



STATEMENT

BY

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FOR THE

**SENATE COMMITTEE ON ARMED SERVICES
SUBCOMMITTEE ON PERSONNEL**

MILITARY PERSONNEL OVERVIEW

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Mr. Chairman and distinguished  committee members, on behalf of

the 135,000 members of the Air Force Sergeants Association, thank you for this opportunity to offer our views on the military personnel programs that affect those serving our nation. AFSA represents active duty, Guard, Reserve, retired, and veteran enlisted Air Force members and their families. Your continuing efforts toward improving their quality-of-life benefits have made a real difference in the lives of those who devote their lives to service. Higher-than-mandated-by-law military pay raises sent a powerful message to servicemembers. Further targeting of pay toward enlisted members recognizes the imbalance of the current military payroll system. We hope you will provide further progress in this regard. Continued improvements in health care for all beneficiaries and, especially, the implementation of the TRICARE Senior Pharmacy program and TRICARE for Life for Medicare-eligibles were landmark achievements of this Congress. Another area of significance was the increase of PCS reimbursement for the lowest-ranking military members – those we represent have asked that we pass on their gratitude. Your continued attention to the ever-expanding role of the Reserve Component was important; we hope that effort increases -- particularly toward lowering the reserve component retirement age from 60 to 55 to give them parity with all other federal retirees. In this hearing, I wish to discuss several items that the enlisted men and women serving our nation consider very important. While there are other areas of importance to the members of this association, issues such a health care, military construction and Morale Welfare and Recreation and family support programs will be covered elsewhere. I will restrict I will divide this testimony into these issue areas: Air Reserve Component Benefits; Montgomery G.I. Bill Reform; Military Compensation and Benefits; Retirement Issues; and Survivor Programs.

AIR RESERVE COMPONENT BENEFITS

! *Reserve Retirement:* Today over 81,000 Air Reserve Component (Reserve and Guard) members have been mobilized in support of Operations Enduring Freedom and Noble Eagle, efforts that clearly could not succeed without their invaluable contribution. Yet, these members are the only federal retirees who must wait until age 60 to collect retired pay. *We have been told that Reserve retirement was originally set at 60 because federal civilian retirement was the same.* Unfortunately, when federal civilian retirement changed to at age 55, military reserve component retirement did not do the same. It is bad enough that Guard and Reserve members who "voluntarily" subject themselves to unlimited liability cannot begin retirement once they have satisfied the requisite number of "good years." What is worse is that they must often wait well over a decade after military service, before they can collect retirement. For years, this has been a thorn in the side of Guard and Reserve members -- from the troops to the commanders; all say that this is the right thing to do. As we visit units, members repeatedly ask if anyone is taking action to lower the reserve retirement age. It is time to correct this gross inequity. How? Lower the earliest Reserve retirement age from 60 to 55. One side issue of the retirement at age 60, which is avoided by DoD is that *the current system stagnates the force by stifling career advancement and, therefore,*

affects force readiness. Because the reserve component primarily promotes by vacancy, those who are over 55 but not yet 60 occupy slots that could otherwise provide upward mobility for others. Additionally, many reservists continue serving past age 55 only to accumulate a few more points to factor into their retirement pay equation (which is significantly lower than active duty military retired pay). Our members tell us that most do this strictly because they are not permitted to collect retired pay prior to age 60. It is clear the Department of Defense's opposition to this is based on its fiscal "priorities," with DoD reticence focusing on the increased one-time compensation required to revert to the lower retirement age. AFSA believes that the time has now come to provide *fairness and equity* for reserve component members. The vast majority of those aged 55-plus tell us that they continue to serve after 55 only because they cannot retire earlier. So long as they cannot retire, they will continue to serve to accumulate additional points toward retirement. Also, remember that Guard and Reserve promotion is primarily by vacancy. Therefore, forcing potentially important manning positions to be manned by those biding their time until they can retire prevents promotion and the possibility of filling those jobs with younger (but very experienced) personnel. *It is clearly time to correct this inequitable, nonsensical reserve retirement system.* We would subscribe to the argument supported by many that reserve component members should be able to begin retirement once they have satisfied retirement criteria. Absent that change, reducing the earliest retirement age from 60 to 55 is a step in the right direction that would, at least, achieve some consistency with other federal retirement programs. We ask this committee to make it happen, to ***lower the earliest Reserve retirement age from 60 to 55.*** Also, please take action to ***increase retired pay for enlisted reserve component personnel decorated for extraordinary heroism;*** this would fairly recognize their singular service and maintain equity with those serving on active duty that are similarly decorated.

