

### The MSBS—what is it?

All new Australian Defence Force (ADF) entrants must become members of the MSBS. The MSBS, or MilitarySuper, is the Military Superannuation and Benefits Scheme—the superannuation scheme that covers most members of the Australian Defence Force.

The Scheme is managed by a Board of Trustees, in which equal representation is given to employees (MSBS members) and the employer (the Commonwealth). The general administration of the Scheme is undertaken by ComSuper in Canberra. Money collected through your contributions is invested by Board-appointed fund managers in balanced investment portfolios, in accordance with policies determined by the Board of Trustees.

The MSBS is governed by the Military Superannuation and Benefits Act 1991 (the Act), a Trust Deed and Rules. It complies with the standards set down in the Superannuation Industry (Supervision) Act 1993 (SIS).

#### Five highlights:

- The employer benefit is calculated on your salary in the last three years of service, complemented by an excellent employer benefit accrual rate;
- Excellent insurance cover (death and invalidity);
- No fees or charges payable by you—all are met by your employer;
- Attractive lump sum/pension conversion rates. Pensions are subject to full CPI updating; and
- The member benefit accumulates separately from your employer funded benefit.

### Your contributions

As a Scheme member, you must contribute at least 5 per cent of your superannuation salary into the MSB Fund. Your salary for superannuation purposes includes Service Allowance, Higher Duties Allowance and payments for acting or temporary rank. All other allowances are excluded.

If you can afford it, you may increase your contributions to a maximum of 10 per cent, in multiples of 1 per cent. You cannot change your rate of contributions more than once every three months. Contributions above 5 per cent will increase your member benefit but will not have any effect on your employer benefit. Whatever rate you choose, your contributions will be deducted automatically from your pay every fortnight.

### Investment choice

From 1 July 2003 MilitarySuper offers you a choice of five investment strategies in which you can invest your contributions. You can choose one or a combination of strategies. And, you can change your strategy at any time.

If you do not make a choice your contributions will be invested in the default strategy which is the growth strategy.

Before making a choice you should read the publication Take control of your future which is your guide to investment choice. See the MilitarySuper website for more details.

### Scheme benefits

The MSBS provides retirement benefits primarily in the form of lump sums but with attractive pension options. Access to lump sum benefits is determined by your preservation age. Your preservation age is determined by your date of birth, as shown in the following table:

Date of birth	Preservation Age
Before July 1960	55
July 1960 – June 1961	56
July 1961 – June 1962	57
July 1962 – June 1963	58
July 1963 – June 1964	59
After June 1964	60

When you leave the ADF, you will have an accrued superannuation entitlement that consists of a member benefit and an employer benefit. Before reaching preservation age you can take the part of your member benefit that accrued before 1 July 1999 (if any) as a lump sum when you leave the MSBS. The rest of your member benefit, or all of it if you joined after 30 June 1999, must remain preserved in the MSBS Fund or in a rollover fund until you reach your preservation age and retire from the workforce.

Your employer benefit must remain preserved in the Scheme until at least age 55, at which time you have access to it as a CPI indexed pension but no part of it can be paid to you as lump sum until you have reached your preservation age and retired from the workforce. At age 55, however, you can rollover the employer component of your benefit to another complying superannuation fund.

### Summary of benefits

There are two completely separate parts to your MilitarySuper benefits. These are:

- Your member benefit which is the contributions you pay plus the interest they earn; and
- The employer benefit which is calculated as a multiple of your final average salary when you leave the ADF. The multiple depends on your years of service.

### Benefit parts in detail

#### The member benefit

The member benefit is only payable as a lump sum of your contributions plus interest. You cannot convert it to an MSBS pension. In the language of superannuation the member benefit is 'taxed', which means that your contributions are paid into an investment fund where they earn interest. Therefore the value of your member benefit lump sum depends on the rate of contributions you pay and the investment performance of the MSB Fund.

You don't have to take any part of your member benefit when you leave the ADF. If you wish, you may leave it in the Fund until as late as age 65, where it will continue to accrue interest according to the Fund's investment performance.

As explained earlier:

- If you joined the scheme after 30 June 1999 you must continue to preserve all of the member benefit, either in the MilitarySuper Fund or in a rollover fund until you reach your preservation age and retire from the workforce.

If you joined Military Super before 1 July 1999 that part of your member benefit that accrued up until 30 June 1999 can be paid to you at any time after leaving the ADF—either as a single lump sum or in multiples of \$10 000. There must be at least a six-month interval between withdrawals. An administrative charge may be applied to all withdrawals (except the first).

#### The employer benefit

The employer benefit is a lump sum amount which depends on your length of service and your Final Average Salary (FAS). FAS is your average superannuation salary over the last three years (1 095 days) of your Defence Force service. The employer benefit is generally not payable in full until you have left the workforce after reaching your compulsory preservation age, although you may be able to access part of it if you can show that you are in financial hardship or that compassionate grounds exist. As discussed earlier, you can rollover the employer benefit to another regulated superannuation fund when you reach age 55, but you cannot access it as a lump sum before preservation age.

