

STATEMENT OF
THE MILITARY COALITION

before the

PERSONNEL SUBCOMMITTEE,
SENATE ARMED SERVICES COMMITTEE

March 9, 2000

Presented by

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Fleet Reserve Association

Ms. Joyce Raezer
National Military Family Association

COL Steven P. Strobridge, USAF (Ret)
The Retired Officers Association

MISTER CHAIRMAN AND DISTINGUISHED SUBCOMMITTEE MEMBERS:

On behalf of The Military Coalition, we are grateful to the Subcommittee for this opportunity to express our views concerning issues affecting the uniformed services community. This testimony provides the collective views of the following military and veterans organizations, which represent approximately 5 million current and former members of the seven uniformed services, plus their families and survivors. The Military Coalition, Inc., does not receive any grants or contracts from the federal government.

- Air Force Association
- Air Force Sergeants Association
- Army Aviation Association of America
- Association of Military Surgeons of the United States
- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Officers Association
- Military Order of the Purple Heart
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Reserve Officers Association
- The Military Chaplains Association of the United States of America
- The Retired Enlisted Association
- The Retired Officers Association
- The Society of Medical Consultants to the Armed Forces
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars
- Veterans' Widows International Network

Biography of MASTER CHIEF JOE BARNES, USN, (Ret.)

Director, Legislative Programs, Fleet Reserve Association

Co-Chairman, Committee on Military Personnel and Compensation, The Military Coalition

Retired Navy Master Chief Joseph L. (Joe) Barnes is Director of Legislative Programs for the Fleet Reserve Association (FRA). His responsibilities include communicating with Congress on military compensation, benefit and entitlement issues, writing and presenting testimony, tracking legislation and speaking at FRA legislative seminars. He also writes legislative update columns for FRA publications.

Barnes co-chairs the Military Coalition's (TMC's) Committee on Military Personnel and Compensation and is a member of the Coalition's Retired Affairs Committee. He also serves on the Defense Commissary Agency (DeCA) Retiree Council.

Prior to his present position, he served as editor of On Watch, FRA's bimonthly publication distributed to 160,000 senior enlisted Navy, Marine Corps, and Coast Guard members.

He speaks regularly to Navy senior enlisted personnel at the Navy Senior Enlisted Academy, Newport, Rhode Island, and to senior Coast Guard enlisted personnel at the USCG Chief Petty Officer Academy, Petaluma, California, regarding quality of life legislative issues. He is also keynote speaker for sea service retiree seminars throughout the United States.

Barnes is an accomplished writer/editor, special events coordinator and communications manager. He was public affairs director for the United States Navy Band in Washington, D.C., and directed marketing and promotion efforts for extensive national concert tours, network radio and television appearances and major special events in the nation's capital.

His awards include the Defense Meritorious Service Medal and Navy Commendation Medal. He holds a bachelor's degree in education and a master's degree in public relations management from The American University, Washington, D.C. He's also an accredited member of the International Association of Business Communicators (IABC), and a member of the American Society of Association Executives(ASAE).

He is married to the former Patricia Flaherty of Wichita, Kansas. The Barnes' have three daughters, Christina, Allison, and Emily and reside in Fairfax, Virginia.

Biography of Ms. Joyce Wessel Raezer

Deputy Associate Director, Government Relations
National Military Family Association

Joyce W. Raezer started her volunteer work at the National Military Family Association, working with the Government Relations Department, in September 1995 and became Education Specialist in 1996. In February 1998, Joyce was competitively selected for the paid position of Senior Issues Specialist for the Association. She was named Deputy Associate Director of the Government Relations Department in June 1999. Joyce monitors issues relevant to the quality of life of the families of the Uniformed Services and represents the Association at briefings and meetings of other organizations, Members of Congress and their staffs, and members of the Executive branch. She also serves as stakeholder representative to the Department of Defense Education Activity (DoDEA) Cabinet. She has represented families on several DoDEA committees and task forces. She served on the planning committee for the national conference on Serving the Military Child held October, 1998 in Arlington, VA. In June 1999, Joyce was elected to the first national Board of Directors of the Military Child Education Coalition. She also co-chairs the Committee on Military Personnel and Compensation for The Military Coalition, a consortium of 30 military and veterans organizations.

Joyce was the 1997 recipient of NMFA's Margaret Vinson Hallgren Award for her advocacy on behalf of military families and the Association. She also received the "Champion for Children" award from the Military Impacted Schools Association in 1998.

A Maryland native, Joyce earned a B.A. in History from Gettysburg College, Gettysburg, Pennsylvania and a M.A. in History from the University of Virginia. An Army spouse of 17 years and mother of two children, she has lived in Washington, D.C. (3 tours), Virginia, Kentucky, and California. She is a former teacher and has been an active volunteer school parent for nine years. She was elected to the Fort Knox (KY) Community Schools Board of Education in 1993 and served until August 1995. She currently serves on the PTA board for her son's school in Fairfax County, Virginia.

Biography of COLONEL STEVEN P. STROBRIDGE, USAF (Retired)

Deputy Director, Government Relations, The Retired Officers Association; and
Co-Chairman, Retired Affairs Committee, The Military Coalition

Steven P. Stobridge, a native of Vermont, was born April 3, 1947. A 1969 ROTC graduate from Syracuse University in Syracuse, NY, he was called to active duty in October 1969.

From October 1969 to October 1972, he served in the Air Force Basic Military School as a training officer and basic training squadron commander at Lackland AFB, TX. Beginning October 1972, he served a one-year assignment at Nakhon Phanom RTAFB, Thailand, as Supply Squadron Section Commander, then was transferred to Pope AFB, NC, for a three-year assignment as a military personnel officer.

From January 1977 to July 1981, he served at the Pentagon as a compensation and legislation analyst in the Entitlements Division of the Air Force's Directorate of Personnel Plans. While in this position, he researched and developed legislation on military pay comparability, military retirement and Survivor Benefit Plan issues.

In 1981, he attended Armed Forces Staff College in Norfolk, VA, en route to a January 1982 transfer to Ramstein AB, Germany. Following assignments as Chief, Officer Assignments and Assistant for Senior Officer Management at HQ, U.S. Air Forces in Europe, he was selected to attend National War College at Fort McNair, DC in 1985.

Transferred to the Office of the Secretary of Defense upon graduation in June 1986, he served as Deputy Director and then as Director, Officer and Enlisted Personnel Management. In this position, he was responsible for establishing DoD policy on military personnel promotions, utilization, retention, separation and retirement.

In June 1989, he returned to Headquarters USAF as Chief of the Entitlements Division, assuming responsibility for Air Force policy on all matters involving pay and entitlements, including the military retirement system and survivor benefits, and all legislative matters affecting active and retired military members and families. He retired from that position on January 1, 1994 to become TROA's Deputy Director for Government Relations. Colonel Stobridge also co-chairs the Retired Affairs Committee of The Military Coalition (TMC) and is a member of TMC's Compensation Committee. He is the author of TROA's award-winning publication, "Shedding Light on the Facts: Readiness, Entitlements, and the Military Retirement System."

Colonel Stobridge's decorations include the Defense Superior Service Medal, the Legion of Merit, the Meritorious Service Medal with two oak leaf clusters, the Air Force Commendation Medal with oak leaf cluster, and the Vietnam Campaign Medal with bronze service star.

EXECUTIVE SUMMARY
RECOMMENDATIONS OF THE MILITARY COALITION
(Other than Health Care)
to the
Subcommittee on Personnel, Senate Armed Services Committee

ACTIVE FORCE ISSUES

Personnel Strengths and Operations Tempo. The Military Coalition strongly recommends restoration of service end strengths consistent with long-term sustainment of current deployments and fulfillment of national military strategy. The Coalition further urges application of recruiting resources/voluntary recall policies as necessary to meet this requirement. Continuation of the severe quality of life impacts associated with the current high operations tempo can only further damage retention and readiness, and the Coalition urges the Subcommittee to consider all possible manpower options to ease operational stresses on active and Reserve personnel.

Pay Raise Comparability and Pay Table Reform. The Military Coalition recommends the subcommittee consider further acceleration of projected pay raise enhancements as necessary to ease continuing retention shortfalls. The Coalition further recommends that the Ninth Quadrennial Review of Military Compensation should review and recommend necessary adjustments to the basic pay table to provide more appropriate pay adjustments between grades, including linkages between enlisted, warrant officer, and officer grades.