! ***Air Reserve Technician Retirement:*** For those who serve as Air Reserve Technicians (ARTs: military members and, at the same time, federal civil servants), we tend to view their retirement from the point of view that is most-beneficial to the government. It is time that we stop treating these unique reserve component members inequitably. We urge this committee to make ARTs eligible for an unreduced retirement at age 50 with 20 years of service, or at any age with 25 years of service, if involuntarily separated.

! ***Reserve Retirement Point Cap:*** The level of Reserve retirement compensation varies from individual to individual depending on the number of duty points accumulated over the requisite number of "good years" required to qualify for retirement. There is a limitation (a "cap") on the number of points creditable toward requirement each year that the member accumulates through inactive duty training (IDT). The current cap limits the number of IDT points creditable each year toward retirement to 90. With today's high operations tempo, it is inevitable that the vast majority of members will fairly consistently exceed 90 IDT

points in a given year. It is simply unfair that the cap prevents counting all points earned. We urge this committee to eliminate the cap on IDT points creditable toward retirement.

! **Family Support Focus:** With the callups as part of Operations Enduring Freedom and Noble Eagle, the families of reserve component members are clearly stressed and in need of your help. We urge full funding and support for Family Support programs that can help these family members. This included full access to benefits available to active duty members. Obviously, being called up and having to “temporarily” set aside one’s normal civilian job and place in the community is traumatic. The family members of reservists must also make incredible lifestyle adjustments. We urge close scrutiny of available programs and provide funding and access to take care of these members of the military family.

! **Selective Reserve Montgomery G.I. Bill:** As committee members know, this program falls under Title 10 rather than Title 38. As such, it is important that this committee take action to enhance this important benefit and to correct inequities in the program. The Montgomery G.I. Bill for active members has dramatically increased in value due to the work of recent Congresses. The SR-MGIB, however, has not followed suit. We urge that you **work to increase the value of the SR-MGIB** and program parallel, equivalent increases in the value of this reserve component-unique program. Further, we believe that this move toward equitable growth could best be achieved if this committee enact legislation to **transfer the SR-MGIB authority from title 10 to title 38**. We ask you to do so. Another inequity is while the active duty MGIB “10-year benefit loss clock” starts at the end of military service; the SR-MGIB “10-year benefit loss clock” starts at the time of enrollment. This is clearly inequitable and needs to be corrected. We ask that this committee take action to **change the start of the SR-MGIB benefit loss clock to “at the end of military service.”**

! **TDY/PCS Compensation:** A unique requirement for Guard and Reserve members is how they are compensated when they are sent to lengthy schools. Remember, an active duty member who attends a long school is usually sent in permanent change of station (PCS) status. When that happens, the member generally transfers his/her family and household effects and establishes a new home. Reserve component members, on the other hand, still maintain their home where their family lives. While long schools result in a different set of benefits (PCS) than those schools of shorter duration (TDY benefits), this methodology has an impact on Air Reserve Component members different than that on active duty. We ask that you examine the following: (1) Provide Basic Allowance for Housing (BAH) Type 1 for all Air Reserve Component (ARC) members who are sent TDY to school for less than 139 days; and (2) Allow ARC component headquarters commanders to waive the requirement for PCS moves to schools that are 20 weeks or longer.

