

28 April 2006

Mr. Arnold L. Punaro
Chairman
Commission on the National Guard and Reserves
2521 Clark Street, Suite 650
Arlington, VA 22202

Dear Chairman Punaro:

The Fleet Reserve Association (FRA) welcomes the opportunity to express its concerns and recommend changes to improve the nation's Guard and Reserves to meet the national security needs of the United States. FRA is a Congressionally Chartered, non-profit organization, representing the interests of U.S. Navy, Marine Corps, and Coast Guard personnel with regard to pay, health care benefits, and other quality of life programs. The FRA is the oldest and largest Association representing enlisted members of the Sea Services whether on active duty, in the Reserves, retired or veterans.

FRA stands foursquare in support of the Nation's Reservists. They were once known as "weekend warriors." But today, it's a different story. Given the pressure of the War on Terror, Reserve units are now increasingly being mobilized to augment active duty components. Up to 75 percent of the U.S. Coast Guard Reserve has been mobilized, with many members serving multiple tours of active duty in support of contingency operations. More than 5,000 Reserve sailors are mobilized, mostly in the desert. In fact, wherever active-duty Marines are engaged around the world, Marine Reservists are there.

Eroding benefits for Reservists and the Guard can only undermine long-term retention and readiness. Because of increasing demands on Reservists to perform multiple missions abroad over longer periods of time it's essential to improve compensation and benefits packages to attract recruits and retain currently serving personnel.

Recommendations for the Commission

PAY: The Association also supports additional higher enlistment and re-enlistment bonuses, in recognition of the increased reliance on Reserve and Guard personnel to sustain the war effort and other operational commitments. FRA supports annual active duty pay increases for Reservists that are at least .05% above the Employment Cost Index (ECI) along with targeted increases for mid career and senior enlisted personnel to help close the pay gap between active duty and private sector pay, and work to restore the ratio of pay between junior and senior enlisted personnel which existed prior to the advent of the All Volunteer Force.

Military service is very different from work in the private sector and often involves life threatening duty assignments, with long periods of separation from service member's families and their pay and benefits should reflect these realities.

HEALTHCARE: FRA supports making the TRICARE program available on an optional basis for all selected Reservists and families on a cost-sharing basis. The FRA believes premiums for TRICARE Reserve Select (TRS) should be adjusted commensurate with annual pay adjustments rather than the FEHBP rate and recommends DoD payment of civilian health care premiums (up to the TRICARE limit) as an option for mobilized Reservists. Consistency of healthcare benefits and continuity of care are very important for Reserve personnel and their families.

RETIREMENT: FRA recommends that Congress reduce the age when Reserve members are eligible for retirement pay, particularly for those members who have experienced extended mobilizations.



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EDUCATION BENEFITS: FRA urges Congress to enhance the MGIB-SR rates for those who choose to participate in the program to provide an incentive for young citizens to enlist and remain in the Reserves,. The rates for MGIB-SR should be adequate to cover the ever increasing tuition costs for college classes.

FAMILY READINESS: Unlike active duty families who usually live near military facilities and support services, many Reserve families live in civilian communities. This poses a major drawback for them, because military and benefit information and associated support is not readily available. FRA therefore supports increased funding to enhance family readiness, especially those geographically dispersed and not readily accessible to military installations and inexperienced with the military.

END STRENGTH IMPACT ON RESERVES: America is at war and FRA believes the Sea Services should have adequate numbers of personnel to meet the demands of fighting the War on Terror and sustain other operational commitments. DoD's resistance to increase end strengths increases reliance on the Guard and Reserves increasing stress on these personnel and their families.

EMPLOYER ASSISTANCE: FRA supports tax relief for employers with Guard and Reservist employees who shoulder the burden of extra costs to support national defense through the participation of their employees in the military. Many employers also continue paying all or part of their employee's salaries and benefits while they are away serving on duty.

As per your request in your letter a more detailed statement is attached. The contact person for FRA is: John R. Davis

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Thank you for allowing FRA the opportunity to have input as part of the official record.

