

Statement for the Record
Reserve Officers Association of the United States
And
Reserve Enlisted Association
for the
Senate Armed Services Committee
DOD Military Compensation Proposals
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“Serving Citizen Warriors through Advocacy and Education since 1922.”™



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The Reserve Officers Association of the United States (ROA) is a professional association of commissioned, warrant and non-commissioned officers of our nation's seven uniformed services, and their spouses. ROA was founded in 1922 during the drawdown years following the end of World War I. It was formed as a permanent institution dedicated to National Defense, with a goal to teach America about the dangers of unpreparedness. When chartered by Congress in 1950, the act established the objective of ROA to: "... support and promote the development and execution of a military policy for the United States that will provide adequate National Security." The mission of ROA is to advocate strong Reserve Components and national security, and to support Reserve officers in their military and civilian lives.

The Association's 54,000 members include Reserve and Guard Soldiers, Sailors, Marines, Airmen, and Coast Guardsmen, who frequently serve on Active Duty to meet critical needs of the uniformed services and their families. ROA's membership also includes officers from the U.S. Public Health Service and the National Oceanic and Atmospheric Administration, who often are first responders during national disasters and help prepare for homeland security. ROA is represented in each state with 49 departments including departments in Latin America, the District of Columbia, Europe, the Far East, and Puerto Rico. Each department has several chapters throughout the state. ROA has more than 250 chapters worldwide.

ROA is a member of The Military Coalition, where it co-chairs the Guard and Reserve Committee. ROA is also a co-director of the National Military/Veterans Alliance. Overall, ROA works with 75 military, veterans, and family support organizations.

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The Reserve Enlisted Association (REA) is an advocate for the enlisted men and women of the United States Military Reserve Components in support of National Security and Homeland Defense, with emphasis on the readiness, training, and quality -of- life issues affecting their welfare and that of their families and survivors. REA is the only Joint Reserve association representing enlisted reservists – all ranks from all five branches of the military.

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The Reserve Officers Association and Reserve Enlisted Association are member-supported organizations. Neither ROA nor REA have received grants, sub-grants, contracts, or subcontracts from the federal government in the past three years. All other activities and services of the associations are accomplished free of any direct federal funding.

INTRODUCTION

On behalf of our members, the Reserve Officers Association (ROA) and the Reserve Enlisted Association (REA) thank the committee for the opportunity to submit testimony on personnel compensation reform affecting serving Active and Reserve members, retirees, their families, and survivors. If arbitrary compensation and benefit cuts are permitted, not only will our memberships be affected, but they will have an influence on the next generation of recruits being sought by the Armed Forces.

General George S. Patton is credited as saying “Wars may be fought with weapons, but they are won by men. It is the spirit of men who follow and of the man who leads that gains the victory.” By cutting the compensation and benefits of the men and women who serve, the risk exists that the military will lose its best and the brightest leaders, who will seek better opportunities in the private and, perhaps even, the public sector. Manning challenges already exist in midgrade officer and enlisted ranks, which will grow only worse.

For the last ten years the military has experienced strong recruiting and retention, which has led to an over-confidence that this trend will continue. All but ignored were contributed factors of high unemployment during years of recession and the romanticism of war. With an improving economy and the conflict in Afghanistan ending, recruiting will become harder. With planned reductions in force, near-term retention will seem to not be a problem. Yet the phantom cost savings of the 1990s will again haunt this nation’s security with an ever growing risk of hollowing the force. Reducing compensation only increases that risk.

Both associations appreciate the efforts by Congress in earlier National Defense Authorization deliberations to objectively evaluate the effects of Department of Defense (DoD) recommendations for reduced compensation and increased fees and costs for benefits.

Expecting serving and retired military members and their families to carry an increased financial burden is indirectly taxing just them to pay for this Nation’s defense. It is equally unfair to tax the next generation of warriors who are just joining the uniformed services today.

SLOWING THE GROWTH:

When testifying on November 2013, DoD leadership gave the Senate Armed Services Committee a choice: compensation and benefit reform or military readiness. [As General Raymond T. Odierno, chief of staff of the Army, said](#), “We will not be able to afford a force of sufficient capacity, readiness and modernization without compensation reform.”

Compensation reform has been a campaign by the Pentagon during the last two presidential administrations, with the first focus on increasing health care fees in 2006. Military personnel are viewed as competing for budget resources with modernization and procurement. Recently,

under the budget constraints forced by sequestration, readiness and training have been added to the casualty list.

