



**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 (TMC)**

**before the**

**HOUSE ARMED SERVICES  
SUBCOMMITTEE ON PERSONNEL**

**March 06, 2012**

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE. On behalf of The Military Coalition (TMC), a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful to the committee for this opportunity to express our views concerning issues affecting the uniformed services community. This statement for the record 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 Women Officers Associated  
AMVETS (American Veterans)  
Army Aviation Association of America  
Association of Military Surgeons of the United States  
Association of the United States Army  
Association of the United States Navy  
Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard  
Commissioned Officers Association of the U.S. Public Health Service, Inc.  
Fleet Reserve Association  
Gold Star Wives of America, Inc.  
Iraq and Afghanistan Veterans of America  
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  
Naval Enlisted Reserve Association  
Non Commissioned Officers Association  
Reserve Enlisted Association  
Reserve Officers Association  
Society of Medical Consultants to the Armed Forces  
The Retired Enlisted Association  
United States Army Warrant Officers Association  
United States Coast Guard Chief Petty Officers Association  
Veterans of Foreign Wars  
Wounded Warrior Project

The Military Coalition, Inc. does not receive any grants or contracts from the federal government.

## **Executive Summary**

### **Force Levels**

Over the past several years, Congress has addressed the greater than anticipated requirements and resources to support the operational requirements and the resulting negative impact on the quality of life of uniformed servicemembers by boosting the Services' end strength resulting in increasing dwell time.

TMC remains concerned about the adequacy of strength levels in light of stress indicators including increased divorces, alarming suicide rates, and other symptoms.

Therefore, the Coalition urges the Subcommittee to:

- Ensure that the drawdown does not proceed at a rate which would adversely impact the required dwell time for the troops; that is, sustain force levels which are consistent with the mission.
- Ensure that the Services maximize the use of voluntary drawdown tools (including the temporary early retirement authority included in the FY2012 National Defense Authorization Act) before resorting to involuntary measures.
- Sustain adequate recruiting and retention resources to enable the uniformed services to sustain their continuing needs for top-quality personnel.
- Support a defense budget that funds both people and weapons needs.

### **Military Retirement**

The purpose of the unique military retirement package is to offset the extraordinary demands and sacrifices inherent in a service career. These benefits provide a powerful incentive for top-quality people to serve 20-30 years in uniform.

The Administration's budget submission calls for a BRAC-like study to review the retirement system which has proven to be so critical to sustaining long-term retention and readiness. The program must not be subject to a short-circuited legislative process that denies due diligence and leaves this crucial program subject to the whims of a small group tasked to meet a political deadline.

The Coalition urges the Subcommittee to:

- Oppose initiatives that would "civilianize" the military retirement system, ignore the lessons of the ill-fated REDUX initiative, and inadequately recognize the unique and extraordinary demands and sacrifices inherent in a military career.
- Oppose a BRAC-like legislative process for military retirement reform that would short-circuit the opportunity for thorough Armed Services Committee deliberation.

### **Currently Serving Issues**

**Compensation** – Congress has made great strides to restore military pay comparability over the past 12 years, including a statutory change that explicitly ties military pay raises to Employment Cost Index (ECI) growth.

Despite significant progress and retention problems associated with the “erosion of pay and benefits” abated, there are renewed calls to cut back on military raises, create a new comparability standard or substitute more bonuses for pay raises in the interests of deficit reduction.

The Coalition believes such proposals are exceptionally short-sighted in view of the extensive negative experience with military pay raise caps.

The Coalition urges the Subcommittee to sustain fully-comparable annual military pay raises based on the Employment Cost Index as specified in current law.

**Wounded, Ill, and Injured Servicemember Compensation** – Complex challenges remain in overseeing and validating massive policy and program changes among the military services; the DoD; the VA; several Centers of Excellence; a multitude of civilian contractors and non-governmental agencies; and at least six congressional oversight committees.

The Coalition urges the Subcommittee to:

- Ensure any restructure of the DoD and VA disability and compensation systems does not inadvertently reduce compensation levels for disabled servicemembers.
- Oppose distinguishing between disabilities incurred in combat versus non-combat service when determining benefits eligibility for retirement.
- Support extending eligibility for residence in on-base facilities for up to one year to medically retired, severely wounded servicemembers and their families.

**DoD Resale Operations** – TMC strongly believes military commissary, exchange and Morale Welfare and Recreation (MWR) programs contribute significantly to a strong national defense by sustaining morale and quality of life for military beneficiaries both within the United States and around the globe.

The Coalition urges the Subcommittee to resist initiatives to civilianize or consolidate DoD resale systems in ways that would reduce their value to patrons.

**Family Readiness and Support** – A fully funded, robust family readiness program is crucial to military readiness, especially given the continuing demands of deployments and the uncertainty of the legacy of the effects of 10 years of war on servicemembers and their families.

The Coalition urges the Subcommittee to:

- Continue much-needed supplemental funding authority to schools impacted by large populations of military students.
- Direct DoD to report on MWR category programs.
- Fully fund effective programs.
- Ensure all National Guard and Reserve Yellow Ribbon Programs meet a standard level of family support within each State.
- Continue support for child care needs of the highly deployable, operational total force community.
- Encourage greater military spouse educational and career opportunities, and ensure existing programs are accessible and effective.
- Continue pressing the Defense Department to implement flexible spending accounts to enable military families to pay health care and child care expenses with pre-tax dollars.

**Base Realignment and Closure (BRAC) Rounds** – The Administration’s budget calls for two additional rounds of BRAC in order to garner savings. The Coalition is very concerned that these decisions are driven solely to save money.

The Coalition urges the subcommittee to proceed cautiously with additional BRAC rounds and verify DoD has accounted for all the implementing costs of their proposals.

### **National Guard and Reserve Issues**

**Operational Reserve Retention and Retirement Reform** – The current law that credits only active service since January 28, 2008 disenfranchises and devalues the service of hundreds of thousands of Guard/Reserve members who served combat tours (multiple tours, in thousands of cases) between 2001 and 2008.

The Coalition urges the Subcommittee to:

- Eliminate the fiscal year limitation which effectively denies full early retirement credit for active duty tours that span the October 1 start date of a fiscal year.
- Modernize the reserve retirement system to incentivize continued service beyond 20 years and provide fair recognition of increased requirements for active duty service.
- Authorize early retirement credit for all Guard and Reserve members who have served on active duty tours of at least 90 days retroactive to September 11, 2001.

