The main purpose of this Bill is to ensure that temporary rank on retirement will not provide a basis for pension payments.

The intention of the DFRDB scheme had been that contributions and retirement benefits be calculated on the basis of substantive, provisional or probationary rank. However in May 1980 the Federal Court upheld an appeal so that temporary rank would be included. The judgement depended upon the definition of rank in the Act and Regulations.

As a result of this judgement a serviceman who holds temporary rank would have to pay contributions at a higher rate. If he retired or died in that temporary rank, a pension for that rank would be paid.

The Bill makes provision for contributions to be made and pensions to be paid as originally intended. At the same time it ensures that the 550 people affected by the Federal Court judgment will be paid pensions in accordance with it until 14 May 1981. From that date temporary rank on retirement or death will not attract additional contributions or pension entitlements.

The need to improve conditions for re-engaged personnel to provide more equitable contributions and benefits arrangements has been appreciated for some time. The Bill amends these conditions.
Main Provisions

Clauses 3, 5, 6 and 7 include amendments to the Act which rationalise conditions for recipient members who re-engage:

Clause 3: the DFRDB Scheme is not applicable if term of re-engagement is less than one year. Also Clause 7, below, provides that in such short re-engagements pensions are not cancelled.

Clauses 5 and 6: Commutation is not available to recipient members who re-engage.

Clause 7: The DFRDB Authority is given a discretion to determine an appropriate period of effective service for pension purposes.

Clause 7: Re-engaged servicemen are no longer required to repay part of commuted pensions.

Clause 8: inserts new "PART XB PROVISIONS RELATING TO CERTAIN MEMBERS OF THE DEFENCE FORCE".

This Part, together with Clauses 4 and 5 which exclude members who hold acting or temporary rank from contributing or benefiting on the basis of such higher rank in the future, enables a recalculation of pensions to be made. The total effect of Part XB is as follows:

(a) Payment of contributions in respect of periods in higher acting or temporary rank is waived where no additional pension resulted.

(b) Pay for substantive, provisional or probationary rank is to form the basis of calculation of pension entitlements after 13 May 1981.

(c) Pensioners may make a further commutation election to take into account the higher pension for temporary rank.

(d) Defence Force (Annual Rates of Pay) Regulations are amended to ensure that substantive, provisional, or probationary rank is the basis for contributions and benefits.