Basic Allowance for Housing (BAH). The Military Coalition urges BAH funding as necessary to match local housing costs, by grade, at every CONUS location as soon as possible. For FY2001, the Coalition urges funding at least at a level sufficient to limit members' out-of-pocket housing expenses to 15 percent of national median costs, by grade. The Coalition further urges additional rate "grandfathering" for locations adversely affected by funding reallocation, as well as a review of the assets allocated to researching housing costs at high- vs. low-cost locations.

Basic Allowance for Subsistence (BAS). The Military Coalition strongly recommends ending annual 1-percent caps on officer and enlisted BAS increases. The Coalition urges establishing the enlisted BAS standard at 75 percent of the difference between the Department of Agriculture's "moderate" and "liberal" food cost rates, and the officer BAS standard at the amount officers are charged for government meals while deployed. The Coalition further recommends that, beginning January 2001, officer and enlisted BAS rates should be adjusted by the percentage necessary to maintain these standards.

Allowance Adjustments and Food Stamp Eligibility. The Military Coalition believes enhanced pay raises and BAH, BAS, and CONUS COLA improvements should substantially reduce food stamp eligibility among servicemembers. For any additional options the Subcommittee may consider regarding food stamp-eligibles, the Coalition strongly recommends equal application to members stationed in the United States or overseas and avoidance of any disproportional financial advantage on the basis of such factors as occupancy of family housing.

Thrift Savings Plan (TSP). The Military Coalition urges redoubled efforts to implement the TSP initiative outlined in the FY2000 NDAA, and pursuit of new authority allowing servicemembers to establish traditional or Roth IRA accounts within the Thrift Savings Plan concept.

Permanent Change of Station Issues. The Military Coalition urges a comprehensive updating of permanent change-of-station reimbursement allowances in the immediate future to ease the financial burdens currently being imposed on servicemembers.

RESERVE AND GUARD ISSUES

Support of Active Duty Operations. The Military Coalition urges continued attention to ensuring an appropriate match between Reserve forces strengths and missions. The Coalition further urges a study of the extent to which Reserve and Guard forces can be employed in support of operational missions without jeopardizing employer support and Reserve unit retention.

Tax issues. The Military Coalition urges restoration of full tax-deductibility of non-reimbursable expenses related to military training and authorization of tax credits for employers of Reservist-employees.

Support of Military Funeral Honors. The Military Coalition recommends further review of funeral honors requirements, with respect to providing incentives that will ensure adequate Reserve Component participation.

Reserve Component Medical Readiness and Protection. The Military Coalition urges implementation of the recommendations of DoD's November 1999 "746 Study" concerning Reserve medical readiness and protections.

RETIREMENT ISSUES

Special Compensation for Severely Disabled Retirees. The Military Coalition recommends modification of eligibility criteria for the new special compensation for severely disabled retirees to include otherwise eligible members retired under the provisions of chapter 61 of title 10, U.S.C. (disability) or under the provisions of section 4403 of title 10, U.S.C. (drawdown early retirement authority).

REDUX Disability Retirees. The Military Coalition urges amendment of the statute to recalculate military disability retired pay for REDUX retirees as if such members' interim COLAs had been adjusted by the full CPI, rather than the REDUX CPI-minus-1%.

10-Percent Retired Pay Increase for Valor. The Military Coalition recommends amendment of Reserve Component retirement statutes to authorize award of a 10-percent retired pay increase for enlisted Reserve and Guard retirees who are recipients of an otherwise qualifying decoration for extraordinary heroism, on the same basis as members retiring from active duty.

Former Spouse Issues. The Military Coalition urges the Subcommittee to conduct hearings on needed USFSPA changes, both to gather all inputs needed for appropriate subsequent legislation and to guard against inadvertently exacerbating current inequities via well-intended, piecemeal legislative action initiated outside the Subcommittee.

SURVIVOR PROGRAM ISSUES

Age 62 SBP Offset. The Military Coalition strongly recommends an immediate increase in the minimum post-62 SBP annuity from 35% to 40% of the member's SBP-covered retired pay. The Coalition further recommends a further increase to 45% of covered retired pay in FY2004.

30-Year Paid-Up SBP. The Military Coalition strongly recommends accelerating the implementation date for the 30-year paid-up SBP initiative to 2003, on an incremental basis if necessary.

Alternative Implementation Options. The Military Coalition urges consideration of alternatives to implement the age-62 SBP annuity increase and 30-year paid-up SBP eligibility as soon as possible, to include the possibility of offering SBP enrollees a choice between eligibility for paid-up status or a higher age-62 survivor annuity.

SGLI Coverage for Active Duty Family Members. The Military Coalition urges implementation of a family coverage option under the auspices of SGLI, with coverage modeled after that available to federal civilian employees.

SBP Coverage for All Active Duty Deaths. The Military Coalition strongly supports enactment of legislation to extend SBP coverage to all survivors of members who die on active duty on or after October 1, 2000, with SBP annuities calculated as if the member had been retired with 100-percent disability on the date of death.

INTRODUCTION

The Military Coalition is very grateful to the Chairman and the entire subcommittee for your consistent support of members of the uniformed services. We owe a particularly great debt of thanks to you for your strong support last year for higher pay raises, fairer retirement options for REDUX-eligibles, health care improvements, and many other important provisions of the FY2000 Defense Authorization Act.

But as much as Congress accomplished last year with your leadership, very significant inequities and readiness challenges remain to be addressed in matters of end strength; recruiting and retention; compensation and health care for all segments of the uniformed services community; Reserve and Guard concerns; and housing budgets, among others. While there are unique aspects to each one, this subcommittee and the Coalition know only too well how much they are all intertwined as part of the readiness whole.

It is to our mutual frustration that the uniformed services find themselves facing the most severe personnel recruiting, retention and readiness problems in a generation. We did not arrive at this point overnight, but only through many years of shaving forces and budgets, with ever-smaller numbers of servicemembers being asked to shoulder progressive incremental sacrifices in terms of their workload, their compensation and benefits package, and their families. Last year, the subcommittee led the way in taking several major steps on the road to restoring the services' ability to attract and retain the kinds and numbers of personnel required to sustain a high-quality career force for the long term.

But you heard from various witnesses that the pay raise and REDUX fixes enacted last year will not, by themselves, be the "silver bullets" that will solve the current readiness problem. There are many problems that remain, and your leadership has never been needed more than it is today. Because the things that must be done to fix the problem will not come cheaply, and the necessary funding won't be forthcoming without determined leadership commitment -- both in the Department of Defense and in Congress.

Witnesses before the Subcommittee regularly assert that people are the Defense Department's most important asset and that retention was the top priority, often without providing funding lines in the Defense budget to back up those statements. More recently, the Joint Chiefs of Staff and the Armed Services Committees have worked hard to put more resources toward people problems.

But we believe strongly that the proposals in the latest President's Budget still fall considerably short of what is essential to meet today's -- or tomorrow's -- personnel readiness requirements. In our testimony today, we offer The Military Coalition's collective views on what needs to be done if we are to restore recruiting and retention to the levels needed to sustain long-term readiness. Since health care issues have been addressed at an earlier hearing, we will not cover recommendations on those issues in this testimony.

ACTIVE FORCE ISSUES

Since the end of the Cold War, both force strengths and real defense spending have been cut by more than one-third. But national leaders also have pursued an increasingly active role for America's forces in guarding the peace of a still-dangerous world, so that today's servicemembers are being deployed up to four times as often as those of the mid-1980s.

From the servicemembers' standpoint, meeting the increased demands being placed on them has meant having to work progressively longer and harder every year. Both Pentagon leaders and Congress have sought to protect the defense budget against excessive reductions, but until last year, these efforts seemed most successful at protecting weapons funding. The Quadrennial Defense Review was forthright about seeking to use personnel accounts as funding sources for hardware issues, and its influence has been pervasive. Service requests for additional force cuts have been continuous -- to include a 10,000 Air Force end strength reduction for FY2000. The only thing that hasn't been cut is the mission, with funds often having been diverted from normal training and other requirements to fund more and longer emergency deployments.

