



dfrdb

annual report of the DFRDB Authority
2002 - 2003

defence force retirement and death benefits scheme



www.dfrdb.gov.au

Providing Superannuation
benefits for
members of the
Australian Defence Force



dfldb

dfldb authority
annual report
2002 - 2003

the defence force retirement and death benefits authority |

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Note: All contribution, benefit, membership and exit statistics are derived solely from records available to the Commissioner for Superannuation as they stood at the time these statistics were compiled. Where statistics for earlier financial years are quoted, these may vary from those previously published due to the application of retrospective adjustments. For similar reasons statistical information in this report may also vary from that presented by other agencies.

Pension references: The DFRDB and DFRB Acts refer to ongoing benefits by various names, including retirement pay and pension. For convenience, and to standardise the terminology used in the annual reports produced by ComSuper, the term 'pension' is used throughout this report.

The Hon Danna Vale MP
Minister Assisting the Minister for Defence
Parliament House
Canberra ACT 2600

Dear Minister

In accordance with subsection 16(1) of the *Defence Force Retirement and Death Benefits Act 1973* (the DFRDB Act), the Defence Force Retirement and Death Benefits Authority is pleased to submit to you its annual report. The report deals with the administration of the *Defence Force Retirement and Death Benefits Act 1973* and the *Defence Forces Retirement Benefits Act 1948* for the year ended 30 June 2003.

Subsection 16(2) of the DFRDB Act requires that you shall, as soon as practicable after receiving this report, cause a copy of it to be laid before each House of the Parliament.

Yours faithfully



Leo Bator
Chairman
DFRDB Authority

29 September 2003

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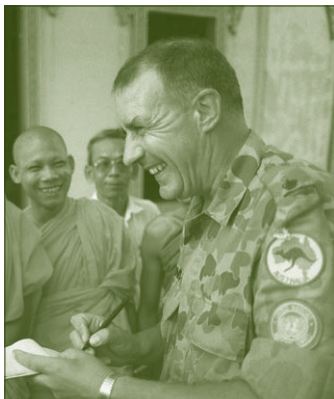
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ABOUT THE DFRDB SCHEME

The Defence Force Retirement Benefits Scheme (DFRB), established in 1948 by the Defence Forces Retirement Benefits Act 1948 (the DFRB Act), was closed to new contributors from 30 September 1972. It continues to provide for the benefit entitlements of those members who ceased to be contributors before 1 October 1972 and for reversionary benefits to their spouses.

The Defence Force Retirement and Death Benefits Scheme (DFRDB) was established by the Defence Force Retirement and Death Benefits Act 1973 (the DFRDB Act) and came into operation with effect from 1 October 1972. The Scheme provides occupational superannuation for Australian Defence Force (ADF) members who became contributors on or after 1 October 1972, and for members who were contributors to the DFRB Scheme on 30 September 1972 and were compulsorily transferred to the DFRDB Scheme on 1 October 1972.



description of the scheme

The DFRDB Scheme is a fully defined unfunded superannuation scheme.

Members of the DFRDB Scheme contribute at the rate of 5.5 per cent of highest incremental salary for rank plus Service Allowance. Contributions are paid directly to the Consolidated Revenue Fund on a fortnightly basis.

Other than in the case of the separate 3 per cent Productivity and Superannuation Guarantee arrangements, members have no entitlement to an employer element if they resign before completing twenty years' service. Unlike most other defined benefit superannuation schemes, age at retirement plays only an incidental part in calculating benefit entitlements; the key to the scheme is the length of the member's effective service. Members who retire from the ADF after twenty years of effective service (or after fifteen years service at retirement age for rank) are entitled to a pension, based on a percentage of their annual pay on retirement. Members who are retired from the ADF on invalidity grounds may also be entitled to a pension. Benefits are also payable to the surviving eligible spouse and children on the death of a member or pensioner.

Members with less than twenty years' service or who have not reached their compulsory retiring age for rank are entitled to a refund of contributions, a Superannuation Guarantee amount, a productivity benefit funded by the Department of Defence and, if applicable, an unfunded gratuity based on completed years of service.

closure to new entrants

With the commencement of the Military Superannuation and Benefits Scheme (MSBS) on 1 October 1991, the DFRDB Scheme was closed to all new entrants. Members of the DFRDB Scheme could choose to remain in the DFRDB Scheme or to transfer to the MSBS. All new ADF members since 30 September 1991 have automatically become members of the MSBS, with the exception of former ADF members who have been receiving a DFRDB benefit and on re-entry to the ADF choose to rejoin the DFRDB Scheme.

the DFRDB Authority

The DFRDB Authority is responsible for the general administration of the DFRDB Act, subject to the direction of the Minister Assisting the Minister for Defence.

The Authority is provided with administrative support by the staff of ComSuper (Commonwealth Superannuation Administration), who assist the Commissioner for Superannuation in performing functions as Chairman of the DFRDB Authority. ComSuper is responsible for the day-to-day administration of the DFRDB Scheme, as well as other superannuation schemes for ADF and Commonwealth employees.

The administration of the MSBS is covered separately in the *Military Superannuation and Benefits Board of Trustees No. 1 Annual Report 2002-03*. Information about ComSuper's operations can be found in the *Commissioner for Superannuation Annual Report 2002-03*.

The DFRDB Authority is established by section 8 of the DFRDB Act. The Commissioner for Superannuation is ex-officio Chairman of the Authority, in accordance with paragraph 8(2)(a) of the DFRDB Act.

There are four other Authority members, all of whom are appointed by the Minister. These members are appointed for two years, in accordance with subsections 8(3) and 8(5) of the Act, and may be reappointed at the end of their term.

Members of the Authority at 30 June 2003 were:

Mr Leo Bator	Chairman
Mr Phil Charley	Deputy Chairman
CAPT Richard Longbottom	Nominee of the Chief of Navy
COL Michael Kehoe	Nominee of the Chief of Army
Mr Andre Bobets	Nominee of the Chief of Air Force



The DFRDB Authority

Standing (from left): Mr Andre Bobets and Mr Phil Charley
 Seated (from left) LCDR Ted Hase*, Mr Leo Bator and MAJ Ron Tattersall**

*Deputy for CAPT Longbottom **Deputy for COL Kehoe



MSCAG's role is to:

- ensure smooth liaison between each of the Scheme's stakeholders;
- provide advice on communications matters to the Authority;
- monitor the quality and effectiveness of the Authority's communication products;
- review existing communication products and methods; and
- monitor, review and make recommendations on the implementation of a superannuation communications strategy for the ADF.

MSCAG met regularly throughout the year.

In relation to the DFRDB, MSCAG closely monitored Call Centre performance and the provision of information seminars to members throughout the year.

