



PENSION UPDATE

ISSUE NO. 9, JANUARY 2007

Policy news...

What do we mean by Child and Eligible Child?

The following information is applicable only to pensioners who are receiving a pension as a result of being members of the Defence Force Retirement and Death Benefit (DFRDB) superannuation scheme or the Defence Force Retirement Benefit (DRFB) superannuation scheme.

To help you understand who may be eligible to receive part of your pension when you die, we will discuss the terms *Child* and *Eligible Child* in this issue of *Pension Update*.

When it comes to determining whether a person will be considered a *Child* in relation to you and whether they may be eligible for part of a pension, there are certain criteria that must be met.

The DFRB Act provides for a benefit to be paid to an eligible child on the death of a pensioner.

Children in relation to a person who has died are defined as the pensioner's children, children adopted by a pensioner and dependent on the pensioner at the time of death.

An *Eligible Child* is a child of the deceased pensioner who:

- Is under the age of 16; or
- Is between 16 and 25 years of age, studying on a full-time basis and is not employed full-time.



The DFRB Act and DFRDB Act provide for a benefit to be paid to a Child or an Eligible child.

The DFRDB Act also provides for a benefit to be paid to an eligible child on the death of a pensioner.

A *Child* in relation to a person who had died is defined as a child, including an adopted child, a stepchild, an ex-nuptial child, a foster child or a ward, of the pensioner.

If a child is an ex-nuptial child of a spouse, the child would need to have been wholly or substantially dependent on the former pensioner before death.

An *Eligible Child* is a child of the deceased pensioner who:

- Is under the age of 16; or
- Is between 16 and 25 years of age, studying on a full-time basis and is not employed full-time.

Under the DFRDB Act there is also a classification known as an *Eligible Orphan*. This is an eligible child who is in the custody, care or control of a person who is not entitled to received a spouse benefit.

Documentation required to support a child's application for pension

Once ComSuper has been notified of the death of a pensioner, an application form will be sent to the deceased's estate.

An application for a child's pension must be accompanied by the child's full birth certificate, the child's bank account details (if the child handles his/her own financial affairs) and, if the child is between the age of 16 and 25, evidence of studying full-time. The signature of the Registrar (or Principal) and the school's stamp on the child's benefit application form are sufficient proof that the child is studying on a full-time basis.

For further information you can read the Death Benefits Fact Sheet on the DFRDB website under Publications.

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Managing your Super...

Payment Summaries

Following the July 2006 pension increase mail out many of you contacted us saying that you couldn't find your Group Certificate in the package we sent you. So we thought we will take this opportunity to address your concerns. For some time now Group Certificates have been called *Payment Summaries*. A *Payment Summary* shows the amount of pension you received during the financial year and the amount of tax that was deducted from your pension. We issue *Payment Summaries* at the end of each financial year and include them in your July pension increase mail out package. We always place them behind the pension increase advice letter. Please check your next July pension increase package carefully to ensure that your *Payment Summary* is enclosed.

Calendars

Calendars are a very popular item of our pension increase package. So popular in fact, that we often receive requests from many of you for additional calendars for family members, neighbours or friends.

Although we will continue to include a calendar for you in each July pension increase package, unfortunately, we do not have sufficient supplies to accommodate additional requests. The calendar is available on the DFRDB website under Pensioner Services and can be downloaded by anyone who wishes to have one.

Your reference number

Your reference number and the superannuation scheme from which you receive your pension are shown on the enclosed pension increase advice letter. Please quote your reference number whenever you contact us. It helps us to quickly identify you and speeds up your enquiry.

We need seven days to change your bank details

We need seven calendar days notice before the pension payday to make a change to your bank account details. For example, if you changed your bank account and you wanted it to take effect on payday

18 January 2007, you would need to tell us no later than 12 January 2007.

However, it is important that you don't close your existing account until your payments start going into your new account.

Keeping your address up-to-date

It is most important that we have your correct residential and postal address. If your pension mail is uncollected it is likely to be returned to us.

If two mail articles are returned to us we will try to find a new address for you but if we can't, we may stop your pension.

To avoid any disruptions to your regular payments, let us know if you change either your residential or postal address.

If you are planning to be away from home for an extended period of time, for example if you are going on an overseas holiday, it is also a good idea to make sure your mail will be secure in your absence. Let us know where you would like your mail to be sent to you while you are away, so that it is not returned to us, or left unsecured.

Your say...

Whats working?

At Pension News your feedback counts!