Sincerely,

JOSEPH L. BARNES
National Executive Secretary

JLB:jrd:aal

FRA Extended Comments for the Commission on the National Guard and Reserves

The Fleet Reserve Association (FRA) is a Congressionally Chartered, non-profit organization, representing the interests of U.S. Navy, Marine Corps, and Coast Guard personnel with regard to pay, health care, benefits, and other quality of life programs. The FRA is the oldest and largest Association representing enlisted members of the Sea Services whether on active duty, in the Reserves, retired or veterans. FRA is a founding member and active participant in the Military Coalition (TMC).

In addition to its extensive legislative program, the Association sponsors annual scholarship and patriotic essay competitions, and recognition programs honoring the Navy Sailors and Recruiters of the Year, the Marine Corps Recruiters and Drill Instructors of the Year, and the Coast Guard Enlisted Persons and Recruiters of the Year.

Given the pressure of the War on Terror, Reserve units are now increasingly being mobilized to augment active duty components. Up to 75 percent of the U.S. Coast Guard Reserve has been mobilized, with many members serving multiple tours of active duty in support of contingency operations. More than 5,000 Reserve sailors are mobilized, mostly in the desert. In fact, wherever active-duty Marines are engaged around the world, Marine Reservists are there.

Increasing demands on Reservists to perform multiple missions abroad over longer periods of time necessitates improved compensation/benefits packages to attract recruits and retain currently serving personnel. Our dated and inadequate benefits for Reservists can only undermine long-term retention/readiness.

Fleet Reserve Association (FRA) Specific Recommendations for the Commission

PAY: The Association supports annual active duty pay increases for Reservists that are at least .05% above the Employment Cost Index (ECI) along with targeted increases for mid career and senior enlisted personnel to help close the pay gap between active duty and private sector pay, and work to restore the ratio of pay between junior and senior enlisted personnel which existed prior to the advent of the All Volunteer Force. FRA also supports additional higher enlistment and re-enlistment bonuses, in recognition of the increased reliance on Reserve and Guard personnel to sustain the war effort and other operational commitments.

Military service is very different from work in the private sector and often involves life threatening duty assignments, with long periods of separation from service member's families and their pay and benefits should reflect these realities.

Congress has for the past few years improved compensation that, in turn, enhanced the recruitment and retention of quality personnel in an all-volunteer environment. Adequate and targeted pay increases for middle grade and senior petty and noncommissioned officers have contributed to improved morale and readiness. With a uniformed community that is more than 50 percent married, satisfactory compensation helps relieve much of the tension brought on by demanding operational and personal tempos.

For FY 2007, the Administration has recommended a 2.2 percent across the board basic pay increase for members of the Armed Forces and the Coast Guard. If authorized, this increase will be the smallest increase since 1994. Pay increases since FY 1999 provided increases of 0.5 percentage point greater than the Employment Cost Index (ECI). With the addition of targeted raises authorized by Congress in FY 2001, the formula has reduced the pay gap with the private sector from 13.5 percent to 4.4 percent following the January 1, 2006, pay hike. FRA appreciates DoD's plan to also request additional targeted pay increases in FY 2007 and believes the level of future increases should further reduce the pay gap with the private sector.

A significant part of military pay for mobilized Guard and Reservists is Basic Allowance for Housing (BAH). FRA supports revised housing standards that are more realistic and appropriate for each pay grade.

FRA believes Reservists that have been mobilized should receive the same BAH as active duty personnel. As of Dec 31, 2005 Phase II of the BAH transition will also mean the elimination of BAH Difference, which is for service members who pay child support and live on the economy. These members will be converted to BAH at the "with dependents" rate and have use of OHA higher rental ceilings. In addition stateside mobilized Reservists who are assigned to "inadequate quarters" will see an increase because they will begin receiving 25 percent of the BAH for their locality versus 25 percent of the lesser BAH II.

Over 3,800 service members, mostly mobilized Reservists, who serve overseas on tours saw their BAH II end on October 1, 2005. This is phase II of the planned transition from the old BAQ regulations, and it removes the grandfathering effect of the BAQ laws. This grandfathering ended for most without ceremony or warning. The change means that service members overseas will now fall under the Overseas Housing Allowance (OHA) rules. Affected service members must now apply for OHA to be able to recoup their housing expenses. For some this will mean a financial loss and the added hassle of obtaining a lease, which can be problematic in many overseas locations. For some this loss could be substantial. Additionally service members who reside in "inadequate quarters" overseas will no longer receive the 25 percent BAH II they were accustomed to, essentially eliminating the "Family type inadequate housing" in overseas locations.

