



T H E M I L I T A R Y C O A L I T I O N

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STATEMENT OF  
THE MILITARY COALITION

before the

**Veterans Disability Benefits Commission**

February 22, 2007

**Presented by**

**Kathleen Moakler, Director of Government Affairs,**

**The National Military Family Association**

And

**Deirdre Parke Holleman, Esq., Executive Director**

**The Retired Enlisted Association**

**Co-Chairmen, Survivors Committee**

**The Military Coalition**

**Mr. Chairman and distinguished members of the Veterans' Disability Benefits Commission,** the Military Coalition (TMC) appreciates your interest in the families of veterans, especially the survivors of those who have made the ultimate sacrifice and the families of the servicemembers who have been disabled and injured and retire and die as a result of their service connected disability. The Military Coalition is grateful for the opportunity to present testimony about the needs of those families.

The Military Coalition, a consortium of nationally prominent uniformed services and veterans organizations, is 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 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

Air Force Association  
Air Force Sergeants Association  
Air Force Officers Associated  
American Logistics 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 Association  
Military Chaplains Association of the United States of America  
Military Officers Association of America  
Military Order of the Purple Heart  
National Association for Uniformed Services  
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  
Non Commissioned Officers Association

Reserve Enlisted Association  
Reserve Officers Association  
The Retired Enlisted Association  
The Society of Medical Consultants to the Armed Forces  
United States Army Warrant Officers Association  
United States Coast Guard Chief Petty Officers Association  
Veterans of Foreign Wars  
Veterans' Widows International Network

### **Present Federal Uniformed Services Survivor Benefits**

There have been recent improvements to survivor benefits passed in the Veterans Improvement Act of 2004 (P.L. 108-454), including the increase to Dependency and Indemnity Compensation (DIC), extension of education benefits from 10 to 20 years for the survivors of those killed on active duty, and provision of an additional \$250 monthly to surviving spouses with children under the DIC program for a two year transition period. Public Law 109-163 (the FY 2006 National Defense Authorization Act) increased the amount of the death gratuity presented to survivors of those killed on active duty to \$100,000, increased the maximum amount of the Servicemembers Group Life Insurance payment to \$400,000 and enhanced medical benefits for surviving dependent children. Most of these benefit enhancements only apply to the survivors of those whose deaths occurred on active duty on or after October 7, 2001. The survivors of those who died on active duty before October 7, 2001 or who died in retired status of service-connected causes not eligible for these enhanced benefits.

### **The Present SBP/DIC Offset and why it should be ended**

The Coalition believes the benefit change that will provide the most significant long term advantage to the family's financial security would be to end the Dependency Indemnity Compensation (DIC) offset to the Survivor Benefit Plan (SBP). It would correct an inequity that has existed for decades -- long before the beginning of Operation Enduring Freedom and the War on Terror. Each payment serves a different purpose. The DIC is a special indemnity (compensation or insurance) payment that is paid by the Department of Veterans Affairs (VA) to the survivor when the servicemember's service causes his or her death. It is a flat rate payment of \$1067 for the surviving spouse and \$265 for each surviving child. The SPB annuity, paid by the Department of Defense (DoD) reflects the longevity of the service of the military member. It is ordinarily calculated at 55% of retired pay. Military retirees who elect SPB pay a portion of their retired pay to ensure that their family has a guaranteed income should the retiree die. If that retiree dies due to a service connected disability, their survivor becomes eligible for DIC.

Four years ago, survivors of all servicemembers killed on active duty on or after September 11, 2001 were made eligible to receive SBP. Before that date, active duty

death resulted in SBP coverage only if the member had completed 20 years of service. Congress changed the law in recognition that the arbitrary difference in benefits for members with 19 vs. 20 years was unfair, particularly in mass casualty cases. The amount of their annuity payment is calculated as if the servicemember were medically retired at 100% disability. The equation is the basic pay times 75% times 55%. The annuity varies greatly, depending on the servicemember's longevity of service.

