

STATEMENT OF
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VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE
HOUSE ARMED SERVICES MILITARY PERSONNEL SUBCOMMITTEE

WITH RESPECT TO

**Recommendations Made By The
Military Compensation & Retirement Modernization Commission**

WASHINGTON, DC

March 25, 2015

Chairman Heck, Ranking Member Davis, and Members of this Subcommittee:

On behalf of the nearly 1.9 million members of the Veterans of Foreign Wars of the United States and our Auxiliaries, thank you for the opportunity to present our views regarding the Military Compensation and Retirement Modernization Commission's recommendations. We thank the Commission for its hard work and appreciate that the Committee is addressing the report in a timely manner.

The Commission's recommendations and the continuing efforts by the Department of Defense to shift personnel expenses has initiated an important conversation with Congress and the American people about what it means to take proper care of veterans, service members and their families. First and foremost, the VFW believes that properly caring for America's wounded, ill, and injured service members and veterans, as is preserving the integrity and viability of the All-Volunteer Force is paramount.

The Commission's report validates many of the VFW's assumptions that the government in many ways is failing to appropriately compensate and care for the men and women of the armed forces. Most notably, the Commission recognizes that the country has an obligation to better help all service members save for retirement, protect the pay of their survivors, improve their choice and access to quality health care, and safeguard their education benefits. We applaud the Commission for developing policy ideas that will to modernize the military retirement and compensation system in a way that provides new, substantial and fiscally sustainable benefits to service members, retirees and their families.

Recommendation #1: Help more service members save for retirement earlier, and leverage the retention power of the traditional retirement program.

The VFW strongly supports Recommendation 1.

In addition to a defined benefits plan similar to what service members currently receive, this recommendation includes a government matching retirement contribution for all service members, and continuation pay for potential career service members. The monumental proposal would provide every service member with a government contribution through out their entire career to the current Thrift Savings Plan (TSP) that can be rolled over into a traditional 401(k)-type account upon discharge. The Commission also recommends that Reserve component members, who have played a crucial part in the war against terrorism, receive partial retirement immediately after retiring from service. We believe that it is not only fair to provide all service members with some retirement compensation, especially those who deploy several times to combat zones before exiting short of 20 years, but its our patriotic duty to prepare all service members for retirement.

Most service members fall behind their civilian peers when it comes to saving for retirement due to their military service. According to the Department of Labor (DOL), most full-time workers and employees of large companies have access to and participate in, defined contribution plans. Nearly 80 percent of full-time workers have access to employer-sponsored retirement plans, and more than 80 percent of these workers participate in a plan. At companies with 500 workers or more, 90 percent have access to employer-sponsored retirement plans. Meanwhile, 90 percent of service members receive nothing for retirement. In addition, 95 percent of employers with 401(k) plans made a matching contribution to their employees; again, the government makes no contribution to the service members' 401(k)-style accounts. We believe that the government should contribute to a service members' 401(k) plan throughout their entire career. By not providing retirement parity between the civilian and military sectors, we are sending the message to troops that the country does not value their military service.

Survey data shows that the current compensation and retirement system is leading to low morale. In 2014, only 44 percent of active-duty troops rated their compensation as "good" or "excellent." Most service members live paycheck to paycheck, and are often unable to pay for life's unexpected emergencies, let alone save much for retirement. In fact, that is the premise behind the VFW's *Unmet Needs* program. Since our program's inception, the VFW has distributed \$5 million in assistance to qualified military families, with nearly half of those funds going directly toward basic housing needs. However, having access to a 401(k) may positively impact a sense for what is financially possible. According to Wells Fargo, more than half of non-retirees without access to a 401(k) plan say "it is not possible" to pay bills and "still" save for retirement, compared to a third of those who have access to a plan, but say they can't save and pay bills at the same time. We believe that when a service member sees the employer's contributions in their annual TSP investment statement much of their financial concerns will be alleviated and their morale will increase.

