



Superannuation for ADF members

Superannuation exists to provide permanent members of the ADF with income for their retirement. These retirement savings grow in two ways:

- The ADF member pays personal contributions into their scheme; and
- Defence pays contributions into the member's scheme.

Benefits are usually payable when an ADF member retires from the workforce. However, where an ADF member discharges due to injury or illness, they may be eligible to receive benefits from their scheme earlier. If they die, their dependants may also be eligible to receive benefits from the ADF member's scheme.

Currently, ADF members contribute to one of three superannuation schemes:

- Defence Force Retirement and Death Benefits (DFRDB) scheme. This scheme closed to new members on 1 October 1991.
- Military Superannuation and Benefits Scheme (MSBS). This scheme is also known as Military Super and closed to new members on 1 July 2016.
- ADF Super or another fund of their choice. From 1 July 2016, ADF Super is the default fund for all new ADF members.

Reserve members working Reserve days are not entitled to receive superannuation contributions from Defence.

The new military superannuation arrangement

A new military superannuation arrangement commenced on 1 July 2016.

The new superannuation arrangement applies to:

- Anyone joining as a permanent member of the ADF for the first time;
- Permanent members of the ADF contributing to MSBS who choose to join the new arrangement;
- Returning members or Reserve members on CFTS who do not have a preserved MSBS benefit;
- Reserve members on CFTS contributing to MSBS who choose to join the new arrangement;

MSBS contributors are not compelled to move to the new arrangement.

MSBS closed to new members on 1 July 2016.

The following ADF members are unable to join the new arrangement:

- DFRDB members who are:
 - Permanent members of the ADF;
 - Reserve members on CFTS that commenced prior to 1 July 2016;
- Reserve members working Reserve days.



All Reserve members on CFTS prior to 1 July 2016 that do not have a preserved MSBS benefit will automatically transfer to the new arrangement if their CFTS is extended after 1 July 2016.

The new superannuation arrangement established **ADF Super** and **ADF Cover**. MSBS closed to new members on 1 July 2016.

ADF Super is the new default fund and is a fully funded superannuation accumulation fund, specifically for ADF members. The new arrangement includes contributions from Defence of 16.4% of [Ordinary Time Earnings](#). Under the new arrangement, ADF members may now choose another complying superannuation fund for their contributions from Defence. The Commonwealth Superannuation Corporation (CSC) is the administrator of **ADF Super**. CSC is also the administrator of all other Commonwealth schemes, including the past military superannuation schemes.

ADF Cover is the statutory death and invalidity component of the new arrangement. **ADF Cover** benefits are consistent with those provided by MSBS and it is applicable to all ADF members under the age of 60 to whom the new arrangement applies. CSC is also the administrator of **ADF Cover**.

Frequently Asked Questions about the new superannuation arrangement:

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The new superannuation arrangement fact sheets

- [The new military superannuation arrangement](#)
- [ADF Cover](#)
- [ADF Cover Benefits](#)
- [DFRDB re-entry](#)
- [MSBS re-entry](#)

The new superannuation arrangement videos

ADF Superannuation Arrangement – Short version (9 minutes 30 seconds)

[ADF Superannuation Arrangement – Long version](#) (35 minutes)

Key information

- [ADF Super Choice Form](#) [3MB PDF]
- [Directorate of Military Remuneration – Policy Inbox](#)



Related information – Commonwealth Superannuation Corporation

Military superannuation websites

- [DFRDB](#)
- [MSBS](#)
- [ADF Super](#)
- [ADF Cover](#)

The new military superannuation arrangement

Why did the Government set up a new military superannuation arrangement?

On 1 July 2016, the Government introduced a new military superannuation arrangement, called *The ADF Superannuation and Death and Invalidity Cover Arrangement*. The new superannuation arrangement forms an important part of the Government's plan to provide flexible working conditions for all ADF members.

The new arrangement is intended to accommodate the working/lifestyle choices of ADF members not addressed by the military defined benefit schemes.

Under the new arrangement, ADF members (to whom the new arrangement applies) will be able to choose which superannuation fund they belong to and, for the first time, they will be able to transfer their accumulated benefits to another complying superannuation fund at any time. Flexibility of this type is not available in the MSBS or DFRDB schemes and is an important change as the majority of ADF members serve for less than ten years.

