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Australian Government

Department of Defence

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EC21-001254/IS21-000032

Standing Committee on Foreign Affairs, Defence and Trade
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary

Senate Standing Committee on Foreign Affairs, Defence and Trade inquiry into the 'accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members'

The Department of Defence welcomes the opportunity to assist the Senate Standing Committee on Foreign Affairs, Defence and Trade regarding its inquiry into the 'accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members'.

The DFRDB scheme or elements of have been formally reviewed multiple times since the scheme began in 1973. A number of enhancements to the scheme have occurred during this period, to the benefit of members. Enclosure 1 is a summary of the main reviews of the DFRDB and enhancements and provides an explanation of commutation and life expectancy factors, indexation and accuracy of information provided to DFRDB members.

The most recent review of DFRDB was the 2019 independent investigation undertaken by the Commonwealth Ombudsman into the administration of the DFRDB scheme. The Ombudsman found that misleading information amounting to defective administration was provided in some cases to members by Defence personnel in relation to the DFRDB scheme, but this did not cause financial detriment to these members.

The Ombudsman did not recommend compensation be provided to DFRDB members as defective administration alone does not mean a financial detriment has occurred and there was no entitlement to compensation under the legislation as expressed. Independent actuarial analysis suggests where a member acted on the incorrect information and commuted their pension, it generally resulted in a beneficial overall financial outcome for DFRDB members, particularly for DFRDB members who retired before 2010.

We issued a joint apology for Defence having provided incorrect advice in the past to some DFRDB members and for any confusion and emotional impact this may have caused.

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The final report and Defence letter provided information to DFRDB members on how to submit a Compensation for Detriment caused by Defective Administration (CDDA) claim to Defence if they believed they suffered a detriment due to defective administration of the DFRDB scheme. Currently no claims have been successful as claimants have been unable to demonstrate they have incurred a financial detriment due to this issue.

The Australian Government Actuary has advised that any changes to the scheme itself, including life expectancy factors could involve significant Commonwealth costs, both prospective and retrospective.

The DFRDB legislation is consistent with the policy intent of the scheme and is consistent with other Australian Public Service and Australian Defence Force defined benefit superannuation arrangements.

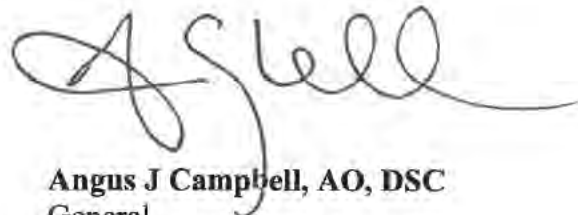
Our point of contact is First Assistant Secretary, People Policy and Culture Division, Mr David Nockels. David can be contacted by telephone on 02 5131 4141 or email: david.nockels@defence.gov.au.

Yours sincerely



Greg Moriarty
Secretary

28 April 2021



Angus J Campbell, AO, DSC
General
Chief of the Defence Force

28 April 2021

Enclosure:

1. Defence submission to the Senate Standing Committee on Foreign Affairs, Defence and Trade regarding the 'accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members'.

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ENCLOSURE 1

**Defence submission to the Senate Standing Committee on Foreign Affairs,
Defence and Trade**

**ACCURACY OF INFORMATION PROVIDED TO DEFENCE FORCE
RETIREMENT AND DEATH BENEFITS (DFRDB) MEMBERS**

Introduction

The Department of Defence submission to the Standing committee on Foreign Affairs, Defence and Trade regarding the 'accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members' provides:

- Section 1: an overview ADF superannuation schemes
- Section 2: a summary of the key historical reviews of the DFRDB and the key outcomes
- Section 3: a summary relating to the Commonwealth Ombudsman Investigation into the administration of the DFRDB scheme and additional information on the Compensation for Detriment caused by Defective Administration (CDDA scheme)
- Section 4: The use of set Life Expectancy Factors and the Resulting Permanent Reduction to Pensions (Commutation)
- Section 5: Indexation - Methodology and Application

1. Overview of ADF Superannuation Schemes

The DFRDB scheme legislation was derived from the 1972 report of the Joint Select Committee (the Jess Committee) which made 20 recommendations to the Government of the day. The majority of the recommendations were accepted, with modifications to some.

The Defence Forces Retirement Benefits (DFRB) scheme was established in 1948 and closed to new members when DFRDB commenced on 1 October 1972. All contributory members of DFRB were transferred to DFRDB at that time. Pensions payable under the DFRB however, continue to be paid under the provisions of the *Defence Forces Retirement Benefits Act 1948* (DFRB Act).

DFRDB is a fully unfunded defined benefit arrangement and was closed to new members from 30 September 1991 when the Military Superannuation and Benefits Scheme (MSBS) was introduced. MSBS is a 'hybrid' scheme consisting of a mostly unfunded defined benefit and a fully funded accumulation benefit. Contributing members of DFRDB were able to elect to transfer schemes from 1 October 1991 until 30 September 1992. It was not compulsory for DFRDB contributory members to transfer to the MSBS.

MSBS closed to new members on 30 June 2016. From 1 July 2016 ADF Super became the default employer fund for all new ADF members however, members may also choose another complying superannuation fund (Choice members). ADF Cover provides statutory death and invalidity cover for all ADF members who are ADF Super or Choice members.

2. Summary of the Key Historical Reviews of the DFRDB and Key Outcomes

2019 Commonwealth Ombudsman: *Investigation into the administration of the DFRDB scheme.* The 2019 independent investigation undertaken by the Commonwealth Ombudsman focused on the accuracy of information about commutation provided to scheme members by Defence and the DFRDB scheme administrators (including the Commonwealth Superannuation Corporation (CSC)).

Outcome: The Ombudsman found that some DFRDB scheme members were provided with misleading, and in some cases incorrect advice about the effect of commutation on the retirement pension but did not recommend that compensation should be paid to these members. The Ombudsman found this to be defective administration by Defence and recommended an apology be issued. More information on the 2019 independent investigation undertaken by the Commonwealth Ombudsman, including the findings is provided in [Section 3](#).

2008 Matthews Review: *Review of Pension Indexation Arrangements in Australian Government Civilian and Military Superannuation Schemes.* The 2008 Matthews Review was a Government commitment which was tasked with looking at the indexation of superannuation pensions and whether the Consumer Price Index (CPI) was an appropriate measure or if there are more appropriate measures that could be used.

Outcome: The 2008 Matthews Review recommended no change to indexation for any of the Government schemes including DFRDB. The Government of the day accepted this recommendation and CPI continued to be used as the indexation method until 2014.

2007 Podger Review: *Report of the Review into Military Superannuation Arrangements.* The 2007 Podger Review considered the military superannuation arrangements (MSBS and DFRDB) and the long term viability of MSBS. The 2007 Podger Review considered the unique nature of military service while considering the on-going unfunded liability of the DFRDB and MSBS.

Outcome: The 2007 Podger Review resulted in a change to the indexation methodology in 2014 for all DFRB and DFRDB pension recipients aged 55 and over. As a result, these pensions are now indexed in the same way as age and service pensions. The 2007 Podger Review also recommended that there should be no change to the DFRDB life expectancy factors.

2002 Senate Select Committee on Superannuation (2002 Watson Committee): *Superannuation and standards of living in retirement.* The 2002 Watson Committee reviewed the adequacy of the tax arrangements for superannuation and related policy to address the retirement income and aged and health care needs of Australians.

Outcome: The 2002 Watson Committee recommended that the indexation methodology could be changed for the Commonwealth funded schemes, however the Government of the day did not accept this recommendation and no changes to indexation were made at that time.

2001 Senate Select Committee on superannuation and financial services (2001 Watson Committee): *A 'Reasonable and Secure' Retirement?* The 2001 Watson Committee reviewed the benefit design of Commonwealth public sector and Defence Force unfunded superannuation funds and schemes.

Outcome: The 2001 Watson Committee review resulted in bi-annual CPI indexation adjustments being adopted for all Commonwealth schemes from January 2002. The 2001 Watson Committee also recommended that the feasibility of changing the indexation method from CPI should be examined. However the Government of the day did not support this recommendation and no changes to indexation were made until 2014.

1990 Cole Review: *Report of the DFRDB scheme review committee.* The 1990 Cole Review report looked into the suitability of DFRDB and the creation of a new scheme.

Outcome: The 1990 Cole Review considered the design of a replacement scheme for DFRDB and MSBS was introduced in 1991 as a result. The 1990 Cole Review also formalised the three per cent Productivity Benefit arrangement for DFRDB members and introduced the option of commutation for dependent spouses on the death of a contributing member.

1974 Melville & Pollard Review: *Report of the Treasurer's proposals for a new superannuation scheme for Australian Government Employees* and **1973 Pollard Review:** *Enquiry into superannuation pension updating.* The 1974 Melville & Pollard Review focused on the suitability of the existing arrangements for the superannuation of Australian Government employees (1922 Scheme), the proposal for a new Commonwealth superannuation scheme and what indexation method should apply for pensions paid under the new Commonwealth superannuation scheme. The 1973 Pollard Review enquired into the methods of adjusting the Commonwealth superannuation and DFRB scheme pensions.

Outcome: The 1974 Melville & Pollard Review considered the design of a new superannuation scheme for Australian Government employees and the Commonwealth Superannuation Scheme (CSS) was introduced in 1976 as a result.

Both the 1974 Melville & Pollard Review and the 1973 Pollard Review recommended automatic indexation of the Commonwealth superannuation scheme pensions using CPI as the method of indexation. This resulted in the introduction of automatic annual indexation using CPI for DFRDB pensions in 1976.

1972 Jess Committee: *Joint Select Committee on DFRB legislation.* The 1972 Jess Committee focused on the suitability of the DFRB scheme and the proposal for a new superannuation scheme for ADF members.

Outcome: The 1972 Jess Committee considered the design of a new superannuation scheme for ADF members and made a range of recommendations for the new scheme. As a result DFRDB was introduced in 1973 and the Government of the day accepted most of the 1972 Jess Committee recommendations when creating DFRDB, but did not accept them all.

3. A summary relating to the Commonwealth Ombudsman Investigation into the administration of the DFRDB scheme and additional information on the CDDA scheme

Commonwealth Ombudsman Investigation into the administration of the DFRDB scheme

The 2019 independent investigation undertaken by the Commonwealth Ombudsman concluded there were numerous examples of incorrect written and verbal information that had been disseminated within Defence from commencement of the DFRDB scheme. This information helped create and reinforce a relatively widespread misunderstanding among DFRDB members that the retirement pay reduction due to commutation would cease on reaching life expectancy factor age.¹

The Ombudsman found that Defence was responsible for allowing this incorrect information to be provided to members of the DFRDB and this amounted to defective administration by Defence. Many DFRDB members were misled to believe that the commutation related reduction to their retirement pay would cease upon reaching life expectancy factor age.²

From the early 2000s onwards Defence has provided DFRDB members with the correct information and all CSC information was updated to contain correct information.³

The Ombudsman recommended that the Secretary of the Department of Defence and the Chief of the Defence Force apologise for the defective administration that occurred and the disappointment this had on affected DFRDB members. This recommendation was accepted and an apology letter was included in the final Commonwealth Ombudsman report.

The Ombudsman commissioned expert independent actuarial reports from the Australian Government Actuary (AGA) and KPMG which showed that it is unlikely any ADF members who commuted through the DFRDB scheme would have suffered a financial detriment. Both KPMG and the AGA considered a range of investment scenarios in coming to this conclusion. The scenarios used were based on conservative assumptions including:

- the commutation lump sum being invested in property and thus reducing the amount the member would have to borrow in relation to a home loan;
- the commutation lump sum being invested using the cash rate; and
- the commutation lump sum being invested in a term deposit.

The Ombudsman found that the modelling demonstrated having early access to capital provided by commutation was generally beneficial to DFRDB members relative to the alternative of not commuting.

¹ 2019 Independent Commonwealth Ombudsman *Investigation into the administration of the DFRDB scheme*, Mr Michael Manthorpe, December 2019 (Page 22).

² 2019 Independent Commonwealth Ombudsman *Investigation into the administration of the DFRDB scheme*, Mr Michael Manthorpe, December 2019 (Page 54).

³ 2019 Independent Commonwealth Ombudsman *Investigation into the administration of the DFRDB scheme*, Mr Michael Manthorpe, December 2019 (Page 55).

Information on the CDDA scheme

The Ombudsman could not exclude the possibility that there may be outlying cases in which financial loss might have occurred and said those should be dealt with on a case by case basis under the CDDA scheme. Members who believe they suffered a detriment have been, and are still able to, lodge claims on a specifically designed form. Information about how to make a claim can be found on the [Defence Directorate of Special Financial Claims website](#).⁴ The special claim form for DFRDB members can also be accessed on this page.

