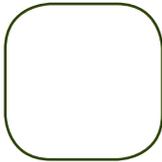




Australian Government

Defence Force Retirement &  
Death Benefits Scheme

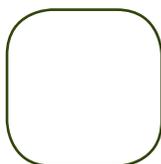


**The DFRDB Authority**  
**annual report**

**2005-06**

Defence Force Retirement and Death Benefits Scheme

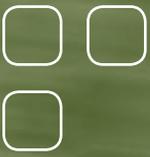




**The DFRDB Authority**  
**annual report**

**2005-06**

Defence Force Retirement and Death Benefits Scheme



© Commonwealth of Australia 2006

ISSN 0728 9332  
ISBN 1-921246-08-1

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney General's Department, Robert Garran Offices, National Circuit, Barton ACT 2600 or posted at <http://www.ag.gov.au/cca>.

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

**Postal address:** PO Box 22  
Belconnen, ACT 2616

**Telephone:** 1300 001 677

**Facsimile:** (02) 6272 9616

**TTY:** (02) 6272 9827

**Annual report inquiries:** Communications and Marketing Section, ComSuper

**Telephone:** (02) 6272 9272

**Internet:** [www.dfrdb.gov.au](http://www.dfrdb.gov.au)

**Annual report:** [www.dfrdb.gov.au/reports.htm](http://www.dfrdb.gov.au/reports.htm)

**DFRDB Authority ABN:** 39 798 362 763

**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.



The Hon. Bruce Billson, 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 2005.

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 2006



## About the DFRDB Scheme

description of the scheme	1
ancillary contributions	2
The DFRDB Authority	2

## Governance

administrative agreement	5
delegations	5
status under the SIS legislation	5
Military Superannuation Communications Committee (MSCC)	6

## Account Maintenance

collection, recording and maintenance of member information	7
system changes	7
surcharge	7

## Member Communications

counselling and information activities	9
pensioner communications	10
member statements	10
website access	10
member feedback	11

## Benefit Payments

gratuities	14
commutation	14
preservation of rights	14
pension variations	15
invalidity payments (new grants)	16
invalidity classification	16
on-site medical assessments	17
invalidity decision timeframe	17
invalidity classification review	17

## Dispute Resolution

internal review	19
external appeals	19
Administrative Appeals Tribunal	20
Federal Magistrates Court of Australia	20
High Court of Australia	21
Judicial Review	21
claims	21
complaints	22
family law	22
freedom of information	23

## **Membership**

contributors	25
contributions received	26
ancillary contributions	26
pensioners	27

## **Accounting Services**

financial resources	27
debtors	27

## **Appendixes**

1. DFRDB in brief	29
2. Publications	30
3. Legislation	31
4. Contact officer	34
5. Glossary	35
6. Compliance details	37
7. Service charters	38
8. Freedom of information	39

## **Index** **41**

### **Charts**

1. DFRDB website usage 2005–06	11
2. benefit applications processed 2005–06	13
3. average time to process benefit payments 2005–06	13
4. DFRDB contributor membership 2005–06	25
5. age profile of contributors at 30 June 2006, by service	26

### **Tables**

1. most requested web pages 2005–06	11
2. benefits paid in the past five years	14
3. outcomes of external appeals in the past five years	20
4. contributors in the past five years	25
5. number of contributors in ancillary package type	26
6. pensions in force by type and scheme at 30 June 2006	27



***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**

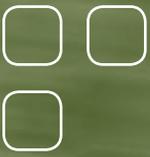
The DFRDB Scheme is an unfunded defined benefit superannuation scheme. There is no investment fund for the DFRDB Scheme and all benefits are paid from the Consolidated Revenue Fund.

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.

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.



## ancillary contributions

With effect 1 August 2005, the MSB Board has approved the introduction of an ancillary package for the Military Superannuation and Benefits Scheme (MSBS). For equity purposes, the MSB scheme rules were amended to allow current contributors to the Defence Force Retirement and Death Benefits Scheme to make ancillary contributions.

There are several types of contributions available under the ancillary package. They are:

- Government (Super) Co-contributions
- Additional Personal Contributions
- Salary Sacrifice Contributions
- Spouse Contributions
- Transfer Amounts

Ancillary contributions will accrue as a separate accumulation interest within the MSB Fund and fluctuate in line with returns achieved by the Fund. Ancillary contributions are separate to member benefits under DFRDB.

## The DFRDB Authority

The administration of the MSBS is covered separately in the *Military Superannuation and Benefits Board of Trustees No. 1 Annual Report 2005–06*. Information about ComSuper's operations can be found in the *Commissioner for Superannuation Annual Report 2005–06*. 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.