Meanwhile, **servicemembers have endured years of longer duty days, increased family separations, more health care difficulties, curtailed pay and allowance increases, deteriorating military housing, less opportunity to use education benefits, and more out-of-pocket expenses with each military relocation.** Active duty members have taken an increasing interest in retirement issues, as this subcommittee knows only too well. REDUX fixes enacted last year allayed one of their concerns on that score. But they still see older military retirees being denied military health coverage, and worry that this will happen to them, too, if they spend a career in uniform.

Until last year's pay raise and REDUX improvements, they had seen little to make them believe help is on the way. And even with those significant changes, many problems remain unaddressed. If anything, mission requirements have risen, so operating tempos remain high. An extra percentage point or two on their 2000 pay raise has been a most welcome change, but the newly upgraded pay raise schedule will still take many years to make up for past shortfalls. And after much publicity of Congress' action to improve housing allowances, many were angered to see significant housing allowance reductions for their duty locations, often more than \$100 per month. Fortunately, Service leaders are no longer dismissing members' concerns as "perceptions," and are working to fund additional protections for members affected adversely. But members are still voting with their feet.

Retention, particularly among second-term and career personnel, has become a serious worry. These experienced (and predominantly married) members -- under pressure to make long-term career choices -- weigh a service career that is inherently rewarding but entails years of long hours, family separations and all the other sacrifices inherent in uniformed service, accompanied by continuing pay worries and uncertain future health care. In the civilian world, they see a booming economy with increasing prospects for a more stable career and family life, often including an enhanced compensation package and far less demanding working conditions. Unfortunately for the country, too many excellent soldiers, sailors, airmen and Marines are opting for civilian career choices.

Media stories across the country focus on overworked military people in increasing financial straits and the increasing tension between love of their job and their families' welfare. Others detail declining retention and long-constrained budgets, ships going to sea undermanned, aircraft being cannibalized to keep deploying squadrons in the air, ground units being hollowed out to fill deploying units, and lower scores in field exercises because the services no longer have enough time, people or money to both deploy and train. Still others quote retirees picketing recruiting stations, angry over the government's failure to deliver on its health care promises.

In this scenario, the retention problem becomes a recruiting problem as well. Young men and women seeing those news stories are less prone to enlist -- and their parents are less supportive of

them doing so. Sadly, more and more military retirees -- often the services' best recruiters in the past -- are urging their children and those of friends and relatives not to enter service. In their assessment, the sacrifices associated with a service career outweigh the benefits.

Despite the lessons of the 1970s retention crisis and the subsequent protestations that such a thing must never happen again, it is, in fact, happening again. To the subcommittee's credit, you saw it coming before most and have tried to take steps to forestall it. We know you do not intend to rest on your well-deserved laurels and that you have a continuing agenda to address these very important problems. But we also know that there will be stiff competition for any defense budget increases that may be allowed. Still, the truth remains that the finest weapon systems in the world are of little utility if the services don't have enough high quality people to operate, maintain and support them.

The subcommittee's real challenge will be to rebuild the trust of servicemembers past and present, which has been strained severely by years of absorbing a disproportional burden of sacrifice. Meeting that challenge will require a substantial commitment of resources on several fronts.

Personnel Strengths and Operations Tempo. The Coalition has been dismayed at past annual service requests for additional force reductions without any corresponding decrease in operations tempo.

Innumerable newspaper reports tell the story of ships having to deploy with significant manning shortfalls or of hollow and overextended units that must cannibalize from others to meet manning requirements. Other news stories cite poor unit performance during evaluations because they lacked the time or resources, or both, to conduct needed readiness training. Still others have documented the strains on families when returning servicemembers still see little of their loved ones because they must work longer duty days to address home-station workload backlogs and make-up training requirements. Service leaders have tried to alleviate the situation by reorganizing deployable units, authorizing "family down time" following redeployment, or other laudable initiatives, but such things do little to eliminate long-term workload or training backlogs.

The real problem is that there are simply too few servicemembers left to do all the work that needs to be done.

The Coalition believes Congress was on the right track previously in putting manpower floors in the statute aimed at precluding a hollow force that couldn't meet readiness requirements. But the floors have been adjusted each year to accommodate further Service-recommended force cuts.

The Coalition believes strongly that force reductions have gone too far. The force is already overstrained to meet current deployment requirements, let alone address any new major contingency that may arise. The grinding operations tempo has become a major quality of life issue that won't go away, and it will not be fixed by "down time" or words of understanding and encouragement. The Administration and Congress have both expressed growing concerns about this severe problem for several years, but force cuts have continued. Deferral of meaningful action to address this problem cannot continue without risking serious long-term consequences. Real relief is needed now, and can only be achieved by increasing the force, reducing the mission, or both.

This is the most difficult piece of the readiness pie, but one of the most important. Aircraft crash from metal fatigue when overused. One major reason that readiness indicators are dropping is

growing "op tempo fatigue." Pay raises and retirement fixes reduce other significant career dissatisfiers, but they can't fix fatigue.

Some argue that it will do little good to increase end strengths, since the services are already experiencing difficulty meeting current recruiting goals. The Coalition believes strongly that addressing this severe problem must be approached as an urgent national priority, not an exercise in budget politics as usual. Maintaining a strong national defense capability must not become a theoretical budget commodity, to be traded against upgraded highways or federal commodity subsidies. If that occurs, the consequences for taxpayers will be far more serious than a longer commute or higher grocery prices.

The Military Coalition strongly recommends restoration of service end strengths consistent with long-term sustainment of current deployments and fulfillment of national military strategy. The Coalition further urges application of recruiting resources/voluntary recall policies as necessary to meet this requirement. Continuation of the severe quality of life impacts associated with the current high operations tempo can only further damage retention and readiness, and the Coalition urges the Subcommittee to consider all possible manpower options to ease operational stresses on active and Reserve personnel.

Pay Raise Comparability and Pay Table Reform. The Military Coalition offers great praise for the subcommittee's leadership last year in reversing the routine practice of capping servicemembers' annual pay raises below the average American's. In servicemembers' eyes, all of those previous pay raise caps provided regular negative feedback about the relative value the nation placed on retaining their services.

Your determination to begin making up for those past shortfalls by setting "comparability-plus" pay raises in law for 2000 and the six subsequent years offered much-needed acknowledgment that the commitment between servicemembers and their Nation cannot be a one-way street. Likewise, the July 2000 pay table revision will provide more appropriate financial recognition for servicemembers who compete most successfully for promotion among their high-performing peers. But the Coalition urges the subcommittee not to consider its work on pay matters complete.

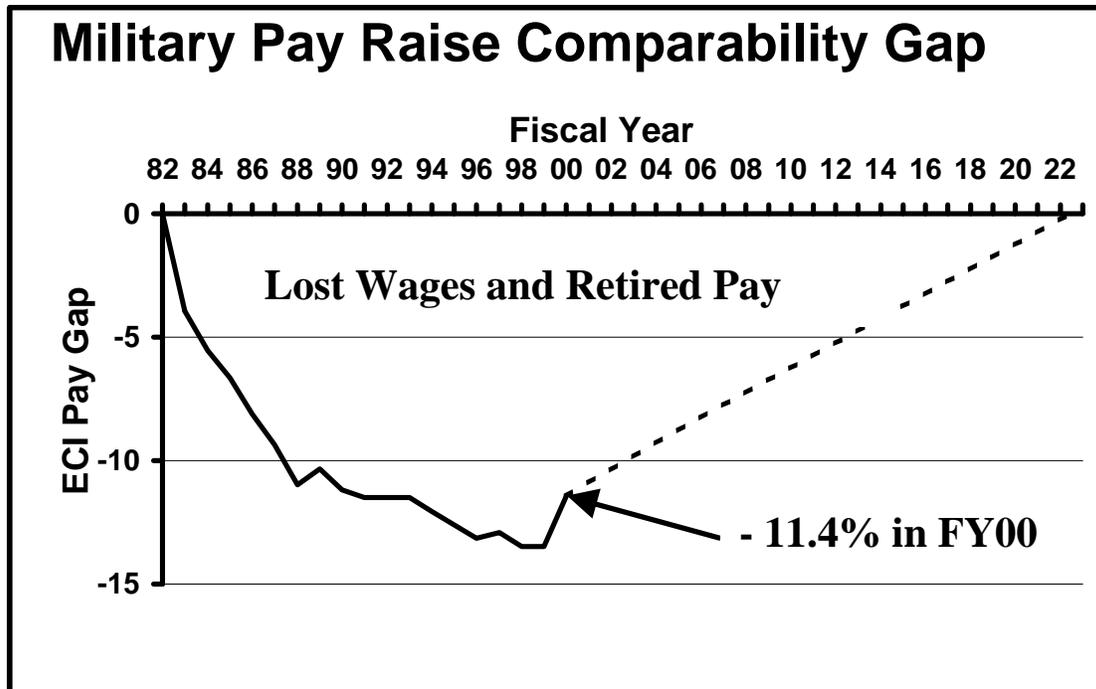
Military and veterans associations know only too well the leadership effort required to reverse long-standing trends and win allocation of additional resources for programs that have been long-constrained. As significant and laudable as those efforts have been, it must be acknowledged that each annual increase will make up only a small fraction of the cumulative pay raise sacrifices imposed on servicemembers for almost two decades. As important as it is overturning past pay cap practices, an extra one-half of one percent raise does not put a big boost in the typical enlisted member's take-home pay. Perhaps the best way to put the issue in perspective is to recall that the last time a large pay raise gap coincided with a retention crisis, the gap was eliminated via two large raises in consecutive years.

