Retirement Benefits

Will I be entitled to receive retirement pay?

If you are a DFRDB member, you will be entitled to receive retirement pay when you leave the Australian Defence Force (ADF), provided you meet certain conditions. For instance, you may not receive retirement pay if you are deemed medically unfit for further service and transition out of the ADF.

However, if you leave the ADF for reasons other than invalidity, you will be entitled to receive retirement pay if you have:

- completed 20 years of effective service

or

- completed between 15 and 20 years of effective service, and reached the retirement age for your rank

or

- previously received DFRDB retirement pay.

If you are entitled to receive retirement pay, it will become payable the day after the date of your transition from the ADF. It will be paid to you in the form of an ongoing fortnightly benefit, and you will get it for the rest of your life. Your retirement pay will be indexed on the first pension payday in January and July each year.

In some cases, if you have dependants, they will be entitled to receive a DFRDB benefit if you die before they do. You can find out more on this subject from the **DFRDB Dependants' Benefits** leaflet.

Quick guide

There is a quick guide to your DFRDB retirement benefits on the inside back cover of this leaflet. What follows is a more detailed explanation.

CSC — **DFRDB** **Defence Force Retirement & Death Benefits Scheme**

What will I get if I do not meet these conditions?

If you leave the ADF but you do not meet the conditions listed above, you will not be entitled to receive retirement pay. However, you will receive a refund of all the contributions you have paid to the scheme, plus a productivity benefit which is contributed by the Department of Defence.

There is one other option which may be open to you if you leave the ADF for reasons other than invalidity and you are not entitled to retirement pay. This option involves the preservation of your DFRDB entitlements, and there are some special conditions you will have to satisfy if you want to take advantage of it. If you think you may be in a position to take up the preservation option, or if you just want to know more about it, you should read the **DFRDB book.**

How will my retirement pay be calculated?

Your benefit is worked out as a percentage of your salary for DFRDB purposes. The percentage depends on the number of years of effective service you have completed. Only completed years of contributory service count in this calculation.

To work out your retirement entitlements, your annual rate of pay for DFRDB purposes is the maximum rate of pay which applies to your rank and pay group, plus any eligible allowances.

Your effective service is the total of all your continuous full–time contributory service, plus any periods of past service that you may have bought back. You can find out how much effective service you have by looking at your last **Annual Member Statement**. If you want a more up–to–date figure, remember to add any service you have accumulated since the statement was issued.

Towards the end of this leaflet, you will find a series of tables. You can use these tables to give you an idea of what you might be entitled to receive when you leave the ADF. You will also find some hypothetical examples, using the statistics in the tables, to show you how to work it all out.

If you want more detailed information and you have been issued with an Access Number, you can use the i–Estimator program on our website **csc.gov.au**. If you need any further information or assistance with this, contact us on **1300 001 677**.

One final point on the subject of working out entitlements is that Chaplains' pay scales can be different from the rest of the ADF. If you are a Chaplain, and you need to know what your benefit will be, you should get in touch with DFRDB.

Will I be affected by notional retiring age?

Notional retiring age applies only to officers. You will not be affected by notional retiring age if you are not an officer, nor will you be affected by it if you are:

- made redundant

or

- deemed medically unfit for further service and transition out of the ADF

or

- on a short service commission, and you complete that commission.

However, if you are an officer, and you retire at your own request or you are transitioned out of the ADF on disciplinary grounds, then you need to read this.

Under the *DFRDB Act*, officers receive a reduced benefit on retirement before they reach a certain age. This age varies according to rank. It is known as the notional retiring age for rank. The notional retiring ages for the different ranks of officers are as follows:

Rank	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

You can still get retirement pay, even if you retire before you reach your notional retiring age, as long as you have completed 20 years of effective service but your retirement pay will be reduced. For every year that your actual retiring age is less than your notional retiring age, your retirement pay will be reduced by 3%.

Will I be affected by detriment?

Like notional retiring age, detriment applies only to officers. If you are not an officer, you cannot be affected by detriment. You should also note that you can only be affected by detriment if you were transferred, as an officer, from the old Defence Forces Retirement Benefits (DFRB) scheme to DFRDB.

On 1 October 1972, anyone who was a DFRB member automatically became a DFRDB member.

As a result of this compulsory transfer, some officers stood to lose out when they left the ADF. In other words, if those officers were to retire under DFRDB conditions, they would get less money had they been paid out under DFRB.

If you are one of those officers, you will be deemed to be 'in detriment'. If you are in detriment, you can elect to have your benefit assessed under DFRB conditions so that you receive the higher amount. Just complete an **Election to Overcome Detriment** form, which is also called a **D22** form, and send it to DFRDB. The form is available from your Pay Section or from our website **csc.gov.au**

How do I apply for my retirement pay?