Military service is very different from work in the private sector and requires service in often life threatening duty commitments, with long periods of separation from their family. Pay and benefits must reflect these realities.

HEALTHCARE: FRA supports making the TRICARE program available on an optional basis for all selected Reservists and families on a cost-sharing basis. The FRA believes premiums for TRICARE Reserve Select (TRS) should be adjusted commensurate with annual pay adjustments rather than the FEHBP rate and recommends DoD payment of civilian health care premiums (up to the TRICARE limit) as an option for mobilized Reservists. Consistency of healthcare benefits and continuity of care are very important for Reserve personnel and their families.

FRA is grateful to Congress for including language in the FY 2005 National Defense Authorization Act allowing Reservists to continue receiving TRICARE coverage for up to 180 days following separation from active duty. While the new provision will aid many Reservists who experience a lapse in coverage following demobilization, more needs to be done. Some Reservists have coverage through private employers, others through the Federal government, and still others have no coverage. FRA recommends increasing the federal subsidy for TRS, at least for those members who do not have access to employer sponsored healthcare coverage.

FRA appreciates the effort to address several Reserve priorities in the FY 2006 NDAA. Specifically, implementing limited income replacement authority for mobilized members and extending fee-based TRICARE eligibility to all drilling Guard and Reserve members. Still, we believe that more must be done to ensure that Guard and Reserve members' and their families' readiness remains a viable part of our national security strategy. It is clear that our country is absolutely dependent on these valuable members of our national military team to meet ongoing operational and readiness requirements.

Reserve families with employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Although TRICARE "kicks in" at 30 days activation, many Reserve families prefer continuity of care through doctors and their own health insurance. Disenrollment from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and is a disincentive for Reservists to reenlist. FRA recommends that Congress authorize legislation granting permanent authority for cost-share access to TRICARE for all members of the Selected Reserve and their families in order to ensure medical readiness and provide continuity of health insurance coverage. FRA supports dental coverage being extended to Reservists 180 days after mobilization, and recommends a GAO study of the viability of subsidizing a military retiree dental program that would provide coverage for reserve retirees.

Like their active duty colleagues, many Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE Standard patients. In 2001, DoD recognized this problem and announced a policy change under which DoD would pay the premiums for the Federal Employee Health Benefit Program (FEHBP) for DoD Reservist-employees activated for extended periods. Since the current program only benefits about ten percent of the Selected Reserve Force, FRA urges expanding this program to include the authority for federal payment of civilian health care premiums (up to the TRICARE limit) for dependents of mobilized Reserve personnel.

RETIREMENT: The fundamental assumption for the Reserve retirement system established in 1947 is that a Reservist has a primary career in the civilian sector. But it's past time to recognize that greatly increased military service demands over the last dozen years have cost tens of thousands of Reservists significantly in terms of their civilian retirement accrual, civilian 401(k) contributions, and civilian job promotions.

DoD routinely relies on the capabilities of the Reserve forces across the entire spectrum of conflict from homeland security to overseas deployments and ground combat. This reliance is not just a trend - it's a central fixture in the national security strategy. DoD, however, has shown little interest adjusting the reserve compensation package to acknowledge this long-term civilian compensation cost to Guard and Reserve members. Inevitably, civilian career potential and retirement plans will be hurt by frequent and lengthy activations. That said, benefit enhancements must not exceed active duty benefits.

The time has come to recognize the Reserve retirement system must be adjusted to sustain its value as a complement to civilian retirement programs. The future financial penalties of increased military service requirements are clear, and should not be ignored by the government that imposes them. Failing to acknowledge and respond to the changed environment could have far-reaching, effects on Reserve participation and career retention.

FRA supports a reduction in the minimum age for retirement especially for those who experienced extensive mobilization.

EDUCATION BENEFITS: To provide an incentive for young citizens to enlist and remain in the Reserves, FRA recommends that Congress enhance the MGIB-SR rates for those who choose to participate in the program. The rates for MGIB-SR should be adequate to cover the ever increasing tuition costs for college classes, and academic protections for mobilized Guard and Reserve students, such as academic standing and refund guarantees and exemption from making Federal student loan payments during activation.

FRA believes that enhancements to the Montgomery GI Bill (MGIB) will significantly improve recruiting and retention efforts.

