

Date: 04 July 2011

Dr K Dermody
Standing Committee on Foreign Affairs, Defence and Trade
Department of the Senate
Parliament House
PO Box 6100
CANBERRA ACT 2600

Dear Dr Dermody,

VETERANS' ENTITLEMENTS AMENDMENT BILL 2011

INTRODUCTION

1. Thank you for your letter of 20 June 2011 seeking submissions for the Committee's inquiry into the subject Bill.
2. As you are aware, Legacy is an independent voluntary organisation dedicated to assisting widows and children of deceased veterans of war and peacekeeping organisations, and members of the Australian Defence Force, whose deaths are accepted by Clubs as being service deaths, as defined under MRCA.
3. Legacy has no comments on Schedule 1 concerning the Prisoner of War Recognition Supplement or Schedule 3 concerning Temporary Incapacity Allowance. However, Legacy is concerned about Schedule 2 dealing with 'offsetting'.

PREVIOUS INQUIRIES INTO OFFSETTING

4. On 16 May 2003, in a submission to the Senate Foreign Affairs and Trade Legislation Committee, Legacy highlighted the adverse impact of 'offsetting' on war widows with a dual entitlement and recommended that:
 - a. the VEA be amended so that any DVA pension which is subject to offsetting arrangements be restored to its original value once the lump sum and reasonable interest has been recovered similar to a normal commercial loan; and
 - b. existing recipients of both a lump sum and a DVA pension for the same occurrence who have been subject to current offsetting arrangements and whose lump sum and interest has already been recovered, have their pension restored to its original value.
5. The outcome of that inquiry is summarised in the attached Media Release. It recommended no change because of the complexity of the matter.

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6. The February 2011 Report of the Review of Military Compensation Arrangements, responding to submissions critical of the current 'offsetting' methodology, stated that the Steering Committee 'believes that these alternative models are complex and not cost effective and recommends that existing arrangements be maintained' (Vol 1, paragraph 137).

RECOMMENDATION

7. In the face of the adverse impacts still being felt by veterans and war widows, it is surprising that this legislation seeks to address one relatively small matter in isolation.

8. It is recommended that the Committee agree to the amendments proposed in Schedules 1 and 3 but not agree to amendments proposed in Schedule 2 until offsetting arrangements which have an adverse impact on veterans and war widows are addressed.

9. The Legacy contact person for this submission is Legatee Ian Wills, telephone (02) 6285 1800, email: executive@canberralegacy.com.au

Yours sincerely,

(Ian Wills)
For Chairman



Senator Mark Bishop

Shadow Minister for Veterans' Affairs

Senator for Western Australia

MEDIA RELEASE

18th September 2003

ref:va.m&pr/29-03

Wrong Advice Disadvantages Veterans and Widows

Veterans and war widows with dual entitlement to two military compensation schemes have been misled by incorrect advice provided by departmental officials, this being confirmed by the Senate Foreign Affairs Defence and Trade Legislation Committee report into compensation offsetting policy tabled today.

The Shadow Minister for Veterans' Affairs, Senator Mark Bishop, said today that it was clear that many veterans and widows believed that when they opted to trade in their lump sum from the Military Compensation Scheme for a veterans pension from the Department of Veterans Affairs, their reduced pension would be one day restored in full.

This was clearly based on wrong advice because the reduction is in fact for life.

The Committee's recommendation that the provision of advice to future applicants wishing to convert from a lump sum to a pension be improved, must be implemented immediately by the Government.

It is clear that past practice has been most unsatisfactory. Many veterans have been misled.

However, contrary to many veterans' views that reductions to pensions result in amounts in excess of the lump sum being repaid, advice from the Commonwealth Actuary is clear that this is the case only for one small group.

In general, veterans choosing the pension are better off than if they had only taken the lump sum.

However, the consideration of the Committee also revealed that there are serious flaws to offsetting policy flowing from dual eligibility. Because the offsetting is calculated on an actuarial model, those who live longer do pay more back – as opposed to those who don't.

Further, the benefits being offset are not alike, and there is a significant degree of retrospectivity in making the calculations. This is very rough justice.

This is unfair, but it raises the question of whether a choice ought to be available where the benefits being offset are not just different in nature, but different in value over life.

This is a very complex matter, and veterans affected will be disappointed that no change has been recommended. The Government does need to consider whether in the future this policy is at all viable.