



**Australian Government**

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**Department of Veterans' Affairs**

**Foreign Affairs, Defence and Trade  
References Committee Inquiry into TPI  
payment (Special Rate of Disability Pension)**

**Department of Veterans' Affairs**

**Written Submission**

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## **1. Introduction**

The Department of Veterans' Affairs (DVA) welcomes the opportunity to make a submission to the Senate References Committee on Foreign Affairs, Defence and Trade (the Committee) Inquiry into the TPI payment (Special Rate of Disability Pension).

This submission presents information about DVA's compensation arrangements and the support available to veterans and their families. The submission also presents an overview of the history of the current military compensation payment arrangements, specifically the Special Rate of Disability Pension, also commonly known as the Totally and Permanently Incapacitated (TPI) payment, as well as its purpose and structure.

For the purposes of clarity and consistency, this submission will refer to "Special Rate" as an over-arching payment category, which includes the three sub-categories with specific eligibility (Totally and permanently incapacitated (TPI), Totally and temporarily incapacitated (TTI) and Blinded).

The Special Rate of Disability Payment is paid to veterans who are, subject to meeting certain other eligibility criteria (discussed in 5.1 of this submission), assessed as unable to work more than eight hours per week due to their service-caused (accepted) disabilities under the *Veterans' Entitlements Act 1986* (VEA). Where the veteran's inability to work more than eight hours per week is permanent, the rate is known as the TPI rate; where their inability to work more than eight hours is temporary, the rate is known as the TTI rate. For those veterans with qualifying service who are assessed as totally blind, the rate is known as the "Blinded" rate of pension. However, all the rates are identical in their quantum.

A similar payment exists under the *Military Rehabilitation and Compensation Act 2004* (MRCA) called the Special Rate Disability Pension (SRDP) which has slightly different eligibility criteria. Its maximum rate is the same as the Special Rate under the VEA. The focus of this submission is on the Special Rate payment paid under the VEA.

This submission covers recent reviews and reports into the SR payment and the Australian Government's response to recommendations, which may be of relevance for consideration by the Committee.

## **2. About DVA**

DVA's overarching purpose is to support the wellbeing of those who serve or have served in the defence of our nation, and their families, by partnering with organisations and individuals to help design, implement and deliver effective programs and benefits, which enhance wellbeing of veterans and their families.

This broad and longstanding commitment to returned servicemen was the cornerstone for the establishment of the original Repatriation Commission in 1918, as well as the formation of the DVA (and its predecessor, the Department of Repatriation). It remains the cornerstone for the provision of compensation and support services available to current and ex-members of Australian military forces and their dependants today.

## 2.1. DVA Functions

The function of a system of military rehabilitation and compensation is to provide support to veterans (and in some circumstances to the families of those veterans) when they have been injured, suffered illness, or have died in or as a result of their service. Ensuring that veterans who leave Defence service are able to participate in civilian life and contribute meaningfully to our communities is one of the highest aims for any system of military rehabilitation and compensation.

DVA is the primary Australian Government policy and service delivery entity responsible for developing and implementing programs that assist veterans and their families.

DVA operates as part of a complex and changing system of veteran support in which there are multiple veteran cohorts with different needs and circumstances, as well as many external organisations. The provision of rehabilitation, healthcare and compensation services is underpinned by a substantial legislative framework, with services that are delivered across multiple agencies and Government Departments.

DVA provides administrative support to the Repatriation Commission and the Military Rehabilitation and Compensation Commission, which together advise on policy and programs to support Australia's veterans and serving members and their families, through a system of care, compensation and commemoration.

It is worth noting that the system of veteran support is not solely administered by DVA. The delivery of the system of veteran support includes \$11.5 billion<sup>1</sup> of services, supports and payments funded/delivered by DVA in 2020-21 (estimated), with a further \$2.88 billion<sup>2</sup> of benefits payments assistance provided to veterans and their families by the Commonwealth Superannuation Corporation (CSC), and also more than \$490 million expended on the health care of serving members by the Department of Defence.<sup>3</sup>

## 3. Legislative Arrangements and History

The legislative foundation on which the delivery of services and entitlements to veterans and families has developed over time and resulted in an inherently complex framework. The following section provides a history of the veteran legislative framework and examines the current arrangements for veterans and their families.

### 3.1. The History of Veterans' Legislation

The *War Pensions Act 1914* was the first Australian legislation to address military compensation, however the subsequent *Repatriation Act 1920* (originally titled the *Australian Soldiers' Repatriation Act*) was the first comprehensive Commonwealth legislation to specifically cover returned service personnel. The VEA was introduced in 1986 to consolidate several of the Acts that had been made since 1920.

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<sup>1</sup> Department of Veterans' Affairs Portfolio Additional Estimates Statements 2020-21.

<sup>2</sup> CSC Annual Report 2019-20, p 354. Noting this figure comprises of the three separate schemes (Military Super, ADF Super and Defence Force Retirement and Death Benefits Scheme (DFRDB)). It includes both invalidity and retirement benefits.

<sup>3</sup> Figure for 2019-20, provided by Department of Defence - ADF Health Services Contract spend.

The VEA, principally a pension-based Act, provides compensation, income support and health care for veterans with warlike service and certain operational deployments, as well as certain peacetime service between 7 December 1972 and 30 June 2004. For peacetime service eligibility under the VEA, a member must have completed a qualifying period of three years' service prior to 7 April 1994, or have been medically discharged before this date. British nuclear test (BNT) defence service during the 1950's and 1960's in Australia is also covered under the VEA when the relevant criteria are met.

The *Safety, Rehabilitation and Compensation Act 1988* (SRCA), which commenced on 1 December 1988, provided coverage for Australian Defence Force (ADF) members for death, injuries and illnesses resulting from peacetime service up to 1 July 2004, and for operational service between 7 April 1994 and 30 June 2004.

The SRCA also preserved provisions from two previous Acts: the *Commonwealth Employees Compensation Act 1930* and the *Compensation (Commonwealth Government Employees) Act 1971*. Between December 1988 and June 2004, the SRCA was the Act that provided coverage to all "Commonwealth" employees (including civilians and ADF members).

In 2017, the *Safety, Rehabilitation and Compensation Act (Defence-Related Claims) Act 1988* (DRCA) replaced the SRCA for ADF members. There was no change to eligibility, entitlements or benefits available to current and former members of the ADF at the time; the purpose of the change was to move all military compensation legislation under the Minister for Veterans' Affairs, providing greater opportunity to align the DRCA with the *Military Rehabilitation and Compensation Act 2004* (MRCA) where appropriate.

The MRCA was introduced to provide a single, self-contained Act governing rehabilitation and compensation for current and former service personnel and their families. The MRCA provides rehabilitation and compensation coverage for death, injuries and illness resulting from all service (warlike, non-warlike and peacetime service) after 30 June 2004.

With changes to entitlements over previous decades, transitional provisions have usually been enacted to preserve perceived accrued rights, or to ensure existing entitlements or benefits provided under the earlier Acts would not be affected.

### **3.2. The Current Legislative Framework**

The particular benefits and entitlements of the military schemes have been based on longstanding community and Government acceptance of the unique nature of military service, and the particular risks and obligations entailed in serving in the defence of Australia.

Pensions, compensation, rehabilitation, treatment and other benefits for veterans, members and former members of the ADF and their dependants are currently provided (in most cases) under the three Acts, the VEA, the DRCA and the MRCA.

In the broadest sense, compensation can be paid for:

- impairment (loss of lifestyle and loss of function);
- inability to work and loss of earnings (income loss); and
- service-related death of a veteran where there are dependants.

Compensation for service-related incapacity is provided as fortnightly payments under the VEA (i.e. the effects of the service-related injuries, illness or diseases). Under the DRCA, permanent impairment compensation is payable as a lump sum amount. In the case of the MRCA, permanent impairment compensation is payable as either periodic payments, a lump sum or a combination of the two in some instances.<sup>4</sup>

Under both the DRCA and MRCA, incapacity payments, which are designed to compensate for the inability to work and loss of earnings, is payable as a fortnightly amount.

There are also benefits that recognise service alone, such as a service pension. The service pension is paid under the VEA and provides an income and assets tested pension that is payable at age 60, earlier than the Commonwealth age pension. All three Acts also provide medical treatment, rehabilitation services and other allowances and benefits.






Eligibility under the Acts is primarily determined by when an individual’s service occurred, the type of service rendered and/or the date of onset of an injury or illness.

#### 4. Comparison of compensation arrangements

Veterans and (in cases involving the death of the veteran) their families can be entitled to a range of payments across the three compensation Acts. The VEA works significantly differently from the DRCA and MRCA, in that it is based on *lifetime pensions and health care*, whereas the DRCA and the MRCA are more akin to workers’ compensation schemes.