As inferred in the Commission's issue paper "Survivor Concurrent Receipt" dated January 19, 2007, a young surviving spouse with children can receive more in annual benefits for the first few years than their servicemembers was paid while alive. This is the case when one adds the social security benefits and where the spouse chooses the child only SBP option. But that generalization is misleading on several counts. First, a spouse without children or the spouse with older children who does not choose the "child only" SBP option has a greatly reduced annual income. Further, this simple cash comparison provides no recognition of the value of a member's years of service and assigns no value to the ever-increasing sacrifices that the family has made as service lengthened (e.g., interruption of spousal careers and loss of spousal income and benefits due to frequent government-directed moves), to say nothing of the trauma of the loss of the member.

Unfortunately, some have a misconception that Congress "solved the SBP problem" by authorizing the recent lump sum increases in SGLI and the death gratuity. Nothing could be further from the truth. In fact, 94% of the more than 61,000 survivors affected by the SBP/DIC got no benefit from those recent changes. That's because only 4,000 SBP/DIC-eligibles had sponsors who died on active duty since 10/7/01.

The vast majority of the survivors affected by the SBP/DIC offset received far smaller payments – as little as \$50,000 in SGLI or \$3,000 as a death gratuity. Yet many of them are only eligible for the payment of \$1067 per month.

The approximately 57,000 survivors who have not been helped by the recent substantial improvements in the SGLI payments and the amount of the death gratuity are the survivors of service disabled retired members of the uniformed services. At this time the SBP annuity a member has paid for (either through premiums in retirement or through extended service and sacrifice – including the ultimate sacrifice – on active duty) is offset dollar for dollar for the DIC survivor benefits paid through the VA. This puts a disabled retiree in a very unfortunate position. If he or she is leaving the service with a disability it is only wise for him or her to enroll in the Survivor Benefit Plan (indeed he may very well not be insurable in the private sector). After all he or she may die from a cause that has nothing to do with his or her military service. If indeed that is what happens his or her survivor will collect the paid for SBP benefit. But if he or she *does* die of his service connected disability then his or her survivor loses dollar for dollar for what the DIC pays. This is neither fair nor good public policy.

For survivors of active duty deaths, the SGLI is irrelevant to the government's obligation to provide an annuity. SGLI is a member-paid insurance program. The only government

payment involved in SGLI is for the increased risk the government imposes when it sends a servicemember into combat.

The SBP/DIC issues for active duty deaths are how to recognize the value of the member's service and how to assess what annuity level is reasonable when service caused the member's death. The Military Coalition believes strongly that the answer to both of these questions is to apply the same valuations that apply for members in retirement. The only difference is that while on active duty, the member pays SBP premiums in service; in retirement, the premium is paid in cash.

For retirees, SBP is a purchased annuity, an earned employee benefit. This is part of the Military's retirement package. It has been clear for the last several years that the Federal Government's policy is to try and convince (indeed even cajole) our citizens to make plans for their retirements. In this situation a Military retiree makes a considerable payment (6.5% of his or her base retired pay) to get the full SBP benefit for his or her survivor. Thus the amount the survivor will receive normally will take into account the longevity of service. In contrast to the argument quoted on Page 4 of the Commission staff's Work in Progress paper the Coalition strongly believes ending this offset will have a positive effect on retention. It must be remembered that the Military recruits a member but retains a family. The vast percentage of the affected families served a full career in the military (again we all know that the whole family is part of a service member's career.) This is a part of the full retirement package that supports retention.

Even the name of the Dependency and Indemnity Compensation's (DIC) makes clear that it was created for a very different reason. It is an indemnity program to compensate a family for the loss of a loved one due to his or her military service. SBP and DIC are different programs created to fill different purposes and needs. If the survivor is affected by the offset the government will return a pro-rated share of the paid SBP premiums. But they will be returned in a single taxable lump sum without interest. That action clearly cannot make up for the cost and difficulty paying those premiums for all the years of retirement caused. If a disabled veteran earns a civilian pension as a federal civil servant the family will never lose either their survivor payment or their DIC to an offset. The service member did what he or she could do to provide for his spouse. This is behavior the Federal Government wishes to encourage. This offset makes his attempts a failure. The offset should be abolished.