

**STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON MILITARY PERSONNEL
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES
ON
“STAKEHOLDER’S VIEWS ON THE MILITARY COMPENSATION RETIREMENT
MODERNIZATION COMMISSION”**

MARCH 25, 2015

Chairman Heck, Ranking Member Davis and distinguished members of the subcommittee, on behalf of National Commander Mike Helm the 2.3 million veterans of America’s largest wartime veterans’ service organization, The American Legion, I appreciate the opportunity to provide our views on the Military Compensation and Retirement Modernization Commission’s (MCRMC) recently released recommendations.

Specific reactions and positions on the individual recommendations are listed in the appendix at the conclusion of this testimony. These positions reflect an initial reaction to the MCRMC recommendations. The American Legion is a large, grassroots organization that derives positions on matters of concern through resolutions passed in regular order through an annual meeting of the organization at a National Convention, or through Fall and Spring meetings of the National Executive Committee. Developing positions requires ensuring consensus for over two million members, thus some proposals of the Commission are still under consideration as The American Legion as a whole, through our members across the country, are still examining proposals to develop resolutions which would guide future positions as the debate about these proposals, and the future of the military they are meant to address, continues in the public arena. Therefore, in some cases it is possible that we do not have current official positions on proposals from the Commission report as we are still thoroughly reviewing the recommendations.

The MCRMC put many months of hard work into developing and refining the fifteen proposals. In reviewing those proposals, The American Legion was chiefly mindful of three guiding concerns: to preserve and protect the integrity and strength of the “All Volunteer Force”, to recognize that many of these recommendations are interconnected by their very nature and considering reform means to consider the impact they will have not solely on the force, but on the other recommendations, and finally that while it is easy to think of these recommendations in terms of their impact on the Department of Defense (DOD), some proposals will have profound impacts on other agencies of the government, especially the Department of Veterans Affairs (VA).

Protecting the All-Volunteer Force

Members of America's armed forces stand in the midst of a paradox. After over a decade of fighting America's wars, they now face massive troop drawdowns to force strength figures not seen since prior to World War 2¹. They face devastating sequestration cuts that unfairly force the military to shoulder a disproportionate weight of budget slashing measures designed to avert further spiraling of the national debt. The men and women who serve continue to do so as their numbers are cut and their budgets and reduced, and they continue to serve and fight even as new battlefields open in Syria², Africa³ and beyond.

In order for brave men and women to fight, The American Legion believes strongly in protecting the integrity of the All-Volunteer Force. As such, The American Legion is committed to opposing any changes to the military system which would reduce the incentive to enlist or re-enlist⁴. The American Legion further urges Congress to maintain continuous oversight of DOD personnel policies to ensure satisfactory retention, recruitment, morale, health and effectiveness of the armed forces⁵. Finally, The American Legion is committed to ensuring that any benefit in force at the time of initial enlistment is a sacred promise that must remain in force throughout the entire military career and retirement of a service member⁶.

Within the scope of those guidelines, set forth to protect the morale and motivation of those who serve, there is still room for reform of benefits within the military. There are questions now apparent which bear delving into. When over four out of five who now serve will not reach the twenty year service mark⁷, is there a better means of ensuring they have portability of benefits and are not set back in retirement planning due to years spent in service to this country? Can the new portable benefits be achieved without sacrificing the benefits of those who will commit to a full, twenty year career?

Where is there redundancy? How can efficiency be improved without sacrificing vital programs? Where programs appear to overlap, can the individual components of those programs be protected through any merger so critical functions are not lost? Can long standing injustices such as the "widow's tax" offset between the survivor benefits plan (SBP and dependency indemnity compensation (DIC) be corrected without creating further problems?

These are difficult questions, and are unlikely to be answered in a few simple weeks of analysis. The American Legion is diligently working to evaluate the proposals of the MCRMC, to use the proposals as a jumping off point for discussion, and to try to tackle the thorny problems planners face preparing the military for 21st century operations. We look forward to continued discussion, with Congress, with the DOD, with other stakeholders, and with the service members and

¹ "Pentagon Plans to Shrink Army to Pre-World War II Level" *NY Times* Thom Shanker and Helene Cooper, February 23, 2014

² "Obama ISIS fight request sent to Congress" CNN February 12, 2015

³ "U.S. to Commit Up to 3,000 Troops to Fight Ebola in Africa" *NY Times* Helene Cooper, Michael D. Shear and Denise Grady September 15, 2014

⁴ American Legion Resolution No. 176: Department of Defense Military Retirement System – AUG 2014

⁵ American Legion Resolution No. 180: Department of Defense Personnel Policy – AUG 2014

⁶ American Legion Resolution No. 167: Earned Military Benefits – AUG 2014

⁷ Report of the Military Compensation and Retirement Modernization Commission - 2015

veterans themselves to find solutions. The solutions must be rooted first and foremost in protecting those who serve and ensuring the benefits are oriented towards what is best for them and their families.