FRA advocates the creation of a benchmark for the MGIB so its benefits will keep pace with the cost of an average four year college education. Even with the October 1, 2004 increases in basic rates, the MGIB only covers about 60 percent of current tuition expenses.

Reservists are among the 61,000 senior enlisted personnel who entered service during the Veterans Education Assistance Program (VEAP) era (1977-1985), and have not had the opportunity to sign up for the MGIB. FRA urges authorization of an open enrollment period giving enlisted leaders the opportunity to sign up for increased educational benefits provided by the GI Bill.

There is no readjustment benefit for MGIB benefits earned by mobilized Reservists. If the benefit is not used during the period of their Reserve service, it is lost. This is a non-benefit at best, and false advertising at worst, when members are effectively precluded from using their MGIB entitlement because of repeated mobilizations.

Unfortunately, MGIB objectives are not being achieved for mobilized members of the National Guard and Reserve forces. Specific concerns include:

- Delayed implementation of MGIB benefits for mobilized Reservists authorized under Chapter 1607 of Title 10 USC. Few educational benefits claims have been processed for the more than 500,000 personnel who have served on active duty under contingency operation orders since 9/11/01.
- Mobilized Reservists lack of a readjustment benefit. They must leave behind remaining MGIB benefits upon separation unless the separation is for disability.
- During the early years of the MGIB, benefits earned by Guard and Reserve members amounted to 47 cents to the dollar compared to active duty MGIB participants. Since 9/11/01, the ratio has dropped to 29 cents to the dollar.
- Reserve MGIB programs are under Title 10, whereas basic MGIB benefits for active duty service members are codified under Title 38. There are major challenges in coordinating the oversight and management of MGIB programs. Outmoded information management and information technology is part of this.

The Nation's Guard and Reserve forces are effectively being integrated under the Total Force concept, and educational benefits under the Montgomery GI Bill should be re-structured accordingly.

FRA, along with its partners in The Military Coalition, the American Legion, the Veterans Independent Budget for FY2007, and major higher education associations support enactment of a "Total Force Montgomery GI Bill" for the 21st century. The integration of active and Reserve force MGIB programs under Title 38 is very important and will provide equity of benefits for service performed, enable improved administration, and facilitate accomplishment of statutory purposes intended by Congress for the MGIB.

FAMILY READINESS: Unlike active duty families who often live near military facilities and support services, many Reserve families live in civilian communities. This poses a major drawback for them, because military information and support is not readily available. Congressional hearing have documented that many of the half million mobilized Guard and Reservists have not received transition assistance services they and their families need to make a successful transition back to civilian life. FRA therefore supports increasing funding for families, especially those geographically dispersed and not readily accessible to military installations and inexperienced with the military. Therefore, there needs to be enhanced education of Guard and Reserve families on benefits available, including Department of Veterans Affairs outreach. FRA recommends funding of a tailored Transition Assistance Services and Protections" TAP" to meet the unique needs of Guard and Reservists, including academic protections for mobilized Guard and Reservists students such as refund guarantees, exemption from repayment of federal student loans during activation, and maintaining academic standing. Further Guard and Reserve members and their spouses should be provided waivers on scheduled licensing/certification/promotion exams scheduled during a mobilization. Reemployment rights should be extended to spouses who must suspend employment to care for children during mobilization, and stronger credit protections under the Service members Civil Relief Act should be enacted.

END STRENGTH IMPACT ON RESERVES: America is at war and FRA believes the Sea Services should have adequate numbers of personnel to meet the demands of fighting the War on Terror and sustain other operational commitments. Many in Congress are concerned that FY 2007 DoD budget sacrifices manpower for technology. The FY 2007 budget puts the Marine Corps end strength at 175,000, even though the Commandant has stated he needs 180,000 end strength for the Marine Corps. The proposed FY 2007 DoD budget cuts Navy end strength by 12,000 a 3 percent cut from 352,700 in last years request. DoD's resistance to increase end strengths increases reliance on the Guard and Reserves increasing stress on the these personnel and their families.



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EMPLOYER ASSISTANCE: Employers with Guard and Reservist employees often shoulder the burden of extra costs to support national defense through the participation of their employees in the military. Many employers continue paying part of their employee's salaries and benefits while they are away serving on duty. FRA supports recognition of the employers and tax credits to reduce the burden on employers.