MSCAG members also oversighted development of the 2002–03 Annual Report to Members.

annual effectiveness review

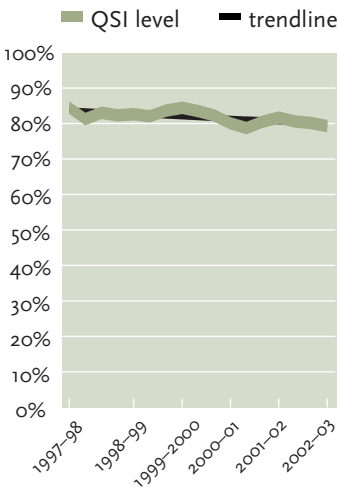
In September 2002 the Authority considered a report from ComSuper on the efficiency and effectiveness of the systems and procedures used in the administration of the DFRDB Scheme. The Authority considered that ComSuper had delivered good quality superannuation services, and was effective in terms of timeliness, cost and client satisfaction. The Authority endorsed higher standards of service, and entered into a revised Agreement on Services and Standards with ComSuper.

The performance standards referred to in this report are those defined in the Agreement.

client feedback

During 2002-03 ComSuper continued to conduct its series of client satisfaction surveys with the assistance of the Canberra-based firm Orima Research. Clients who had recent contact were surveyed once during the year. On a point scale of 1-10 the quality of services surveyed was consistently rated highly.

chart 1: Quality Service Index (QSI) scores in the past six years



The Quality Service Index (QSI) for military clients, introduced to measure the survey results and to enable comparison between survey periods, currently ranks in the region of an 80% satisfaction level, Chart 1, which shows ComSuper's QSI scores for the military schemes in each of the seventeen survey periods since data collection began in 1997-98, shows a consistent level of client satisfaction within the 80-85% range.

The survey results are fed into ComSuper's continuous improvement process. Where necessary, action plans are derived and reported against. Many changes have been made to ComSuper's procedures as a result of the survey feedback.

The Authority is pleased with the positive feedback obtained from clients on the quality of services received.

Maintenance of DFRDB contributor accounts is a significant function undertaken by the Authority's administrator, ComSuper, in conjunction with the Department of Defence. The process of collecting and applying data to contributor accounts is highly automated. Variations to contributions information are routinely processed within days of the relevant payday. The quality of data processed is generally high and the error rate low.

Accordingly, the Administrative Agreement between the Authority and ComSuper sets out a service standard that is aimed at maintaining this situation. This contrasts with other sections of this report which deal with more labour-intensive activities involving direct client contact, such as member communications and payment of benefits, where specific service standards are set on a yearly basis.

collection, recording and maintenance of member information

As the Authority's administrator, ComSuper:

- maintains records of contributing members, preserved benefit members and pensioner members to facilitate, among other things, accurate and timely communications, the accurate and timely payment of benefits and various reporting requirements;
- ensures that adequate systems, procedures and controls are in place to meet the administration and reporting requirements of the Act and associated legislation; and
- at the direction of the Authority, arranges for an independent audit of those systems and controls to be undertaken from time to time.

system changes

As previously reported, the CAPITAL system developed for military schemes administration was commissioned on 4 June 2002.

Delays in paying benefits under CAPITAL continued into July and August 2002. This was due primarily to a backlog of claims for payment that had built up during the data migration period. This issue was further compounded by some essential system functionality that required urgent rework, and the normal learning and take-up time of a new system by operational staff. Notwithstanding these initial 'teething problems', benefit claims were soon being processed successfully using the new system, as shown in performance charts in this report. Ongoing improvements in benefit processing are continuing as CAPITAL functionality is further enhanced and developed.

The system and supporting operational processes were ready to go live with unit pricing on 1 July 2002.

By the beginning of the 2002-03 financial year the scheme's pensioners were able to be paid through CAPITAL. Pensioner payment summaries for the 2001-02 financial year were also produced through the new system, and pensions were indexed to the past six months CPI with effect from the first pay in the 2002-03 financial year.

Some of the advantages of having pension management and payroll systems within CAPITAL mean that running costs and maintenance are cheaper than those of the previous system

and also manual cases, which had to be processed outside the system, can now be processed inside the system. Furthermore, clients are provided with improved services through additional functionality and through reduced lead times for pension payday cut-offs.



surcharge

The *Superannuation Contributions Tax (Assessment and Collection) Act 1997*, more commonly referred to as ‘the surcharge’, requires ComSuper to report surchargeable contributions for all DFRDB members to the Australian Taxation Office (ATO), on an annual basis. The intention of the legislation is to apply a tax on employer financed contributions, specifically targeted at higher income earners, imposing a surcharge of up to 15 per cent on surchargeable contributions, provided the member’s adjusted taxable income is greater than the surcharge threshold.

The DFRDB Scheme is classed as an unfunded defined benefit scheme for the purposes of the surcharge legislation. In order to have a basis on which to calculate the surcharge contributions, the services of the Australian Government Actuary were employed to develop Notional Surchargeable Contributions Factors for calculating surchargeable contributions. The factors are periodically updated by the Actuary. Those applying to the period 1 July 2000 to 30 June 2003 were noted by the Authority in March 2001. During 2002-03 the Authority noted factors for the forthcoming period of 1 July 2003 to 30 June 2006.

On receipt of surchargeable contributions information from ComSuper, the ATO matches that data with the member’s taxable income. If this exceeds the surcharge threshold, the ATO determines the amount of surcharge debt applicable to the member and reports this data to the member and the superannuation provider.

A DFRDB member may choose to acquit the surcharge debt immediately, pay it off in instalments, or have it deducted from his or her benefit on exit.

In 2002-03 the ATO reported surcharge debts incurred by 1 205 members totalling \$2 397 790. Thirty members repaid surcharge debts totalling \$99 728, while \$1 343 396 was recovered from 203 member benefits paid during the year. Penalty interest totalling \$395 559 was applied to member surcharge debts that remained outstanding as at 20 June 2003.

Communication with members occurs through the distribution channels of the Department of Defence as well as direct client contact with ComSuper. This page summarises performance against relevant service standards for the whole of the financial year.

The Authority aims to provide members with comprehensive information about all aspects of the DFRDB Scheme.

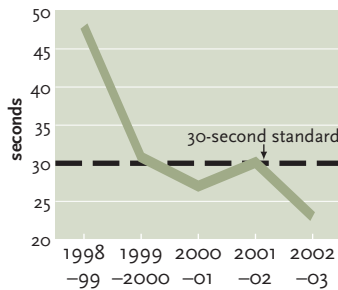
At the direction of the Authority, ComSuper undertakes a communications program aimed at improving members' knowledge and understanding of the scheme so that they are in a position to make informed decisions at times when these need to be made. This includes the range of communications required by SIS and a recognition of the particular needs of members.

Specifically, ComSuper provides a range of communications to members on benefit entitlements and queries relating to the general administration of the scheme in writing, over the phone and by electronic means. ComSuper continuously seeks ways to improve these communications.

