



Australian Government

Defence Force Retirement &
Death Benefits Scheme

The DFRDB Authority
annualreport
2003:2004



dfldb

dfldb authority
annual report
2003 - 2004

the defence force retirement and death benefits authority |

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SPIN: CMS0102AU

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

Senator The Hon. Robert Hill
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 2004.

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

24 September 2004



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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 an unfunded defined benefit superannuation scheme. There is no investment fund for the DFRDB Scheme and all benefits are paid from the Consolidated Revenue Fund.

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 every fortnight.

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 separately 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 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 DFRDB Authority

The administration of the MSBS is covered separately in the *Military Superannuation and Benefits Board of Trustees No. 1 Annual Report 2003–04*. Information about ComSuper's operations can be found in the *Commissioner for Superannuation Annual Report 2003–04*.

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 2004 were:

Mr Leo Bator, Chairman

Mr Brian Paule, Deputy Chairman
(appointed from 26 April 2004 following the retirement of Mr Phillip Charley)

CAPT Richard Longbottom, Nominee of the Chief of Navy

COL Michael Milford, Nominee of the Chief of Army
(appointed 26 November 2003 following the resignation of COL Michael Kehoe)

GP CAPT John Hewitson, Nominee of the Chief of Air Force
(appointed 11 July 2003 following the retirement of Mr Andre Bobets).



The DFRDB Authority

Standing (from left):
Mr Brian Paule, COL Michael Milford

Seated (from left):
CAPT Richard Longbottom, GP CAPT John Hewitson, Mr Leo Bator

GOVERNANCE

During the year the Authority continued to give particular attention to processes supporting decision-making, accountability and standards of service. The Authority also closely monitored implementation of the Financial Services Reform legislation in the superannuation industry at large and assessed its relevance to the DFRDB Scheme.



administrative agreement

In September 2003 the Authority again revised its agreement with ComSuper for the provision of administrative services, following an annual evaluation (see Annual Effectiveness Review, page 5).

The new agreement tightened the timeliness standard applying to reconsideration of decisions and introduced new standards for family law requests.

ComSuper reports regularly to the Authority against all service standards. Performance data is collected monthly. The Administrator Reports presented to the Authority also form the basis of the performance data contained in this publication.

delegations

The Authority delegates most of its powers to ComSuper staff to enable day-to-day administration.

The Authority retains certain powers, which include reconsideration of decisions and the treatment of persons as if they had been medically discharged when they had been discharged on other grounds.

status under the SIS legislation

The DFRDB is an Exempt Public Sector Scheme for the purposes of the *Superannuation Industry (Supervision) Act 1993* (SIS), and is therefore deemed to be a complying superannuation fund under the Income Tax Assessment Act and the Superannuation Guarantee (Administration) Act.

It is therefore not necessary for the DFRDB Authority to elect that the Scheme become a Regulated Superannuation Fund subject to the prudential requirements in the SIS legislation, although the Authority endeavours to comply with the spirit of the SIS legislation. The DFRDB is, however, subject to the Tax File Number and rollover/transfer requirements in the SIS legislation that apply to Exempt Public Sector Superannuation Schemes.

Military Superannuation Communications Committee (MSCC)

During the year a new Military Superannuation Communications Committee (MSCC) was established to replace the previous communications advisory group (MSCAG). The MSCC is a combined committee that services both the DFRDB Authority and the MSB Board.

The MSCC Charter includes:

- policy and planning which sets the strategic direction of communications to members of the DFRDB scheme and the MSBS
- overseeing the preparation of annual reports
- evaluation and research related to communications activities
- overseeing implementation of communications activities ensuring compliance with all legal requirements
- governance of its own activities.