Figure 1 below provides a comprehensive overview of veteran compensation payments.

Figure 1 – Veteran compensation – the range of payments<sup>5</sup>

	<b>VEA</b>	<b>DRCA</b>	<b>MRCA</b>
 <b>Impairment compensation</b>	General rate disability pensions (and Extreme Disablement Adjustment) Additional payments for specific disabilities	Permanent impairment payments Eligible young person lump sum	Permanent impairment payments Eligible young person lump sum
 <b>Income replacement</b>	Above general rate disability pensions Superannuation invalidity pensions	Incapacity payments Superannuation invalidity pensions (offset)	Incapacity payments Superannuation invalidity pensions (offset) Special Rate Disability Pension
 <b>Dependant benefits</b>	Widow(er)'s pension Orphan's pension Funeral allowance Bereavement payment Income support supplement Education allowance Superannuation compensation	Lump sum divisible between dependants Additional death benefit Payments for eligible children Funeral allowance Superannuation compensation	Wholly dependant partner payments Payments for eligible children Payments to 'other' dependants Funeral allowance Bereavement payment Income support supplement Education allowance Superannuation compensation
 <b>Health care</b>	Gold Card White Card Attendant care allowance	White Card Attendant care Household services	Gold Card White Card Attendant care Household services
 <b>Other allowances</b>	Energy supplement Veterans' supplement Clothing allowance Decoration allowance Recreation transport allowance Vehicle assistance scheme Service pension	DRCA supplement Veteran payment Legal and financial advice	Energy supplement MRCA supplement Service pension Veteran payment Motor Vehicle Compensation Scheme Legal and financial advice

<sup>4</sup> Note there are differences between the Acts and the forms of compensations available to veterans.  
<sup>5</sup> Productivity Commission, 2019, *A Better Way to Support Veterans*, Commonwealth of Australia, p11.

Another key difference between the Acts is that claims under the MRCA and VEA are determined by reference to Statements of Principles (SoPs), whereas claims under the DRCA are not. SoPs are investigative tools developed by the Repatriation Medical Authority (RMA) that provide guidance on potential causal “factors” for individual conditions.

The SoPs, which have status as legislation, set out causal “factors” which must exist in order for a claimed medical condition to be found to be related to relevant service. There are two SoPs issued for each condition, which are the “Reasonable Hypothesis” (RH) SoP (for operational service) and the “Balance of Probabilities” (BoP) SoP (for peacetime service). The SoPs are used by DVA and must be applied by decision-makers when considering liability claims and determining whether causation of the relevant condition is related to service. A decision-maker must also determine whether a material contribution to the meeting of the factor has been made by relevant service, and where all these requirements are met, the claim may be accepted.

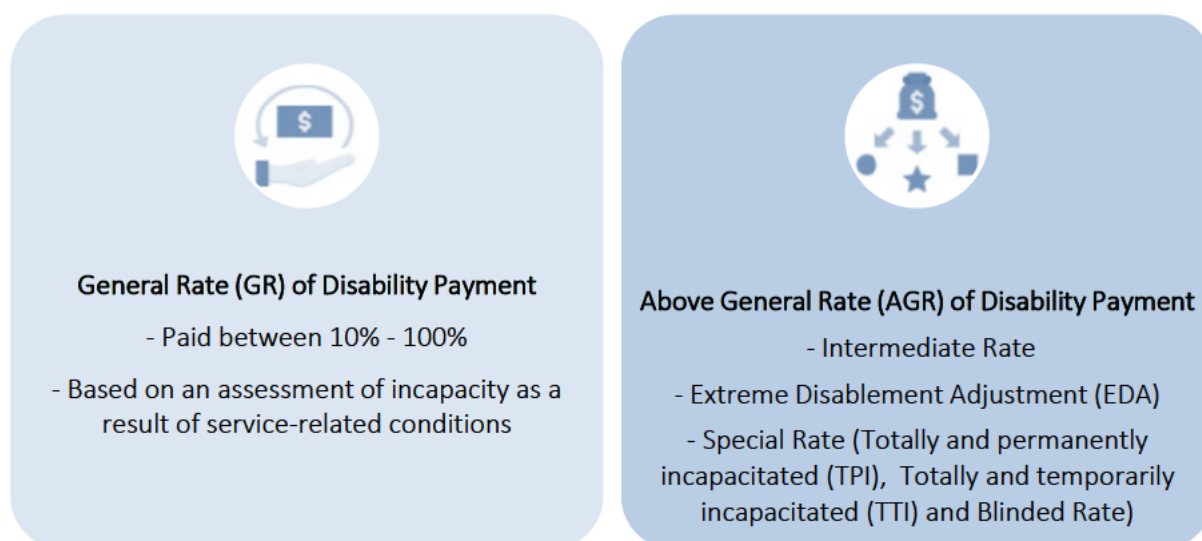
#### 4.1. Compensation under the *Veterans’ Entitlements Act 1986 (VEA)*

Veterans’ entitlements under the VEA are paid in the form of a fortnightly disability compensation payment for service injury or disease and fortnightly income support in the form of the service pension.

Broadly, the VEA disability payments are paid to compensate veterans for conditions caused or aggravated by war service or certain defence service on behalf of Australia.

Figure 2 below sets out the structure and different types of VEA disability payments.

*Figure 2 - Structure of the VEA Disability Payments*



For veterans with incapacity that results from their service-related conditions, the General Rate of Disability Payment is provided for service-related incapacity (effects of injury, illness or disease) by a combination of medical impairment and lifestyle effects of a condition. It is paid in 10 per cent multiples, between 10 per cent and 100 per cent incapacity. Generally, the higher the degree of incapacity, the higher the rate of payment. The General Rate (GR) does not have regard to whether or not a veteran is employable, although lifestyle factors are considered with functional impairment in determining the rate.

The VEA also provides Above General Rate (AGR) Disability Payment to veterans who suffer from higher degrees of incapacity or for those veterans who are unable to work due to the effects of their accepted condition(s). The Special Rate payment is one rate of the AGR pension paid under the VEA.

For veterans who do not meet the eligibility criteria for the Special Rate payment, they may receive other rates of AGR payments (higher than the General Rate) which are the Intermediate Rate and the Extreme Disablement Adjustment Rate.

#### **4.2. Compensation under the DRCA and MRCA**

The MRCA and the DRCA provide separate compensation payments representing both economic and non-economic loss as a result of a person's service-related conditions.

Economic loss is provided in the form of Incapacity Payments, which serve as an income replacement for injured or ill veterans, similar to payments under other workers' compensation schemes.

Non-economic loss compensation is provided in the form of Permanent Impairment (PI) compensation payments. Under the DRCA, these payments are made as lump sums, whereas under the MRCA they are a periodic payment which a veteran can choose to convert to a lump sum (or a combination of both). Impairments are calculated on a sliding scale between 0 and 100 per cent. However, the DRCA calculates and compensates each impairment separately, whereas the MRCA uses a "whole of person" methodology.

The MRCA also provides a payment called the Special Rate Disability Pension (SRDP), which is similar to, but not to be confused with, the Special Rate of Disability Pension under the VEA. The maximum payment rate of SRDP is equal to the TPI payment. [Appendix A](#) provides further details relating to eligibility for the SRDP payment.

A person who is eligible for SRDP, is offered a one-off choice between receiving SRDP and continuing to receive the Incapacity Payment compensation.

### **5. Purpose and Structure of the Special Rate**

In introducing special rate legislation in the VEA in 1985, the Acting Minister for Veterans' Affairs said:

*"Since 1920, there has been a special rate of disability pension payable in circumstances where, because of total and permanent incapacity resulting from war service, a veteran has been unable to resume or to continue in civil employment.*

*The special or TPI rate pension was designed for severely disabled veterans of a relatively young age who could never go back to work and could never hope to support themselves or their families or put away money for their old age."*<sup>6</sup>

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<sup>6</sup> Australia, House of Representatives 1985, *Debates*, vol. HR142, pp. 2646-2647.



Since its enactment, the purpose of the Special Rate was to compensate veterans who, because of total and permanent incapacity resulting from war service, have been unable to resume or continue in civil employment.<sup>7</sup>

Importantly, the Special Rate was set in 1920 and created in an environment where social security and welfare systems in Australia were in their infancy. In 1909, the age and invalid pensions were also introduced.<sup>8</sup> However, it was not until the early to mid-1940's, that the concepts of social security and welfare were more developed, and where more payments were added by successive governments to address the broad, nationally expressed desire for 'social security'.<sup>9</sup> Therefore the earlier pensions, including the Special Rate, formed the foundation of welfare provisions and social security benefits in Australia.

### **5.1. The Special Rate**

The Special Rate is the highest level of disability payment available under the VEA and compensates veterans who have been unable to work a full working life due to their VEA accepted conditions alone. The Special Rate payment is a compensation payment that is paid periodically (as a fortnightly payment).