The 401(k) makes a significant difference for people in that it gives them the ability to save in a regular, systematic way. It conditions people to think that saving money is paying for their

future and is just as important as paying day-to-day bills. Those who have access to a 401(k) are more likely to say they would give up certain expenses, big purchases or expenditures like eating out in order to save for retirement, at a rate approximately 10 percentage points higher than those without access to a 401(k). Simply put, middle-class Americans, regardless of their military affiliation, value the 401(k) as a way to create a retirement nest egg.

Personal finance experts know the issue all too well: there is a pressing need for Americans to participate in a 401(k), individual retirement account or some sort of structured, tax-deferred account to take them through their post-employment years. If young service members aren't saving today, they are losing the benefit of time compounding the value of their money. That growth can't be made up later, so service members have to commit early in life to make savings a regular discipline year after year – it is the only way most people will achieve their financial goals to carry them through retirement. However, junior service members don't make enough money to invest the 7 to 10 percent of their base salary needed to build a sufficient nest egg without an employer contribution. The negative consequences of low pay raises and no employer retirement contributions will be felt by service members throughout their life. Therefore, it is easy to empathize with dissatisfied service members who are feeling a detachment from government and military leaders who can pay for them to go to war but cannot find a way to give them a pay raise or contribute to their retirement.

Congress must consider a host of tangible and intangible factors when weighing military recruiting, retention and longevity. We understand some have expressed concern that a blended retirement plan would incentivize personnel to separate and create a retention problem in the midgrade officer and enlisted ranks. However, we believe that the current government retirement system is not enough to maintain the all-volunteer force. Combat and imminent danger pay, special duty pay, tax breaks, and large re-enlistment bonuses have kept the all-volunteer force afloat during the past 13 years of war – not the current retirement system. As pay raises and career bonuses disappear, troops are reporting a significant decline in their desire to re-enlist, down 10 percent from five years ago. Congress will likely have to modernize the retirement system if the military is going to persuade young service members to extend their service beyond their initial obligated time and bring stellar service members closer to the 10-year point where they feel the “pull” of defined retirement benefits.

The VFW can enthusiastically support the government match of existing TSP programs and increasing Reserve components retirement pay, but not at the expense of lowering the long-term value of the existing military retirement system. Fortunately, the Commission's blended plan could increase an individual's overall investment savings potential regardless of the length of their military service, when reducing the existing military retirement benefit from 50 percent of base pay to 40 percent. Congress can and should ensure that the reduction in the defined contribution percentage is off-set by increasing TSP investments and annual continuation bonuses to maintain the current overall value of the service members' retirement savings. It is vitally important that Congress provide sufficient TSP contributions throughout the service members' career, including after the service members' 20 year service anniversary. Congress will have to modernize the current retirement system if the military is going to compete for the best and brightest service members against private and government employers who offer a portable, employer matching retirement plan.

Recommendation #2: Offer new Survivor Benefit Plan (SBP) coverage without the Dependency and Indemnity Compensation (DIC) offset.

The VFW cautiously supports Recommendation 2.

The Commission's recommendation calls for a modification of the current SBP program. It would provide service members with the option to increase their monthly premiums from 6.5 percent to 11.25 percent of their base retirement pay, approximately a \$55 difference between today's premium and the proposed plan. In return, their surviving spouse would receive both SBP and DIC payments. DIC is a tax free monetary benefit paid by Department of Veterans Affairs (VA) to eligible survivors of service members who died in the line of duty or veterans who died from a service-connected injury or disease. SBP is a life insurance plan that service members purchase from the Department of Defense (DOD) so their surviving spouse will receive a portion of their military retirement when the service member passes away. However, if the surviving spouse receives the DOD's SBP payment, the payment has dollar-for-dollar offset if they also receive a DIC payment. The VFW agrees with the Commission that Congress should provide eligible surviving dependents with a way to receive both DIC and SBP benefits.

Congress has created a confusing maze of offsets. The compensation system denies retirees and their spouses the military compensation that they have earned by combining separate but equal veterans and military benefits into one significantly smaller benefit in order to limit government costs. Whenever Congress creates a new offset, the VFW and our allies have stormed Capitol Hill with real life examples of how these unjust offsets hurt veterans and survivors. In many cases, Congress has recognized the error of their ways by eliminating these harmful offsets. Most recently, Congress has recognized the SBP-DIC offset as unfair by creating a Special Survivor Indemnity Allowance (SSIA) to offset the offset. SSIA is a monthly payment that started at \$50 in FY 2008 and will be raised yearly up to \$310 through FY 2016. However, SSIA is only a temporary fix that ends in FY2017. We urge Congress to find a better and a more permanent fix to the SBP-DIC offset for current and future surviving spouses before SSIA expires.

