



**ENLISTED ASSOCIATION OF THE NATIONAL GUARD
OF THE UNITED STATES (EANGUS)**

STATEMENT FOR THE RECORD

**HOUSE ARMED SERVICES COMMITTEE
MILITARY PERSONNEL SUBCOMMITTEE**

on

**Stakeholder's Views on the Recommendations of the Military Compensation and
Retirement Modernization Commission**

March 25, 2015

*Enlisted Association of the National Guard of the United States
3133 Mount Vernon Avenue
Alexandria, Virginia 22305
www.eangus.org*

MR. SCOTT BOUSUM, LEGISLATIVE DIRECTOR

Scott Bousum is the Legislative Director at the Enlisted Association of the National Guard of the United States (EANGUS). As the Legislative Director, Scott works with the enlisted state associations to advocate on behalf of Guardsmen on Capitol Hill, specifically on issues related to compensation, retirement, and National Guard weapons and equipment programs. Before joining EANGUS, Scott was the Director of National Security Policy and Procurement Policy at TechAmerica, a technology industry association. While at TechAmerica, he focused on supply chain security, regulatory affairs, and the federal acquisition process. Prior to joining TechAmerica, Scott worked on the House Armed Services Committee from 2009 to 2013, supporting the Tactical Air and Land Forces Subcommittee. Scott is from Oklahoma and worked for former U.S. Senator Tom Coburn of Oklahoma. He is a graduate of the University of Tulsa and received his Masters' degree in National Security Strategic Studies from the United States Naval War College.

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Enlisted Association of the National Guard of the United States (EANGUS) does not currently receive, nor has the association ever received, any federal money for grants or contracts. All of the association's activities and services are accomplished completely free of any federal funding.

Military Compensation and Retirement Modernization Commission Recommendations

Recommendation 1. Modernize Military Retirement

The current Uniformed Service retirement system is a useful retention tool for midcareer servicemembers, but does not provide retirement savings to the overwhelming majority of servicemembers. Under the current system, 83 percent of the enlisted men and women serving our Nation will never benefit from a traditional 20-year Uniformed Service retirement. The Services' retirement system should be restructured to provide retirement benefits to more than one million current servicemembers who would otherwise leave service without any Government-sponsored retirement savings. This recommendation blends the recruiting benefits of a modern 401(k)-type plan, with the retention benefits of the current retirement annuity, lump sum career continuation pay, and retention bonuses paid at important career milestones in the lives of servicemembers. It would also sustain, and may improve retention and increase lifetime earnings of retirees.

Association Response to Recommendation 1:

The association supports this recommendation. Too few benefit from the current military retirement plan. In fact, the Commission found that 83 percent of enlisted members do not benefit from the 20-year Uniformed Service retirement at all. We agree with the Commission's conclusion that by giving servicemembers the benefits of a 401(k)-style retirement plan would incentivize millennials to join and retain currently serving members should they opt in to the new plan. The Commission asserts that millennials prefer flexible retirement accounts and like to have more control of their investment.

If this recommendation is not adopted, the association requests that the committee consider expanding the retirement system in its current form. Mainly, servicemembers have the ability to opt into a Thrift Savings Plan (TSP) account but few choose to utilize TSP because there is no government matching of their contributions. The association believes that if servicemembers received matching contributions, more would opt to open a TSP account. Tweaking the current system might be a way to incentivize servicemembers to save for retirement without overhauling the retirement process. Accordingly, it would make sense to vest individuals after two years of service to ensure that those who decide to leave have some funds set aside for retirement.

Recommendation 2. SBP-DIC Offset

The Survivor Benefit Plan (SBP) has steadily become more attractive as a low cost way to provide lifetime benefits to retirees' survivors. The Commission received many servicemember complaints about SBP because of the associated offset from VA Dependency and Indemnity Compensation (DIC). To help address this concern, a new SBP option should be implemented for which servicemembers would fully fund SBP costs but would no longer be subject to the DIC offset. The existing SBP program with the DIC offset should be maintained for servicemembers who want to retain lower cost coverage.

Association Response to Recommendation 2:

The Survivor Benefit Plan (SBP) gives retiring servicemembers the option to provide a lifetime monthly annuity to qualified survivors. SBP provides survivors an annuity equal to 55 percent of the base retirement pay the servicemember elects to cover. Servicemember's retired pay is reduced by 6.5 percent of the base amount elected. The premium for plan participation is deducted from retired pay before taxes. SBP payments are taxable.