In relation to DFRDB, the MSCC closely monitored Contact Centre performance and the provision of information seminars to members throughout the year. The MSCC also oversaw development of the 2003–04 Annual Report to Members.



annual effectiveness review

2003 - 04 THE FOCUS

- Implementation of Financial Services Reforms (FSR)
- Bedding down of the Capital computer system
- Developing a new Service Level Agreement with Boards and Defence
- ...whilst continuing to meet service standards

SERVICE DELIVERY

- 95% of standards have been met
- Implemented daily pricing for five Member Investment Choice options

KEY METRICS - MILITARY

- In 03-04 ComSuper has:
 - Conducted 157 Seminars
 - Answered 47 706 phone queries from members
 - Responded to 3 579 emails
 - Processed 5 172 new benefits

SCHEME MEMBERSHIP as at 30 June 04

Scheme	Contributors	Preserved	Pensioners
Military Super	46 916	51 135	5 109
DFRDB	8 160	90	56 165
TOTAL	55 076	51 225	61 364

In September 2003 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 for reconsideration requests and introduced additional standards for family law requests 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 2003-04 ComSuper continued to conduct client satisfaction surveys with the assistance of the Canberra-based firm Orima Research. Two separate surveys were conducted during the year of clients who had recent contact with one of ComSuper's services. The quality of services surveyed was consistently rated highly.

fact sheet
client satisfaction surveys

15 SEMESTER
ended 30 June 2004

OVERALL SATISFACTION - QUALITY SERVICE INDEX (QSI)

100
95
90
85
80
75
1997-98 1998-99 1999-00 2000-01 2001-02 2002-03 2003-04

QSI SCORES BY CLIENT GROUP

Commonwealth Schemes Military Schemes Superannuants

100
95
90
85
80
75
1997-98 1998-99 1999-00 2000-01 2001-02 2002-03 2003-04

ComSuper's client satisfaction surveys are conducted by Orima Research. For more information please contact Orima Research at ComSuper on 023 8772 8272.

The Quality Service Index (QSI) for military clients, introduced to measure the survey results and to enable comparison between survey periods, currently shows around 80% satisfaction. The scores for the military schemes in each of the seventeen survey periods since data collection began in 1997-98 show 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.

ACCOUNT MAINTENANCE

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, however, any incorrect, inconsistent or missing data is investigated by ComSuper member account maintenance staff in consultation with the Department of Defence and any necessary corrections or updates are carried out.

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
- 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

In the 2002–2003 Annual Report, details of the implementation of the new CAPITAL system (which was commissioned on 4 June 2002 and developed for military schemes administration) were provided.

In 2003–2004, bedding in of the system continued with functional enhancements being implemented. The CAPITAL system now provides an effective platform for the administration of the military schemes and payment system for pensions.

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) annually. The legislation applies a tax on employer financed contributions, in the form of a surcharge on surchargeable contributions, provided the member's adjusted taxable income is greater than the surcharge threshold. It is specifically targeted at higher income earners.

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. 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 2003-04 the ATO reported surcharge debts incurred by 2 076 members totalling \$2 256 661. Forty-five members repaid surcharge debts totalling \$106 964, while \$1 542 159 was recovered from 245 member benefits paid during the year. Penalty interest totalling \$520 082 was applied to member surcharge debts that remained outstanding as at 30 June 2004.

MEMBER COMMUNICATIONS

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

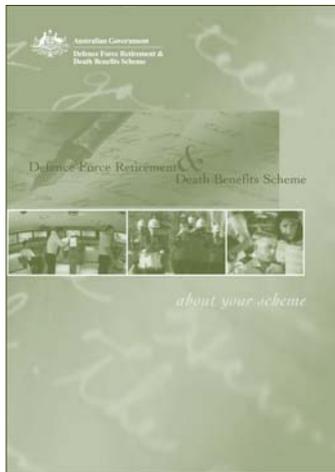
Communication with members occurs through the distribution channels of the Department of Defence. There is also direct client contact with ComSuper. This page summarises performance against relevant service standards for the whole of the financial year.

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 program includes the range of communications required by SIS and recognises 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 electronically. 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.



standard

outcomes

ComSuper processes or responds to:		
written enquiries	85% in 10 days 100% in 15 days	90% 94%
email enquiries	95% in 1 day 100% in 2 days	95% 99%
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	16 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	3 November 15 November standard met
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 publications about various aspects of the Scheme. Page 30 of this report contains a list of currently available publications.

counselling and information activities

While the workload was 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 912 telephone calls recorded per week compared with 874 last year. The Interactive Voice Response (IVR) telephone service recorded receipt of 47 463 calls from military (MSBS and DFRDB) members, which was slightly lower than last year's figure of 45 450. Emails from military members answered during the year totalled 3 628, a decrease on the 4 161 received last year.