Your feedback ensures that we keep delivering a valuable service to our members and the only way we can do this is by listening to your opinions. If there are any

superannuation or pension administration matters that you would like included in the next edition, or if you have any suggestions on how to make your newsletter more interesting, please let us know by writing to DFRDB, PO Box 22, Belconnen ACT 2616, or emailing pensions@enq.dfrdb.gov.au

Managing your Super...

How the Consumer Price Index (CPI) is calculated

On the first payday in January and July each year, your pension is increased if there has been an upward movement in the Consumer Price Index (CPI) over the previous six months (either from March to September or September to March). The Australian Bureau of Statistics determines the CPI by surveying the costs of the following categories of goods and services: food, alcohol and tobacco, clothing and footwear, housing, household furnishings, supplies

and services, health, transportation, communication, recreation, education and miscellaneous items.

Once we know the CPI number, we do a calculation to see if your pension is due for an increase. If the new CPI number exceeds the highest of any previous March and September CPI numbers, we increase your superannuation benefit. The following shows how we do this calculation.

On 25 October 2006 the Australian Bureau of Statistics announced a CPI change of 2.5% for the March 2006 to September 2006 period. To arrive at that figure, the following calculation was made:

$$\frac{(\text{Sept. 2006 CPI number}) - (\text{March 2006 CPI number})}{(\text{March 2006 CPI number})} \times 100 = \text{CPI change (March to Sept. 2006)}$$
$$\frac{(155.7 - 151.9)}{151.9} \times 100 = 2.50164\%$$
$$= 2.5\% \text{ (when rounded to the nearest tenth of one per cent)}$$

Therefore, on payday 4 January 2007, your superannuation pension will be increased by 2.5%.

Your say...

Not satisfied with the service?

Who to talk to

If you are unhappy with the service you receive from ComSuper and you have a comment, concern or

complaint, we would like to know. Initial enquiries and complaints should be directed to the Complaints Officer at ComSuper:

Post: PO Box 22
BELCONNEN ACT 2616
Phone: 1300 033 732

Every year we send out a survey to a random selection of members who receive *Pension News*, if you have been selected to participate in this years survey you will need to complete the questionnaire by **31 January** and return in the enclosed Reply Paid envelope or contact ORIMA Research on 1800 806 950 (free call).

Tax changes...

Budget 2006 Update

What are these changes and how will they effect you?

The 2006–2007 Federal Budget proposed a plan to simplify and streamline the current tax arrangements that apply to superannuation pensions.

Following a period of consultation with the community, on 5 September 2006 the Government announced its intention to implement the proposed changes from 1 July 2007.

As you may appreciate, details of these proposed tax changes have yet to be finalised by the

Government and will not take effect until passed through and approved by Parliament. Accordingly, the following information may be subject to change.

The Government's plan includes the removal of all tax on superannuation pensions paid from a taxed source from 1 July 2007, for those aged 60 or more. The DFRB and DFRDB Schemes are untaxed superannuation schemes as their funds are drawn from an unfunded source (Consolidated Revenue). Therefore the announcement that superannuation benefits would be tax free for those over 60 does not apply to pensioners of the DFRB or DFRDB Schemes.

However, an additional part of the proposed legislation is to simplify and

streamline superannuation pensions paid from untaxed schemes. For those pensioners aged 60 and over your pensions will continue to be included as assessable income and it will taxed at your Marginal Tax Rate (MTR).

Pension payments drawn from an unfunded source will be eligible for a 10% taxation offset. Effectively, this will mean a 10% increase in the after tax amount you receive in your pension payments. This is intended to ensure a similar tax treatment between benefits paid from taxed and untaxed funds.

For those pensioner aged under 60 your pensions will continue to be included in assessable income and taxed at your MTR. Unlike payments for those pensioners aged 60 and over, you will not be eligible for the 10% pension offset until you turn age 60.

How to contact us

- Email:** If you are receiving a DFRDB pension please use the following email address to contact us: **pensions@enq.dfrdb.gov.au**
- Phone:** You can dial **1300 001 877** from anywhere in Australia for the cost of a local call (mobile charges apply to mobile phones). We are available between 9.00 am and 5.00 pm Eastern Time Monday to Friday. Pensioners with a hearing impairment can use a special TTY facility: **(02) 6272 9827**
- Fax:** Enquiries can be sent by fax to **(02) 6272 9618**
- Postal address:** DFRDB, PO Box 22, Belconnen ACT 2616
- Street address:** Unit 4 Cameron Offices, Chandler Street, Belconnen, ACT 2617
- Web:** You can visit our website at **www.dfrdb.gov.au**