**Yellow Ribbon Reintegration Program** – Congress has provided increased resources to support the transition of warrior-citizens back into the community; however, program execution remains spotty from state to state and falls short for returning Federal Reserve warriors in widely dispersed regional commands.

The Military Coalition urges Congress to hold oversight hearings and direct additional improvements in coordination, collaboration and consistency of Yellow Ribbon services between States.

**Reserve Compensation System** – Related to this are demands on qualifications, mental skills, physical fitness, and training in conjunction with national security missions at home and abroad. The compensation system needs to be improved to attract and retain individuals into the Guard/Reserve.

The Coalition recommends Congress authorize:

- Credit for all inactive duty training points earned annually toward reserve retirement.
- Parity in special incentive pay for career enlisted/officer special aviation incentive pay, diving special duty pay, and pro-pay for reserve component medical professionals.
- Recalculation of retirement points after one year of activation. A recent law change allowed certain flag and general officers to recalculate retirement pay after one year of active duty. TMC believes this opportunity should be made available to all ranks.

**Guard/Reserve GI Bill** – Benefits for joining the Selected Reserve were not upgraded or integrated in the Post-9/11 GI Bill as TMC has long recommended. However, the Budget request proposes to reduce contributions into the DoD Educational Benefit Trust Fund.

The Coalition recommends the Subcommittee:

- Restore basic reserve MGIB benefits for initially joining the Selected Reserve to the historic benchmark of 47-50% of active duty benefits.
- Integrate reserve and active duty MGIB laws in Title 38.
- Enact academic protections for mobilized Guard and Reserve students, including refund guarantees and exemption of Federal student loan payments during activation.

**Guard/Reserve Family Support Programs** – We have seen considerable progress in outreach programs and services for returning Guard and Reserve warriors and their families. Family support programs promote better communication with servicemembers. Specialized support and training for geographically separated Guard and Reserve families and volunteers are needed.

The Coalition urges the Subcommittee to:

- Ensure programs are in place to meet the special information and support needs of families of individual augmentees or those who are geographically dispersed.
- Fund joint programs among military and community leaders to support servicemembers and families during all phases of deployments.
- Provide preventive counseling services for servicemembers and families.
- Authorize child care, respite care, family readiness group meetings and drill time.
- Improve the joint family readiness program to facilitate understanding and sharing of information between all family members.

### **Retiree Issues**

**Cost-of-Living Adjustments (COLAs)** – COLAs are particularly important to military retirees, disabled retirees, and survivors because they start drawing their annuities at younger ages than most other COLA-eligibles and thus experience the compounding effects over a greater number of years. To the extent that COLAs fail to keep up with living costs, real purchasing power declines dramatically as long the longer a retiree lives.

The Coalition urges the Subcommittee to ensure continued fulfillment of congressional COLA intent, as expressed in House National Security (HNSC) Committee Print of Title 37, USC: "to provide every military retired member the same purchasing power of the retired pay to which he was entitled at the time of retirement [and ensure it is] not, at any time in the future...eroded by subsequent increases in consumer prices."

**Concurrent Receipt** – The Coalition strongly believes that career military members earn their retired pay by service alone, and that those who suffer a service-caused disability in the process should have any VA disability compensation from the VA added to, not subtracted from, their service-earned military retired pay and this remains a key goal in 2012.

The Coalition urges the Subcommittee to continue to seek options to:

- Expand Concurrent Retirement and Disability Payments (CRDP) to disabled retirees not eligible under the current statute, to include vesting of earned retirement credit for Chapter 61 retirees with less than 20 years of service.

- Resolve the so-called Combat Related Special Compensation (CRSC) "glitch" that causes combat-disabled members' compensation to decline when their VA disability rating is increased; or as an interim step.
- Pursue legislation specifying that a disabled retiree's CRSC disability compensation cannot be reduced when his or her VA disability rating increases until the retiree is afforded the opportunity to elect between CRSC and CRDP.

**Fair Treatment for Servicemembers Affected by Force Reductions** – Over the next five years, over 100,000 additional servicemembers will transition from wearing a uniform into the private sector as part of the force drawdown.

During any force reduction, servicemembers who intend to make the service a career are forced out. We believe the Nation should recognize their service and provide a "transportable" benefit for those that have their careers curtailed involuntarily short of 20 years.

The Coalition recommends enacting temporary legislation that would allow members separated during periods of significant force reductions to deposit part or all of their involuntary separation pay or VSP into their TSP account.

### Survivor Issues

**SBP-DIC Offset** – The Coalition believes widows whose sponsors' deaths were caused by military service should not be last in line for redress.

The Coalition urges the Subcommittee to:

- Continue its leadership in seeking to eliminate the SBP-DIC offset.
- Authorize SBP annuities to be placed into a Special Needs Trust for disabled survivors who otherwise lose eligibility for Supplemental Security Income (SSI) and Medicaid.
- Reduce the age for paid-up SBP to age 67 to be fairer to those who joined the military at age 17, 18 or 19.
- Reinstate SBP annuities to survivors who transfer benefits to their children when the children reach majority, or when a second marriage ends.
- Exempt SBP-eligible children from being inadvertently penalized by the Alternative Minimum Tax (AMT), which treats SBP as unearned income and taxes it at the higher 26% AMT rate.

**Final Retired Pay Check** – Under current law, DFAS recoups from military widows'/widowers' bank accounts all retired pay for the month in which a retiree dies.

TMC urges the Subcommittee to authorize survivors of retired members to retain the final month's retired pay for the month in which the retiree dies.

## Overview

Mr. Chairman, The Military Coalition thanks you and the entire Subcommittee for your strong support of our active duty, Guard, Reserve, retired members, and veterans of the uniformed services and their families and survivors. Your efforts have had a significant and positive impact in the lives of the entire uniformed services community.

Presently, the Coalition has three major concerns with the Administration's proposed FY2013 Department of Defense (DoD) budget: health care fee increases, force level reductions, and the establishment of a commission to examine military retirement. This statement will focus on two of these areas as well as provide our collective perspective on other issues concerning the entire uniformed service community. We will address health care issues in a separate statement for the March 22 hearing.

The past few years have been exceptionally arduous, with our military winding down operations in Iraq while continuing operations in Afghanistan, all as the nation recovers slowly from the economic crisis. Congress and the Administration have had difficult choices to make as they worked to bolster the weak economy while facing record-breaking budget deficits.