# About the DFRDB Scheme

*The DFRDB Authority is responsible for the general administration of the DFRB Act 1948 and the DFRDB Act 1973, 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 his functions as Chairman of the DFRDB Authority. ComSuper is responsible for the day-to-day administration of the DFRB and DFRDB Schemes, as well as other superannuation schemes for ADF and Commonwealth employees.*

Members of the Authority at 30 June 2006 were:

Mr Leo Bator, Chairman

Mr Brian Paule, Deputy Chairman  
(appointed from 26 April 2004)

CAPT Peter Laver, Nominee of the Chief of Navy  
(appointed from 2 December 2005 following the resignation of CAPT Timothy Barrett)

Chief of Army – vacant pending new appointment following the resignation of COL Michael Milford on 30 April 2006

GP CAPT John Hewitson, Nominee of the Chief of Air Force  
(appointed 11 July 2003)

## **The DFRDB Authority**

Standing (from left:)

CAPT David Nelson (alternate member),

Mr Brian Paule

Seated (from left:)

GPCAPT John Hewitson,

Mr Leo Bator,

CAPT Peter Laver



The DFRDB Authority



## **administrative agreement**

In March 2005 the Authority considered a review of its agreement with ComSuper for the provision of administrative services. This review was conducted in the context of tri-partite discussions over funding and service levels for military superannuation schemes generally. The MSB Board and the Department of Defence were parties to those discussions.

A revised agreement in respect of services to DFRDB members was subsequently agreed to in September 2005.

In relation to Service Level Agreements ComSuper reports regularly to the Authority against all service standards. Performance data is collected monthly. An annual effectiveness review is also provided. The Administrator Reports presented to the Authority also form the basis of the performance data contained in this publication.

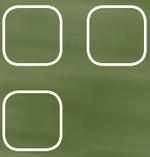
## **delegations**

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. The Authority met seven times during the year.

## **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*.

Although the Authority endeavours to comply with the spirit of the SIS legislation it is 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. 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)**

The Military Superannuation Communications Committee (MSCC) is a combined communications 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.

The Committee met six times during the year.

*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.*

## collection, recording and maintenance of member information

As the Authority's administrator, ComSuper:

- maintains records of contributing members (including any ancillary contributions), 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

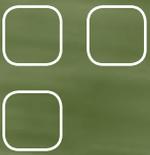
In 2005–06 the administration system used to support the DFRDB scheme (CAPITAL) was upgraded to allow for the cancellation of invalid memberships and to allow for the reversal of benefits.

Additionally the ETP reporting process was upgraded to include payments from ancillary accounts and ancillary memberships.

## surcharge

Amendments to the surcharge laws effectively abolished surcharge from 1 July 2005. Nevertheless, the amendments did not remove the responsibility for reporting information to the Australian Taxation Office.

Despite the amendments, the Authority is required to maintain surcharge debt accounts for DFRDB members whose surchargeable contributions up to and including the financial year ended 30 June 2005 attracted the surcharge. The Authority is required to impose interest on any amount in a member's surcharge debt account at 30 June in any year. Interest is based on the ten year Treasury bond rate.



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 2005–06 the ATO reported surcharge debts incurred by 804 members totalling \$1,614,809. Twenty–six members repaid surcharge debts totalling \$50,934, while \$2,114,118 was recovered from 268 members benefits paid during the year. Interest totalling \$547,312 was applied to member surcharge debts that remained outstanding as at 30 June 2006.

***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.***

At the direction of the Authority in conjunction with the MSCC, 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 telephone and electronically. ComSuper continuously seeks ways to improve these communications.

ComSuper conducts seminars in accordance with demand, as well as issuing member information statements. Scheme publications are made available both in hard copy and electronic format.

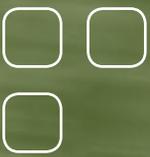
General communication is by means of correspondence, service newspapers, newsletters, the Internet, individual counselling and presentations given at Defence transition seminars and other seminars at ADF establishments. Information about the DFRDB Scheme is provided in response to requests from Defence establishments and individuals. Information is also provided through publications about various aspects of the Scheme. Appendix 2 lists currently available publications.

## **counselling and information activities**

2005–06 saw a considerable increase in telephone, email and written contacts from members.

Most member contacts are by telephone, with an average of 1,506 telephone calls recorded per week compared with 1,275 last year. The Interactive Voice Response (IVR) telephone service recorded receipt of 81,391 calls from military (MSBS and DFRDB) members, an increase from last year's figure of 66,321.