There are three categories of Special Rate under the VEA:

- Totally and permanently incapacitated (TPI);
- Totally and temporarily incapacitated (TTI); and
- Blinded.

The fortnightly Special Rate is payable for life, is exempt from taxation and is not means-tested. [Appendix A](#) provides further details relating to eligibility for the Special Rate payments.

### **5.2. Indexation of the Special Rate**

The disability payment rates, including the Special Rate, are indexed every 20 March and 20 September. The AGR disability payments, including the Special Rate, are indexed using the pension maximum basic rate (MBR) factor.<sup>10</sup> Any increases from indexation are paid automatically.

The Special Rate is split for indexation purposes. The General Rate component, equal to 100 per cent of the General Rate is indexed separately to the AGR component which is comprised of the balance of the TPI payment in excess of the General Rate component.

The 2020-21 Budget included a measure to remove this split and index the TPI payment as a whole commencing 20 September 2022. Legislation to implement this measure is yet to be introduced to Parliament. Further information is provided below at Part 6, which outlines the historical changes of the Special Rate and indexation arrangements.

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<sup>7</sup> See Second Reading Speech on the 1985 Act, Hansard, Senate, 22 May 1985, p.2378.

<sup>8</sup> *Invalid and Old-age Pensions Act 1908*

<sup>9</sup> The Menzies government introduced child endowment in 1941. The Chifley and Curtin governments added payments for unemployment, sickness benefits and also widows pensions from 1944.

<sup>10</sup> The MBR factor is derived from the indexation increase in the single maximum basic rate of service pension and takes account of the Consumer Price Index (CPI), the Male Total Average Weekly Earnings (MTAWE) benchmark and the Pensioner and Beneficiary Living Cost Index (PBLCI).

### **5.3. The Modern Economic and Non-Economic Loss Concepts**

As discussed above at 4.2, under the modern Acts, there are different forms of compensation, one for economic loss and another for non-economic loss. These are two separate and distinct concepts that were introduced in the modern rehabilitation and compensation schemes, notably after the introduction of the Special Rate under the VEA.

Economic loss compensation payments are paid to compensate for loss of income from employment. Accordingly, the compensation usually takes on the same characteristics as the earnings it was replacing and continues only up to the point at which the income would otherwise have ceased.

Non-economic loss compensation payments are paid to compensate for pain and suffering, functional loss or dysfunction and the effects of the injury or disease on lifestyle.

The structure of the Special Rate refers to the General Rate of Disability Payment, with the first eligibility criterion requiring an individual to meet the 70 per cent level of incapacity, and the AGR component considers further factors such as the individual's employability. Although the VEA makes no mention of economic loss or non-economic loss, at one point in its history, the AGR component was indexed differently to the GR component.

The VEA sets the Special Rate payment as a single standard amount regardless of the level of lost actual or potential earnings of an individual veteran, and the only differentiation between the GR and the AGR was for the purpose of indexing the payment.

### **5.4. Interaction and impact of the compensation payments**

The nature of payments, including economic loss and non-economic loss components, can vary substantially based on the legislative arrangements applicable to a veteran.

Incapacity Payments – being payments to compensate for lost income - under the MRCA and DRCA are treated as taxable income, with payments generally ceasing at age pension age. This was 65 years of age for people born prior to 1 July 1952 and is gradually increasing to age 67 for people born from 1 January 1957. Incapacity payments will affect the amount of any income support (service or age pension) payment payable to a person, either under the ordinary income test or more commonly under the compensation recovery provisions (on a dollar for dollar basis). Additionally, Incapacity Payments are generally reduced dollar for dollar by any amount of Commonwealth funded superannuation payable to the person.

The PI payments under the MRCA, designed to compensate for non-economic loss, are reduced to take account of any VEA Disability Payment and DRCA PI payment.

The maximum payment rate of the SRDP under the MRCA is equal to the VEA Special Rate. However, it is fully offset by the amount of any MRCA Permanent Impairment payment paid to the veteran, and by 60 per cent of any Commonwealth funded superannuation paid to the veteran.

The VEA Special Rate is non-taxable, is paid for life, is not means tested, and does not affect the rate of a person's income support (service or aged pension) payment. It can affect the rate of any rent assistance payable with the income support payment; however, the 2020-21 Budget included a measure to remove the impact on rent assistance eligibility. However, legislation for the measure has not yet been introduced to Parliament.

Any Commonwealth funded superannuation paid to a Special Rate veteran does not affect the rate of the payment. The Special Rate payment may be offset by other compensation payments, but is not offset by superannuation.

*Table 1: Special Rate payment relative to MRCA and DRCA compensation payments*

	Special Rate Payment (VEA)	Economic loss compensation (MRCA and DRCA)	Non-economic loss compensation (MRCA and DRCA)
Rate	\$1,464.70 per fortnight including Energy Supplement (as of March 2021).	Generally based on pre-injury wage but may start to reduce after as little as 13 weeks.	Varies, often according to 'impairment' (the degree of pain and suffering).
Duration of Payment	Paid for life.	Generally ceases by age pension age.	Paid for life/or lump sum equivalent.
Tax Status	Non-taxable.	Taxable.	Non-taxable.
Means Testing	Not means tested.	May be reduced by Commonwealth/State funded superannuation or other income replacement payments.	Not means tested.
Income Support (Service and Age Pension)	Does not affect income support payments.	Either assessable as ordinary income or under the compensation recovery rules.	Does not affect income support payments.
Commonwealth-funded superannuation	Nil impact.	Reduces economic loss compensation on a dollar for dollar basis.	Nil impact.

## 6. History of the Special Rate

This section provides an outline of the changes in the population of Special Rate recipients over the years and also of significant changes to the payment which have affected the cohort of veterans eligible to receive the compensation payment.

### 6.1. The Special Rate population over time

Generally, the VEA Special Rate and TPI populations have been slowly declining since 2008, and this is expected to continue. It is forecast that by 2030, there will be around 17,500 TPI recipients.<sup>11</sup>

As at January 2021, a total of 27,405 veterans were receiving one of the VEA Special Rate payments, or the equivalent under the MRCA. The total number is made up of 27,217 receiving the Special Rate (TPI), with a further 50 receiving the TTI rate and 94 receiving the Blinded rate. Additionally, 44 veterans are currently receiving the MRCA SRDP payment.

Table 2 sets out the total number of Special Rate veterans (eligible for TPI, TTI or Blind or MRCA SRDP) by Service Pension status. Based on these figures, there are approximately 70 per cent of Special Rate veterans in receipt of the service pension. A further seven per cent of the Special Rate veterans receive an alternative income support payment such as the

<sup>11</sup> Tune, D AO PSM, 2019, *Independent Review into the TPI Payment*, Australia, p 10.

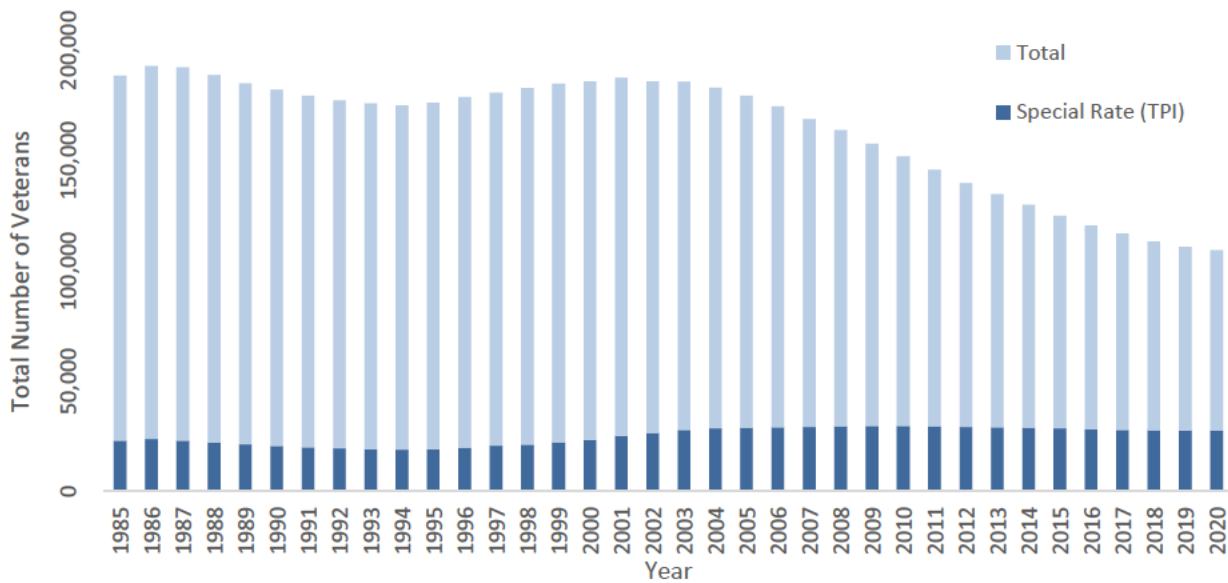
social security age pension (see Part 10.1 for information relating to social security payments).