We are grateful that DoD and Congress have given personnel issues top priority in the past few years. However, as we enter the eleventh year of intense wartime operations, the Coalition believes that critical personnel issues are being marginalized in the proposed FY2013 DoD budget.

Despite extraordinary demands, men and women in uniform are still answering the call – thanks in no small measure to the Subcommittee's strong and consistent support – but only at the cost of ever-greater personal sacrifices.

As you know, we have seen dramatic increases in suicide rates which reflect the long-term effects of requiring the same people to return to a combat theater again and again. In addition, there are reports that the military divorce rates are at the highest level since 1999.

In these times of growing political and economic pressures, the Coalition relies on the continued good judgment of the Armed Services Committees to ensure the Nation allocates the required resources to sustain a strong national defense, and in particular, to properly meet the pressing needs of the less than one percent of the American population – our men and women in uniform – who protect the freedoms of the remaining 99 percent.

In this statement, The Coalition offers our collective recommendations on what must be done to meet these essential needs.

## Force Levels

**Personnel Strength and Associated Funding** – The Pentagon's budget submission includes a significant drawdown of over 100,000 troops, predominately affecting troops on the ground – the same troops that have endured repeated deployments over the past decade.



We understand that the Services are looking to reduce force levels as our troops return from the Middle East and the Coalition's primary concern is that the Pentagon's plan does not force additional burdens on our servicemembers and their families by continuing to fall short of dwell time goals.

For the last decade, servicemembers and their families have endured unprecedented sacrifices often having less than a year at home before returning for another year in combat.

Both Defense and Service leaders have acknowledged that minimum dwell time should be at least two years at home after a year deployment. That minimum goal has yet to be attained for all deploying servicemembers.

We are also concerned about sustaining a surge capacity for unexpected contingencies (as of Sept 10, 2011, no one anticipated the following decade-plus of war) and retaining combat experience by encouraging departing veterans to join the Guard and Reserve.

Cutting Guard/Reserve as well as active forces will make achieving these goals even more difficult.

The Coalition urges the Subcommittee to ensure adequate personnel strengths and funding are authorized to meet national security strategy requirements and dwell time goals.

TMC remains concerned about the adequacy of strength levels in light of stress indicators including increased divorces, alarming suicide rates, and other symptoms.

Therefore, the Coalition urges the Subcommittee to:

- *Ensure that the drawdown does not proceed at a rate which would adversely impact the required dwell time for the troops; that is, sustain force levels which are consistent with the mission.*
- *Ensure that the Services maximize the use of voluntary drawdown tools (including the temporary early retirement authority included in the FY2012 Defense Authorization Act) before resorting to involuntary measures.*
- *Sustain adequate recruiting and retention resources to enable the uniformed services to sustain the continuing needs for top-quality personnel.*
- *Support a defense budget that funds both people and weapons needs.*

### **Military Retirement**

**Uniformed Services Retirement System** – The entire military compensation system, to include the retirement benefit, is based on principles outlined in the DoD's Military Compensation Background Papers and "should be designed to foster and maintain the concept of the profession of arms as a dignified, respected, sought after, and honorable career."

The purpose of the unique military retirement package is to offset the extraordinary demands and sacrifices inherent in a service career. Benefits provide a powerful incentive for top-quality people to serve 20-30 years in uniform, despite the burden of sacrifices as eloquently articulated by the Secretary of the Air Force during his January 18, 1978 testimony before the President's Commission on Military Compensation:

“The military services are unique callings. The demands we place on our military men and women are unlike those of any other country. Our worldwide interests and commitments place heavy burdens and responsibilities on their shoulders. They must be prepared to live anywhere, fight anywhere, and maintain high morale and combat efficiency under frequently adverse and uncomfortable conditions. They are asked to undergo frequent exposure to risk, long hours, periodic relocation and family separation. They accept abridgement of freedom of speech, political and organizational activity, and control over living and working conditions. They are all part of the very personal price our military people pay.

“Yet all of this must be done in the light of – and in comparison to – a civilian sector that is considerably different. We ask military people to be highly disciplined when society places a heavy premium on individual freedom, to maintain a steady and acute sense of purpose when some in society question the value of our institutions and debate our national goals. In short, we ask them to surrender elements of their freedom in order to serve and defend a society that has the highest degree of liberty and independence in the world. And, I might add, a society with the highest standard of living and an unmatched quality of life.

“Implicit in this concept of military service must be long-term security and a system of institutional supports for the serviceman and his family which are beyond the level of compensation commonly offered in the private, industrial sector.”

There is no better illustration of that reality than the experience of the past decade of war. Absent the career drawing power of the current 20-year retirement system and its promised benefits, the Coalition asserts that sustaining anything approaching needed retention rates over such an extended period of constant combat deployments would have been impossible.

The crucial element to sustaining a high-quality, career military force is establishing a strong bond of reciprocal commitment between the servicemember and the government. If that reciprocity is not fulfilled, if we “break faith” with those that serve, retention and readiness will inevitably suffer.

The Coalition believes the government has a unique employer’s responsibility to the small segment of Americans it actively induces to subordinate their interests to the America’s for 20 to 30 years that goes far beyond any civilian employer’s obligation to its employees.

The uniformed services retirement system has had its critics since the 1970s and even earlier.

In the 1980s, budget pressures led to amending retirement rules twice for new service entrants:

- Basing retired pay calculations on the high-36-month average of basic pay instead of final basic pay (1980), and
- Enacting the REDUX system that cut 20-year retired pay value by more than 25% (1986).

At the time the REDUX plan was being considered, then-Secretary of Defense Caspar Weinberger strongly (but unsuccessfully) opposed it (see attached letter), arguing the change would harm retention and degrade readiness. “It says in absolute terms,” said Weinberger, “that the unique, dangerous, and vital sacrifices they routinely make are not worth the taxpayer dollars they receive.”

When his prediction of adverse retention consequences proved all too accurate in the 1990s, Congress had to repeal REDUX in 1999 at the urging of the Joint Chiefs of Staff.

Subsequently, innumerable studies and task forces have recommended further dramatic changes, usually either to save money, to make the system more like those offered under civilian programs, or both.

Most recently, groups such as the National Commission on Fiscal Responsibility and Reform, the Debt Reduction Task Force, the Sustainable Defense Task Force, and the Defense Business Board's "Modernizing the Military Retirement" Task Group have all recommended dramatically revamping the system more on civilian lines, with significantly reduced and delayed military retirement compensation.

All too aware of the lessons of REDUX, Congress has wisely ignored and dismissed these ivory-tower recommendations, which propose far greater retirement cuts than REDUX entailed.

