

Salary Sacrifice Contributions



Australian Government
Defence Force Retirement &
Death Benefits Scheme

DF13—November 2009

What are Salary Sacrifice Contributions?

Salary Sacrifice contributions are contributions from your pre-tax salary that you can voluntarily make in addition to your regular fortnightly DFRDB contributions. They are treated as employer contributions and 15% tax is deducted when received by the DFRDB scheme. You can contribute each fortnight but once paid, you can't get them back until the benefit becomes payable.

As the DFRDB scheme does not have a fund, these contributions are paid to the Military Superannuation and Benefits (MSB) Fund and the benefit is paid out of the MSB Fund. You continue to be a DFRDB member and also become a beneficiary of the MilitarySuper scheme.

Who is eligible to make Salary Sacrifice Contributions?

To be able to make Salary Sacrifice contributions you must be a current contributing DFRDB member. You cannot make salary sacrifice contributions if you are a former DFRDB member with a deferred benefit.

What do I get?

You will get another benefit in addition to your DFRDB benefit. This benefit is only payable as a lump sum, not as a pension.

The benefit comprises the contributions you paid and MSB Fund investment returns less any applicable tax.

Investment returns may be negative from time to time and as a consequence the value of the benefit will rise and fall. It is therefore possible that the benefit might be less than the amount you contributed, particularly over a shorter term.

The benefit is subject to tax when it becomes payable, at the same concessional rates that apply to other superannuation benefits.

Contribution Limits

There is a limit on the amount of concessional contributions you can pay into your superannuation without incurring additional tax. Concessional contributions include salary sacrifice amounts and

employer contributions. The limit across all your superannuation funds is:

- maximum \$25,000 per year
or
- a transitional concessional contributions cap of \$50 000 (not indexed) for those aged 50 years old or older, as at 01 July 2007, for the 2009-10 to 2011-12 financial years.

Concessional contributions above the caps will be taxed at the top marginal tax rate (plus the Medicare levy). Concessional contributions above the concessional contributions caps will be counted towards your non-concessional contributions cap.

How do I pay them?

You will need to make arrangements with SmartSalary, the salary sacrifice provider that has been appointed by the Department of Defence for ADF members, to deduct them from your pre-tax salary. The SmartSalary Customer Service Centre, which is open from 8:30am to 5:30pm Eastern Standard Time Monday to Friday, can be contacted on (02) 9299 9111. The salary sacrifice amounts will be forwarded direct to the MSB Fund through your payroll system.

How are they invested?

You have a choice of five investment strategies. You can invest in one or a combination of these strategies. You can even have a different strategy for your existing contributions account and future contributions.

Initially, these contributions will be invested in the 'Default' strategy which is the Growth strategy.

You can switch to another strategy at any time, free of charge, using the Member Investment Choice form (MIC1). The Trustees may introduce a fee to switch investment strategies in the future but you will be notified in advance if this happens.

You should refer to the book titled 'Your guide to Investment Choice' before considering your investment choices. The guide and switch form are available on the MilitarySuper website at www.militarysuper.gov.au

You may also wish to consult a licensed professional, such as a financial planner, solicitor or accountant, to determine which options best suit your personal circumstances.

DFRDB Customer Service Centre
1300 001677

FACT SHEET

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When can I get the benefit?

Generally, the benefit cannot be paid until you permanently retire from the workforce after reaching your preservation age. This could be a considerable time after your DFRDB benefit is paid.

Your preservation age is based on your date of birth, as shown in the following table:

Date of Birth	Preservation age
Before 1/7/1960	55
1/7/1960 – 30/6/1961	56
1/7/1961 – 30/6/1962	57
1/7/1962 – 30/6/1963	58
1/7/1962 – 30/6/1964	59
After 30/6/1964	60

All or part of the benefit may be paid to you earlier, provided you have left the Defence Force:

- if you become totally and permanently incapacitated
- on severe financial hardship grounds
- on compassionate grounds

You can also claim the benefit if you cease or change employment after reaching age 60. The benefit must be paid out when you reach age 65.

In the event of your death, the benefit will be paid to:

- your dependants,
or
- a dependent person(s) you nominated in writing and included in your will,
or
- your estate

Can I rollover the benefit?

You can rollover this benefit at any time, even before you leave the Defence Force. Note that access to the benefit from the rollover institution will be subject to the same preservation conditions as outlined above.

What else could I pay?

Salary Sacrifice contributions are one of a range of voluntary contributions (collectively called 'ancillary contributions') you can now pay. Separate fact sheets are also available for:

- Additional Personal Contributions
- Transfer Amounts
- Spouse Contributions

If you need more information...

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