



Australian Government

Defence Force Retirement &
Death Benefits Scheme

The DFRDB Authority

Annual Report 2006—07



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

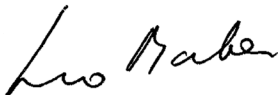
Pension references: The DFRDB and DFRB Acts refer to ongoing benefits by various names, including retirement pay and pension. For convenience, and to standardise the terminology used in the annual reports produced by ComSuper, the term 'pension' is used throughout this report.

The Hon. 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 2007.

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.

A handwritten signature in black ink, reading "Leo Bator". The signature is written in a cursive, flowing style.

Leo Bator
Chairman
DFRDB Authority
13 September 2007

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Section

1

About the DFRDB Scheme

1

About the DFRDB Scheme

Description of the Scheme

The Defence Forces 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.

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 (MilitarySuper) on 1 October 1991, the DFRDB Scheme was closed to all new entrants. Members of the DFRDB Scheme could choose to remain in the Scheme or to transfer to MilitarySuper. All new ADF Members since 30 September 1991 have automatically become Members of MilitarySuper, with the exception of former ADF Members in receipt of a DFRDB benefit who, on re-entry to the ADF, chose to rejoin the DFRDB Scheme.

Members of the DFRDB Scheme contribute at the rate of 5.5% 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% 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 main factor 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 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

The Military Superannuation and Benefits Board of Trustees No. 1 (MSB Board) approved the introduction of an ancillary package for MilitarySuper with effect from 1 August 2005. For equity purposes, the MilitarySuper Scheme rules were amended to allow current contributors to the DFRDB 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 MilitarySuper Fund and fluctuate in line with returns achieved by the Fund. Ancillary Contributions are separate to Member benefits under DFRDB.

the DFRDB Authority

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, 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.

The administration of MilitarySuper is covered separately in the Military Superannuation and Benefits Board of Trustees No. 1 Annual Report 2006–07. Information about ComSuper's operations can be found in the Commissioner for Superannuation Annual Report 2006–07.

1

About the DFRDB Scheme

The 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 DFRDB Act, and may be reappointed at the end of their term.

Members of the Authority at 30 June 2007 were:

Mr Leo Bator, Chairman

Mr Brian Paule, Deputy Chairman
(re-appointed from 15 February 2006)

CAPT Michael Noonan, Nominee of the Chief of Navy
(appointed from 26 July 2006)

COL William Hanlon, Nominee of the Chief of Army
(appointed 19 July 2006)

GPCAPT David Richardson, Nominee of the Chief of Air Force
(appointed 19 July 2006)

Standing:
GPCAPT David Richardson
Seated (from left):
CAPT David Nelson (alternate
Army Member)
CAPT Michael Noonan
Mr Leo Bator
Mrs Heather Gill (alternate
Department of Defence Member)



The DFRDB Authority

Section

2

Governance

2

Governance

governance framework

Consistent with recommendations in the Review of Corporate Governance of Statutory Authorities and Office Holders (the Uhrig Report) the Authority continues to operate as an Executive Management Agency. A comprehensive governance framework has been established by the Commissioner for Superannuation to oversee ComSuper operations and to provide fund trustees and the Authority with appropriate assurances in relation to the fulfilment of ComSuper's obligations. An important element of this framework is the creation of a number of committees responsible for highlighting issues for determination by ComSuper's Executive Board. One of the Committees, the Audit Committee, includes an independent chair and member.

A Statement of Intent by the Authority, in response to the Statement of Expectations outlined by the Minister for Defence, is provided at Appendix 6.

administrative agreement

Funding and administration service levels for military superannuation schemes are reviewed every two years. Parties to the discussions are the Department of Defence, the MSB Board, the Authority and ComSuper.

The current service level agreement in respect of services to DFRDB Members was agreed to in September 2005.

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

Drafting of a new service level agreement beyond 1 July 2007 was initiated. Such an agreement and additional funding will enable ComSuper to invest in building improved administration systems and in maintaining high service levels to Members.

delegations

The Authority delegates most of its powers to ComSuper staff to enable day-to-day administration. The Authority retains the power to reconsider decisions made by delegates. The Authority met six 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*, the SIS Act, and is therefore deemed to be a complying superannuation fund under the *Income Tax Assessment Act 1997* and the *Superannuation Guarantee (Administration) Act 1992*.