This intent is not to imply that last year's pay raise initiative was insufficient. The Coalition strongly supported your proposal last year and still does. But econometric models show that a one-percent pay raise increase (compared to previous law) will have only a modest retention impact. Successive raises will have steadily increasing effect over time, but the immediate incremental impact is on members' morale rather than their wallets -- and even this may fade if other problems are not also addressed.

And as much as it was needed to address promotion vs. longevity incentives, the July 2000 pay table changes have raised new concerns among mid- and senior-grade enlisted members and warrant officers. These members have felt disadvantaged under the current pay table, and thought that the new reform – purportedly “aimed at the middle grades” – would help address their concerns. But allocation of larger percentage increases to selected senior officers and certain mid-level officers has raised new questions as to whether enlisted/warrant officer circumstances received insufficient attention. In this regard, the July pay table adjustments were developed to redistribute promotion vs. longevity increases specific to each grade (e.g., the relative reward for promotion to E-4 vs. the reward for an E-4's attainment of a certain longevity point). The next required review should address appropriate pay stratification *between grades* and whether any changes are needed in officer vs. enlisted/warrant pay table "cross-over" points (i.e., grade/longevity combinations at which the basic pay rates are roughly equal).

Finally, some have speculated that the cumulative 13.5% gap between military and private sector pay growth between 1982 and 1999 would be obviated by the July 1, 2000 pay table reform. Nothing could be further from the truth. In the past, when raises have been allocated differentially by grade or allowance, they have been described in "aggregate equivalent pay raise" terms (i.e., the overall pay raise value of the differential increase is calculated as if the cost of the initiative were applied equally across the board to all members). In aggregate terms, the FY2000 pay table realignment represents the cost equivalent of a 1.4 percent across-the-board pay raise.

As of July 1, the cumulative gap will have been reduced to 11.4 percent. By 2006, under current law, it will further decline to 8.3 percent. This is great progress, but we also must acknowledge that this schedule, even if sustained beyond 2006, would not restore comparability until 2023.



The Military Coalition recommends the subcommittee consider further acceleration of projected pay raise enhancements as necessary to ease continuing retention shortfalls. The

Coalition further recommends that the Ninth Quadrennial Review of Military Compensation should review and recommend necessary adjustments to the basic pay table to provide more appropriate pay adjustments between grades, including linkages between enlisted, warrant officer, and officer grades.

Basic Allowance for Housing (BAH). The Military Coalition is most grateful to the subcommittee for raising the issue of housing allowance shortfalls last year, and for taking the lead in adding funds to reduce servicemembers' out-of-pocket housing costs.

The Coalition is dismayed that, even with BAH standards set at the median of housing costs for each grade, the BAH has been funded at barely 82 percent of this standard, leaving members and their families to pay the remainder from their already-capped basic pay.

Following the subcommittee's lead, the President's Budget now proposes to increase BAH funding to limit members' out-of-pocket expenses to 15 percent of national median cost, by grade, with further increases in future years to fully fund BAH at the median cost for every locality. The Coalition strongly supports this initiative, and has read with great appreciation media reports suggesting that the subcommittee may be considering an even nearer-term ramp-up to achieve full funding.

Until such full funding can be provided, the current BAH allocation formula continues to require constant reallocation of limited BAH dollars. The effect of this situation is to require continual "robbing of Sergeant Peter to pay Seaman Paul." Allowance rates are highly unpredictable from year to year, because they are not based on actual local housing costs, but on the relationship between local costs and those in other areas of the country. For example, if housing costs stay constant at a particular location, BAH rates for that location can easily drop because of cost increases in the rest of the country. Even though members already in place have their BAH "grandfathered," this reallocation formula yields allowances for new arrivals each year that represent an ever-smaller percentage of the cost of safe and adequate housing for the affected locations. Understandably, this is perceived very negatively by the members affected. DoD indicates an additional \$29 million is being allocated to restore 1999 BAH rates at locations where reductions were incurred. The Coalition supports this, and hopes such protection can be built into future BAH adjustments.

The Coalition also is concerned about the relative distribution of effort that was applied to developing measure local housing costs at higher- vs. lower-cost locations for FY2000. The Department of Defense has acknowledged that DoD contractors were urged to focus their main efforts on the higher-cost locations. Under such circumstances, there is a legitimate question as to whether housing costs at less expensive locations were adequately researched.

The Military Coalition urges BAH funding as necessary to match local housing costs, by grade, at every CONUS location as soon as possible. For FY2001, the Coalition urges funding at least at a level sufficient to limit members' out-of-pocket housing expenses to 15 percent of national median costs, by grade. The Coalition further urges additional rate "grandfathering" for locations adversely affected by funding reallocation, as well as a review of the assets allocated to researching housing costs at high- vs. low-cost locations.

Basic Allowance for Subsistence (BAS). While there is general acknowledgment that today's forces are relatively underpaid, The Military Coalition is dismayed that their annual BAS increases continue to be capped at 1 percent per year.

The purpose of these caps was to realign, over a period of years, the enlisted BAS rate with a food cost index maintained by the Department of Agriculture. Upon completion of the transition, future BAS increases would match food cost growth as measured by Agriculture. The Coalition testified previously that this methodology would further depress needed pay raises for enlisted servicemembers who needed the money. By the end of the scheduled transition period, enlisted BAS-eligibles (including all food stamp eligibles) will have been made to forfeit about \$40 per month of badly needed take-home pay.

Ironically, this effort to tie the enlisted BAS rate to a rational food cost standard is driving officer BAS rates ever further from the same standard. This is because the officer BAS rate was already far smaller than the enlisted BAS, but the one-percent cap on BAS increases was applied to officer BAS as well. Thus, the cap imposes the largest financial penalty on enlisted members in an effort to make their BAS rate administratively meaningful, while rendering the officer BAS rate ever more meaningless. In fact, the caps have now depressed officer BAS rates below the daily charges officers must pay when required to use government dining facilities (during deployments, etc.).

Unfortunately, this is a case in which DoD's zeal for accounting concerns overrode concerns for the financial impact on the members affected. In essence, the problem is that enlisted compensation is inappropriately allocated between basic pay and BAS. It's certainly not that the members are paid too much, but only that the personnel and finance systems would prefer to account for their pay and allowances differently. Sadly, this accounting process was applied as if BAS-eligibles (including those on food stamps) were overpaid.

The Coalition believes strongly that continuing the current BAS caps causes more problems than it solves. The 2000 enlisted BAS rate falls roughly 74 percent of the way between the Department of Agriculture's "moderate" and "liberal" food cost standards. Initially, DoD's plan called envisioned depressing the BAS rate to a level 50 percent of the way between the two. In the Coalition's view, the less than \$10 per month difference between the current BAS level and DoD's target BAS level is arbitrary enough and small enough to consider the transition complete. Congress has recognized that further pay caps for the troops are counterproductive, and has expressed concern about the number of enlisted members on food stamps (all of whom have had their pay depressed by the BAS caps). With this minor adjustment in the BAS standard, Congress can and should end BAS caps and start adjusting current enlisted BAS each year to restore its proper relationship with the Agriculture food cost indices. Historically, these indices have grown at an average annual rate lower than private sector wage growth.