The existing retirement system is often characterized as "inflexible", limiting the ability of Service personnel managers to more precisely and effectively manage the force. The Coalition strongly disagrees.

The Services already have substantial authority to adjust high-year-of-tenure limits to enforce the unique military "up-or-out" promotion system. Other authorities exist, and the Services are currently exercising them, to incentivize voluntary separations and voluntary or mandatory early retirements.

The Services routinely tighten retention and reenlistment incentives and other restrictions when budget or other considerations create a need for additional separations and retirements. And when necessary, Congress has provided additional special drawdown authorities.

But the practical reality is that precisely planned force management initiatives are regularly tossed aside in the wake of world events which force dramatic reversals of those planned actions. Plans which envision delaying retirement eligibility until age 57 or 60 belie the reality that the Services don't want the vast majority of members to stay in uniform that long.

Service desires for unlimited flexibility to shape the force may be appropriate for management of hardware and other non-sentient resources. However, the Services are dependent upon attracting and retaining smart people who understand all too well when their leaders put no limits on the sacrifices that may be demanded of them, but also wish to reserve the right to kick them out at will...even while building a system that assumes they will be willing to serve under these conditions until age 60.

Servicemembers from whom we demand so much deserve some stability of career expectations in return.

We believe that "civilianizing" the military benefit package would dramatically undermine the primary military career retention incentive and would be disastrous for retention and readiness, as they increase the incentives to leave and reduce the incentives for career service.

Moreover, we believe it is irresponsible to focus on budget and “civilian equity” concerns while ignoring the primary purpose of the retirement system – to ensure a strong and top-quality career force in spite of arduous service conditions that no civilians experience and few are willing to accept.

The Coalition is particularly concerned that the Administration’s budget submission calls for a BRAC-like legislative strategy under which Congress would have to give a retirement study commission’s recommendations an “up or down” vote with only limited debate and no opportunity for amendments.

The Coalition is not opposed to a review of retirement pay, but we adamantly oppose a BRAC-like consideration process that would subvert thorough review, consideration, and determinations of propriety by the Armed Services Committees.

The military retirement program that has proven to be so critical to sustaining long-term retention and readiness, must not be subject to a short-circuited legislative process that denies due diligence and leaves this crucial program subject to the whims of a small group tasked to meet a political deadline.

The Coalition urges the Subcommittee to:

- *Oppose initiatives that would “civilianize” the military retirement system, ignore the lessons of the ill-fated REDUX initiative, and inadequately recognize the unique and extraordinary demands and sacrifices inherent in a military career.*
- *Oppose a BRAC-like legislative process for military retirement reform that would short-circuit the opportunity for thorough Armed Services Committee deliberation.*

### Currently Serving Issues

**Compensation** – The Coalition is pleased that the Administration’s budget plan envisions proposes military pay raises for 2013 and 2014 that reflect the growth in private sector pay, as measured by the Bureau of Labor Statistics’ Employment Cost Index (ECI).

But we are very concerned that the proposal includes plans to break the tie to civilian pay growth by limiting military raises to .5%, 1%, and 1.5% for 2015, 2016, and 2017, respectively.

History has shown that capping military raises is an exceptionally slippery slope that has never ended well.

In the 1970s, a succession of annual pay raise caps contributed to serious retention problems that had to be addressed by two large “catch-up” raises in 1981 and 1982. But that lesson was quickly forgotten.

Throughout the 1980s and ‘90s, budget problems led to regular capping of military pay raises below private sector pay growth, eventually accumulating a “pay comparability gap” which peaked at 13.5% in 1998-99, and again contributed significantly to serious retention problems.

Congress has made great strides to restore military pay comparability over the intervening 12 years, including a statutory change that explicitly ties military pay raises to ECI growth.

Now that significant progress has been made and the “erosion of pay and benefits” retention-related problems have abated, there have been renewed calls to cut back on military raises, create a new comparability standard or substitute more bonuses for pay raises in the interests of deficit reduction.

The Coalition believes such proposals are exceptionally short-sighted in view of the extensive negative experience with military pay raise caps.

The Coalition is concerned that many in the Administration and some members of Congress are unaware of the history of past compensation changes and their unforeseen outcomes. Moreover, some view these vital programs simply as a source of savings without regard to the impact they may have on long term readiness in the All-Volunteer Force.

History indicates that, once military pay raise caps start, they tend to continue until they cause retention problems that then have to be addressed through significant pay raise plus-ups.

This is a significant irony, in that the whole purpose of sustaining pay comparability through good times and bad is to prevent retention and readiness problems from occurring, rather than going through an endless cycle of causing problems and then repairing them.

Additionally, the Pentagon has been advocating a new comparability standard under which each pay and longevity cell would represent the 70th percentile of compensation for similarly-educated civilians.

A 2010 Congressional Budget Office report asserted that, considering adjustments in housing allowances, many military people actually are paid somewhat more than their civilian counterparts in terms of Regular Military Compensation (RMC), composed of basic pay, food and housing allowances, and the tax advantage that accrues because the allowances are tax-free.

The Coalition believes such assertions are fundamentally flawed for three distinct reasons.

First, the RMC concept was developed in the 1960s, when all servicemembers received the same allowances, regardless of location, and the allowances were arbitrarily established. Congress has since transformed the allowances into reimbursements for actual food costs and median locality-based housing costs. Under the RMC comparability concept, a year in which taxes increase and average housing allowances rise (e.g., based on growth in high-cost areas) would yield a perverse requirement to cut basic pay to restore comparability.

Second, the Coalition is not convinced that the civilian comparison cohort or percentile comparison points as proposed by DoD are appropriate given that the military:

- Recruits from the top half of the civilian aptitude population;
- Finds that only about 25% of America’s youth qualify for entry;
- Requires career-long education and training advancement; and
- Enforces a competitive “up-or-out” promotion system to ensure progressive quality enhancements among those with longer service.

Third, the Coalition believes it is essential to recognize that compensation is not simply the amount one is paid. It is pay divided by what's required of the recipient to earn that pay. If we increase pay 25% but require 100% more sacrifice to earn it, that's not a pay raise.

In that context, today's conditions of service are far more arduous than anything envisioned 40 years ago by the creators of the All-Volunteer Force, who believed a protracted war would require reinstatement of the draft.

Moreover, a fundamental requirement for any pay comparability standard is that it should be transparent and understandable by all. The Coalition has sought, but has never been provided by DoD, any data on what civilian comparison cohort was selected and why, and what rationale was used to establish a specific percentile comparison point.