! **Employer Support:** More and more those who employ Guard and Reserve mem-

bers make incredible sacrifices. While those who are called up are protected by law (their jobs and seniority are protected), it is increasingly difficult to expect civilian employers to readily employ those who are also guardsmen or reservists. It is time to ***provide tax credits to employers who employ members of the Guard and Reserve and to self-employed Air Reserve Component members.***

! ***General Compensation Issues:*** It is time to pay Guardsmen and Reservists equitably for special pays such as flight pay and hazardous duty pay. These pays are specifically to compensate military members for increased risk. Yet, a clear inequity is consciously administered by DoD when it comes to equal pay for equal risk. Active duty members who qualify for any of these special pays at any time during a month earn an entire month's pay. A Reserve Component Member can serve the same period of time or more and receive less compensations because a 1/30 formula per day is applied. AFSA contends that it is time to ***eliminate unfair benefit ratios and compensate Reserve Component Members fairly.*** Another area that we urge this committee to address is the need for reservists to expend out-of-pocket, personal expenses to serve. Simply put, it costs members to serve their nation because they are not fully reimbursed. We urge you to ***restore full tax-deductibility of non-reimbursable expenses related to military training and service.*** Also, especially in light of the current war on terrorism, we need to take all measures to ***compensate for financial losses caused by long-term deployments in support of contingencies.***

! ***Reserve Leave:*** While the FY 2002 provided a method whereby significant amounts of leave accumulated during the current War on Terrorism call-up, we need to do more. Basically speaking, Reserve Component Members can only take leave when they are on duty. In peacetime conditions with weekend drill each month and an annual 2-week encampment, it is very difficult to take leave. A basic rule is in effect that causes members to lose any leave they accumulate over 60 days. Because of the difficulty to take leave, our members ask that they be ***allowed to sell leave balances that they accumulate that exceed 60 days.*** In effect, this would eliminate the benefit loss caused by the very nature of reserve duty.

! ***Reserve Commissary Benefit.*** It is time to give Guard and Reserve members and their families year-round commissary access. There is simply no justification to continue denying them this well-earned benefit. It also defies reason to continue paying millions of dollars each year to administer a "Commissary Privilege Card" system, simply to keep these servicemembers out of our military commissaries but 24 visits per year. We urge you to ***immediately provide Guard and Reserve members year-round commissary benefits.*** This benefit will not cost money -- it will save money and generate more business for the commissary system.

MONTGOMERY G.I. BILL REFORM

While the basic Montgomery G.I. Bill program falls under the Veterans Affairs umbrella, its implementation and mandated practices fall within the purview of this committee. The issues mentioned below are of particular importance to the *enlisted* men and women who serve our nation. The two educational programs being addressed are the Veterans Education Assistance Program (VEAP) and the Montgomery G.I. Bill which followed the VEAP program and is the military's current educational benefit program. These are the specific actions in the order of priority that we would like this committee to pursue on behalf of the enlisted men and women serving this nation.

! Provide an MGIB Open Enrollment Opportunity for those who turned down VEAP or the MGIB at their single enrollment opportunity. The greatest need cited by our members is to provide a second chance for those who turned down their initial opportunity to enroll in either the Veterans Educational Assistance Program (VEAP) or the Montgomery G.I. Bill. Many turned down the VEAP program because it was a relatively insufficient, two-for-one matching program (the member contributed up to \$2,700 and the government matched up to \$5,400); also, many VEAP-era people were counseled *not* to enroll in VEAP since a "better" educational benefit program was on the horizon. Many thousands more have turned down the MGIB enrollment opportunity over the years – primarily because it is offered as a one-time, irrevocable decision at Basic Military Training (when their pay is at its lowest). This is a time, of course, when giving up \$100 per month for the first 12 months of one's military career is financially impossible for many. We have been told that 1,500 to 1,800 in the Air Force alone turn down the MGIB each year.

The overall impact, then, is that *over a quarter-of-a-million of those serving have no educational benefit*, and many individuals retiring now have no transitional educational benefit. The Defense Manpower Data Center recently provided the following information:

! VEAP-Era Non-enrollees: Number of members currently on Active Duty who entered the service during the Veterans Educational Assistance Program (VEAP) era who declined VEAP benefits: **116,369** (Air Force: 39,464; Navy: 37,434; Army: 27,964; Marines: 6,783; Coast Guard: 3,857; Public Health: 825; and NOAA: 42).