In each case that Defence has already considered and finalised, Defence contacted the claimant by email, mail or telephone to discuss the issues arising in the claim. In particular, their attention was drawn to the relevant conclusions of the Ombudsman: that there had been defective administration in the information supplied to members but that the defective administration alone did not cause financial detriment.

Claimants were asked to turn their mind to how their situation might have differed from the rest of their cohort, who were shown not to have sustained any detriment based on the modelling undertaken for the Ombudsman. Several members rang or emailed before they lodged a claim and Defence discussed with them the issues they should turn their minds to. The AGA was not engaged formally for the CDDA process, however AGA were consulted on some technical issues raised in specific claims. All claimants received a decision from Defence with reasons.

As at 9 April 2021, there has been 38 claims under the CDDA scheme. 36 claims were refused and two claims were withdrawn after discussion or correspondence. Two of the 36 claimants sought internal review of their decision. Both decisions were affirmed on review. There were also telephone and email enquiries from a handful of others who did not choose to make a claim.

The Director, Employment Law and Discretionary Claims (previously Director, Special Financial Claims), in Defence Legal, made most of the decisions. Some decisions were made by the Assistant Director. One review decision was made by General Counsel-Defence.

Consistent with the Ombudsman's conclusion, Defence accepts there was defective administration in the information supplied to members before 2004. However, there were cases where it was apparent or acknowledged that the member did know in advance of their election that the pension would not be restored to the pre-commutation amount when they reached the life expectancy factor age.

On examination of claimants' circumstances, none were able to show how their situation differed from those who the Ombudsman's commissioned modelling showed were generally better off having commuted. Most were in the cohort who used the commutation lump sum to help them purchase a house.

Generally, the claimants did not dispute they were better off having commuted than had they not commuted. Their complaint about the DFRDB scheme and the Ombudsman's conclusion was that the scheme was not as generous as they were led to believe it would be.

⁴ <https://www.defence.gov.au/Legal/Directorates/dsfc.asp>

For compensation to be payable under the CDDA scheme, claimants must be able to show that they have sustained detriment of some kind. The distinction between financial detriment and financial disappointment is addressed in the CDDA Guidelines:

'Financial detriment can be distinguished from financial disappointment - for example, where a formal assessment results in the amount of an entitlement being less than a "ballpark" figure given to a person at the time they made inquiries. A claimant does not suffer financial detriment merely because they were correctly not granted a benefit after being advised that they would receive that benefit, or if a debt was raised due to a benefit being incorrectly paid'.⁵

On that test, none of the claimants were able to show they had suffered detriment.

Information on the CDDA scheme was included in the letter of apology from the Secretary and CDF dated 3 December 2019. This information was also published on the [Defence website](#)⁶ as an annexure to the [Ombudsman's report](#)⁷ and on the [CSC website](#)⁸.

Defence is also aware that affected DFRDB members were encouraged to claim by the Australian Defence Force Retirees Association (ADFRA) on their [website](#)⁹ and in their newsletter. Many of the claims were copied directly from a template supplied to claimants by ADFRA.

4. The use of set Life Expectancy Factors and the Resulting Permanent Reduction to Pensions (Commutation)

Commutation is the early payment of part of a member's retirement pay in the form of a lump sum. The decision to commute is entirely voluntary and is neither an advance nor loan, but rather an immediate payment in exchange for a permanent reduction in pension. The lump sum forms part of the member's overall superannuation benefit and the pension is permanently reduced to recognise that lump sum recipients obtain long-term advantage from the immediate use of their lump sum.

The DFRDB commutation provisions reflect the recommendations of the 1972 Jess Committee on DFRB legislation and include the retention of a permanent reduction to the pension to account for the commutation.

When the *DFRDB Act 1973* was legislated, the commutation provisions were mirrored off the DFRB scheme. The 1970 DFRB Booklet provides that:

'Every pensioner should think carefully before relinquishing portion of his continuing pension entitlement to obtain an immediate lump sum payment. Factors such as the following are significant;

- Once commutation is approved, the relevant portion of the pension is cancelled and cannot be restored subsequently*
- By commutation the pensioner cancels, not only a portion of this current pension entitlement at the date of approval of the commutation, BUT ALSO a similar*

⁵ <https://www.finance.gov.au/individuals/act-of-face-payments-waiver-debts-commonwealth-compensation-detriment-caused-defective-administration-cdda/scheme-compensation-detriment-caused-defective-administration-rmg-409> (para 56, emphasis added)

⁶ <https://www.defence.gov.au/PayAndConditions/ADF/Super-DFRDB-review.asp>

⁷ <https://www.ombudsman.gov.au/How-we-can-help/australian-defence-force/dfrdb>

⁸ <https://www.csc.gov.au/Members/News/DFRDB-Commutation-Inquiry/>

⁹ <https://www.adfra.org/>

portion of any likely pension increases by the notional category method¹⁰ based on that pension entitlement'.¹¹

The calculation undertaken to determine a member's lump sum and residual pension benefit includes a Life Expectancy Factor.¹² The Life Expectancy Factor is an element of the commutation calculation, which is undertaken to determine a DFRDB member's lump sum and resultant pension benefit.

Should a member live for more than the Life Expectancy Factor years used in the calculation of their lump sum, the pension is not adjusted accordingly. No part of the lump sum is recovered from a deceased member's estate, should the recipient die before reaching the Life Expectancy Factor years used.

The AGA has advised Defence that when the DFRDB scheme was introduced, the use of the 1960-1962 Australian Life Tables as a commutation factor was favourable to members relative to the alternative pension.

Over the years, it has been suggested by some DFRDB pensioners that the existing Life Expectancy Factors in DFRDB should be replaced with the current (or more contemporary) Australian Life Tables in the belief that the increase in life expectancy will improve a member's pension. The AGA has advised Defence that were the Life Expectancy Factors to be increased for future retirees, there would be increased Commonwealth costs due to this benefit improvement.

The 2019 independent investigation undertaken by the Commonwealth Ombudsman made note of the Life Expectancy Factors.¹³ The Ombudsman noted that if the commutation divisor increased, it could have a beneficial flow on to members, however the Ombudsman concluded that as the scheme drafters did not include a provision to update the tables from time to time, it would suggest that the tables were meant to be used as a static commutation factor.

¹⁰ Pensions paid under the DFRB scheme were reviewed by the Government in conjunction with the annual Budget reviews. When pension increases were budgeted as part of the Federal Budget, the cost of the increase had historically been met from Consolidated Revenue. Pensions were increased using a notional category method applicable to their rank at termination from Service (Page 48 para 138).

¹¹ The DFRB Booklet issued by the DFRB Board in 1970 was at the time considered the equivalent of a Trust Deed and Rules for the DFRB scheme (Page 94 para 251).

¹² Schedule 3 of the *DFRDB Act 1973* provides for the 'Expectation of Life Factor' to be used for the commutation of retirement and Class C Invalidity pay. The 'Expectation of Life Factor' is interchangeably known as the Life Expectancy Factor or Life Expectancy Tables. The Expectation of Life Factor is based off the Australian Bureau of Statistics (ABS) 1960-1962 Australian Life Tables but does not use the ABS table itself.

¹³ 2019 Independent Commonwealth Ombudsman *Investigation into the administration of the DFRDB scheme*, Mr Michael Manthorpe, December 2019 (Pages 51-52).

The 2007 Podger Review, acknowledged there had been a significant improvement in life expectancy and found that:

...the conversion factor based on a 1960s life expectancy is substantially more generous than a cost-neutral factor that takes into account opportunities to earn interest on the commuted lump sum. A conversion factor based solely on current life expectancy figures would be even more excessively generous...

*...
If any change were made to the DFRDB, it should be to require a substantially larger reduction in pension in return for the commuted lump sum, not a smaller reduction. In line with the Terms of Reference requirement of no detriment, the Review Team recommends no change to the life expectancy factors currently applying to the DFRDB commutation calculation.¹⁴*

The permanent lifetime reduction to a DFRDB pension as a result of commutation is consistent with the arrangements in the other civilian and military superannuation schemes. In CSS, the Public Sector Superannuation Scheme (PSS) and MSBS if a member chooses to take part of their benefit as a lump sum, the amount of their lifetime pension is permanently reduced from what it would have been had the member not taken a lump sum. The factors used to convert pensions into lump sums (or vice versa) in the CSS, PSS and MSBS have not been amended or reviewed since the schemes commenced and are considered as permanent design features of the schemes.

5. Indexation - Methodology and Application

Indexation Methodology

Since the introduction of DFRDB in 1973 there have been a range of reviews to consider the most appropriate method of indexation for DFRDB pensions. While some reviews differ in the exact methods to be used, they broadly agree that a fair method of indexation allows for pension recipients to maintain the purchasing power of the pension over time.

The 1973 Jess Committee recommended that pensions paid from DFRDB should be indexed annually to maintain relativity with Average Weekly Earnings. However, only ad hoc increases in line with Average Weekly Earnings were made to pensions between 1973 and 1976.

Annual indexation adjustments to DFRDB pensions commenced in 1976 using the CPI rate, following the recommendations from the 1973 Pollard Review and the 1974 Melville & Pollard Review.

The 2001 Watson Committee review recommended bi-annual CPI indexation adjustments being adopted for all Commonwealth funded schemes including the DFRDB. This took effect from January 2002 after the Government announced an increase to Commonwealth superannuation pensions in the 2001-02 Budget in line with CPI twice yearly instead of annually.¹⁵ The 2001 Watson Committee also recommended that the feasibility of changing the indexation method from CPI should be examined.

¹⁴ 2007 Podger Review *Report of the Review into Military Superannuation Arrangements*, Mr Andrew Podger, July 2007 (Pages 61-62).

¹⁵ 2001-02 Federal Budget *Budget Paper No. 1 Statement 1 Part III Budget Priorities*, May 2001 (Page 1-16).

The 2002 Watson Committee recommended that the Government consider indexing Commonwealth funded superannuation pensions (including DFRDB) in line with increases to the Male Total Average Weekly Earnings or CPI, whichever is the higher, in order that recipients share in the increases in living standards enjoyed by the wider community.¹⁶ The Government of the day did not adopt this recommendation and bi-annual CPI indexations adjustments continued to be used.¹⁷

The 2007 Podger review recommended that 'if the Government is willing to go beyond the envelope of current costs, it should consider indexing DFRDB and DFRB pensions for those over 55 on a similar basis to that applying to age pensions'. In its finding, the review noted that given government policy on preservation arrangements, it considered there was no case to increase the generosity of benefits payable prior to age 55.¹⁸

While the 2007 Podger Review considered there was an in-principle case for changing the indexation arrangements of these pensions, it also found 'the DFRDB is a particularly generous scheme for those in receipt of pensions; that CPI indexation does maintain purchasing power, and is generous when compared to most contemporary superannuation schemes that may only provide account-based pensions at the member's risk'.¹⁹

The 2008 Matthews Review recommended that the Commonwealth funded superannuation pensions (including DFRDB) should continue to be indexed by CPI. The 2008 Matthews Review acknowledged that although CPI has changed in some respects over time, it remained the most suitable available prices index for the purpose of pension indexation.²⁰ The Government of the day accepted this recommendation and no changes were made.

In 2014 in line with the recommendation of the 2007 Podger Review, the Australian Government made a beneficial change to the DFRDB and DFRB schemes indexation methodology. This change means DFRDB and DFRB pensions for people over age 55 are now indexed in the same way as age and service pensions.

Since 2014 there have been no further changes or reviews into the indexation methodology for DFRDB pensions.

Indexation Application

¹⁶ 2002 Watson Committee *Senate Select Committee on Superannuation: Superannuation and standards of living in retirement – Report on the adequacy of the tax arrangements for superannuation and related policy*, December 2002, (Page 194 para 14.28).

¹⁷ Government Response *Senate Select Committee on Superannuation: 'Superannuation and Standards of Living in Retirement'*, tabled in Parliament 14 February 2005 (Page 19).

¹⁸ 2007 Podger Review *Report of the Review into Military Superannuation Arrangements*, Mr Andrew Podger, July 2007, (Pages 60-61).

¹⁹ 2007 Podger Review *Report of the Review into Military Superannuation Arrangements*, Mr Andrew Podger, July 2007, (Page 60).

²⁰ 2008 Matthews Review *Pension Indexation Arrangements in Australian Government Civilian and Military Superannuation Schemes*, Mr Trevor Matthews, December 2008 (Page 47).

