



Statement of
The Fleet Reserve Association
on
Defense Department FY 2017 Budget
Submitted to:
House Armed Services Committee

By
John R. Davis
Director, Legislative Programs

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The FRA

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.

The Fleet Reserve Association (FRA) celebrated 91 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'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 the FRA Education Foundation oversees the Association's scholarship program that presents awards totaling nearly \$125,000 to deserving students each year.

The Association is also a founding member of The Military Coalition (TMC), a 31-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 more than 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). 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. More recently the Association played a leading role in abolishing legislation requiring current retirees to get a one-percent reduction in their annual cost-of-living-adjustment (COLA) until they reach age 62.

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.

Defense out of Sequestration

Before commenting on military pay and benefits in the FY 2017 Defense budget, FRA wants to note with growing concern the long-term impact of sequestration. Budget cuts mandated by the Budget Control Act of 2011 pose a threat to national security and will substantially impact member pay and benefits. These automatic cuts, known as Sequestration, require that 50 percent come from Defense, even though Defense only makes up 17 percent of the federal budget. FRA appreciates last year's budget deal eliminates a sequestration mandated \$38 billion cut in the FY 2016 Defense budget, and smaller cuts for FY 2017. However, more sequestration cuts are scheduled for FY 2018 thru 2021 remain in effect continuing to place national security at risk.

Former Secretary of Defense (SecDef) Chuck Hagel warned in 2011 that future sequestration budget cuts will create a "hollow force." The Services have already canceled deployment of ships, slashed flying hours, renegotiated critical procurement contracts, temporarily furloughed civilian employees, and are in the process of reducing force structure, giving America the smallest military force since before World War II. If sequestration is not ended, additional force reductions will likely go deeper and training and modernization levels will be further impacted.

TRICARE Fee Increases

For several years now the Administration has included in their annual budget request fee increases for many TRICARE beneficiaries, and this year is no different. It's like a re-run of a bad B-movie. The FY 2017 budget request includes enrollment fee increases for TRICARE Prime far beyond the current mandated fee increases. It includes a new "participation" fee for TRICARE Standard, and a new fee for new enrollees for TRICARE-for-Life. The plan also includes higher pharmacy co-pays and higher deductibles. FRA opposes these proposed fee increases because the Association believes that a military retiree's health care premium, is at least in part, paid for with 20 or more years of arduous military service. In FRA's online survey retirees were asked, "*Do you believe that retired service members have, at least in part, earned their TRICARE services through 20-plus years of military service?*" More than 99 percent of

retirees said “Yes.” Many of these beneficiaries targeted by fee increases will tell you that they were told that they would have free health care for life if they endured low pay and arduous service. In FRA’s online survey (January/February 2016) retirees were asked “*When you joined the military, were you led to believe that you would have free health care for life if you stayed in long enough to retire?*” Exactly 96 percent answered “Yes.”

Nearly 94 percent of retirees see TRICARE benefits as very important in FRA’s most recent online survey. FRA advocates that the Defense Department (DoD) must sufficiently investigate and implement other options to make TRICARE more cost-efficient as alternatives to shifting costs to TRICARE beneficiaries, and the Association opposes any indexing of future TRICARE Fee increases beyond CPI indexed to COLA increases. In FRA’s online survey of retirees (January/February 2016) finds that more than 81 percent see the cost of TRICARE premiums as “Very important.”

TRICARE Reform

The House and Senate Armed Services Committees want to reform the TRICARE program and plan to craft legislation this year to achieve this objective. It seems that the starting point has been the health care recommendations from the Military Compensation and Retirement Modernization Commission (MCRMC) that suggests that TRICARE be replaced with a plan similar to the Federal Employee Health Benefit Program (FEHBP). Beneficiaries would be switched to a plan similar to the 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 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.