Emails from military members answered totalled 6,411, an increase on the 5,787 completed last year.



ComSuper staff responded to 7,930 written enquiries from military members, an increase on 2,724 completed last year.

During the year, ComSuper provided personal counselling for 1,568 military members. Presentations were given at 44 seminars, attended by 1,882 DFRDB members. A further 19 seminars relating to medical discharge were presented to 333 military members.

## **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.

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

## **member statements**

The Authority aims to distribute annual member statements well ahead of the SIS-required deadline of 31 December. The 2004–05 member statements were distributed to contributors on 25 September 2005 and to preservers on 5 October 2005.

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 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 8,961 statements were accessed and 14,898 benefit estimates produced using the i-Estimator.



**Table 1: most requested web pages 2005–06**

rank	page
1	SIS Regulations 1994 Vol 1
2	DFRDB Book
3	Sis Regulations 1994 Volume 2
4	Retiree Update
5	Member Services Online
6	Form D20
7	Pensioner Services
8	DFRDB Act
9	Benefits
10	FAQs

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

Chart 1 shows usage of the website in 2005–06. Table 1 shows the ten most requested web pages during the current year.

**Chart 1: dfrdb website usage 2005–06**



## member feedback

During 2005–06 ComSuper again conducted client satisfaction surveys with the assistance of the Canberra-based firm Orima Research. The quality of services surveyed is consistently rated highly.

The Quality Service Index (QSI) for military clients, introduced to measure the survey results and to enable comparison between survey periods, currently shows around 85% 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. Ongoing changes are 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.



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

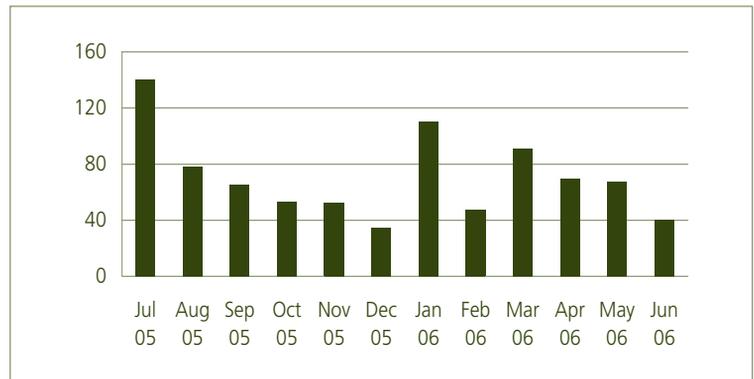
There are services and performance standards relating to the payment of benefits. These apply to all benefit events such as resignation, retirement, invalidity and death.

The standards for the processing of military schemes benefit applications were monitored by the Authority throughout the year. Chart 2 shows the number of DFRDB benefit applications processed during 2005–06.

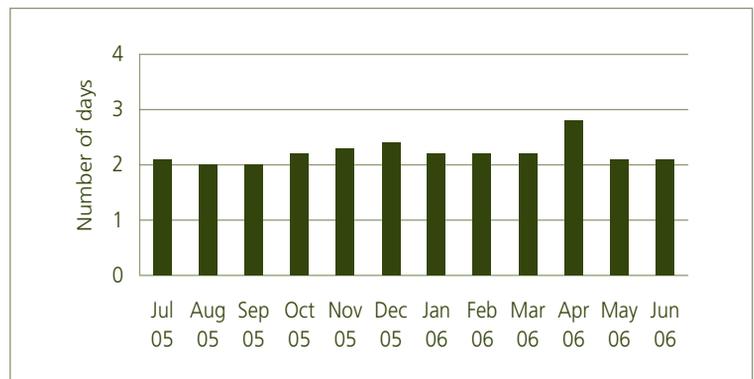
Chart 3 shows the average time to process benefits in each month of 2005–06.

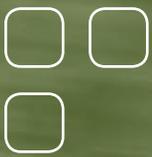
A comparison of the dollar value of benefits paid in 2005–06 with the previous four financial years is set out in Table 2.

**Chart 2: benefit applications processed 2005–06**



**Chart 3: average time to process benefit payments 2005–06**





**Table 2: benefits paid in the past five years**

benefit type	2001-02	2002-03	2003-04	2004-05	2005-06
<b>\$'000</b>					
Pension payments	974,878	1,015,868	1,052,283	1,085,048	1,123,653
Lump sum payments and transfer values	92	52	231	0	0
Refunds of contributions	2,296	1,542	1,877	532	669
Commutation payments	141,628	176,512	149,567	164,680	168,554
<b>Total benefits paid</b>	<b>1,118,894</b>	<b>1,193,974</b>	<b>1,203,958</b>	<b>1,250,260</b>	<b>1,292,876</b>

## gratuities

Certain members who leave the ADF 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 \$20,060 were paid to members who exited in 2005–06.