The Coalition agrees with the approach the Congress has consistently taken – that the best comparability measure is a comparison of the military basic pay raise percentage with the percentage growth private sector pay, as measured by the Bureau of Labor Statistics' Employment Cost Index (ECI). The government uses the ECI for every other measure of private pay growth, and it's transparent to government leaders and servicemembers alike.

***The Coalition urges the Subcommittee to sustain fully-comparable annual military pay raises based on the Employment Cost Index as specified in current law.***

**Wounded, Ill, and Injured Servicemember Compensation** – As the Pentagon enters the 11<sup>th</sup> year of war, the seamless transition between DoD and the Department of Veterans Affairs (VA) continues to be problematic in many cases for our wounded, ill, injured troops; disabled veterans; and their family caregivers.

TMC acknowledges the significant progress that has been made in caring for our nation's heroes and thanks the Subcommittee for its leadership and oversight on these pressing issues, particularly in the last five years since the Walter Reed scandal that brought to light the flaws and inadequacies of both DoD and VA health care and benefits systems.

But complex challenges remain in overseeing and validating massive policy and program changes among the military services; the DoD; the VA; several Centers of Excellence; a multitude of civilian contractors and non-governmental agencies; and at least six congressional oversight committees.

There still exists a need to further streamline the Integrated Disability Evaluation System (IDES) and to improve the operational efficiency, effectiveness, consistency, and timeliness of the medical retirement process and DoD-VA coordination in the evaluation of disabilities. We also urge a greater alignment and correlation of federal programs such as TRICARE, Medicare, and Social Security Disability Insurance (SSDI) to ensure that severely wounded warriors who do not enroll in Medicare Part B do not lose TRICARE coverage.

The Coalition looks forward to continued work with the Subcommittee to address the remaining issues and fully establish systems of seamless care and benefits that support our transitioning wounded warriors and family members.

The Coalition urges the Subcommittee to:

- *Ensure any restructure of the DoD and VA disability and compensation systems does not inadvertently reduce compensation levels for disabled servicemembers.*
- *Oppose distinguishing between disabilities incurred in combat versus non-combat when determining benefits eligibility for retirement.*
- *Support extending eligibility for residence in on-base facilities for up to one year to medically retired, severely wounded servicemembers and their families.*

**DoD Resale Operations** – The Military Coalition strongly believes military commissary, exchange and Morale Welfare and Recreation (MWR) programs contribute significantly to a strong national defense by sustaining morale and quality of life for military beneficiaries both within the United States and around the globe.

The Coalition is very concerned about initiatives to curtail appropriated fund support for these activities.

Repeated studies have shown that military commissaries provide \$2 in compensation value to beneficiaries for each \$1 of appropriated funding. That constitutes a very significant retention “bang for the buck.”

Initiatives to civilianize commissaries or consolidate commissaries and exchanges to achieve budget savings would come only at the expense of devaluing their compensation and retention importance value for military patrons.

In order to be the best steward of our funds, we recommend that Congress direct the Pentagon to provide a report on all DoD and Service MWR Category A, B, and C Programs and Family Support/Readiness (Quality of Life [QoL] Programs). The report should include:

- A current listing of individual program funding levels by category, actual program expenditures vs. program requirement;
- An assessment of the effectiveness of each program including program standards and metrics; and
- A list of recommended changes to policy, including revisions in the current category program listings to more accurately support current war-time mission requirements and meet the needs of the 21st Century all-volunteer force.

*The Coalition urges the Subcommittee to resist initiatives to civilianize or consolidate DoD resale systems in ways that would reduce their value to patrons.*

**Family Readiness and Support** – A fully funded, robust family readiness program continues to be crucial to overall readiness of our military, especially with the demands of frequent and extended deployments.

Resource issues continue to plague basic installation support programs. At a time when families are dealing with continuing deployments, they often are being asked to do without in other important areas.

The Coalition urges the Subcommittee to continue to press the Defense Department to exercise its authority to establish flexible spending accounts (FSAs) for servicemembers so they can participate in the same pre-tax program available to all other federal employees for their out-of-pocket health and dependent care expenses.

Quality education is a top priority for military families. Servicemembers are assigned all across the United States and the world. Providing appropriate and timely funding of Impact Aid through the Department of Education with supplemental funding for highly impacted schools in the annual Defense Authorization Bill is critical to ensuring quality education military children deserve, regardless of where they live.

The Coalition urges the Subcommittee to:

- *Continue much-needed supplemental funding authority to schools impacted by large populations of military students.*
- *Direct DoD to report on MWR category programs.*
- *Fully fund effective programs.*
- *Ensure all National Guard and Reserve Yellow Ribbon Programs meet a standard level of family support within each State.*
- *Continue support for child care needs of the highly deployable, operational total force community.*
- *Encourage greater military spouse and surviving spouse educational and career opportunities, and ensure existing programs are accessible and effective.*
- *Continue pressing the Defense Department to implement flexible spending accounts to enable military families to pay health care and child care expenses with pre-tax dollars.*

**Base Realignment and Closure (BRAC) Rounds** – The Administration’s budget calls for two additional rounds of BRAC in order to garner savings. The Coalition is very concerned that these decisions are driven solely to save money.

Since the implementation of the 2005 BRAC, every GAO report has highlighted significant concerns about the process citing “concerns with DoD under reporting BRAC costs/savings and using non-BRAC accounts to fund requirements.” In fact, the long term impact of the 2005 BRAC has yet to be seen, as the deadline ended less than six months ago.

*Therefore, the Coalition urges the subcommittee to proceed cautiously with additional BRAC rounds and verify DoD has accounted for all the implementing costs of their proposals.*

### **National Guard and Reserve Forces**

Since Sept. 11, 2001, more than 842,000 Guard and Reserve servicemembers have been called up, including over 300,000 who have served multiple tours. There is no precedent in American history for this sustained reliance on citizen-soldiers and their families. To their credit, Guard and Reserve combat veterans continue to reenlist, but the ongoing pace of routine, recurring activations and deployments cannot be sustained indefinitely.



Guard and Reserve members and families face unique challenges in their readjustment following active duty service. Unlike active duty personnel, many Guard and Reserve members return to employers who question their contributions in the civilian workplace, especially as multiple deployments have become the norm. Many Guard-Reserve troops return with varying degrees of combat-related injuries and stress disorders, and encounter additional difficulties after they return that can cost them their jobs, careers and families.