The new arrangement also gives ADF members the ability to work part-time without having to contribute to superannuation as if they were still working full-time.

When did it commence and who does it apply to?

The new superannuation arrangement commenced on 1 July 2016 and applies to:

- Anyone joining as a permanent member of the ADF for the first time;
- Permanent members of the ADF contributing to MSBS who choose to join the new arrangement;
- Returning members or Reserve members on CFTS who do not have a preserved MSBS benefit;
- Reserve members on CFTS contributing to MSBS who choose to join the new arrangement;

MSBS contributors are not compelled to move to the new arrangement.

The following ADF members are unable to join the new arrangement:

- DFRDB members who are:
 - Permanent members of the ADF;
 - Reserve members on CFTS that commenced prior to 1 July 2016;
- Reserve members working Reserve days.

All Reserve members on CFTS prior to 1 July 2016 and who do not have a preserved MSBS benefit will automatically transfer to the new arrangements if their CFTS is extended after 1 July 2016.

MSBS closed to new members on 1 July 2016.

What does the new arrangement look like?

The new arrangement includes a default fund called **ADF Super**, which is a fully funded superannuation accumulation fund, specifically for ADF members. The new arrangement includes contributions from Defence of 16.4% of [Ordinary Time Earnings](#). In addition, the new arrangement does not require ADF members to make their own contributions towards their superannuation.

The new arrangement allows ADF members to choose another complying superannuation fund for their contributions from Defence. The Commonwealth Superannuation Corporation (CSC) is the administrator of **ADF Super**. CSC is also the administrator of all other Commonwealth schemes, including the past military superannuation schemes.

The new arrangement also provides ADF members with death and invalidity cover through **ADF Cover**, the statutory death and invalidity component of the new arrangement. Importantly, **ADF Cover** benefits are consistent with those provided by MSBS. CSC is also the administrator of **ADF Cover**.

Who does ADF Cover apply to?

ADF Cover applies to all ADF members who are members of the new arrangement, including those who have chosen another complying superannuation fund. Importantly, **ADF Cover** benefits will be consistent with those provided by MSBS.

ADF Cover does not apply to ADF members who have reached the age of 60 or who are unable to join the new arrangement.

Are members required to contribute under the new arrangement?

No. Unlike DFRDB and MSBS that require compulsory contributions from the member, the new arrangement will not require members to contribute. However, members can choose to make voluntary personal contributions if they so wish.

How are voluntary contributions made under the new arrangement?

Pre-tax (salary sacrifice)

Salary sacrifice contributions can be arranged through the normal channels. ADF members should make themselves aware of the relevant superannuation/taxation legislation when setting up salary sacrifice payments.

Post-tax

ADF members can request an amount to be deducted from their salary each fortnight on joining the new arrangement via Web Form AE689. If members wish to set up voluntary contributions at a later stage or wish to change their voluntary contributions, they can do so by sending a request to their administration centre with their PMKeyS or Service number and the amount to be deducted.

Alternatively, ADF members can organise additional contributions directly with their choice of fund.



It is important to note that for voluntary contributions deducted from an ADF member's salary, these can only be made to the fund that the ADF member has elected Defence to pay their 16.4% contribution to.

Can contributions from Defence be made to another superannuation fund instead of the default fund, ADF Super?

Yes. Under the new arrangement, members will be able to choose which superannuation fund they belong to, as long as it is a complying superannuation fund that accepts Superannuation Guarantee (SG) contributions by electronic funds transfer. This can include Self-Managed Superannuation Funds (SMSF). ADF members will be able to transfer their accumulated benefits to a new complying superannuation fund at any time.

How does the default option work in the new superannuation arrangement?

If an ADF member does not nominate a complying superannuation fund for Defence to pay contributions into before the first payday, contributions will automatically be paid into the default employer fund, **ADF Super**. Members can still transfer their accumulated **ADF Super** benefits to a new complying superannuation fund at any time.

MSBS members and the new superannuation arrangement

Can MSBS benefits be transferred into the new superannuation arrangement?