During the year, ComSuper staff issued 2 400 retirement advice letters to military members and provided personal counselling for 1 727 military members. Presentations were given at 75 transition seminars, attended by 2 495 DFRDB members. A further 14 seminars relating to medical discharge were presented to 528 military members.

Additionally, the Contact Centre responded to 658 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 helps military pensioners 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, www.dfrdb.gov.au.

During the year, the Contact Centre received 34 518 calls related to military pensioners, and responded to 4 578 written enquiries and 2 043 email enquiries.

member statements

The Authority aims to distribute annual member statements well ahead of the SIS-required deadline of 31 December. The 2002–03 member statements were distributed by 3 November 2003. While surpassing SIS requirements, statements were delivered outside of the standard requirements; a similar result to that achieved in 2002.

The statements provide DFRDB contributors with equity figures, withdrawal benefits, surchargeable contributions and details of any surcharge debt where applicable. Members also receive an About Your Statement leaflet, and a Member Contact Details form as part of their statement kit.

website development

The DFRDB website (www.dfrdb.gov.au) is designed to be a primary communications channel for scheme members.

Website users were surveyed during the year as part of ComSuper's cyclical research. Key findings of this research were:

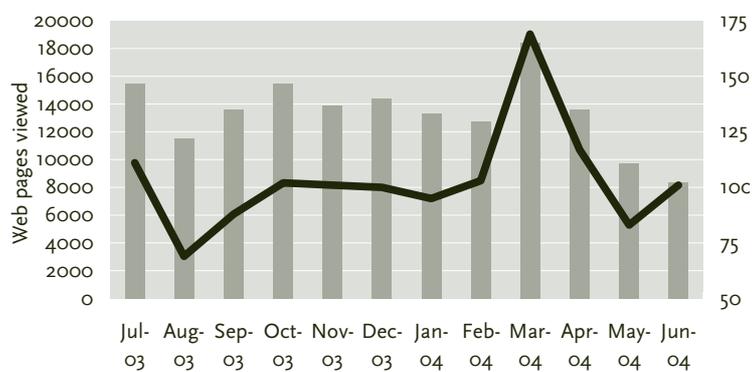
- 82% of members said that the website was easy to find
- 90% of members found the website useful
- 56% said that the website had increased their knowledge of the scheme.

Chart 1 shows usage of the website in 2003–04. Table 1 shows the ten most requested web pages during the current year.

table 1: most requested web

1	Member Services Online
2	Pensioner Services
3	DFRDB Book
4	Form D20 (Retirement)
5	Benefits
6	Contact Us
7	DFRDB Act
8	Invalidity Benefits Leaflet
9	FAQs
10	Family Law

chart 1: dfrdb website usage 2003-04



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, 6 380 statements were accessed and 17 397 benefit estimates produced online.

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

BENEFIT PAYMENTS

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

There are services and performance standards relating to the payment of benefits. These apply to all benefit types such as resignation, retirement, invalidity and death.

The following timeliness standards apply to benefit processing.

standard	outcomes
-----------------	-----------------

Benefit application processing	
85% in 5 days	92.9%
95% in 15 days	100%
average processing time of 4 days over a month	2.3 days

The standards for the processing of military schemes benefit applications were monitored by the Authority throughout the year. Performance against the standards improved in 2003-04. Chart 2 shows the number of DFRDB benefit applications processed during 2003-04.