Despite the continuing efforts of the Services and Congress, most Guard and Reserve families do not have access to the same level of counseling and support that active duty members have. In short, the Reserve components face increasing challenges virtually across the board, including major equipment shortages, end-strength requirements, wounded-warrior health care, and pre- and post-deployment assistance and counseling.

**Operational Reserve Retention and Retirement Reform** – Congress took the first step in modernizing the reserve compensation system with enactment of early retirement eligibility for certain reservists activated for at least 90 continuous days served since January 28, 2008.

Congress authorized a historic expansion of operational reserve policy in the 2012 NDAA. Now up to 60,000 reservists may be called up for up to one year to perform non-emergency missions that are pre-planned and budgeted by the Services.

The Coalition believes this change only further underscores the need to ensure Guard and Reserve members' compensation keeps pace with the increased service expectations being imposed on them. The greater the demands placed on them, the greater the need to enhance inducements that are essential to sustain the operational reserve force over the long term.

Repeated, extended activations make it more difficult to sustain a full civilian career and impede Reservists' ability to build a full civilian retirement, 401(k), etc. Regardless of statutory protections, periodic long-term absences from the civilian workplace can only limit Guard/Reserve members' upward mobility, employability and financial security. Further, strengthening the reserve retirement system will serve as an incentive to retaining critical mid-career officers and NCOs for continued service and thereby enhance readiness.

As a minimum, the next step in modernizing the reserve retirement system is to eliminate the inequity inherent in the current fiscal year retirement calculation, which only credits 90 days of active service for early retirement purposes if it occurs within the same fiscal year. The current rule significantly penalizes members who deploy in July or August vs. those deploying earlier in the fiscal year to provide equal retirement-age-reduction credit for all activated service rendered since Sept. 11, 2001.

The current law that credits only active service since January 28, 2008 disenfranchises and devalues the service of hundreds of thousands of Guard/Reserve members who served combat tours (multiple tours, in thousands of cases) between 2001 and 2008.

Operational Reservists contributions to national security is demeaned by crediting a 90-day tour served from January through March, but only half credit for a 120-day tour served from August through November (because the latter covers 60 days in each of two fiscal years).

Moreover, the law-change authorizing early reserve retirement credit for qualifying active duty served after 28 Jan 2008 severed eligibility for TRICARE coverage until the reservist reaches age 60.

The Coalition urges the Subcommittee to:

- *Eliminate the fiscal year limitation which effectively denies full early retirement credit for active duty tours that span the Oct 1 start date of a fiscal year.*
- *Modernize the reserve retirement system to incentivize continued service beyond 20 years and provide fair recognition of increased requirements for active duty service.*
- *Authorize early retirement credit for all Guard and Reserve members who have served on active duty tours of at least 90 days retroactive to September 11, 2001.*

**Yellow Ribbon Reintegration Program** – Congress has provided increased resources to support the transition of warrior-citizens back into the community. But program execution remains spotty from state to state and falls short for returning Federal Reserve warriors in widely dispersed regional commands. Programs should meet a standard level of family support within each state. Military and civilian leaders at all levels must improve the coordination and delivery of services for the entire operational reserve force. Many communities are eager to provide support and do it well. But Yellow Ribbon efforts in a number of locations amount to little more than PowerPoint slides and little or no actual implementation.

DoD must ensure that state-level best practices – such as those in Maryland, Minnesota and New Hampshire – are applied for all operational reserve force members and their families, and that Federal Reserve veterans have equal access to services and support available to National Guard veterans. Community groups, employers and service organization efforts need to be encouraged and better coordinated to supplement unit, component, Service and VA outreach and services.

*The Military Coalition urges Congress to hold oversight hearings and direct additional improvements in coordination, collaboration and consistency of Yellow Ribbon services between States.*

**Reserve Compensation System** – The increasing demands of qualifications, mental skills, physical fitness, and training readiness on the Guard and Reserve to perform national security missions at home and abroad and increased training requirements indicate that the compensation system needs to be improved to attract and retain individuals into the Guard/Reserve. The added responsibility of returning to active duty multiple times over the course of a reserve career requires improvements to the compensation package and to make it more equitable with the active component.

The Coalition recommends Congress authorize:

- *Credit for all inactive duty training points earned annually toward reserve retirement.*
- *Parity in special incentive pay for career enlisted/officer special aviation incentive pay, diving special duty pay, and pro-pay for reserve component medical professionals.*
- *Recalculation of retirement points after 1 year of activation. A recent law change allowed certain flag and general officers to recalculate retirement pay after one year of active duty. TMC believes this opportunity should be made available to all ranks.*

**Guard/Reserve GI Bill** – The Coalition is most grateful to Congress for passage of the Post-9/11 GI Bill, which incorporates a number of major Coalition goals including benefits that match the cost of education, extension of the post-service usage period to 15 years, and cumulative credit for Guard-Reserve service on active duty. However, volunteers who join the Selected Reserve were left behind in this legislation.

Benefits for joining the Selected Reserve were not upgraded or integrated in the Post-9/11 GI Bill as TMC has long recommended. However, the Budget request proposes to reduce contributions into the DoD Educational Benefit Trust Fund. This could result in future cuts to this program.

The Coalition recommends the Subcommittee to:

- *Restore basic reserve MGIB benefits for initially joining the Selected Reserve to the historic benchmark of 47-50% of active duty benefits.*
- *Integrate reserve and active duty MGIB laws in Title 38.*
- *Enact academic protections for mobilized Guard and Reserve students, including refund guarantees and exemption of Federal student loan payments during activation.*

**Guard/Reserve Family Support Programs** – We have seen considerable progress in outreach programs and services for returning Guard-Reserve warriors and their families. Family support programs promote better communication with servicemembers. Specialized support and training for geographically separated Guard and Reserve families and volunteers are needed.

The Coalition urges the Subcommittee to:

- *Ensure programs are in place to meet the special information and support needs of families of individual augmentees or those who are geographically dispersed.*
- *Fund joint programs among military and community leaders to support servicemembers and families during all phases of deployments.*
- *Provide preventive counseling services for servicemembers and families.*
- *Authorize child care, including respite care, family readiness group meetings and drill time.*
- *Improve the joint family readiness program to facilitate understanding and sharing of information between all family members.*

### **Retiree Issues**

**Cost-of-Living Adjustments (COLAs)** – In recent years, several commissions have proposed adjusting the Consumer Price Index (CPI) methodology to the so-called “chained CPI” calculation as a means of holding down COLA growth for military and federal civilian retired pay, Social Security and all other federal annuities over time.