## commutation

Members retiring from the ADF 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, 1,119 members elected to commute part of their pension.

## 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 reduced DFRDB pension. Seventy-nine members elected to defer their entitlements in the Scheme in 2005–06.

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. 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.

### **spouse benefits**

At 30 June 2006, 7,780 spouses were receiving pensions under the provisions of the DFRB and DFRDB Acts.

### **child and orphan benefits**

At 30 June 2006, 389 children and orphans were receiving pensions under the provisions of the DFRB and DFRDB Acts.

### **pension increase/advice**

ComSuper processes pension increases in accordance with relevant legislation.

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 2005–06, in line with Australian Bureau of Statistics announcements, the applicable rates were 1.4% for the period to March 2005 and 1.6% for the period to September 2005.

*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.*

Pensioners received a statement in July 2005 and January 2006 showing their new rates 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 or, in straightforward cases, under delegation held by officers in 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.

## **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 skills, qualifications and experience, and their retirement impairment in determining their incapacity for civil employment and establishing 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 civil employment deteriorates or improves.

## **on-site medical assessments**

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

## **invalidity decision timeframe**

Invalidity classifications took an average of 2.2 days to finalise during 2005–06. This was a slight decrease on the average achieved in 2004–05.

## **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.

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 no cases which fell outside the agreed time frame of 20 days to complete a review. However, there was a shortfall in the agreed number of medical reviews to be conducted during 2005–2006. This shortfall will be carried over and completed during the 2006–2007 financial year.





*DFRB and 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.*

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

## **internal review**

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 Administrative Appeals Tribunal (AAT).

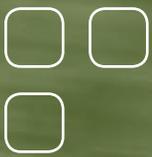
Forty-four requests for reconsideration were received from DFRB and DFRDB members during the year, a significant decrease from the 93 received in the previous year. Fifty-one cases were carried over from 2004–05. Of the 62 cases finalised during the year, the Authority confirmed 15 cases on reconsideration, while 25 cases were varied in favour of the applicants. Another 22 cases were lapsed or withdrawn with the applicant failing to pursue the matter. Thirty-three requests remained under investigation on 30 June 2006.

The majority of requests for reconsideration concerned 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, and spouses' entitlements.

ComSuper's Military 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. Since 16 May 2005 the concurrence of the President of the AAT must be obtained before the question of law may be referred to the Federal Court.

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.

## Administrative Appeals Tribunal

During 2005–06, four applications for review were lodged with the AAT. Of the 13 applications finalised during the period the decision of the Authority was affirmed in three matters, set aside in one matter and, on the basis of new evidence, five matters were conceded. Three applications were withdrawn by the members.

**Table 3: outcomes of external appeals in the past five years**

	2001-02	2002-03	2003-04	2004-05	2005-06
decisions affirmed	2	3	10	6	3
decisions varied	-	2	-	-	1
decisions set aside	8	4	9	6	5
decisions conceded	1	2	5	7	1
applications dismissed	8	2	2	1	3
applications withdrawn	2	9	10	5	-
Total	21	22	36	25	13

## 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. Since 16 May 2005 section 45 (1) of that Act requires the concurrence of



the President of the AAT to be obtained before a question of law may be referred to the Federal Court. There was one appeal to the Federal Court during 2005–06, with a decision being handed down in favour of the member.

## **Federal Magistrates Court of Australia**

The Federal Magistrates Court of Australia (FMC) was established in 2000 to provide a simple and accessible forum for resolution of less complex federal law matters. A single matter was appealed to the FMC which was remitted to the AAT to be decided by a differently constituted panel. The matter is not yet finalised before the AAT.

## **High Court of Australia**

No matters were referred to the High Court of Australia during 2005–06.

## **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 2005–06.

## **claims**

The Authority received four claims in the 2005–06 financial year, with one other claim carried over from the previous financial year. Two claims were accepted by the Authority, one resulting in the payment of a deferred pension, the other resulting in payment of \$6,500.00.

One other claim was not accepted. Two claims were outstanding at the end of the financial year.

## **complaints**

ComSuper's Legal and Compliance Unit has systems in place for dealing with complaints, Ombudsman enquiries, and requests made under the *Freedom of Information Act 1982* (the FOI Act). ComSuper also prepares responses to parliamentary representations.