Regarding officer BAS, the Coalition believes strongly that it, too, should be tied to some rational standard – though not necessarily the same standard as enlisted BAS, given the significant difference between officer and enlisted BAS rates, and the historical differences in their administration. In this regard, the officer rate currently falls slightly short of the amount that officers are charged for meals they eat in government dining facilities when deployed. The Coalition believes that setting officer BAS rates sufficient to defray this charge offers a meaningful standard that can be achieved at relatively small cost.

The Military Coalition strongly recommends ending annual 1-percent caps on officer and enlisted BAS increases. The Coalition urges establishing the enlisted BAS standard at 75 percent of the difference between the Department of Agriculture's "moderate" and "liberal" food cost rates, and the officer BAS standard at the amount officers are charged for government meals while deployed. The Coalition further recommends that, beginning January

2001, officer and enlisted BAS rates should be adjusted by the percentage necessary to maintain these standards.

Allowance Adjustments and Food Stamp Eligibility. The Military Coalition, like most Americans, is embarrassed that some servicemembers qualify for food stamps or other welfare programs. On one hand, we recognize that such programs are essential safety nets for those whose family responsibilities exceed the limits of their incomes. On the other, we don't want to think of military compensation levels as being so low that some servicemembers find themselves unable to adequately support their families without such assistance. In the debate over what solutions are needed to enhance the financial stability of junior families, we hope the issue will not be limited to "getting military members off food stamps," but will address what is needed to improve the ability of these servicemembers to perform their mission without the worry of financial hardship.

The Coalition believes strongly that a large portion of the food stamp problem has been brought on by the long history of pay caps addressed above. Certainly, far fewer servicemembers would be eligible for such assistance if military members had been provided raises that matched annual private sector pay growth.

But the situation also has been exacerbated by several years of capping annual BAS increases at one percent per year for the last several years. In this case, the money that otherwise would have gone to BAS-eligibles (which include all members eligible for food stamps) was reallocated to a "partial BAS" for single members who are provided food in kind (and are ineligible for food stamps).

Similarly, food stamp eligibility has been increased as a result of past significant BAH shortfalls. To the extent the subcommittee is able to enhance BAH funding, it will also reduce food stamp eligibility.

Finally, junior members assigned to higher cost locations are disproportionately represented on the food stamp rolls, and these members have been disadvantaged by limitations on funding for the Continental United States Cost-of-Living Allowance (CONUS COLA). As originally proposed by the Seventh Quadrennial Review of Military Compensation, the CONUS COLA would have provided extra compensation for members stationed at any location where living costs exceeded the national median by 5 percent or more. But funding has been limited to cover locations that exceed this standard by 8 percent or more. Enhancing CONUS COLA funding would go a long way toward reducing food stamp eligibility in more expensive areas of the country.

The Coalition would be remiss if it failed to acknowledge that a significant share of servicemembers eligible for food stamps qualify only because they reside on military installations in government quarters. It is generally acknowledged that members in government quarters normally enjoy higher take-home pay than members of equal grade and longevity residing off-base, since BAH is acknowledged to be inadequate to cover the median cost of adequate civilian housing. But Department of Agriculture rules consider only cash income, and not in-kind quarters, in determining food stamp eligibility. Thus a financially struggling member who lives off-base may not only improve his or her net income by moving on base, but may also gain "windfall" eligibility for food stamps. It is not clear to the Coalition whether this particular anomaly concerning food stamp eligibility issue comprises a problem requiring a legislative solution.

Even if the existing pay gap were erased and allowances increased, the Coalition acknowledges that some junior members with large families might still qualify for food stamps under some circumstances. Some have proposed alternatives, such as a special military allowance for those who would otherwise qualify for that program. The Coalition is prepared to work with the Subcommittee to assess alternatives with respect to assisting servicemembers with special financial challenges, including food stamp eligibility.

The Military Coalition believes enhanced pay raises and BAH, BAS, and CONUS COLA improvements should substantially reduce food stamp eligibility among servicemembers. For any additional options the Subcommittee may consider regarding food stamp-eligibles, the Coalition strongly recommends equal application to members stationed in the United States or overseas and avoidance of any disproportional financial advantage on the basis of such factors as occupancy of family housing.

Thrift Savings Plan (TSP). The Military Coalition is disappointed that the Administration has not proposed legislation and funding offsets necessary to implement TSP options outlined by the Subcommittee in the FY2000 Defense Authorization Act. The Coalition believes strongly that implementing the TSP option in one form or another is important to realize the full potential retention benefit of the REDUX initiatives implemented in that Act. Without the ability to deposit part or all of the \$30,000 career retention bonus, REDUX-eligibles will experience substantial erosion of their military retirement value.

The Coalition hopes that the Subcommittee will be able work with leadership to find a way to overcome the admittedly difficult budget hurdles associated with tax-related changes.

Whether or not an agreement can be reached on the specific TSP provision in last year's Authorization Act, the Coalition urges the Subcommittee to modify the statutory language as necessary to allow servicemembers to use the TSP mechanism to establish traditional or Roth Individual Retirement Accounts (IRAs). Because current law already authorizes all wage-earners to establish such IRAs, there should be no mandatory spending increase associated with this initiative. All that is required is specific guidance to permit TSP administrators to establish IRA accounts for servicemembers and provide the mechanism for them to make deposits by payroll deduction.

For many servicemembers, this will actually be more financially advantageous than the normal TSP approach. For example, each member can contribute up to \$2,000 per year to an IRA, whereas TSP deposits would be limited to 5 percent of basic pay (\$2,000 exceeds 5% of basic pay for 98 percent of enlisted members and officers grade in grade O-1 or O-2). Further, most analysts believe a Roth IRA offers greater long-term retirement income than an equal amount deposited in a traditional IRA or non-matching TSP/401(k).

This initiative may also help overcome the TSP Board's concerns regarding administrative fees, particularly for Reservists, since such members' IRA deposits would not be capped at a fraction of their relatively small basic pay.

Although servicemembers may establish such accounts under current law on their own, the vast majority fail to do so because of unfamiliarity with mutual funds and other vehicles or because they do not have an easy way to establish such an account by payroll deduction. By facilitating their establishment of such accounts, the Subcommittee will help secure their financial well-being, enhance retention, and contribute to increasing the national savings rate – all at no cost to the government other than minor administrative fees.

If funding is found for the TSP initiative, such IRA authority will provide many members a valuable additional option. If such funding is not found, such IRA authority is the only way to implement the concept without incurring mandatory spending problems.

The Military Coalition urges redoubled efforts to implement the TSP initiative outlined in the FY2000 NDAA, and pursuit of new authority allowing servicemembers to establish traditional or Roth IRA accounts within the Thrift Savings Plan concept.

Permanent Change of Station Issues. The Military Coalition is very concerned that service members continue to incur significant out-of-pocket costs in complying with government-directed relocation orders. Department of Defense surveys show the government typically reimburses only two-thirds of the costs members actually incur in such moves.

By any comparison, the servicemember is being short-changed in this area. Federal civilian employees receive much more substantial reimbursements in conjunction with government-directed moves, up to and including reimbursement for house-hunting trips and homeowner closing costs.

It is an unfortunate fact that permanent change of station mileage allowances and per diem rates have not been adjusted since 1986. The authorized duration for paying Temporary Lodging Expense allowance (TLE) was increased to 10 days several years ago, but the maximum amount payable per day has not been adjusted since 1986. These important reimbursements are sadly overdue for adjustment, and servicemembers are paying an unfair price for this delay.

The Coalition certainly recognizes that the Subcommittee has acted in the past to implement selected improvements, including periodic increases in the Dislocation Allowance to assist with incidental expenses in changing households, and certain improvements associated with shipping or storing automobiles. We particularly applaud ongoing household goods demonstration projects, which have the potential for offering members significantly improved quality of service with fewer administrative problems.