“Although we employ fewer people, compensation costs continue to climb at unsustainable rates,” [warned General Mark A. Welsh III, Air Force chief of staff](#) at November’s hearing. “Together we must address the issue of compensation or it will consume our warfighting spending over the next few decades.”

Taken out of context, such statements can be misleading and have clouded the discussion about the defense budget. The numbers don’t support such statements (as illustrated by Table 1 – attached), but have had an unsettling effect on budget discussions.

At a meeting of the Missouri Department of the Reserve Officers Association on April 26, 2014, [Rep. Blaine Luetkemeyer](#) (R-Mo.) briefed ROA membership stating how military compensation, if it is permitted to continue its growth it will consume the entire DoD budget.

[The Center for American Progress claims](#) “if these costs are allowed to continue rising at their current rate, they will eat through the entire defense budget by FY 2039 unless the overall budget is increased to accommodate them.”

By combining different data fields and adding more items to the “shopping cart” cost assumptions can be manipulated.

At a briefing in November 2013, General James F. Amos, commandant of the Marine Corps told military service organizations that military compensation would consume over half the DoD budget within a couple of years. [A statement in February 2014, by Secretary of Defense Chuck Hagel](#), clarified this by saying that military and civilian compensation accounts for 50 percent of the DOD budget.

Compounding the issues has been bad math. Statistical analyses further beguile by projecting upward trends that are no longer valid, using data between 2001 and 2011.

In a 2011 study, the Center for Strategic and International Studies detailed an increase of military personnel compensation costs by 47 percent, but this was between the years FY-2000 and FY-2012. Using FY-2000 as an initial benchmark is to start any comparison from a period of peace into a period of war. Additionally, the cost rise used in the study was just \$59.9 billion over 13 years of budget increases. This calculates to an annual rate of inflation of about 3.05 percent.

Many claim that military personnel costs have nearly doubled since fiscal year 2001. But during this same time the military budget was increase as well. Using the Office of Management and Budget’s numbers (Table 1). Military Compensation (Personnel, Health and Housing) increased by 76 percent when comparing the FY-2002 (beginning of the war) with the FY-2013 budget.

TABLE 1

Source OMB Histories: Table 3.2 and 16.1

Fiscal Year	Personnel Costs	Defense Health	Housing	Total Personnel	Subtotal DoD	Total Budget	Percent Subtotal	Percent Total
1980	40.9	3.7	1.68	46.28	130.91	134	35.35	34.54
1981	47.94	4.8	1.72	54.46	153.86	157.51	35.40	34.58
1982	55.17	5.8	1.99	62.96	180.69	185.31	34.84	33.98
1983	60.89	6.4	2.13	69.42	204.36	209.9	33.97	33.07
1984	64.16	6.8	2.41	73.37	220.86	227.41	33.22	32.26
1985	67.84	8.2	2.64	78.68	245.11	252.74	32.10	31.13
1986	71.51	8.9	2.82	83.23	265.44	273.37	31.36	30.45
1987	72.02	10.1	2.91	85.03	273.92	282	31.04	30.15
1988	76.34	10.9	3.082	90.322	281.89	290.36	32.04	31.11
1989	80.68	11.6	3.26	95.54	294.83	303.56	32.41	31.47
1990	75.62	12.4	3.5	91.52	286.69	299.32	31.92	30.58
1991	83.44	14.2	3.3	100.94	262.32	273.29	38.48	36.94
1992	81.17	14.4	3.27	98.84	286.83	298.35	34.46	33.13
1993	75.9	15.2	3.26	94.36	278.5	291.08	33.88	32.42
1994	73.14	15.1	3.32	91.56	268.55	281.64	34.09	32.51
1995	70.81	15.4	3.57	89.78	259.37	272.06	34.61	33.00
1996	66.67	15.4	3.83	85.9	253.13	265.75	33.94	32.32
1997	69.72	15.5	4	89.22	258.25	270.5	34.55	32.98
1998	68.98	15.6	3.87	88.45	255.79	268.19	34.58	32.98
1999	69.5	16.2	3.69	89.39	264.2	274.77	33.83	32.53
2000	75.95	17.8	3.41	97.16	281.03	294.36	34.57	33.01
2001	73.98	18.4	3.52	95.9	290.19	304.73	33.05	31.47
2002	86.8	22.8	3.74	113.34	331.85	348.46	34.15	32.53
2003	106.74	29.4	3.78	139.92	387.14	404.73	36.14	34.57
2004	113.58	32.1	3.91	149.59	436.44	455.81	34.28	32.82
2005	127.46	36.1	3.72	167.28	474.07	495.29	35.29	33.77
2006	127.54	38.0	3.72	169.26	499.3	521.82	33.90	32.44
2007	127.54	42.7	3.47	173.71	528.55	551.26	32.87	31.51
2008	138.94	43.4	3.59	185.93	594.63	616.07	31.27	30.18
2009	147.35	46.6	2.72	196.67	636.74	661.01	30.89	29.75
2010	155.69	49.8	3.17	208.66	666.7	693.49	31.30	30.09
2011	161.61	52.6	3.43	217.64	678.06	705.55	32.10	30.85
2012	152.26	53.3	2.33	207.89	650.85	677.85	31.94	30.67
2013	150.83	46.9	1.83	199.56	607.8	633.39	32.83	31.51