The employer benefit consists of two parts:

- a taxed component, which represents the 3 per cent productivity superannuation contributions paid into the Fund by the Department of Defence on your behalf, plus interest; and
- an untaxed component, paid by the Commonwealth, which is what is left after the taxed component has been subtracted from the total employer benefit.

The total employer benefit is calculated by applying a multiple derived from your length of service to your FAS, as shown in the following table:

### Employer benefit growth table

Years of service	% of FAS per year
Enlistment to 7 years	18%
7 years 1 day to 20 years	23%
20 years 1 day onward	28%

The employer benefit is worked out according to the number of completed years and days of service, as in the following example.

### Example: calculation of employer benefit (lump sum)

Sgt McMillan resigns at age 44 after serving for 21 years. His FAS is \$52 300. His preservation age is 57. He is entitled to the following employer benefit:

7 years @ 18%	=	1.26 times FAS
13 years @ 23%	=	2.99 times FAS
1 year @ 28%	=	0.28 times FAS
Total	=	4.53 times FAS
	=	$4.53 \times \$52\ 300$
	=	\$236 919

That sum must be preserved in the Scheme until Sgt McMillan reaches age 55.

Sgt McMillan's taxed component (the 3 per cent productivity contributions plus interest) totalled \$14 600. This amount continues to grow according to the Fund's investment performance. The balance (the untaxed component) was \$222 319. This is indexed to the CPI whilst preserved in the Scheme.

When Sgt McMillan reaches age 55 he can take all of his employer benefit as an indexed pension. He cannot take any part of the employer benefit as a lump sum until he reaches preservation age and retires from the workforce but he can rollover the employer benefit to another superannuation or rollover fund at any time after reaching age 55.

His benefit will be subject to proportioning rules. He can leave his employer benefit preserved in Military Super until age 65, or after attaining age 55 his options are:

- to claim it as part (minimum 50%) or full pension at any time. If only part of the employer benefit is claimed as pension the balance must be rolled over as a preserved amount if under preservation age and/or still in the workforce, or
- withdraw and roll over the total employer benefit at any time, or
- claim the total employer benefit as a lump sum on attaining preservation age and permanently retiring from the workforce.

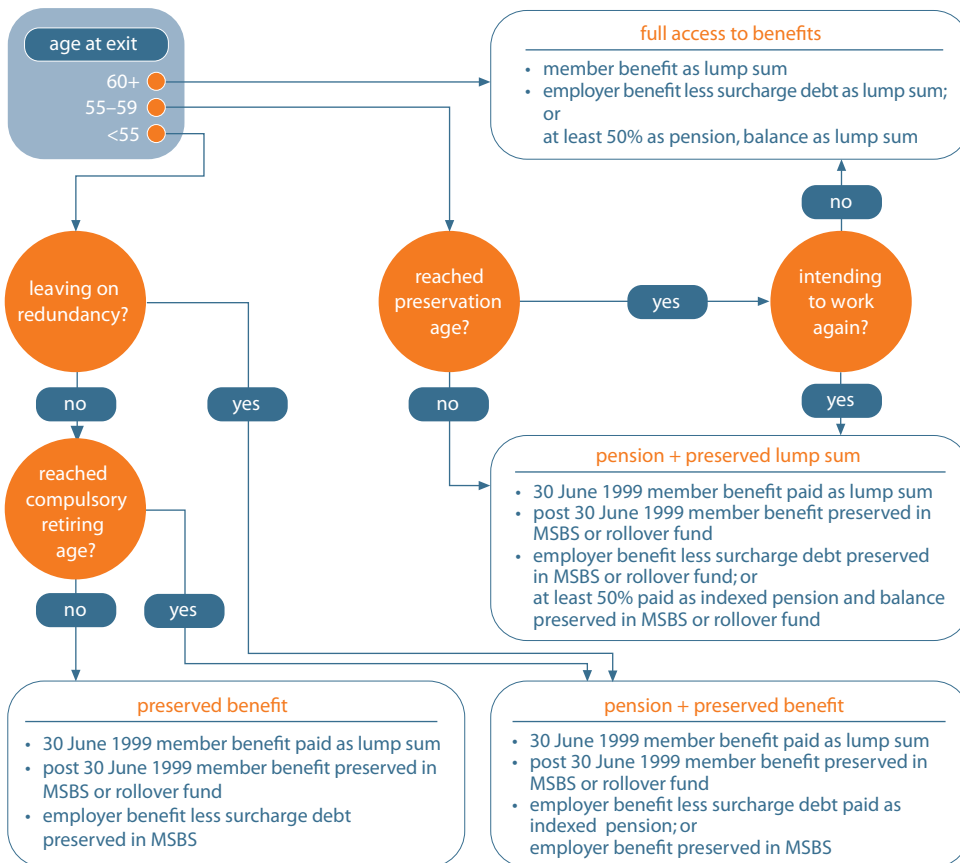
If he rolls over the employer benefit he cannot access it as a lump sum until meeting the conditions discussed above. Obviously he will lose the right to take a MilitarySuper pension if he rolls over the employer benefit.