While we concur with the Commission's premise to eliminate the offset. We also agree with the widely accepted opinion that the requirement for surviving spouses to pay for their DIC by waiving the SBP is inconsistent with the intended purpose behind the two benefits. The SBP program is simply an insurance benefit paid for by military retirees. DIC is a benefit meant to compensate the veteran's family for losing a loved one whose death was a direct result of military service. No other federal retiree program penalizes surviving spouses, whereas more than 59,000 surviving military spouses are affected by this aptly termed "widow's tax." The VFW's urges Congress to fully repeal the SBP-DIC offset, not to subsidize it out of the pockets of survivor.

However, we recognize that the proposed plan would provide expanded financial options for military retirees who also suffer from a service-connected disability. For example, an E7, who retires with 20 YOS at age 38, premium would increase from \$143.52 to \$198.68. However, upon the death of the veteran, the survivor's annuity would increase from \$1215.00 to \$2186.30. The monetary value of the new plan would have a huge impact on the long-term financial well-

being of the survivor. Consider an O5, who retires with 20 YOS at age 42 with a spouse of similar age, pays into SBP to age 72 (30 years) then dies, and the survivor lives an additional 15 years-until age 87. Under the proposed plan, the survivor would receive an additional \$218,700 in DIC payments over the remainder of his or her life. In addition to the hundreds of thousands of dollars that they would inherit from the service member's TSP account. Considering the substantial benefits this would have on a survivor, and the current untenable SBP-DIC offset, we currently believe this is the best option next to completely eliminating the offset.

Recommendation #3: Increase military, financial literacy training.

The VFW strongly supports Recommendation 3.

Service members can lose security clearances and are subject to a variety of judicial and non-judicial punishments for failing to meet their financial obligations. It would behoove the services to adopt this low-cost initiative now, and encourage military spouse participation, regardless of the possible introduction of a more robust Thrift Savings Plan or SBP-DIC program.

Recommendation #4: Consolidate 30 Reserve Component duty statuses into six.

The VFW supports Recommendation 4 with additional recommendations.

The VFW urges Congress to ensure that wounded guardsmen and reservists receive the GI Bill benefits they've earned when consolidating the 30 Reserve Component duty statuses into 6. The military often gives orders under title 10 USC 12301(h) to members of the Reserve Component who are injured in combat for their recovery, treatment, and rehabilitation. Unfortunately, unlike active duty service members, federal regulation prohibits reserve component members from earning G.I. Bill benefits while under these orders. Therefore, guardsmen and reservists actually lose benefits for being injured in the line of duty. The law is inherently unjust and undermines the intent of the G.I. Bill, to help service members' transition from active duty to civilian status.

The VFW also supports the award of a DD-214 form to all separating Reserve Component personnel. Regarding the DD-214, all active, Guard and Reserve veterans are eligible for VA medical care, as well as compensation and pension, if a service-connected injury or illness occurred while on active duty. In order to be eligible for VA benefits, the veteran must present proof of active military service in the form of a DD-214. However, a member of the Guard or Reserve only receives a DD-214 if they served 90 days of continuous active duty, although Service secretaries have the authority to issue the forms for shorter time periods. The Reserve Component has contributed a quarter of all ground forces deployed to Iraq and Afghanistan over the past 13 years, and half of all Air Force airlift, yet similar to the active force, not every Reserve Component member has had the opportunity to deploy, much less be activated, for 90 consecutive days. Therefore, the VFW urges Congress to delete the 90-day activation requirement in Title 10, U.S. Code, and provide the DD Form 214 to all Reserve Component members who separate or retire under conditions other than dishonorable.