ComSuper also provides a range of seminars broadly in accordance with demand, issues member information statements and makes available various scheme publications both in hard copy and electronic format.

The following timeliness standards apply to contributor communications.

chart 2: contributor telephone call response times in the past five years



standard		outcomes
ComSuper processes or responds to:		
written enquiries	85% in 10 days 100% in 15 days	93.6% 97.7%
email enquiries	95% in 1 day 100% in 2 days	97.2% 100%
personal counselling in Canberra	urgent—immediately other—within 5 days	standard met standard met
telephone average speed of answer	average of 30 seconds or less over a month	23 seconds
website changes	critical updates—1 day routine updates—100% in 5 days	standard met standard met
member statements	automatic by 10 September manual by 15 November replacement within 10 days	29 October 29 October standard met from late November onwards
ComSuper sends a benefit estimate and an application form within one day of advice of a member's death.		standard met

Performance against standards was very good over the year, standards not being met only during periods of sharp peaks in activity.

General communication is by means of correspondence, service newspapers, newsletters, the Internet, individual counselling and presentations given at Defence transition seminars and other seminars at ADF establishments. Information about the DFRDB Scheme is provided in response to requests from Defence establishments and individuals. Information is also provided through the issue of publications on various aspects of the Scheme. Page 30 of this report contains a list of currently available publications.

counselling and information activities

While the workload slightly reduced compared with last year, members continued to seek information about their superannuation entitlements through the various communication channels. In particular, the use of email as a means of seeking information was increasingly popular.

With the development of the DFRDB website there has been a significant increase in the general information available to those with Internet access.

However, the most popular form of request remains the telephone, with an average of 874 telephone calls recorded per week compared with 956 last year. The Interactive Voice Response (IVR) telephone service recorded receipt of 45 450 calls from military (MSBS and DFRDB) members, which was slightly lower than last year's figure of 49 718. Emails from military members answered during the year totalled 4 161, an increase on the 3 597 received last year.

During the year, ComSuper staff issued 3 009 retirement advice letters to military members and provided personal counselling for 1 362 military members. Presentations were given at 90 transition seminars, attended by 3 226 DFRDB members. A further 22 seminars relating to medical discharge were presented to 325 military members.

Additionally, the Contact Centre responded to 757 requests for information about the superannuation entitlements of DFRDB or MSBS members under the new family law arrangements. All family law requests were responded to within 28 days.

Pensioner communications

The Contact Centre assists military pensioners to understand their superannuation entitlements and maintain their pension

accounts in accordance with the service standards agreed between the Board and ComSuper.

Information officers can be contacted by telephone, letter, facsimile or email. Pensioners with hearing impairments can use a special teletypewriter (TTY) facility. Information officers are available for personal counselling at ComSuper's office. Pensioners who use the Internet can get general information from the DFRDB website.

During the year, the Contact Centre received 43 611 calls related to military pensioners, and responded to 4 513 written enquiries and 2 560 email enquiries.

member statements

The Authority aims to distribute annual member statements well ahead of the SIS-required deadline of 31 December. The 2001-02 member statements were distributed on 29 October 2002. While exceeding SIS requirements, this did not match the improvement achieved in 2001 because of delays caused by the implementation of the CAPITAL system.

The statements provide DFRDB contributors with equity figures and withdrawal benefits at the beginning and end of the financial year. Contributors also receive an *About Your Statement* leaflet in their statement kit.

The Authority aims to issue replacement member statements within 15 days of receiving advice that a member's statement is missing or incorrect. A facility introduced in late November 2002, though initially resulting in some delays, now enables replacement statements to be issued within two working days.

website development

There is a website developed specifically for DFRDB members which contains communications material tailored for the Internet audience. The results of Contact Centre research into the types of questions asked by scheme members were extensively used in this effort. Previously web services had been provided through a common site for all schemes administered by ComSuper.

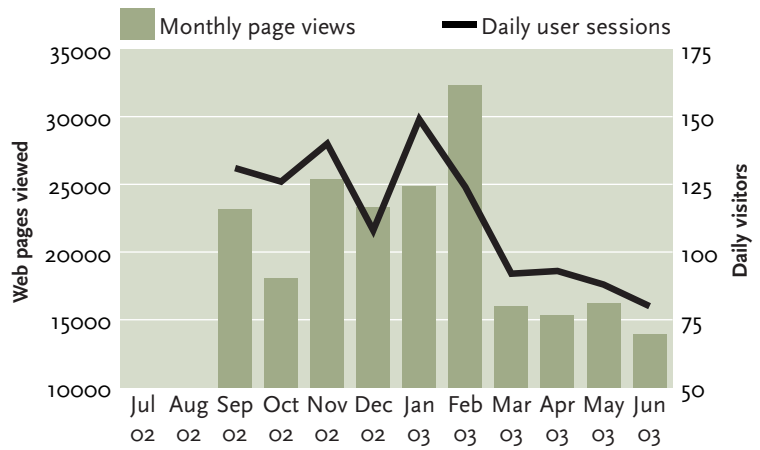
Chart 3 shows usage of the new website in 2002-03. Table 1 shows the ten most requested web pages during the current year.

Continuing improvements to the DFRDB website are designed to position it as a primary communications channel to reach scheme members.

table 1: most requested web pages 2002-03

1	Member Services Online
2	Form D20 (Retirement)
3	Retired Members
4	DFRDB Book
5	Calculate your benefit online (i-Estimator)
6	Contacts
7	Benefits information
8	DFRDB Act
9	View and print your statement
10	FAQs

chart 3: DFRDB website usage 2002-03



Website access tends to be seasonal in nature, peaking when annual member statements are issued and at times when members are considering retirement.

Secure website access

Member Services Online provides members with a range of secure services, including the calculation of benefits and the ability to view their annual statement online. During the year 6 360 statements were accessed and 14 033 benefit estimates produced online.

Of all the schemes administered by ComSuper, DFRDB members have the highest rate of website usage.

There are services and performance standards relating to the payment of benefits upon a member ceasing to be a contributor to the DFRDB Scheme. This includes all benefit types such as resignation, retirement, invalidity and death.

All applications for benefits from contributors and preserved benefit members are processed in a timely manner and in accordance with relevant legislation.

The following timeliness standards apply to benefit processing.

<i>standard</i>	<i>outcomes</i>
Benefit application processing	
85% in 5 days	89.3%
95% in 15 days	97.6%
average processing time of 4 days over a month	3.2 days

The standards for the processing of military schemes benefit applications were monitored by the Authority throughout the year. They were met in all months of the year except July, when the introduction of the CAPITAL system temporarily caused delays. Chart 4 shows the number of DFRDB benefit applications processed during 2002-03.

