



Statement of
The Fleet Reserve Association
on
Military Compensation

Submitted to:
Senate Armed Services Committee
By

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The FRA

The Fleet Reserve Association (FRA) will celebrate 90 years of service this November 11, and is the oldest and largest enlisted organization serving active duty, Reserves, retired and veterans of the Navy, Marine Corps, and Coast Guard. It is Congressionally Chartered, recognized by the Department of Veterans Affairs (VA) as an accrediting Veteran Service Organization (VSO) for claim representation and entrusted to serve all veterans who seek its help. In 2007, FRA was selected for full membership on the National Veterans' Day Committee.

FRA was established in 1924 and its name is derived from the Navy's program for personnel transferring to the Fleet Reserve or Fleet Marine Corps Reserve after 20 or more years of active duty, but less than 30 years for retirement purposes. During the required period of service in the Fleet Reserve, assigned personnel earn retainer pay and are subject to recall by the Navy.

FRA's mission is to act as the premier "watch dog" group in maintaining and improving the quality of life for Sea Service personnel and their families. FRA is a leading advocate on Capitol Hill for enlisted active duty, Reserve, retired and veterans of the Sea Services. The Association also sponsors a National Americanism Essay Program and other recognition and relief programs. In addition, the FRA Education Foundation oversees the Association's scholarship program that presents awards totaling nearly \$123,000 to deserving students each year.

The Association is also a founding member of The Military Coalition (TMC), a 33-member consortium of military and veteran's organizations. FRA hosts most TMC meetings and members of its staff serve in a number of TMC leadership roles.

For nearly nine decades, dedication to its members has resulted in legislation enhancing quality of life programs for Sea Services personnel, other members of the uniformed services plus their families and survivors, while protecting their rights and privileges. CHAMPUS, (now TRICARE Standard) was an initiative of FRA, as was the Uniformed Services Survivor Benefit Plan (USSBP). More recently, FRA led the way in reforming the REDUX Retirement Plan, obtaining targeted pay increases for mid-level enlisted personnel, and sea pay for junior enlisted sailors. FRA also played a leading role in advocating recently enacted predatory lending protections and absentee voting reform for service members and their dependents.

FRA's motto is: "Loyalty, Protection, and Service."

Certification of Non-Receipt OF FEDERAL FUNDS

Pursuant to the requirements of House Rule XI, the Fleet Reserve Association has not received any federal grant or contract during the current fiscal year or either of the two previous fiscal years.

Introduction

Mr. Chairman, FRA salutes you, the Ranking member and all members of the Committee, and your staff for the strong and unwavering support of programs essential to active duty, Reserve Component, and retired members of the uniformed services, their families, and survivors. The Committee's work has significantly improved military pay, and other benefits. This support is critical in maintaining readiness and is invaluable to our uniformed services engaged throughout the world fighting terrorism around the world, sustaining other operational requirements and fulfilling commitments to those who've served in the past.

The current All Volunteer Force (AVF) has been through a dozen years of wartime sacrifices never envisioned by those who designed a voluntary military force. The U.S. military is a stressed force with many serving multiple deployments in Iraq and Afghanistan. The current compensation package is the glue that holds the all-volunteer force together, and any budget-driven cuts in pay and benefits could have adverse impact on recruitment and retention, and ultimately threaten the very foundation of the AVF.

“Modernization” Commission

The FY 2013 National Defense Authorization Act (H.R. 4310 – P.L. 112-239) establishes the Military Compensation and Retirement Modernization Commission, but limits its recommendations from being BRAC-like in its review of the current compensation and military retirement system. FRA believes it's important that this distinguished Committee, its House counterpart and personnel subcommittees maintain oversight over commission recommendations. President Obama has charged the commission to review “the full breadth of the systems,” including healthcare, military family support, and any federal programs that could influence the decision of current or future service members to stay in uniform or leave the service. Before making their final recommendations, the commission must examine the impacts of proposed recommendations on currently serving members, retirees, spouses, children and survivors. The commission has also been instructed not to alter the current retirement system for those already serving, retired or in the process of retiring. Along with a review of military compensation, the president asked that the commission look at the “interrelationship of the military's current promotion system.”