If a member does not elect to commute or commutes less than four times the pension then indexation is only applied to the 'notional rate of retirement pay'.²¹ The 'notional rate of retirement pay' is the rate of pension that would be payable if the member had commuted four times the pension (which was the maximum amount that could be commuted at the time indexation arrangements were introduced).

If a member does not elect to commute or commutes less than four times the pension there will be a non-indexed portion of the pension. If a member commutes four times or greater (maximum five times) the residual pension is fully indexed.

Reversionary benefits under the DFRDB scheme are payable to eligible spouses and children on the death of a DFRDB pensioner. An eligible spouse and any eligible children are entitled to a portion of deceased members pension calculated on the pension amount the member would have received had they not commuted. As reversionary pensions are calculated using the non-commuted pension amount, there will always be a non-indexed portion. The non-indexed portion reflects where a member has commuted, the member has received the benefit of that portion as a lump sum upfront. Where a member does not commute, the non-indexed portion reflects that a lifetime pension is being paid instead of the member receiving the benefit from a lump sum being paid up front.

When automatic indexation was introduced in 1976 it was applied only to the 'notional rate of retirement pay' to reflect the employer funded part of the pension. The non-indexed portion of a pension reflects the employee funded (member contributions) part of the pension. This broadly replicates the indexation arrangements of the CSS and was consistent with the recommendations of the 1973 Pollard Review and the 1974 Melville & Pollard Review.

²¹ *DFRDB Act 1973* subsection 98B(5)

Burke, Kathryn MS

From: Reilly, Anthony MR 1
Sent: Friday, 9 April 2021 11:20 AM
To: Hoogland, Lewis MR 1
Cc: Military Superannuation Policy; Webster, Donna MS; Singh, Ingrid MS
Subject: DELDC contrubtion to brief [SEC=OFFICIAL]
Attachments: DELDC contribution to brief on DFRDB CDDA claims.docx

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Hi Lewis

Here is our contribution to the brief. Let me know if you want to discuss.

Donna Webster will be A/g Director here for the next 6 weeks, so she is the best contact officer. But Ingrid and I are also available to discuss, if need be.

Regards

Tony

Anthony Reilly

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6. Answers to specific questions about management of CDDA claims by DFRDB members

The Committee has asked specific questions about the management of the CDDA claims lodged by DFRDB members. The questions and Defence's answers are as follows:

- *How does this process work? Specifically, how does it work in relation to DFRDB members who are of the view they have suffered financial detriment due to the advice provided by Defence? For example, does Defence engage an actuary to review individual claims of financial detriment?*

DFRDB members lodged claims on a claim form specifically designed for these claims. In each case, Defence then contacted the claimant by email, mail or telephone to discuss the issues arising in the claim. In particular, their attention was drawn to the relevant conclusions of the Ombudsman: that there had been defective administration in the information supplied to members but that generally members were better off having commuted than had they not commuted. Claimants were asked to turn their mind to how their situation might have differed from the rest of their cohort, who were shown not to have sustained any detriment based on the modelling undertaken for the Ombudsman.

The Australian Government Actuary was consulted informally on some issues raised in specific claims.

Claimants received a decision with reasons.

- *Is any advice/assistance provided to those considering making a claim?*

Information about how to make a claim can be found on the Defence website at [Directorate Of Special Financial Claims : Directorates : Department of Defence](#).

The special claim form for DFRDB members can be accessed on that page.

Several members rang or emailed before they lodged a claim and Defence discussed with them the issues they should turn their minds to.

- *How many people have sought advice/assistance?*

In addition to the 38 DFRDB members who made claims, there were telephone or email enquiries from a handful of others who did not choose to make a claim.

- *How many people have lodged a claim?*

38

- *How many claims have been successful?*

0

Consistent with the Ombudsman's conclusion, Defence accepts there was defective administration in the information supplied to members before 2004 (even though there were cases where it was apparent or acknowledged that the member did know in advance of their election that the pension

would not be restored to the pre-commutation amount when they reached the life expectancy factor age.)

On examination of claimants' circumstances, none were able to show how their situation differed from those who the Ombudsman's modelling showed were actually better off having commuted. Most were in the cohort who used the commutation lump sum to help them purchase a house.

Generally, the claimants did not dispute they were better off having commuted than had they not commuted. Their complaint about the DFRDB scheme and the Ombudsman's conclusion was that the scheme was not as generous as they were led to believe it would be.

For compensation to be payable under the CDDA scheme, claimants must be able to show that they have sustained detriment of some kind. The distinction between financial detriment and financial disappointment is addressed in the CDDA Guidelines:

Financial detriment can be distinguished from financial disappointment - for example, where a formal assessment results in the amount of an entitlement being less than a "ballpark" figure given to a person at the time they made inquiries. **A claimant does not suffer financial detriment merely because they were correctly not granted a benefit after being advised that they would receive that benefit**, or if a debt was raised due to a benefit being incorrectly paid (CDDA Guidelines, paragraph 57, emphasis added).

On that test, none of the claimants were able to show they had suffered detriment.

- *How many have been refused?*

36 claims were refused. 2 claims were withdrawn after discussion or correspondence.

2 claimants sought internal review of decisions. Both decision were affirmed on review. No claimants sought review by the Commonwealth Ombudsman.

- *Who is the decision maker in the department in relation to claims?*

The Director, Employment Law and Discretionary Claims (previously Director, Special Financial Claims), in Defence Legal, made most of the decisions. A handful of decisions were made by the Assistant Director. One review decision was made by General Counsel-Defence.

- *How has the existence of the CDDA scheme been communicated to DFRDB members?*

Members were directed to the relevant webpage in the letter of apology from the Secretary and CDF dated 3 December 2019, which was published on the Defence website and as an annexure to the Ombudsman's report. Members are also directed to the apology and relevant webpage from:

the Defence website: [:DFRDB Ombudsman investigation : Department of Defence](#)

the Ombudsman's website: [Defence Force Retirement and Death Benefits \(DFRDB\) - Commonwealth Ombudsman](#)

CSC's website: [DFRDB Commutation Inquiry \(csc.gov.au\)](#)

Defence is also aware that affected DFRDB members were encouraged to claim by the Australian Defence Force Retirees Association Inc (ADFRA) on its website and in its newsletter: [Australian Defence Force Retirees Association \(adfra.org\)](http://adfra.org). Many of the claims were copied directly from a template supplied to claimants by ADFRA.

Hoogland, Lewis MR 1

From: Hoogland, Lewis MR 1
Sent: Thursday, 13 May 2021 3:01 PM
To: Prout, Cathy MRS
Subject: CDDA TPs
Attachments: CDDA TPs.docx

Categories: Green Category

Hey Cathy

Here are the updated CDDA TPs.

Cheers

Lewis

Compensation for Detriment caused by Defective Administration (CDDA)

- The Commonwealth Ombudsman found that while unlikely, he could not rule out that there may be cases that a member may have suffered a financial detriment due to being provided misleading information. He deemed that the CDDA scheme would be suitable for any such cases to be considered.

Questions: How does this process work? Specifically, how does it work in relation to DFRDB members who are of the view they have suffered financial detriment due to the advice provided by Defence? For example, does Defence engage an actuary to review individual claims of financial detriment?

DFRDB members lodged claims on a claim form specifically designed for these claims. In each case, Defence then contacted the claimant by email, mail or telephone to discuss the issues arising in the claim. In particular, their attention was drawn to the relevant conclusions of the Ombudsman: that there had been defective administration in the information supplied to members but that generally members were better off having commuted than had they not commuted. Claimants were asked to turn their mind to how their situation might have differed from the rest of their cohort, who were shown not to have sustained any detriment based on the modelling undertaken for the Ombudsman. The Australian Government Actuary was

consulted informally on some issues raised in specific claims. Claimants received a decision with reasons.

Question: Is any advice or assistance provided to those considering making a claim?

Information about how to make a claim can be found on the Defence website at Directorate of Special Financial Claims.

The special claim form for DFRDB members can be accessed on that page.

Several members rang or emailed before they lodged a claim and Defence discussed with them the issues they should turn their minds to.

Question: How many people have sought advice or assistance?

In addition to the 38 DFRDB members who made claims, there were telephone or email enquiries from a handful of others who did not choose to make a claim.

Question: How many people made a claim and how many were successful and unsuccessful?

As at 12 May 2021, Defence has received 38 claims under the CDDA scheme. 36 claims were assessed and have been unsuccessful and two claims were withdrawn after discussion or correspondence.

Two claims of the 36 sought an internal review of Defence's original decision. Both claims the original decision was affirmed.

Question: How was the internal review process done and who completed these decisions?

Internal reviews under the CDDA Scheme are at the discretion of the relevant Agency. Defence, is open to reviewing decisions if there is new evidence or a new argument to support the application.

The two decisions that were reviewed, were on the basis that the applicant raised new arguments that had not been addressed in the original decisions. These decisions were signed off by the A/g Director and General Counsel of Defence Legal.

Question: Who is the decision maker in the department in relation to claims?

The Director, Employment Law and Discretionary Claims (previously Director, Special Financial Claims), in Defence Legal, made most of the decisions. A handful of decisions were made by the Assistant Director. One review decision was made by General Counsel-Defence.

Question: Why were the claims denied? On examination of claimants' circumstances, none of the 36 applications were able to show how their situation differed from those who the Ombudsman's commissioned modelling that showed they were generally better off having commuted. Most were in the cohort who used the commutation lump sum to help them purchase a house.

Question: How has the existence of the CDDA scheme been communicated to DFRDB members?

Members were directed to the relevant webpage in the letter of apology from the Secretary and CDF dated 3 December 2019, which was published on the Defence website and as an annexure to the Ombudsman's report. Members are also directed to the apology and relevant webpage on the Defence website.

The Commonwealth Ombudsman's and CSC website also directed members to relevant webpage.

Defence is also aware that affected DFRDB members were encouraged to claim by the Australian Defence Force Retirees Association Inc (ADFRA) on its website and in its newsletter. Many of the claims were copied directly from a template supplied to claimants by ADFRA

Consistent with the Ombudsman's conclusion, Defence accepts there was defective administration in the information supplied to members before 2004 (even though there were cases where it was apparent or acknowledged that the member did know in advance of their election that the pension would not be restored to the pre-commutation amount when they reached the life expectancy factor age.)

On examination of claimants' circumstances, none were able to show how their situation differed from those who the Ombudsman's modelling showed were actually better off having commuted. Most were in the cohort who used the commutation lump sum to help them purchase a house.

Generally, the claimants did not dispute they were better off having commuted than had they not commuted. Their complaint about the DFRDB scheme and the Ombudsman's conclusion was that the scheme was not as generous as they were led to believe it would be.

For compensation to be payable under the CDDA scheme, claimants must be able to show that they have sustained detriment of some kind. The distinction between financial detriment and financial disappointment is addressed in the CDDA Guidelines:

Financial detriment can be distinguished from financial disappointment - for example, where a formal assessment results in the amount of an entitlement being less than a "ballpark" figure given to a person at the time they made inquiries. **A claimant does not suffer financial detriment merely because they were correctly not granted a benefit after being advised that they would receive that benefit**, or if a debt was raised due to a benefit being incorrectly paid (CDDA Guidelines, paragraph 57, emphasis added).

On that test, none of the claimants were able to show they had suffered detriment.

- *How many have been refused?*

36 claims were refused. 2 claims were withdrawn after discussion or correspondence.

2 claimants sought internal review of decisions. Both decisions were affirmed on review. No claimants sought review by the Commonwealth Ombudsman.

- *Who is the decision maker in the department in relation to claims?*

The Director, Employment Law and Discretionary Claims (previously Director, Special Financial Claims), in Defence Legal, made most of the decisions. A handful of decisions were made by the Assistant Director. One review decision was made by General Counsel-Defence.

- *How has the existence of the CDDA scheme been communicated to DFRDB members?*

Members were directed to the relevant webpage in the letter of apology from the Secretary and CDF dated 3 December 2019, which was published on the Defence website and as an annexure to the Ombudsman's report. Members are also directed to the apology and relevant webpage from:

the Defence website: [:DFRDB Ombudsman investigation : Department of Defence](#)

the Ombudsman's website: [Defence Force Retirement and Death Benefits \(DFRDB\) - Commonwealth Ombudsman](#)

CSC's website: [DFRDB Commutation Inquiry \(csc.gov.au\)](#)

Defence is also aware that affected DFRDB members were encouraged to claim by the Australian Defence Force Retirees Association Inc (ADFRA) on its website and in its newsletter: [Australian Defence Force Retirees Association \(adfra.org\)](#). Many of the claims were copied directly from a template supplied to claimants by ADFRA.