Chart 5 shows the average time to process benefits in each month of 2002-03. The average time taken to process a benefit during 2002-03 was 3.2 days, compared with 3.4 days in 2001-02, 2.7 days in 2000-01 and 3.0 days in 1999-2000.

chart 5: average time to process benefit payments 2002-03

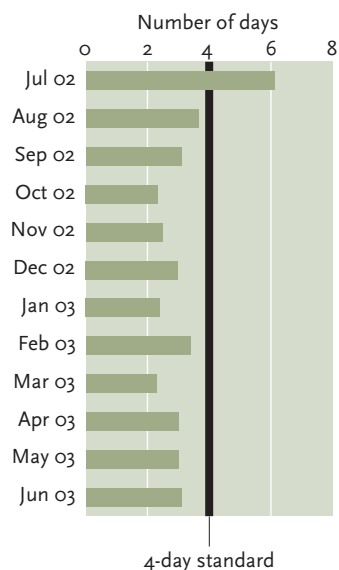
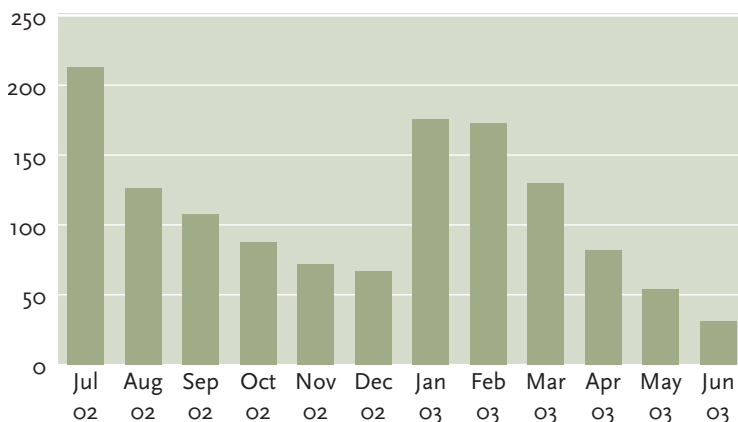


chart 4: benefit applications processed 2002-03



A comparison of the dollar value of benefits paid in 2002-03 with the previous four financial years is set out in Table 2.

table 2: benefits paid in the past five years

Benefit type	1998-99 (\$'000)	1999-2000 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)	2002-03 (\$'000)
Pension payments	825 676	889 949	899 125	974 878	1 015 868
Lump-sum payments and transfer values	1 032	306	138	92	52
Refunds of contributions	6 482	4 330	3 137	2 296	1 542
Commutation payments	153 913	144 604	181 824	141 628	176 512
Total benefits paid	987 103	1 039 189	1 084 224	1 118 894	1 193 974

gratuities

Certain members who leave the Defence Force without an entitlement to a pension are entitled to a refund of their contributions plus a gratuity. Gratuities totalling \$67 120 were paid to members who exited in 2002-03.

commutation

Members retiring from the Defence Force may commute (that is, exchange) part of their retirement pension for a lump sum. During 2002-03, retiring members could receive a maximum commutation lump sum of up to 5 times their retirement pay (up from 4.95 in 2001-02). During the year, 1 099 members elected to commute part of their pension.

Persons entitled to a spouse's benefit may also elect to commute part of their pension. There were six such elections during 2002-03.

'no-detriment' provisions

The 'no-detriment' provisions contained in section 25 of the DFRDB Act ensure that eligible DFRB Scheme Officers who transferred to the DFRDB Scheme do not receive retirement benefits less than those for which they were contributing immediately before their transfer.

The number of elections now processed under the 'no-detriment' provisions is minimal. Further information on this aspect of the scheme is available on request.

re-entered recipients

In some circumstances former members of the scheme who rejoin the ADF have the option to again contribute to the DFRDB and receive higher benefits as a result. Detailed information about these members is also available on request.

preservation of rights

Under certain circumstances, members who leave the Scheme without a pension entitlement can elect not to receive a refund of their contributions. Instead, they may defer their benefit or transfer it to another eligible superannuation scheme.

Members who elect to defer their benefit must enter full-time public sector employment within ninety days of their exit date. When their combined Defence Force and government service reaches twenty years, they become entitled to a DFRDB pension. Thirty-two members elected to defer their entitlements in the Scheme in 2002-03. Twenty-nine deferred benefits became payable to members with twenty years' combined ADF and government service.

Members who elect to transfer their benefit must do so to a superannuation scheme that has been declared as eligible by the Minister for Finance and Administration. 'Eligible' superannuation schemes are generally linked to government employment (see Appendix 9 on page 38). Once a benefit is transferred to another scheme, the member's benefits are determined solely by that scheme.



Miranda and Robert Jones, representing younger DFRDB pensioners, at the ComSuper Open Day, 18 June 2003.

exits

On ceasing employment with the ADF, members receive either a pension or a refund of the contributions they paid into the Scheme. Those who leave the ADF after twenty years' effective service, or after fifteen years at retiring age for rank, are entitled to a pension, as are people who retire on invalidity grounds and who receive an A or B classification (see page 17). Eligible dependants of a member who dies also receive a pension.

All other members receive a refund and gratuity, if applicable. All members are entitled to a productivity benefit funded by the Department of Defence.

In 2002-03, 1 347 members left the Scheme. Of these, 1 190 left with a pension entitlement. The remainder, 157, left with a refund entitlement. There were 52 less members who left the Scheme with a pension entitlement than in 2001-02, while

33 less members left with a refund entitlement than in 2001-02. Chart 6 compares the number of exits with and without a pension entitlement since 1997-98.

chart 6: annual exits, showing pensions and refunds, in the past five years



pension variations

reversionary benefits

All applications for reversionary benefits following the death of a pensioner (that is, eligible spouses, children and orphan pensions) are processed in a timely manner and in accordance with relevant legislation.

The following standard applies.

standard

All reversionary pensions will be commenced on the next available payday following receipt of application subject to eligibility criteria being clearly met and there being no counterclaims.

outcomes

Although performance against this standard is not specifically measured, payment of reversionary pensions is given the highest priority in processing cycles.

spouses' benefits

At 30 June 2003, 7 297 spouses were receiving pensions under the provisions of the DFRB and DFRDB Acts, 364 of which commenced in 2002-03.

children's and orphans' benefits

At 30 June 2003, 551 children and orphans were receiving pensions under the provisions of the DFRB and DFRDB Acts.



changes to pension payment details

The following standard applies.

<i>standard</i>	<i>outcomes</i>
Changes to pension payment arrangements will be made within the first available fortnightly pay cycle following receipt of a request.	standard met

pension increase/advice

ComSuper processes pension increases in accordance with relevant legislation.

The following standard applies.

<i>standard</i>	<i>outcomes</i>
The July increase is processed for payment on the first payday in July.	standard met
The January increase is processed for payment on the first payday in January.	standard met

DFRDB pensions are automatically increased twice yearly in line with upward movements in the Consumer Price Index (CPI) for the six months ending 31 March and 30 September each year.

