Military Superannuation and Benefits (Delayed Payment of Benefits) Determination 2009

The MILITARY SUPERANNUATION AND BENEFITS BOARD OF TRUSTEES NO. 1 makes this Determination under paragraph 3 (1) (c) and rule 69 of the Trust Deed made under Part 2 of the *Military Superannuation and Benefits Act 1991*.

Dated   28th October 2009

Mr Gabriel Szondy
Acting Chairperson

Mr Felix Bleeser
Trustee

Major Kirk Lloyd
Alternate Trustee

WOFF Robert Swanwick
MAICD
Trustee

1 Name of Determination

This Determination is the *Military Superannuation and Benefits (Delayed Payment of Benefits) Determination 2009*.

2 Commencement

This Determination commences on the day after it is registered on the Federal Register of Legislative Instruments.

3 Revocation

The *Military Superannuation and Benefits (Delayed Payment of Benefits) Determination 2004* and each determination that amends that determination are revoked.

4 Interpretation

(1) In this Determination:

Act means the *Military Superannuation and Benefits Act 1991*.

Board means the Military Superannuation and Benefits Board of Trustees No. 1 established by section 18 of the Act.

period of delay is the period determined by the Board under rule 69 of the Rules where payment of a benefit is delayed.

Rules means the Military Superannuation and Benefits Rules set out in the Schedule to the Trust Deed made under Part 2 of the Act.

(2) Words and expressions used in this Determination that are defined in the Act or the Rules have the same meaning in this Determination as in the Act or the Rules.

5 Calculation of interest - rule 69(4)(a)

(1) Where, pursuant to rule 69(1) of the Rules, a benefit is payable as a lump sum and the Board approves an increase, by an amount of interest, in the amount of the benefit payable to the person, interest will be calculated in accordance with this clause.

(2) Interest on the lump sum is equal to the sum of the interest for each relevant period.

(3) Interest on the lump sum will be calculated for each relevant period in accordance with the following formula:

$$(LS + AI) \times (1 + i)^n - (LS + AI)$$

where

LS is the amount of the lump sum benefit that has been delayed.

AI is the accumulated interest, if any, on the lump sum amount from the prior relevant periods.

i is the rate of interest applicable to the relevant period as determined under clause 7, divided by 365 (or in a leap year, by 366).

n is the number of days in the relevant period.

relevant period is a year or part of a year for which interest has been determined under clause 7 and which occurs during a period of delay.

6   Calculation of interest - rule 69(4)(b)

(1)   Where, pursuant to rule 69(2) of the Rules, the Board approves an increase, by an amount of interest, in the rate of the pension or associate pension payable, interest will be applicable in respect of:

(a)   the first relevant period; and

(b)   any other relevant periods occurring during the period of delay;

and will be calculated under subclause (3).

(2)   In this rule:

first relevant period means the period beginning on the first day of the period of delay, and ending on the first pension pay day occurring after that date.

relevant period means:

(a)   the first relevant period; or

(b)   a period of a year or part of a year during a period of delay for which the Board has determined interest under cl 7, which begins immediately after the end of another relevant period, and concludes on the earliest of the following dates:

(i)   the date on which an increase to the pension or associate pension is applicable, including an increase under Division 2 of Part 6 of the Rules;

(ii)   the end of a calendar year; or

(iii)   the end of the period of delay.

Note: This means that a constant pension rate and interest rate will be applicable during each period of delay

(3)   Interest determined under this rule is equal to the following:

(accumulated amount) - (delayed pension instalments)

where

accumulated amount means the sum of any accumulated amount applicable under subclause (4) or (5) for the last occurring relevant period in the period of delay.

delayed pension instalments means the sum of the pension or associate pension instalments that were payable between the date the pension or associate pension became payable, and the end of the period of delay.

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(4)   The accumulated amount for the first relevant period is calculated as follows:

$$LSA \times (1 + i)^n$$

where

LSA is the lump sum arrears of pension or associate pension instalments that were payable between the date the pension or associate pension became payable and the date of the last pension instalment before the period of delay commenced.

i is the interest rate determined under cl 7 for the calendar year in which the pension became payable, divided by 365 (or in a leap year, by 366) and multiplied by 14.

n is the number of fortnights occurring during the relevant period, and may include a partial fortnight.

(5)   The accumulated amount for each subsequent relevant period is calculated as follows:

$$[A \times (1 + i)^n] + [P \times [((1+i)^n - 1)/i] \times (1 + i)]$$

where

A is the accumulated amount calculated under this subclause or subclause (4) in respect of the previous relevant period.

P is the amount of the pension instalment payable on each pension payday occurring in the relevant period.

i is the interest rate determined under cl 7 for the calendar year in which the relevant period occurs, divided by 365 (or in a leap year, by 366) and multiplied by 14.

n is the number of fortnights occurring during the relevant period.

7   Rate of interest

The interest rate determined for each calendar year is the 10 year Treasury Bond yield last published by the Reserve Bank of Australia in the previous December of the calendar years over which the arrears of pension accrued.