Interconnectivity – Maintaining an eye on the big picture

Reading through the 15 proposals of the MCRMC the interconnected nature of many of the proposals is clear. You cannot reform how retirement or healthcare benefits are delivered without concurrent reform of the financial education and training provided to service members and their families. To enact the retirement proposal piecemeal without including improvements to financial literacy would be devastating. By the interconnected nature of the proposals, comprehensive consideration is needed.

Therefore, The American Legion would offer counsel against rash moves to swiftly “enact something” without considering the potential ripple effects throughout other interconnected programs. There must be national discussion on these issues, and the stakeholders at every level – whether those currently serving or those who served long ago but still would see the Military Treatment Facilities where they receive their medical care affected – must be deeply involved at every level of this discussion.

As the proposals are interconnected, so too are the ways in which they will interact with service members and veterans at all levels. To enact changes to military treatment facilities not only affects the service members who receive their healthcare there, but also retirees living in close proximity to the bases who rely upon these facilities for their care. While the families of service members would be affected by these proposals – having now to manage an insurance plan to get their care at the on base facilities, the employees in those facilities will now have to manage insurance billing and payments, from different plans as the families of service members are to be given options to choose from.

Every decision made will cast wide ripples in the pool of military and veteran benefits. It is critical to recognize this and ensure the big picture is not lost in focusing only on small details. With new plans and allowances to balance for health care needs, in addition to housing allowances, military families will also be called upon to interact with a revamped Post Exchange and commissary system. This is not to say military families cannot figure these changes out, but merely to note that the impact will be pervasive and across many aspects and touch points of their lives.

Because of the scope of reform, because these challenges are so widespread, The American Legion urges a deliberate pace towards reform. It is not important to be the first out of the gate to change things. It is by far more important to take the time necessary to consider the complete impact of these changes and move forward understanding the long reaching implications of the changes.

Impacts on other agencies:

Several of the proposals have direct impacts on other agencies of the government, most specifically the Department of Veterans Affairs (VA). Some of these changes are important. The American Legion has long called for better collaboration between DOD and VA as called for in recommendation 8. Transition programs too have long been a concern of The American Legion, and have received much attention in the Committees on Veterans Affairs of the House and Senate. The American Legion wrote the original GI Bill of Rights in 1944 and was instrumental in both the introduction of a new Post 9-11 GI Bill, as well as subsequent reforms and improvements to the Post 9-11 GI Bill through the House and Senate Committees on Veterans Affairs.

Regarding recommendation 11, The American Legion has serious concerns about the impact of changes to education benefits proposed in this recommendation. The recommendation indicates other education programs such as the Montgomery GI Bill are redundant, yet provides no recognition that the Montgomery GI Bill has provisions that make it a far superior vehicle for veterans seeking on the job training or apprenticeship programs to complete their transition process from military to civilian workforce.

Because of the interconnected nature of the military and veteran side of the equation in the field of education benefits, The American Legion would call on this committee to conduct joint hearings with their counterparts on Veterans Affairs, to explore the impact of these changes both to the active duty service members as well as the veterans who will benefit from future education programs.

The original GI Bill was created as a transition benefit, to enable Americans who served to step from the military world to the civilian world with the tools they needed to be successful. In the modern era, we consider the recruitment and retention benefits of these programs but far more impactful is how they prepare veterans to be effective in the workforce. A 1988 Congressional study found that every dollar spent on educational benefits under the original GI Bill added seven dollars to the national economy in terms of productivity, consumer spending and tax revenue⁸. This makes it critical that reform efforts do not damage effective programs. The American Legion is committed to working with this committee and with the committees on Veterans Affairs to ensure the education programs retain their benefit to the veterans who use them and the community.

Conclusion:

The American Legion recognizes the hard work that the MCRMC put into these proposals, as well as recognizing the proposals for what they are – the starting point in a national discussion about reform of benefits. Clearly, there must be modernization of military benefits to reflect the 21st century and beyond, and any reform will be complex and address many factors.

