



DB02
07/13

Invalidity benefits

Quick guide

There is a quick guide to your DFRDB invalidity benefits at the end of this leaflet. What follows is a more detailed explanation.

Introduction

The DFRDB Scheme provides for the payment of invalidity benefits to some members who are discharged as being medically unfit for further service. You should note that these benefits are payable through DFRDB, and they are completely separate from compensation and repatriation benefits which are handled by the Department of Veterans' Affairs.

Something for you to bear in mind is that DFRDB often uses the broad term 'invalidity benefits' to cover all invalidity payments, including lump sums or one-off payments. However, it also uses the singular term 'benefit' to describe invalidity pay, and to describe the one-off payment that is made to those members who are classified as Class C. Invalidity pay is the ongoing, fortnightly payment that is made to those members who are classified as either Class A or Class B, and it is discussed at greater length later in this leaflet.

Am I eligible to receive an invalidity benefit?

You may be eligible to receive an invalidity benefit if you are discharged as being medically unfit for further service. In fact, if you are discharged under these conditions, there are only two reasons why you would not get an invalidity benefit. One is that you deliberately brought about your own invalidity to try to obtain a benefit. The other reason is that you were absent without leave for more than 60 days in a row, and your invalidity was due to something that happened to you after you had been away for more than 60 days.

How much will I get?

If you are eligible to receive an invalidity benefit, the Commonwealth Superannuation Corporation (CSC) will decide what sort of benefit you get. CSC is permitted to make decisions itself, but it may also appoint delegates to make decisions on its behalf.

When CSC makes its decision regarding your benefit, it must look at the circumstances of your invalidity.

According to the DFRDB Act, this means that CSC must look at your capacity, or incapacity, to be employed in the civilian workforce, and it must take into account your skills, qualifications and experience in relation to the medical condition which caused your retirement from the Defence Force. In the Act, your medical condition is actually called your 'physical or mental impairment', and so DFRDB refers to it in the same way. Sometimes, for the sake of simplicity, this is shortened to 'retiring impairment'.

CSC then considers all of these matters, and uses a sliding scale of 0 to 100 to work out your level of incapacity as a percentage. On this scale, 0 per cent means no incapacity at all, and 100 per cent means total incapacity. Within the scale, there are three separate classifications, and you are then assessed in line with these classifications. They are:

- Class A (incapacity of 60% or more)
- Class B (incapacity of 30% to 59%)
- Class C (incapacity of less than 30%)

Note: These assessments are not added together if you have more than one 'civil employment' or more than one retiring impairment. An overall assessment is arrived at to determine your classification.

If you are classified as either Class A or Class B, you will be entitled to receive invalidity pay. This means that you will get an ongoing invalidity benefit which will be paid to you on a fortnightly basis. You will not be entitled to a lump sum payment of any sort except for the productivity benefit which in most cases must be paid to a rollover fund.

Your ongoing benefit will be worked out as a percentage of your salary at retirement for DFRDB purposes. Your salary at retirement is actually the maximum rate of pay which applies to your rank and pay level, plus an environmental allowance if you are entitled to it.

A Class A benefit is 76.5 per cent of your salary at retirement, and a Class B benefit is 38.25 per cent of that salary. The only variation to this is when you have completed 23 years or more of effective service, and you are classified as Class B, in which case your benefit will be higher. The more years of effective service you have, up to 40 years, the more you will get.

If you are classified as Class C, you will get a lump sum benefit, and if you are entitled, a gratuity. Your lump sum will be the total of your contributions to the Scheme, multiplied by 1.5. A gratuity is a sum of money which is paid to some members in the form of a one-off bonus.

There is an exception where you are classified as Class C, after being discharged with 20 years or more of effective service to your credit. If you would have been entitled to receive retirement pay had you not been discharged as being medically unfit for further service, you will get an ongoing benefit equivalent to retirement pay, and the commutation option will be open to you. Please contact DFRDB for advice if this situation applies to you.

Towards the end of this leaflet, you will find a couple of hypothetical examples which show you how Class A and Class B benefits are calculated. If you need any more information, or if you would like some help to work out your entitlements, please contact DFRDB.

How do I apply for my invalidity benefit?

To claim an invalidity benefit you have to complete an **Application for Invalidity Benefits & Superannuation Productivity** form, which is known as a **D40** form, and send it to DFRDB. It is important to get this form in as quickly as you can once your medical discharge has been confirmed.

The **D40** asks you for your personal details, including details of the financial institution you want your invalidity benefit to be paid to, and the rollover institution you want your productivity benefit to be paid to. It also asks you for information regarding your education, training and employment history.

