



Statement of
The Fleet Reserve Association
On
The Recommendations of the
Military Compensation and
Retirement Modernization Commission

Submitted to:
Senate Armed Services Committee

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The FRA

The Fleet Reserve Association (FRA) celebrated 90 years of service last 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 was derived from the Navy's and Marine Corps 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 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 greatly enhanced care and support for our wounded warriors and significantly improved military pay, and other benefits and enhanced other personnel, retirement and survivor programs. This support is critical in maintaining readiness and is invaluable to our uniformed services engaged throughout the world fighting to stop terrorism generated by Islamic extremism, sustaining other operational requirements and fulfilling commitments to those who have served in the past.

Background

The FY 2013 National Defense Authorization Act (H.R. 4310 – P.L. 112-239) establishes the Military Compensation and Retirement Modernization Commission (MCRMC), but limits its recommendations from being a BRAC-like endorsement, as originally proposed, in its review of the current compensation and military retirement system. FRA believes it's important that this distinguished Committee, its House counterpart, and House and Senate Personnel subcommittees maintain oversight over commission recommendations. While FRA supports many of the Commission's recommendations it was noted that no enlisted personnel were appointed to serve on the Commission. Nearly 75 percent of the current active force is enlisted and therefore should have representation on this Commission.

The commission was 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."

The driving-force for creating the MCRMC has been the myth that "personnel costs are eating us alive" and that personnel costs are "unsustainable."

Of historical note 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.

The Commission believes that it can make drastic changes to pay, retirement, and other benefits and assumes it will have no impact on retention, recruitment, and readiness. Past experiences with substantial benefit changes indicate otherwise. Rhetoric about “unsustainable” personnel costs since 2000 is misleading. Improvements since 2000 to personnel programs were needed to offset pay and benefit cutbacks of the late 1980s and the 1990s that undermined retention and recruitment.

The U.S. Navy completed a study from May 1, 2014 through May 30, 2014, to better understand the barriers to adequate retention for the Navy. The survey indicates that Sailors are most likely to leave uniformed service because of a perception of increasingly high operational tempo, poor work/life balance, low service-wide morale, declining pay and compensation, declining desire to hold senior leadership positions, and widespread distrust of senior leadership, all of which erodes loyalty to the Navy.

The survey indicates that 80.4 percent rank the current retirement system (defined benefit pension), and 73.9 percent rank pay, as the two most important reasons to remain in uniform. When asked about the impact of the current 20-year retirement plan, 75.8 percent of enlisted and 80.9 percent of officers said changing to a 401 K style system would make them more likely to leave earlier in their career. The survey seems to indicate that any drastic changes to the military retirement system could have catastrophic consequences for retention. The study conclusions are based on a random sample of 5,536 responses with a margin of error of 1.3 percent.

FRA wants to thank the members of the Commission and their staff for allowing FRA to have input while the report was being written. The Commission met with 97 other advocacy groups as well. The MCRMC visited 55 military installations, received more than 150,000 survey responses from active duty and retirees, and held eight Town Hall meetings in their efforts to understand the complexity of the military compensation and retirement systems.

MCRMC Final Report

The report makes 15 major recommendations intended to improve the cost-effectiveness of quality benefits for those who currently serve, have served and will serve in the future. The first recommendation provides a blended retirement benefit to future service members and retirees. The current defined benefit plan after 20 years of service would be replaced by smaller defined benefit plan and a mandated defined contribution plan known as a Thrift Savings Plan (TSP) providing a one percent employer contribution. Any employee contributions for the first two years would be matched by employer up to three percent of pay, and after two years the employer would match up to 5 percent. FRA opposes the first recommendation believing that

shifting benefits from 20-year career service members to service members with as little as two years of service with a portable benefit is laying the groundwork for catastrophic retention crisis.

No federal government obligation is more important than national security. And the most important element of national security is sustainment of a dedicated, top quality career force. The All-Volunteer Force (AVF) has performed well. It has endured a 13 year long conflict with terrorism. Absent the career drawing power of the current 20-year retirement system, FRA would contend that, sustaining adequate retention levels over an extended period of constant combat deployments would have been impossible. The Association believes that “civilianization” of the military benefit package will dramatically undermine the primary military career incentive and will prove to be catastrophic for retention and readiness. The current retirement system was established to ensure a strong and top-quality career force despite arduous service conditions, that few civilians ever experience and few would be willing to accept.

The TSP provides a portable investment that will encourage mid-level service members to seek employment in the civilian sector. FRA believes that a military career is a unique profession that requires a unique retirement system. The MCRMC retirement changes would reduce the number of career service members dramatically. 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.