In 2002-03, the Australian Bureau of Statistics announced a CPI change of 1.4% for the six months to September 2002 and 2.0% for the six months to March 2003.

Pensioners receive a statement in January and July showing their new rate of pension. Their income tax payment summary and other relevant information is included with the July statement.

The Defence Force retires members on the grounds of invalidity if they do not meet the required standard of fitness, even though they may be capable of employment of a similar nature in the civilian workforce.

invalidity payments (new grants)

Invalidity decisions are taken either by the Authority's Committee of Alternates (C of A) or, in straightforward cases, under delegation held by ComSuper.

In determining invalidity benefits it is ensured that due process is followed, that claims are processed expeditiously, that legislative requirements are met and that guidelines issued by the Authority are followed.

The following standards apply to the processing of invalidity claims.

<i>standard</i>	<i>outcomes</i>
<p>Cases for submission to delegate are submitted within 10 working days of receipt of supporting documentation and any additional information that may be required* or by date of discharge, whichever is the later.</p>	<p>ComSuper met this standard in 100% of cases.</p>
<p>Cases for submission to the Committee of Alternates are submitted to the meeting of the Committee immediately prior to the discharge date or to the next available meeting of the Committee after receipt of supporting documentation and any additional information that may be required*, whichever is the later.</p> <p>Members are advised of decisions taken within 3 working days.</p>	<p>ComSuper met this standard in 100% of cases.</p>
<p>*Supporting documentation includes medical documentation, the member's employment experience, advice of conditions causing retirement, confirmation of date and mode of exit, and the member's application.</p>	

invalidity classification

A member of the scheme who is retired on the ground of invalidity (that is, a physical or mental incapacity to perform his or her duties) is eligible for invalidity benefits. The rate of invalidity benefit depends on the member's level of incapacity to undertake appropriate civilian employment at that time.



The determination of benefits payable to members who retired from the ADF as medically unfit for further service is a major function of the Scheme's administration. The Authority takes into account a member's employment capacity and medical condition, to establish the appropriate invalidity classification. The rate of benefit payable to a recipient member may be altered if the pensioner's level of incapacity to undertake civilian employment deteriorates or improves.

on-site medical assessments

ComSuper contracts the services of Health Services Australia doctors to assess a member's incapacity, having regard to the medical history provided by the Department of Defence. These arrangements allow faster processing and consistency in assessments.

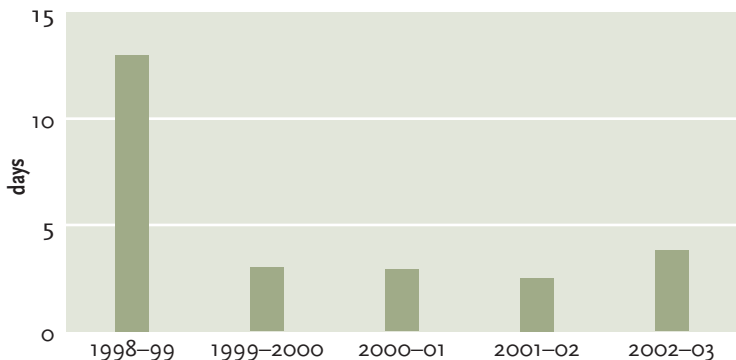
effect of fitness standards

There has been a further reduction in medical discharges in this financial year, although the number is still high compared with the five-year average. This is a result of the continued effect of new medical and deployment standards. Eighty-five cases were determined this year, some of which related to discharges in the previous financial year.

invalidity decision timeframe

Invalidity classifications took an average of 3.8 days to finalise during 2002-03. This was an increase on the average achieved in 2001-02, but nevertheless continued to reflect the timeliness achieved in recent years. Chart 7 shows the average time taken to determine new invalidity cases in the past five financial years.

chart 7: average number of days taken to determine new invalidity cases in the past five years



invalidity classification review

The Authority or its delegates may from time to time review the classification of invalidity pensioners either of their own volition or at the request of pensioners.

The following standards apply to this review process.

<i>standard</i>	<i>outcomes</i>
Reviews will be completed within 20 working days of receipt of all relevant information.	The standard was met in 8 months of the year.
Members will be advised of decisions taken within 3 working days.	All members were advised of decisions taken within 3 working days.

Decisions by the Authority to classify members as Class A or B are reviewable at intervals determined by the Authority. A member who believes that his or her classification has altered since it was last considered may request that the classification be reviewed.

DFRDB members can seek reconsideration of primary decisions made under the DFRDB Act by the Authority or its delegates. In such cases decisions are reviewed by the Authority. A decision of the Authority may subsequently be appealed to the Administrative Appeals Tribunal (AAT), from which an appeal may also be made to the Federal Court on a point of law. Members also have rights of review under the Administrative Decisions (Judicial Review) Act 1977.

internal review

Requests for reconsideration are investigated in a thorough, objective and effective manner in accordance with any guidelines issued by the Authority.

The following timeliness standards apply to this activity.

<i>standard</i>	<i>outcomes</i>						
Processing of reconsideration requests: <table border="1"> <tr> <td>60% in 8 months</td> </tr> <tr> <td>100% in 12 months</td> </tr> <tr> <td>Average—9 months for all requests</td> </tr> </table>	60% in 8 months	100% in 12 months	Average—9 months for all requests	There were 112 DFRDB requests for reconsideration received in 2002–03. The proportions of cases completed against the standards were as follows: <table border="1"> <tr> <td>91% in 8 months</td> </tr> <tr> <td>100% in 12 months</td> </tr> <tr> <td>Average—3.7 months for all requests</td> </tr> </table>	91% in 8 months	100% in 12 months	Average—3.7 months for all requests
60% in 8 months							
100% in 12 months							
Average—9 months for all requests							
91% in 8 months							
100% in 12 months							
Average—3.7 months for all requests							
Preparation of submissions to the Authority: <table border="1"> <tr> <td>within 30 days of receipt of supporting documentation</td> </tr> </table>	within 30 days of receipt of supporting documentation	All submissions to the Authority were prepared within 30 days of receipt of supporting documentation. The Authority regularly monitored outstanding cases, particularly those remaining unresolved for more than 12 months after having been received. There were no such cases in 2002–03.					
within 30 days of receipt of supporting documentation							

A person affected by a primary decision of the Authority or a delegate may request the Authority to reconsider that decision. Almost any action taken in the administration of the DFRB and DFRDB Acts can be the subject of a request for reconsideration. Decisions on reconsideration are not delegated but are taken by the Authority itself.

The Authority must confirm or vary the decision and inform the person of the result, in writing. The person is given a copy of the statement of the reasons for the decision and details of the evidence considered. The person is also advised about appeal rights to the AAT.