To get your retirement pay you will need to complete some forms which you can pick up from your Pay Section. You must return these forms to DFRDB, and you should send them all in at the same time. You should do this about four to six weeks before your transition from the ADF.

You need to start by filling in an **Application for Retirement Pay, Commutation and Superannuation Productivity** form, which is known as a **D20** (available from your Pay Section or from our website **csc.gov.au**). The **D20** asks you for your personal details, including details of the financial institution you want your retirement pay to be paid to, and the rollover institution you want your productivity benefit to be paid to.

You will also have the option of converting part of your future benefit to a lump sum. This option is called commutation. It is discussed at greater length in the next section. If you want to take advantage of the commutation option, you must fill in the relevant section in the **D20**.

The other form you should complete will be a taxation form, called a **Tax File Number Declaration** form. If you do not send in one of these, we will have to deduct tax from your benefit at the highest marginal rate. Under the taxation laws which apply at the moment, this could mean that you would be paying tax at the rate of up to 45 cents in the dollar (plus Medicare levy).

Incorrect or incomplete forms will result in delays in payment of your benefit.

What is commutation?

Commutation gives you the option of converting part of your retirement pay to a lump sum. If you want to take up this option, you simply complete the **D20** form and return it to DFRDB with the other forms mentioned earlier.

If you elect to commute, you will also have the further option of rolling over all or part of your lump sum. Rolling over a lump sum benefit defers payment of some or all of the tax on the benefit until such time as you actually receive the payment. You can elect to roll over all or part of your lump sum money by filling in Section D of the **D20**.

You should know that if you elect to convert part of your retirement pay to a lump sum, this election will permanently reduce your Retirement Pay. This reduction will take effect on the day following your transition from the ADF, or the day that CSC receives your election, whichever is later. It will not change should you exceed the life expectancy used to determine your reduction (see **Table 2**). Your retirement pay will be reduced from the date your commutation takes effect.

You may make an election to commute part of your retirement pay up to three months before you retire, or up to 12 months after you retire. However, you cannot be paid a commutation lump sum unless DFRDB has received a valid **D20** form. You also need to realise that if you were to die after you had left the ADF, but before a valid **D20** had reached DFRDB, no commutation would be paid. Please note, 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.

You may also elect for commutation (as long as you have an entitlement to retirement pay) if you are transitioned out of the ADF due to being deemed medically unfit for further service, and you then receive a Class C invalidity classification. You will find more information concerning invalidity classifications in the **Invalidity Benefits** leaflet.

How will the payments be made?

Your retirement pay will become payable the day after the date of your transition, and it will be paid to you on a fortnightly basis. You can have it deposited directly into your bank, credit union or building society account, as long as that account is held at a branch in Australia. Retirement pay can only be paid into an account which is in your name. The account can be in your name alone, or it can be a joint account.

If you have elected to commute, and you have nominated an account for your lump sum to be paid into, you will generally get the lump sum money before anything else. The reason for this is that the lump sum is not linked to a payday; it is just paid straight into your account. If you have elected to roll over all or part of your lump sum, the rollover payment letter and tax documentation will be sent to your rollover fund as soon as your commutation has been processed.

The first payment of your retirement pay will generally go into your account the payday after the lump sum is paid. This first payment will include any arrears.

Will I have to pay tax?

If you are entitled to receive retirement pay, you will have to pay tax on it just as you pay tax on your salary now. Taxation and Medicare levy deductions will come out of your benefit every fortnight.

The amount of tax you pay will depend on whether or not you send in a **Tax File Number Declaration** form. Obviously, it will also depend on which boxes you tick on the form, and whether or not you claim any offsets. At the end of each financial year, we will send you a Payment Summary which will show the amount of money you received in benefit payments for the year. It will also show the amount of tax you paid on your benefit.

There are other things you need to know about the way taxation affects your benefit, especially if you elect the commutation option. For that reason a separate leaflet, called **Taxation of Benefits**, has been included in this information series. You should refer to it for more information. However, unless you have a good knowledge of the taxation system, it is sometimes best to look for professional assistance when the time comes to sort out your retirement benefits. If we do not have your TFN your benefit will incur more tax.

Can I appeal?

As a DFRDB member, you have the right to appeal against any decision affecting your benefits if you are not happy with it. For more information regarding appeals provisions, refer to the **DFRDB Book**, available by telephoning **1300 001 677**, or from our website **csc.gov.au**

Some examples

Here are a couple of hypothetical examples which show you how your benefit is worked out. Both of them make use of the figures in the tables on the following page. The member's age and length of service have been kept the same in both examples, but the rank and gender have been changed.

The first example shows you how the commutation is actually worked out. The second example shows you the same calculation, except that a notional retiring age is involved. To work out your own entitlements, you can simply take the figures which apply to you and follow the same steps.