⁸ Edward Humes, “When Dreams Come True,” Orange County Register, November 5, 2006:
http://www.ocregister.com/ocregister/homepage/abox/article_1345180.php

The American Legion would like to thank the committee for the close scrutiny we know they will give to these proposals. We encourage the committee to work with stakeholders to explore ways the intent of the proposals could be served while protecting the interests and benefits of those who serve, and the families who serve alongside them.

The American Legion has spent nearly a century as a leading voice in ensuring those who serve are justly treated by the nation they protected with their service. I can promise a deep commitment to examining these proposals, and working with this and future administrations as well as Congress to ensure we're building the strongest "All Volunteer Force" to meet the challenges of tomorrow. The American Legion thanks this committee for their diligence and commitment to examining this critical issue facing veterans as they struggle to access care across the country. Questions concerning this testimony can be directed to The American Legion Legislative Division (202) 861-2700, or dstoline@legion.org

Appendix A:

The MCRMC Recommendations:

1. Modifying the Military Retirement Plan – This proposal would alter the current military retirement system, ostensibly to address the current system wherein a service member only derives a retirement benefit in the form of a pension after staying in the military for a full 20 years. The proposed change would modify the current system by adding a Thrift Savings Plan (TSP) that allows service members to make defined contributions on a variable scale. There would be a guaranteed 1 percent contribution by the military, and contributions of the service member would be matched up to 5 percent. The service member would be automatically signed up at a rate of 3 percent every year, and every year would have to manually opt out to reduce that contribution.

The new proposal is underpinned with the hope or assumption service members will make good, informed financial decisions and sacrifice short-term spending power for long-term financial security. But that flexibility opens the door to financially risky decision-making. For example, a service member could choose to buy a family car with his or her 12-year continuation pay, which would reduce the long-term value of his or her investment account. Or, a retiring service member could request his or her retirement benefit in a lump-sum check to start a new business. If that business fails, that retired veteran could be destitute after leaving the military. The commission acknowledged these problem scenarios in their recommendations and recommended that the Department of Defense (DOD) add a new line to the budget for \$75 million annually to administer on-going financial literacy education programs for service members (see: Proposal 3). Troops would attend annual classes on money management.

The American Legion current **DOES NOT SUPPORT** this proposal; there are too many questions about the implementation and concerns about how service members would be affected. However, given that approximately four out of five (81 percent) of service members do not serve the full 20 years in the military, it is worth examining possible solutions and measures which could provide some retirement benefits to those service members who depart from military service before the “20 year cliff.”

2. Modifying Survivor Benefit Plan (SBP) Options – The American Legion, along with other advocates for veterans and their families, have attempted to address the unjust offset of the Survivor Benefit Plan (SBP) by Dependency Indemnity Compensation (DIC) payments when a veteran’s death is related to service connected disability. Currently, surviving spouses are forced to offset one program with the other, punishing them for participating in a program designed to help them.

The proposal would create a higher premium rate for an SBP program that would then not be subject to the offsets, which would perhaps solve the injustice for some future surviving spouses, albeit at a greater financial cost while in service. Furthermore there is nothing contained in the recommendation to address what becomes of the thousands of surviving spouses currently subjected to the unfair and unjust offsets. Creating a new

system, with some still governed by the older rules and others free of the unjust offsets but subject to unfair higher premiums does not solve the current injustice.

The American Legion **DOES NOT SUPPORT** this proposal.

3. Improving Financial Literacy – This proposal aims to improve financial literacy among service members through better training on financial and health benefit topics. This is obviously critical to the entire set of recommendations, as many of the proposals would substantially alter how these benefits work, and most require enhanced levels of understanding. The Commission report specifically notes: “Financial education should be provided to service members to develop a culture of personal financial responsibility. Training should contain real-world, practical lessons packaged to engage the youngest cohort of Service members.”

The American Legion believes service members would benefit greatly from increased emphasis on financial planning and better training in all of these areas. Furthermore, the role of the full family should not be overlooked. Often in military families, the spouse is the one who has to deal with the implementation of financial plans or the administration of health benefit plans. Therefore it is critical to ensure education is available to those family members as well.

The American Legion **SUPPORTS** this proposal.

4. Reserve Status Consolidation – This proposal seeks to increase efficiency within Guard and Reserve Components of the military by replacing the current set of duty statuses (over 30) with six statuses that are broader in nature. These statuses will primarily focus on the three prime duty statuses of active duty, inactive duty, and full-time National Guard duty.

The American Legion has **NO POSITION** on this proposal.

5. Establishment of a Joint Readiness Command – This proposal would create a Joint Readiness Command (JRC) ostensibly to improve combat casualty care and set new standards for medical readiness. This command would be led by a four star flag officer.