Survivors of retirees may also be entitled to Dependency and Indemnity Compensation (DIC) payments from the Department of Veterans Affairs (VA), if the servicemember died from: a disease or injury incurred or aggravated in the line of duty while on active duty or active-duty training; an injury incurred or aggravated in the line of duty while on inactive duty for training; or a disability compensable under laws administered by VA. DIC payments are nontaxable.

A survivor is generally restricted by law from receiving the full amounts of both SBP and DIC benefits (10 USC § 1450) even though the two payments are unrelated—one is a pension designation and the other is veterans compensation for disability resulting in death. Our association supports repeal of any offset and full payment of both SBP and DIC to survivors.

Recommendation 3. Promote Servicemembers' Financial Literacy

The lack of choice in current pay and benefit programs results in complacency and insufficient knowledge among servicemembers with regard to managing their personal finances. According to the 2013 Blue Star Families Annual Lifestyle Survey, only 12 percent of servicemember respondents indicated they received financial information from their command or installation. The Department should increase the frequency and strengthen the content of financial literacy training. This enhancement is especially important because the Commission's recommendations on retirement and health care require new financial decisions to be made by servicemembers. Improved financial literacy would also assist servicemembers from being exploited by predatory lenders and other financial manipulators and would better educate and prepare those that transition to the private sector after leaving the force.

Association Stance on Recommendation 3:

Congress required DOD to initiate a financial literacy program in 2006 with the institution of 10 USC § 992. At the time, there was a proliferation of military members possessing poor money management skills and extensive use pay day lenders who charged extremely high interest. In 2006, Senators Jim Talent and Bill Nelson sponsored legislation which was included in the NDAA to limit the amount of interest pay day lenders could charge military members. The Department implemented the law by designating personal finance program managers at the Service level, and contract financial counselors at each installation. Many of the financial counselors are AFC® certified. However, the scope of their practice is limited by DOD to financial basics (savings, budgeting), correcting a credit report, developing a debt repayment program, understanding bankruptcy, and navigating emergency financial assistance organizations. However, DOD did not allow financial counselors to perform any financial, investment, or estate planning, which would be vital in planning for retirement. For the National

Guard, there was one financial counselor at each Joint Force Headquarters to service the entire population of members in that State. Additional on-demand counselors were available using local certified (CPA, CFP®, ChFC®, AFC®) professionals for large scale events such as deployment round-robins. In addition, Military One Source provides very limited financial counseling via telephone (no more than 15 minutes).

Further, due to projected downsizing of the active military forces, the VOW Act of 2011 required the inclusion of personal financial management training as an integral part of the Transition Assistance Program (TAP). Already burdened personal financial counselors at the installation or state level were tasked with the additional requirement of pitching a 5 hour block of instruction on personal finances solely dedication to transitioning military members who were exiting the military.

Additionally, there is currently no nationally accepted standard or metric to measure financial literacy. The Commission recommendation requires Defense Manpower Data Center (DMDC) to survey the force to establish a benchmark to evaluate and update financial literacy training. However, updating the training is not a real indicator of the literacy or ability of servicemembers to manage their finances or future retirement and this requirement could set up DMDC to fail.

Transfer of responsibility. The Commissioners testified before Congress that the inclusion of financial literacy training in their recommendations was because of the onus of financial and retirement planning being shifted from DOD to the individual. Under a defined benefit plan, DOD plans for the individual's retirement. Under the hybrid plan, the individual military member will now need to have requisite financial planning skills early in their military career to manage their TSP investment portfolio, have the financial discipline to invest and not squander the lump sum career continuation payment, and continue to manage their investments until and after retirement. To reap the intended retirement benefit recommended by the Commission, the hybrid defined contribution and defined benefit plan must be explained, understood, and executed by the military member as early as year one of their service. This recommendation relies heavily on financial literacy training by parents and the secondary school system prior to entering the military or the military financial counselors when the military member is at the least likely time in their life to be concerned about retirement. The onus on the military member is great—and lacking the motivation and education, the member will miss out on the benefits of compounding interest in their investment account (TSP) to gain the value of the hybrid retirement plan offered by the Commission.

Additional cost. In addition, the cost to DOD to implement expanded financial and retirement planning to military members will be substantial. Certified financial professionals have the skill sets to execute the new planning requirement. However, in addition to the requirements of 10 USC § 992 and Goals, Plan, Success (GPS)/TAP, the counselors will have to personalize each plan based on the individual's financial situation, requiring a sizable increase in the number of certified financial planners at each installation/state and investment of operations and maintenance funds by DOD in hiring civil service, non-appropriated fund employees, or contract financial counselors. The current construct of one financial counselor per installation or state will be insufficient.