In 1986 Congress passed, over the objection of then Secretary of Defense Casper Wienberger, major retirement changes, known as “Redux,” that significantly reduced retirement compensation for those joining the military after 1986. FRA led efforts to repeal the act in 1999 after the military experienced retention and recruitment problems. The Association continues to monitor the take rate for personnel choosing between remaining on the High 3 program, or the Redux program at 15-years of service.

Maintaining a highly-motivated, well-trained and professional all-volunteer career military force requires an adequate pay and benefit package. Military service is unlike any other career or occupation, and requires adequate compensation and a unique retirement system. Career senior non-commissioned officers (NCOs) are the backbone of our military and their leadership and guidance are invaluable and a result of specialized years of training and experience.

Sequestration, the Budget Agreement, and COLA Cuts

For past several years, now top military officials have claimed that personnel costs are out of control and are consuming an ever-larger percentage of the Pentagon budget. “In fact military personnel costs are shrinking in terms as a percentage of the overall Defense budget. Military personnel costs in 2012 were 24.16 percent of the Defense budget, in 2001 these costs were 24.13 percent of the Defense budget, and in 1991 were 30.5 percent of the budget.”¹ The recently enacted budget agreement (H. J. Res. 59 – P.L. 113-67) mandates an annual one percent reduction in military retired pay cost of living adjustment (COLA) for those under age 62 who served 20 or more years, which takes effect December 1, 2015. While portrayed as a minor change in retired pay, it is actually a substantial cut in benefits over the long term and an egregious breach of faith.

The Association strongly opposes efforts to reduce military retired pay and wants to ensure equitable COLAs for all military retirees commensurate with their service and sacrifices. FRA believes that military service is unlike any other occupation, and the benefits should reflect that reality. Roughly one percent of the population has volunteered to shoulder 100 percent of the responsibility for our national security. FRA was thankful that the recently passed FY 2014 omnibus spending bill (H.R. 3547) excludes disabled retirees and widows receiving Survivor Benefit Program (SBP) benefits from the one percent COLA cut. Although this is a step in the right direction, the FRA supports an amendment to repeal the COLA cut for *all* retirees under age 62. That is why the Association is supporting the “Comprehensive Veterans Health and Benefits and Military Retirement Pay Restoration Act” (S. 1950), sponsored by Bernie Sanders (Vt.), that among its many other provisions would repeal Section 403 of the “Bipartisan Budget Act” (H. J. Res 59). The Association believes that retired benefits and pay have been earned through 20 or more years of arduous military service.

The budget agreement goes outside the so-called “regular order” and bypassed this distinguished Committee, its House counterpart and subcommittees with jurisdiction and, more importantly, expertise on military retirement benefits. This agreement decreases the magnitude of the automatic sequestration cuts in the Defense budget. Sequestration is a blunt instrument to reduce huge annual budget deficit, which is a serious problem, but total defense spending as a

¹ Army Times, 11/25/13 “Top Brass Claims Personnel Costs are Swamping DoD, but Budget Figures say Otherwise” by Andrew Tilghman

percentage of Gross Domestic Product (GDP) is significantly below past wartime periods and projected to go lower. Reducing the harmful effects of sequestration cuts should be a top priority to ensure the nation's security and military readiness, but to penalize the very men and women who have sacrificed and served more than others is simply unfair. FRA's February 2013 on-line survey indicated that 90 percent of retirees were "very concerned" about sequestration. Former Secretary of Defense (SecDef) Leon Panetta stated that sequestration cuts "would do catastrophic damage to our military, hollowing out the force and degrading its ability to protect the country." It is significant that defense spending totals 17 percent of the federal budget, yet 50 percent of the sequestration cuts are targeted for the Department of Defense (DoD). Operations are winding down in Afghanistan, however, the Nation is still at war and slashing DoD's budget further will not reduce the national security threats.