In 2005–06, 47 complaints and 6 parliamentary representations were received. Two complaints were carried over as at 30 June 2006. The subject of complaints were varied, covering issues such as queries about the benefit payment process, the impact of family law splitting orders and the invalidity review process.

ComSuper has introduced an internal process to identify and resolve systemic issues as a measure to continually improve the service provided to members.

In addition, Ministerial Representations relating to policy issues were received and responded to within the Department of Defence. In 2005-06 there were 57 relating specifically to the DFRDB Scheme which included 10 on the life expectancy tables used to calculate residual post-retirement pensions. There were also 66 on pension indexation arrangements and 13 on the Government's proposed taxation changes to final superannuation benefits that were announced in the 2006 Budget that related to both the DFRDB and the MSBS schemes.

## **family law**

DFRDB legislation enables the creation of separate accounts for non-member spouses (associates) in Family Law splitting situations. During the year 106 cases were received, where 60 new DFRDB associate pension records and 46 new MSBS associate preserved records were created. The DFRDB legislation allows for an MSBS associate preserved record to be created when a DFRDB contributor or deferred benefit is subject to a family law splitting court order.

## **freedom of information**

DFRDB members made 52 requests for access to documents during 2005–06. Fifty requests were granted in full and one partially. One request was withdrawn. The requests took an average of four 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:

Freedom of Information Unit  
ComSuper  
PO Box 22  
Belconnen, ACT 2616

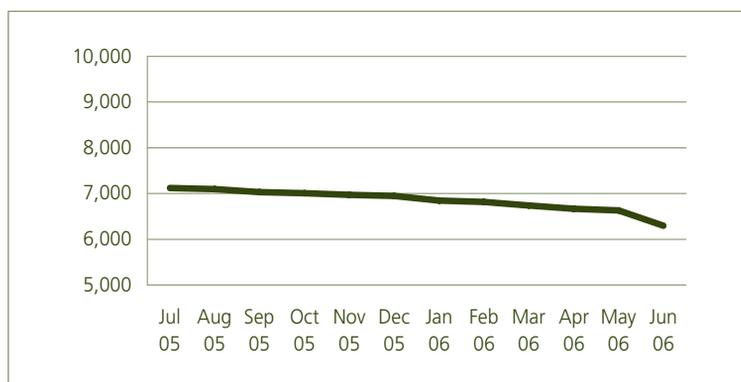
Facsimile: (02) 6272 9804  
Telephone: 1300 033 732  
TTY: (02) 6272 9827  
Email: [foi@dfbdb.gov.au](mailto:foi@dfbdb.gov.au)



## contributors

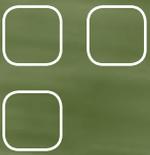
As the scheme is no longer open to new members, the number of contributors has continued to decline, falling to 6,295 as at 30 June 2006. Chart 4 shows the number of contributors during 2005–06. Table 5 shows the number of DFRDB contributors since 2001–2002, and Chart 5 shows the age profile of DFRDB contributors at 30 June 2006.

**Chart 4: dfrdb contributor membership 2005–06**

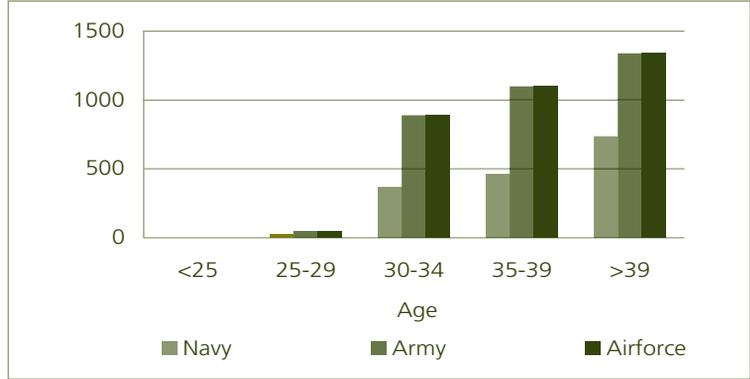


**Table 4: contributors in the past five years**

	2001-02	2002-03	2003-04	2004-05	2005-06
<b>Navy</b>					
Male	2,407	2,120	1,903	1,739	1,523
Female	103	96	83	69	61
Subtotal	2,510	2,216	1,986	1,808	1,584
<b>Army</b>					
Male	4,977	4,402	4,054	3,727	3,246
Female	235	189	181	158	129
Subtotal	5,212	4,591	4,235	3,885	3,375
<b>Air Force</b>					
Male	2,170	1,894	1,700	1,507	1,294
Female	79	62	58	52	42
Subtotal	2,249	1,956	1,758	1,559	1,336
<b>All Services</b>					
Male	9,554	8,416	7,657	6,973	6,063
Female	417	347	322	279	232
<b>Total</b>	<b>11,685</b>	<b>8,763</b>	<b>7,979</b>	<b>7,252</b>	<b>6,295</b>



**Chart 5: age profile of contributors at 30 June 2006, by service**



## contributions received

Contributions received during 2005–06 totalled \$26,083,408 (\$27,717,000 in 2004–05), consistent with the declining contributor numbers.