Table 2: Special Rate veterans by Service Pension status

Service Pension rate	Service Pension level	Total below age pension age	Total above age pension age	Total Number	
Single	Maximum rate	255	3,219	3,474	
	Part rate	211	1,381	1,592	
Partnered	Maximum rate	163	7,578	7,741	
	Part rate	449	5,259	5,708	
Total receiving service pension		1,078	17,437	18,515	Proportion of TPI Veterans 67.56%
Total receiving another income support payment		959	1,214	2,173	7.93%
Total not receiving any income support payment		2,981	3,736	6,717	24.51%
<b>Total Special Rate veterans</b>		<b>27,405</b>			

Figure 3 illustrates the total number of veterans in receipt of the Special Rate payment in proportion to the total cohort of veterans receiving a VEA disability compensation payment.

Figure 3: Total Veterans Receiving VEA Disability Compensation



It demonstrates that while the number of veterans receiving a VEA disability payment has been declining since 2003, due to the introduction of the MRCA in 2004 and the passing of older veterans, primarily World War II veterans. The number of veterans receiving the Special Rate has generally remained steady over that same period.

Figure 4: Historical Population of VEA Special Rate Veterans

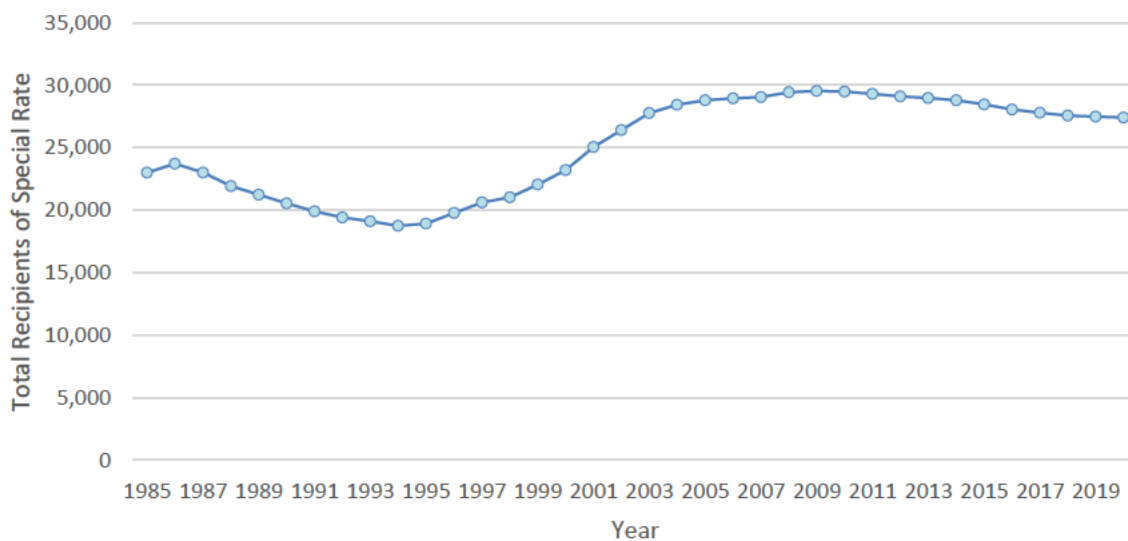


Figure 4 shows that the number of Special Rate veterans generally declined until the mid-1990s, and then increased until around 2007. Since that time, the number has been reasonably stable.

Below, figure 5 illustrates this further, with over 19,000 Special Rat veterans as at December 2020 having Vietnam service, making up approximately 70 per cent of the total Special Rate population.

Figure 5: VEA Special Rate Veterans by Conflict (as of December 2020)

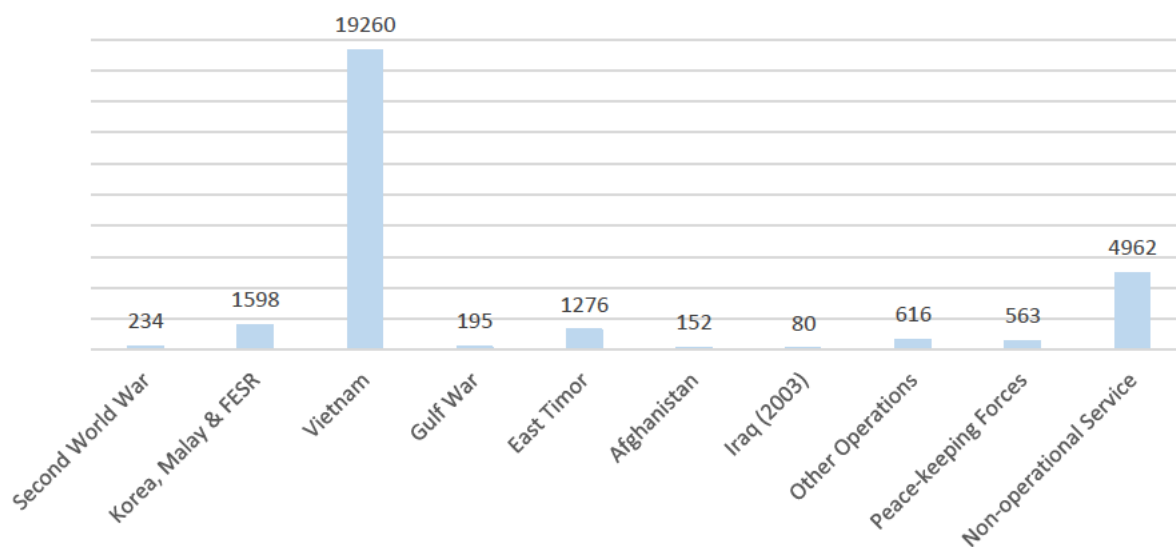


Figure 6: VEA Special Rate Population by Age Group (as of December 2020)

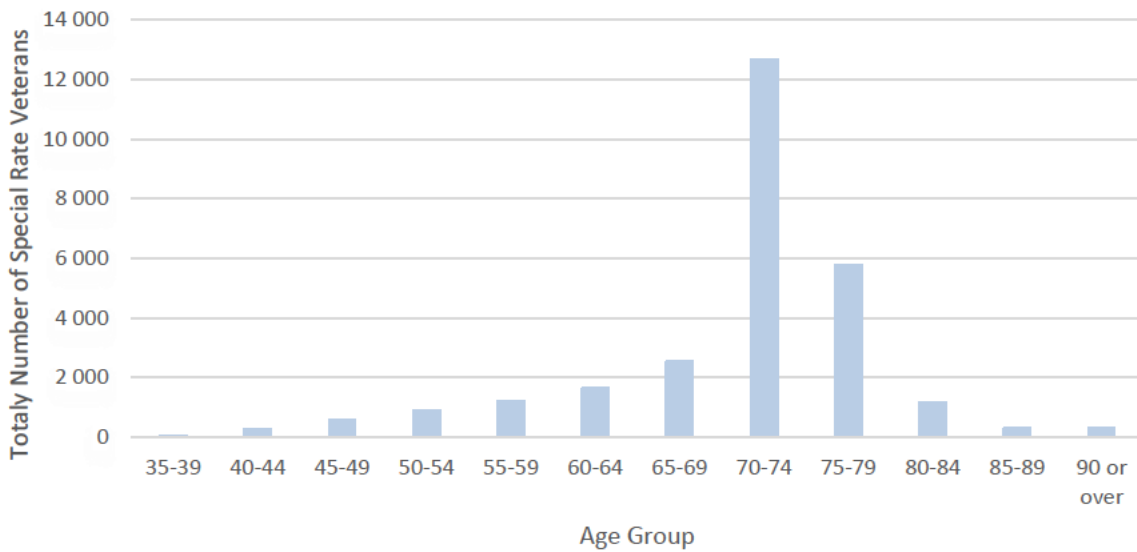
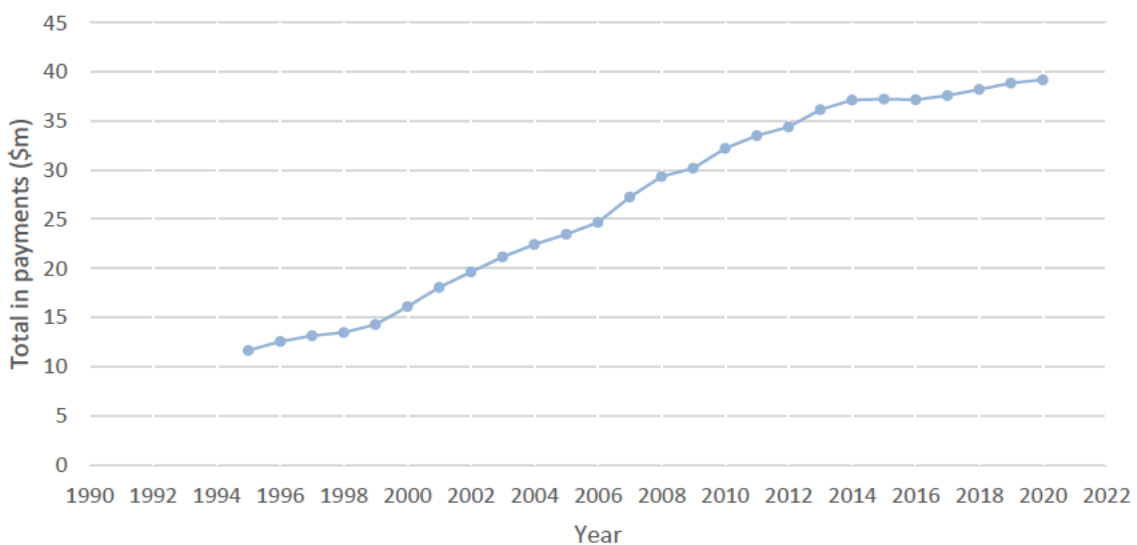