FRA also supports the "Down Payment to Protect National Security Act" (S. 263), sponsored by Sen. Kelly Ayotte (N.H.) and its House companion bill (H.R. 593) sponsored by House Armed Services Committee Chairman Rep. Howard "Buck" McKeon, (Calif.) that would amend the Budget Control Act (BCA) by excluding the DoD budget from the next round of sequestration cuts mandated by the BCA.

Additionally, the Association supports a Defense budget of at least five percent of GDP that will adequately fund both people and weapons programs. FRA is concerned that the Administration's spending plan is not enough to sufficiently support both.

Another serious threat to retirement compensation is to calculate future COLAs for inflation-adjusted benefits by using the chained Consumer Price Index (CPI) in lieu of the current Consumer Price Index (CPI), which was included in the Administration's FY 2014 budget request. The so-called "chained CPI" takes into account the effect of substitutions consumers make in response to changes in prices. FRA believes that change over time would have a significant cumulative impact on the annual COLAs for military retirees and personnel receiving veterans' benefits – particularly if it is implemented with the one percent reduction already enacted.

Personnel expenditures are directly related to defense readiness and reneging on past commitments by cutting retirement benefits and other quality-of-life programs are major concerns within the active and Reserve military communities and are viewed as a devaluation of military service.

TRICARE Fee Increases

Many retirees feel financially threatened by the possibility of budget-driven drastic increases in TRICARE fees and view such threats as an attack on their earned income. FRA's membership appreciates the following Sense of Congress provisions in the FY 2013 National Defense

Authorization Act (NDAA): (1) DoD and the Nation have a committed health benefit obligation to retired military personnel that exceeds the obligation of corporate employers to civilian employees; (2) DoD has many additional options to constrain the growth of health care spending in ways that do not disadvantage beneficiaries, and (3) DoD should first pursue all options rather than seeking large fee increases or marginalize the benefit for beneficiaries.

Health care dominated priorities for military retirees responding to FRA's 2013 on-line survey, with quality of health care benefits rated as "very important" by over 95% of respondents. Access to the benefit followed in importance as indicated by over 94% of those participating in the survey.

It should be remembered that TRICARE Prime beneficiaries experienced a 13-percent fee increase three years ago and these fees and now pharmacy co-pays increase the same percentage as the annual COLA increases. These limits were established to ensure that TRICARE fee increases would not erode retirement compensation.

Military Compensation Capped

The Association is troubled by recent efforts by the current Administration to limit annual increases in military compensation to only one-percent. FRA strongly supports annual pay increases that are at least equal to the Employment Cost Index (ECI) to ensure that military pay keeps pace with civilian compensation.

The Rand Corporation released a study in 2012 recommending smaller military pay increases. The study is one of many recent reports echoing the same tired refrain that military pay and benefits are too generous. This study and other recent studies have been quoted extensively in recent news accounts on military pay and benefits. The study indicates that military pay increased faster than civilian pay since 2000, but ignores the fact that military pay increases lagged behind civilian pay increases (Employment Cost Index) during the 1990s, resulting in a 1999 pay gap of 13.5 percent, which contributed to major recruitment and retention problems. From FY 1999-FY 2011 Congress provided pay increases 0.5 percent above the ECI (except for FY 2007, when the increase was equal to the ECI) in an effort to close the pay gap.

The RAND study counterintuitively suggests that smaller pay increases will not significantly impact retention and recruitment. The study claims that relatively high unemployment rates throughout the economy will stabilize retention and recruitment. FRA disagrees and believes the current high rate of unemployment will not continue indefinitely, and that pay for the all-volunteer military should accurately reflect service and the sacrifices borne by those who serve and their families.