## ancillary contributions

From 1 August 2005 DFRDB members have been entitled to make a range of additional contribution types under an ancillary package. These contributions are paid into the MSB Fund and accumulate interest in line with returns achieved by that Fund. Table 5 shows the number of contributors in each category.

**Table 5: number of contributors in ancillary package type**

Type	Number
Additional personal contribution	2
Co-contributions	1,224
Superannuation guarantee	9
Salary sacrifice	48
Transfer in	12
Spouse contribution	0
<b>Total</b>	<b>1,295</b>

## pensioners

At 30 June 2006, 56 934 persons were receiving pensions under DFRDB and DFRB legislation. This represents an overall increase of 347 from 30 June 2005. Table 6 shows pensions in force by type and Scheme as at 30 June 2006.

**Table 6: pensions in force by type and scheme at 30 June 2006**

	DFRB	DFRDB	Total
Retirement	1,438	43,174	44,612
Invalidity	812	2,340	3,152
Reversionary			
- spouses	2,535	5,245	7,780
- children and orphans	14	375	389
Redundancy	2	999	1,001
<b>Total pensions</b>	<b>4,801</b>	<b>52,133</b>	<b>56,934</b>



## **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 2006, \$1,176,924. was due to the Authority in benefits overpaid under the DFRDB and DFRB Schemes. There are two common causes of overpayment, one being late notification to the Authority that the recipient is deceased and therefore is no longer entitled to receive the benefit. The second being re-entered recipients to the Defence Force.

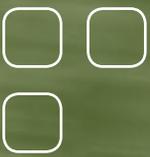
Administrative processes are in place to ensure that there is minimal chance of overpayment. Most overpaid benefits are recovered by the Authority.

During the year, debts totalling \$43,512. were written-off. Most write-offs occurred after the death of a pensioner where the bank account had been accessed by a third party for a period after the date of death or the funds had been used for funeral expenses. In some instances the debts were not legally recoverable or had become uneconomical to pursue.



## Appendix 1: DFRDB in Brief

	30 June 2005	30 June 2006	Increase (decrease)
<b>Contributors</b>			
Males	6,973	6,063	(910)
Females	279	232	(47)
Total	7,252	6,295	(957)
<b>Pensions in force</b>			
Retirement	42,852	43,174	322
Invalidity	2,293	2,340	47
Dependants	5,430	5,620	190
Redundancies	997	996	(1)
Total	51,572	52,130	558
<b>Exits</b>			
Retirement	835	1,133	298
Resignation	14	12	(2)
Invalidity	64	70	6
Death	7	5	(2)
Other	32	23	(9)
Total	952	1,243	291
<b>Other</b>			
	\$	\$	\$
Member contributions received	27,717,000	26,083,408	1,633,592
Total benefits paid	1,249,728,000	1,292,876,367	43,148,367
Total pensions paid	1,085,048,000	1,123,653,059	38,605,059
Average annual pension	19,174	21,554	2,380



## 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*

*Family Law and Splitting Super*

*Invalidity Benefits*

*Preserved Benefits*

*Retirement Benefits*

*Superannuation Contributions Surcharge*

*Taxation of Benefits*

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

*Additional Personal Contributions*

*Death and Estate Benefits*

*Dependants' Benefits*

*Family Law and Your Super*

*Invalidity*

*Preservation*

*Re-entering the ADF*

*Retirement/Resignation*

*Retrenchment/Redundancy*

*Salary Sacrifice Contributions*

*Spouse Contributions*

*Superannuation Surcharge*

*Taxation Concessions for Pensions*

*Transfer Amounts*

Also available is the ComSuper Service Charter 2005.

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](http://www.dfrdb.gov.au)).