Although there are similarities between the BAHC and the Base Allowance for Housing (BAH), the big difference between the two is that housing costs are predictable but health care costs are not. FRA will oppose this provision. The MCRMC proposal recommends that “Non-Medicare eligible retirees should continue to have full access to the military health benefit program at cost contributions that gradually increase over many years...” These retirees under age 65 would eventually be required to pay 20 percent of all health care costs, and premiums would be increased every year to ensure that beneficiaries keep paying 20 percent. The FY 2013 National Defense Authorization Act (H.R. 4310 – P.L. 112-239) established the MCRMC. FRA notes that no enlisted personnel were appointed to serve on the Commission. More than 75 percent of the current active force is enlisted and therefore should have been represented on this Commission.

FRA believes that a military retiree's health care premium, is at least in part, paid for with 20 or more years of arduous military service. FRA advocates that military beneficiaries incur distinctive and extraordinary physical and mental stresses that are completely different to the service conditions of federal civilian employees, and their health benefits should be significantly better than civilian programs. The military health care system is also called upon to provide combat casualty care, and in recent years has proven to be an efficient system that saves countless number of service member's lives, who would have died in earlier conflicts. So the Association would question the use of the FEHPB as a good model for reforming the Defense Health Agency (DHA). The Association welcomes the review and reform, but is not convinced that TRICARE cannot be fixed. In FRA's current online survey (January/February 2016) retirees were asked "*It has been asserted in Congress that TRICARE is irrevocably broken. Would you support replacing TRICARE with a program that costs more but offers a selection of benefits?*" Nearly 90 percent (89.94) responded "No."

No one should assume that FRA is opposed to changing and improving DHA. The Association has supported the HASC-MP proposals to create a unified medical command that would have substantial cost savings for the system. FRA would also point-out the failure of DoD and VA to create a joint interoperable electronic health record as a major disappointment. FRA welcomes MCRMC recommendation 8 that attempts to improve collaboration between DoD and the Department of Veterans Affairs (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.

Further FRA members have expressed frustration with TRICARE Prime referrals. The MCRMC report notes that TRICARE Prime beneficiaries in some locations that have half of the referrals for purchased care network waited longer than the 28-day standard for purchased care network. Even in locations with the highest access to care, 16 percent of referrals still do not get appointments within the 28-day standard. Perhaps a pilot program in a limited geographic location, not currently served by TRICARE Prime, could demonstrate the efficiency of the plan.

The Association supports MCRMC recommendation 7 that seeks to improve support for service members with special dependents. These improvements to the Extended Care Health Option (ECHO) include expanded respite care hours, and consumer directed care. FRA wants to make sure that U.S. Coast Guard personnel are also covered by this program. FRA represents the Sea Services and wants to ensure that the Coast Guard benefits have parity with DoD benefits.

The whole purpose of a unique military health care benefit is to offset the extraordinary demands and sacrifices expected in a military career. FRA advocates that to sustain a first-class, career military force requires a strong bond of mutual commitment between the service member and his/her employer.

More Retirement Changes Proposed by Pentagon

Last year, Congress enacted and the president signed into law major changes to the military retirement system that replaced the current defined benefit with a “blended” retirement system for those joining the military after January 1, 2018 and provides the option of participating in the new system for those who joined the military on or after January 2006 but before January 1, 2018. The “blended” system reduced the defined benefit program from 50 percent to 40 percent of salary for those who serve 20 or more years and provides a defined contribution plan, known as a Thrift Savings Plan (TSP), with a one percent employer contribution and matching employer contribution up to 4 percent of the employee’s contribution starting after the third year of service. Matching contributions would end after 26 years of service. The new system provided a bonus at 12 years of service if the service member signed up for four more years of service. The bonus would be at least equal to 3 months’ pay.

The Pentagon has proposed a number of changes that Congress may consider this year. These changes include:

- Matching TSP contribution would start at the fifth (currently third) year of service (FRA opposes);
- Matching employer contributions extended beyond current 26 years until retirement (FRA supports);
- Increase maximum employer contribution from five percent of pay to six percent (FRA supports); and
- Removing the mandate for a 12 year career bonus (FRA opposes).

These provisions amending the new “blended” retirement system will only impact future service members who join the military after January 1, 2018. Current service members who joined after January 1, 2006 and before January 1, 2018 may opt to join the new “blended” retirement system. FRA’s position on these provisions is provided above.