FRA stands foursquare in support of the Nation's Reservists and wants to streamline the complex Reserve duty status system without reducing compensation. The Association also supports making early retirement credit retroactive to September 11, 2001, after which the Reserve Component changed from a strategic Reserve to an operational Reserve.

Concurrent Receipt

FRA continues its advocacy for legislation authorizing the immediate payment of concurrent receipt of full military retired pay and veterans' disability compensation for all disabled retirees. The Association appreciates the progress that has been made on this issue that includes a recently enacted provision fixing the Combat Related Special Compensation (CRSC) glitch that caused some beneficiaries to lose compensation when their disability rating was increased. There are still many Chapter 61 retirees receiving Concurrent Retirement and Disability Pay (CRDP) and CRDP retirees with 20 or more years of service with less than 50 percent disability rating that should receive full military retired pay and VA disability compensation without any offset.

The Association strongly supports pending legislation to authorize additional improvements that include Senate Majority Leader Harry Reid's legislation (S.234), Rep. Sanford Bishop's "Disabled Veterans Tax Termination Act" (H.R. 333) and Rep. Gus Bilirakis' "Retired Pay Restoration Act" (H.R. 303).

SBP/DIC Offset Repeal

FRA supports the "Military Surviving Equity Act" (S. 734), sponsored by Sen. Bill Nelson (Fla.) and its House companion bill (H.R. 32), sponsored by Rep. Joe Wilson (S.C.), to eliminate the Survivor Benefit Plan (SBP)/Dependency and Indemnity Compensation (DIC) offset for widows and widowers of service members. These bills would eliminate the offset, also known as the "widow's tax," on approximately 60,000 widows and widowers of our Armed Forces.

SBP and DIC payments are paid for different reasons. SBP is purchased by the retiree and is intended to provide a portion of retired pay to the survivor. DIC is a special indemnity compensation paid to the survivor when a member's service causes his or her premature death. In such cases, the VA indemnity compensation should be added to the SBP the retiree paid for, not substituted for it. It should be noted as a matter of equity that surviving spouses of federal civilian retirees who are disabled veterans and die of military-service-connected causes can receive DIC without losing any of their federal civilian SBP benefits.

Retention of Final Full Month's Retired Pay

FRA urges the Committee to authorize the retention of the full final month's retired pay by the surviving spouse (or other designated survivor) of a military retiree for the month in which the member was alive for at least 24 hours. FRA strongly supports "The Military Retiree Survivor Comfort Act" (H.R. 1360) introduced by Rep. Walter Jones (N.C.), that achieves this goal.

Current regulations require survivors of deceased military retirees to return any retirement payment received in the month the retiree passes away or any subsequent month thereafter. Upon the demise of a retired service member in receipt of military retired pay, the surviving spouse is to notify DoD of the death. The Department's financial arm (DFAS) then stops payment on the retirement account, recalculates the final payment to cover only the days in the month the retiree was alive, forwards a check for those days to the surviving spouse (beneficiary). If the death is not reported in a timely manner, DFAS recoups any payment(s) made covering periods subsequent to the retiree's death, without notice or consideration of the survivor's financial status.

The measure is related to a similar pay policy enacted by the VA. Congress passed a law in 1996 that allows a surviving spouse to retain the veteran's disability and VA pension payments issued for the month of the veteran's death. FRA believes military retired pay should be no different.

Keep BAH

An important part of military compensation is the Base Allowance for Housing (BAH). The Association cannot stress enough the importance of providing service members and their families the means to live in suitable, affordable, and safe housing. This critical quality-of-life benefit is of paramount concern for service members deployed far home who take comfort knowing that their family is in an appropriate living environment. That is why FRA is distressed by discussions of eliminating BAH and Base Allowance for Subsistence (BAS) in lieu of a combined tax-free stipend without allowances for dependents. In the FRA February 2013 online survey, 95 percent of active duty survey respondents rated BAH as "Very important" (the highest rating). FRA is concerned that these proposed changes by the Pentagon are primarily budget driven.