The VFW also supports legislation to retroactively grant early retirement credit, with a carryover provision, to all Reserve Component members who were activated in support of a contingency

operation from 9/11 forward. Reserve Component retirees are eligible to begin receiving their military retirement pay at age 60. In an effort to recognize their faithful service during the War on Terror, the FY 2008 NDAA allowed National Guard and Reserve members to lower their retirement pay eligibility age by three months for every 90 days served on active duty after January 29, 2008. However, a loophole in the law prevented service members from earning early retirement credit if their 90-day activation did not occur within the same fiscal year. The FY 2015 NDAA contains a carryover provision, but its implementation date of Oct. 1, 2014, discounts the original intent and the sacrifice of thousands of other Reserve Component members who activated for long periods of time before the new law's enactment date. We thank Congress for recognizing the inequities in the reserve credit retirement system last year and urge you to make the credit retroactive to September 11, 2001.

Recommendation #5: Create a joint readiness command to ensure service members receive the best possible combat casualty care.

The VFW supports the intent of Recommendation 5.

We agree with the Commission regarding the critical nature of joint medical readiness; however, adding another layer of bureaucracy to medical care coordination does not unify the effort. Army, Navy and Air Force medical professionals have the capability to provide a high level of care to all eligible service members, dependents and retirees, yet a 2006 Defense Department proposal to create a Joint Military Medical Command, continues to be ignored. The VFW believes that a Joint Military Medical Command is needed to create a unified system with stronger central authority to improve coordination among the services. Regrettably, inter-service rivalries and perceived mission differences between the services are preventing the care from being efficiently delivered. Yet, despite the unwillingness of the services to discuss a joint command, some universal medical processes and operations have already successfully merged.

Military medicine operates in a joint world, from contingency and humanitarian deployments to meeting the daily healthcare needs of more than 9 million multiservice beneficiaries with 59 inpatient hospitals and 364 clinics. The Army Medical Research and Materiel Command at Fort Detrick, MD aligns all military research. All enlisted medics and corpsmen are trained at Fort Sam Houston, TX. Information management and technology, facilities management, contracting and procurement, and logistical and financial support services are being consolidated; and 45 percent of total beneficiaries are now being served by the Defense Health Agency, which was activated in 2013 to merge military medicine in six major markets.

The military medical communities can no longer afford a parochial attitude. Especially, not with a downsized military, reduced defense budgets, threats of new base closure rounds, a continued high operations tempo, and the still unfulfilled requirement to create one interoperable electronic health record between DOD and the Department of Veterans Affairs. GAO estimated that realigning DOD's military medical command structures and consolidating common functions could increase efficiency and result in projected savings ranging from \$281 million to \$460 million annually. The Defense Health Agency has proven that the future of military medicine is in jointness. The services need to stop resisting and start discussing how to get here to there.

Recommendation #6: Allow military TRICARE beneficiaries the ability to choose from a selection of commercial insurance plans to be offered through a Department of Defense Health Benefit Program.

The VFW supports the intent of Recommendation 6.

The recommendation to allow beneficiaries to choose from a selection of commercial insurance plans offered through a Department of Defense health benefits program is worth consideration. Service members, veterans, and their families have told us that they often experience considerable access problems to healthcare. The Government Accountability Office (GAO) validated these comments when they reported that although nearly all civilian care providers in certain geographic areas were accepting new patients, less than half were accepting new Tricare patients. The lack of choice to beneficiaries not only creates access issues but also raises concerns about the quality of care military healthcare beneficiaries receive. The best hospitals in the country often deny veterans and military families care because Tricare's reimbursement rates are too low. We appreciate that the Commission recognized the current access, choice, and value of healthcare provided to service members, veterans, and their families is unacceptable.

The VFW believes that plans providing medical care to military healthcare beneficiaries should be kept competitive with the access and quality delivered by private insurance. However, any new military health care system must do more than shift the responsibility of care away from the military as a provider and on to military families as ordinary consumers at a substantially higher price to the beneficiaries. Before Congress makes changes to the current military healthcare system, retirees need assurances that the access and quality of care they will gain will be proportionate to any additional cost that they will incur. In addition, retirees and military families must not experience any interruptions in services during the transition. We urge Congress to thoroughly study the consequences of the Commission's recommendations before drafting legislation, and to continue to consult with Veterans Service Organizations.