The American Legion has **NO POSITION** on this proposal.

6. Modifying the Healthcare Plan – This proposal would make sweeping and extensive changes to the healthcare afforded to military families. The current system would be replaced with one similar to the healthcare options afforded to federal workers, with a selection of commercial insurance plans to choose from in a DOD health benefit program. The fees and copays required to pay for these programs would be extended to military families in an allowance entitled Basic Allowance for Health Care (BAHC) similar to the current BAH service members currently receive to pay for housing costs.

With this proposal, it would seem that the Commission's response to problems within the TRICARE system would be to replace the system wholesale with an entirely new system modeled on the Federal Employee Health Benefits Program (FEHBP). This is perhaps the most radical of all the proposals included within the Commission's report, and raises many serious questions.

Military Treatment Facilities (MTFs) have heretofore never been structured to operate as network providers to potentially many different insurance plans. Military families have never had to confront the sometimes bewildering array of choices inherent in selecting plans, and may be unequipped and untrained to make the proper choices. It is unclear how unused funds from the BAHC allotment would be handled, and how it would affect families in situations where a child or spouses develops a serious health condition that leads to copays well outside of what the BAHC benefit is intended to provide for average families.

Obviously, a radical paradigm shift of this nature would require extensive education, outreach and training for members of the military, their spouses and families. Furthermore, given the exigencies of military life, including moving to new states every two to three years where preferred provider networks may no longer exist, raise additional problems. Overseas postings, a staple of military family life, raise questions without clear answers.

The American Legion **DOES NOT SUPPORT** this proposal and supports retention of the current military healthcare system for military families.

7. Modification of the Extended Care Health Option (ECHO) Benefit – This proposal attempts to address and improve support for service members' special needs dependents. The current Extended Care Health Option (ECHO) would be more closely aligned with the state Medicare waiver programs. This would include allowances for more consumer directed care options.

The American Legion has **NO POSITION** on this proposal.

8. Modifying Department of Defense and Department of Veterans Affairs Collaboration – This proposal calls for enforcement of improved coordination between DOD and the Department of Veterans Affairs (VA). The American Legion applauds this proposal, as it is long overdue. Lengthy delays that wasted over half a decade and billions of dollars on a failed interoperable Electronic Healthcare Record (EHR) highlight the most glaring of the failures between the two agencies to communicate, but the proposal has more broad reach and would also enforce collaboration on a more uniform formulary for medications between the agencies and in other areas. The American Legion's extensive research into VA healthcare has uncovered many veterans, especially those suffering from Posttraumatic Stress Disorder (PTSD) and Traumatic Brain Injuries (TBI) who cannot get the same medications from VA they received when they were treated on active duty. This necessitates new attempts to find the right balance of medications and can cause severe treatment setbacks. There is no reason this should happen.

The handoff between DOD and VA should be smooth and seamless. It will be especially critical, given the heavy reliance on Guard and Reserve Component service members to fulfill the operational needs of the military over the past decade, to ensure this seamless communication also includes all Guard and Reserve Component systems as well.

The American Legion **SUPPORTS** this proposal.

9. Combining the Commissaries and Exchange Systems – This proposal seeks to consolidate the commissary and post exchange (PX) systems both across the service branches and with each other to create a single, unified, defense retail system, ostensibly for “one stop shopping.” The stated purpose of this proposal is to reduce overhead costs by eliminating redundant management structures. However, it is unclear from the proposal how this new system would affect the current cost savings enjoyed by service members and their families at these facilities. Commissary and PX privileges are a long standing and time honored benefit critical to providing affordable living options for military families, especially as pay for military members has often lagged behind their civilian counterparts.

The American Legion currently has **NO POSITION** on this proposal, but would note extreme caution and attention should be brought to the examination of this proposal to ensure any consideration of such a consolidation does not negatively impact service members or their families.

10. Modifying the Childcare Benefit – This proposal aims to improve access to child care on DOD facilities. The proposal would address budgeting tools and information necessary to ensure the ability to provide child care within 90 days to service member families in need. The Commission seeks mandatory and standardized monitoring and reporting of child care wait times.

The American Legion has **NO POSITION** on this proposal.

11. Modifying the Education Benefit – This proposal ostensibly seeks to eliminate redundancy in military education benefits by creating a sunset for all programs except for the Post 9-11 GI Bill, effectively eliminating the Montgomery GI Bill and the Reserve Education Assistance Program (REAP). The proposal would also alter the transportability component of the Post 9-11 GI Bill by increasing the service member’s time commitment to ten years in to be able to use that benefit.