Figure 6 above sets out the breakdown of the Special Rate veteran population by age group and illustrates that the largest proportion of the cohort in receipt of the payment is aged between 70 to 74 years. It was found in the Tune Review that ‘most TPI veterans are aged in their mid-60s to mid-70s, with about 90 per cent over the age of 60. Approximately 98 per cent of TPI veterans are male.<sup>12</sup>

### 6.2. Historical Expenditure for TPI payments

Figure 7 provides a summary of total expenditure for TPI payments since 1994. Expenditure in TPI payments has increased over time which is consistent with changes to the Special Rate population (Figure 4), in addition to the general increases in the value of Special Rate payments over time due to indexation and other ad-hoc increases. See more below at 6.3 relating to the changes to the Special Rate payment.

Figure 7: Historical VEA Special Rate Pension Expenditure



<sup>12</sup> Tune, D AO PSM, 2019, *Independent Review into the TPI Payment*, Australia, p 9.

### 6.3. Historical changes to the Special Rate

The Special Rate was introduced in 1920 by the *Australian Soldiers Repatriation Act 1920*, with an initial payment rate of four pounds (80 shillings) per week. There was no mechanism for automatic adjustment or indexation. The Special Rate remained at the same rate from introduction in 1920 to 1943. From 1943 until 1976, the payment was increased through a series of ad hoc increases.

In 1950, the ordinary income test for Service Pension and for social security income support payments included Disability Pension (including the Special Rate) as assessable income. The taper rate applied was 100 per cent, which meant income support payments were reduced dollar for dollar of income over the income free area (the point where income starts to reduce the rate of payment). In 1970, the income taper rate was halved from 100 per cent to 50 per cent.

From 1974, the Disability Payment (including Special Rate) began to be exempted from the ordinary income test under the VEA – meaning receipt of the Special Rate no longer reduced or prevented the receipt of Service Pension. However, it continued to be treated as income in the income test under social security law and the VEA disability income rent test.

The Special Rate progressively became exempt income for determining receipt of the Service Pension. The exemption was implemented in several steps with the proportion of Disability Payment exempted initially set at 25 per cent, increasing to 50 per cent, 60 per cent and then 100 per cent by 1982. Special Rate veterans received financial benefit from these changes as their Disability Payment was progressively excluded from the income test.

Biannual indexation against movements in the Consumer Price Index (CPI) commenced in May 1977 with new rates applying from the first payday in May and November each year.

Indexation dates were subsequently deferred by a month to June and December, before being brought forward to 20 March and 20 September each year effective from 20 September 1990.

The Special Rate was increased by four per cent on 1 July 2000 to compensate for the cost of living impact of the GST. The increase included an advance of future indexation of two per cent. Indexation on 20 March 2001 was adjusted to recover the advance indexation amount.

From March 2004, the Above General Rate components of disability payment were indexed with the pension Maximum Basic Rate (MBR) factor. The pension MBR factor is derived from the percentage indexation increase in the single service pension maximum basic rate. It takes account of the movement in the CPI and of the Male Total Average Weekly Earnings (MTAWE) benchmark. The MTAWE benchmark requires the single service pension maximum basic rate to be at least 25 per cent of MTAWE. There is no direct correlation between the pension MBR factor and either CPI or MTAWE.

From July 2007, the Special Rate was increased by \$50 per fortnight, or around 5.75 per cent. The increase was backdated to March 2007.

From March 2008, a five per cent increase (around \$16 per fortnight) in the General Rate also flowed through to the Special Rate. The general rate component also commenced

indexation using the pension MBR factor, although still indexed separately to the above general rate component.

From 20 September 2009, indexation of the single service pension maximum basic rate was adjusted to include reference to the Pensioner and Beneficiary Living Cost Index (PBLCI). The single service pension maximum basic rate was also increased by a one-off amount of \$60 per fortnight on that date and the benchmark against MTAWWE was increased from 25 per cent to effectively 27.7 per cent.

The pension MBR factor used for indexing the Special Rate on 20 September 2009 included the impact of PBLCI but excluded both the \$60 increase and increase in the MTAWWE benchmark, as these were considered to be one-off increases rather than indexation increases.

The Clean Energy Supplement (CES) commenced on 20 March 2013 to provide ongoing financial support to assist with energy costs. The CES is payable to certain eligible DVA clients, including veterans receiving the Special Rate. The starting rate of the CES included an advance of future indexation of 0.7 per cent, which was deducted from the indexation increase on 20 March 2013. The CES, now known as Energy Supplement (ES) was initially indexed with CPI but the rate was frozen prior to 20 September 2014.

The 2020-21 Budget included a measure to index the Special Rate as one amount rather than indexing the general rate and above general rate components separately. The measure will commence 20 September 2022 subject to passage of legislation.

Indexation arrangements for the Special Rate matched those for Service Pension until the latter commenced indexation with the MTAWWE benchmark on 20 September 1997. Until 20 March 2008, Service Pension indexation arrangements were different to and more advantageous than Special Rate indexation arrangements. From 20 March 2008, indexation arrangements for the Special Rate achieve broadly the same indexation increase as for Service Pension. At all times, Service Pension indexation arrangements have been identical to indexation arrangements for Age Pension under the social security law.

## **7. Current compensation payment information**

As at April 2021, an eligible Special Rate veteran will receive \$1,464.70 per fortnight, including the Energy Supplement. Comparatively, a veteran who is eligible for the General Rate of Disability Payment can receive up to \$520.80 per fortnight.

### **7.1. The range of benefits and support for Special Rate veterans**

In addition to the lifetime fortnightly pension payable under the VEA, Special Rate veterans can also access a range of other benefits or services, subject to eligibility criteria.

All Special Rate veterans receive a Veteran Gold Card which provides free health care under DVA funding arrangements for all medical conditions whether service-related or not.

A Special Rate veteran may also have access to:

- income support payments (such as Service Pension) (see below at 10.1 regarding social security payments);
- the Energy Supplement – to provide financial assistance with energy costs;



- a range of allowances and supplements (see [Appendix B](#) for more information);
- a vehicle assistance scheme – to provide financial assistance towards the purchase of a motor vehicle, motorcycle or parts;
- GST exemptions for purchases of motor vehicles and motorcycles;
- financial assistance for housing and loans;
- access to a range of insurance products;
- counselling for veterans and their families; and
- assistance for their children’s education.

More information is provided at [Appendix B](#), outlining the range of benefits, allowances, supplements and Schemes to which a Special Rate veteran and their family may have access to through DVA.

State, territory and local governments offer Veteran Card holders a range of concessions on the services they provide such as utility rates, public transport and some taxes. The Veteran Card also provides a range of discounts for veterans at participating businesses. More information relating to the other government and non-government service, supports and concessions is discussed at Parts 10.5 and 10.6.

## **8. Earlier Government Reviews and Inquiries**

In response to changing circumstances and emerging needs over the past 40 years, a number of major inquiries and examinations of the services, benefits, entitlements and compensation available to veterans and serving members of the ADF, and their families, have been undertaken.

The significant reviews that have examined the Special Rate payment include:

- [The Clarke Review 2002](#);
- [The Review of Military Compensation Arrangements 2011](#)
- [The Productivity Commission Inquiry 2019](#)
- [The KPMG Report 2019](#)
- [The Independent Review into the TPI Payment 2019](#) (the Tune Review)

A summary of the findings of these inquiries and reviews is at [Appendix C](#).