Chart 3 shows the average time to process benefits in each month of 2003-04. The average time for 2003-04 was 2.3 days, compared with 3.2 days in 2002-03.

chart 2: benefit applications processed 2003-04

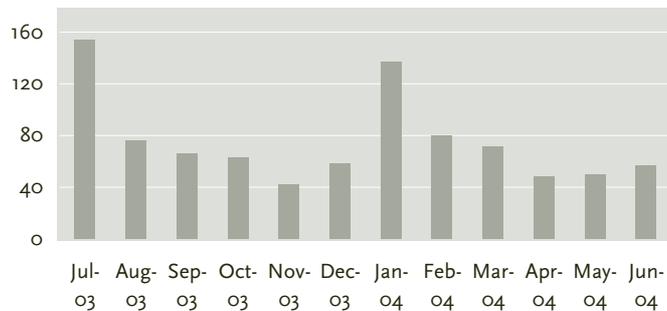


chart 3: average time to process benefit payments



A comparison of the dollar value of benefits paid in 2003-04 with the previous four financial years is set out in Table 2.

table 2: benefits paid in the past five years

Benefit type	1999-2000 (\$'000)	2000-01 (\$'000)	2001-02 (\$'000)	2002-03 (\$'000)	2003-04 (\$'000)
Pension payments	889 949	899 125	974 878	1 015 868	1 052 283
Lump-sum payments and transfer values	306	138	92	52	231
Refunds of contributions	4 330	3 137	2 296	1 542	1 877
Commutation payments	144 604	181 824	141 628	176 512	149 567
Total benefits paid	1 039 189	1 084 224	1 118 894	1 193 974	1 203 850

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. A gratuity is a sum of money paid to some members in the form of a one-off bonus. Although gratuities are usually only payable to other rank members, some officers are also entitled to receive them. Once a member becomes entitled to retirement pay or invalidity pay he or she is not eligible to receive a gratuity.

Gratuities totalling \$72 000 were paid to members who exited in 2003-04.

commutation

Members retiring from the defence force may commute (that is, exchange) part of their retirement pension for a lump sum. Retiring members can receive a maximum commutation lump sum of up to five times their retirement pay. During the year, 948 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 two such elections during 2003-04.

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. Twenty-one members elected to defer their entitlements in the Scheme in 2003–04. Six 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.

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 2004, 7 464 spouses were receiving pensions under the provisions of the DFRB and DFRDB Acts, 351 of which commenced in 2003-04.

children's and orphans' benefits

At 30 June 2004, 443 children and orphans were receiving pensions under the provisions of the DFRB and DFRDB Acts.

changes to pension payment details

The following standard applies.

standard

outcomes

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.

standard

outcomes

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 2003-04, the Australian Bureau of Statistics announced a CPI change of 0.6% for the six months to September 2003 and 1.4% for the six months to March 2004.

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.

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 three working days.</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>	<p>ComSuper met this standard in 100% of cases.</p>

The defence force retirees 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 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

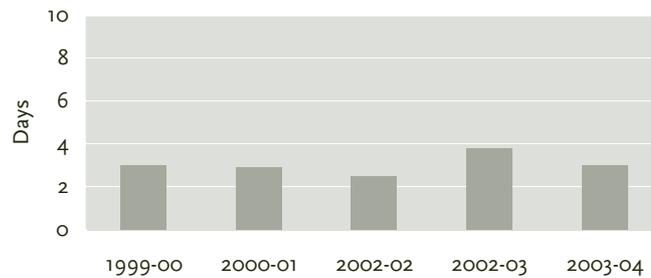
There has been a further reduction in medical discharges in this financial year, although the number is still high compared with the five-year average. This is a result of the continued effect of new medical and deployment standards. Eighty-two cases were determined this year, some of which related to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

invalidity decision timeframe

Invalidity classifications took an average of 3.5 days to finalise during 2003-04. This was a decrease on the average achieved in 2002-03 and continues to reflect the timeliness achieved in recent years. Chart 4 shows the average time taken to determine new invalidity cases in the past five financial years.



chart 4: 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.

standard

Reviews will be completed within 20 working days of receipt of all relevant information.

Members will be advised of decisions taken within 3 working days.

outcomes

The standard was not met 12 months of the year.

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.

There were a handful of employment review cases which fell outside the agreed service level standards each month in 2003-04.