Burke, Kathryn MS

From: Reilly, Anthony MR 1
Sent: Thursday, 13 May 2021 3:14 PM
To: Hoogland, Lewis MR 1
Subject: RE: Defence submission DFRDB Senate enquiry [SEC=OFFICIAL]

OFFICIAL

Hi Lewis

Yes. Paras 88-90 of the CDDA Guidelines refer.

Tony

Anthony Reilly

Employment Law and Discretionary Claims
Office of General Counsel - Defence
Defence Legal

Department of Defence | Associate Secretary Group
CP2-4-018 | Campbell Park Offices | CANBERRA ACT 2600

☎: +61 2 6203 6280 | 📠: s22

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From: Hoogland, Lewis MR 1 <lewis.hoogland1@defence.gov.au>
Sent: Thursday, 13 May 2021 3:12 PM
To: Reilly, Anthony MR 1 <anthony.reilly1@defence.gov.au>
Subject: RE: Defence submission DFRDB Senate enquiry [SEC=OFFICIAL]

Hi Tony

Are you able to confirm if you are happy (and it's correct) with the below statement?

In accordance with the CDDA guidelines administered by the Department of Finance, internal reviews under the CDDA scheme are at the discretion of the relevant Agency.

Cheers

Lewis Hoogland

Military Superannuation Policy
Directorate of Military Remuneration
People Policy & Employment Conditions
Department of Defence

BP33-03-083 | Brindabella Park | PO Box 7909 | Canberra BC | ACT 2610

P: (02) 5109 2368 E: lewis.hoogland1@defence.gov.au

From: Reilly, Anthony MR 1 <anthony.reilly1@defence.gov.au>
Sent: Wednesday, 12 May 2021 2:43 PM
To: Hoogland, Lewis MR 1 <lewis.hoogland1@defence.gov.au>
Subject: RE: Defence submission DFRDB Senate enquiry [SEC=OFFICIAL]

OFFICIAL

Hi Lewis

Answers below in red.

Tony

Anthony Reilly

Employment Law and Discretionary Claims
Office of General Counsel - Defence
Defence Legal

Department of Defence | Associate Secretary Group
CP2-4-018 | Campbell Park Offices | CANBERRA ACT 2600

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From: Hoogland, Lewis MR 1 <lewis.hoogland1@defence.gov.au>
Sent: Wednesday, 12 May 2021 2:19 PM
To: Reilly, Anthony MR 1 <anthony.reilly1@defence.gov.au>
Subject: RE: Defence submission DFRDB Senate enquiry [SEC=OFFICIAL]

OFFICIAL

Hi Tony

I am just preparing some of the briefing notes for the DFRDB Senate inquiry and David Nockels has asked for some specific information regarding the CDDA process.

He is looking for information about the internal review process. In particular for the two claimants who had an internal review performed, who performed these internal reviews and why? And any explanation/guidance on this internal review process was established?

Review of decisions under the CDDA Scheme are at the discretion of the relevant Agency. Most agencies, including Defence, are open to reviewing decisions if there is new evidence or new argument to support the application. The

two decisions that were reviewed s47F were on the basis that the applicant raised new arguments had not been addressed in the original decisions. Generally, if someone asks for a review, we will give it to them one way or the other. s47F were the only two who asked. One was signed off by the A/g Director and the other by General Counsel – Defence.

Also if we can just confirm that the previous numbers are still up to date: 38 Claims in total.

2 Claims withdrawn.
36 Claims refused/declined
2 Claims sought internal review.
(both these cases were affirmed)
Yes

Can we also confirm that if the claimant was not satisfied with the decision they must seek a review from the Commonwealth Ombudsman and Defence had no roll in this process? Yes. No one went to the Ombudsman.

Happy to discuss this further if needed just let me know.

Cheers

Lewis Hoogland

Military Superannuation Policy
Directorate of Military Remuneration
People Policy & Employment Conditions
Department of Defence

BP33-03-083 | Brindabella Park | PO Box 7909 | Canberra BC | ACT 2610
P: (02) 5109 2368 E: lewis.hoogland1@defence.gov.au

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From: Hoogland, Lewis MR 1
Sent: Tuesday, 11 May 2021 10:38 AM
To: Reilly, Anthony MR 1 <anthony.reilly1@defence.gov.au>
Cc: Prout, Cathy MRS <cathy.prout@defence.gov.au>
Subject: Defence submission DFRDB Senate enquiry [SEC=OFFICIAL]

OFFICIAL

Hi Tony

As discussed with Cathy, please see attached Defence's submission and the Brief for the DFRDB Senate Inquiry.

Cheers

Lewis Hoogland

Military Superannuation Policy
Directorate of Military Remuneration
People Policy & Employment Conditions
Department of Defence

BP33-03-083 | Brindabella Park | PO Box 7909 | Canberra BC | ACT 2610
P: (02) 5109 2368 E: lewis.hoogland1@defence.gov.au

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Burke, Kathryn MS

From: Parliamentary <Parliamentary@csc.gov.au>
Sent: Friday, 14 May 2021 2:08 PM
To: Military Superannuation Policy
Cc: Parliamentary
Subject: RE: additional child numbers | DFRDB

Categories: Green Category

⚠ EXTERNAL EMAIL: Do not click any links or open any attachments unless you trust the sender and know the content is safe. **⚠**

Hello Mel,

The date is as of today. Here is the additional CH (Child) numbers

PENSION_REASON PENSION_TYPE COUNT(*) AVG_AGE
DE OP 41 17.21273324828559716124197518498114481483
DE CH 122 17.29871446154977814182715384452348804187

Best regards,

s47F

Parliamentary and Information Release Coordinator
General Counsel Team

From: World, Melissa MRS [mailto:melissa.world@defence.gov.au] **On Behalf Of** Military Superannuation Policy
Sent: Friday, 14 May 2021 1:54 PM
To: Parliamentary ; Military Superannuation Policy
Subject: RE: DFRDB member numbers [SEC=OFFICIAL]

⚠ External Email : Please be cautious of links and attachments

OFFICIAL

Hi s47F

Thank you for this information.

Can you please confirm the date this data was obtained from (i.e. today? Last pension payday?)?

Also, I realised in Lewis' email he only asked for Orphan numbers not Orphan and Children. Is it possible to get the total number of DFRDB Children receiving a pension please? This can be combined with the Orphan numbers if that is easier.

Thanks

Melissa World
Military Superannuation Policy

BP33-03-082 | Brindabella Park | PO Box 7909 | Canberra BC | ACT 2610
P: (02) 6127 2385 M: s22 E: melissa.world@defence.gov.au

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From: Parliamentary <Parliamentary@csc.gov.au>
Sent: Friday, 14 May 2021 12:25 PM
To: Military Superannuation Policy <military.superannuationpolicy@defence.gov.au>
Cc: Parliamentary <Parliamentary@csc.gov.au>
Subject: RE: DFRDB member numbers [SEC=OFFICIAL]

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Hello Lewis,

Here is the data you're after.

DFRDB_CONTRIB_AVG_AGE	DFRDB_COUNT
54.60838935	898
AVG_SRV_YRS	
35.17279822	
PRIMARY_DFRDB_PENSIONER_CNT	AVG_AGE
42,450	68.3223086
REVERSIONARY_DFRDB_PENS_CNT	AVG_AGE
10,547	74.84090263
ORPHAN_DFRDB_PENS_CNT	AVG_AGE
41	16.63414634

Best regards,

s47F

Parliamentary and Information Release Coordinator
General Counsel Team

From: Hoogland, Lewis MR 1 [<mailto:lewis.hoogland1@defence.gov.au>] On Behalf Of Military Superannuation Policy
Sent: Wednesday, 12 May 2021 10:11 AM
To: Parliamentary <Parliamentary@csc.gov.au>
Subject: DFRDB member numbers [SEC=OFFICIAL]

⚠ External Email : Please be cautious of links and attachments

OFFICIAL

Hi Team

I was wondering if you're able to provide some updated scheme member numbers for DFRDB in preparation for the Senate Committee hearing Defence and CSC are attending next week. If we can get this data as current as possible it would be greatly appreciated.

Are you able to provide the following information?

- Number of DFRDB contributors with average age:
- Average years of service for DFRDB Contributors:
- Number of DFRDB pensioners with average age:
- Number of DFRDB reversionary pensioners with average age:
- DFRDB orphan pensioners:

Also if there is any other data or information that CSC are using for the hearing if it could be provided it would be greatly appreciated.

If you have any questions please let me know.

Cheers

Lewis Hoogland

Military Superannuation Policy
Directorate of Military Remuneration
People Policy & Employment Conditions
Department of Defence

BP33-03-083 | Brindabella Park | PO Box 7909 | Canberra BC | ACT 2610
P: (02) 5109 2368 E: lewis.hoogland1@defence.gov.au

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ADF Super : RSE R1077063
CSS: RSE R1004649
MSBS: RSE R1000306
PSS: RSE R1004595
PSSap: RSE R1004601

Burke, Kathryn MS

From: Mitchell, Nicholas MR 4
Sent: Monday, 17 May 2021 3:49 PM
To: Prout, Cathy MRS
Cc: Military Superannuation Policy
Subject: FW: DFRDB appropriations [SEC=OFFICIAL]

OFFICIAL

Hi Cathy,

I got the email below from Finance, which wasn't particularly useful.

I've tried to figure it out based on the PBS, but not all information is there for the calculations. I have also looked at CSC. There is a split between what is appropriated and then provided to CSC – which appears to be the DRFDB line on table 16 of the Defence PBS – p43 and what is the notional amounts which is the expenses not requiring appropriation line on the same table 16.

Could you go directly back to the Finance Super Branch to see if they have something that can be summarised for this. They are supposed to come back to me, but who knows how long that will take.

They might be able to give you a few lines from their estimates brief on the civilian super schemes appropriations that can be used for yours.

Happy to discuss.

Nick Mitchell

Assistant Director
Commonwealth Budget Coordination

Department of Defence | Defence Finance Group
Russell Offices, R1-2-B138 | PO Box 7904 | CANBERRA BC ACT 2610

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From: s47F@finance.gov.au>
Sent: Friday, 14 May 2021 3:33 PM
To: Mitchell, Nicholas MR 4 <nicholas.mitchell4@defence.gov.au>; BFR - AAU - Defence AAU and Investment Programming <DefenceAAUandInvestmentProgramming@finance.gov.au>
Cc: Guan, Sylvia MRS <sylvia.guan@defence.gov.au>; Cosgrove, Michael MR 1 <michael.cosgrove1@defence.gov.au>; Kalia, Akanksha MISS <akanksha.kalia@defence.gov.au>; Shanmuganathan, Pavithiran MR <pavithiran.shanmuganathan@defence.gov.au>
Subject: RE: DFRDB appropriations [SEC=OFFICIAL]

SEC=OFFICIAL

Hi Nick,

Thanks for checking with us.

Our Special Appropriations team has suggested to refer to [RMG100: Guide to Appropriations](#) which contains high level information on what an appropriation is, including special appropriation, to assist with the development of your brief.

We have also reached out to our colleagues who look after the Commonwealth Superannuation Scheme and will let you know once we have heard back from them.

Kind regards,

s47F



s47F | Assistant Director
Defence AAU and Investment Programming | Defence Branch
Government and Defence Division | Budget and Financial Reporting Group
Department of Finance
T: s47F
E: s47F@finance.gov.au
A: One Canberra Avenue, FORREST ACT 2603

SEC=OFFICIAL

From: Mitchell, Nicholas MR 4 <nicholas.mitchell4@defence.gov.au>
Sent: Friday, 14 May 2021 11:01 AM
To: BFR - AAU - Defence AAU and Investment Programming
<DefenceAAUandInvestmentProgramming@finance.gov.au>
Cc: Guan, Sylvia MRS <sylvia.guan@defence.gov.au>; Cosgrove, Michael MR 1
<michael.cosgrove1@defence.gov.au>; Kalia, Akanksha MISS <akanksha.kalia@defence.gov.au>; Shanmuganathan, Pavithiran MR <pavithiran.shanmuganathan@defence.gov.au>
Subject: FW: DFRDB appropriations [SEC=OFFICIAL]

OFFICIAL

Hi Defence AAU,

We are looking to put together an explanation of how DFRDB (and likely all the closed military super schemes) works with appropriations.

It will be useful to get Finance's input as I think we need to discuss relationship with CSC and that there are notional contributions. Could you look around there to see if there are any standard words that Finance uses to explain the closed Commonwealth super schemes and how they operate at a high level around appropriations. This is particularly given this will be Senate Estimates and any consistent words can be used (possibly from Finance Ministers Estimates Brief).

This needs to be no more than a paragraph of content. Looking for COB Monday response.