Although the Authority endeavours to comply with the spirit of the SIS legislation, it has not been necessary for it to elect that the Scheme become a Regulated Superannuation Fund subject to the prudential requirements in the SIS Act.

Military Superannuation Communications Committee (MSCC)

The Military Superannuation Communications Committee (MSCC) is a combined communications committee that services both the Authority and the MSB Board.

The MSCC Charter includes:

- policy and planning, setting the strategic direction of communications to Members of the DFRDB Scheme and MilitarySuper
- 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.

review of superannuation arrangements for ADF members

In February 2007, the Minister assisting the Minister for Defence announced an independent review of the design and delivery of military superannuation arrangements. The review was still ongoing as at 30 June 2007.

Section

3

Account maintenance

collection, recording and maintenance of Member information

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.

As the Authority's administrator, ComSuper:

- maintains records of Contributing Members (including those who have made or are making Ancillary Contributions), preserved benefit Members and pensioners to facilitate, among other things, accurate and timely communications, the accurate and timely payment of benefits and various reporting requirements
- ensures adequate systems, procedures and controls are in place to meet the administration and reporting requirements of the DFRDB 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

During 2006–07, the ComSuper Improvement Program (CIP) was established and given primary responsibility for plans to replace the core administration systems (principally CAPITAL) and delivering on a range of Government initiatives (such as 'Better Super'). To further enhance ComSuper's future capabilities, in mid 2007 CIP and the Build and Maintain Infrastructure areas were amalgamated to form the Information and Technology Solutions Group (ITSG). ITSG will ensure economies of scale and that ComSuper has a consistent approach to building and supporting IT applications well into the future.

Other major technology deliverables during 2006–07 included:

- enhancing the coverage of automated testing
- preparing for a new remote access solution
- progressing the introduction of ePass (validation tool for sending employer data) for military schemes
- migration of ancillary contributions records to CAPITAL.

assurance measures

To consolidate the considerable effort undertaken in 2005–06 to resolve some long-standing errors, a dedicated Assurance Team was established during the year to undertake quality assurance reviews. This team, together with an existing compliance unit, set a solid platform to ensure the minimisation of both errors and compliance breaches.

re-entered pension recipients

An issue of concern for the Authority continued to be the number of DFRDB pension recipients failing to make a valid scheme election prior to re-entering the ADF. Failure to make a valid election to rejoin the DFRDB results in the person becoming, often unintentionally, a member of MilitarySuper by operation of the respective scheme legislation. Overpayment of a DFRDB pension can also result. Considerable efforts were made by ComSuper and the Department of Defence to enhance Member communication on this issue.

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 2006–07 the ATO reported surcharge debts incurred by 422 Members totalling \$804,035. Thirty Members repaid surcharge debts totalling \$119,388, while \$1,735,186 was recovered from 239 Members benefits paid during the year. Interest totalling \$556,389 was applied to Member surcharge debts that remained outstanding as at 30 June 2007.

Section

4

Member communications

4

Member communications

The Authority aims to provide Members with comprehensive information about all aspects of the DFRDB Scheme. Communication with Members can occur through the distribution channels of the Department of Defence or direct client contact with ComSuper.

At the direction of the Authority and 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. This program includes the range of communications required by the SIS Act 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. Whether the contact is through the mediums of writing, telephone or electronic transmission, ComSuper continuously seeks ways to improve the effectiveness of 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 current publications.

counselling and information activities

Most Member contacts are by telephone, with an average of 1,781 telephone calls recorded per week during 2006–07 compared with 1,506 the previous year. The Interactive Voice Response (IVR) telephone service recorded receipt of 92,625 calls from Military (MilitarySuper and DFRDB) Members, an increase from last year's figure of 81,391.

Emails from Military Members answered totalled 9,894, an increase on the 6,411 completed last year.

ComSuper staff responded to 4,528 written enquiries from Military Members.

During the year, ComSuper provided personal counselling for 1,904 Military Members. Presentations were given at 56 seminars, attended by 6,471 DFRDB Members. A further 16 seminars relating to medical discharge were presented to 231 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 **www.dfrdb.gov.au**.