Our association generally supports the recommendation for increased financial literacy. However, our association is greatly concerned that, in times of decreasing budget availability and flexibility, the program will be underfunded and fall short of its intended benefit. In addition, it may be difficult to find and employ enough certified financial counselors to adequately service the intended population.

Recommendation 4. Increase efficiency within Reserve Component status system

Despite the Services' operational dependence on the Reserve Component (RC) during the recent conflicts in Iraq and Afghanistan, the current RC status system "is complex, aligns poorly to current training and mission support requirements, fosters inconsistencies in compensation, and complicates rather than supports effective budgeting." The RC status system causes members to experience disruptions in pay and benefits as they transition among different duty statuses. Mobilization difficulties also impede operational commanders who need to employ RC personnel. There are 30 unique statuses under which RC members can be called to duty. The number of duty statuses should be streamlined to just six to benefit servicemembers and ease the Services' management and operational use of RC forces.

Association Stance on Recommendation 4:

The Commission report condenses the existing 30 duty statuses into six: active duty, inactive reserve service, federal service (Presidential call-up for domestic emergencies), full-time National Guard, inactive National Guard, and active duty for Coast Guard. For Reserve Components, it states that the three primary statuses would be active duty, inactive duty, and full-time National Guard duty. The Commission recommends that orders are only issued when the authority changes, and that when duty status, purpose, or funding source changes, orders need only be amended, accordingly.

Generally, our association agrees with this proposal. The orders writing systems used in the National Guard (AFCOS and AROWS) already support this proposal so there should be no requirement for re-coding of systems. There will be initial confusion as this is implemented and an educational/retraining element may need to be included. There may be a requirement for Congress to re-look Title 32 of US Code for further implications with regard to Chapters 5 and 9 prior to implementation—our association supports the creation of a working group comprised of DOD and interested parties to identify and rectify any such implications.

Recommendation 5. Joint Medical Readiness Command

The Secretary of Defense and the Chairman of the Joint Chiefs of Staff should seek to enhance dedicated oversight of medical readiness through the creation of a joint medical component within a newly established joint readiness command, as well as a medical directorate in the Joint Staff. Congress and DOD should define and measure Essential Medical Capabilities (EMC) to promote and maintain critical capabilities within the military medical force. The Department should be granted additional authorities to attract EMC-related cases into military treatment facilities to best support their mission as a training platform for military medical personnel.

Association Stance on Recommendation 5:

The Commission states that it is essential that four-star leadership is needed to sustain dedicated focus and proper oversight on the joint readiness of the force. In addition, it calls for the establishment of a Joint Staff Medical Readiness Directorate (J10) at the Joint Staff directed by a three-star flag officer. This new structure will be expensive, the report does not include a business case for any savings, and does not collapse or include any current MHS offices such as DHA or Service Surgeons General. Our association believes that there is much efficiency, both organizational and fiscal, that can be garnered by collapsing the current hierarchy and instituting one unified medical office of responsibility headed by a four-star flag officer and charged with oversight and force readiness responsibilities. This new structure would meld DHA and the Service Surgeons General into one and reduce bureaucratic and expensive overhead.

Recommendation 6. TRICARE Choice

TRICARE often limits access to care by confining beneficiaries to a lengthy and frustrating process for obtaining specialty care and to weak networks of civilian health care providers. The adverse effect of weak provider networks is even more profound for beneficiaries living in remote locations, including RC members. Congress should replace the current health care program with a new system that offers beneficiaries a selection of commercial insurance plans. Costs of these plans should be offset for active-duty families with a new Basic Allowance for Health Care (BAHC) and a fund to lessen the burden of chronic and catastrophic conditions. Mobilized RC members should also receive BAHC to cover the costs of a plan from the new system or of their existing insurance plan. All members of the RC should be able to purchase a plan from the DOD program at varying cost shares. Non-Medicare-eligible retirees should continue to have full access to the military health benefit program at cost contributions that gradually increase over many years but remain lower than the average Federal civilian employee cost share as recognition of their military service. Medicare-eligible retirees should continue to have access to the current TRICARE for Life program to supplement Medicare benefits.

