



Statement of
The Fleet Reserve Association
on
Military Personnel Policy, Benefits, and Compensation

Submitted to:
Senate Armed Services Committee
Personnel Subcommittee

By
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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 benefits, 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 Reform and Fee Increase

The Association has already submitted a more extensive statement for the record regarding military health care system restructuring and TRICARE fee increases to this Subcommittee. Briefly FRA does not oppose reform or re-structuring of the military health care system, as long as reform includes the following:

- The current level of coverage for all beneficiaries contained in the existing TRICARE benefit should be considered the "floor" for any new health care reform;
- Quality care, regardless of beneficiary location, should be improved through reform, that includes advanced technologies such as DoD's new electronic health record (EHR) and telehealth capabilities; and
- The 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.

With regard to TRICARE fee increases the Association advocates that DoD must sufficiently investigate and implement other options to make TRICARE more cost-efficient as alternatives to shifting costs to TRICARE beneficiaries.

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 Subcommittee 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 Subcommittee 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 Subcommittee 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 is thankful that the FY 2015 National Defense Authorization Act (NDAA) gives military members and retirees the option to direct Survivor Benefit Plan (SBP) payments to a Special Needs Trust (SNT) for permanently disabled children. This provision allows permanently disabled military children to avoid having SBP counted against means-testing requirements for certain state and federal assistance programs. Before enactment of the recent law, military children suffered financial penalties not imposed on other similarly disabled non-military children who could have assets placed in a trust for them.

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.

Further, the Association supports changing the minimum age for paid-up SBP from age 70 to age 67 for those who joined the military at age 17, 18 or 19 and served 20 years will only have to pay SBP premiums for 30 years.

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.”

The Association supported the “Clay Hunt Suicide Prevention for American Veterans Act” (H.R. 203/S. 167) that was signed into law (P. L. 114-2) February 12, 2015. The measure was sponsored by Rep. Tim Walz (Minn.) and Sen. John McCain respectively and had bi-partisan support. It requires the VA and DoD, to at least annually allow for an independent third party evaluation of their mental health care and suicide prevention programs.

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

Jurisdictional challenges notwithstanding, the Association is grateful for this Subcommittee’s continued oversight in trying to achieve seamless transition from the Department of Defense (DoD) to the VA. These efforts have made progress in helping wounded, ill, injured, and disabled populations. Yet more needs to be done.

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.

USFSPA Reform

FRA urges Congress to examine the Uniformed Services Former Spouses-Protection Act (USFSPA) and support amendments to the language therein to protect its service members against State courts that ignore provisions of 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 Armed Services Committee which has oversight authority for amending the 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. Additionally, Congress should review other provisions considered inequitable or inconsistent with former spouses' laws affecting other Federal employees with an eye toward amending the Act.

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.