Happy to discuss

Regards

Nick Mitchell

Assistant Director
Commonwealth Budget Coordination

Department of Defence | Defence Finance Group
Russell Offices, R1-2-B138 | PO Box 7904 | CANBERRA BC ACT 2610

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From: Prout, Cathy MRS <cathy.prout@defence.gov.au>
Sent: Thursday, 13 May 2021 4:30 PM
To: Mitchell, Nicholas MR 4 <nicholas.mitchell4@defence.gov.au>
Cc: Military Superannuation Policy <military.superannuationpolicy@defence.gov.au>
Subject: DFRDB appropriations [SEC=OFFICIAL]

OFFICIAL

Hi Nick,

As discussed, if possible, could we have a really high level explanation of how appropriations work for DFRDB?

David Nockels (FASPPC) is appearing before a senate committee next Thursday about an inquiry into DFRDB and he would like a broad understanding of how appropriations work (i.e. DoF gives Defence an amount etc) in case he is asked. If it is a "this should be referred to DoF" then that's fine.

If possible, a response by Monday would be fantastic. We are actually hoping to have the brief with David tomorrow, but can slip extra stuff in for him if needed before Thursday.

Thanks

Cathy

Cathy Prout

Military Superannuation Policy
Directorate of Military Remuneration
People Policy & Employment Conditions
Department of Defence

BP33-03-082 | Brindabella Park | PO Box 7909 | Canberra BC | ACT 2610
P: (02) 5109 8335 M: s22 E: cathy.prout@defence.gov.au

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Burke, Kathryn MS

From: Reilly, Anthony MR 1
Sent: Monday, 17 May 2021 1:54 PM
To: Hoogland, Lewis MR 1; Webster, Donna MS
Cc: Military Superannuation Policy
Subject: RE: DFRDB Senate Inquiry talking points [SEC=OFFICIAL]
Attachments: DFRDB Talking Points with DELDC suggestions.docx

Categories: Green Category

OFFICIAL

Hi Lewis

I have made a few relatively minor suggestions in track mode. Let me know if you want to discuss.

Tony

Anthony Reilly

Employment Law and Discretionary Claims
Office of General Counsel - Defence
Defence Legal

Department of Defence | Associate Secretary Group
CP2-4-018 | Campbell Park Offices | CANBERRA ACT 2600

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From: Hoogland, Lewis MR 1
Sent: Monday, 17 May 2021 12:37 PM
To: Reilly, Anthony MR 1 ; Webster, Donna MS
Cc: Military Superannuation Policy
Subject: DFRDB Senate Inquiry talking points [SEC=OFFICIAL]

OFFICIAL

Hi Tony and Donna

Just as an FYI please see attached the draft talking points and questions for the DFRDB Senate Inquiry.

If you have any questions or concerns please let me know.

Cheers

Lewis Hoogland

Military Superannuation Policy
Directorate of Military Remuneration
People Policy & Employment Conditions
Department of Defence

BP33-03-083 | Brindabella Park | PO Box 7909 | Canberra BC | ACT 2610
P: (02) 5109 2368 E: lewis.hoogland1@defence.gov.au

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DFRDB Senate Inquiry Talking Points

1. DFRDB Scheme Overview

- The Defence Force Retirement and Death Benefits (DFRDB) scheme is a fully unfunded defined benefit arrangement that was introduced in 1973 following the 1972 report of the Joint Select Committee (the Jess Committee).
- The Jess Committee recommended that the scheme at the time, the Defence Forces Retirement Benefits (DFRB) scheme, be closed due to its complexity.
- DFRDB closed to new members on 30 September 1991 when the Military Superannuation and Benefits Scheme (MSBS) was introduced, following the 1990 Cole Review.
- Contributing members of DFRDB were able to elect to transfer from DFRDB to MSBS from 1 October 1991 until 30 September 1992. It was not compulsory for members to transfer schemes.
- From 1 July 2016 DFRDB was closed to re-entering members which were DFRDB pensioners who re-joined the ADF.
- As at 14 May 2021, the DFRDB scheme consisted of:

DFRDB contributors (current serving ADF members)		
Total	Average age	Average years of service
898	54.6	35.1

DFRDB pensioners			
	Ex-serving ADF members	Spouses	Children
Total	42,450	10,547	163
Average age	68.3	74.8	17.2

2. Reviews of DFRDB (including 2019 Ombudsman)

- The DFRDB scheme or elements of have been reviewed from time to time since the scheme began in 1973. A number of amendments to the scheme have occurred during this period, with some to the benefit of members.
- The most recent review of DFRDB was the 2019 independent investigation undertaken by the Commonwealth Ombudsman into the administration of the DFRDB scheme.
- The Ombudsman found that misleading information amounting to defective administration was provided to some members by Defence personnel in relation to the DFRDB commutation benefit.
- The Commonwealth Ombudsman was satisfied the decision to commute was not likely to have caused a financial loss, relative to the other available option of not commuting and concluded that it was not appropriate to recommend compensation in a broad sense.

3. Compensation for Detriment caused by Defective Administration scheme (CDDA scheme)

- The Commonwealth Ombudsman found that while unlikely, he could not rule out that there may be cases that a member may have suffered a financial detriment due to being provided misleading information. He deemed that the CDDA scheme would be suitable for any such cases to be considered.
- As at 12 May 2021, Defence has received 38 claims under the CDDA scheme. 36 claims were assessed and found to be unsuccessful. Two claims were withdrawn after discussion or correspondence.
- Two of the 36 claims assessed subsequently sought an internal review of Defence's original decision.
- In accordance with the CDDA guidelines administered by the Department of Finance, internal reviews under the CDDA scheme are at the discretion of the relevant Agency. Defence is open to reviewing decisions if there is new evidence or a new argument to support the application.
- Defence Legal accepted two decisions for review on the basis that the applicant raised new arguments that had not been addressed in the original decisions. The original decision was upheld in both cases despite the new arguments raised, as the members were still unable to demonstrate a financial detriment. The review decisions were signed off by the Acting Director and General Counsel ~~of~~ Defence ~~Legal~~.

- On examination of claimants' circumstances, none of the 36 applications were able to show how their situation differed from those who the Ombudsman's commissioned modelling showed were generally better off having commuted. Most were in the cohort who used the commutation lump sum to help them purchase a house. As the claimants could not provide evidence of a financial detriment occurring ~~on the basis of~~ as a result of receiving misleading information, their CDDA claims cannot be approved.

4. Accuracy of information provided to DFRDB members

- The Ombudsman found that there were numerous examples of incorrect written and verbal information being circulated within Defence from commencement of the scheme in 1973 onwards.
- From the early 2000's onwards, the Ombudsman reported that Defence information provided to DFRDB members regarding commutation has been correct and clear and explains that commutation results in a permanent reduction to the pension.
- The Secretary of Defence and the Chief of the Defence Force issued a joint apology for Defence having provided incorrect advice in the past to some DFRDB members and for any confusion and emotional impact this may have caused.

5. Commutation

- Commutation is when a DFRDB member, on leaving the ADF, elects to convert a portion of their future retirement pension to a lump sum. The decision to commute is entirely voluntary. It is neither an advance nor a loan. The lump sum forms part of the member's retirement benefit and the pension is permanently reduced.
- The permanent reduction of the pension is to recognise that lump sum recipients obtain long-term advantage from the immediate use of their lump sum.
- The Australian Government Actuary (the Actuary) has advised that any changes to the DFRDB scheme itself, including changes to commutation or life expectancy factors would involve significant Commonwealth costs, both prospective and retrospective.
- The life expectancy factor is an element of the commutation calculation undertaken to determine a DFRDB member's lump sum and resultant pension benefit.
- The Actuary has also advised that the life expectancy factors should not be amended in isolation as they are a foundation principle of the DFRDB scheme, upon which all other benefits flow. Updating these factors will require updates to the overall scheme to effectively contemporise the scheme with how DFRDB would operate today.
- The Actuary has further advised that at the time of introduction of the DFRDB scheme, the use of the 1960-62 Australian Life Tables as a commutation factor was favourable to members relative to the alternative pension.

6. Indexation

- A beneficial change to indexation occurred in 2014 for DFRB and DFRDB retirement pay and reversionary recipients aged 55 and over. These pensions are now indexed in the same way as the age and service pensions paid by Services Australia and the Department of Veterans' Affairs respectively and consistent with the recommendations in the 2007 Review into Military Superannuation Arrangements (the Podger Review).

Questions (if asked)

1. What misleading information did Defence provide to DFRDB members?

- The Ombudsman found that there were numerous examples of incorrect written and verbal information being circulated within Defence from commencement of the scheme in 1973 onwards.
- The Ombudsman determined that the misleading and incorrect information helped create and reinforce a relatively widespread misunderstanding among DFRDB members that the retirement pay reduction due to commutation would cease on reaching life expectancy factor age.
- These included:
 - **Navy News (1982)** which described commutation as an "interest-free loan".
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 - **Navy pre-discharge handbook (1988)** which explained that "the commuted amount is repaid over your remaining life expectancy".

2. Why weren't DFRDB members provided compensation because of the misleading information they received?

- While the Ombudsman found that the misleading and incorrect information amounted to defective administration by Defence, he did not recommend compensation be provided ~~in a broad sense, as defective administration alone does not mean a financial detriment has occurred~~ to all the members who commuted because most, if not all of them were better off having elected to take the commutation lump sum.
- The Ombudsman found that while unlikely, he could not rule out that there may be cases that a member may have suffered a financial detriment due to being provided misleading information. He deemed that the CDDA scheme would be suitable for any such cases to be considered.

3. Why were the CDDA claims unsuccessful/denied?

- For compensation to be payable under the CDDA scheme, claimants must be able to show that they have sustained financial detriment and not just suffered financial disappointment.
- On examination of claimants' circumstances, none of the ~~36-38~~ applications were able to show how their situation differed from those who the Ombudsman's commissioned modelling ~~that~~ showed ~~they~~ were generally better off having commuted. Most were in the cohort who used the commutation lump sum to help them purchase a house.

4. What sort of claim would be successful?

- Claimants would have to show how their situation differed from those who the modelling commissioned by the Ombudsman ~~which showed they were generally better off having commuted.~~
- That is, claimants would also need to show that they are worse off having commuted than if they had stayed on the full pension. It is not enough to argue that they were disappointed the scheme was not as generous as they were led to believe it would be. provide evidence that they have sustained financial detriment and not just suffered financial disappointment.

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5. Can the claimant put in a new application if they have new information?

- In accordance with the CDDA guidelines administered by the Department of Finance, internal reviews under the CDDA scheme are at the discretion of the relevant Agency. Defence will generally review decisions if review is sought.
- Should a claimant's review be declined, they may request a review to be undertaken by the Ombudsman. Defence is not aware of any claimants requesting the Ombudsman review their application decision under the CDDA scheme.

6. How was the internal review process done and who completed these decisions?

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7. Who is the decision maker in the Department for claims?

- The Director, Employment Law and Discretionary Claims (previously Director, Special Financial Claims), in Defence Legal, made most of the decisions. Some decisions were made by the Assistant Director. One review decision was made by General Counsel-Defence.

8. How has the existence of the CDDA scheme been communicated to DFRDB members?

- Members were directed to the relevant webpage in the letter of apology from the Secretary and CDF dated 3 December 2019, which was published on the Defence website and as an annexure to the Ombudsman's report. Members are also directed to the apology and relevant webpage on the Defence website.
- The Ombudsman and CSC websites also directed members to the relevant webpage.
- Defence is also aware that affected DFRDB members were encouraged to claim by the Australian Defence Force Retirees Association Inc (ADFRA) on its website and in its newsletter. Many of the claims were copied directly from a template supplied to claimants by ADFRA

9. Why did the DFRDB scheme close?

- DFRDB closed in 1991 to new members based on the report and findings of the “DFRDB scheme review committee” (the 1990 Cole Review). The Review concluded that the DFRDB scheme was no longer appropriate for the majority of members of the ADF and did not adequately meet the ADF’s personnel management objectives.
- The Review recommended the creation of a new scheme, and the replacement scheme, MSBS, was designed on the recommendations on the Review and had bipartisan support.
- The Review consulted widely with the Defence community and paid particular importance to the unique nature of military service.
- The Review determined that the design of DFRDB was not consistent with the operating standards prescribed under the *Occupational Superannuation Standards Act 1987*, which regulated all superannuation schemes in both the private and public sectors.
- The Review also found DFRDB was particularly inappropriate for younger people joining the ADF as it *provided* a generous benefit” to those who serve for at least 20 years, but that it did not provide a return on member contributions for members who discharge before 20 years.
- The Review also observed that as DFRDB provided a lump sum commutation and pension payable when a member discharged with at least 20 years of service (regardless of age), the scheme did not encourage members to serve beyond 20 years.

