

# Understanding the Defence Force Retirement and Death Benefits Scheme

The Defence Force Retirement and Death Benefits (DFRDB) Scheme is a defined benefit superannuation scheme that was available to members of the ADF between 1972 and 1991. Subject to scheme rules, upon retirement members will generally be eligible for an indexed pension plus an optional "Commutation Benefit" of up to 5 times their annual pension amount, and an additional lump sum of their "Productivity Benefit".

Commutation is a lump sum pre-payment of part of a member's future retirement benefit. By taking this option, a member can elect to commute (that is, exchange) a portion of their future retirement pension for a lump sum. The purpose of commutation is to allow members the flexibility to receive a lump sum if required, depending on their financial situation at the time of discharge, and to assist the member in resettling into civilian life.

The decision to access commutation is voluntary. An important consideration is that if a member chooses to commute part of their pension, this will result in a permanent reduction in their annual pension based on their life expectancy. The pension entitlement will not increase if the member outlives the life expectancy used to determine the reduction in their pension. Permanently reducing the pension recognises that members who elect to commute will obtain a long-term advantage from the immediate use of their lump sum, depending on what they choose to do with the amount.

## Reviews

As a result of advocacy by veterans and veteran groups, the DFRDB scheme has been reviewed on several occasions in recent years. Most recently the Commonwealth Ombudsman (in 2019) and the Senate Foreign Affairs, Defence and Trade Reference Committee (in 2021) both considered the scheme.

The Commonwealth Ombudsman recognised the beneficial nature of the scheme, and that benefits are being paid correctly. However, it also concluded that the Department of Defence had historically provided DFRDB members misleading information regarding commutation, which led some members to believe incorrectly that their pension would increase once they reached their life expectancy factor age.

In addition to the commutation concerns, some veteran groups have proposed changing the life expectancy tables or reviewing indexation arrangements for the DFRDB. There have been a number of changes to the indexation methodology for this scheme following the recommendations of the *Review into Military Superannuation Arrangements*.

Since 2014, DFRDB pensioners over the age of 55 receive twice-yearly adjustments using the higher of the Consumer Price Index (CPI) or the Pensioner Beneficiary Living Cost Index (PBLCI), which provides a similar basis to how indexation is treated for the Age Pension. In some circumstances, the indexation adjustment may not be applied to the full pension amount. Those interested in learning more can find an example of how this calculation is applied in *A summary of the Defence Force Retirement and Death Benefits Scheme* (page 14 of this book) which can be found at [www.csc.gov.au](http://www.csc.gov.au).

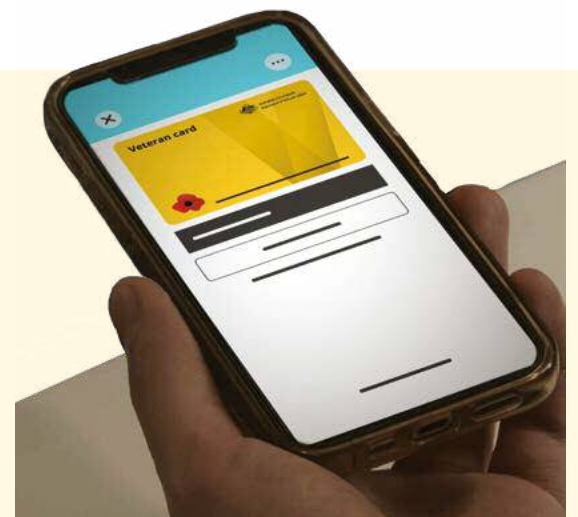
With regards to changes in life expectancy factors, it would not be feasible to adjust one component in isolation without considering the rest of the scheme. Changes to the life expectancy tables could leave most members worse off, as the other key element of the scheme, the commutation factor, would also need to be updated and this would likely affect the pension amount an individual receives.

Further, the Commonwealth Ombudsman made note of the life expectancy tables in its investigation into the administration of the DFRDB scheme. The Ombudsman concluded that as the scheme's drafters did not include a provision to update the tables from time to time, it would suggest the tables were meant to be used as a static commutation factor. This is consistent with the static commutation factors used in the civilian Commonwealth Superannuation Scheme. If you would like to find out more about the recent reviews into the DFRDB, the Senate Committee and Ombudsman reports can be found on their respective websites.

## Compensation

Members of the DFRDB scheme who believe they have suffered a financial detriment due to being provided misleading information are encouraged to lodge a claim under the Scheme for Compensation for Detriment caused by Defective Administration (CDDA). Defence has tailored the claims process to help focus on the issues critical to the determination of the claim and provides members access to a case manager to assist with the process.

You can lodge a claim by completing the DFRDB CDDA Application Form, available from the Defence website (at [www.defence.gov.au/about/governance/legal-services](http://www.defence.gov.au/about/governance/legal-services)) and submitting it to [dl.deldc@defence.gov.au](mailto:dl.deldc@defence.gov.au). Appendix F of the Ombudsman's report sets out the criteria that should be considered prior to lodging a claim for CDDA. Applicants are encouraged to consider these criteria before making any claim.



## More ways to securely store your Veteran Card

DVA Veteran Card holders with a smart phone or other smart device now have the option to securely store and access their Veteran Gold and White Cards in the myGov app.

For some, digital cards provide greater convenience and flexibility. This is great news for veterans and families who prefer to use their phone or other smart device to access their health and concessional benefits.

With in-built protections against fraud and theft, including holograms and QR codes, the myGov app is a safe and secure way to store most government-issued cards and documents.

DVA clients will need to have a DVA-issued White or Gold Veteran Card, a current MyService account, and the myGov app downloaded on their smart phone or device to access their digital Veteran Card in their myGov wallet.

Once you have a MyService account and the myGov app, adding your digital card to your wallet is easy.

For more information, an instructional video and a list of Frequently Asked Questions on how to add your digital Veteran Card to your myGov wallet, visit the DVA website.