

**SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE
LEGISLATION COMMITTEE**

SUBMISSION

**Inquiry into aspects of the Veterans' Entitlement Act and
the Military Compensation Scheme (MCRS)**

Submission no	2
Organisation making submission	The Returned and Services League of Australia Ltd, National Headquarters
Postal address	G P O Box 303 Canberra ACT 2601
Location (if required)	
Contact person	Major General Peter R Phillips, National President
Telephone	02-6248 7199
Fax	02-6247 7637
e-mail address	National.president@rsl.org.au
Number of pages (including cover)	4
Attachments	No

[Submission received 22 April 2003]

D1-3-12/PP:jo
April 2003

Mr Brenton Holmes
Secretary
Senate Foreign Affairs, Defence and Legislation Committee
Suite S1.57
Parliament House
CANBERRA ACT 2600

Dear Mr Holmes,

Inquiry into aspects of the Veterans' Entitlement Act 1986 and the Military Compensation Scheme (MCRS)

Please find attached the submission from the Returned & Services League on the Inquiry into aspects of the Veterans' Entitlement Act 1986 and the Military Compensation Scheme (MCRS).

Yours sincerely

Jan Ormerod (Mrs)
PA to National President

Enclosure:

1. RSL Submission

The Returned & Services League of Australia Ltd

SUBMISSION TO SENATE INQUIRY INTO COMPENSATION OFFSETTING

Background

The RSL understands that in withdrawing our forces from Vietnam in 1972 the Government was faced with the problem of a significant portion of the ADF being national servicemen and the retention of these personnel was important to Australia's security. Partly for this reason, the Government extended the coverage of the then beneficial veterans' legislation to ADF personnel on defence—only service in Australia. This state of affairs continued until 1994.

As a result, these people could make dual claims for disability compensation to Defence under the then military compensation legislation and to Veterans' Affairs under the then existing veterans' legislation. However, it was quite clear that claimants could not "double dip" and that arrangements had to be put in place to offset one form of compensation against the other.

Following the lodging of dual claims the Veterans' Affairs decision usually came first and, if successful, a fortnightly disability pension at the then General Rate was granted. Generally later, Defence offered a lump sum payment to successful claimants. In many cases claimants opted to take the lump sum and accepted the fact that this would significantly reduce their fortnightly Veterans' Affairs pension in the compensation offsetting process. Perhaps they did not fully realise that this reduction was for life no matter how long they were to live.

The compensation offsetting process

Based on Commonwealth Actuarial tables, a lump sum payment (which is a whole of life compensation payment) can be converted to a fortnightly pension to be paid "for life". Thus, under the arrangements, those opting for a lump sum have their Veterans' Affairs fortnightly pension reduced by an amount which the tables say is the equivalent of the lump sum converted to a fortnightly payment.

The problem is that for many of these pensioners the reduced Veterans Affairs fortnightly pension remains reduced until death despite the fact that the reduction of the pension has well and truly paid off the value of the lump sum years before they die.

The essence of the problem is that veterans' legislation is meant to be beneficial and no amount of lecturing on actuarial mathematics will convince affected veterans that the current offsetting arrangements are beneficial, particularly as they affect those who have successfully survived into old age when sympathetic treatment is really appreciated.

A hypothetical case might better illustrate how the process affects an aging veteran. Take the case of 40 year old male who, in 1974, made a dual claim and was granted a fortnightly disability pension of \$70.00 per fortnight. Defence offered him a lump sum of \$32,000 and he took it.

At his age a lump sum of \$32,000 equates (according to the Commonwealth actuarial table which forms part of the legislation) to \$56.00 per fortnight. So his fortnightly pension was reduced from \$70.00 to \$14.00¹. Twenty two years later, in 1996, he argues that he has paid off $\$56.00 \times 26 \times 22 = \$32,032$ and that his full Veterans' Affairs pension should be restored. In the year 2003 he is 69 years of age and resentful.

Conclusion

The number of veterans affected in this way is quite limited and diminishing. If only as an act of generosity the Government should consider changing the compensation offsetting arrangements so that Veterans' Affairs disability pensions are restored to their originally intended value once the offsetting action has "paid off" the amount of lump sum accepted.

¹ The figures used are approximations only and are intended to show how the compensation offsetting arrangements work and why resentment arises.