Recommendation #7: Improve support for military dependents with special needs.

The VFW supports Recommendation 7.

Recommendation #8: Enforce electronic medical record collaboration between DOD and VA, and create a common formulary.

The VFW strongly supports Recommendation 8.

The Commission recommended that Congress authorize the DOD-VA Joint Executive Committee (JEC) to standardize and enforce the common services between the DOD and the VA. History has shown one failure after another when the JEC is limited to only conducting oversight of joint DOD-VA projects after Congress has invested the funds.

We have met with both departments and have heard they have the same goals. However, there have been opportunities for DOD and VA to work together to improve their electronic healthcare system, but they have continually failed to come together to improve the continuity of care for

service members. DOD and VA must work together to create an interoperable system whereby DOD and VA physicians can provide top-notch treatment for service members and veterans. By allowing the JEC to set and enforce milestones and assist in the design and implementation of the system, Congress will be much more effective at holding DOD accountable for producing timely and reliable results.

We believe that the agencies must deliver the promise of an interoperable, bi-directional electronic health record for military members and veterans as soon as possible. An interoperable health record would not only improve the quality and continuity of health care for service members and veterans, but is a critical part of ending the persistent VA backlog of service-connected disability claims. The VFW strongly encourages Congress to act immediately on this recommendation.

Recommendation #9: Merge the Defense Commissary Agency and three military exchanges systems into one organization.

The VFW supports Recommendation 9, provided that service members retain the overall commissary savings value, and Morale, Welfare and Recreation program contributions remain unaffected or are enhanced by the merger.

Recommendation #10: Improve access to child care on military installation.

The VFW supports recommendation 10.

Recommendation #11: Safeguard service member education benefits, reduce redundancy, and ensure fiscal sustainability.

The VFW supports Recommendation 11.

The Commission recommended that the VA consolidate all education benefits into a single program, extend the time commitment required to obtain the transferability benefit, and eliminate the Basic Housing Allowance for dependents. The VFW played an integral role in passing the Post-9/11 G.I. Bill, and we have a vested interest in ensuring that the veterans who utilize this robust benefit receive quality educational and vocational training outcomes. Military and veterans' education benefits provide a critical tool to ensure that those who have defended our Nation can compete for the best jobs after service. We believe the country has a vested interest in ensuring that federal education dollars for our military men and women are spent in a responsible manner - training veterans, the future leaders of our country.

The Commission rightfully took issue with a misalignment of veterans' needs and the Defense Department's incentive to allow service members to transfer their GI Bill benefits to their dependents. We believe the G.I. Bill's primary use should be to help veterans reintegrate into civilian life by providing the education and skills necessary to gain meaningful employment. The G.I. Bill should not be a retention tool for the Defense Department to use that VA pays for. For this reason, we do not believe that DOD should have the authority to allow service members to transfer their G.I. Bill benefits. VA should have the authority to grant transferability to service

members who served or have promised to serve for 20 years in the military as recognition of the unique sacrifice that career military families make during 20 years of service.

The Commission recommended “duplicative education assistance programs should be sunset to reduce administrative costs and to simplify the education benefits system.” To do so, Congress would have to choose between two options. First, extend full Post-9/11 G.I. Bill benefits to all service members and veterans, including all Reserve Component members. The second option would be to create a scaled system in which certain categories of veterans will receive different percentages of the G.I. Bill depending on whether they served on active duty, reserve status or during a time of war. This would work similarly to how VA awards a certain percentage of the Post-9/11 G.I. Bill to Reserve Component service members depending on the amount of time they serve on active-duty. The VFW believes that war veterans, including guardsmen and reservists, should not receive less of a benefit than dependents or other veterans.