Eliminating BAH could have a negative impact on retention for junior enlisted personnel. BAH for junior enlisted troops can amount to as much as 50 percent of total monthly compensation. Instead of eliminating BAH, the program should be reformed to update housing standards. For example, only one percent of the enlisted force (E-9) is eligible for a BAH sufficient to pay for a three-bedroom, single-family detached house, even though thousands of enlisted below the rank of E-9, in fact, reside in detached homes. Enlisted housing standards should allow for E-7s and above reside in single-family homes. FRA also wants to ensure that BAH rates are

commensurate with actual housing costs, ensure adequate housing inventory and that housing privatization programs are beneficial to service members and their families.

FRA notes that the recently passed budget agreement (H.R. 3547) provides \$27 million less than requested for FY 2014 for constructing, operating, and maintaining family housing. It is said that the individual enlists, but it is the family that re-enlists, and housing is a major consideration in retention decisions.

Protect the Commissary and Exchange Systems

Military commissaries and exchanges are essential parts of the military compensation package and FRA's on-line survey, completed in February 2013, indicates that nearly 61 percent of retirees rated Commissary/Exchange privileges as "very important." FRA is a member of the recently established Coalition to Save Our Military Shopping Benefits. The Coalition now has 13 member organizations representing 1.5 million service members, retirees, veterans, and their families, many of which are authorized patrons of the resale system.

A study by the Resale and MWR Center for Research, entitled "Costs and Benefits of the DoD Resale System," indicates that these programs provide military members, retirees and their families with shopping discounts worth \$4.5 billion annually. These stores are the biggest employers of military family members with 50,000 spouses, dependent children, retirees and veterans on the payrolls, adding \$884 million a year to military household incomes. The Association notes with concern DoD's plans to soon issue furlough notices to the Defense Commissary Agency (DeCA) employees and close commissaries on Mondays for the remainder of the fiscal year due to sequestration-related cuts to operating accounts of 9.2 percent.

The report also indicates that approximately \$545 million a year from store operations is reinvested in base infrastructure. This is from profits of military exchanges and from a five-percent surcharge collected at cash registers in commissaries. These facilities and capital improvements become assets on the balance sheet of the Federal government. Exchange profits also fund important base morale, welfare and recreation (MWR) programs that contribute to an enhanced quality of life for military beneficiaries.

Uniformed Services Former Spouses Protection Act (USFSPA)

The antiquated Uniform Services Former Spouse Protection Act (USFSPA) has had a significant impact on some current and former service members' pay. According to Military.com writer Amy Bushatz, "The military divorce rate went down slightly in 2012, settling at 3.5 percent from the record high of 3.7 percent in 2011. Military officials and divorce experts are hopeful that the overall rate, which had crept slowly up from 2.6 percent in 2001 to 3.7 percent in 2011, is

starting to move downward.” Female enlisted soldiers and Marines, however, continue to experience the highest rate of divorce – 9.4 percent and 9.3 percent respectively. In the Army, the female enlisted divorce rate is more than triple that of enlisted males.”

Related to these statistics, FRA urges Congress to review the Uniformed Services Former Spouses Protection Act (USFSPA) with the intent to amend the language so that the federal government is required to protect its service members against State courts that ignore the Act.

The USFSPA was enacted 30 years ago; the result of congressional maneuvering that denied the opposition an opportunity to express its position in open public hearings. The last hearing, in 1999, was conducted by the House Veterans’ Affairs Committee rather than the House Armed Services Committee, which has oversight authority for USFSPA.

