to five years in advance of your anticipated date of separation from the ADF. However, for separation dates more than twelve months in advance, initial estimates should be obtained using the i-Estimator, that can be accessed via your **Member Services Online**.

Remember to quote your service number when making enquiries to DFRDB.

Enquiries should be directed to:

	DFRDB **GPO Box 2252** **Canberra ACT 2601**
Members:	1300 001 677
Pensions:	1300 001 877
Facsimile:	(02) 6272 9616
Email:	members@dfrdb.gov.au pensions@dfrdb.gov.au