It is also a requirement that a form **DM42** is completed on your behalf by the appropriate service medical officer. Your service office will send the form **DM42** together with the relevant service medical papers to DFRDB.

As well as the **D40**, you will probably want to complete a taxation form called a **Tax File Number Declaration**. The form is available from the Australian Taxation Office (ATO).

If you are entitled to receive invalidity pay, and you do not send in this form, DFRDB will have to deduct tax from your benefit at the highest marginal rate. This would mean that you would probably be paying tax at the rate of 47 cents in the dollar (plus the Medicare levy).

When are payments due and how are they made?

As has already been mentioned, the type of payment you receive will depend on the way you are classified.

If you are classified as Class C, meaning that you are entitled only to receive a lump sum payment, you will get your money as soon as DFRDB can process your paperwork after discharge.

If you are classified as Class A or Class B, your payment will become due the day after the date of your discharge from the Defence Force. In this case, your first payment will include any arrears that are owed to you. From then on, you will get your regular payment every fortnight.

Some benefits may take longer to process than others, as no two invalidity cases are the same.

The length of time it takes for your benefit to be processed will depend largely on how long it takes for all your paperwork to reach DFRDB. This paperwork not only includes your D40 application form; it also includes your DM42 and your service medical papers. The DM42 and your service medical papers must be supplied, and if they are not supplied your case cannot be processed.

Once you are classified, your payment can be deposited directly into your bank, credit union or building society account, as long as that account is held at a branch in Australia.

Your benefit can only be paid into an account which is in your name. The account can be in your name alone, or it can be a joint account.

All invalidity benefits are subject to taxation.

If you are classified Class C and have less than 20 years' effective service the portion of your payment which is the gratuity will be taxed. DFRDB will send you a Payment Summary showing the gross lump sum and the tax you paid on that.

If you are classified as Class A or Class B, you will have to pay tax on your invalidity pay just as you pay tax on your salary now. Taxation and Medicare levy deductions will come out of your benefit every fortnight. DFRDB will send you a Payment Summary at the end of each financial year showing the amount of invalidity pay you received for the year, before tax, and the amount of tax you paid on it.

Will my benefit ever change?

If you are classified as Class A or Class B to start with, meaning that you are entitled to receive invalidity pay, you may not be classified that way forever. Your classification may be reviewed at any time, and when this happens your benefit may change. It does not have to change—it may remain the same—but it may go up or down depending on the result of the review.

If you are initially classified as Class C, meaning that you are not entitled to receive invalidity pay, your classification will not be subject to review. As such, neither the classification nor your benefit will change.

The review process need not necessarily be initiated by DFRDB; it can also be initiated by you. If you are receiving a Class B benefit, and you believe that your retiring impairment has deteriorated since you were first classified, or since you were last reviewed, you may ask to have your classification reviewed. The same principle applies if you were initially classified as Class A or Class B and you have since been reclassified as Class C and your invalidity pay stopped—you may ask to have your classification reviewed again if you believe that your retiring impairment has deteriorated since the last time it was reviewed. If you decide you want a review, you can write asking for one. However, it is expected that you support your request with medical evidence of a deterioration in your retiring impairment(s).

Indexation

In January and July each year invalidity retirement pay is adjusted in line with increases in the Consumer Price Index (CPI).

Can I appeal?

As a DFRDB member, you have the right to appeal any decision affecting your benefit. For more information on appeals provisions, please refer to the DFRDB **About Your Scheme** booklet or contact us on **1300 001 677**.

Some examples

Here are some hypothetical examples which show you the way your benefit is worked out if you are classified either Class A or Class B. These classifications, and the entitlements that go with them, are discussed under the heading 'How much will I get?'.

Example 1

This is an example of the way your invalidity pay will be worked out if you are a Warrant Officer, and you are classified as Class A. The first figure in the calculation is \$68 035, which is your salary for DFRDB purposes. The second figure in the calculation, 76.5, is the percentage which applies to Class A benefits.

Salary for DFRDB purposes	\$68 035
Percentage which applies to Class A benefits	76.5%
Step 1: Class A benefit	
$\$68\,035 \times 76.5\%$	$= \$52\,046.78$ per year
Step 2: Fortnightly rate	
$\$52\,046.78 \div 365 \times 14$	$= \$1996.31$ per fortnight

What you have done, in Step 1, is to work out the amount of invalidity pay you will get, per year, before tax. Then, in Step 2, you have converted your annual benefit into a fortnightly figure. This figure, \$1996.31, is the gross amount of invalidity pay you will get each fortnight, before tax.