Member statements

The Authority aims to distribute annual Member statements well ahead of 31 December each year. Statements for DFRDB contributors and DFRDB Ancillary Benefit Members were distributed by mid November 2006. DFRDB re-entered statements and DFRDB deferred statements were distributed by late October 2006.

The statements provide DFRDB contributors with equity figures, withdrawal benefits information, surchargeable contributions information and details of any surcharge debt where applicable. Members also receive a DFRDB Update and a Member Contact Details form as part of their statement kit. Since the introduction of Ancillary Benefits, eligible Members have also received a MilitarySuper Ancillary Benefit statement, the MilitarySuper Annual Report for Contributing Members, the MilitarySuper About Your Statement for Ancillary Benefits, the MilitarySuper Supplementary PDS and a MilitarySuper Member Investment Choice (MIC) Guide.

branding

In 2006–07 the Authority focused on unifying the brand of its products and services to Members. The year was influenced by the 'Better Super' legislative changes and this posed many new opportunities and challenges in communications. In 2007 ComSuper conducted a review of its products and services via customer surveys and focus groups.

The resulting changes across the funds have begun to impact on a number of areas including repositioning the DFRDB brand, with an emphasis on engaging the key demographic of this Scheme (typified by Members being at least 35 years of age with already valuable accrued superannuation).

4

Member communications

Marketing and education are important elements for the Authority. These elements assist Members to manage their superannuation. Members must be confident the system is administered fairly and be aware of their choices.

The Authority continues to publish booklets and fact sheets covering areas of particular interest. This year it published a special edition of the mid-year update, detailing their approach to the Budget Tax Changes or 'Better Super'.

Building the brand

To increase brand strength, the Authority is moving to a more consistently branded product-line and applying the new DFRDB brand throughout their services and online facilities. The aim is to complete the Brand transition across all communications by the end of the 2007–08 Financial Year.

The communications model is supported by the DFRDB Style Guide. Use of the guide has made it possible to apply a consistent approach to various products, forms and channels of communication to make it easier for Members to understand and manage their Superannuation.

DFRDB website

Online services have become an important component of modern business and the Authority continues to enhance and expand the range of online services designed to improve access to information for Members.

In 2007–08 it is intended that there will be the launch of two improved online services: a new DFRDB website and Member Services Online. Members' viewpoints are being considered and the information is being fed into planning for a broader range of online services in the coming year.

The DFRDB website redevelopment project is intended to commence in the second part of 2007 to improve access to online information and services, and update the online technology to allow for future improvements.

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.

Of the schemes administered by ComSuper, DFRDB has the highest Members' rate of website usage.

Chart 1 shows usage of the website in 2006–07. Table 1 shows the ten most requested web pages during the current year, while Table 2 illustrates website entry trends over the past five years.

Chart 1: website usage 2006–07

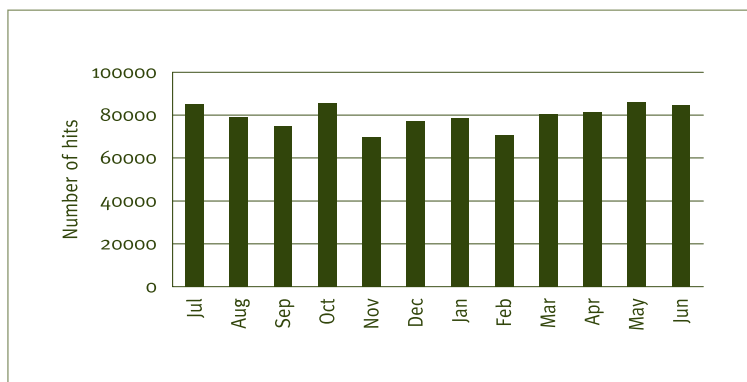


Table 1: top ten most requested web pages 2006–07

Rank	Webpage	Rank	Webpage
1	DFRDB Book	6	Application for Retirement Pay
2	Member Services Online	7	Application for Deferred Benefit
3	Pensioner Services	8	<i>Family Law Act 1975</i>
4	<i>SIS Act 1993</i>	9	Pensioner News
5	Frequently Asked Questions	10	Taxation Concessions Fact Sheet

4

Member communications

Table 2: website entry trends over past five years

Year	Number
2002-03	426,561
2003-04	208,676
2004-05	665,973
2005-06	115,978
2006-07	952,042

Member feedback

During 2006-07 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.