- This resulted in a loss of experienced ADF members in the 20-22 years of service bracket, which was negatively impacting ADF personnel capability.
- The Government of the day, when announcing the Review advised serving members “...*that the benefits for which they are currently contributing will continue to be available to them when they leave the Defence Force*”.
- In 1991, DFRDB was closed to new members, but existing members could remain in DFRDB or elect to transfer to the new MSBS scheme. There was a period of 13 months provided, within which members could transfer from DFRDB to MSBS.

10. How is DFRDB funded?

- Funding for DFRDB pensions and entitlements is provided through Government appropriations, administered by Department of Finance.

11. How is the DFRDB legislation managed?

- The DFRDB scheme was established in 1973 under the *Defence Force Retirement and Death Benefits Act 1973*. Defence is responsible for the legislation and the policy relating to it. CSC, on behalf of the Government and Defence, administer DFRDB payments and entitlements for members.
- Neither Defence nor CSC have the authority to change DFRDB legislation, arrangements or rules of the scheme. Any changes to the legislation are a matter for the Government, as DFRDB is an Act of Parliament.

12. How could changes to DFRDB be made?

- Any changes to the legislation are a matter for the Government, as DFRDB is an Act of Parliament. There have been a number of reviews and amendments to DFRDB over the years, involving extensive consultation with members and veteran organisation.
- The design of the scheme is complex and would require Government actuarial consideration to assess the impacts of any changes. Changes to one element of the scheme may result in both advantages and disadvantages to members based on their circumstances, particularly if there are any retrospective changes to the scheme.
- The Government Actuary has previously advised that if the commutation factors for serving ADF members were changed and resulted in a higher benefit payable to members, it could potentially cost approximately \$200 million to \$300 million, but that this had not been formally costed.
- If the pensions of members who commuted were restored to their pre-commutation amount and indexed, consideration would have to be given to how to deal with members who chose not to commute, who would be put at a disadvantage by comparison.
- Any changes to DFRDB legislation would also need to consider the impact on those ADF members who made the election to either remain in DFRDB or elect to transfer to MSBS based on the scheme legislation which existed at that time.

13. What changes to the DFRDB legislation have occurred?

- There have been a number of amendments to the *DFRDB Act 1973* since its inception, some following extensive Government directed reviews which included consultation with the Defence community:

2014 – The indexation methodology for pensioners over the age of 55 changed and pensions are now indexed in the same way as age and service pensions. This is consistent with the recommendations in the 2007 Podger Review.

2008 – 2009 – Improvements were made to the eligibility requirements for some reversionary benefits.

2007 – Spouse pensions on remarriage were no longer cancelled.

2002 – Following the recommendation of the 2001 Watson Review, bi-annual CPI indexation was introduced.

1990 – A 3% productivity benefit was introduced for contributing members and dependent spouses on the death of a contributing member were offered the option to commute a portion of their pension. That is, they could take a lump sum in exchange for a permanent reduction to their pension.

1984 – The maximum amount of commutation available was increased progressively from four times annual rate of retirement pay in 1982 to five times annual rate of retirement pay in 2002.

1977 - Automatic annual indexation using CPI introduced.

14. What are the key issues raised by campaigners?

- There are a range of groups campaigning for beneficial changes to the DFRDB scheme. The general issues these groups are looking to have changed are:
 - a. For those who commuted, some are seeking to have pensions increased to pre-reduction levels should the member exceed their Life Expectancy Factor.
 - *Response: In accordance with the DFRDB Act, the decision to commute results in a permanent lifetime reduction in the member's pension.*
 - b. To replace the existing Life Expectancy factors (which are based off the 1960-62 Australian Life Tables) with contemporary Life Expectancy factors, reflecting current life expectancies, with the aim of increasing pension amounts.
 - *Response: The Actuary has advised that the life expectancy factors should not be amended in isolation as they are a foundation principle of the DFRDB scheme, upon which all other benefits flow. Updating these factors will require updates to the overall scheme to effectively contemporise the scheme with how DFRDB would operate today. There is also no guarantee that changes to these factors would result in increased pensions.*
 - c. To amend the current indexation arrangements as they believe that the CPI method has been inadequate over the years.
 - *Response: Indexation arrangements for DFRDB pensions have been reviewed several times, and most recently in 2014. The current indexation arrangements reflect the Government policy following that review.*

Burke, Kathryn MS

From: Prout, Cathy MRS
Sent: Monday, 17 May 2021 5:21 PM
To: Craig, Jayne CAPT - RAN; Lilley, Frank MR 2; Brown, Robert AIRCDRE 24
Cc: Kropinski-Myers, Margot MS; McSpeerin, Fiona MS
Subject: RE: Senate FADT References Committee - Inquiry into DFRDB [SEC=OFFICIAL]
Attachments: Attachment B2_ DFRDB Senate Inquiry Talking Points.docx; Attachment F_ CSC Submission into the accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members.pdf

OFFICIAL

Good afternoon all,

Further to the below, attached for your reference is the talking points we have prepared for FASPPC (David Nockels).

As per the below, we are hoping you are able to provide some talking points from the perspective of the ADFFSCC, particularly to address part G of the terms of reference "the level of understanding among DFRDB members about how the legislation works, and ways to improve this". In CSC's submission (also attached), they have addressed part G from their perspective – "that the information provided by CSC and its predecessors was 'at all times correct'" and that they implemented the Ombudsman's recommendation that CSC strengthen their wording.

Any input you could provide for David's briefing, that would be fantastic. We are due to pre-brief him tomorrow at 4:30 and he is due to appear on Thursday at 11:15.

Thanks

Cathy

Cathy Prout

Military Superannuation Policy
Directorate of Military Remuneration
People Policy & Employment Conditions
Department of Defence

BP33-03-082 | Brindabella Park | PO Box 7909 | Canberra BC | ACT 2610
P: (02) 5109 8335 M: s22 E: cathy.prout@defence.gov.au

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From: Craig, Jayne CAPT - RAN <jayne.craig@defence.gov.au>
Sent: Tuesday, 11 May 2021 10:59 AM
To: Lilley, Frank MR 2 <frank.lilley2@defence.gov.au>; Brown, Robert AIRCDRE 24 <robert.brown24@defence.gov.au>
Cc: Kropinski-Myers, Margot MS <margot.kropinski-myers@defence.gov.au>; Prout, Cathy MRS <cathy.prout@defence.gov.au>; McSpeerin, Fiona MS <fiona.mcspeerin@defence.gov.au>
Subject: Senate FADT References Committee - Inquiry into DFRDB [SEC=OFFICIAL]

OFFICIAL

Good morning Sir and Frank,

As you are aware the Senate Standing Committee on Foreign Affairs, Defence and Trade's is inquiring into *Accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members*. Details of the inquiry are provided in the email trail below. FYI, please find attached Defence's submission for and covering letter from the Secretary of the Department of Defence and the Chief of the Australian Defence Force.

We are preparing talking points for FAS PPC (David Nockels), who will be attending a committee hearing. The TPs will be based on the cover letter to the ADF submission (attached), however it would be appreciated if you could provide a few dot points, and a background paragraph regarding the ADFSCC, and the financial education and info that the Centre provides to current and former ADF members.

We will be able to send through a copy of the TPs after they have been drafted, but if you have any standard TPs that you have previously used, an early copy would be appreciated.
Your input by the end of this week would be appreciated.

Feel free to give myself or Cathy a call if you have any questions.

Regards,

Jayne Craig
CAPT RAN
Director Military Remuneration
People Policy and Employment Conditions
Department of Defence

BP33-03-046 | Brindabella Park | PO Box 7927 | Canberra BC | ACT 2610
P: (02) 5109 6240 | M: s22

IMPORTANT: This email remains the property of the Department of Defence. Unauthorised communication and dealing with the information in the email may be a serious criminal offence. If you have received this email in error, you are requested to contact the sender and delete the email immediately.

Inquiry into the accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members

On 18 March 2021, the Senate referred to the Foreign Affairs, Defence and Trade References Committee the following matter for inquiry and report by 24 June 2021:

The accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members, including:

- a. the accuracy of information provided to DFRDB members about the effects of commutation on future retirement pay entitlement, the consequences of this, and what remedial action (if any) could be taken;
- b. whether retirement payments were indexed as required by legislation and, if not, what remedial action (if any) could be taken;
- c. policy and legislative issues, including provisions for:
 - i. use of certain life expectancy tables,
 - ii. permanency of reductions to commuted pensions,

- iii. indexation arrangements; and
- d. recommendations on any potential changes to administrative arrangements, policy or legislation;
- e. advice on costs associated with any recommendations;
- f. all relevant existing information and previous reviews in relation to DFRDB, including the findings of the Ombudsman's investigation;
- g. the level of understanding among DFRDB members about how the legislation works, and ways to improve this; and
- h. any related issues.

The purpose of this letter is to draw your attention to the inquiry and to invite you or your organisation to make a written submission to the committee by 30 April 2021.

The committee prefers to receive submissions online as an attached document by accessing the committee website and selecting the Upload Submission Online link: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/DFRDB

Alternatively, submissions may be emailed as an attached document to fadt.sen@aph.gov.au or mailed to the address below:

Committee Secretary
Senate Foreign Affairs, Defence and Trade References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Information relating to Senate committee inquiries, including notes to assist in the preparation of submissions for a committee, can be located on the internet at [https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Making a submission](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Making_a_submission).

DFRDB Senate Inquiry Talking Points

1. DFRDB Scheme Overview

- The Defence Force Retirement and Death Benefits (DFRDB) scheme is a fully unfunded defined benefit arrangement that was introduced in 1973 following the 1972 report of the Joint Select Committee (the Jess Committee).
- The Jess Committee recommended that the scheme at the time, the Defence Forces Retirement Benefits (DFRB) scheme, be closed due to its complexity.
- DFRDB closed to new members on 30 September 1991 when the Military Superannuation and Benefits Scheme (MSBS) was introduced, following the 1990 Cole Review.
- Contributing members of DFRDB were able to elect to transfer from DFRDB to MSBS from 1 October 1991 until 30 September 1992. It was not compulsory for members to transfer schemes.
- From 1 July 2016 DFRDB was closed to re-entering members which were DFRDB pensioners who re-joined the ADF.
- As at 14 May 2021, the DFRDB scheme consisted of:

DFRDB contributors (current serving ADF members)		
Total	Average age	Average years of service
898	54.6	35.1

DFRDB pensioners			
	Ex-serving ADF members	Spouses	Children
Total	42,450	10,547	163
Average age	68.3	74.8	17.2

2. Reviews of DFRDB (including 2019 Ombudsman)

- The DFRDB scheme or elements of have been reviewed from time to time since the scheme began in 1973. A number of amendments to the scheme have occurred during this period, with some to the benefit of members.
- The most recent review of DFRDB was the 2019 independent investigation undertaken by the Commonwealth Ombudsman into the administration of the DFRDB scheme.
- The Ombudsman found that misleading information amounting to defective administration was provided to some members by Defence personnel in relation to the DFRDB commutation benefit.
- The Commonwealth Ombudsman was satisfied the decision to commute was not likely to have caused a financial loss, relative to the other available option of not commuting and concluded that it was not appropriate to recommend compensation in a broad sense.

3. Compensation for Detriment caused by Defective Administration scheme (CDDA scheme)

- The Commonwealth Ombudsman found that while unlikely, he could not rule out that there may be cases that a member may have suffered a financial detriment due to being provided misleading information. He deemed that the CDDA scheme would be suitable for any such cases to be considered.
- As at 12 May 2021, Defence has received 38 claims under the CDDA scheme. 36 claims were assessed and found to be unsuccessful. Two claims were withdrawn after discussion or correspondence.
- Two of the 36 claims assessed subsequently sought an internal review of Defence's original decision.
- In accordance with the CDDA guidelines administered by the Department of Finance, internal reviews under the CDDA scheme are at the discretion of the relevant Agency. Defence is open to reviewing decisions if there is new evidence or a new argument to support the application.
- Defence Legal accepted two decisions for review on the basis that the applicant raised new arguments that had not been addressed in the original decisions. The original decision was upheld in both cases despite the new arguments raised, as the members were still unable to demonstrate a financial detriment. The review decisions were signed off by the Acting Director and General Counsel of Defence Legal.

- On examination of claimants' circumstances, none of the 36 applications were able to show how their situation differed from those who the Ombudsman's commissioned modelling showed were generally better off having commuted. Most were in the cohort who used the commutation lump sum to help them purchase a house. As the claimants could not provide evidence of a financial detriment occurring on the basis of receiving misleading information, their CDDA claims cannot be approved.