One hundred and twelve requests for reconsideration were received from DFRB and DFRDB members during the year, an increase of 32 over those received in the previous year, adding to the 37 cases carried over from 2001–02. Of the 117 cases finalised during the year, the Authority confirmed 65 cases on

reconsideration, while seven cases were varied in favour of the applicants. Three cases were withdrawn. Another 42 lapsed because the applicant failed to pursue the matter. Thirty-eight requests remained under investigation on 30 June 2003.

Most requests for reconsideration (some 69 per cent of requests processed in 2002-03) concern the amount of invalidity benefit payable, either on discharge or at subsequent reviews. Other typical matters included determination of grounds for retirement, recognition of prior service, spouses' entitlements, and extensions of time to reconsider previous decisions.

ComSuper's Schemes Reconsideration Section undertakes the preliminary investigation of cases with the reconsideration process normally involving the assembly of information additional to that available to the primary decision-maker.

external appeals

The DFRDB Act provides that applications may be made to the AAT for review of reconsidered decisions made by the Authority. If the Authority's decision is adverse to the applicant, information about the right to apply for review by the AAT is included in the advice of the decision. Applications to the AAT come under the procedures and practices of that body, as provided for in the *Administrative Appeals Tribunal Act 1975* and the practice directions issued by the AAT President. A party to a proceeding before the AAT may appeal to the Federal Court on a question of law arising from the decision of the AAT.

Systems are in place to facilitate the expeditious processing of matters that go to the Superannuation Complaints Tribunal, the Federal Court and other jurisdictions such as the Human Rights and Equal Opportunity Commission (HREOC).

The Authority also monitors the outcome of external appeals and their implications.

The standards applying to these activities are as follows.

standard	outcomes
<p>Process all external review cases both objectively and expeditiously—as assessed by six-monthly audit.</p> <p>Report to be provided to the first Authority meeting after a decision is handed down.</p>	<p>See Table 3.</p>

table 3: outcomes of external appeals in the past five years

	1998-99	1999-2000	2000-01	2001-02	2002-03
Decisions affirmed	4	3	4	2	3
Decisions varied					2
Decisions set aside/ conceded	3	4	1	8	4
Applications dismissed	4	4	1	8	2
Applications withdrawn	-	-	2	2	9
Total	11	17	11	21	22

Administrative Appeals Tribunal

During 2002-03, 33 applications for review were lodged with the AAT in addition to the 22 that were carried over from the previous year. Of the 22 applications resolved during the year, the Authority's decision in three cases was affirmed, two decisions were varied in favour of the Authority, and four were set aside. The Authority conceded two cases on the basis of new evidence. Nine applications were withdrawn by the applicants and two other cases were dismissed for lack of jurisdiction. Thirty-three AAT cases were outstanding as at 30 June 2003.

Federal Court of Australia

Under section 44 of the AAT Act, a party to a proceeding before the AAT may appeal to the Federal Court of Australia on a question of law arising from any decision of the AAT in that proceeding. There were no appeals by the Authority to the Federal Court during 2002-03.

Judicial review

The *Administrative Decisions (Judicial Review) Act 1977* [the AD (JR) Act] provides an alternative external review mechanism. The AD (JR) Act entitles a person aggrieved by an administrative decision taken under Commonwealth legislation to seek, on specified grounds, an order for review of the decision in the Federal Court. Section 13 of that Act provides that an aggrieved person may, without first applying to the Federal Court, ask that the decision-maker furnish a statement in writing, setting out the findings on material questions of fact. The statement must refer to the evidence or other material on which those findings were based, and give the reasons for the decision.

There were no orders for review and no requests for a statement of reasons under the AD (JR) Act in respect of decisions made under either the DFRB or DFRDB Acts during 2002-03.

complaints

Systems are in place for dealing with SIS-registered complaints and representations made by Parliamentarians and the Ombudsman, and requests made under the *Freedom of Information Act 1982* (the FOI Act).

The following timeliness standards apply to these activities.

<i>standard</i>	<i>outcomes</i>
ComSuper responds to SIS complaints and Parliamentarian/Ombudsman representations as follows: <div style="border: 1px solid black; padding: 2px; margin: 5px 0;">90% within 15 days</div> <div style="border: 1px solid black; padding: 2px; margin: 5px 0;">100% within 25 days</div> ComSuper responds to Freedom of Information requests as follows: <div style="border: 1px solid black; padding: 2px; margin: 5px 0;">100% in 7 days</div>	<p>A substantive response was made to 95% of SIS complaints within 15 days. One case fell outside the 25-day period due to its complexity.</p> <p>75% (three cases) of Parliamentarian/Ombudsman requests were processed within 15 days; 100% within 25 days.</p> <p>All Freedom of Information requests were processed within 7 days.</p>

In 2002-03, 19 complaints and four parliamentary representations were received. The subject of complaints were varied, covering issues such as payment delay, surcharge query and accuracy of benefit estimates.

In addition, ministerials were received and responded to within the Department of Defence. There were 38 relating to the DFRDB Scheme (including eight specifically about DFRB benefits), while 25 related to both the DFRDB Scheme and the MSBS (including 18 on pension indexation arrangements).

Table 4 shows the time taken to respond to complaints and parliamentary representations.

table 4: complaint and parliamentary representation processing times 2002-03

	<i>Less than 15 days</i>		<i>More than 15 days</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
Complaints	18	95	1	5
Parliamentary representations	3	75	1	25

freedom of information

All requests for documents and amendments to personal records are handled by ComSuper's Corporate Governance and Parliamentary Liaison Unit.

DFRDB and DFRB members made 78 requests for access to documents during 2002-03. Seventy-six requests were granted in full and two refused. The requests took an average of two days to process.

Enquiries relating to the documentary disclosure of information about the personal affairs of clients of the agency under the provisions of the Freedom of Information Act should be directed to:

Corporate Governance and Parliamentary Liaison Unit
ComSuper
PO Box 22
Belconnen, ACT 2616

Facsimile: (02) 6272 9802
Telephone: (02) 6272 9080
TTY: (02) 6272 9827
Email: foi@comsuper.gov.au



The oldest DFRDB contributor, LCDR Graeme Legge, receiving a commemorative medallion from the Minister for Finance and Administration, Senator the Hon. Nick Minchin, at the ComSuper Open Day, 18 June 2003.

contributors

As the scheme is no longer open to new members, the number of contributors has continued to decline, falling to 8 763 as at 30 June 2003. Chart 8 shows the number of contributors during 2002–03. One hundred and sixty-six persons who were receiving a DFRDB benefit re-entered the Defence Force during the year and elected to contribute to the scheme. Table 5 shows the number of DFRDB contributors since 1998–99, and Chart 9 shows the age profile of DFRDB contributors at 30 June 2003.