ADF members contributing to MSBS who choose to join the new arrangement must preserve their employer benefit in MSBS. However, they can choose to transfer their member and ancillary benefits to **ADF Super** or another complying superannuation fund. When an ADF member transfers from MSBS to the arrangement, superannuation contributions from Defence of 16.4% of [Ordinary Time Earnings](#) will be paid to the ADF member's fund of choice.

ADF members contributing to MSBS who wish to join the new arrangement will need to complete AE689 – Choosing a Superannuation Fund – ADF (Standard Choice). This form is available on Web Forms. A printable PDF version is also available on the superannuation page of the pay and conditions website. MSBS members who choose to join the new arrangement that would like to transfer their member or ancillary benefit from MSBS will need to contact the Commonwealth Superannuation Corporation (CSC) to organise this.

Former ADF members or Reserve members no longer contributing to MSBS that have a preserved benefit in MSBS will not be able to join the new arrangement or become members of **ADF Super**, unless they re-join the ADF. However, their accumulation benefit in MSBS may be transferred to another complying superannuation fund by contacting CSC.

Reserve members on CFTS contributing to MSBS can transfer to the new arrangement. However, the MSBS pension from their previous period/s of service (if applicable) and the accrued employer benefit from their latest period of service (before transferring to the new arrangement), will not be paid until the end of their CFTS (or on extension to their CFTS). They will then need to contact CSC to organise the resumption of their pension.

ADF members contributing to MSBS who are considering changing to the new arrangement are strongly advised to seek independent financial advice before making a decision.

Can ADF members contributing to MSBS move to the new superannuation arrangement and then move back to MSBS at a later date?

No. Once a member elects to move to the new arrangement, they cannot move back to MSBS.

What are the key differences between MSBS and the new arrangement?

The new arrangement includes a default fund called **ADF Super**, which is a fully funded superannuation accumulation fund, specifically for ADF members. This means that contributions made by both Defence and the ADF member are fully funded and invested in the market. ADF members can transfer the full balance of their accumulated superannuation account to another complying superannuation fund at any time. ADF members do not have to contribute to their superannuation. Contributions made by Defence will be taxed 15% contributions tax when they enter the ADF member's fund of choice.

In comparison, MSBS is a partially funded, Government guaranteed superannuation scheme. Only the member component (ie member contributions and earnings) can be transferred to another complying superannuation fund on leaving the permanent ADF or on completion of CFTS. The ancillary benefit (if applicable) can be transferred to another complying superannuation fund at any time. Members must also contribute a minimum of 5% of salary (after tax) to the scheme.

Do ADF members returning for a period of Continuous Full-Time Service (CFTS) have to move to the new superannuation arrangement?

For MSBS members who re-enter the ADF on CFTS, two situations could apply:

- ADF members who have not accessed their MSBS employer benefit will automatically return to MSBS. These members may then choose to move to the new arrangement at any time after re-joining; or
- ADF members who have accessed their MSBS employer benefit will join the new superannuation arrangement. If applicable, they will continue to receive their MSBS pension as well as 16.4% superannuation contributions for their new period of service.

For MSBS pensioners returning for a period of CFTS, will the pension continue to be paid to the member while they serve?

Yes. ADF members will continue to receive their MSBS pension and become a member of the new arrangement.

Do ADF members contributing to MSBS have to move to the new arrangement?

No. There is no compulsion for ADF members contributing to MSBS to move to the new arrangement.

How long will ADF members have to decide if they want to move to the new arrangement?

There is no time pressure to decide. ADF members contributing to MSBS may elect to move to the new arrangement at any time.

For ADF members who have reached their MSBS Maximum Benefit Limit (MBL), what happens if they move to the new arrangement?

MSBS members who have reached their MBL and choose to join the new arrangement will have their employer benefit preserved in MSBS and begin accumulating superannuation in **ADF Super** or a fund of their choice. Contributions from Defence of 16.4% will be paid to the ADF member's new fund.

Members may choose to roll the accumulation portion of their MSBS benefits into **ADF Super** or a fund of their choice. MSBS members who join the new arrangement will receive death and invalidity cover under **ADF Cover** if aged under 60.

Does transferring from MSBS to the new arrangement affect an MSBS benefit?

It may affect a member claiming their MSBS benefit. ADF members should seek independent financial advice before making a decision to change superannuation schemes.