! MGIB-Era Non-enrollees: Number of members currently on Active Duty who entered the service during the Montgomery G.I. Bill (MGIB) era who declined MGIB benefits: **150,952** (Air Force: 50,151; Army: 42,524; Navy: 32,681; Marines: 16,650; Coast Guard: 6,773; Public Health: 2,113; NOAA: 60).

We respectfully urge that Congress establish a limited-period opportunity for any currently serving military member to enroll in the Montgomery G.I. Bill. We would hope the cost would be \$1,200 or \$2,700 (the cost during the most recent VEAP-MGIB enrollment opportunity). However, we would estimate that a cost moderately higher than that would even be welcome considering the current value of the benefit and the opportunities that such congressional action would provide for those transitioning from the military to civilian status.

Clearly, the Montgomery G.I. Bill was an improvement over VEAP, but it was still a relatively insufficient program – not enough to pay for the full cost of classes, and it didn't (and still doesn't) include an inflationary adjustment mechanism. In recent times, however, Congress has done great work in increasing the value of the MGIB to the point that (by 2004), it will cover more than three-quarters of the average costs of books, tuition, and fees at the average college or university for a commuter student. That actual cost is estimated to be between \$1,100 and \$1,400 at this time. By 2004, the cost-of-education figures will no doubt adjust upward somewhat due to increased costs of education. While AFSA urges a full transition to a WW II-type G.I. Bill that pays the full cost of books, tuition, and fees at any college or university, the point in this case is that *this much-more-lucrative benefit was not in existence when many turned down either VEAP or MGIB*. Please work to allow those who turned down either VEAP or MGIB a chance to correct that earlier decision.

! *Allow military members to enroll in the MGIB later during their careers than at Basic Military Training:* The one-time opportunity at Basic Training is a problem as explained above. We recommend allowing members to enroll later. Perhaps, allow them to enroll at any time during their first enlistment. Or (if there must be an enrollment fee) charge them \$1,200 if they enroll any time in their first four years of service; \$1,500 between the fourth and tenth years of service; \$1,800 between ten and 15 years of service; and \$2,000 between the fifteenth and twentieth year of service. Those numbers are only an example to show how the enrollment cost could be scaled to reflect enrollment entry point. We urge you to work to either waive the enrollment fee, or to offer enrollment later in careers (when members are better able to financially handle enrollment). While Rep. Jones' H.R. 2020 provision to spread out the \$1,200 enrollment fee over the first two years of service is an improvement, a later enrollment opportunity would be fairer and more beneficial: under the 24-month payment plan, the Basic Trainee enrollee would still be faced with this financial decision under the pressure of Basic Training when they are making the least. Allowing them a later enrollment decision makes more sense, financially, for the member.

! *Extend or eliminate the MGIB 10-year "benefit loss clock.* Once an MGIB enrollee separates or retires, he/she has ten years to use their benefit or they lose any unused portion. The early years of a military career are pretty much consumed with initial entry and skill-level training, mastering the job, certifying, etc. Similarly, transitioning to civilian life includes a time of retraining, readjusting and certification. For many, using their earned educational benefit (for which they paid \$1,200), must be delayed a few years. However, the clock is ticking as the benefit gets ready to be taken away. We urge that the ten-year clock be increased to 15 or 20 years, or that the "benefit-loss" provision be repealed. In a

very real sense, if the benefit has been earned through military service, and the federal mechanism that tracks the program is not earmarked to go away, we don't believe it would be a problem to extend or eliminate the 10-year benefit loss clock.

Guard and Reserve members enroll in the Montgomery G.I. Bill - Selected Reserve. This is a 10-year program under title 10. The benefit loss clock for this program begins upon enrollment. In this case, similar to the active duty program, we urge that you extend the use of the program, or delay the start of the 10-year benefit loss clock to the end of military service, to achieve "equity" with the active duty program.