Recommendation 6 impacts current active duty, the Reserve Component, and retirees under age 65 and is the most wide-ranging recommendation that calls on Congress to replace the current health care arrangement with a new system that provides beneficiaries with choices offered by commercial insurance companies. The Commission found that TRICARE is no longer fiscally sustainable. FRA does **not** support or oppose this recommendation at this time; but believes that such vast and dramatic change to the health care benefit requires a second opinion.

Beneficiaries would be switched to a plan similar to the Federal Employee Health Benefit Program (FEHBP), except that Military Treatment Facilities (MTF) would be included in the network. Like the FEHBP beneficiaries could choose from a selection of commercial insurance plans. The plan would be administered by the Office of Personnel Management (OPM) rather than the Defense Department (DoD). Beneficiaries would be required to pay 20 percent of all health care costs. Beneficiary family members would not be covered under the plan and would be provided a Basic Allowance for Health Care (BAHC) to cover the cost of premiums and deductibles for an average health care plan. Reserve Component (RC) members who are mobilized would also receive a BAHC in lieu of TRICARE coverage.

The Association believes that recommendation 2 misses the mark by not addressing the 60,000 survivors that currently have their Survivor Benefit Plan (SBP) being offset by VA Dependency and Indemnity Compensation (DIC). FRA advocates that this “widow’s tax” should be

eliminated. Further providing an option that nearly doubles SBP premiums from 6.5 to 11.25 will have few buyers. The report does not comment on the Special Survivor Indemnity Allowance (SSAI) for surviving spouses of members who died while serving on active duty that will sunset at the end of FY 2017. FRA strongly supports eliminating or at least extending this provision if SBP/DIC offset is not repealed.

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. Further FRA believes Congress should reduce the age for paid-up SBP to age 67 for those who joined the military at age 17, 18 or 19.

FRA strongly supports recommendation 3 that promotes financial literacy and believes it should be expanded to include educational information on the Uniform Services Former Spouse Protection Act (USFSPA).

The Association was in the forefront of supporting the enactment of the MLA in 2006 and supported the creation of the Office of Military Liaison within the CFPB when the Bureau's enabling legislation was enacted in 2010. FRA continues its work to ensure active duty personnel are protected from predatory lenders, and urges this subcommittee to ensure that the MLA is effectively administered. The Association applauds recent efforts by the Consumer Finance Protection Bureau (CFPB) to regulate predatory lenders through enforcement of the Military Lenders Act (MLA).

Active duty members that get divorced also need protections from USFSPA, and FRA recommends that they be educated about the negative consequences of this badly drafted legislation. 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 33 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. 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.*

FRA strongly supports recommendation 4 that urges Congress to replace the 30 current Reserve Component statuses with 6. FRA stands foursquare in support of the Nation's Reservists and to

improved compensation and benefits packages to attract recruits and retain currently serving personnel. The Association also wants to make the early retirement credit retroactive to September 11, 2001, after which the Reserve Component changed from a strategic Reserve to an operational Reserve.

FRA supports recommendation 5, but is unsure if this can be effectively implemented.

The Association supports recommendation 7 that seeks to improve support for service members with special dependents.

FRA welcomes recommendation 8 that attempts to improve collaboration between DoD and the VA. FRA supports a joint electronic health record that will help ensure a seamless transition from DoD to VA for wounded warriors, and establishment and operation of the Wounded Warriors Resource Center as a single point of contact for service members, their family members, and primary care givers. FRA is concerned about shifting of departmental oversight from the Senior Oversight Committee (SOC) comprised of the DoD and VA secretaries per provisions of the FY 2009 National Defense Authorization Act, to the more lower echelon Joint Executive Council (JEC) which is now responsible for supervision, and coordination of all aspects of DoD and VA wounded warrior programs. This change is perceived by many as diminishing the importance of improving significant challenges faced by service members – particularly wounded warriors and their families – in transitioning from DoD to the VA. The recommendation to provide additional authority the Joint Executive Committee (JEC) is a step in the right direction.

The Association opposes recommendation 9 that attempts to consolidate the Commissary and Exchange systems. FRA believes that commissary, exchange and MWR programs contribute significantly to a strong national defense by sustaining morale and quality of life for military beneficiaries. FRA's on-line survey (completed in February/March 2014) indicates that 61 percent of active duty respondents and more than 63 percent of retirees rated Commissary/Exchange privileges as "very important" (the highest rating).