## Appendix 3: Legislation

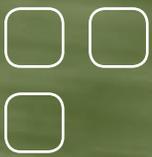
### New legislation made in the 2005–06 financial year

#### Legislative amendments

The operation of the DFRDB Scheme was affected by the Military Superannuation and Benefits Amendment Trust Deed 2005 (No 1) which recognised ancillary contributions and benefits for the first time. The effect of the amendment is that the Military Superannuation Board of Trustees can now accept ancillary contributions into the MSBS from members of that scheme and also from members of the DFRDB Scheme. There are five categories of ancillary contributions: (i) amounts paid by the Australian Taxation Office as a Government co-contribution or a superannuation guarantee charge payment; (ii) salary sacrifice amounts; (iii) additional personal contributions; (iv) transfers from other regulated superannuation funds; and (v) contributions for the benefit of a spouse.

*The Defence Legislation Amendment Act (No. 1) 2005* (Act No. 121, 2005) made a number of technical amendments to the *Defence Force Retirement and Death Benefits Act 1973*, the *Defence Forces Retirement Benefits Act 1948* and the Defence Force (Superannuation) (Productivity Benefit) Determination made under section 52 of the *Defence Act 1903* in order to ensure that various instruments provided for in those statutes are “legislative instruments” for the purposes of the Legislative Instruments Act 2003 with effect from 1 January 2005.

The *Superannuation Laws (Abolition of Surcharge) Act 2005* (Act No. 102, 2005) abolished the superannuation contributions surcharge and made a consequential amendment to section 6C of the Defence Force Retirement and *Death Benefits Act 1973* concerning the determination of surcharge deduction amounts.



## **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:

Parliamentary Liaison Officer  
ComSuper

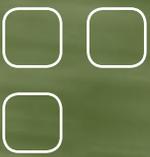
Postal address: PO Box 22  
Belconnen, ACT 2616

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

Telephone: 1300 033 732  
Facsimile: (02) 6272 9804  
TTY: (02) 6272 9827

## Appendix 5: Glossary

<b>AAT</b>	Administrative Appeals Tribunal
<b>ADF</b>	Australian Defence Force
<b>AD (JR) Act</b>	<i>Administrative Decisions (Judicial Review) Act 1977</i>
<b>commutation</b>	conversion of a part of a pension to a lump sum
<b>ComSuper</b>	Commonwealth Superannuation Administration
<b>CPI</b>	Consumer Price Index
<b>deferred benefit</b>	payable, after twenty years combined ADF and government service, to members with a refund entitlement who leave their benefit in the Scheme
<b>DFRB</b>	Defence Forces Retirement Benefits
<b>DFRDB</b>	Defence Force Retirement and Death Benefits
<b>FOI</b>	Freedom of Information
<b>gratuity</b>	a one-off bonus payment paid to some members on resignation. It is usually only paid to 'other rank' members
<b>incapacity</b>	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
<b>invalidity</b>	a mode of retirement resulting from a disorder or disorders that render a member unfit for further military service
<b>MSB</b>	Military Superannuation and Benefits
<b>MSBS</b>	Military Superannuation and Benefits Scheme
<b>MSCC</b>	Military Superannuation Communications Committee

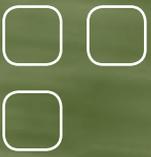


<b>no-detriment</b>	provision that ensures that certain officers receive a DFRDB benefit at least the equal of the DFRB benefit for which they were contributing before the DFRB Scheme closed
<b>preservation</b>	used colloquially to refer to deferred benefits and to the transfer of benefits
<b>productivity</b>	a benefit component for all members, accruing since January 1988 and funded by the Department of Defence
<b>re-entered recipient</b>	a contributor who has rejoined the Scheme having previously received a DFRDB pension
<b>reversionary benefit</b>	the benefit payable to eligible spouses and children (including orphans) of a contributor, pensioner or preserved benefit member who dies
<b>Superannuation Guarantee</b>	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
<b>surcharge</b>	<i>Superannuation Contributions Tax (Assessment and Collection) Act 1997</i> , a tax on employer-financed superannuation contributions
<b>transfer value</b>	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 2005–06. Annual reporting requirements that are met in the Commissioner for Superannuation's report are indicated below by an asterisk.

Requirement	Page
Letter of transmittal	iii
Aids to access	
Table of contents	v
Alphabetical index	41
Compliance index	37
Glossary	35
Corporate overview	*
Organisation chart	*
Social justice and equity	*
Internal and external scrutiny	*
Industrial democracy	*
Occupational health and safety	*
Freedom of information	39
Program performance reporting	*
Staffing overview	*
Financial statements	*
Service charter	38



## **Appendix 7: Service Charter**

ComSuper maintains a service charter for scheme members. The current service charter is available from the ComSuper website at [www.comsuper.gov.au](http://www.comsuper.gov.au)

## **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 2005–06.

### **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.

### **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 Military Reconsideration Section where they are investigated by an Executive Level 1 officer 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 Parliamentary Liaison Unit at the address and telephone numbers shown on page 27 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 benefit entitlements.