Example 1

In this example you are a male Warrant Officer who is 41 years old. You are retiring from the ADF after 22 years of effective service, and you are retiring between 1 July 2003, and 30 June 2004.

The calculation is made using your rate of pay at retirement for DFRDB purposes, which is $65,417.

Salary for DFRDB purposes at retirement	$65,417
Percentage of retirement pay at date of retirement	38%
Commutation factor	5
Life expectancy factor	30.93

Using these figures, you can now work out your entitlements. (**Note:** DFRDB rounds the figures to the nearest cent.)

Step 1: Retirement Pay	
$65,417 × 38%	= 24,858.46 per year

This figure, $24,858.46, is the amount of retirement pay you will get per year, before commutation and before tax. If you elect not to commute a portion of your retirement pay to a lump sum, this is what your gross annual benefit will be. Obviously, if you do elect to commute, your gross annual benefit will be a little less than this.

Step 2: Commutation	
$24,858.46 × 5	= $124,292.30

This figure, $124 292.30, is your lump sum payment before tax.

Step 3: Commutation reduction	
$124,292.30 ÷ 30.93	= $4,018.50
Step 4	
$24,858.46 − $4,018.50	= $20,839.96
	= per year

Here, in Step 3, you have arrived at a figure which is actually the difference between your benefit before commutation and your benefit after commutation. Then in Step 4 you take that figure, $4,018.50, away from $24,858.46 which leaves you with $20,839.96. This figure is your annual retirement benefit, after commutation and before tax.

Step 5: Fortnightly rate	
$20,839.96 × 14 ÷ 365	= $799.34 per fortnight

All you have done here is to convert your annual benefit into a fortnightly figure. This figure, $799.34, is the amount of retirement pay you will get each fortnight, before tax.

You have now worked out your entitlements. As a 41–year–old male, with a substantive rank of Warrant Officer, and with 22 years of effective service to your credit at the time of your retirement, you are entitled to get retirement pay of $24,858.46 per year, before tax. If you elect not to commute, that is all you have to calculate. If you do elect to commute, you will get a lump sum of $124,292.30, before tax, and your retirement pay will be reduced to $20,839.96 per year, also before tax.

Example 2

This time you are a female Major in the Army. Your salary at retirement for DFRDB purposes is $73,166. Your notional retiring age must be taken into account, because you are an officer.

Salary for DFRDB purposes at retirement	$73,166
Percentage of retirement pay at date of retirement	38%
Commutation factor	5
Life expectancy factor	36.06
Reduction in benefit, for a member who retires before reaching notional retiring age	3% per year

Note: Your notional retiring age reduction is set at 3%. This is because the notional retiring age for your rank is 42, and you are one year short of that mark.

Step 1: Base retirement pay	
$73,166 × 38%	= $27,803.08
Step 2: Notional retiring age reduction	
$27,803.08 × 3%	= $834.09
Step 3: Retirement pay	
$27,803.08 − $834.09	= $26,968.99

This figure, $26,968.99, is the amount of retirement pay you will get per year, before commutation and before tax.

Step 4: Commutation	
$26,968.99 × 5	= $134,844.94

Your lump sum payment, before tax, is $134,844.94.

Step 5: Fortnightly rate	
$134,844.94 ÷ 36.06	= $3739.46
Step 6	
$26,968.99 − $3739.46	= $26,968.99 − $3739.46
Step 7	
$23,229.53 × 14 ÷ 365	= $891.00 per fortnight

Table 1: Percentage of retirement pay given years of service

Years of effective service	Percentage of pay at retirement	Years of effective service	Percentage of pay at retirement
5	30.00	28	47.50
16	31.00	29	49.25
17	32.00	30	51.25
18	33.00	31	53.25
19	34.00	32	55.50
20	35.00	33	57.75
21	36.50	34	60.25
22	38.00	35	62.75
23	39.50	36	65.25
24	41.00	37	67.75
25	42.50	38	70.50
26	44.00	39	73.50
27	45.75	40 (or more)	76.50

Table 2: Life expectancy factor

AGE	FACTOR		AGE	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

DFRDB retirement benefits – quick guide

If you retire on non–medical grounds and have 20 or more years of effective service, or have 15 or more years of effective service and have reached the retiring age for your rank (usually age 55), you are entitled to retirement pay. Retirement pay becomes payable on the day after the date of your transition from the ADF, and it will be paid to you fortnightly for the rest of your life. Your invalidity retirement pay will be indexed on the first pension payday in January and July each year.

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

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.

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

Note: Salary means your salary for DFRDB purposes. This is the maximum rate of pay which applies to your rank and pay level, plus any eligible allowances.

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

Surcharge

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

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 and 30/6/61	56
Between 1/7/61 and 30/6/62	57
Between 1/7/62 and 30/6/63	58
Between 1/7/63 and 30/6/64	59
From 1/7/64	60

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.

How can I get more information?

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9 of 9