

**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	8
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20 May 2003

Mr Brenton Holmes
Secretary
Senate Foreign Affairs and
Trade Legislation Committee
Parliament House
CANBERRA ACT 2600

Dear Mr Holmes

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

1. I refer to the notice that the Senate Foreign Affairs, Defence and Trade Legislation Committee is conducting an enquiry into aspects of the Veterans' Entitlement Act 1986 and the Military Compensation Scheme, focusing on the offsetting calculations applied to veterans and ex-service personnel who opt to receive a pension in lieu of a previously paid lump sum.
2. Legacy is dedicated to the care of dependants of veterans who died on active service or subsequently, including current Defence Force personnel killed on hazardous duty or while training for operations. We currently care for about 134,000 widows Australia-wide and 1,900 children and disabled dependants.
3. Legacy has long been aware of the adverse impact of 'offsetting' on persons with a dual entitlement under Military Rehabilitation and Compensation, previously administered by Defence, and the Veterans' Entitlement Act administered by Veterans' Affairs. For many years, such persons were encouraged to apply for compensation from Defence (usually a lump sum payment) before applying for compensation under the VEA. In the case of service-related death, the offsetting adjustment to the War Widow's Pension to compensate for the lump sum obviously exceeded a fair recovery, especially for younger widows. When questioned about the apparent imbalance, Departmental officials have previously explained that the recovery/offset was based on complicated actuarial calculations with no prospects for a successful appeal. More recently, in recognition of the offsetting problem, Legacy usually advises widows to seek financial advice before accepting lump sum compensation.

4. I note the comprehensive submission to your Committee prepared by the Regular Defence Force Welfare Association. Legacy commends the RDFWA on the quality of their submission, noting that the submission is consistent with our experience.

5. Accordingly, Legacy strongly supports the recommendations contained in their submission, 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.

6. The Legacy contact person for this submission is Legatee Ian Wills, telephone (02) 6285 1800; email canberralegacy@bigpond.com

Yours sincerely,

R H (Ray) Ward
Chairman