Each review has effectively formed part of the Commonwealth’s commitment to support veterans and their families, and have suggested changes to legislation or aspects of DVA’s services to help to ensure that the compensation system is appropriate, and that it works effectively to achieve positive health, wellbeing and rehabilitation outcomes for veterans.

## **9. 2020-21 Budget Measure**

In the most recent reviews, parallel recommendations were presented relating to simplifying the current payment arrangements for veterans and their families.

The 2020-21 Budget included measures to respond to the Productivity Commission (recommendation 15.1), the KPMG and Tune Reviews. These include:

- Removing Defence Force Income Support Allowance (DFSIA) – Adjusted Disability Pensions will be exempt from the income test under the Social Security Act. This removes the need for the DFISA. No veteran will receive less under the new arrangement.
- Removing the Disability Income Rent Test – Veterans receiving VEA income support and their partners will have their disability income exempted from the income test for Rent Assistance. This will result in more disabled veterans being eligible for Rent Assistance.
- Renaming the Disability Pension – The Disability Pension will be renamed to the Disability Compensation Payment to reflect its purpose as a compensation payment.
- Simplifying indexation – The two existing indexation calculations will be combined into one to ensure equity and consistency.
- Conducting a Feasibility Study – The study will explore the feasibility of better information sharing across government agencies to facilitate better understanding of the circumstances of the most seriously impaired veterans.

This measure will provide targeted assistance to those most in need as identified in the Tune Review.

## **10. The Special Rate payment in the whole of Government context**

The system of military compensation belongs not only to DVA but operates as part of a comprehensive and evolving system of veterans' support involving many other government and non-government agencies and organisations, a substantial legislative framework, and services that are delivered by multiple agencies and Government departments.

The Special Rate also provides eligibility for a range of benefits. This section examines the support that may come from Governments and other sources, and the interplay between those benefits and services and the Special Rate.

### **10.1. Social Security**

Special Rate veterans and their families are also eligible to receive benefits from both DVA under the VEA and the social security system. Special Rate veterans without qualifying service may be eligible for a social security income support payment from the Department of Social Services (DSS). It should be noted there are multiple entitlement exclusions for income support payments, meaning that a veteran cannot receive income support payments (Service Pension) under the VEA from DVA in addition to income support payments from DSS (Age Pension, Disability Support Pension etc.).

The Age Service Pension is payable earlier (at 60 years for those with qualifying service) than the equivalent age pension for other Australians. Invalidity Service Pension is available for those with qualifying service under 60 years of age. Where veterans do not receive an income support payment, it is usually because their income from other sources is too high.

Additionally carers of some veterans may receive carers' payments from Services Australia.

## 10.2. Superannuation

Veterans and their families can also access invalidity and death insurance benefits through military superannuation schemes, which is provided through CSC.

ADF members can receive superannuation benefits from one of three funds, all of which offer Government-funded invalidity and death insurance. The three schemes are:

- The Defence Force Retirement and Death Benefits (DRFDB) scheme — this scheme commenced in 1972, and was closed to new members in 1991. It is a defined benefits scheme that provides a lifetime pension for members who have served a set number of years — usually 20 years.
- The Military Superannuation and Benefits Scheme (MSBS) – this scheme commenced in 1991 and was closed to new members in 2016. It includes both employee contributions and a defined benefit component (where a pension is provided based on years of service and salary).
- ADF Super – this scheme commenced in 2016 and is an accumulation-based superannuation scheme.

Members of these schemes who are medically discharged from the military may be entitled to a lifetime pension. The amount of pension is based on their years of service, salary in the military, and incapacity for civilian work. Under the three schemes, the impairment resulting in discharge does not need to be related to service for veterans to receive invalidity or death compensation.

Under these schemes, medically discharged veterans may be eligible for invalidity pensions if their medical state is such that they have a significantly impaired ability to obtain and undertake civilian employment. The medical state (which includes being unable to meet the fitness requirements) resulting in discharge does not need to be related to service for veterans to receive invalidity pensions.

A member's death does not need to be related to service for their dependants to receive a payment. Death benefits are offered as a lump sum that can be converted into a pension, while the invalidity pensions are offered only as a pension that is proportional to the claimant's pre-injury military salary. The insurance components of the three schemes are broadly similar.

Superannuation received does not affect the Special Rate under the VEA, which is not means tested. However, superannuation from a Commonwealth funded scheme, such as the above military compensation schemes, is offset dollar for dollar against DRCA and MRCA Incapacity Payment and at 60 per cent for the MRCA SRDP.

## 10.3. Workers' Compensation

The military compensation and rehabilitation framework operates alongside other workers' compensation schemes in place in the Commonwealth and each state and territory. In some instances, a veteran may also be covered by the other state or Commonwealth workers' compensation schemes and access benefits and entitlements through those schemes. Although compensation for the same incapacity or death is offset, depending on the Act for which compensation is provided under.

#### **10.4. Taxation**

The Australian Taxation Office operates a scheme for the supply of motor cars or car parts free of Goods and Services Tax (GST) to Special Rate veterans.

Veterans may also receive family tax benefits if they have children as part of the social security system as ordinary Australians.

In addition, Gold Card holders do not pay the Medicare levy.

The VEA Special Rate is non-taxable. The DRCA and MRCA permanent impairment compensation payments are non-taxable, however the incapacity payments under both Acts are generally taxable as replacement for loss of earnings.

#### **10.5. Other Government Benefits and Concessions**

Special Rate veterans may also receive a range of Federal, State and local Government concessions on services such as council rates, electricity, water and sewerage rates and public transport.

For example, veterans who live in New South Wales and hold a Veteran Gold Card with TPI printed on it, are exempt from paying vehicle registration fees, motor vehicle tax, transfer fees or stamp duty for one vehicle.

Additionally, the state and territory Governments have Seniors Cards programs which offer discounts to Special Rate veterans through a range of businesses and services.

#### **10.6. Community Support**

There are also many ex-service organisations (ESOs) that provide a range of support and services to all veterans, extending beyond advocacy support. Most ESOs will provide information to veterans about community and government services available and assistance with accessing those services.

ESOs may also assist veterans and their families with wellbeing support, seeking financial assistance, home and hospital visits, aged care support, employment and vocational services and social activities to provide social connectedness and mutual support within the veteran community.

The ESO community also provides support to veterans and their families through lobbying to promote improved conditions and entitlements for the serving and veteran community.

Special Rate veterans are also supported by many private businesses which also provide additional benefits, services, supports and discounts based on their status as a TPI/Special Rate veteran.

### **11. Conclusion**

The Special Rate payment, introduced in 1920, has a long history of being reviewed and has evolved over time.

DVA trusts that the information provided in this submission will assist the Committee in its deliberations.

Several recent reviews referenced in this submission contain analyses that may be useful to the Committee.

## Appendix A

### Eligibility for Special Rate Payments

#### The Veterans' Entitlements Act 1986 (VEA) Special Rate Payments

**Original Purpose/Intent:** To compensate "severely disabled veterans of a relatively young age who could never go back to work and could never hope to support themselves or their families or provide for their old age."

**Date of Introduction:** 1920

**Current Purpose/Intent:** To provide compensation to a veteran, member of the Forces, member of a Peacekeeping Force or Australian mariner where, because of either total and permanent incapacity (TPI) or temporary total incapacity (TTI), resulting from eligible service, the person is unable to resume or to continue in remunerative work for periods aggregating more than eight hours per week.

**Current Rate:** \$1,443.20 (as of 20 March 2021)

#### Eligibility Criteria for the VEA Special Rate Payment

##### Special Rate (TPI)

A person is eligible for TPI pension, under [section 24\(1\)](#) of the VEA where:

- he or she has 70 per cent or greater incapacity;
- is aged less than 65 at the time they apply for the pension;
- is unable to work more than eight hours per week due to service-related conditions alone; and
- is suffering a loss of earnings due to service-related conditions alone.

A person is also eligible for TPI pension, under [section 24\(2\)](#) of the VEA where:

- he or she has 70 per cent or greater incapacity;
- is aged less than 65 at the time they apply for the pension;
- he or she has been actively and genuinely seeking work (or would have been seeking work); and
- their accepted condition/s are the substantial reason for their inability to obtain work.

A person is also eligible for TPI pension, under [section 24\(2A\)](#) of the VEA where:

- he or she has 70 per cent or greater incapacity;
- is aged over 65 at the time they apply for the pension;
- is unable to work more than eight hours per week due to service-related conditions alone;
- is suffering a loss of earnings due to service-related conditions alone;
- was working for a continuous period of 10 years that began before they turned 65;
- ceased working in that employment due to their accepted conditions alone

##### Temporary Special Rate (TTI)

A person is eligible for TTI pension, under [section 25](#) of the VEA where:

- he or she is temporarily incapacitated from war-caused or defence-caused disabilities, and
- if the incapacity were permanent, the person would qualify for a TPI pension.