FRA supports recommendation 10 that urges Congress to re-establish the authority to use operating funds for expanding or modifying child development centers. DoD should standardize reporting and monitoring of child care wait times, and ensure proper staffing levels. FRA claims that access to affordable, quality child care must be a high priority for all the military services. Adequate and reliable child care helps reduce stress on a military family – especially when one of the parents is deployed.

FRA wants to have further review of recommendation 11. Streamlining education benefits is laudable but there should not be any reductions to these important earned benefits.

The Association supports recommendation 12 that wants to improve service member transition to civilian life. FRA believes that transition programs should be mandatory and relevant to for

service members leaving the military. Congress should closely track these programs to help ensure success.

FRA supports recommendation 13 that pertains to financial assistance for junior enlisted service members for nutritional needs.

FRA supports recommendation 14 that expands service member dependents being approved for space available on military aircraft. FRA also supports expanding space-available travel for uniformed services retirees to include "gray area" reserve retirees and also allow surviving spouses to become eligible to use space-available travel.

FRA supports recommendation 15 that seeks to monitor active duty children academic performance, and identify support to help with academic achievement.

FRA is grateful for the opportunity to provide comments on these recommendations to this distinguished committee.

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Thomas J. (Tom) Snee is the Twelfth National Executive Director (NED) for the Fleet Reserve Association (FRA), in Alexandria, VA. In his scope of responsibility, he serves over 60,000 Shipmates and family members; is the managing officer of the National Headquarters with authority to endorse standing rules and regulations approved by its National Board of Directors. He also serves as the Chairman for Legislative Services.

Snee was born in Cleveland, Ohio and grew up in nearby Willoughby. He graduated from Willoughby South High School in June 1965 and enlisted in the United States Navy having attended Recruit Training (boot-camp) at Great Lakes, IL. He initially served as a Yeoman, but in 1973 changed his rating to Navy Counselor. Tom retired in September of 1996 as Force Master Chief, Navy Recruiting Command, in Arlington, VA. As a Master Chief Navy Counselor (Surface Warfare) he served in many leadership and managerial positions both on ships, staffs, and shore commands. He served as Director of Training and Education for Instructors, Career Development/Counseling and Recruiting developing curricular plans and procedures for students on afloat, shore, and staff development. He is a graduate of the Navy's Senior Enlisted Academy, (Class 009, KHAKI Group), Naval War College, Newport, RI.

Following his Navy retirement, Snee worked at the FRA Headquarters as Veterans Service Officer and Membership/Branch Development. After three years, Snee switched careers becoming a Middle School Teacher for the Arlington VA Catholic Schools. His educational leadership and management responsibilities were furthered facilitated as a Middle School Lead Teacher, for student, curriculum development, analytical/course assessments and development, high school placements, and school accreditation. Mr. Snee taught Social Studies (American History, Civics, Geography, and Economics) and Religion classes, in Falls Church, and Springfield, VA, spanning over a 13 year teaching career until his retirement in June 2013.

Mr. Snee holds a M.Ed in Educational Leadership from George Mason University, Fairfax VA; BS in Liberal Arts/Psychology, Excelsior College, Albany, NY; and AS in Liberal Arts, Mohegan Community College, Norwich, CT. Mr. Snee has been a mentor for the "Leadership in the New Generations Ethics for Middle School Students", at George Mason University; currently serves on the Board of Educators at Mt. Vernon and Gunston Hall Associations, (historical sites), Alexandria, VA; on the Board of Directors, for the United States Navy Memorial, Ex-Officio; and as "Ambassador" for Excelsior College, Albany, NY.

Mr. Snee's memberships include the Knights of Columbus, Surface Navy Association, Fleet Reserve Association, Boy Scouts of America and the National Eagle Scout Association (NESAs). His recognitions have been with: Covington WHO's WHO; Strathmore WHO's WHO Worldwide, Leadership/Achievement in Industry and Profession, 2013; WHO's WHO for: Executives- 2013; American Teachers- 2006; and Business Professionals-1997. Teacher of the Year, 2010-2011; Distinguish Alumni Hall of Fame, Willoughby-Eastlake Schools, Ohio.

Mr. Snee is married to the former Karen A. Habina of Willoughby, OH who works in Branch Operations, Navy Federal Credit Union, in Vienna, VA. The Snee's have four children; Janet M. Basselgia, teacher, Burke, VA; Denise J. McCready, teacher, Kittery, ME; Commander David T. Snee, U. S. Navy, OPNAV, N9I, Naval Integrated Fire Control – Counter Air Lead; and Timothy F. Snee, Manager FEDEX/KINKOs, Fairfax, VA. They also have five grandchildren and reside in Burke, VA.