Proponents of the chained CPI say it more accurately reflects changes in annuitants’ cost of living by recognizing that their purchasing behavior changes as prices change. If the price of beef rises, for example, consumers may purchase more chicken and less beef.

The real issue with the chained CPI is whether one is measuring changes in prices or changes in quality of life. If one continues the logical progression of the argument, consumers might find themselves substituting hot dogs or pasta for chicken, etc.

The Bureau of Labor Statistics has estimated that implementation of the chained CPI would depress COLAs by about one-quarter of a percentage point per year.

The DoD actuary estimates that inflation will average 3 percent per year over the long term.

Using those two estimates, applying chained-CPI COLAs for a servicemember retiring at age 42 would yield about 10 percent less in his or her retired pay check at age 80 relative to the current COLA system.

Additionally, some commissions have proposed delaying any COLAs on military retired pay until age 60 or later, barring COLAs on annuity levels above some set dollar amount, or reducing the CPI by one-half percent or a full percentage point per year.

The Coalition believes such initiatives would constitute a breach of faith with military people and constitute a disproportional penalty.

COLAs are particularly important to military retirees, disabled retirees, and survivors because they start drawing their annuities at younger ages than most other COLA-eligibles and thus experience the compounding effects over a greater number of years. To the extent that COLAs fail to keep up with living costs, real purchasing power continues to decline ever more dramatically as long as one lives.

*The Coalition urges the Subcommittee to ensure continued fulfillment of congressional COLA intent, as expressed in House National Security (HNSC) Committee Print of Title 37, USC: "to provide every military retired member the same purchasing power of the retired pay to which he was entitled at the time of retirement [and ensure it is] not, at any time in the future...eroded by subsequent increases in consumer prices."*

**Concurrent Receipt** – In the FY2003 and FY2004 NDAA, Congress acknowledged the inequity of the disability offset to earned retired pay and established a process to end or phase out the offset for many disabled retirees. The Coalition is extremely grateful for the Subcommittee's efforts to continue progress in easing the adverse effects of the offset.

We were very optimistic in 2009 and 2010 that another very deserving group of disabled retirees would become eligible for concurrent receipt when the White House included a concurrent receipt proposal in the Budget Resolution – the first time in history any Administration had ever proposed such a fix.

The Administration's proposal would have expanded concurrent receipt eligibility over a five year period to all those forced to retire early from Service due to a disability, injury, or illness that was service-connected (chapter 61 retirees).

The Coalition is dismayed that, despite the Subcommittee's leadership efforts and White House support, the provision has not yet been enacted – an extremely disappointing outcome for a most deserving group of disabled retirees.

We recognize only too well the challenges associated with adding new mandatory spending provisions in this difficult budget environment. But making at least some progress to address this grievous inequity (e.g., covering all 100-percent disabled retirees with less than 20 years of service) is an important goal.

Additionally, the Coalition is concerned that an inadvertent problem persists in the statutory Combat-Related Special Compensation (CRSC) computation formula causes many seriously disabled and clearly eligible members to receive little or nothing in the way of CRSC. The Defense Department has acknowledged the problem in discussions with the Subcommittee staff, and the Coalition urges the Subcommittee to correct this technical problem.

The Coalition believes strongly in the principle that career military members earn their retired pay by service alone, and that those unfortunate enough to suffer a service-caused disability in the process should have any VA disability compensation from the VA added to, not subtracted from, their service-earned military retired pay and this remains a key goal in 2012.

The Coalition urges the Subcommittee to continue to seek options to:

- ***Expand Concurrent Retirement and Disability Payments (CRDP) to disabled retirees not eligible under the current statute, to include vesting of earned retirement credit for Chapter 61 retirees with less than 20 years of service.***
- ***Resolve the so-called Combat Related Special Compensation (CRSC) "glitch" that causes combat-disabled members' compensation to decline when their VA disability rating is increased; or as an interim step.***
- ***Pursue legislation specifying that a disabled retiree's CRSC disability compensation cannot be reduced when his or her VA disability rating increases until the retiree is afforded the opportunity to elect between CRSC and CRDP.***

**Fair Treatment for Servicemembers Affected by Force Reductions** – Over the next five years, over 100,000 additional servicemembers will transition from wearing a uniform into the private sector as part of the force drawdown.

Even though the President's budget includes additional funding for transition assistance for the Department of Labor, the Coalition remains concerned over the adequacy of funding for DoD and the services based on what will be an ever increasing demand on transition services.

In addition, throughout the 1990s the services had several drawdown tools at their disposal to incentivize members to voluntarily leave the service: Voluntary Separation Incentive (VSI), Special Separation Benefit (SSB), and Temporary Early Retirement Authority (TERA). Voluntary Separation Pay (VSP) still exists and a recently reauthorized TERA will greatly aid the Services over the next five years.

During any force reduction, servicemembers who intend to make the service a career are forced out. We believe the Nation should recognize their service and provide a "transportable" benefit for those that have their careers curtailed involuntarily short of 20 years.

The Coalition emphasizes that this limited "vesting" initiative should be applied only during periods of significant force reductions and funding for it should not come at the expense of those who serve 20 years or more.

Authorizing separated servicemembers the ability to contribute part or all of their involuntary or voluntary separation pay into their Thrift Savings Plan (TSP) account would appropriately recognize their past service and provide a level of "transportable" career benefit under these difficult times.

***The Coalition recommends enacting temporary legislation that would allow members separated during periods of significant force reductions to deposit part or all of their involuntary separation pay or VSP into their TSP account.***

### **Survivor Issues**

The Coalition is grateful to the Subcommittee for its significant efforts in recent years to improve the Survivor Benefit Plan (SBP), especially its major achievement in eliminating the significant benefit reduction previously experienced by SBP survivors upon attaining age 62.

**SBP-DIC Offset** – The Coalition believes strongly that current law is unfair in reducing military SBP annuities by the amount of any survivor benefits payable from the DIC program.

If the surviving spouse of a retiree who dies of a service-connected cause is entitled to DIC from the Department of Veterans Affairs and if the retiree was also enrolled in SBP, the surviving spouse's SBP annuity is reduced by the amount of DIC. A pro-rata share of the SBP premiums is refunded to the widow upon the member's death in a lump sum, but with no interest. This offset also affects all survivors of members who are killed on active duty.