FRA requests that this Committee request DoD to submit a plan on how the agency will enhance financial literacy education to allow service members and their spouses to make informed decisions. FRA supports efforts to improve financial literacy in the military, and it should be mandatory that spouses participate in the program. The Association urges this Committee to ensure that those teaching financial literacy are certified financial planners. Financial literacy should be expanded to include educating active duty on the pitfalls of the Uniform Services Former Spouse Protection Act (USFSPA). The Committee should ensure that the

Servicemembers Civil Relief Act (SCRA) is enforced by regulatory agencies, including the Consumer Financial Protection Bureau (CFPB), Office of Military Affairs and work to ensure that active duty personnel are protected from predatory lenders.

SBP/DIC Offset Repeal

FRA has long sought the elimination of the Survivor Benefit Plan (SBP)/Dependency and Indemnity Compensation (DIC) offset for widows and widowers of service members. This offset, also known as the “widow’s tax,” impacts approximately 63,000 widows and widowers of our Armed Forces. These widows and widowers should receive both SBP and DIC benefits without the current dollar for dollar offset. SBP provides a surviving spouse 55 percent of their deceased spouse’s retirement pay. The retiree gains this coverage for their spouse with a 6.5 percent of retired pay premium.

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 as stated above. DIC is a special indemnity compensation paid to the survivor when a member’s service causes his or her death. In such cases, the VA indemnity compensation should be added to the SBP the retiree paid for, not substituted for it. Currently this offset is more than \$1,200 a month. 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.

In 2008, Congress enacted the Special Survivor Indemnity Allowance (SSAI) which increased gradually and now pays approximately 25 percent (\$310) of the offset. Unfortunately the SSAI sunsets on October 1, 2017. FRA supports extending the SSAI and continued increases to help our widows and widowers.

FRA supports changing the calculation of SBP payment for a reservist who dies while executing inactive duty training on the same basis used to calculating SBP for survivors of members who die on active duty.

Protect the Commissary and Exchange Systems

FRA opposes any proposal to reduce funding for military commissaries. The Administration’s proposed budget reduces the annual commissary subsidy by \$221 million. Military commissaries and exchanges are essential parts of the military benefit package and FRA’s on-line survey (completed in January/February 2016) indicates that 50 percent of active duty respondents and nearly 61 percent of retirees rated Commissary/Exchange privileges as “very important.”

The Association opposes MCRMC 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.

Active Duty Pay

FRA strongly supports a full Employment Cost Index (ECI) military pay increase for FY 2017. Pay and allowances remain the top retention choice for active duty military personnel since the beginning of the All-Volunteer Force. This is reflected in FRA's recent online survey (February/March 2016) indicating that almost 95 percent of active duty see base pay as "Very Important"- the highest rating. The active duty community is disappointed that Congress capped the 2017 active duty pay raise at 1.6 percent, which is one half percent less than the growth of private sector pay as measured by the Employment Cost Index (ECI). This would make 4 years in a row the military received smaller pay increases

In the 1970s several annual pay caps contributed to a serious retention problem that was fixed by large salary increases in 1981 and 1982. Throughout the 1980s and 1990s budget limitations lead to several salary caps providing salary increases below the annual ECI. In 1999 it was determined that there was a 13.5-percent gap between military and private sector pay, and Congress made a commitment then to gradually close that gap. FRA believes that Congress should hold fast to that commitment. The gap was reduced to 2.4 percent but now is headed in the other direction. Adequate pay increases are needed to, at least in part, offset the extraordinary demands and sacrifices expected in a military career.

The Association believes that the DoD should provide dislocation allowance for separating and retiring service members, especially those that are separating at the convenience of the government. Moving household goods on government orders can be costly. Active duty personnel endure a number of PCS moves during a career in uniform. Each move requires additional expenses for relocating and establishing a new home.

