EXPLANATORY STATEMENT

DETERMINATION NO 01 OF 2008 UNDER SECTION 52 OF THE DEFENCE ACT 1903

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

Section 52 of the Defence Act 1903 empowers the Minister to make determinations providing a superannuation productivity benefit in respect of continuous full time service by members of the Defence Force who are contributors to the Defence Force Retirement and Death Benefits (DFRDB) Scheme.

The Defence Force (Superannuation) (Productivity Benefit) Determination (the Principal Determination), made under section 52, makes provision for a 3% productivity benefit in line with the Conciliation and Arbitration Commission's June 1986 National Wage decision. The Principal Determination was amended in February 1993 to provide a top-up to DFRDB Benefits to bring them in line with Superannuation Guarantee (SG) requirements.

The 10 year Treasury Bond yield has been sourced from the Reserve Bank of Australia’s website. Consultation has taken place with Commonwealth Superannuation Administration (the administrator of Defence superannuation) and the Australian Government Actuary.

Factor used in the calculation of interest

The Principal Determination credits notional interest on the 3% productivity contribution and SG top-up in accordance with factors set out in the schedule to the Principal Determination. It is necessary to amend the Principal Determination to add the factor concerned in the calculation of interest applicable in respect of the period 1 January 2008 to 31 December 2008. The factor taken into account is the 10 year Treasury Bond yield, declared on 31 December 2007 by the Reserve Bank of Australia.

Individual amendments

1. Amendment

This clause is formal.

2. Commencement

This clause provides for the amendments to have effect from 1 January 2008. No person, other than the Commonwealth, has been disadvantaged by this retrospective commencement.

3. Schedule (Factors Concerned in the Calculation of Interest Applicable in respect of Certain Calendar Years)

This clause amends the Principal Determination by adding the factor concerned in the calculation of interest applicable in respect of the period 1 January 2008 to 31 December 2008.

In previous years this factor has been reduced by 15% to take account of the prevailing superannuation fund tax rate. This reduction has not been applied for the period of this amendment as the tax will be levied when this element of a DFRDB member's superannuation benefit is actually paid.