Association Stance on Recommendation 6:

This recommendation completely revamps TRICARE as currently constituted into something called “TRICARE Choice”. It requires DOD to completely restructure the health care delivery system into something similar to the Federal Employees Health Benefits Program, but include Military Treatment Facilities in the provider network and increase benefits for dental and vision care. Active duty members will receive a new BAHC, a nontaxable allowance, to offset health care cost shares for their families. BAHC has two parts—the first part is paid directly to Office of Personnel Management by allotment for health care premiums; the second part is used for out-of-pocket costs. Retirees will not receive BAHC. Medicare-eligible retirees remain on TRICARE for Life. Non-Medicare eligible retirees will bear a cost increase of 1% per year for 15 years to bring their cost share from 5% to 20% and active duty family members would have higher out-of-pocket costs. TRICARE Reserve Select would require a cost share of 25%, down from 28%.

Our association applauds the recommendation to retain TRICARE for Life without cost share—this important benefit will keep the faith with our senior military alumni. TRICARE Reserve Select premium reduction is warranted if DOD’s costs have been determined to be less than anticipated. Our association does not believe that the current TRICARE system is worthy of being scrapped in its entirety. Issues raised about barriers to access and lack of customer service in some areas can be addressed in a systematic manner without eliminating the entire system. Building more accountability and oversight, with contract modifications if contractors cannot perform to standard, should be considered in the next round of TRICARE contract specifications. Comparing the annual enrollment fee to civilian premiums (which are based on the cost of care) is an apples-to-pineapple comparison. The Department chose for years not to change the fees, and for the past few years has chosen to take aim at this demographic while under spending their accounts and transferring millions from TRICARE to readiness accounts in the 4th quarter of each fiscal year and then saying they are underfunded and health care is rising. Our association believes that the Defense Health Agency should be audited to reveal the actual cost of health care and the actual cost share required by each demographic before adopting sweeping increases in premiums.

Recommendation 7. ECHO

To provide continuous support services, benefits offered through the military’s Extended Care Health Option program should be expanded to include services provided through state Medicaid waiver programs.

Association Stance on Recommendation 7:

The association takes no stance on recommendation 7

Recommendation 8. Improved collaboration between DOD and VA

DOD and VA expend tremendous national resources to ensure that servicemembers and veterans receive world-class health care. Yet there remain substantial opportunities for enterprise wide collaboration through standardization, elimination of barriers, and implementation of best practices. Differences in drug formularies for transitioning servicemembers continue to disrupt effective care. Several DOD–VA resource sharing projects have generated efficiencies for both organizations, but these efforts are mostly local, isolated arrangements. Medical information cannot yet be shared seamlessly between DOD and VA, hindering effective care for servicemembers and veterans. To resolve these issues, the current DOD–VA Joint Executive Committee should be strengthened with additional authorities and responsibilities to standardize and enforce collaboration between the organizations.

Association Stance on Recommendation 8:

The association takes no stance on recommendation 8

Recommendation 9. Merging the commissary and exchange systems

DOD commissaries and exchanges provide valued financial benefits to servicemembers and should be maintained. According to the 2013 Living Patterns Survey conducted by Defense Manpower Data Center, more than 90 percent of active-duty servicemembers use commissaries and exchanges. Although there are many differences between commissaries and exchanges, the Commission found these two activities perform similar missions, for similar patrons, with similar staff, using similar processes. Commissaries and exchanges should be consolidated to leverage these similarities. The merger of many back-end operation and support functions, alignment of incentives and policies, and consistent implementation of best practices should achieve significant efficiencies while maintaining the value of the benefits for servicemembers and their families.

Association Stance on Recommendation 9:

Our association finds that the commissary benefit is more often used than the exchanges, and that any reduction to the commissary benefit would be detrimental to our members. Commissary savings have consistently averaged 30-35% over local grocery stores. Our association sees some value in the consolidation of the exchanges into one for-profit resale activity, but not in combination with the non-profit commissary system. That being said, the Commission's recommendations are better alternative to the Department's Fiscal Year (FY) 15 and FY16 funding requests which would reduce commissary subsidy by \$300 million. In recent years, the Department also requested that commissaries close one day per week and that all non-remote and OCONUS commissaries close their doors for good.

Recommendation 10. Improving child care access on installations

Servicemembers' operational readiness is directly related to their ability to be at work. Access to quality, convenient, and affordable childcare is an important part of readiness. Yet the Commission found that demand for military child care often exceeds availability, resulting in more than 11,000 children on waiting lists as of September 2014. Congress should reestablish the authority to use operating funds for minor construction projects up to \$15 million for expanding or modifying child development program facilities serving children up to 12 years of age. The Department should standardize reporting and monitoring of child care wait times across all types of military child care facilities and should also streamline child care personnel policies to help ensure proper staffing levels.

Association Stance on Recommendation 10:

The association takes no stance on recommendation 10 because very few of our National Guard members utilize installation child care.

