DEFENCE FORCE (RETIREMENT AND DEATH BENEFITS AMENDMENTS) BILL (NO. 2) 1979

Date Introduced: 11 October 1979
House: House of Representatives
Presented by: The Honourable D.J. Killen, M.P., Minister for Defence

Purpose

To improve benefit provisions for certain invalidity pensioners which affect rights to commute and medical reclassification.

Background

Two separate schemes are in operation which provide retirement benefits for ex full time members of the Defence Force:

(a) The Defence Force Retirement and Death Benefits (DFRDB) Scheme. This was introduced following findings of many defects and complexities in its predecessor (the Defence Forces Retirement Benefits Scheme) by a Joint Select Parliamentary Committee which reported to Parliament in May 1972. All members of the Defence Force who were serving on 1 October 1972 were transferred to the new scheme.

(b) The Defence Forces Retirement Benefits (DFRB) Scheme, which was closed to contributors from 1 October 1972. This scheme continues to cater for men and women who retired before that date.

As well as age or length of service retirement pay, both schemes provide for invalidity benefits according to the degree of disability should a member of the services be retired on medical grounds. There are three disability categories:

- 60% or more - Class A
- 30%, but less than 60% - Class B
- Less than 30% - Class C

After retirement there is provision for reclassification of a pensioner's degree of disability depending upon medical condition and capability to work. The DFRDB
Authority may downgrade a pensioner medically or upgrade him; his pension is increased or decreased accordingly, or it may cease.

As the legislation stands it is possible for a pensioner who was invalided out of the Defence Force as Class A or B to lose any right of further reclassification once he has been downgraded medically from Class A or B to C. This will happen in a reclassification to C unless, as a member of the Defence Force, the pensioner had already qualified for retirement pay on the basis of his length of service. The Bill corrects this situation.

Commutation of a proportion of retirement pay into a lump sum is allowed under both schemes, but invalidity pensions are excluded. The Bill will allow future Class C pensioners to commute. It should be noted that pensions are only paid for Class C retirees who have already qualified for retirement pay by virtue of length of service; a lump sum benefit based on contributions to the Scheme is paid in other cases.

Provisions

Clause 4 amends the DFRB Act to allow for further reclassification of a person who has been reclassified as Class C.

Clause 9 makes the necessary provisions to enable a Class C pensioner under the DFRDB Act to commute. These include:

- Benefit will be applicable only to members who retire after the amendment comes into operation.
- Election to commute is to be made within one year of retirement except in special circumstances.
- The amount commuted is not to exceed 4 times annual invalidity pay.
- Reduction of invalidity pay is made in accordance with the amount commuted.

Clause 10 amends Section 34 of the DFRDB Act to allow for the further reclassification of a person who has already been reclassified from A or B to C.

Clause 10 also clarifies the position concerning persons who retire in future as Class C and are already qualified for pension, i.e. have the necessary years of service. After the amendment they cannot be reclassified.
This provision is a consequence which follows from the right of commutation.

Clause 18 amends Section 98B of the DFRDB Act to enable correct adjustments to be made to Class C invalidity pay and widows' pensions after the new commutation provision is effective.

Defence, Science & Technology Group
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