chart 8: DFRDB contributor membership 2002–03

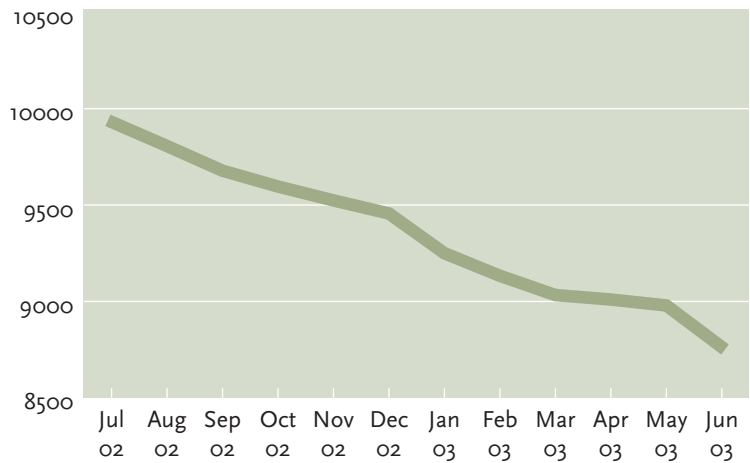
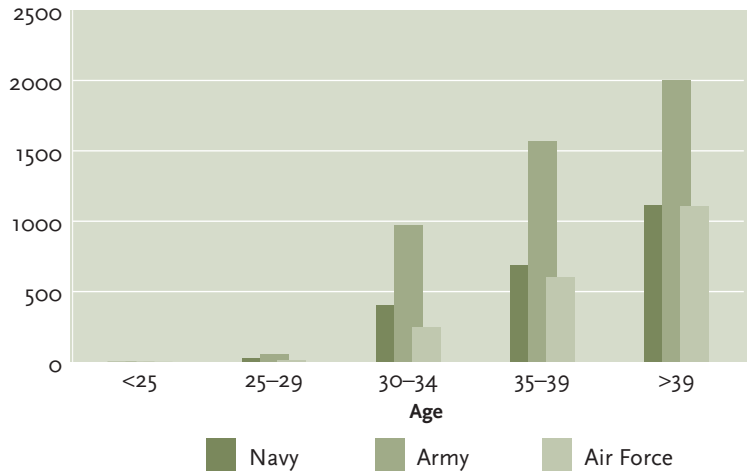


table 5: contributors in the past five years

	1998-99	1999-2000	2000-01	2001-02	2002-03
Navy					
Male	3 419	3 042	2 731	2 407	2 120
Female	167	154	132	103	96
Subtotal	3 586	3 196	2 863	2 510	2 216
Army					
Male	7 333	6 568	5 856	4 977	4 402
Female	372	335	291	235	189
Subtotal	7 705	6 903	6 147	5 212	4 591
Air Force					
Male	3 543	3 102	2 561	2 170	1 894
Female	158	140	114	79	62
Subtotal	3 701	3 242	2 675	2 249	1 956
All Services					
Male	14 295	12 712	11 148	9 554	8 416
Female	697	629	537	417	347
Total	14 992	13 341	11 685	9 971	8 763

chart 9: age profile of contributors at 30 June 2003, by service



contributions received

Contributions received during 2002-03 totalled \$29 422 000, a 7.8 per cent fall from 2001-02, consistent with the declining contributor numbers.

financial resources

Financial resources for the payment of pensions and lump-sum benefits are provided from the DFRB and DFRDB special appropriation, which is held by the Department of Defence. Contributions by members of the DFRDB Scheme are paid into revenue item 'Superannuation (DFRDB)—payments by members received', which is also held by the Department of Defence.

debtors

At 30 June 2003, \$1 088 994 was due to the Authority in benefits overpaid under the DFRDB and DFRB Schemes. The most common cause of overpayment is late notification to the Authority that the recipient is deceased and therefore is no longer entitled to receive the benefit. The bulk of these involve deceased estates.

Administrative processes are in place to ensure that there is minimal chance of overpayment. Most overpaid benefits are recovered by the Authority. During the year debts totalling \$10 314 were written off.

APPENDIX 1: DFRDB IN BRIEF

Contributors	30 June 2002	30 June 2003	Increase (Decrease)
Males	9 554	8 416	(1 138)
Females	417	347	(70)
Total	9 971	8 763	(1 208)
Pensions in force			
Retirement	44 322	44 894	572
Invalidity	3 141	3 129	(12)
Dependants	7 625	7 848	223
Total	55 088	55 871	783
Exits			
Retirement	1 174	1 237	(63)
Resignation	86	34	(52)
Invalidity	86	68	(18)
Death	9	8	(1)
Total	1 355	1 347	(134)
Other			
	\$	\$	\$
Member contributions received	31 925 000	29 422 000	(2 503 000)
Total benefits paid	1 118 894 000	1 159 205 000	40 311 000
Total pensions paid	974 878 000	1 015 868 000	40 990 000
Average annual pension	17 697	18 617	470



The Authority publishes a booklet and a series of leaflets for the benefit of members:

About Your Scheme is a summary of the DFRDB, containing general information about all aspects of the scheme, but particularly its benefits. It is for the use of all members as a general reference book.

The Authority also publishes a series of leaflets that deal in more depth with specific topics. The leaflets are entitled:

About to Leave the ADF?
Dependants' Benefits
Invalidity Benefits
Preserved Benefits
Retirement Benefits
Superannuation Contributions Surcharge
Taxation Concessions—Deductible Amounts
Taxation of Benefits

A series of fact sheets are being produced. Titles released to date are:

Death and Estate Benefits
Dependants' Benefits
Invalidity
Preservation
Re-entering the ADF
Retirement/Resignation
Retrenchment/Redundancy
Superannuation Surcharge

Also available is the *Service Charter for MSBS and DFRDB Members 2001–2003*.

All of these publications can be obtained from members' Pay Offices, directly from National Mailing and Marketing on telephone: (02) 6269 1020, facsimile: (02) 6260 2770, or from the DFRDB website (www.dfrdb.gov.au).

There were no changes to the DFRDB Act in 2002–03.

APPENDIX 4: CONTACT OFFICER

Information is available to Members of Parliament, Senators and members of the public on request.