4. Accuracy of information provided to DFRDB members

- The Ombudsman found that there were numerous examples of incorrect written and verbal information being circulated within Defence from commencement of the scheme in 1973 onwards.
- From the early 2000's onwards, the Ombudsman reported that Defence information provided to DFRDB members regarding commutation has been correct and clear and explains that commutation results in a permanent reduction to the pension.
- The Secretary of Defence and the Chief of the Defence Force issued a joint apology for Defence having provided incorrect advice in the past to some DFRDB members and for any confusion and emotional impact this may have caused.

5. Commutation

- Commutation is when a DFRDB member, on leaving the ADF, elects to convert a portion of their future retirement pension to a lump sum. The decision to commute is entirely voluntary. It is neither an advance nor a loan. The lump sum forms part of the member's retirement benefit and the pension is permanently reduced.
- The permanent reduction of the pension is to recognise that lump sum recipients obtain long-term advantage from the immediate use of their lump sum.
- The Australian Government Actuary (the Actuary) has advised that any changes to the DFRDB scheme itself, including changes to commutation or life expectancy factors would involve significant Commonwealth costs, both prospective and retrospective.
- The life expectancy factor is an element of the commutation calculation undertaken to determine a DFRDB member's lump sum and resultant pension benefit.
- The Actuary has also advised that the life expectancy factors should not be amended in isolation as they are a foundation principle of the DFRDB scheme, upon which all other benefits flow. Updating these factors will require updates to the overall scheme to effectively contemporise the scheme with how DFRDB would operate today.
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- The Review recommended the creation of a new scheme, and the replacement scheme, MSBS, was designed on the recommendations on the Review and had bipartisan support.
- The Review consulted widely with the Defence community and paid particular importance to the unique nature of military service.
- The Review determined that the design of DFRDB was not consistent with the operating standards prescribed under the *Occupational Superannuation Standards Act 1987*, which regulated all superannuation schemes in both the private and public sectors.
- The Review also found DFRDB was particularly inappropriate for younger people joining the ADF as it *provided* a generous benefit” to those who serve for at least 20 years, but that it did not provide a return on member contributions for members who discharge before 20 years.
- The Review also observed that as DFRDB provided a lump sum commutation and pension payable when a member discharged with at least 20 years of service (regardless of age), the scheme did not encourage members to serve beyond 20 years.

- This resulted in a loss of experienced ADF members in the 20-22 years of service bracket, which was negatively impacting ADF personnel capability.
- The Government of the day, when announcing the Review advised serving members “...*that the benefits for which they are currently contributing will continue to be available to them when they leave the Defence Force*”.
- In 1991, DFRDB was closed to new members, but existing members could remain in DFRDB or elect to transfer to the new MSBS scheme. There was a period of 13 months provided, within which members could transfer from DFRDB to MSBS.

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11. How is the DFRDB legislation managed?

- The DFRDB scheme was established in 1973 under the *Defence Force Retirement and Death Benefits Act 1973*. Defence is responsible for the legislation and the policy relating to it. CSC, on behalf of the Government and Defence, administer DFRDB payments and entitlements for members.
- Neither Defence nor CSC have the authority to change DFRDB legislation, arrangements or rules of the scheme. Any changes to the legislation are a matter for the Government, as DFRDB is an Act of Parliament.

12. *How could changes to DFRDB be made?*

- Any changes to the legislation are a matter for the Government, as DFRDB is an Act of Parliament. There have been a number of reviews and amendments to DFRDB over the years, involving extensive consultation with members and veteran organisation.
- The design of the scheme is complex and would require Government actuarial consideration to assess the impacts of any changes. Changes to one element of the scheme may result in both advantages and disadvantages to members based on their circumstances, particularly if there are any retrospective changes to the scheme.
- The Government Actuary has previously advised that if the commutation factors for serving ADF members were changed and resulted in a higher benefit payable to members, it could potentially cost approximately \$200 million to \$300 million, but that this had not been formally costed.
- Any changes to DFRDB legislation would also need to consider the impact on those ADF members who made the election to either remain in DFRDB or elect to transfer to MSBS based on the scheme legislation which existed at that time.

13. What changes to the DFRDB legislation have occurred?

- There have been a number of amendments to the *DFRDB Act 1973* since its inception, some following extensive Government directed reviews which included consultation with the Defence community:

2014 – The indexation methodology for pensioners over the age of 55 changed and pensions are now indexed in the same way as age and service pensions. This is consistent with the recommendations in the 2007 Podger Review.

2008 –2009 –Improvements were made to the eligibility requirements for some reversionary benefits.

2007 – Spouse pensions on remarriage were no longer cancelled.

2002 – Following the recommendation of the 2001 Watson Review, bi-annual CPI indexation was introduced.

1990 – A 3% productivity benefit was introduced for contributing members and dependent spouses on the death of a contributing member were offered the option to commute a portion of their pension. That is, they could take a lump sum in exchange for a permanent reduction to their pension.

1984 – The maximum amount of commutation available was increased progressively from four times annual rate of retirement pay in 1982 to five times annual rate of retirement pay in 2002.

1977 - Automatic annual indexation using CPI introduced.

14. What are the key issues raised by campaigners?

- There are a range of groups campaigning for beneficial changes to the DFRDB scheme. The general issues these groups are looking to have changed are:
 - a. For those who commuted, some are seeking to have pensions increased to pre-reduction levels should the member exceed their Life Expectancy Factor.
 - *Response: In accordance with the DFRDB Act, the decision to commute results in a permanent lifetime reduction in the member's pension.*
 - b. To replace the existing Life Expectancy factors (which are based off the 1960-62 Australian Life Tables) with contemporary Life Expectancy factors, reflecting current life expectancies, with the aim of increasing pension amounts.
 - *Response: The Actuary has advised that the life expectancy factors should not be amended in isolation as they are a foundation principle of the DFRDB scheme, upon which all other benefits flow. Updating these factors will require updates to the overall scheme to effectively contemporise the scheme with how DFRDB would operate today. There is also no guarantee that changes to these factors would result in increased pensions.*
 - c. To amend the current indexation arrangements as they believe that the CPI method has been inadequate over the years.
 - *Response: Indexation arrangements for DFRDB pensions have been reviewed several times, and most recently in 2014. The current indexation arrangements reflect the Government policy following that review.*



Australian Government
Commonwealth Superannuation Corporation

29 April 2021

Committee Secretary
Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
fadt.sen@aph.gov.au

Dear Secretary

Submission to the Senate Standing Committee on Foreign Affairs, Defence and Trade Inquiry into the accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members.

Please find attached the Commonwealth Superannuation Corporation (CSC) submission to the Senate Inquiry into the accuracy of information provided to DFRDB members, which is currently being conducted by the Senate Standing Committee on Foreign Affairs, Defence and Trade.

CSC's obligation as the body legally responsible for the administration of the DFRDB Scheme is to apply the relevant legislation and calculate retirees' entitlements correctly. We are satisfied this has occurred in the past and CSC will continue to do so in the future.

We trust this submission will be of assistance to the Committee's Inquiry.

Yours sincerely

Alana Scheiffers
General Counsel



**Commonwealth
Superannuation
Corporation**

Commonwealth Superannuation Corporation (CSC)
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The Commonwealth Superannuation Corporation welcomes the opportunity to respond to the Senate Standing Committee on Foreign Affairs, Defence and Trade Inquiry into the accuracy of information provided to DFRDB members.

BACKGROUND

The DFRDB Scheme was enacted by *the Defence Force Retirement and Death Benefits Act 1973* ('DFRDB Act').

CSC assumed responsibility for the DFRDB Scheme on 1 July 2011: see *Governance of Australian Government Superannuation Schemes Act 2011*. At that time, ComSuper was the statutorily appointed administrator of the DFRDB Scheme. ComSuper ceased to exist from 1 July 2015, when it merged into CSC.

Before 1 July 2011, the DFRDB Scheme was administered by the Defence Force Retirement and Death Benefits Authority (DFRDB Authority) established under the DFRDB Act.

The Australian Government Retirement Benefits Office (AGRBO) (later the Retirement Benefits Office (RBO) and then ComSuper) was responsible for the day-to-day administration of the DFRDB Scheme on behalf of the DFRDB Authority in the period from 1973 to 2011.

RESPONSE TO TERMS OF REFERENCE

Schedule a) - the accuracy of information provided to DFRDB members about the effects of commutation on future retirement pay entitlement, the consequences of this, and what remedial action (if any) could be taken;

An independent investigation conducted by the Commonwealth Ombudsman has concluded that the information provided by CSC and its predecessors was 'at all times correct'¹.

CSC participated to the full extent possible in that investigation and, even though CSC did not exist for the vast majority of the period in question, 'CSC provided a large quantity of historical documents' dating back some 40 years to the Ombudsman². The Ombudsman found that CSC was 'responsive and co-operative' in providing 'significant amounts of information going back many decades'.³

Schedule b) - whether retirement payments were indexed as required by legislation and, if not, what remedial action (if any) could be taken;

An independent inquiry conducted by the Commonwealth Ombudsman has concluded indexation has been properly applied to DFRDB pensions by CSC and its predecessors. No remedial action is required.

Annual indexation of DFRDB pensions was introduced from 1 July 1976. Subsequent indexation arrangements were legislated from time to time.

Schedule c) - policy and legislative issues, including provisions for:

- i. use of certain life expectancy tables,
- ii. permanency of reductions to commuted pensions,
- iii. indexation arrangements;

¹ Foreword https://www.ombudsman.gov.au/data/assets/pdf_file/0021/109128/FINAL-DFRDB-investigation-report.pdf

² 3.20 https://www.ombudsman.gov.au/data/assets/pdf_file/0021/109128/FINAL-DFRDB-investigation-report.pdf

³ Foreword https://www.ombudsman.gov.au/data/assets/pdf_file/0021/109128/FINAL-DFRDB-investigation-report.pdf

As the DFRDB Scheme operates under legislation, any changes would have to be made by amending legislation passed by Federal Parliament.

The Department of Defence is responsible for the policy underlying the DFRDB Scheme. Concerns with the operation of the DFRDB Act are a matter of policy and not within CSC's scope as the administrator of the DFRDB scheme.

Schedule d) - recommendations on any potential changes to administrative arrangements, policy or legislation;

In June 2018, the Office of the Hon Darren Chester MP, as Minister for Veteran's Affairs and Defence Personnel, wrote to a CSC customer noting the Government had enacted beneficial changes to indexation in 2014 and stated 'there are no plans to make further changes to the DFRB and DFRDB schemes.'

CSC is not aware of any changes to this Government policy since 2018.

Schedule e) - advice on costs associated with any recommendations;

The Department of Defence is responsible for the policy underlying the DFRDB Scheme. Concerns with the operation of the DFRDB Act are not within our scope as the administrator of the DFRDB scheme⁴.

Depending on what changes are recommended, the costs could be substantial and would likely require additional funding to be provided to CSC to make the changes.

Schedule f) - all relevant existing information and previous reviews in relation to DFRDB, including the findings of the Ombudsman's investigation;

In December 2019, The Ombudsman released its Investigation report into the DFRDB scheme.

In May 2020, CSC implemented all the (relatively minor) recommendations outlined in the Ombudsman's investigation report. CSC later provided the Ombudsman with material confirming that implementation was successful.

In August 2020, after reviewing the material provided, the Ombudsman stated it was satisfied the recommendations had been implemented.

Schedule g) - the level of understanding among DFRDB members about how the legislation works, and ways to improve this;

Comprehensive material about commutation was issued over the years, including circulars, letters and publications. The information provided by CSC and its predecessors was 'at all times correct'⁵ and people could obtain information and confirm their understanding prior to making an election to commute.

Recommendations from the Ombudsman's Inquiry, which included strengthened wording to our already comprehensive information, were implemented by CSC in a timely manner.

For all our contributors and pensioners, CSC publishes detailed material on key issues such as retirement benefits and commutation on our website, www.csc.gov.au. We strongly suggest that pensioners and contributors visit our website on a regular basis and thoroughly familiarise themselves with their entitlements.

⁴ 5.18 https://www.ombudsman.gov.au/_data/assets/pdf_file/0021/109128/FINAL-DFRDB-investigation-report.pdf

⁵ Foreword https://www.ombudsman.gov.au/_data/assets/pdf_file/0021/109128/FINAL-DFRDB-investigation-report.pdf

Schedule h) - any related issues

Anecdotally, we are aware that the commutation option has been highly regarded by members of the Defence Force as it has assisted people to make the transition to civilian life (including allowing them to make choices for their financial future, such as paying off loans and/or purchasing property).