! *Offer "Portability" of MGIB Benefits to Family Members.* While we appreciate the very positive intent of the "portability" feature signed into law in the FY2002 NDAA that offered "portability" of benefits for those in "critical skills," we urge that this benefit feature be extended to *all* MGIB enrollees. The overwhelming feedback we get from our members is that offering this to critical skills will have very little impact on promoting recruiting and retention of those actually serving in "critical skills." *Portability, however, would be an important career incentive for the vast majority of military members.* For enlisted members, in particular, it could mean the ability to offer a good college educational opportunity to their children. If we are wise, we could also make it a good retention tool across the board. Perhaps offer the option to transfer (at least a portion of) the benefit to family members once the individual has served 12 to 15 years. This would make the option available in time to help send your kids to college, and it would serve as an incentive to stay in the service. Once you have them 12 to 15 years, you will have most of them at least 20 years. Please work to afford the "portability" option across the board to military enrollees (enlisted ones in particular).

MILITARY COMPENSATION/BENEFITS

Military pay needs to be further increased above the current formula mandated by law, i.e., Employment Cost Index plus one-half percent. This is necessary to close the growing gap between military pay and equivalent civilian occupations. A great effort should also be made to make the enlisted pay scales more realistic to reflect the increasing responsibility of enlisted members, and the clear imbalance between enlisted and commissioned military pay and compensation relative to the overall military responsibilities. We also urge continued emphasis on eliminating out-of-pocket housing costs for military members. You have made great progress toward this end, and we hope you will continue in that effort.

! *Housing Allowances Formula :* Military members are paid an allowance for housing. The amount varies strictly as a function of increasingly higher housing allowances as rank increases. For example, the allowance level is significantly higher for commissioned officers than for enlisted members. The amount of housing allowance a member gets is based on a square-footage, dwelling type standard factoring in housing costs for the locality of the housing. Among enlisted (noncommissioned) members, the only rank that is based on a stand-alone dwelling is the very highest grade (E-9); all others are based on townhouses

an apartments. Unfortunately, the entire system is not realistic in terms of how people live and decide on where they will reside. Historically, the lower the rank a member hold, the greater is their out-of-pocket housing expenses. The reason for this is simple. Enlisted members, who already make significantly lower compensation, want no less for their families to live near good schools and in good, safe neighborhoods. In order to achieve that (since their pay and housing allowances are so much lower), these members must expend significantly more out of pocket. We urge a study of the entire system of housing allowance to provide more equity for those who hold lower ranks. At the least, we urge an increase in the amount of housing allowance paid to enlisted members. In the implementation of the DoD plan to eliminate average out-of-pocket expenses by 2005, we urge that the subcommittee “front load” as much as much of the remaining BAH upgrade as is possible for FY 2003.

! ***Expand CONUS COLA:*** Another important change would be to increase CONUS COLA to more localities. Several high-cost areas across the country do not receive CONUS COLA. The Washington, D.C. area (for which designated housing allowances are clearly inadequate according to our members), for example, does not receive this allowance. We urge this committee to provide CONUS COLA to more areas where the increase is warranted.

! ***Further Permanent Change of Station (PCS) Funding Enhancement:*** Our members greatly appreciate the changes this subcommittee made in the FY 2002 NDAA. Reimbursement of member expenses, increases in weight allowances for the lowest-ranking airmen, increases in the Temporary Lodging Expense, advance payment of POV storage expenses, and the shipment of one POV within CONUS are all authorities that recognize the financial burden placed on military families as they are moved at the pleasure of the government. We would encourage further upgrades in reimbursement of PCS costs.