The Coalition believes SBP and DIC payments are paid for different reasons. SBP is insurance purchased by the retiree and is intended to provide a portion of retired pay to the survivor. DIC is a special indemnity compensation paid to the survivor when a member's service causes his or her premature death. In such cases, the VA indemnity compensation should be added to the SBP annuity the retiree paid for, not substituted for it.

It should be noted as a matter of equity that surviving spouses of federal civilian retirees who are disabled veterans and die of military-service-connected causes can receive DIC without losing any of their federal civilian SBP benefits.

The reality is that, in every SBP-DIC case, active duty or retired, the true premium extracted by the service from both the member and the survivor was the ultimate one – the very life of the member. This reality was underscored by the August 2009 Federal Court of Appeals ruling in *Sharp v. U.S.* which found, "After all, the servicemember paid for both benefits: SBP with premiums; DIC with his life."

The Veterans Disability Benefits Commission (VDBC) was tasked to review the SBP-DIC issue, among other DoD/VA benefit topics. The VDBC's final report to Congress agreed with the Coalition in finding that the offset is inappropriate and should be eliminated.

In 2005 then-Speaker Pelosi and other House leaders made repeal of the SBP-DIC offset a centerpiece of their GI Bill of Rights for the 21<sup>st</sup> Century. Leadership has made great progress in delivering on other elements of that plan, but the only progress to date on the SBP-DIC offset has been the enactment a small monthly Special Survivor Indemnity Allowance (SSIA).

The Coalition recognizes that the Subcommittee's initiative in the FY2008 defense bill to establish the Special Survivor Indemnity Allowance (SSIA) was intended as a first, admittedly very modest, step in a longer-term effort to phase out the Dependency and Indemnity Compensation (DIC) offset to SBP.

We're very grateful for the Subcommittee's subsequent efforts to increase SSIA amounts as additional steps toward the goal of eliminating the offset.

While fully acknowledging the Subcommittee's good-faith efforts to win more substantive progress, the Coalition shares the extreme disappointment and sense of abandonment of the SBP-DIC widows who are forced to sacrifice up to \$1,195 each month and being asked to be satisfied with a \$80 monthly rebate.

The Coalition understands the mandatory-spending constraints the Subcommittee has faced in seeking redress, but also points out that those constraints have been waived for many, many far more expensive initiatives, including the recent extension of civilian unemployment benefits.

The Coalition believes widows whose sponsors' deaths were caused by military service should not be last in line for redress.

The Coalition urges the Subcommittee to:

- *Continue its leadership in seeking to eliminate the SBP-DIC offset.*
- *Authorize SBP annuities to be placed into a Special Needs Trust for disabled survivors who otherwise lose eligibility for Supplemental Security Income (SSI) and Medicaid.*
- *Reduce age for paid-up SBP to age 67 to be fairer to those who joined the military at age 17, 18 or 19.*
- *Reinstate SBP annuities to survivors who transfer it to their children when the children reach majority, or when a second marriage ends.*
- *Exempt SBP-eligible children from being inadvertently penalized by the Alternative Minimum Tax (AMT), which treats SBP as unearned income and taxes it at the higher 26% AMT rate.*

**Final Retired Pay Check** – Under current law, DFAS recoups from military widows'/widowers' bank accounts all retired pay for the month in which a retiree dies. Subsequently, DFAS pays the survivor a pro-rated amount for the number of days of that month in which the retiree was alive. This often creates hardships for survivors who have already spent that pay on rent, food, etc., and who routinely are required to wait several months for DFAS to start paying SBP benefits.

The Coalition believes this is an extremely insensitive policy imposed by the government at the most traumatic time for a deceased member's next of kin. Unlike his or her active duty counterpart, a retiree's survivor receives no death gratuity. Many older retirees do not have adequate insurance to provide even a moderate financial cushion for surviving spouses.

In contrast to the law governing military retired pay treatment of survivors, the title 38 statute requires the VA to make full payment of the final month's VA disability compensation to the survivor of a disabled veteran.

The disparity between DoD and VA policy on this matter is indefensible. Congress should do for retirees' widows the same thing it did ten years ago to protect veterans' widows.

***TMC urges the Subcommittee to authorize survivors of retired members to retain the final month's retired pay for the month in which the retiree dies.***

### **Summary**

The Military Coalition again thanks the Subcommittee for your unfailing support of the entire uniformed service community and for taking our concerns and priorities into consideration as you deliberate on the future of the one weapon system that has never let our Nation down – the men and women who wear and have worn the uniform and their families.





THE SECRETARY OF DEFENSE  
WASHINGTON, THE DISTRICT OF COLUMBIA

15 NOV 1985

Honorable Thomas P. O'Neill, Jr.  
Speaker of the House of  
Representatives  
Washington, D.C. 20515

Dear Mr. Speaker:

The enclosed report complies with the requirements of section 667 of the Defense Authorization Act for fiscal year 1986.

Included in the report are drafts of the two pieces of legislation that would change the military non-disability retirement system. Each would result in a reduction in military retirement accrual funding of \$2.9 billion in fiscal year 1986 as mandated by the Congress. This is a 16 percent reduction in military retired pay from the current system and is in addition to the 13 percent reduction that was imposed by the Congress in the high-three-year averaging adjustment in 1980.

Although the Department of Defense has prepared the draft legislation as required by the Congress, I want to make it absolutely clear that such action is not to be construed as support for either of the options for change. To the contrary, the Department of Defense is steadfastly opposed to the significant degradation in future combat readiness that would result from the changes required to achieve the mandated reduction. I am particularly concerned about the potential loss of mid-level officers, NCOs and Petty Officers who provide the first-line leadership and technical know-how so vital to the defense mission. Unless offsetting compensation is provided, our models conservatively indicate that our future manning levels in the 10 to 30 year portion of the force would drop below the dismal levels of the late 1970s when aviator shortages and shortfalls in Army NCO and Navy Petty Officer leadership seriously degraded our national security posture.

While the changes we have been required to submit technically affect only future entrants, we expect an insidious and immediate effect on the morale of the current force. No matter how the reduction is packaged, it communicates the same message, i.e., the perception that there is an erosion in support from the American people for the Service men and women whom we call upon to ensure our safety. It says in absolute terms that the unique, dangerous and vital sacrifices they routinely make are not worth the taxpayers' dollars they receive, which is not overly generous. I do not believe the majority of the American people support this view and ask that you consider this in your deliberations on this very crucial issue to our national security.

Sincerely,

Enclosure

Attachment