IN CONCLUSION

CSC's obligation as the body legally responsible for the administration of the DFRDB Act is to apply the Act and calculate retirees' entitlements correctly. We are satisfied this has occurred in the past and CSC will continue to do so in the future.

Burke, Kathryn MS

From: Kropinski-Myers, Margot MS
Sent: Wednesday, 19 May 2021 1:21 PM
To: Prout, Cathy MRS
Subject: FW: Senate FADT References Committee - Inquiry into DFRDB [SEC=OFFICIAL]
Importance: High

OFFICIAL

Cathy

for your awareness please see response from the Centres, hopefully we are not to late.

Warm regards

Margot Kropinski-Myers

Director National Operations
ADF Financial Services Consumer Centre
People Capability Division
Defence People Group
Department of Defence

www.adfconsumer.gov.au

A: BP35-3-011 Brindabella Business Park P: PO Box 7909 Canberra BC ACT 2610

M: s22



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From: Robert Brown <s22>
Sent: Wednesday, 19 May 2021 12:45 PM
To: Craig, Jayne CAPT - RAN <jayne.craig@defence.gov.au>
Cc: Frank Lilley <frank.lilley@adfconsumer.gov.au>; Kropinski-Myers, Margot MS <margot.kropinski-myers@defence.gov.au>
Subject: Re: Senate FADT References Committee - Inquiry into DFRDB [SEC=OFFICIAL]
Importance: High

⚠ EXTERNAL EMAIL: Do not click any links or open any attachments unless you trust the sender and know the content is safe. **⚠**

Hi Jayne,

Thanks for your email. I didn't see your email to the DRN as it works intermittently for me as a reservist. Right now it's off the air! So apologies for no response. Frank is in Darwin on business, so I'll respond on behalf of both of us. Here are a few points, particularly with respect to item (g):

- 1) The principal education role on the **specifics** of DFRDB is the responsibility of CSC which is the trustee. The Centre provides **general education** about superannuation, but refers personal and technical queries and problems about DFRDB to CSC;
- 2) As trustee, their statutory role is to operate the fund in the members' best interests which includes keeping members informed by general communication and responses to specific enquiries, both before they leave Defence and afterwards in pension phase (during which time former ADF members are still members of DFRDB);
- 3) These days, there are few members left in the ADF who are also members of DFRDB (the latter closed to new members 30 years ago and most people moved to MSBS);
- 4) As a result of 3) above, most of the education offerings to existing ADF members concentrate on MSBS and ADF Super, although education is available to DFRDB members (more on this below);
- 5) Members of DFRDB are encouraged to request free one-on-one conversations with CSC people and to arrange personal financial advice with a CSC (or their own) licensed adviser if they need more;
- 6) Defence (of which the ADF Financial Services Consumer Centre is a part) encourages CSC to offer seminars and one-on-ones to all current ADF members (and veterans). As a result, CSC educators offer regular presentations throughout Australia, although the concentration on DFRDB is naturally limited due to the small numbers;
- 7) Recently (interrupted by COVID), the Centre has started a collaboration with CSC to facilitate more joint superannuation education programs on bases. A recent one occurred two weeks ago at Randwick Barracks. It was very well received. The format is an introduction by the Centre to explain the role of the trustee (a mystery to some members), followed by a CSC presentation, then questions facilitated by the Centre, followed by one-on-ones. Naturally, these program are substantially oriented towards MSBS, but include the opportunity for DFRDB members to ask questions and seek one-on-one consultations with CSC;
- 8) Our observation is that the quality of CSC's on-line and face-to-face education offering is high and well-received;
- 9) Our observation is that most DFRDB members are quite well informed, given their age and consequent level of interest in their superannuation. Unlike many younger people, this group is also motivated to understand their superannuation entitlements. Nevertheless, superannuation (especially defined benefit funds) is a complex topic and requires constant education and repetition of principal themes;
- 10) It will be important that the education and opportunities for consultations on DFRDB continues beyond transition from the ADF.

I trust this helps. If you have any queries, don't hesitate to ask.

regards,

Robert

Air Commodore Robert M C Brown AM FCA
Chair
ADF Financial Services Consumer Centre

s22

www.adfconsumer.gov.au

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From: Craig, Jayne CAPT - RAN <jayne.craig@defence.gov.au>
Sent: Tuesday, 18 May 2021 4:31 PM
To: Kropinski-Myers, Margot MS <margot.kropinski-myers@defence.gov.au>
Cc: Prout, Cathy MRS <cathy.prout@defence.gov.au>
Subject: RE: Senate FADT References Committee - Inquiry into DFRDB [SEC=OFFICIAL]

OFFICIAL

Hi Margot, I meant to drop round to discuss this SI with you. I haven't heard anything from Robert or Frank following my email of last week.

Do you have some TPs on hand that we can use for the SI?

Regards,

Jayne Craig
CAPT RAN
Director Military Remuneration
People Policy and Employment Conditions
Department of Defence

BP33-03-046 | Brindabella Park | PO Box 7927 | Canberra BC | ACT 2610
P: (02) 5109 6240 | M: s22

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From: Prout, Cathy MRS <cathy.prout@defence.gov.au>
Sent: Monday, 17 May 2021 5:21 PM
To: Craig, Jayne CAPT - RAN <jayne.craig@defence.gov.au>; Lilley, Frank MR 2 <frank.lilley2@defence.gov.au>; Brown, Robert AIRCDRE 24 <robert.brown24@defence.gov.au>
Cc: Kropinski-Myers, Margot MS <margot.kropinski-myers@defence.gov.au>; McSpeerin, Fiona MS <fiona.mcspeerin@defence.gov.au>
Subject: RE: Senate FADT References Committee - Inquiry into DFRDB [SEC=OFFICIAL]

OFFICIAL

Good afternoon all,

Further to the below, attached for your reference is the talking points we have prepared for FASPPC (David Nockels).

As per the below, we are hoping you are able to provide some talking points from the perspective of the ADFSCC, particularly to address part G of the terms of reference “the level of understanding among DFRDB members about how the legislation works, and ways to improve this”. In CSC’s submission (also attached), they have addressed part G from their perspective – “that the information provided by CSC and its predecessors was ‘at all times correct’” and that they implemented the Ombudsman’s recommendation that CSC strengthen their wording.

Any input you could provide for David’s briefing, that would be fantastic. We are due to pre-brief him tomorrow at 4:30 and he is due to appear on Thursday at 11:15.

Thanks

Cathy

Cathy Prout

Military Superannuation Policy
Directorate of Military Remuneration
People Policy & Employment Conditions
Department of Defence

BP33-03-082 | Brindabella Park | PO Box 7909 | Canberra BC | ACT 2610
P: (02) 5109 8335 M: s22 E: cathy.prout@defence.gov.au

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From: Craig, Jayne CAPT - RAN <jayne.craig@defence.gov.au>
Sent: Tuesday, 11 May 2021 10:59 AM
To: Lilley, Frank MR 2 <frank.lilley2@defence.gov.au>; Brown, Robert AIRCDRE 24 <robert.brown24@defence.gov.au>
Cc: Kropinski-Myers, Margot MS <margot.kropinski-myers@defence.gov.au>; Prout, Cathy MRS <cathy.prout@defence.gov.au>; McSpeerin, Fiona MS <fiona.mcspeerin@defence.gov.au>
Subject: Senate FADT References Committee - Inquiry into DFRDB [SEC=OFFICIAL]

OFFICIAL

Good morning Sir and Frank,

As you are aware the Senate Standing Committee on Foreign Affairs, Defence and Trade’s is inquiring into *Accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members*. Details of the inquiry are provided in the email trail below. FYI, please find attached Defence’s submission for and covering letter from the Secretary of the Department of Defence and the Chief of the Australian Defence Force.

We are preparing talking points for FAS PPC (David Nockels), who will be attending a committee hearing. The TPs will be based on the cover letter to the ADF submission (attached), however it would be appreciated if you could provide a few dot points, and a background paragraph regarding

the ADFSCC, and the financial education and info that the Centre provides to current and former ADF members.

We will be able to send through a copy of the TPs after they have been drafted, but if you have any standard TPs that you have previously used, an early copy would be appreciated.
Your input by the end of this week would be appreciated.

Feel free to give myself or Cathy a call if you have any questions.

Regards,

Jayne Craig
CAPT RAN
Director Military Remuneration
People Policy and Employment Conditions
Department of Defence

BP33-03-046 | Brindabella Park | PO Box 7927 | Canberra BC | ACT 2610
P: (02) 5109 6240 | M: s22

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Inquiry into the accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members

On 18 March 2021, the Senate referred to the Foreign Affairs, Defence and Trade References Committee the following matter for inquiry and report by 24 June 2021:

The accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members, including:

- a. the accuracy of information provided to DFRDB members about the effects of commutation on future retirement pay entitlement, the consequences of this, and what remedial action (if any) could be taken;
- b. whether retirement payments were indexed as required by legislation and, if not, what remedial action (if any) could be taken;
- c. policy and legislative issues, including provisions for:
 - i. use of certain life expectancy tables,
 - ii. permanency of reductions to commuted pensions,
 - iii. indexation arrangements; and
- d. recommendations on any potential changes to administrative arrangements, policy or legislation;
- e. advice on costs associated with any recommendations;
- f. all relevant existing information and previous reviews in relation to DFRDB, including the findings of the Ombudsman's investigation;

- g. the level of understanding among DFRDB members about how the legislation works, and ways to improve this; and
- h. any related issues.

The purpose of this letter is to draw your attention to the inquiry and to invite you or your organisation to make a written submission to the committee by 30 April 2021.

The committee prefers to receive submissions online as an attached document by accessing the committee website and selecting the Upload Submission Online link: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/DFRDB

Alternatively, submissions may be emailed as an attached document to fadt.sen@aph.gov.au or mailed to the address below:

Committee Secretary
Senate Foreign Affairs, Defence and Trade References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Information relating to Senate committee inquiries, including notes to assist in the preparation of submissions for a committee, can be located on the internet at [https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Making a submission](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Making_a_submission).

Hoogland, Lewis MR 1

From: Hoogland, Lewis MR 1
Sent: Wednesday, 19 May 2021 1:43 PM
To: Prout, Cathy MRS
Subject: ADFFSCC draft TPs
Attachments: Document2.docx

OFFICIAL

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How does Defence currently ensure there is a high level of understanding about the DFRDB scheme among members and pensioners?

- The principle education role on the specifics of the all Military superannuation schemes, including DFRDB is the responsibility of CSC.
- Defence established the ADF Financial Services Consumer Centre in 2006 to provide financial and consumer education to ADF members, but not personal advice. The Centre provides resource material to assist members to make informed decisions and plans about their financial affairs and options, including superannuation.
- The Centre encourages ADF members to request free one-on-one conversations with CSC educators and to arrange personal financial advice with a licensed advisor.
- CSC educators offer regular presentations throughout Australia
- The Centre has started a collaboration with CSC to facilitate more joint superannuation education programs on bases. The format is an introduction by the Centre to explain the role of the trustee followed by a CSC presentation, then questions facilitated by the Centre, followed by one-on-ones. While these programs are oriented towards MSBS, they include the opportunity for DFRDB members to ask questions and seek one-on-one consultations with CSC;

Burke, Kathryn MS

From: Prout, Cathy MRS
Sent: Thursday, 20 May 2021 10:41 AM
To: Nockels, David MR; Webster, Donna MS
Cc: Craig, Jayne CAPT - RAN; 1 Reilly (anthony.reilly1@defence.gov.au)
Subject: Extract of Jess Committee - Commutation [SEC=OFFICIAL]

OFFICIAL

Hi David,

For your reference, Ellerbock referenced the Jess Committee saying it was an “interest-free loan” I can’t find any reference to that. The extract from the recommendation was:

(14) COMMUTATION

- (a) That provided that the option is exercised within twelve months from date of retirement a recipient member should be entitled to commute an amount not exceeding four times the amount of the annual retired pay entitlement payable to him in the first year of his retirement.*
- (b) That retired pay proportionately reduced in relation to commutation remain payable after commutation.*
- (c) That for the purpose of determining a widow's entitlement commutation should be disregarded.*
- (d) That invalid pay and a widow's annuity should not be capable of commutation.*
- (e) That the implementation of this proposal should not affect existing rights of pensioners under the existing D.F.R.B. legislation.*

The only reference to loans we can find are about gratuities, and that loans in the scheme shouldn’t be offered.

Thanks

Cathy

Cathy Prout

Military Superannuation Policy
Directorate of Military Remuneration
People Policy & Employment Conditions
Department of Defence

BP33-03-082 | Brindabella Park | PO Box 7909 | Canberra BC | ACT 2610
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