At the time of compiling this report, the Quality Service Index (QSI) for military clients, introduced to measure the survey results and to enable comparison between survey periods, showed around 85% satisfaction. The scores for the military schemes in each of the eighteen 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 was pleased with the positive feedback obtained from clients on the quality of services received.

Section

5

Benefit payments

5

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 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 2006–07.

Chart 3 shows the average time to process benefits in each month of 2006–07.

A comparison of the dollar value of benefits paid in 2006–07 with the previous four financial years is set out in Table 3.

Chart 2: benefit applications processed 2006–07

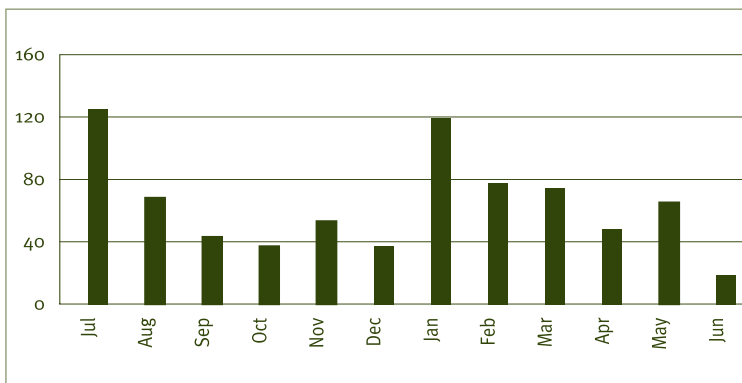


Chart 3: average time to process benefit payments 2006–07

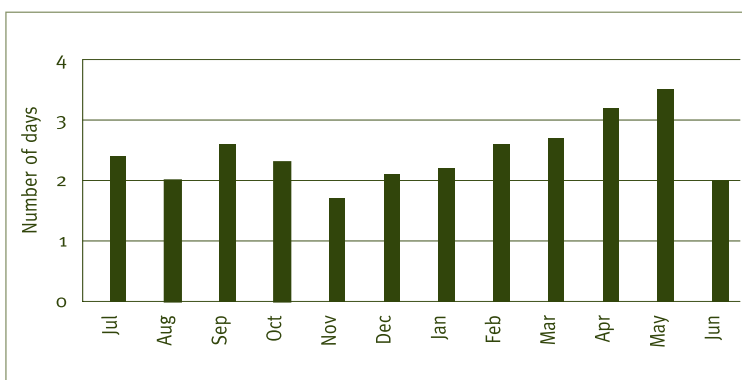


Table 3: benefits paid in the past five years

benefit type	2002-03	2003-04	2004-05	2005-06	2006-07
	‘000				
Pension payments	1,015,868	1,052,283	1,085,048	1,123,653	1,170,998
Lump sum payments and transfer values	52	231	0	0	0
Refunds of contributions	1,542	1,877	532	669	565
Commutation payments	176,512	149,567	164,680	168,554	160,640
Total benefits paid	1,193,974	1,203,958	1,250,260	1,292,876	1,332,203

gratuities

Certain Members who leave the Australian Defence Force (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 \$3,660 were paid to Members who exited in 2006–07.

commutation

Members retiring from the ADF may commute (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, 1,029 Members elected to commute part of their pension.

5

Benefit payments

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. Twenty-nine Members elected to defer their entitlements in the Scheme in 2006–07.

Members who elect to transfer their benefit must do so to a superannuation scheme 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 2007, 7,923 spouses were receiving pensions under the provisions of the DFRB and DFRDB Acts.

Child and orphan benefits

At 30 June 2007, 352 children and orphans were receiving pensions under the provisions of the DFRB and DFRDB Acts.

Pension increase/advice

Legislation provisions exist for DFRB and DFRDB pensions to be adjusted twice yearly in line with upward movements in the Consumer Price Index (CPI) as measured by the Australian Bureau of Statistics for the six months ending 31 March and 30 September each year.

For the September 2006 period the rate was 2.5%. The rate for the March 2007 period was minus 0.06%; however, as legislatively prescribed, Members' pensions were not reduced from 1 July 2007.