! ***Commissary Benefit Protection/Oversight:*** We urge close scrutiny of this benefit. Reports from the field are that recent “belt tightening” on the part of the Defense Commissary Agency is already being belt by the beneficiaries as lines have clearly been getting longer and longer. We urge full commissary funding and ask for your firm oversight to prevent any reduction in services to commissary patrons

RETIREMENT ISSUES

! ***Concurrent Receipt/Retired Pay Restoration:*** While it is important that military retirees continue to receive their cost-of-living adjustments on time, we have a situation today where many military retirees are denied their retirement pay because they have a VA-adjudged disability rating. We note that both the House and Senate Budget Committees have included FY 2003 funding to provide full concurrent receipt of retired pay and VA disability compensation for those with a VA disability rating of 60 percent or higher (to be phased in over the next 5 years). We also note that there are members in this body who are calling for full concurrent receipt for all, regardless of VA rating level. We ask you to authorize and

fund the full restoration of military retired pay for those who also receive VA disability compensation. As many of you have noted, these members earned their military pay by their honorable and faithful service for a significant portion of their lifetimes. The disability compensation is for a very different reason and is fully justified -- their period of service took a toll on their bodies and/or minds. We owe them both. They held up their part of the bargain; our government must do the same.

! *Uniformed Services Former Spouses Protection Act (USFSPA) Reform:* The members of this association strongly urge the subcommittee to conduct hearings on needed USFSPA changes, both to gather all inputs needed for appropriate corrective legislation and to guard against inadvertently exacerbating current inequities via well-intended, piecemeal legislative action initiated outside of this subcommittee. Our members have clearly communicated that this anachronistic statute specifically targeted at military members is not needed. While we would favor full repeal of the act; fairness would dictate that at a minimum, the “windfall provision” of the act be amended. This provision bases the portion of retirement that is given to a former spouse on the member’s final military grade, and not that which the member held at the time of the divorce. We would also favor termination of the portion of the military retired pay (which is earned in a very unique, dangerous way compared to the retirements of many other citizens) if the former spouse remarries.

SURVIVOR PROGRAMS

Our members greatly appreciate the provision in the FY 2002 NDAA extending Survivor Benefit Plan (SBP) eligibility to members killed on active duty, regardless of years of service. This action corrected a long-standing inequity. But more still needs to be done.

! *Reduce or Eliminate the Age-62 SBP Reduction:* Before age 62, SBP survivors receive an annuity equal to 55 percent of the retiree’s SBP-covered retirement pay. At age 62, however, the annuity is reduced to a lower percentage, down to a floor of 35 percent. For many older retirees, the amount of the reduction is related to the amount of the survivor’s Social Security benefit that is potentially attributable to the retiree’s military service. For member who attained retirement eligibility after 1985, the post-62 benefit is a flat 35 percent of covered retired pay. Although this age-62 reduction was part of the initial SBP statute, large number of members who retired in the 1970s (or who retired earlier but enrolled in the initial SBP open season) were not informed of the reduction at the time they enrolled. As such, many still are very bitter about what they view as the government changing the rules on them in the middle of the game. Thus, thousands of retirees signed up for the program in the belief that they were ensuring their spouses would receive 55 percent of their retired pay for life. They are further “stunned” to find out that the survivor reduction attributed to the retiree’s Social Security-covered military earning applies even to widows whose Social Security benefit is bases on their own work history. To add further to the need for changes in this program, 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 enticement for retirees to elect SBP coverage, has declined to less than 27 percent. *Clearly, this benefit has*

become more beneficial and less costly for the government, and more costly and less beneficial for the retirees and survivors the program was created to protect. We urge you to step in and correct some of these inequities. The paid-up SBP initiative enacted in 1998 will ease this disparity somewhat for members retiring after 1978, but the subsidy will still fall far short of the promised 40 percent and now comes too late for many older retirees. In other words, 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. Unfortunately, the 1998 paid-up provision does not become effective until 2008. That is simply too late for many enrolled in the program; we urge that you accelerate the paid up provision to October 2003 at the latest.

Mr. Chairman, thank you for this opportunity to highlight a few areas that reflect the interests of our members. We truly appreciate the continuing efforts of this subcommittee on behalf of those who serve. We explain to them that the reason you solicit the views of associations such as this one is that you are extremely interested in knowing how your decisions directly affect military beneficiaries. We will continue to let them know your hard work on their behalf. As always, the Air Force Sergeants Association is ready to work with you on matters of mutual concern.