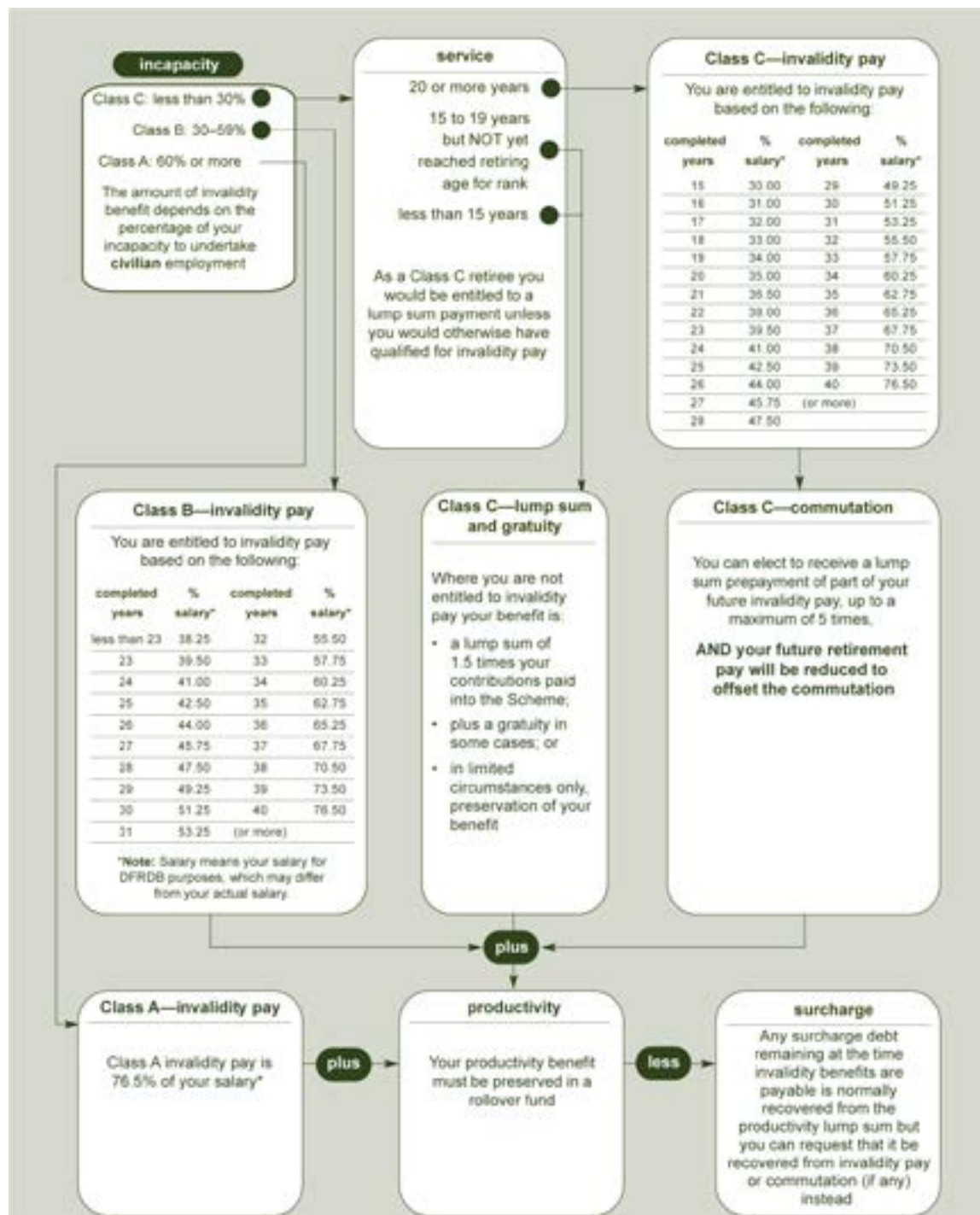
Example 2

This example works the same way as the first one, except that this time you are classified as Class B. You are still a Warrant Officer, so the first figure in the calculation remains at \$68 035. This time, though, the second figure in the calculation is 38.25, because that is the percentage which applies to Class B benefits.

Salary for DFRDB purposes	\$68 035
Percentage which applies to Class B benefits	38.25%
Step 1: Class B benefit	
$\$68\,035 \times 38.25\%$	$= \$26\,023.39$ = per year
Step 2: Fortnightly rate	
$\$26\,023.39 \div 365 \times 14$	$= \$998.16$ per fortnight

DFRDB Invalidity Benefits – quick guide

DFRDB invalidity benefits are designed to meet the possibility of your retirement from the Defence Force due to your physical or mental incapacity to carry out your duties and to cover your subsequent resettlement into the civilian workforce. Invalidity pay is subject to annual indexation based on movements in the CPI.



If you need more information ...

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