Pensioners received a statement in July 2006 and January 2007 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)

The ADF 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.

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

invalidity classification

A Member of the Scheme who is retired on the ground of invalidity (a physical or mental incapacity to perform his or her duties) may be 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 retire 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. In practice, the classification of a Member retired on medical grounds is a decision taken either by the Authority's Committee of Alternates or, in straightforward cases, under delegation held by officers in ComSuper.

on-site medical assessments

In 2006–07 ComSuper contracted the services of Health Services Australia doctors to assess Members' incapacity at the time of discharge by reviewing the medical history documentation provided by the Department of Defence. These arrangements allow efficient processing and consistency in assessments.

invalidity decision timeframe

From 1 July 2006 to 30 June 2007, 51 Members received initial invalidity classifications. Of those who received an invalidity classification, 18 (13 Class A and 5 Class B) became entitled to an invalidity pension. The remaining 33 were classified as Class C and were therefore not entitled to an invalidity pension.

Invalidity classifications took an average of 3.8 days to finalise during 2006–2007. This was a slight increase on the average achieved in 2005–2006 of 2.2 days.

invalidity classification review

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

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. Ten such applications were received in 2006–07.

In 2005–2006, there had been a shortfall in the agreed number of medical reviews to be conducted. This shortfall was carried over into the 2006–2007 period and as a result a target of some 430 reviews to be undertaken was set.

A total of 367 DFRDB medical reviews were completed. The Authority was satisfied that an assessment of all pensioners reasonably due for review was carried out.

Section

6

Dispute resolution

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).

Thirty-two requests for reconsideration were received from DFRB and DFRDB Members during the year, a decrease from the 44 received in the previous year. Thirty-three cases were carried over from 2005–06. Of the 47 cases finalised during the year, the Authority confirmed 18 cases on reconsideration, while 15 cases were varied in favour of the applicants. Another 14 cases were lapsed or withdrawn with the applicant failing to pursue the matter. Eighteen requests remained under investigation on 30 June 2007.

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 undertook 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.

The AAT continues to be the forum for the external review of decisions of the DFRDB Authority. During 2006–07, six applications for review were lodged with the AAT in addition to the 14 matters carried over from the previous year. Of the 11 applications resolved during the year, the Authority’s decision was affirmed in two matters and set aside in three matters. Four matters were conceded prior to hearing on the basis of new medical evidence furnished by the applicant and two matters were withdrawn by the applicants. There were nine matters outstanding at 30 June 2007.

Systems are in place to facilitate the expeditious processing of matters going 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.

Table 4: outcomes of external appeals to the AAT in the past five years

	2002-03	2003-04	2004-05	2005-06	2006-07
decisions affirmed	3	10	6	3	2
decisions varied	2	-	-	1	-
decisions set aside	4	9	6	5	3
decisions conceded	2	5	7	1	4
applications dismissed	2	2	1	3	-
applications withdrawn	9	10	5	-	2
Total	22	36	25	13	11

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. The Authority did not appeal any matters to the Federal Court during 2006–07.

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. One matter involving an appeal from the AAT was remitted by the Federal Court back to the FMC; the matter remained outstanding as at 30 June 2007.

High Court of Australia

No matters were referred to the High Court of Australia during 2006–07.

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 2006–07.

claims

The Authority received three claims in the 2006–07 financial year, with two claims carried over from the previous financial year. None of the claims were accepted. There was one claim outstanding at the end of the financial year.

complaints

ComSuper's 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 2006–07, 71 complaints and 16 parliamentary representations were received. The largest amount of DFRDB complaints related to an administrative issue where a number of Members who had not submitted the relevant scheme election form before re-entering the Australian Defence Force had been placed into the MSB Scheme by default.

ComSuper has internal processes to identify and resolve systemic issues and to continually improve the service provided to Members.

Ministerial Representations relating to policy issues are received and responded to within the Department of Defence. In 2006–07 there were 265 such representations relating specifically to the DFRDB Scheme, which included 154 on the Australian Government changes to the superannuation benefits effective from 1 July 2007. There were also 22 on the classification of DFRDB Scheme as being unfunded or non-taxed.