Few provisions of the USFSPA protect the rights of the service member, and none are enforceable by the Department of Justice or DoD. If a State court violates the right of the service member under the provisions of USFSPA, the Solicitor General will make no move to reverse the error. Why? Because the Act fails to have the enforceable language required for Justice or the Defense Department to react. The only recourse is for the service member to appeal to the court, which in many cases gives that court jurisdiction over the member. Another infraction is committed by some State courts awarding a percentage of veterans’ compensation to ex-spouses, a clear violation of U.S. law; yet, the federal government does nothing to stop this transgression.

There are other provisions that weigh heavily in favor of former spouses. For example, when a divorce is granted and the former spouse is awarded a percentage of the service member’s retired pay, the amount should be based on the member’s pay grade at the time of the divorce and not at a higher grade that may be held upon retirement.

FRA believes that the Pentagon’s USFSPA study recommendations are a good starting point for reform. This study includes improvements for both former spouse and the service member.

Thomas J. Snee
National Executive Director

Thomas J. (Tom) Snee was elected as the 12th National Executive Director for the Fleet Reserve Association (FRA), Alexandria, Va., at its National Convention in Chattanooga, Tenn. In this capacity he is the active managing officer of the National Headquarters with authority to endorse standing rules and regulations approved by its National Board of Directors; he also serves on the National Board of Directors and is the Chairman of the Association's National Committee for Legislative Service.

After graduating from high school, Tom enlisted in the U.S. Navy and attended recruit training (boot camp) at Great Lakes, Ill., from October–December 1965. He initially served as a Yeoman, but later changed his rating to Navy Counselor in August 1973. Tom retired in September 1996 as the Force Master Chief, Navy Recruiting Command, Washington, DC. As a Master Chief Navy Counselor (Surface Warfare) he served in leadership and management positions for training and education, career development, recruiting, and administrative duties. His sea commands included the USS *America* (CV 66), USS *Richard E. Byrd* (DDG 23), USS *Vogelsgang* (DD 862), and afloat staffs. Snee served in shore commands, in addition to the Navy Recruiting Command, in the Naval Technical Training Command, Memphis, Tenn. And the Cruiser-Destroyer/Naval Surface Forces, Atlantic Fleet, Newport R.I., Norfolk, Va., Chicago, Ill., Pensacola, Fla., and Cutler, Maine. He is also a graduate of the Navy's Senior Enlisted Academy, Class 009, KHAKI Group, Naval War College, and Newport, R.I. Personal awards include the Meritorious Service Medal (1 gold star), Navy/Marine Corps Commendation Medal (3 gold stars), Navy/Marine Corps Achievement Medal (2 gold stars), Vietnam Service, Vietnam Cross of Gallantry, and various unit/command commendations.

Following his Navy retirement, Shipmate Snee worked at the FRA Headquarters, Alexandria, Va. in the Veterans and Membership Development sections. After three years, Shipmate Snee then became a middle school teacher in the Arlington, Va. Catholic Diocese School System for more than 13 years.

Snee holds a M.Ed. degree in Educational Leadership from George Mason University, Fairfax Va.; a BS degree in Liberal Arts/Psychology, State University of New York, Albany, N.Y.; and an AS degree in Liberal Arts, Mohegan Community College, and Norwich, Conn. Snee has also been a circuit speaker at Leadership in the New Generations Ethics for Middle School Students, George Mason University, and currently serves on the Board for Educators at Mt. Vernon and Gunston Hall Association historical sites, Alexandria, Va.

Snee is married to the former Karen A. Habina of Willoughby, Ohio. She works in the Branch Operations Department at the headquarters of Navy Federal Credit Union, Vienna, Va. The Snees have four children; Janet M. Basselgia, 2nd grade teacher, Springfield, Va.; Denise J. McCready, substitute teacher, Kittery, Maine; Commander David T. Snee, U. S. Navy, Commanding Officer, USS *Grace Hopper* (DDG 70), Pearl Harbor, Hawaii; and Timothy F. Snee, Manager FEDEX/Kinkos, Fairfax, Va. The Snees also have five grandchildren. They reside in Burke, Va.