In the interests of timeliness and conciseness, this report has been designed to provide only fundamental information. Requests for more detailed information should be directed to:

Ministerial Liaison Officer
ComSuper

Postal address: PO Box 22
Belconnen, ACT 2616

Street address: Unit 4
Cameron Offices
Chandler Street
Belconnen, ACT 2617

Telephone: (02) 6272 9262

Facsimile: (02) 6272 9809

TTY: (02) 6272 9827

AAT	Administrative Appeals Tribunal
ADF	Australian Defence Force
AD (JR) Act	<i>Administrative Decisions (Judicial Review) Act 1977</i>
commutation	conversion of a part of a pension to a lump sum
ComSuper	Commonwealth Superannuation Administration
CPI	Consumer Price Index
deferred benefit	payable, after 20 years combined ADF and government service, to members with a refund entitlement who leave their benefit in the Scheme
DFRB	Defence Forces Retirement Benefits
DFRDB	Defence Force Retirement and Death Benefits
FOI	Freedom of Information
gratuity	a one-off bonus payment paid to some members on resignation. It is usually only paid to ‘other rank’ members
incapacity	the degree to which the disorder that caused a member’s retirement affects his or her ability to perform appropriate civilian work. The basis for determining invalidity benefits
invalidity	a mode of retirement resulting from a disorder or disorders that render a member unfit for further military service
MSB	Military Superannuation and Benefits
MSBS	Military Superannuation and Benefits Scheme
MSCAG	Military Superannuation Communication Advisory Group
no-detriment	provision that ensures that certain officers receive a DFRDB benefit at least the equal of the DFRB benefit for which they were contributing before the DFRB Scheme closed
preservation	used colloquially to refer to deferred benefits and to the transfer of benefits
productivity	a benefit component for all members, accruing since January 1988 and funded by the Department of Defence
re-entered recipient	a contributor who has rejoined the Scheme having previously received a DFRDB pension
reversionary benefit	the benefit payable to eligible spouses and children (including orphans) of a contributor, pensioner or preserved benefit member who dies
Superannuation Guarantee	arrangements which mean that a member who receives a refund entitlement is entitled to an additional payment to bring the employer benefit to a minimum required amount
surcharge	<i>Superannuation Contributions Tax (Assessment and Collection) Act 1997</i> , a tax on employer-financed superannuation contributions
transfer value	an amount paid to an eligible superannuation scheme on behalf of a member who leaves the DFRDB without a pension entitlement

While this report is not a Departmental annual report, the Authority has endeavoured to comply with the 'Requirements for Departmental Annual Reports', where applicable. Details of ComSuper's operations are provided in the *Commissioner for Superannuation Annual Report 2002-03*. Annual reporting requirements that are met in the Commissioner for Superannuation's report are indicated below by an asterisk.

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ComSuper maintains service charters for scheme members. The service charter for 2001–2003 for DFRDB members is available in hard copy and on the DFRDB website (see Appendix 2).

Performance against the standards set out in this charter is included in this report.

Freedom of Information Act statement

This statement is provided in accordance with section 8 of the *Freedom of Information Act 1982* (the FOI Act).

functions of ComSuper

The general functions of ComSuper are described in the main body of this report and in the *Commissioner for Superannuation Annual Report 2002–03*.

decision-making powers

The power of the DFRDB Authority to administer the provisions of the *Defence Forces Retirement Benefits Act 1948* and the *Defence Force Retirement and Death Benefits Act 1973* is set out in section 8 of the DFRDB Act. The power of the Authority to delegate its powers and functions is set out in section 15. The application of those powers is summarised in this report, while the details are published separately in the DFRDB Authority annual report.

FOI internal procedures

All requests for documents are referred to ComSuper's Corporate Governance and Parliamentary Liaison Unit. Compliance with the application fee provisions of the FOI Act are verified and the request is registered and acknowledged. The documents are then obtained and the request is considered by the Unit.

Decisions to grant access, levy charges, or refuse access are made by an APS Level 5 in the Corporate Governance and Parliamentary Liaison Unit.

Requests for internal review of FOI decisions are also referred to the Unit. They are then forwarded to the Reconsideration Section where they are investigated prior to submission to the Authority for decision under section 54 of the FOI Act.

Officers currently designated to carry out such investigations are APS Level 7 officers in the Reconsideration Section. All decisions on internal reviews are made by the Authority.

facilities for access

Facilities for viewing documents are provided only at the ComSuper office in Canberra, as ComSuper has no regional

offices. Publications may be inspected at ComSuper's Corporate Governance and Parliamentary Liaison Unit, and copies (for which there may be a charge) can be obtained by writing to ComSuper.

Information about facilities for access by people with disabilities can be obtained by contacting the Corporate Governance and Parliamentary Liaison Unit at the address and telephone numbers shown on page 24 of this report.

consultative arrangements

Informal and ad hoc arrangements exist whereby the national, State and Territory branches of the Regular Defence Force Welfare Association may make representations relating to the general administration of the scheme. Representations are also received which relate to the determination of individual contributors' benefit entitlements.

Requests for consultation and/or representations relating to policy aspects of the schemes and their underlying legislation are referred to the Superannuation Branch of the Department of Defence which has responsibility for advising the Minister Assisting the Minister for Defence and the Minister for Veterans' Affairs on such matters.

categories of documents

The Authority maintains no categories of documents that are open to public access as part of a public register or otherwise, in accordance with an enactment other than the FOI Act, where that access is subject to a fee or other charge.

A booklet, leaflets and fact sheets that describe various aspects of the Defence Force Retirement and Death Benefits Scheme, and annual reports, are made available to the public free of charge upon request. They are also available free of charge via the DFRDB website (www.dfrdb.gov.au).

A transfer value (see the glossary on page 33) may be paid to a superannuation scheme which has been declared by the Minister for Finance and Administration to be an eligible superannuation scheme for the purposes of the DFRDB Scheme.

The following schemes have been declared eligible:

- Army and Air Force Canteen Service Superannuation Scheme
- AUSSAT Superannuation Fund
- Australian Wool Corporation Provident Fund
- AvSuper
- Gladstone Area Water Board Staff Scheme
- Gladstone Port Authority Staff Superannuation Fund
- Gold Coast Waterways Staff Superannuation Scheme
- Government Officer's Superannuation Scheme (Gosuper) (Queensland)
- Livestock and Meat Authority of Queensland Superannuation Scheme
- Northern Territory Government and Public Authorities Superannuation Scheme
- Public Sector Superannuation Scheme
- Queensland Ambulance Transport Brigade Superannuation Scheme
- Queensland Electricity Supply Industry Superannuation Scheme
- Queensland Industry Development Corporation Superannuation Scheme
- Queensland Local Government Employees Superannuation Scheme
- Queensland Parliamentary Contributory Superannuation Scheme
- Queensland Police Superannuation Scheme
- Queensland State Public Sector Superannuation Scheme
- Queensland State Service Superannuation Scheme
- Suncorp Insurance and Finance Superannuation Plan
- Superannuation Scheme for Australian Universities (SSAU)
- The superannuation scheme established under the *Parliamentary Contributory Superannuation Act 1948*
- Townsville Port Authority Staff Superannuation Scheme
- University of Newcastle Staff Superannuation Scheme.

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Visit:
Unit 4
Cameron Offices
Chandler Street
Belconnen ACT 2617

Mail:
PO Box 22
Belconnen ACT 2616

Email:
military.members@comsuper.gov.au
military.pensioners@comsuper.gov.au

Phone:
13 23 66
(for the cost of a local call)

Fax:
(02) 6272 9001

Internet:
www.dfrdb.gov.au