Requests for consultation and/or representations relating to policy aspects of the schemes and their underlying legislation are referred to the Military 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](http://www.dfrdb.gov.au)).

## A

AAT 35  
 about the dfrdb scheme 1  
 about your statement 10  
 accounting services 29  
 account maintenance 7  
 administrative agreement 5  
*Administrative Decisions (Judicial Review) Act 1977* 35  
 ancillary contributions 2, 26  
 Australian Bureau of Statistics 15  
 Australian Taxation Office 7

## B

Bator, Leo iii  
 benefits  
     applications processed 13  
     child and orphan 15  
     death 15  
     deferred 35,36  
     invalidity 35  
     lump sum 35  
     overpaid 29  
     paid 14  
     productivity 36  
     retirement 35  
     reversionary 36  
     spouse 15  
     transfer of 14

## C

CAPITAL 7  
 Chairman iii  
 Commissioner for Superannuation 37,39  
 Commissioner for Superannuation Annual Report 2004–05 2  
 Committee of Alternates 16  
 Communication 9  
 commutation 14, 35  
 complaints 22

compliance 22  
 ComSuper 32, 34, 35, 37, 40  
 Consolidated Revenue Fund 1  
 Consumer Price Index 35  
 Contact Officer 34  
 contributions 36  
 contributors 40  
 Copyright Act 1968 ii  
 counselling 9

## D

*Defence Force Retirement and Death Benefits Act 1973* 39  
 Defence Force Retirement and Death Benefits Scheme 40  
*Defence Forces Retirement Benefits Act 1948* 39  
 Department of Defence 36, 40  
 DFRDB Authority 39

## E

effective service 1  
 external appeals 19

## F

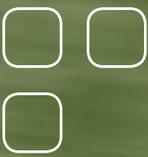
Facilities for accessing documents 39  
 fact sheets 32, 40  
 family law 22  
 Federal Court of Australia 20  
 Freedom of Information 22  
*Freedom of Information Act 1982* 39

## G

Glossary 35  
 governance 6  
 gratuities 14

## H

High Court of Australia 21  
 Human Rights and Equal Opportunity Commission (HREOC) 20



## I

incapacity 35  
*Income Tax Assessment Act* 5  
information activities 9  
Interactive Voice Response (IVR) 9  
internal review 39  
invalidity 35  
benefits 35  
invalidity decision timeframe 17

## J

Judicial Review 19

## L

leaflets 32, 40  
legislation 21

## M

medical assessments 17  
Member Services Online 10  
member statements 10  
Military Superannuation Communications  
Committee (MSCC) 6  
Minister Assisting the Minister for Defence 40  
Ministerial Liaison Officer 34  
MSBS 35  
MSCC Charter 6

## N

National Mailing and Marketing 32, 32

## O

on-site medical assessments 17  
Orima Research 11  
overpayment 29

## P

pension 35, 36  
retirement 32, 35, 39, 40

reversionary 36  
pensioners 10  
pension variations 15  
preservation 14, 36  
publications 32

## Q

Quality Service Index (QSI) 11

## R

re-entered recipient 36  
Reconsideration Section 39,40, 39  
refund of contributions 1  
Regular Defence Force Welfare Association 40  
reversionary benefits 15

## S

Service Allowance 1  
Service Charter 32  
status under the SIS legislation 5  
Superannuation Complaints Tribunal 20  
*Superannuation Contributions Tax (Assessment  
and Collection) Act 1997* 36  
Superannuation Guarantee 32, 35, 36, 37, 39,  
40  
surcharge 36  
system changes 7

## T

Tax File Number 5  
transfer of benefits 36  
transfer value 36  
transition seminars 9

## W

website 32, 40

**Street Address:**

ComSuper  
Unit 4, Cameron Offices, Chandler Street  
Belconnen ACT 2617

**Postal address:**

PO Box 22,  
Belconnen ACT 2616

**Telephone:**

(02) 6272 9000

**Facsimile:**

(02) 6272 9616

**TTY:**

(02) 6272 9827

**Annual report enquiries:**

Military Communications and Marketing Section, ComSuper

**Telephone:**

(02) 6272 9272

**Internet:**

[www.dfrdb.gov.au](http://www.dfrdb.gov.au)

**Annual report:**

[www.dfrdb.gov.au/reports.htm](http://www.dfrdb.gov.au/reports.htm)

**DFRDB Authority ABN:**

39 798 362 763

**SPIN:**

CMS0102AU

ISSN 0728 9332

ISBN 1-921246-08-1