ADF members should note that if they move to the new arrangement, are then medically discharged from the ADF and receive a benefit from **ADF Cover**, they will be unable to access their MSBS pension until age 60 when the **ADF Cover** invalidity top-up pension ceases.



Additionally, MSBS members who transfer to the new arrangement cannot access their preserved employer benefit as a pension at age 55 if they are still serving in the permanent ADF or on CFTS. The preserved MSBS employer benefit can only be accessed as a pension from age 55 if the ADF member has retired from the ADF, or becomes a Reserve member doing Reserve days.

Does a transfer from MSBS to the new arrangement affect an ADF member if they exit the ADF under a Management Initiated Early Retirement (MIER) arrangement or if they have a Compulsory Retiring Age (CRA) of less than 55?

Yes. If an ADF member contributing to MSBS transfers to the new arrangement and then exits the ADF under MIER arrangements (or at a CRA of less than 55), they will be unable to access their MSBS employer benefit as a pension until age 55. In comparison, ADF members contributing to MSBS who exit the ADF under MIER arrangements (or on reaching a CRA of less than 55), can access their employer benefit from MSBS as a pension from their date of exit.

DFRDB members and the new superannuation arrangement

Can ADF member's contributing to DFRDB move to the new superannuation arrangement?

No. ADF members contributing to DFRDB are unable to transfer to the new superannuation arrangement.

ADF members on a period of CFTS of more than 12 months that began prior to 1 July 2016, who are contributing to DFRDB, will automatically become a member of the new arrangement if their CFTS is extended. They will then be covered under **ADF Cover**, as long as they are under the age of 60. They will need to contact CSC to claim their DFRDB entitlements for the initial period of CFTS.

Can DFRDB pension recipients on a CFTS of less than 12 months that began prior to 1 July 2016 move to the new arrangement?

No. However, if the ADF member's current period of CFTS that began prior to 1 July 2016 is extended; they will automatically become a member of the new arrangement if the CFTS is extended. They will then be covered under **ADF Cover**, as long as they are under the age of 60. They will need to contact CSC to claim their DFRDB entitlements for the initial period of CFTS.

Can DFRDB members with a MSBS ancillary account transfer the ancillary account to the new arrangement?

No.

Can DFRDB pension recipients who re-enter the ADF as permanent members or on CFTS contribute to DFRDB?

No. DFRDB pension recipients who re-enter the ADF will automatically join the new arrangement, regardless of how long the CFTS is for. They will however, continue to receive their DFRDB pension as well as receive contributions from Defence of 16.4% for their new period of service, paid to their fund of choice.

These ADF members are covered under **ADF Cover**, as long as they are under the age of 60.

Reserve members and the new superannuation arrangement

Can Reservists contribute to the new superannuation arrangement?

Reserve members working Reserve days do not qualify for Superannuation Guarantee (SG) and cannot be paid superannuation. Therefore, they cannot join the new arrangement.

Reserve members commencing CFTS who do not have a preserved MSBS employer benefit, will automatically join the new arrangement.

Will CFTS Reservists be able to remain in DFRDB?

Any ADF member contributing to DFRDB who is on CFTS that began prior to 1 July 2016, will remain in DFRDB for that agreed period of CFTS. However, if the ADF member's service is extended, they will automatically join the new arrangement and cease to be a contributing member of DFRDB. They will then receive their DFRDB pension as well as contributions from Defence of 16.4% for their new period of service, paid to the superannuation fund of their choice.

ADF members who are on a CFTS of less than 12 months that began prior to 1 July 2016, will continue as is for that agreed period of CFTS. However, if the ADF member's service is extended, they will automatically join the new arrangement and cease accruing a productivity benefit in DFRDB. They will continue to receive their DFRDB pension and will start receiving contributions from Defence of 16.4% for their new period of service. These ADF members cannot join **ADF Cover** as it only applies to ADF members eligible to join the new arrangement.

ADF members who extend their CFTS, will need to contact CSC to claim their DFRDB entitlements for the initial period of CFTS.

Tax and fees and the ADF Super fund

How are superannuation contributions taxed under the new superannuation arrangement?

Superannuation contributions made under the new arrangement are taxed in the same way that all funded accumulation superannuation is taxed. Further information is available from the [Australian Taxation Office](#).

What fees and charges apply under the new superannuation arrangement?