Total
Budget
includes
Automatic
Energy
Defense
and
Defense
Related
Activities

The increase is only 43 percent using FY-2003 as the starting point - following the first full year of war expenses.

Measured as a percent of the overall budget personnel compensation remains constant at about 1/3 of the DoD budget (Table 1). Ironically, compensation was at the highest percentage in FY 1991 at about the time of Desert Storm. Recently, the highest percentage was in the FY 2003 and 2005 budgets. With expenses peaking in FY-2011, the personnel budget dollars has been declining since.

Slowing the growth has already begun. Reform to compensation as a means to reduce budget costs need to be taken cautiously.

RELABELING IS NOT REFORM

The suggested cost-savings of consolidating the health programs of the various armed services was averted by taking elements of DoD's Health Affairs and relabeling it the Defense Health Agency. The Pentagon is now trying to repackage the TRICARE program in order to raise beneficiary fees by labeling it a "consolidation." (It has been suggested this is actually a step back to CHAMPUS.)

Acquisition reform has also been in the spotlight, so DoD has announced the "Better Buying Power" as the best practice to "improve industry productivity, and provide an affordable, value-added military capability to the warfighter." Better buying or purchasing power is also the current buzz in the private sector.

"Slowing the Growth" is another relabel for transferring costs onto serving members, retirees and their families, and not expanding reforms into other functions of the Department of Defense.

Each program may introduce efficiencies, but don't necessarily bring the cost reduction so badly needed within defense budgeting.

One area where the Department of Defense has taking proactive cost savings is in the pursuit of electronic medical records that can be shared between DoD and the Department of Veterans Affairs. Originally, the plan was for the two departments to develop interface software internally. With the advancement of medical administrative software in the private sector over the last decade, the plan is now to allow the private sector to bid on development contracts. The estimate is that savings will be 62 percent.

COMPENSATION REDUCTIONS IN THE FY-2015 BUDGET

The White House's FY 2015 budget submission proposes several compensation reductions and benefit cuts:

- Merging three different TRICARE plans in order to raise fees.
- Creating TRICARE Standard annual participation fees.
- Instituting TRICARE for Life (TFL) enrollment fees.
- Increasing pharmacy co-pays.
- Capping pay below the Employment Cost Index (ECI).
- Reducing Basic Allowance for Housing (BAH) increases by 5%.
- Reducing commissary subsidies, increasing patron costs.

TRICARE – Health coverage: Reserve Component members have a different perspective on the issue of TRICARE fees as they have relied on private health insurance for most of their careers. Guard and Reserve retirees only qualify for TRICARE from age 60 until age 65, and participate in TRICARE for Life once on Medicare.

Since 2006, ROA has been open to discussions about paying for military health care, but have been disappointed that DoD continues to make recommendations unilaterally. This has resulted in DoD over-budgeting its TRICARE funding needs to Congress, and under budgeting dollars for TRICARE in their submitted budget in an attempt to force fee increases. Recent reprogramming requests by DoD have only underlined an inadequacy in health care budgeting. With lessening oversea contingency operations, health care costs have been reduced with 2013 budgets returning to 2009 levels.

The current plan by the Pentagon to consolidate the three TRICARE programs is viewed by ROA as simply slapping a new label onto the same bottle of wine. Included in this repackaging is re-identification, so that “enrollment” fees become “participation” fees as an attempt to work around earlier Congressional prohibitions on including such fees onto TRICARE Standard and TRICARE for life.