But there remain substantial shortfalls that represent a significant source of out-of-pocket expenses for servicemembers. We cannot avoid requiring members to make frequent relocations, with all the attendant disruptions of children's schooling, spousal career sacrifices, etc. But the grateful Nation that requires them to incur these disruptions so often should not be requiring them to bear so much of the attendant expenses from their own pockets.

The Military Coalition urges a comprehensive updating of permanent change-of-station reimbursement allowances in the immediate future to ease the financial burdens currently being imposed on servicemembers.

RESERVE AND GUARD ISSUES

The Military Coalition applauds the longstanding efforts of this Subcommittee to address the needs of our Nation's Reserve and National Guard forces, to facilitate the Total Force concept as an operational reality, and to ensure that Reserve and Guard members receive appropriate recognition as full members of the armed forces readiness team.

Support of Active Duty Operations. As Reserve members and units shoulder ever-greater day-to-day operational workloads along with active duty forces, they increasingly have come to face many of the same challenges as their active counterparts. Unfortunately, these are compounded by other challenges unique to the Reserve community. In particular, the ever-rising Reserve participation in active force missions is at odds with two other competing trends.

First, the increasing mission tasking is coming despite plans for continued cutbacks in Reserve forces -- mirroring the active force problems associated with imposing ever-greater requirements on ever-smaller numbers of personnel. Continuation of this trend does not bode well for Reserve forces readiness, and the Coalition was happy to see that the Secretary of Defense has suspended planned reductions in Army units pending further review of this problem.

Second, increasing use of Reserve personnel in support of day-to-day active duty operations had placed greater strains on the employers of these members. Employer support was always strong when Reserve members were seen as a force that would be mobilized only in the event of a major national emergency. That support has become less and less enthusiastic as Reservists have taken longer and more frequent leaves of absence from their civilian jobs. Recently, employers' sensitivities were subjected to new stress by the first peacetime activation of National Guard units in support of a non-emergency mission.

The Coalition understands and fully supports the Total Force Policy and the prominent role of the Reserve forces under this policy. Still, the Coalition is somewhat concerned that ever-rising operational employment of Reserve forces is having a practical effect of blurring the distinctions between the missions of the active and Reserve forces. By the nature of their full-time civilian employment, there is a necessary limit to the amount of time Reserve personnel and their employers can be expected to devote to day-to-day operational missions.

The Military Coalition urges continued attention to ensuring an appropriate match between Reserve forces strengths and missions. The Coalition further urges a study of the extent to which Reserve and Guard forces can be employed in support of operational missions without jeopardizing employer support and Reserve unit retention.

Tax issues. The Coalition appreciates that tax matters fall under the purview of a different committee. But there are certain unique issues affecting members of the Reserve forces, and our hope is that members of the subcommittee will seek the support of the Ways and Means Committee in redressing them.

Reservists are being asked to train more to enhance their readiness to support contingency missions, and are incurring considerable unreimbursed expenses for such training-related items as travel, overnight lodging, meals and uniforms. Prior to the 1986 tax code revision, these expenses were fully deductible; under current law, they are only deductible to the extent they exceed 2 percent of adjusted gross income. In a case where the member and spouse combined earn \$40,000, the member must absorb the first \$800 per year of his or her Reserve-related expenses. A member and spouse earning \$30,000 each must absorb \$1,200 per year. This is a significant financial penalty for members seeking to serve their country, and needs to be redressed.

The Military Coalition urges restoration of full tax-deductibility of non-reimbursable expenses related to military training.

With today's increasing operations tempo, the support of Reservists' employers is more essential than ever. Yet more frequent absence of Reservist employees for training or operations is undermining that support in many cases, as mentioned above. The Subcommittee's help is needed to foster additional incentives for employers to help offset their costs associated with their employees' Reserve activities.

The Military Coalition urges authorization of tax credits for employers of Reservist-employees.

Support of Military Funeral Honors. The FY2000 Defense Authorization Act established minimum funeral honors detail requirements to provide honors at the funeral of a veteran, including the folding and presentation of a U.S. flag to the veteran's family and the playing of "Taps." The Defense Department must provide, at a minimum, two uniformed military personnel, with at least one member of the funeral honors detail representing the service of the deceased veteran. Active or Reserve component personnel, or a mix of the two, may provide the funeral honors.

The act authorized Reserve component personnel who participate in an honor guard detail to receive retirement point credit, as well as medical treatment for any illness or injury a reservist might incur during the period in which they are participating in an honor detail. Further, it authorized a \$50 stipend for the performance as part of a funeral honors detail and travel and transportation (if greater than 50 miles).

The Military Coalition believes these provisions are inadequate to encourage sufficient numbers of Reserve personnel to perform this important function, and will not suffice to meet the final needs of our veterans and their survivors.

The Military Coalition recommends further review of funeral honors requirements, with respect to providing incentives that will ensure adequate Reserve Component participation.

Reserve Component Medical Readiness and Protection. Increased use of the National Guard and Reserve components heightens the importance of maintaining the medical and dental readiness of each member and ensuring that adequate protections are in place for members and their families.

A recent DoD "summit" on reserve health care confirmed that "the performance of duty, not the length or type of duty determines a service member's risk and exposure to harm." In response to this premise, the DoD "746 Study" (November 1999) recommended policy and legislative changes to improve medical and dental readiness and protections for members of the reserve components. Specific study recommendations included:

A. Clarifying in law the terms "incurring" or "aggravating" an injury, illness or disease in the "line of duty;"

B. Allowing medical coverage for Reservists who become injured or ill while remaining overnight at an IDT site between successive training periods;

C. Merging the Selected Reserve dental program into the TRICARE family member dental program; and

D. Developing comprehensive and consistent policies and programs for immunizations, dental and optical readiness in the Reserve components.

The Military Coalition urges implementation of the recommendations of DoD's November 1999 "746 Study" concerning Reserve medical readiness and protections.

RETIREMENT ISSUES

The Military Coalition is grateful to the Subcommittee for its long-standing support of maintaining a strong military retirement system to help offset the extraordinary demands and sacrifices inherent in a career of uniformed service. Not only did the FY2000 Defense Authorization Act successfully correct the serious problems associated with the REDUX retirement system, but it also repealed the dual compensation penalties imposed on certain retirees working as federal civilians, and took an important step to ease the financial challenges faced by certain severely disabled retirees who forfeit part or all of their military retired pay as a result of receiving veterans disability compensation.

Special Compensation for Severely Disabled Retirees. The Military Coalition has long believed that the statutory dollar-for-dollar offset in military retired pay for any amount of VA disability compensation is an unfair penalty, particularly for severely disabled retirees whose disabilities have precluded any post-service working career.

Congress' effort to provide at least some modest financial relief to 20-plus-year retirees who incur VA disability ratings of 70% or higher within 4 years of leaving service has brought an outpouring of gratitude from these long-suffering members.

Unfortunately, a well-intended provision of the new law has raised an unexpected inequity in the process of its implementation. Specifically, the difficulty concerns the parenthetical provision that bars participation by members retired for military disability under chapter 61 of title 10.

The crafting of that provision was based in large measure upon the assumption that members retired under such provisions would normally be better off financially than members receiving nondisability retirements from service. For example, a member with 20 years who receives a nondisability retirement from service receives retired pay equal to 50 percent of basic pay, whereas a 20-year member receiving a military disability retirement with an 80% or higher disability rating will receive 75 percent of basic pay.

But the application of the dollar-for-dollar VA compensation offset, combined with different disability retirement practices among the services, often results in rendering any distinction between military disability and nondisability retirees irrelevant, from a financial standpoint.

A key point is that if the member receives any disability rating at all from his or her parent service -- including low percentage ratings -- the member's retirement is rendered under Chapter 61. Any such members who are subsequently awarded severe VA disability ratings within 4 years are barred from receiving the new special compensation. Far from being better off financially, such members now receive less total compensation under the new law than if they had been awarded a nondisability retirement.

Even members receiving 75 percent of their basic pay in military disability retired pay can find themselves in the same situation. In substantial numbers of such cases, the VA disability compensation award exceeds the member's entire military retired pay amount, requiring full forfeiture of all retired pay. Such members incur no benefit from having been retired under

chapter 61. As it now stands, they lose eligibility for the extra \$100 to \$300 per month that Congress expected members losing their full retired pay would receive.