Recommendation 11. Educational Benefits

The Military Services have repeatedly emphasized the importance of using education benefits as recruiting and retention tools. Ensuring the robustness of these programs is one of the best ways to guarantee the future of the All-Volunteer Force. There are duplicative and inefficient education benefits that should be eliminated or streamlined to improve the sustainability of the

overall education benefits program. The Montgomery GI Bill Active Duty Assistance Program should be sunset in favor of the Post-9/11 GI Bill. Servicemembers who reach 10 years of service and commit to another 2 years should be allowed to transfer their Post-9/11 GI Bill benefits to dependents. The housing stipend of the Post-9/11 GI Bill should be sunset for dependents, as should unemployment compensation for anyone receiving a housing stipend.

Association Stance on Recommendation 11:

The Montgomery GI Bill Selected Reserve is an important benefit to the National Guard and the association is happy that the Commissioners sustained it since there are no other education benefits that cover our constituency. Reducing housing stipends for dependents could burden those using GI Bill benefits because the average cost of typical room at a major university is quite high. The association understands that original cost estimates did not take into account University room and board because the benefit was intended for the servicemember to use at a later date, and typically the individual would not utilize expensive on campus housing because of their age.

Recommendation 12. Transition Services

Transitioning from the Military Services to civilian life is more challenging than it needs to be. Unemployment is still a challenge facing far too many veterans, especially for veterans aged 18 to 24, who had higher unemployment rates in 2013 than nonveterans of the same age group (21.4 percent and 14.3 percent, respectively). To better support transition and veteran employment, DOD should require mandatory participation in the Transition GPS education track. The Department of Labor should permit state departments of labor to work directly with state VA offices to coordinate administration of the Jobs for Veterans State Grant program. Congress should require One-Stop Career Center employees to attend Transition GPS classes to develop personal connections between transitioning veterans and One-Stop Career Centers.

Association Stance on Recommendation 12:

Our association agrees that the Transition GPS curriculum is vital to transitioning servicemembers and that the entire Transition GPS program should be made available to National Guard members as well. As an aside, the increased emphasis towards transition programs will hopefully result in a subsequent decrease in unemployment compensation.

Recommendation 13. Nutritional Assistance

The Commission recognized that some servicemembers, particularly those with large families, will continue to need financial help to purchase nutritious food for their families. The Department of Agriculture's Supplemental Nutrition Assistance Program (SNAP), better known as food stamps, should be the means by which they receive that help in the United States. The Family Subsistence Supplemental Allowance (FSSA), the Military Services' alternative to SNAP, served only 285 servicemembers in FY 2013, in large part because SNAP is more generous and creates fewer potential social stigmas for recipient families. FSSA should be

retained for servicemembers in overseas locations where SNAP assistance is unavailable, but should be sunset in the U.S. and other locations where SNAP is available.

Association Stance on Recommendation 13:

The association takes no stance on recommendation 13

Recommendation 14. Expand Space-A travel

Dependents of servicemembers who are deployed for more than 120 days can fly, unaccompanied, on military aircraft when there is space available. However, shorter deployments are becoming routine for some. The quality of life of servicemembers' dependents should be improved by providing access to unaccompanied travel on military aircraft for deployments of 30 days or more.

Association Stance on Recommendation 14:

Our association passed a resolution at its last annual conference concerning Space-A travel. The space-available travel law was included in the National Defense Authorization Act of 2013 and should now be providing equal benefits to active and reserve-component members, eligible surviving spouses and others the Secretary of Defense may deem as eligible. The Secretary of Defense should have, by now, established a priority order of travel for eligible members. The Department has not implemented the law, nor updated the regulations needed. Currently, some National Guardsmen, Reservists, "gray area" retirees and their dependents, and eligible surviving spouses and their dependents are being denied these travel privileges. Asking the Secretary of Defense to quickly implement the law will help ensure that those benefits are available to those who are deserving of them.

Recommendation 15. Identification of Military Dependent Students

Children of active-duty servicemembers are not being identified separately in nationwide reporting of student performance. These children experience unique stresses associated with parental deployments and frequent relocations that can adversely affect academic performance. A military dependent student identifier should be implemented through Elementary and Secondary Education Act reporting to identify students who are children of active-duty servicemembers. This identifier would enable consistent reporting on the academic performance of military dependents, as well as identification of the support required to meet their needs.

Association Stance on Recommendation 15:

The association takes no stance on recommendation 15 and defers to the other Military Coalition partners for their expertise in this area. The possible inclusion of reserve component and National Guard military dependent students should be considered.