The VFW is disappointed that the Commission did not address the inequity of benefits between veterans from the Reserve Component who deployed overseas, non-wartime veterans, and dependents. Currently, a Marine reservist could deploy to a combat zone, receive a Purple Heart and still only receive 60 percent of his or her G.I. Bill. On the same note, a guardsman, who deployed twice to a combat zone only, receives 80 percent of their G.I. Bill. Meanwhile, a dependent of an active duty veteran who never served during wartime, would receive 100 percent of their G.I. Bill, regardless of the dependent’s affiliation with the military in their adult life. The eligibility requirement for Reserve Component members is inherently unjust, and Congress should work to increase the percentage of the G.I. Bill benefit that reserve component members receive if they served in a combat zone receive.

The VFW strongly supports the requirement for institutions of higher learning to submit reports to VA regarding student veterans’ progress. We believe that the federal government must insist on transparency from institutions of higher education that receive taxpayer-funded education dollars. Transparency will provide the necessary incentives for schools to focus on quality education outcomes, instead of raw enrollment.

Recommendation #12: Better prepare service members for transitioning into civilian life by expanding education and granting states more flexibility to administer the jobs for veterans state grants program.

The VFW supports Recommendation 12.

The VFW supports the Commission’s recommendations for Congress to reevaluate the current Transition GPS curriculum, encourage state collaboration in coordinating the JVSG program, encourage employees to attend Transition GPS classes and require a joint report from DOD, VA, and DOL on the challenges employers face when seeking to hire veterans. Over the past few years, this committee’s work has produced a significant evolution in the way the military prepares transitioning service members for civilian life. These positive changes include mandatory Transition Assistance Program (TAP) for all service members, the creation of the Off-Base Transition Training (OBTT) pilot program, and a complete redesign of a TAP

curriculum that includes three specific transition tracks. The Commission's recommendations will build on the good work the Committee and agencies have already accomplished.

When DOL sought to replace Disabled Veterans Outreach Program (DVOP) and Local Veterans Employment Representatives (LVER) with contract TAP instructors, the goal was to ensure that DVOPs and LVERs would no longer have to dedicate an inordinate amount of time to teaching and could instead focus on developing employment opportunities for veterans in the community. The VFW agrees with this shift to contract employees whose primary function is to provide information to service members, freeing up local resources to focus on local veteran employment. When speaking with service members, we find that missing the direct connection to DVOPs and LVERs, who work every day in veteran employment, proves problematic in helping them understand the scope of services and benefits available to them in the community. To close this gap, we agree that DOL should track when and where its employees attend Transition GPS classes, and the number of veterans DVOP /LVERS interact with and follow up with after separation.

The VFW supports ensuring that transitioning service members have access to the full suite of transitional training, should they so choose. However, the VFW understands the operational limitations in mandating such participation across the military, and the unfortunate fact that many line unit commanders still struggle to see the value in allowing their service members to participate fully. The VFW believes that DOD must fully implement its information-sharing agreement with DOL to ensure that state workforce development agencies would have consistent access to the names of veterans leaving the military and relocating to their areas. When armed with this information, employment counselors could reach out directly to recently-transitioned veterans and speak to them face-to-face to ensure that they fully understand what is available to them locally. Unfortunately, the proposed information sharing agreement was delayed, and only started as a pilot in January of this year. DOL first informed the VFW that it was working to codify the agreement in 2012. It is now 2015. At this point, the VFW believes it is unacceptable that DOD and DOL have yet to implement this concept fully.

Another solution to continue to bolster the post-service availability of TAP so veterans have access is to the information in TAP at the time and place that they need it. Two years ago, DOL worked with its contract TAP facilitators in West Virginia, Georgia and Washington to facilitate 23 workshops as part of the Off-Base Transition Training (OBTT) pilot program, as mandated by the Dignified Burial and Other Veterans' Benefits Improvement Act of 2012. By facilitating large-scale, community-based TAP classes, OBTT serves veterans who otherwise would not have had access to the material, or who could only receive comparable information by meeting one-on-one with employment counselors at an American Jobs Center. Moreover, the program was very cost-effective, costing only \$52,052 to administer the entire pilot. Unfortunately, the OBTT pilot expired in January 2015, and DOL will not have information on employment outcomes for participants for another year. The VFW believes that OBTT should be a permanent program, but until we have final data on the OBTT pilot, Congress should pass an extension of the pilot.