There were also 187 Ministerial Representations that related to both MilitarySuper and the DFRDB Schemes. Of these there were 74 on pension indexation and 25 on the Government's proposed taxation changes to superannuation benefits effective from 1 July 2007.

family law

DFRDB legislation enables the creation of separate accounts for non-Member spouses (associates) in Family Law splitting situations. During the year 72 cases were received, with 51 new DFRDB associate pension records and 21 new MilitarySuper associate preserved records created. The DFRDB legislation allows for a MilitarySuper associate preserved record to be created when a DFRDB contributor or deferred benefit is subject to a family law splitting court order.

6

Dispute resolution

freedom of information

DFRDB Members made 24 requests for access to documents during 2006–07. Twenty-one requests were granted in full and two partially. One request was withdrawn. The requests took an average of eight 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 1982* 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@dfldb.gov.au

Section

7

Membership

7

Membership

contributors

As the Scheme is no longer open to new Members, the number of contributors has continued to decline, falling to 5,548 as at 30 June 2007. Chart 4 shows the number of contributors during 2006–07. Table 5 shows the number of DFRDB contributors since 2002–2003, and Chart 5 shows the age profile of DFRDB contributors at 30 June 2007.

Chart 4: DFRDB contributor membership 2006–07

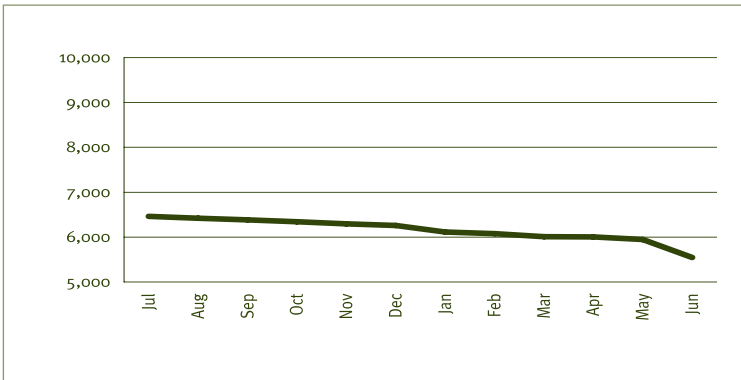


Chart 5: age profile of contributors at 30 June 2007, by service

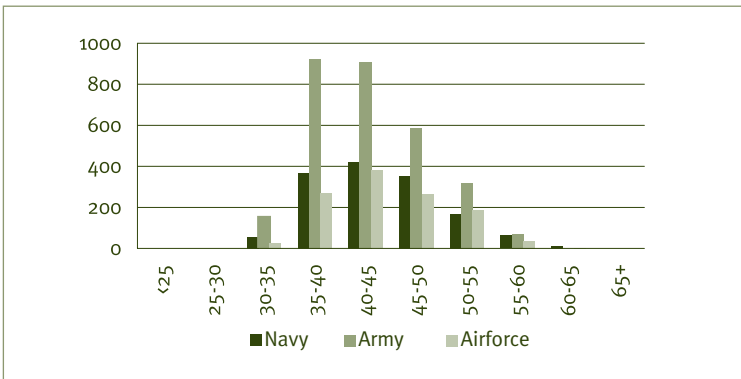


Table 5: contributors in the past five years

	2002-03	2003-04	2004-05	2005-06	2006-07
Navy					
Male	2,120	1,903	1,739	1,523	1,386
Female	96	83	69	61	51
Subtotal	2,216	1,986	1,808	1,584	1,437
Army					
Male	4,402	4,054	3,727	3,246	2,831
Female	189	181	158	129	114
Subtotal	4,591	4,235	3,885	3,375	2,945
Air Force					
Male	1,894	1,700	1,507	1,294	1,130
Female	62	58	52	42	36
Subtotal	1,956	1,758	1,559	1,336	1,166
All Services					
Male	8,416	7,657	6,973	6,063	5,347
Female	347	322	279	232	201
Total	8,763	7,979	7,252	6,295	5,548

contributions received

Contributions received during 2006–07 totalled \$23,184,716 (\$26,083,408 in 2005–06), 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 MilitarySuper Fund and accumulate interest in line with returns achieved by that Fund. Table 6 shows the number of contributors in each category.