The American Legion has serious concerns about this proposal, and feels there is an overall and fundamental lack of understanding of the utilization of such benefits. While the Montgomery GI Bill may seem redundant to the military now that there is a Post 9-11 GI Bill, actual veterans who use the programs, and veterans’ advocacy groups such as The American Legion are quite aware that the Montgomery GI Bill is far better suited to veterans pursuing on the job training or apprenticeship programs. The American Legion wrote the original GI Bill in 1944 and reiterates the essential point that is as true today as it was then – the GI Bill is intended to facilitate the transition of service members into the

civilian sector, encouraging the education and training necessary to excel in the workforce.

Furthermore, it is of concern to The American Legion that proposals regarding the GI Bill, administered under Title 38 of the United State Code, would be considered primarily through the Armed Services Committees of the Congress, when the more appropriate venue for changes affecting 38 USC would be the Committees on Veterans Affairs. At the very least, any consideration of changes to these benefits must be considered under joint efforts of these committees.

Ultimately, the GI Bill, regardless of era, is one of the most critical and transformative tools for the workers in the American economy. Any changes, however well intentioned, deserve special scrutiny to ensure the transitioning veterans are still being afforded the best possible benefits we can deliver to them to aid them becoming productive members of the civilian workforce.

The American Legion **DOES NOT SUPPORT** this proposal as presented. The American Legion recommends further dialogue between the Departments of Defense and Veterans Affairs, the Senate and House committees on Armed Services and Veterans Affairs, and Veterans Service Organizations (VSOs) to ensure the outcome is balanced to meet the needs of the “All Volunteer Force” and individual service members and veterans.

12. Making Transition Assistance Programs Mandatory – the focus of this proposal is to require “mandatory participation in the Transition Goals, Plans, Succeed (GPS) education track for those planning to attend school after separation or those who have transferred their Post-9/11 GI Bill benefits.”

Transition is one of the most critical areas of a service member’s life, and yet it often is treated as an afterthought. Service members succeed in their tasks in the military because of the tremendous amount of thought that goes into training and preparing them to achieve their military tasks. Preparing a service member for the transition to veteran status in the civilian world deserves the same scrutiny and thought that their induction training does. We prepare our service member to fight, but we must also prepare them to lead in the civilian milieu.

Rather than an afterthought week at the end of their period of service, transition needs to be considered throughout the service member’s career, from induction, through every “re-up” and on through to their last day in the military.

The American Legion **SUPPORTS** this proposal. However, The American Legion also recommends that the stakeholders from the Departments of Defense, Education, Veterans Affairs, and Labor work together to ensure that the proper information being presented at TAP GPS is correct and timely, thus ensuring that individual can utilize the benefit to its max potential. In addition, this will have a secondary effect of mitigating the usage of unemployment compensation for Ex-service members (UCX) benefits that is transferred

from appropriate military services' budgets to Unemployment Trust Fund (UTF) to reimburse the appropriate states for UCX benefits distributed to unemployed former service members. Lastly, under the VOW to Hire Heroes Act of 2011, Public Law 112-56, subtitle B Improving the Transition Assistance Program, Section 221, clearly states the intent of congress was to mandate all members of the Armed Service participate in TAP GPS and all subsequent programs associated with TAP GPS⁹.

13. Discontinuing the Family Subsistence Supplemental Allowance (FSSA) Benefit – this proposal addresses service members and their families relying on federal programs for nutritional financial support such as the Supplemental Nutrition Assistance Program (SNAP) and the Women Infants and Children (WIC) assistance. Many military families rely on these programs, as well as the crucial discounts afforded by commissaries and the PX system, to meet the nutritional needs of their families.

The American Legion has **NO POSITION** on this proposal.

14. Changes to Eligibility for Space Available Travel – this proposal would extend the Space-Available (Space-A) travel program to dependents of service members deployed for more than 30 days. Ostensibly, these changes would “reduce stress” among the families of deployed service members by allowing utilization of Space-A travel.

The American Legion **SUPPORTS** this proposal.

15. Establishment of a Military Student Identifier – this proposal recognizes the unique challenges and exigencies faced by children in military families, and would implement an identifier for students in school system that would allow for study of the challenges these children face. Currently there is no national designator for military dependent students, and therefore no way to aggregate national data on educational performance and other factors.

The American Legion **SUPPORTS** this proposal.

⁹ United States Government Printing Office (112th Congress Public Law 56). 112th Congress. Retrieved from <http://www.gpo.gov/fdsys/pkg/PLAW-112publ56/html/PLAW-112publ56.htm>.