Sustaining Military Health Care - ROA applauds the efforts by Congress to address the issue of increasing Department of Defense (DoD) health care costs by analyzing available options. Rather than just accepting DoD recommendations carte blanche, it is in the interest of beneficiaries for Congress to initiate dialogue and work with both the Pentagon and the beneficiary associations to continue to find the best solutions.

ROA is committed to its membership to sustain this health care benefit. We need to work together to find a fair and equitable solution that protects our beneficiaries and ensures the financial viability of the military health care system for the future.

ROA supports the current legislation that bases pharmacy fee increases based on the annual Cost of Living Allowances (COLA).

Suggested alternative health care savings:

- **Extend requiring home care delivery to retirees below age 65.**
- **Modestly increasing co-payments for routine office visits based on COLA,**
 - **Include co-payments for lab tests (now excluded).**

TRICARE Reserve Select has evolved into a standalone health plan program. While it uses the TRICARE standard as an engine, it is no longer a TRICARE standard program. DoD continues to address it as a health insurance plan, but it needs to be considered as a military health program.

Proposed changes to TRICARE Standard risk both TRICARE Reserve Select (TRS) and TRICARE Retired Reserve (TRR). DoD told beneficiary associations when TRS and TRR were first implemented that they were separate health care plans. Following this year's recommendations of fee increases, DoD wants fees to be increased for all TRICARE Standard plans.

TRS was instituted to help with military readiness of the Reserve and National Guard. TRR beneficiary currently bears the full cost of TRICARE, and should be charged extra.

Costs for Serving Members: Serving members of both the Active and Reserve Components are affected by the proposed cap on pay raises. This makes proposed reductions in the Basic Allowance of Housing and increased fees for Military Health Care even more burdensome.

Additional requested burdens:

- TRICARE Prime Remote requiring a co-payment
- Retail Pharmacy fee increases that rise faster than the pay cap rate.
- Cola minus 1 percent for new affiliates.

Congress worked hard to attain military pay comparability to the private sector. The trend of proposed pay caps below the Employment Cost Index (ECI) by the administration will cause military pay to become less competitive once again, placing personnel retention at risk.

It should be noted that when any group faces reductions in work force, the poor performers may be the first to be let go, but the smart performers realize that seeking other employment becomes a higher priority - before the jobs are filled by the less skilled performers.

Commissary: While it is acknowledged that the Reserve Force uses the commissary less frequently than those within the Active duty culture, Reserve and Guard members are not indifferent. Access to the commissary is symbolic, as it was a parity issue only recently corrected. Many within the Reserve and Guard committee object to the removal of subsidies to the commissary because of the effect on junior serving members and families.

SUGGESTED CHANGES TO RESERVE AND GUARD COMPENSATION

The Reserve forces are no longer just a part-time strategic force but are an integral contributor to our nation's operational capability.

What is frequently overlooked in an Active Component-centric view of our military, the Reserve Force at 1.1 million members makes up almost half the 2.3 million serving in uniform. In the last 13 years, nearly 896,000 have been mobilized, with more than 334,000 doing multiple tours. Almost 39,000 Reserve Force members are still deployed on active duty.

Proposed cuts will not only impact the Active duty component, but risk to weaken the Reserve force as well.

One of the source documents that DoD included in its White Paper was a recommendation that the 11th Quadrennial Review of Military Compensation (QRMC) issued last year. The QRMC began with the premise is that it is unfair to pay the Reserve force more than "one day's pay for one day's work on a drill weekend." This is an incomplete picture of what labor is actually contributed during inactive duty for training by the Reserve Force.

Reservist and Guard members are not paid for vacation or holidays. They also work between inactive training drills to maintain personal proficiency or prepare for meaningful drill training - all unreimbursed. Moreover, a drilling Reservist's personal expense to travel to monthly training may actually exceed current drill pay.

In ROA's white paper, [Drill Pay Under Fire](#), ROA calculated a pay-to-work ratio. The Active Force gets paid for 360 days while working about 224 when you subtract weekends, personal leave and federal holidays. Dividing 360 by 224 you get a ratio of 1.6 days paid to 1 day worked for the active duty. The Reserve Force is paid for 63 days, 48 drills and 15 days annual training. They work 39, 24 drill days and 15 days AT. This results in a ratio of 1.6 days worked for one days' pay. Don't change the current system of pay.