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Membership

Table 6: number of contributors in ancillary package type at 30 June 2007

Type	Number
Additional personal contribution	12
Co-contributions	1,670
Superannuation guarantee	12
Salary sacrifice	124
Transfer in	46
Spouse contribution	0
Total	1,864

pensioners

At 30 June 2007, 57,184 persons were receiving pensions under DFRDB and DFRB legislation. This represents an overall increase of 250 from 30 June 2006. Table 7 shows pensions in force by type and Scheme as at 30 June 2007.

Table 7: pensions in force by type and Scheme at 30 June 2007

	DFRB	DFRDB	Total
Retirement	1,324	43,445	44,769
Invalidity	781	2,367	3,148
Reversionary			
- spouses	2,465	5,458	7,923
- children and orphans	9	343	352
Redundancy	1	991	992
Total pensions	4,580	52,604	57,184

Section

8

Accounting services

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 2007, \$1,312,927. 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 relates to re-entered recipients to the Defence Force where delay in notification results in overpayment of pension.

Administrative processes are in place to reduce the chance of overpayments arising. Most overpaid benefits are recovered by the Authority.

During the year, debts totalling \$68,614 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 it had become uneconomical to pursue them.

Section

9

Appendixes

Appendix 1: DFRDB in Brief

	30 June 2006	30 June 2007	Increase (decrease)
Contributors			
Males	6,063	5,347	(716)
Females	232	201	(31)
Total	6,295	5,548	(747)
Pensions in force			
Retirement	43,174	43,445	271
Invalidity	2,340	2,367	27
Dependants	5,620	5,801	181
Redundancies	996	991	(5)
Total	52,130	52,604	474
Exits			
Retirement	1,133	1,042	(91)
Resignation	12	3	(9)
Invalidity	70	44	(26)
Death	5	3	(2)
Other	23	28	5
Total	1,243	1,120	(123)
Other			
	\$	\$	\$
Member contributions received	26,083,408	23,184,716	(2,898,692)
Total benefits paid	1,292,876,367	1,332,203,000	39,326,633
Total pensions paid	1,123,653,059	1,170,997,868	47,344,809
Average annual pension	21,554	20,478	(1,076)

Appendix 2: Publications

The Authority publishes a booklet and a series of fact sheets for the benefit of Members:

About Your Scheme is a summary of 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 fact sheets that deal in more depth with specific topics. The fact sheets 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
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 Canprint on 1300 889 873, or from the DFRDB website www.dfrdb.gov.au.

Appendix 3: Legislation

Better Superannuation

A number of Commonwealth statutes were passed by Federal Parliament during the 2006–07 financial year in order to implement the Government’s package of superannuation reforms, ‘Better Super’, which apply to the 2007-2008 financial year and beyond.

These statutes have a direct impact on the taxation of DFRDB Scheme benefits.

Defence Forces Retirement Benefits Act 1948

There were no amendments to the *Defence Forces Retirement Benefits Act 1948* during the 2006–07 financial year.

Defence Force Retirement and Death Benefits Act 1973

There were no amendments to the *Defence Force Retirement and Death Benefits Act 1973* during the 2006–07 financial year.

Defence Force (Superannuation) (Productivity Benefit) Determination 1988

This Determination, issued under section 52 of the *Defence Act 1903*, was amended by the Defence Force (Superannuation) (Productivity Benefit) Determination (Amendment) (No. 1 of 2007). ComLaw Ref: F2007L01908.

The amending Determination sets the 10 year treasury bond yield for interest payable on productivity benefit payments for DFRDB Scheme Members.

Family Law

The Family Law (Superannuation) Amendment Regulations 2007 (No. 1) which commenced on 1 July 2007 (ComLaw Ref: F2007L01652 (Select Legislative Instrument 2007 No. 151)) amended the Family Law (Superannuation) Regulations 2001 to take account of the Government’s ‘Better Super’ reforms.

The Regulations also specify the Defence Force Retirement and Death Benefits Authority is the trustee of the superannuation scheme constituted by the Defence Force (Superannuation) (Productivity Benefit) Determination.