There are no fees for **ADF Cover**. Details of the fees for **ADF Super**, the employer default fund, are available on the **ADF Super** website at www.adfsuper.gov.au. Fees for other superannuation funds will be based on the fees outlined in their Product Disclosure Statements.

What is the Superannuation Guarantee and does the new superannuation arrangement comply?

Superannuation Guarantee (SG) is the compulsory superannuation contributions rate made by employers on behalf of their employees. This rate is currently set by the Government at 9.5% of [Ordinary Time Earnings](#).

Under the new superannuation arrangement for ADF members, the superannuation contribution rate from Defence is set at 16.4% of OTE per annum. For superannuation purposes, OTE is defined as salary, allowances (except those that are subject to Fringe Benefits Tax or are a genuine reimbursement), and bonuses.



Issues to consider if transferring to the new superannuation arrangement

How will members know if it is beneficial to move to the new superannuation arrangement or remain in their existing scheme?

Members contemplating moving to the new superannuation arrangement should seek independent financial advice before making a decision.

Will Defence pay for independent financial advice that members seek in relation to seeing if the new superannuation arrangement is better for them?

As there is no compulsion to move to the new superannuation arrangement and no timeframe imposed for decisions, Defence will not be providing financial support to members who seek financial advice.

What should members do if they are approached by a superannuation provider asking them to join their fund?

A decision to move to the new superannuation arrangement will close off the option for a member to return to MSBS. It is strongly suggested members seek independent financial advice before making any decision.

The New Superannuation Arrangement – Common Scenarios

The following scenarios are illustrative of how the new superannuation arrangement will enable current and future ADF members to make superannuation choices relevant to their circumstances.

Any information provided in the following scenarios is general information only and does not take into account a member's personal objectives, financial situation or needs. This information is not financial advice. Defence recommends obtaining financial advice specific to your personal situation before making any financial or investment decision.

Brendan

Brendan joined the ADF as a permanent member in 2000 and is a member of MSBS. He is wondering if he has to move to the new arrangement or make a choice between MSBS and the new arrangement.

As a current MSBS member, Brendan will not be compelled to make a choice. Brendan can continue in MSBS with no change to his MSBS arrangements or he can choose to join the new arrangement. Brendan understands that if he chooses to join the new arrangement, he cannot move back to MSBS.

Mark

Mark joined the ADF as a permanent member in 2013 and is a member of MSBS. He is thinking he will serve for about eight years before looking for a job in the private sector. Mark is considering moving to the new arrangement because he can then move any superannuation benefit accrued in his fund of choice to another superannuation scheme when he leaves the ADF.

Mark also knows that as a member of the new arrangement he will no longer have to make mandatory 5% contributions, providing him with more take home pay to meet expenses in his private life.

Michelle

Michelle is joining the ADF as a permanent member, having already had a successful career in teaching.

Michelle already has a superannuation fund from her previous career and wishes to continue in that fund. Michelle can nominate for her Defence contributions of 16.4% to be paid into her existing complying superannuation fund. This is what she nominates when she joins the ADF. Alternatively, she could have decided to move the funds in her existing superannuation fund to the new default fund, **ADF Super**.

Brett

Brett is a qualified independent mechanic looking to join the ADF as a permanent member to expand his skills and knowledge. To date, Brett has been paying into a Self-Managed Superannuation Fund (SMSF) and wishes to continue to do so when he joins the ADF.

Brett can choose whether to have his Defence contributions of 16.4% paid into a complying superannuation fund, his SMSF or **ADF Super**, the default fund that applies if Brett makes no choice. Brett seeks financial advice to help him decide which the best option for his circumstances is. Importantly, even if Brett chooses a fund other than **ADF Super**, he is still covered by the ADF's statutory death and invalidity scheme, **ADF Cover**.

Alice

Alice is in the Navy Reserve having retired from the permanent Navy in 2010. As a member of MSBS, she was required to preserve her employer benefit in that scheme. She commences a period of Continuous Full-Time Service.

As a returning member, Alice can again be a contributing member of MSBS or she can choose to join the new arrangement. If Alice chooses to join the new arrangement, her MSBS employer benefit remains preserved in MSBS and she will begin accumulating superannuation in her fund of choice.