As highlighted in ROA's white paper, the QRMC recommendations for changes to Reserve retirement actually reduces the benefit by 30 percent. While it recommends paying a retired Reservist earlier than age 60, the actual benefits paid under the proposed system cross over with the current system at age 74, leaving the retiree at a reduced rate for the remaining 11 years of his actuarial life - a time when the retiree most needs it.

Cutting compensation to the Reserve Force will undercut the Total Force. The Reserve and Guard is the truest all-volunteer force as most Reservists can vote with the feet should compensation be changed. Hollowing the Reserve Force is a real risk; as feed back to both the ROA and REA indicates that cuts to pay or retirement will cause serving members to quit.

Reserve Pay and Compensation:

- **Reject recommendations by The 11th Quadrennial Review of Military Compensation to reduce Reserve Component pay for monthly inactive duty training in half.**
- **Reimburse a Reserve Component member for expenses incurred in connection with round-trip travel in excess of 50 miles to an inactive training location, including mileage traveled, lodging and subsistence.**
- **Simplify the Reserve duty order system without compromising drill compensation.**
- **Eliminate the parity difference caused by the 1/30th rule for Aviation Career Incentive Pay, Career Enlisted Flyers Incentive Pay, and Diving Special Duty Pay.**

COST EFFICIENCIES OF THE RESERVE FORCE

Rather than be limited to historical thinking, and parochial protections, creative force structure approaches should be explored. The Reserve Component needs to continue in an operational capacity because of cost efficiency and added value. Civilian skill sets add to the value of the individual RC serving member.

The Reserve Force is a bargain for the tax payer when viewed over the comparative life cycle cost of the equivalent member of the Active Component. At least three studies have shown that in many missions the Reserve Force warrior is as capable as his or her Active Duty counterpart at about 31 percent of the cost when measuring the complete life cycle of military duty from initial training through multi-year service and then retirement. In the CSIS study, it showed that the budget for the Reserve Component remained constant at about 12 percent between FYs 2000 and 2011.

A common sense balance between Active and Reserve components is needed; as the American people are unwilling to pay for an Active Army large enough to meet all of Nations defense responsibilities by itself. If we don't take care of the Guard and Reserve, we'll have no "safety net" for the next fight.

If DoD better utilized the Reserve Component savings could be generated that would protect both compensation, and modernization. At a time when the Pentagon and Congress are examining our nation's security, it would be incorrect to discount the Reserve Components' abilities and cost efficiencies. Instead, these part-time warriors provide a cost savings solution and an area to retain competencies for missions not directly embodied in the administration's strategic guidance policy.

ROA and REA support changes to US Code to require DoD to use a costing methodology based on a true fully-burdened and life-cycle costing.”

OTHER SUGGESTIONS

Changing career patterns can also be an area for savings. The tradition career path has been “up or out,” allowing for rapid promotion. A serving member must achieve a certain rank within a certain period of time. If they fail to do so, they must leave the organization. While theoretically skill based, often promotion is politically based.

The 1980 [Defense Officer Personnel Management Act](#) mandates that officers passed over twice for promotion are required to be discharged from the military. Similar policies exist to limit high year tenure for enlisted. ROPMA provides guidelines for Reserve and Guard officers.

Congress can amend restrictive aspects of current statutes that mandate “up-or-out” career management policies to enable the Armed Forces to retain serving members actively working in career fields where substantial investment in training and career development has been made and where it serves the needs of the military.

Suggested Changes to retention policies:

- **Permit service beyond current mandatory retirement limitations.**
- **Retain serving members for skill sets, even when passed over for promotion.**
- **Slow the promotion rates, but extend the pay charts.**
- **Evaluate senior leadership positions, and shift responsibilities and authority down the chain of command.**
- **Support incentives for affiliation, reenlistment, retention and continuation in the Reserve Component from Active Duty.**
- **Modify US Code that requires repayment of separation bonuses if an individual receives a separation bonus and then joins the Reserve or National Guard.**

CONCLUSION

Many serving and retirees recognize the need for sacrifice, but don't want to carry the burden just by themselves. Exploring all options before cutting compensation and benefits need to be exhausted.

ROA and REA restate our profound gratitude for the bipartisan success achieved by this committee by improving parity on pay, compensation and benefits between the Active and Reserve Components. The challenges being faced with proposed budget cuts and sequestration are going to make this committee's job that much more challenging.

ROA and REA look forward to working with the committee where we can present solutions to these challenges and other issues, and offers our support in anyway.