Current database functionality is unable to identify time parametres but these are not excessive and are being prioritised.

DISPUTE RESOLUTION

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.

standard

Processing of reconsideration requests:

60% in 8 months

100% in 12 months

Average—9 months for all requests

Preparation of submissions to the Authority:

within 30 days of receipt of supporting documentation

outcomes

There were 94 DFRDB requests for reconsideration received in 2003–04. The proportions of cases completed against the standards were as follows:

100% in 8 months

100% in 12 months

Average—2.5 months for all requests

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 2003–04.

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.

Ninety-four requests for reconsideration were received from DFRB and DFRDB members during the year, a decrease of eighteen over those received in the previous year, adding to the thirty-three cases carried over from 2002–03. Of the 106 cases finalised during the year, the Authority confirmed fifty cases on

reconsideration, while thirteen cases were varied in favour of the applicants. Five cases were withdrawn. Another thirty-eight lapsed because the applicant failed to pursue the matter. Twenty-one requests remained under investigation on 30 June 2004.

Most requests for reconsideration (some 87 per cent of requests processed in 2003–04) 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

Process all external review cases both objectively and expeditiously—as assessed by six-monthly audit.

Report to be provided to the first Authority meeting after a decision is handed down.

See Table 3.

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

	1999-2000	2000-01	2001-02	2002-03	2003-04
Decisions affirmed	3	4	2	3	10
Decisions varied	-	-	-	2	-
Decisions set aside/ conceded	4 6	1 3	8 1	4 2	9 5
Applications dismissed	4	1	8	2	2
Applications withdrawn	-	2	2	9	10
Total	17	11	21	22	36

Administrative Appeals Tribunal

During 2003-04, twenty-eight applications for review were lodged with the AAT in addition to the thirty-three that were carried over from the previous year. Of the thirty-six applications resolved during the year, the Authority's decision in ten cases was affirmed and nine were set aside. The Authority conceded five cases on the basis of new evidence. Ten applications were withdrawn by the applicants and two other cases were dismissed for lack of jurisdiction. Twenty-five AAT cases were outstanding as at 30 June 2004.

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 was one appeal by the Authority to the Federal Court during 2003-04, with the Authority's appeal to the Federal Court dismissed with costs.

High Court of Australia

One case proceeded to the High Court with the member seeking Special Leave of the Court to appeal from an earlier decision of the Full Court of the ACT Supreme Court awarding him compensation. The application was refused with costs awarded to the Commonwealth.

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 2003–04.

claims

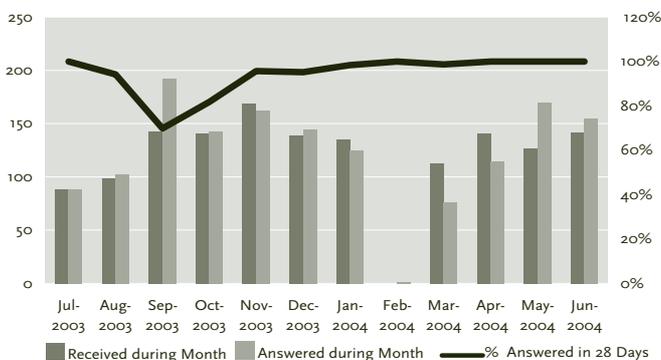
During the 2003–2004 financial year the Authority received four claims for compensation with a further two claims outstanding as at 1 July 2003. One claim for compensation was denied during the 2003–2004 financial year with five claims remaining outstanding as at 30 June 2004.

family law

Family law has seen many significant changes this year, in particular the long anticipated amendments to the DFRDB scheme legislation which enable the creation of associate member benefits for non-member spouses in family law splitting situations.

The new amendments have brought a steady increase in the number of members making use of the super splitting arrangements and a subsequent increase in workload for the Legal family law section. Chart 5 shows the number of family law requests received and answered during the year.

chart 5: family law requests received and processed 2003-04



complaints

Systems are in place for dealing with 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.

standard

ComSuper responds to complaints and Parliamentarian/Ombudsman representations as follows:

- 90% within 15 days
- 100% within 25 days

ComSuper responds to Freedom of Information requests as follows:

- 100% within 7 days

outcomes

A substantive response was made to 86% of complaints within 15 days. Three cases fell outside the 25-day period due to their complexity.