The period for which TTI pension is determined as payable is the time for which the incapacity is likely to continue.

##### Special Rate for Blinded Veterans

The Special Rate is also payable, under [section 24\(3\)](#) of the VEA for veterans who are blinded in both eyes due to their accepted conditions regardless of their capacity for employment.

## The *Military Rehabilitation and Compensation Act 2004* (MRCA) Special Rate of Disability Pension (SRDP)

**Original Purpose/Intent:** The SRDP is a tax-free compensation payment for life that can be provided instead of incapacity payments for people whose capacity for work has been severely curtailed because of injury or disease accepted as related to Australian Defence Force (ADF) service rendered on or after 1 July 2004.

The SRDP rate of payment is based on the special rate (TPI) of disability pension provided under the VEA. It is reduced on a dollar-for-dollar basis by the weekly amount of permanent impairment compensation payable. This ensures that the Commonwealth pays compensation for permanent impairment once only. The residual SRDP payment is then offset by the Commonwealth-funded component of superannuation the person is receiving at a rate of 60 cents in the dollar.

**Date of Introduction:** 1 July 2004

**Current Purpose/Intent:** The original intention has not changed.

**Current Rate:** \$1,443.20 per fortnight (as of March 2021)

### Eligibility Criteria for the MRCA SRDP

#### Special Rate Disability Pension (SRDP)

A person is eligible for the SRDP under [section 199](#) of the MRCA, where they:

- have an impairment from an injury or disease accepted as related to ADF service covered by the MRCA which is assessed at 50 or more points and is likely to continue indefinitely;
- are in receipt of Incapacity Payment;
- are unable to undertake paid work for more than 10 hours a week; and
- are unlikely to be assisted by rehabilitation to undertake paid work for more than 10 hours a week.

## Appendix B

### Additional DVA Benefits for Special Rate Veterans

All Special Rate veterans are entitled to receive the Gold Card which entitles the holder to free treatment for all medical conditions, regardless of whether they are related to service. The Gold Card provides them with Commonwealth funded treatment for all medical conditions. Although not a direct cash payment, the Gold Card does operate to reduce the cost of living for veterans and their families.

Special Rate veterans with qualifying service (essentially service in a conflict or war) can also be entitled to the Service Pension. The Service Pension is an income support payment for eligible veterans and eligible partners, and is similar to the age and disability support pension provided to the general population. Special Rate veterans without qualifying service may be eligible for income support payments, through the social security system.

Special Rate veterans who have severely reduced mobility as a result of their *Veterans' Entitlements Act 1986* (VEA) accepted condition(s) can receive help under the Vehicle Assistance Scheme (VAS). Eligible veterans can receive financial assistance towards the purchase or replacement of a car, vehicle modifications, driving devices and the running and maintenance costs for the vehicle provided under the scheme. The VEA also provides eligible veterans, including Special Rate veterans, with assistance for the purchase of motorcycles and parts to use as their own personal transportation.

Free and confidential counselling is available to Special Rate veterans and their families through Open Arms – Veterans and Veterans Families Counselling.

The children of Special Rate veterans receive non-means tested education assistance for primary, secondary and tertiary full-time study within Australia through the Veterans' Children Education Scheme (VCES) under the VEA. The Scheme is administered by the Department of Veterans' Affairs (DVA).

Special Rate veterans may also be eligible for financial support for their home loan, in the form of a subsidy. Currently there are two schemes, the Defence Service Home (DSH) loans which provides eligible veterans a subsidy that offers a reduced interest rate on \$25,000 of a home loan for 25 years through an interest rate reduction. Secondly, the Defence Home Ownership Assistance Scheme (DHOAS) assists current and former Australian Defence Force (ADF) members and their families to achieve home ownership. DHOAS is administered by the DVA on behalf of the Department of Defence. Special Rate veterans may be eligible to receive assistance under DHOAS through a subsidy on the interest of their home loans.

In relation to housing support, Special Rate veterans may also access a range of insurance products including, for example, home building, contents, landlord and car insurance. Under the Defence Service Homes Insurance Scheme (commonly referred to as DSH Insurance) all current and former members of the ADF can access the range of benefits under the DSH Insurance.

All Special Rate veterans (except those living outside Australia) are also eligible for an Energy Supplement and receive the highest rate of Energy Supplement per fortnight.



A number of additional allowances, supplements and other payments are available to Special Rate veterans. Generally, these are relatively small in value and have different eligibility criteria. Table 3 below provides a summary of the range of benefits with current rate information.

Table 3: Summary of the Additional Benefits

Allowance	Amount (as at March 2021)
Attendant allowance	Up to \$346.50 per fortnight
Clothing allowance	Up to \$14.50 per fortnight
Decoration allowance	\$2.10 per fortnight \$4,614.00 each year (for Victoria Cross recipients) \$578.20 per fortnight (Prisoner of war)
Loss of earnings allowance	The lesser of: <ul style="list-style-type: none"> <li>– the difference between the TPI payment and the Veteran’s present disability pension</li> <li>– amount of salary, wages or earnings actually lost</li> </ul>
Recreation transport allowance	Up to \$92.70 per fortnight
Vehicle assistance scheme	Financial assistance to purchase a new (or modify) a vehicle of up to: <ul style="list-style-type: none"> <li>– \$39,810 towards the cost of a new car</li> <li>– \$19,905 towards the cost of a replacement car after two years</li> </ul> An additional \$2,410.20 per year towards running and maintenance costs of a vehicle
Energy supplement	Up to \$21.50 per fortnight
Remote area allowance	\$18.20 per fortnight for singles \$15.60 per fortnight for each couple Additionally \$7.30 for each child receiving family tax benefit for a child
Pension supplement	Up to \$84.40 per fortnight for singles Up to \$63.60 per fortnight for each couple (including Energy Supplement)
Veterans supplement	Up to \$12.40 per fortnight

## Appendix C

# Government Reviews conducted in connection with Special Rate Payments

## [The Clarke Review 2002](#)

### About the review

The [Clarke Review](#) was conducted in 2002, led by Justice John Clarke QC and conducted by an independent committee. The Review examined the perceived anomalies in access to veterans' entitlements and levels of benefit and support provided to veteran disability pensioners. A key outcome of the review was a renewed focus on rehabilitation. It ran concurrently with the development of the *Military Rehabilitation and Compensation Act 2004* (MRCA).

There was a total of 109 recommendations made relating to the extension of the *Veterans' Entitlement Act 1986* (VEA) coverage, changes to the disability compensation pension structure, and the establishment of an integrated and comprehensive rehabilitation program. Of those recommendations, all but 38 (which were rejected or deferred) were either accepted at the time or after the recommendations were revisited in 2008.

### Recommendations regarding Special Rate

In relation to the Special Rate, the review proposed a new structure of the payment with non-economic loss and for economic loss components. This new structure would apply to all new Special Rate veterans and existing Special Rate veterans aged under 50. For existing Special Rate veterans aged 50 or older would be able to opt in for the new structure or remain under the old structure.

It recommended that the non-economic loss component be the same as the General Rate of Disability Pension, and would be tax free, paid for life, not means tested and would not be assessable income for the purposes of working out the rate of income support, including rent assistance. The component would be offset by other non-economic loss compensation payments. The proposed structure would include additional amounts for the veteran's partner and dependent children.

With regards to the economic loss component for veterans below age pension age, the review proposed it should be equal to 75 per cent of gross Male Total Average Weekly Earnings (MTAWE), and would be taxable and income tested. The economic loss amount would be paid net of tax, similar to how wages are paid. It recommended that income testing would only reduce the economic loss component by a maximum amount equal to the maximum single service pension rate, and would include all of the veteran's earnings in excess of 20 per cent of MTAWE.<sup>13</sup> A partner's wage related income would be fully excluded. The economic loss component would also be offset at 100 per cent of similar payments, including invalidity superannuation payments. Both the veteran and partner

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<sup>13</sup> The review found that MTAWE was the most appropriate wage benchmark to use in setting its proposed TPI payment rate. Twenty per cent was selected on the basis that the TPI eligibility criteria would retain a criterion around inability to work more than 8 hours per week, equal to 20 per cent of weekly hours based on a 40-hour week.

would be precluded from receiving other income support payments while the veteran was in receipt of the economic loss component and below age pension age.

It proposed that for veterans reaching age pension age, the economic loss component would reduce to 10 per cent of MTAW. The amount would continue to be taxable but would be paid as a gross amount rather than net of tax. It would not be means tested but would continue to be offset at 100 per cent of similar payments including invalidity superannuation payments and disability insurance. Once a veteran reached age pension age, the preclusion on receiving other income support payments would be lifted for both the veteran and partner.