The problem is compounded because the criteria applied for award of chapter 61 retirement vary from service to service, and are variably applied from location to location and member to member.

There are two ways to fulfill Congress' original intent in authorizing the new special compensation. One way would be to authorize payment of the new special compensation for chapter 61 retirees to the extent their current disability retired pay and VA compensation falls short of the total compensation they would receive if they had been awarded a nondisability retirement. But the numbers and diversity of cases that have come to the Coalition's attention since enactment of the new law convince us that the complexity of such a rule would make it very difficult to understand or administer.

The simpler, fairer and far more understandable method would be to delete the parenthetical remark that currently bars eligibility of chapter 61 retirees. Data from the Defense Manpower Data Center indicate this could be done at a cost of slightly more than \$20 million per year -- about half the cost of last year's initiative.

The Military Coalition also believes another very small category of members was inadvertently omitted from eligibility for the special compensation: members who retired under The Early Retirement Authority (TERA) Congress enacted to facilitate voluntary losses during the force drawdown.

One criterion for qualification has been completion of service qualifying for longevity retirement, so that the member's eligibility for military retired pay is not based solely on disability. It is for this reason that the original legislation on the special compensation included completion of at least 20 years' service as one of the eligibility criteria. At the time, it was overlooked that TERA retirees' retirement also was based on longevity. The Coalition is aware of three cases of TERA retirees who subsequently were awarded 70 percent or higher disability ratings by the VA within four years of leaving service.

At the time the TERA authority was enacted, Congress was careful to write the law in such a way that these members would be entitled to all benefits authorized other longevity-based retired members, and would not be considered "second-class" retirees. This protection recognized that these members were being solicited to leave service for the benefit of the government and would have completed 20 years of service if not for the drawdown.

The Military Coalition recommends modification of eligibility criteria for the new special compensation for severely disabled retirees to include otherwise eligible members retired under the provisions of chapter 61 of title 10, U.S.C. (disability) or under the provisions of section 4403 of title 10, U.S.C. (drawdown early retirement authority).

REDUX Disability Retirees. Laudably, the Subcommittee's intent in enacting last year's REDUX changes was to give every REDUX-eligible member the opportunity to escape the formula reduction and cost-of-living adjustment (COLA) penalties associated with that plan.

But there is one group of REDUX-eligibles that is still denied the full benefit of the improvements the Subcommittee intended: members who entered service after July 31, 1986 and who, in the interim, have been forced from service as a result of military disability retirement.

It is true that these members are not disadvantaged because of the REDUX retirement formula and that last year's changes will ensure their future COLAs reflect the full annual change in the Consumer Price Index (CPI), rather than the CPI-minus-1% REDUX COLAs. However, members retired for disability under REDUX rules in years before 1999 have already experienced CPI-minus-1% COLAs for all retirement years between 1994 and 1998. Without an additional change to current law, this loss will not be made up until their retired pay is recalculated at age 62. Some of these disabled members will not survive to attain that age. It is the Coalition's hope that Congress can "make these members whole" and close the book on all REDUX penalties.

The Military Coalition urges amendment of the statute to recalculate military disability retired pay for REDUX retirees as if such members' interim COLAs had been adjusted by the full CPI, rather than the REDUX CPI-minus-1%.

10-Percent Retired Pay Increase for Valor. Under current law, an enlisted member retiring from active service who is a recipient of a qualifying decoration for "extraordinary heroism" (e.g., a decoration above the Silver Star) receives an added 10-percent increase in retired pay, subject to the maximum limit of 75 percent of basic pay.

It has come to the attention of the Coalition that there is no similar provision that applies to enlisted members retiring from the Reserve Component. Given the increasing reliance on Reserve forces to meet operational missions, it is expected that additional Reserve personnel may receive such decorations in the future. The Coalition believes such members deserve equal retired pay recognition.

The Military Coalition recommends amendment of Reserve Component retirement statutes to authorize award of a 10-percent retired pay increase for enlisted Reserve and Guard retirees who are recipients of an otherwise qualifying decoration for extraordinary heroism, on the same basis as members retiring from active duty.

Former Spouse Issues. The Military Coalition is concerned that many inequities persist in the application of the Uniformed Services Former Spouse Protection Act (USFSPA). The Coalition appreciates the sensitivity and complexity of this issue and the need for the Subcommittee to hear all relevant inputs. Several times in recent years, Congress has enacted piecemeal changes to the law prior to hearing testimony on the full range of inequities. The Coalition believes strongly that such piecemeal changes should be suspended until the Subcommittee has heard all relevant inputs and can strike a balance between the needs and rights of the various affected parties.

The Military Coalition urges the Subcommittee to conduct hearings on needed USFSPA changes, both to gather all inputs needed for appropriate subsequent legislation and to guard against inadvertently exacerbating current inequities via well-intended, piecemeal legislative action initiated outside the Subcommittee.

SURVIVOR PROGRAM ISSUES

The Coalition is pleased at the subcommittee's support of several survivor benefit improvements in the FY2000 Defense Authorization Act, including extending "forgotten widows" SBP eligibility to "gray area" reserve widows (whose retired sponsors died before attaining age 60), making the forgotten widows authority permanent, and including Retired Servicemen's Family Protection Plan enrollees in the 30-year paid-up SBP coverage currently scheduled to take effect

in 2008. While these initiatives were relatively modest from a cost standpoint, they represent important protections for the retirees and survivors affected by them.

Unfortunately, the House did not agree to the Senate's proposal to increase the SBP annuity for survivors age 62 and older. The Coalition hopes that, this year, both chambers will be able to support some increase in the minimum SBP annuity for survivors age 62 and older, in addition to a more equitable paid-up SBP implementation schedule for pre-1978 SBP enrollees.

Age 62 SBP Offset. Since SBP was first enacted in 1972, retirees and survivors have inundated DoD, Congress and military associations with outraged letters decrying the reduction in survivors' SBP annuities that occurs when the survivor attains age 62. The amount of the reduction varies by the circumstances in each case. Before age 62, SBP survivors receive an annuity equal to 55% of the retiree's SBP covered retired pay. At age 62, the annuity is reduced to a lower percentage, down to a floor of 35% of covered retired pay. For many older retirees, the amount of the reduction is related to the amount of the survivor Social Security benefit that is potentially attributable to the retiree's military service. For members who attained retirement eligibility after 1985, the post-62 benefit is a flat 35% of covered retired pay.

Although this age 62 reduction was part of the initial SBP statute, large numbers of members who retired in the 1970s (or who retired earlier but enrolled in the initial SBP open season) were not informed of it at the time they enrolled. This is because the initial informational materials used by DoD and the Services to describe the program made no mention of the age 62 offset. Thus, hundreds of thousands of retirees signed up for the program in the belief that they were ensuring their spouses would receive 55% of their retired pay for life. Many retirees who are elderly and in failing health, with few other insurance alternatives available at a reasonable cost, are understandably very bitter about what they consider the government's "bait and switch" tactics.

They and their spouses are also stunned to learn that the survivor reduction attributed to the retiree's Social Security-covered military earnings applies even to widows whose Social Security benefit is based on the spouse's own work history.

If these grievances were not enough, **the DoD Actuary has confirmed that the 40-percent government subsidy for the SBP program -- which has been cited for more than two decades as an inducement for retirees to elect SBP coverage -- has declined to less than 27 percent.** This is because the statute set retiree premiums to cover 60 percent of expected long-term SBP costs based on the Actuary's assumptions about future inflation rates, interest rates, and mortality rates. However, subsequent years have proven these assumptions were too conservative, so that retiree premiums now cover almost 73% of expected SBP benefit costs. In effect, retirees are being charged too much for the long-promised benefit.

The paid-up SBP initiative enacted in 1998 will ease this disparity modestly for members retiring after 1978, but even for those members, the subsidy will still fall far short of the promised 40%.

Most inequitable from the military retiree's standpoint is the fact that the survivor benefit plan coverage provided for federal civilian employees provides both a higher post-62 benefit and a higher government subsidy, as indicated in the chart beginning on the next page.