Retiring personnel are not currently entitled to a dislocation allowance despite the fact that his or her orders can be construed as a permanent change of station that reflect a management decision to order the member's retirement or transfer. Assuming the member is moving to a new location, the retiring service member will face the same expenses as if transferring to a new duty station. Additionally Congress should authorize flexible spending accounts to enable military families to pay health care.

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 still remain 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.271), Rep. Sanford Bishop's "Disabled Veterans Tax Termination Act" (H.R. 333) and Rep. Gus Bilirakis' "Retired Pay Restoration Act" (H.R. 303).

Suicide/Mental Health

FRA believes post-traumatic stress should not be referred to as a "disorder," but rather an "Injury." The disorder terminology adds to the stigma of this condition, and the Association believes it is critical that the military and VA work to reduce the stigma associated with PTSI and TBI. Access to quality mental health service is a vital priority, along with a better understanding of these conditions and improved care. "Roughly 20 percent of the 2.5 million men and women who served in Afghanistan and Iraq have PTSD or other mental illness. Of the 200,000 incarcerated veterans in the U.S. (that) make up about 14 percent of the nation's prisoners. Contrary to public perception, Afghanistan and Iraq vets are only half as likely to be incarcerated as those who fought in earlier wars, but... suffer from PTSD at three times the rate of older veterans."

FRA is thankful that the Department of Defense (DoD) has been reviewing the bad-paper discharge of thousands of Vietnam era veterans who may have suffered from PTSI, but were kicked out of the military before this injury was diagnosable. The change in policy is a result of litigation originating from the Yale Law School Veterans' Legal Service Clinic. The lawsuit estimates that of the 250,000 less than Honorable discharges during the Vietnam war; that as many as 80,000 may have been a result of PTSI.

Seamless Transition

FRA was delighted to see that the 2016 National Defense Authorization Act (NDAA) provided for an establishment of a joint formulary for pain and psychiatric drugs for transitioning new veterans. Oversight of the implementation by these Committees cannot be over stated.

The Military Compensation and Retirement Modernization Commission (MCRMC) final report (January 2015) emphasized the lack in coordination and recommended improved collaboration between VA and DoD. FRA strongly supports the Administration's efforts to create an integrated Electronic Health Record (iEHR) for every service member which would be a major step towards the Association's long-standing goal of a truly seamless transition from military to veteran status for all service members. This would permit DoD, the Department of Veterans Affairs (VA), and private health care providers immediate access to health data.

The importance of fully implemented interoperability of electronic medical records cannot be overstated. The Association was grateful that the FY 2014 NDAA has a provision that requires DoD and VA to implement a seamless electronic sharing of medical health care data by October 1, 2016. This provision was in response to the VA and DoD shelving plans to jointly develop the iHER system due to cost and schedule challenges.

Family Support

FRA is concerned about the recent announcement by the SecDef Ashton Carter to provide 12 weeks of paid maternity leave. Although this maybe an increase for the Army and the Air Force, it is a reduction for the Navy and the Marine Corps. Since last year Marines and Sailors have been granted 18 weeks of paid maternity leave. The increase implemented by Secretary of the Navy Ray Mabus was intended to improve retention for women in their late twenties and mid-thirties, who tend to leave military service at twice the rate of their male counter parts. The Association was glad to see that the Pentagon has increased hours for child care centers up to 12 hours a day to match long working hours for service members deployed at the Pentagon. It is important to provide adequate child care at all military installations.

Title 10, Section 2634 authorizes military personnel to ship only one privately owned vehicle outside the continental United States. Service members can drive the second vehicle to Alaska and be reimbursed for their expenses up to the authorized government travel rate. FRA believes that allowing service members to ship a second POV would enhance the quality of life for families stationed overseas and would reflect modern day practicalities requiring a family to own a vehicle for work and a second for spouses who work or other family requirements.

FRA is troubled by a recent Office of Inspector General's (OIG) report citing overpayments to contractors shipping POVs. In addition from December 2014-October 2015 many vehicles were delivered weeks or months late and some POV's were damaged in transit.

The Association supports continued expansion of family access to mental health counseling through programs such as Military OneSource and Military Family Consultants. It is often said that the service member enlists in the military but the family re-enlists.

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