Another primary concern for the VFW is the lack of involvement of accredited Veterans Service Organizations (VSO) in the new TAP process. A critical element in the transition process is

ensuring that when service members leave the military they have timely access to their benefits. This includes VA service-connected disability compensation, which not only helps veterans make up for lost earning potential as a result of injuries and illnesses incurred on active duty, but also serves as a gateway to other services like VA health care, Vocational Rehabilitation, adaptive housing, or intensive job placement. The VFW believes that in a joint report to Congress, DOD should include an update on how they are complying with the law that requires commanders to allot access and space for VSOs so they can hold face-to-face meetings with transitioning service members seeking VA- accredited representation.

Recommendation #13: Ensure service members receive financial assistance to cover nutritional needs by providing cost-effective supplemental benefits.

The VFW supports Recommendation 13.

Recommendation #14: Expand Space-Available Travel eligibility to military dependents whose sponsor is deployed for 30 days or more.

The VFW supports Recommendation 14 with an additional recommendation.

The VFW urges Congress to amend title 10, U.S. Code, to add 100 percent service-connected disabled veterans and their eligible dependents to the Space-A flight eligibility list. These 100 percent disabled veterans are issued military identification cards, the DD Form 2765, “Department of Defense/Uniformed Services Identification and Privilege Cards.” Their dependents are issued DD Form 1173 identification cards. Both ID cards extend all the same access and privileges as afforded to active-duty military and their dependents—except Space-A travel.

Recommendation #15: Measure how the challenges of military life impacts children’s schoolwork by implementing a national military dependent student identifier.

The VFW supports Recommendation 15.

CONCLUSION

Many individuals and organizations have raised questions about the intent of the Military Compensation and Retirement Modernization Commission’s recommendations. The common assumption has been that the President and Congress tasked the Commission with promoting the continued reduction of benefits to service members, veterans, and their families. To the contrary, we have found that the Commission has found innovative methods to create new benefits for military beneficiaries without raising costs to the taxpayer by finding efficiencies in the current compensation programs. In fact, the Commission estimates that their proposals would save DOD \$31.8 billion during FY 2016-FY 2020 and result in annual steady-state savings of \$8.7 billion by FY 2046. If Congress is going to adopt the Commission’s recommendations, they will need to decide what to do with the extra savings.

We believe that Congress should resist the urge to use these savings to offset sequestration. Beginning in FY 2016, all Department of Defense (DOD) discretionary budget accounts will automatically be reduced by approximately 10 percent. We know that sequestration drastically reduces the overall effectiveness of our military by producing fewer, less well-trained troops, and equipping them with outdated equipment. However, Congress should not be looking to balance the Defense budget on the backs of those who bear the burden of battle. Before we look to personnel benefits to find savings, Congress must eliminate the Pentagon's budget caps and force DOD to exhaust every other cost savings avenue, such as proper financial auditing, reduce duplicative processes, and increase recuperation of procurement contract overpayments.

The Commission did not address a few unresolved discrepancies in the way we compensate service members and veterans. Before Congress uses the savings from the Commission's recommendations to offset sequestration, we urge Congress to address the following problems with military compensation:

- Provide full concurrent receipt of military retirement pay and VA disability compensation without offset, regardless of the rating percentage;
- Repeal the SBP/DIC offset for current eligible beneficiaries;
- Lower current Reserve Component service members' retirement pay eligibility age by three months for every 90 days served on active duty retroactive to September 11, 2001.

Making these changes is the right thing to do for those who have sacrificed the most for our nation, and will go a long way in convincing veterans and their families that the recommended changes to the military compensation and retirement system are in their best interests. We look forward to working with Congress to ensure our country meets the needs of all service members, veterans, and their families and to properly compensate them.

Chairman Heck, Ranking member Davis, this concludes my testimony and I am happy to answer any questions you may have.

Information Required by Rule XI2(g)(4) of the House of Representatives

Pursuant to Rule XI2(g)(4) of the House of Representatives, VFW has not received any federal grants in Fiscal Year 2014, nor has it received any federal grants in the two previous Fiscal Years.

The VFW has not received payments or contracts from any foreign governments in the current year or preceding two calendar years.