Federal Civilian vs. Military SBP Annuity/Subsidy

| | <u>CSRS</u> | <u>FERS</u> | <u>Military</u> |
|-------------------------|-------------|-------------|-----------------|
| Post-62 % Of Ret Pay | 55% | 50% | 35% |
| Gov't Subsidy | 50% | 42% | 27-34% |

Some might argue that federal civilians warrant higher benefits and subsidies on the basis of their extended careers, but that is false reasoning. Military members, except for disabled members, must serve at least 20 years to qualify for retirement and often serve much longer. While many federal civilian employees do, in fact, serve even longer periods, this is not necessary to qualify for retirement and survivor coverage, as many nondisabled federal civilians qualify for retirement after serving considerably less than 20 years -- and can do so with as little as five years' service, depending on age.

The Military Coalition believes that the combination of all of the inequities mentioned above warrants an adjustment in the post-62 SBP annuity rate.

We appreciate only too well the cost and other challenges associated with a simple repeal of the post-62 reduction. For this reason, the Coalition has proposed an incremental approach, embodied in Senator Thurmond's S. 763, to raise the minimum post-62 benefit level by degrees over an extended period. Last year, the Senate approved S. 763 as part of the Senate version of the Defense Authorization Bill. This year, our hope is both chambers can find a way to do the same.

The Military Coalition strongly recommends an immediate increase in the minimum post-62 SBP annuity from 35% to 40% of the member's SBP-covered retired pay. The Coalition further recommends a further increase to 45% of covered retired pay in FY2004.

30-Year Paid-Up SBP. Thanks to the efforts of this subcommittee, Congress approved a provision in the FY1999 Defense Authorization Act authorizing retired members who had attained age 70 and paid SBP premiums for at least 30 years to enter "paid-up SBP" status, whereby they would stop paying any further premiums while retaining full SBP coverage for their survivors in the event of their death. Because of cost considerations, however, the effective date of the provision was delayed until October 1, 2008.

As a practical matter, this means that any SBP enrollee who retired on or after October 1, 1978 will enjoy the full benefit of the 30-year paid-up SBP provision. However, members who enrolled in SBP when it first became available in 1972 (and who have already been charged higher premiums than subsequent retirees) will have to continue paying premiums for up to 36 years to secure paid-up coverage.

The Military Coalition is very concerned about the delayed effective date, because the paid-up SBP proposal was initially conceived as a way to acknowledge the particular circumstances of those who have paid SBP premiums from the beginning. Many of these members entered the program when it was far less advantageous and when premiums represented a significantly higher percentage of retired pay. In this regard, SBP premiums were reduced substantially in 1990, so these older members paid the higher premiums for up to 18 years. The Coalition believes

strongly that their many years of higher payments warrant at least equal treatment under the paid-up SBP option, rather than imposing an additional 6-year waiting period upon them.

The Military Coalition strongly recommends accelerating the implementation date for the 30-year paid-up SBP initiative to 2003, on an incremental basis if necessary.

The Coalition recognizes that the primary obstacle to approval of the age-62 annuity increase and acceleration of the paid-up SBP effective date is cost. In this regard, one way to secure these improvements at a lower cost would be to offer retirees a choice of one improvement or the other: either paid-up SBP or a higher age-62 survivor annuity. Since paid-up SBP authority is already scheduled to begin in 2008, any eligible retiree who elects the higher survivor annuity in lieu of paid-up status would save the government money, starting in 2008. In fact, the Coalition believes the majority of members would prefer the higher survivor annuity. In this case, the Coalition would hope that the savings from 2008 and beyond could be applied to offset the cost of earlier implementation of this "choice option." If further cost reductions were required to win approval, the Coalition would be willing to work with the subcommittee in considering such options as phased implementation based on the age of the retiree and survivor, with earlier implementation for older individuals.

The Military Coalition urges consideration of alternatives to implement the age-62 SBP annuity increase and 30-year paid-up SBP eligibility as soon as possible, to include the possibility of offering SBP enrollees a choice between eligibility for paid-up status or a higher age-62 survivor annuity.

SGLI Coverage for Active Duty Family Members. The Military Coalition is concerned that, despite several increases in maximum Servicemen's Group Life Insurance (SGLI) coverage for active duty personnel, this important insurance program falls short of meeting the needs of most active duty families.

The problem is not the level of coverage, but the lack of coverage for family members. The Coalition notes that federal civilian employees have the option of purchasing government-sponsored group life insurance coverage for their spouses and children, and believes active duty families of the uniformed services need and deserve the same option.

Surveys of active duty families over recent decades have indicated an ever-growing trend of two-income families in which both spouses are employed. Surveys further indicate that this situation is driven by economic necessity rather than personal preference, and that most enlisted families, in particular, need both spouses' incomes to make ends meet.

The sad fact is that substantial numbers of active duty spouses are not covered by life insurance, and that the loss of a civilian spouse visits upon the family not only a devastating personal tragedy but a devastating financial blow as well. In the same vein, the grief of losing a child is only compounded by the expense often borne in the process of laying the child to rest.

An ever-larger percentage of non-military families also have two income earners. But the military family bears a special burden because the military member is constantly being relocated in compliance with military orders. This significantly inhibits most military spouses' career opportunities. Forced to "start over" with every move, military spouses often must take lower-paying or temporary jobs that offer few fringe benefits such as life insurance. The Coalition believes that military families already face enough financial penalties in the pursuit of a service career that they deserve at least the same insurance options the federal government provides its civilian employees.

Because this proposal entails only group option coverage that would be fully paid by member premiums, it should entail no cost to the government.

The Military Coalition urges implementation of a family coverage option under the auspices of SGLI, with coverage modeled after that available to federal civilian employees.

SBP Coverage for All Active Duty Deaths. Under current SBP rules, only survivors of retired members or those of active duty members who have more than 20 years of service are eligible for SBP. This situation inadvertently can create significant and inequitable disparities in survivor benefits for the respective survivors of two members with equal grade and service who die as a result of illnesses or injuries incurred on active duty. Particularly in mass casualty situations such as aircraft crashes, it is sometimes extremely difficult for commanders and casualty assistance officers to explain and justify such disparities to the survivors of similar servicemembers who died in the same accident. The difference hinges on whether the member survives for a time following the accident. Permanently disabled members are entitled to retirement with a 100% disability rating, which automatically entitles them to retired pay (75 percent of basic pay) and SBP eligibility, regardless of years of service.

Specific examples illustrate the disparity. Among the mass casualties of an aircraft crash are four members in grade E-8, two of whom have 19 years of service and two who have served 24 years. One with 19 and one with 24 years are killed instantly in the crash. The other two are severely injured, but survive in a coma and are retired with a 100 percent disability rating, then expire two weeks later. As indicated below, the survivors of the members who are killed instantly receive benefits that can be hundreds of dollars per month less than those of members who survive to be retired for disability:

| | E-8 (19YOS) <u>killed</u> | E-8 (19YOS) <u>disabil ret</u> | E-8 (24YOS) <u>killed</u> | E-8 (24YOS) <u>disabil ret</u> |
|-------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| DIC | \$881 | \$881 | \$881 | \$881 |
| SBP* | -- | \$305 | \$194 | \$462 |
| TOTAL | \$881 | \$1186 | \$1075 | \$1343 |

* SBP is reduced by DIC, so the survivor receives only the remainder in SBP; Members killed instantly on active duty with over 20 YOS are awarded SBP as if they had retired for longevity (2.5% of basic pay times YOS), not disability (75% of basic pay for 100% disability)

Current law penalizes the survivors of the members who suffer the most grievous consequence of service-connected injury -- those killed instantly in the line of duty. We believe the government should acknowledge that death is the ultimate disability, and that the survivors of active duty deaths should not be penalized because of the severity of their sponsor's injuries. Thus, all members who die on active duty should be considered, for the purpose of survivors' SBP coverage, as having been retired for 100-percent disability on the date of the member's death.

Because the number of annual active duty deaths is small and because the only SBP amounts payable would be those in excess of the survivors' Dependency and Indemnity Compensation payments, the annual cost for each year's group of survivors is estimated at less than \$1 million dollars.

The Military Coalition strongly supports enactment of legislation to extend SBP coverage to all survivors of members who die on active duty on or after October 1, 2000, with SBP annuities calculated as if the member had been retired with 100-percent disability on the date of death.

The Coalition very much appreciates being afforded this opportunity to submit our views to this distinguished subcommittee. We look forward to addressing further details of these and other issues with you and the subcommittee staff.