90% of Parliamentarian/Ombudsman requests were processed within 15 days; 100% within 25 days.

All Freedom of Information requests were processed within 7 days.

In 2003-04, twenty-four complaints, sixteen parliamentary representations and two ombudsman enquiries were received. The subject of complaints were varied, covering issues such as payment delay, surcharge query, invalidity review and accuracy of benefit estimates.

In addition, ministerials were received and responded to within the Department of Defence. There were twenty-two relating specifically to the DFRDB Scheme while 200 related to both the DFRDB and the MSBS (including twelve on the splitting of superannuation benefits and 188 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 2003–04

	Less than 15 days		More than 15 days	
	No.	%	No.	%
Complaints	18	86	3	14
Parliamentary/ ombudsman representations	7	90	2	10

freedom of information

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

DFRDB and DFRB members made eighty-seven requests for access to documents during 2003–04. Eighty-three requests were granted in full and two partially. Two were 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 Reporting 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

MEMBERSHIP

contributors

As the scheme is no longer open to new members, the number of contributors has continued to decline, falling to 7 979 as at 30 June 2004. Chart 6 shows the number of contributors during 2003–04. Forty-eight 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 1999–2000, and Chart 7 shows the age profile of DFRDB contributors at 30 June 2004.

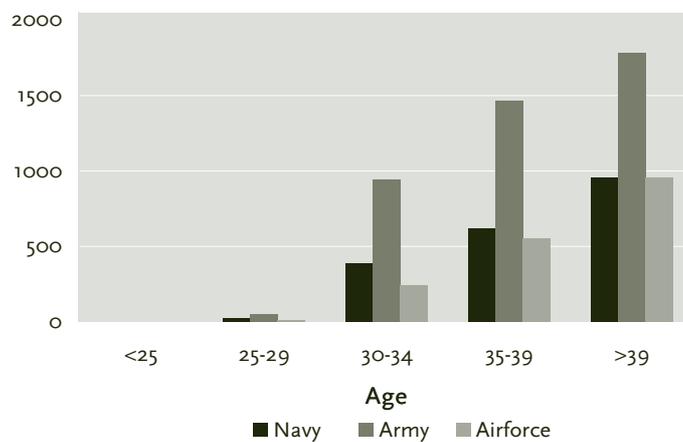
chart 6: dfrdb contributor membership 2003–04



table 5: contributors in the past five years

	1999-2000	2000-01	2001-02	2002-03	2003-04
Navy					
Male	3 042	2 731	2 407	2 120	1 903
Female	154	132	103	96	83
Subtotal	3 196	2 863	2 510	2 216	1 986
Army					
Male	6 568	5 856	4 977	4 402	4 054
Female	335	291	235	189	181
Subtotal	6 903	6 147	5 212	4 591	4 235
Air Force					
Male	3 102	2 561	2 170	1 894	1 700
Female	140	114	79	62	58
Subtotal	3 242	2 675	2 249	1 956	1 758
All services					
Male	12 712	11 148	9 554	8 416	7 657
Female	629	537	417	347	322
Total	13 341	11 685	9 971	8 763	7 979

chart 7: age profile of contributors at 30 June 2004, by service



contributions received

Contributions received during 2003-04 totalled \$28 229 000, a 4.05 per cent fall from 2002-03, consistent with the declining contributor numbers.

pensioners

At 30 June 2004, 60 416 persons were receiving pensions under DFRDB and DFRB legislation. This represents an overall increase of 325 from 30 June 2003. Table 6 shows pensions in force by type and Scheme as at 30 June 2004.

table 6: pensions in force by type and scheme at 30 June 2004

	DFRB	DFRDB	Total
Retirement	1 663	44 174	45 837
Invalidity	856	3 112	3 968
Reversionary			
– spouses	2 689	7 464	10 153
– children and orphans	15	443	458
Total pensions	5 223	55 193	60 416

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 2004, \$944 716 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 \$18 444 were written off.