### Invalidity benefits

If you are retired from the ADF on the ground of invalidity, you may be eligible to receive a MilitarySuper invalidity benefit to help you resettle into civilian employment. If you satisfy certain conditions, you are eligible to receive an invalidity benefit, regardless of whether the condition that led to your leaving the Defence Force was service-related or not.

The Board will assess your case, and, if it considers you to be eligible, it will grant you a benefit in one of three classification groups. The Board will determine your percentage of incapacity in relation to appropriate civilian employment, taking into account your condition and your formal qualifications, experience and skills. The invalidity classifications are Class A (incapacity of 60 per cent or more), Class B (30 per cent – 59 per cent incapacity) and Class C (less than 30 per cent incapacity). Further details are provided in the MSBS leaflet *Invalidity Benefits*.

## Access rules for MSBS retirement/resignation/redundancy benefits



## Dependants' benefits

When you contribute to MilitarySuper you are not only working towards a superannuation benefit for your retirement, but also providing an insurance benefit for your dependants in the event of your death. In MilitarySuper, spouses, children and orphans are regarded as eligible dependants.

The MilitarySuper leaflet Dependants' Benefits outlines the benefits and options available to your eligible dependants.

## Taxation of benefits

MilitarySuper lump sum benefits are taxed according to the rules applying to Superannuation Lump Sum Payments.

Pension benefits are subject to normal PAYE tax arrangements.

## Surcharge debt

The Superannuations Contributions Surcharge is a tax on surchargeable superannuation contributions. It was introduced from 20 August 1996 and is intended to apply to higher income earners. It was abolished in July 2005.

Any surcharge debt you have accrued must be recovered from MSBS benefits when they are paid. Normally this is achieved by reducing the MSBS pension benefit that is otherwise payable but you can elect to have it recovered from lump sum if you wish.

For more information on taxation see the leaflets listed on the back of this pamphlet.

## Service in the defence force of another country

If you have served in another country's defence force and that service was equivalent to continuous full-time service in the ADF and lasted at least 12 months, that service may be recognised towards the accrual of your employer benefit. This applies only to members who joined the MSBS upon joining the ADF—members who transferred from the DFRDB are not eligible. To have your eligibility determined, you should write to the MSB Board, which will make a decision in consultation with the ADF.

Foreign service that is recognised for employer benefit purposes has the effect of making a member eligible for a higher employer benefit percentage sooner than would be the case otherwise.

## Any complaints?

If you are unhappy with any decision or action by the Board or its administrator (ComSuper), you may write to:

**The Complaints Officer**

**ComSuper**

**PO Box 22**

**Belconnen ACT 2616**

The Superannuation Industry (Supervision) Act 1993 requires us to resolve your complaint within 90 days of receiving it. Generally, if we can't sort out your complaint in 90 days, or if you are not satisfied with the outcome of our review, you can lodge a complaint with the Superannuation Complaints Tribunal, an independent tribunal set up by the Australian Government. Its address is:

**Locked Bag 3060**

**GPO Melbourne, VIC 3001**

**Phone: 1300 884 114**

**Fax: (03) 8663 5588**

**Email: info@sct.gov.au**

There is no application fee for a complaint to the SCT.

## If you need more information ...

Phone: Customer Service Centre 1300 006 727  
Fax: (02) 6272 9617

Website: [www.militarysuper.gov.au](http://www.militarysuper.gov.au)  
Email: [members@enq.militarysuper.gov.au](mailto:members@enq.militarysuper.gov.au)

Post: PO Box 22  
Belconnen ACT 2616

Visit Unit 4 Cameron Offices  
Chandler Street Belconnen  
ACT 2617

ABN: 50 925 523 120  
SPIN: CMS0103AU

MilitarySuper is administered by ComSuper on behalf of the Military Superannuation and Benefits Board of Trustees. If you need further information about any aspect of your MilitarySuper membership, contact ComSuper directly, or ask your Unit Pay Officer.

Other editions in this information series are available from your Pay Office and include:

- About to leave the ADF?
- Dependants' Benefits
- Invalidity Benefits
- Leave Provisions
- Taxation of Lump Sums
- Rejoining the ADF
- The Productivity Benefit
- Summary of the Scheme
- Superannuation Contributions Surcharge

The MilitarySuper Book, an overview of the scheme, is also available.

### Note: This document contains general advice or information only

Any financial product advice in this document is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Therefore, before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation or needs. You may wish to do so with or without the assistance of a licensed financial adviser.