EXPLANATORY STATEMENT

INSTRUMENT NO 1 OF 1993

ISSUED BY THE AUTHORITY OF THE MINISTER FOR DEFENCE SCIENCE AND PERSONNEL

MILITARY SUPERANNUATION AND BENEFITS TRUST DEED (AMENDMENT)

The Schedule to the Trust Deed made by the Minister for Defence Science and Personnel under section 5 of the Military Superannuation and Benefits Act 1991 ("the MSB Act") contains Rules ("the MSB Rules") which deal with:

a. the contributions to be made by members of the Defence Force who are members of the Military Superannuation and Benefits Scheme ("the MSB scheme") established by the Trust Deed in accordance with section 4 of the MSB Act; and

b. the benefits to be provided to members of the MSB scheme upon retirement or to dependants of deceased members of the scheme.

The Minister is empowered, by subsection 5(1) of the MSB Act, to amend the Trust Deed (including the MSB Rules), by an instrument which, by subsection 49(1) of the MSB Act, is a disallowable instrument for the purposes of section 46A of the Acts Interpretation Act 1901.

The superannuation guarantee charge scheme (SGC scheme), which came into force on 1 July 1992, requires a prescribed minimum level of superannuation support to be provided by the employer, gradually increasing during the period 1992 to 2003. It is necessary to amend the MSB Rules so that they will comply with the scheme.

In order to encourage the retention in the Defence Force of members during their initial years of service, the MSB Rules provide for a reduced scale of benefits for those who retire before they have completed 7 years service, other than invalidity retirees and most re-entered members. The reduction applies to the employer benefit only and the percentage of employer benefit payable is increased on a sliding scale. An effect of these reductions is that the amount of employer benefit payable in respect of a member who renders less than 6 years' service is less than the amount required by the SGC scheme. Increases required by the SGC scheme are being phased in on an annual basis and the instrument increases the percentage of employer benefit in accordance with the SGC scheme as it applies up to the year ending on 1 July 1993. Increases in respect of later years will be made by a later instrument when the results of actuarial calculations are available.

1. Interpretation

This clause defines expressions used in the Instrument.
2. Amendment

This clause is formal.

3. Schedule 8(CALCULATION OF EMPLOYER BENEFIT)

Schedule 8 to the MSB Rules describes how a person's employer benefit is calculated. Paragraph 5 of that schedule deals with a retiree with less than 7 years' eligible service and paragraph 10 deals with a retiree who had an earlier period of service which is aggregated with the service just completed by him or her for the purpose of calculating the 7-year period.

This clause amends paragraphs 5 and 10 of schedule 8 to increase the percentage applicable to the level required by the SGC scheme as it applies up to the year ending on 1 July 1993. As mentioned above, increases in respect of later years will be made by a later instrument when the results of actuarial calculations are available.