ComLaw

Scheme legislation is available from the ComLaw website www.comlaw.gov.au

Appendix 4: 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

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
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

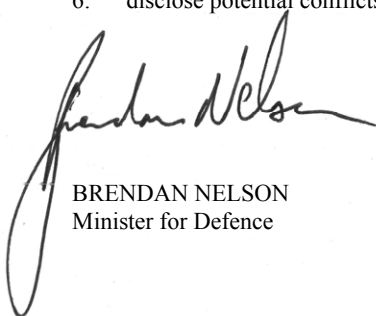
productivity	a benefit component for all Members, accruing since January 1988 and funded by the Department of Defence
re-entered recipient	a contributor who has rejoined the Scheme having previously received a DFRDB pension
reversionary benefit	the benefit payable to eligible spouses and children (including orphans) of a contributor, pensioner or preserved benefit Member who dies
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
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 - Governance arrangements

STATEMENT OF EXPECTATIONS FOR MEMBERS OF THE DEFENCE FORCE RETIREMENT AND DEATH BENEFITS AUTHORITY

I expect that the members of the Defence Force Retirement and Death Benefits Authority (DFRDB Authority) will:

1. operate the DFRDB Scheme in accordance with the *Defence Force Retirement and Death Benefits Act 1973* and the Service Level Agreement (SLA) between the Authority, the Military Superannuation and Benefits Board, Defence and Commonwealth Superannuation Administration (ComSuper).
2. publish this Statement of Expectations and the Statement of Intent in the DFRDB Authority's annual report.
3. provide a copy of the DFRDB Authority's annual report to me, the Secretary of the Department of Defence, Chief of the Defence Force (CDF), Chief of Navy (CN), Chief of Army (CA) and Chief of Air Force (CAF).
4. keep me fully informed of the activities of the DFRDB Authority and alert me to any 'significant events' related to the DFRDB Authority's core business in a timely manner.
5. implement the changes recommended in the assessment of DFRDB against the framework of the 'Review of the Corporate Governance of Statutory Authorities and Office Holders by Mr John Uhrig, AC (the Uhrig Report)'.
6. disclose potential conflicts of interest.

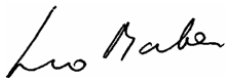


BRENDAN NELSON
Minister for Defence

**STATEMENT OF INTENT FOR MEMBERS OF THE DEFENCE FORCE
RETIREMENT AND DEATH BENEFITS AUTHORITY**

In the discharge of its responsibilities for the Administration of the *Defence Force Retirement and Death Benefits Act 1973* and the *Defence Forces Retirement Benefits Act 1948*, the Defence Force Retirement and Death Benefits Authority (DFRDB Authority) will:

1. operate the DFRDB Scheme in accordance with the *Defence Force Retirement and Death Benefits Act 1973* and the Service Level Agreement (SLA) between the Authority, the Military Superannuation and Benefits Board, Defence and Commonwealth Superannuation Administration (ComSuper).
2. publish this Statement of Expectations and the Statement of Intent in the DFRDB Authority's Annual Report to Parliament.
3. provide a copy of the DFRDB Authority's Annual Report to the Minister, the Secretary of the Department of Defence, Chief of the Defence Force (CDF), Chief of Navy (CN), Chief of Army (CA) and Chief of Air Force (CAF).
4. keep the Minister fully informed of the activities of the DFRDB Authority and alert the Minister to any 'significant events' related to the DFRDB Authority's core business in a timely manner.
5. implement the changes recommended in the assessment of DFRDB against the framework of the 'Review of the Corporate Governance of Statutory Authorities and Offices Holders by Mr John Uhrig, AC (the Uhrig Report)'.
6. disclose potential conflicts of interest.



LEO BATOR
Chairman
Defence Force Retirement and Death Benefits Authority

Appendix 7: 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 2006–07. Annual reporting requirements that are met in the Commissioner for Superannuation's report are indicated below by an asterisk.

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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 2006–07.

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 Freedom of Information Officer. 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 Officer.

Decisions to grant access, levy charges, or refuse access are made by an officer in the Legal and Compliance 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 a more senior 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. Copies of publications (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 FOI Officer at the address and telephone numbers shown on page 54.

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 and fact sheets that describe various aspects of the DFRDB Scheme, and annual reports, are made available to Members of Parliament, Senators and the public free of charge upon request. They are also available free of charge via the DFRDB website www.dfrdb.gov.au.

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:

Freedom of Information 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

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