APPENDIX 1: DFRDB IN BRIEF

Contributors	30 June 2003	30 June 2004	Increase (Decrease)
Males	8 416	7 657	(759)
Females	347	322	(25)
Total	8 763	7 979	(784)
Pensions in force			
Retirement	44 894	44 174	(720)
Invalidity	3 129	3 112	(17)
Dependants	7 848	7 907	59
Redundancies	-	1 003	1 003
Total	55 871	56 196	325
Exits			
Retirement	1 237	879	(358)
Resignation	34	28	(6)
Invalidity	68	71	3
Death	8	2	(6)
Total	1 347	980	(367)
Other			
	\$	\$	\$
Member contributions received	29 422 000	28 229 000	(1 193 000)
Total benefits paid	1 159 205 000	1 201 850 000	42 645 000
Total pensions paid	1 015 868 000	1 052 283 000	36 415 000
Average annual pension	18 617	19 076	459

APPENDIX 2: PUBLICATIONS

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
Family Law and Your Super

Also available is the *ComSuper Service Charter 2004*.

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).

new legislation made in the 2003–04 financial year

family law amendments

The *Superannuation Legislation Amendment (Family Law and Other Matters) Act 2004* came into force on 18 May 2004. These amendments allowed for the creation of a separate interest in favour of a non-member spouse where the member's superannuation is split pursuant to the *Family Law Act 1975*.

Defence Force Retirement and Death Benefits (Family Law Superannuation) Orders 2004 provides for the calculation of certain amounts upon creating a separate interest, including an associate pension and reduction amounts.

The Family Law (Superannuation)(Methods and Factors for Valuing Particular Superannuation Interests) Approval 2003 (Volume 2) as prepared on 18 May 2004, sets out methods and factors for interests of members in the DFRDB.

The Family Law (Superannuation) (Provision of Information—Defence Force Schemes) Determination 2004 provides rules as to when the Trustee of the DFRDB must provide information.

The Defence Force (Superannuation) (Productivity Benefit) Amendment Determination 2004 (No.2) provides formulas and definitions for transfer amount, scheme value and reduction amount in family law matters.

other legislative amendments

The *Superannuation (Surcharge Rate Reduction) Amendment Act 2003* came into effect on 1 July 2003 and the *Superannuation Budget Measures Act 2004* on 30 June 2004. These Acts amend the *Defence Force Retirement and Death Benefits Act 1973* with respect to surcharges.

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 9081
Facsimile: (02) 6272 9817
TTY: (02) 6272 9827

APPENDIX 5: GLOSSARY

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 twenty 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
MSCC	Military Superannuation Communications Committee
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

APPENDIX 6: COMPLIANCE DETAILS

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 2003-04. Annual reporting requirements that are met in the Commissioner for Superannuation's report are indicated below by an asterisk.

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APPENDIX 7: SERVICE CHARTERS

ComSuper maintains a service charter for scheme members. The service charter for 2004 is available from the ComSuper website at www.comsuper.gov.au

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

APPENDIX 8: FREEDOM OF INFORMATION

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 2003–04*.

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 Reporting 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 Reporting 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 by Executive Level 1 officers prior to submission to the Authority for decision under section 54 of the FOI Act.

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 Reporting 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 Reporting 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).

APPENDIX 9: ELIGIBLE SUPERANNUATION SCHEMES

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:

- AV Super (previously known as the CAA Staff Superannuation Fund)
- Commonwealth Superannuation Scheme (CSS)
- Northern Territory Government and Public Authorities Superannuation Scheme
- Parliamentary Contributory Superannuation Scheme
- Public Sector Superannuation Scheme (PSS)
- QSuper
- Queensland Electricity Supply Industry Superannuation Scheme
- Queensland Local Government Employees Superannuation Scheme
- Queensland Parliamentary Contributory Superannuation Scheme
- UniSuper Investment Choice Plan.

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

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(02) 6272 9818

www.dfrdb.gov.au