### **Government response**

The Government did not support the recommendations for a new structure of the Special Rate payment; however, it did agree to changes to indexation of part of the TPI rate from 2004 to incorporate (indirectly) MTAW benchmarking. This was extended in 2008 to apply to the whole of the Special Rate.

The review also recommended that Disability Pension, including the Special Rate payment, be regarded under the social security law as exempt income and that the disability income rent test under the VEA be abolished. The Government in effect agreed to part of this recommendation although the implementation was different to how it was proposed in the review.

The introduction of the Defence Force Income Support Allowance (DFISA) on 20 September 2004 effectively exempted Disability Pension as income under the social security law by providing a 'top-up' payment under the VEA. The top-up payment represented the difference between the person's actual social security payment and what they would have received if the Disability Pension was exempt income and the disability income rent test under the VEA also applied to the social security payment.

The Government did not agree to the abolition of the disability income rent test under the VEA, and remained in the calculation of VEA income support payments and for the calculation of the DFISA amount.

The review considered whether there should be an adjustment of the TPI payment back to its 1941 value against MTAW. However, it found that arguments for such an adjustment did not consider changes since 1941 in the total support now available.

## [The Review of Military Compensation Arrangements 2011](#)

### **About the review**

The [2011 Review of Military Compensation Arrangements \(RMCA\)](#) was undertaken in 2009 to review the operation of the MRCA five years after it was enacted. The Review also examined some of the recommendations made in the Clarke review that were deferred or otherwise not agreed to by the Government.

The Review was conducted by a Steering Committee chaired by the Secretary of the Department of Veterans' Affairs (DVA) at the time, Mr Ian Campbell PSM. The RMCA featured broad terms of reference, including the examination of DVA's performance, review of the size of benefits payable under the MRCA, and analysis of anomalies between the

MRCA, the VEA and the *Safety, Rehabilitation and Compensation Act 1988* (SRCA). This was an extremely comprehensive review, including examining options to simplify legislation.

### **Recommendations regarding Special Rate**

The review also re-examined the new structure of the Special Rate payment proposed in the Clarke Review. It noted the changes made by the Government to the Special Rate since the Clarke Review, including changes to indexation in 2004, one-off increases in 2007 and 2008 and further changes to indexation in 2008, as well as the introduction of DFISA in 2004.

The Review considered that those changes had ‘substantially improved the situation’ compared to 2003 arrangements. There were no submissions made to the Review seeking to advance the structure recommended by the Clarke Review. As a result, it was concluded that ‘there is, therefore, no apparent need to further consider the revised disability structure’.

The Review made no further recommendations on the matter.

The Review found that overall, the MRCA was generally sound, and it made 108 recommendations in its 2011 Report.

### **Government response**

In early 2012 the Government accepted or modified 96 recommendations, deferred three and rejected only nine. The Government responded in the 2012–13 Budget with measures to implement almost all of the agreed recommendations. DVA’s and Defence’s consideration of agreed recommendations continued to 2016–17.

### [The Productivity Commission Inquiry 2019](#)

#### **About the review**

Over a 15 month inquiry over 2018 and 2019, the Productivity Commission (PC) conducted a comprehensive and substantial examination of the veteran support system. The PC was given broad terms of reference to ‘undertake an enquiry into the system of compensation and rehabilitation for veterans’.

The PC consulted widely and exhaustively, and in late June 2019 produced its final report called [A Better Way to Support Veterans](#), making 69 recommendations and offering 26 findings for reform of the system. The Government released the report on 4 July 2020 to enable all stakeholders the opportunity to consider and respond to the Report.

The PC outlined a reform program over a five to six-year timeframe, proposing improvements needed to the veterans’ support system, including:

- adopting a lifetime approach to supporting veterans and their families;
- adopting a wellbeing model to orient services and supports to wellness, rather than focusing on a veteran’s illness or injury;
- focusing on prevention of injury and early engagement;
- establishing objectives and principles to underpin service design and delivery;

- enhancing use of research, evaluation, trials and data;
- eliminating mismatched incentives across agencies;
- realigning structural and governance arrangements to achieve the most effective and sustainable system;
- simplifying and harmonising additional payment arrangements and legislation; and
- undertaking a program of legislative reform.

### **Recommendations regarding Special Rate**

In relation to the Special Rate, the PC Report noted that additional payments received 'cannot be ignored, as most special rate pensioners are receiving some form of additional welfare payment'. It found that there was 'no compelling case' for an increase in the Special Rate and that the overall package of compensation for Special Rate veterans is reasonable. The Special Rate payment was framed in the PC Report as having a notional non-economic loss and economic loss component.

### **Government response**

The Australian Government delivered an interim response to the PC Report, as part of the Budget 2020–21 process. The interim Government response addressed 25 of the Report's 69 recommendations, and, through the Budget 2020–21, announced a package of measures focused on mental health, wellbeing, employment support and transition.

### [KPMG Report 2019](#)

#### **About the review**

DVA commissioned KPMG in 2018 to examine the TPI Federation's campaign for an increase in the Special Rate. [KPMG's report](#) was provided to DVA on 15 November 2019.

The KPMG report took into account input provided by the TPI Federation, including additional work beyond the initial scope, to address issues raised by the TPI Federation. KPMG reviewed all of the evidence available, including material provided by the TPI Federation.

KPMG analysed the arguments put forward by the TPI Federation in support of their campaign against the legislative and policy basis for the current payment rate. The same analysis was also conducted on an alternative payment structure proposed by the Disabled Veterans of Australia Network. This included investigation of the overall levels of support available for Special Rate veterans and consideration of whether any cohorts of the Special Rate population need greater assistance than others.

#### **Recommendations regarding Special Rate**

KPMG's final report did not recommend an increase in the payment, however, it did suggest targeted assistance, focused on Special Rate recipients who are renting, those granted TPI at a young age and those granted before 1982, may be warranted.

Specifically, the Report recommended consideration of targeted increases for:

- renters, noting particularly high rental costs in Melbourne and Sydney;
- Special Rate veterans granted at a young age, citing the PC findings that veterans granted at a young age receive lower lifetime payments under the VEA than under the MRCA and DRCA; and
- Special Rate veterans granted prior to 1983, noting changes to income support payments over the 1970s and early 1980s, which significantly increased the assistance available to Special Rate veterans.

### **Government response**

The Report found that there is insufficient evidence to support a broad increase in the TPI payment, consistent with the findings in the PC Report. The KPMG Report was a source of information for, and considered by, the Independent Review into the TPI Payment 2019 (see below).

### [Independent Review into the TPI Payment 2019](#)

#### **About the review**

On 2 April 2019, the Prime Minister directed the Secretary of the Department of the Prime Minister and Cabinet to commission and oversee an evaluation of the TPI Federation position that an increase in the TPI payment is needed to remedy a downward trend in its value relative to wages since the 1950s. Mr David Tune AO PSM was appointed as the lead independent reviewer.

The [Independent Review into the TPI Payment 2019](#) examined the Special Rate payment arrangements and considered the TPI Federation's position.

#### **Recommendations regarding Special Rate**

In the final report, the following targeted changes were recommended:

- DFISA should be abolished and adjusted disability pension – including the Special Rate and Permanent Impairment (PI) payment under the MRCA be defined as exempt income under the social security law. In addition, the disability income rent test should be abolished. This would simplify payment arrangements and allow Special Rate veterans who are renting to receive Commonwealth Rent Assistance.
- Indexation of Special Rate be changed to index the whole payment at once, rather than in two components. This could also apply to the Intermediate and Extreme Disablement Adjustment rates of Disability Pension. The split indexation mechanism was introduced in 2004 due to the different indexation mechanisms in place for the General Rate and Above General Rate (AGR) components, but it is now redundant as the indexation mechanisms were aligned in 2008.
- Change the terminology and language in legislation, guidelines and policy documents to no longer refer to the Special Rate as a 'pension' – but as a 'payment'. This is in response to some stakeholders' concerns that the term 'pension' implies welfare instead of compensation.

- Conduct a data linkage project across agencies with the aim of examining the long-term wellbeing and overall outcomes for Special Rate veterans and links with mainstream services. Existing data on financial resources and Government payments provided to Special Rate veterans does not provide a complete picture of the needs of TPI veterans, or their overall wellbeing.

### **Government response**

All recommendations made by the Independent Review into the TPI Payment were accepted by the Government through the Government's interim response to the PC report.

In the 2020-21 Budget, the Government announced the following initiatives in response to the Review:

- Payment arrangements will be simplified by removing the need for the DFISA, exempting adjusted disability pension from the social security income test and abolishing the disability income rent test.
- The way pensions are calculated will be simplified to index the payment in a single process, rather than the previous arrangement that involved two components indexed separately.
- The Disability Pension will be renamed the Disability Compensation Payment.
- A feasibility study will be conducted to determine whether Government agencies can share data to promote better outcomes for TPI and other disability compensation recipients.