



Position Paper

Military Compensation and Retirement Modernization Commission Report

Issue: Pursuant to the 2013 National Defense Authorization Act, a nine member independent commission spent nearly two years reviewing military compensation and retirement benefits resulting in 15 recommendations designed to improve and modernize the Uniformed Services' compensation and retirement system. These recommendations were released to the public in January, 2015.

Background: The proposed recommendations are designed to ensure the continuation and effectiveness of our all-volunteer force during both peace and wartime and to protect the overall value of the current benefit package and the quality of life of service members and their dependents.

The American Military Retirees Association (AMRA) monitored the commission's progress and provided the commission the results of a member survey on several key aspects of the retirement and compensation system; focusing on retention, recruitment, and quality of life aspects for consideration as recommendations were being developed.

While AMRA appreciates the effort that went into the development of the recommendations and is supportive of many of the "broad strokes" outlined in the final report, we await more information and in depth details regarding their implementation and funding. However, AMRA has identified three major areas of concern that do not require further analysis or additional details to determine whether we can or cannot support them. Two of these concerns involve specific aspects of two recommendations that, if properly addressed and amended, would allow us to support the overall recommendations and one involves a total recommendation that we cannot support and that must be thoroughly re-analyzed or done away with entirely.

Recommendation 1: Help more Service members save for retirement earlier in their careers, leverage the retention power of traditional Uniformed Services retirement, and give the Services greater flexibility to retain quality people in demanding career fields by implementing a modernized retirement system.

In short, this recommendation, at the time of its implementation, would require all new service members to enroll in a Thrift Savings Plan with an automatic 1% match provided by the government. Service members may elect to contribute as much of their monthly pay to the TSP as they desire and the government would match those funds up to 5%. All currently serving members of the military would have the option to remain in the current retirement system, which provides a 50% retirement stipend (50% of the service member's base pay at the highest rank attained), or to participate in the new "blended" retirement system that would include the TSP and a 40% retirement stipend for those who remain in the military for 20 or more years.

While AMRA supports the intent of the “blended” retirement plan, we cannot support the reduction of the current stipend from 50% to 40% in order to fund it. The stipend portion of the current and proposed plan is insulated from economic downturns and shifts in the market place. Reducing the stipend to 40% would place those who commit 20 or more years of their lives to serving in the military in a position where the possibility of leaving the military with only 40% exists.

AMRA Position: AMRA does not support recommendation 1 as written. If other aspects of the Federal budget were to be examined and fraud, waste, and abuses were to be reallocated to pay for the “blended” plan, leaving the current 50% stipend in place, AMRA would support the entire recommendation.

Recommendation 2: Provide more options for Service members to protect their pay for their survivors by offering new Survivor Benefit Plan coverage without Dependency and Indemnity Compensation offset.

The American Military Retirees Association appreciates that the commission has addressed this issue—an issue that has been ignored by lawmakers for far too long. However, as written, AMRA will not support the way in which the commission has chosen to solve what is currently a grave injustice.

Under current law, a retiree may elect to contribute 6.5% of his or her monthly retirement pay as a premium toward the Survivor Benefit Plan (SBP). The SBP provides the service member’s spouse, at the time of his or her death, a monthly benefit equaling 55% of the retiree’s retirement pay for the rest of the surviving spouse’s life. If, at any time during the retiree’s retirement, the retiree is rated by the Veterans Administration with any level of service-connected disability, upon the death of the retiree, the spouse is also entitled to a monthly Disability Indemnification Compensation (DIC) for the rate at which the retiree was determined to be disabled. However, under current law, the spouse may not receive his or her DIC without a dollar-for-dollar reduction in his or her monthly SBP—unless the surviving spouse remarries after his or her 57th birthday, at which time he or she may receive his or her full SBP and DIC without the aforementioned offset. Current law is tantamount to the surviving spouse funding his or her DIC through a mandatory reduction in the SBP that his or her spouse paid for.

Under the recommendation outlined by the Commission, a retiree would still elect to contribute a portion of his or her monthly retirement pay as a premium toward the SBP. However, the amount would increase from 6.5% to 11.25%, allowing his or her surviving spouse to receive the DIC without the current dollar-for-dollar offset.

While this recommendation would allow for receipt of the full amounts of both the SBP and DIC, in the end, the retiree and/or spouse would still be funding their DIC payment. The main difference between this and current law is the fact that self-funding would occur on the front end (in the form of higher premiums) rather than on the back end (in the form of the current offset).

AMRA Position: AMRA cannot support any portion of this recommendation. SBP is a benefit that is paid for through monthly premium payments. DIC is an entitlement that is earned as a result of the years of service faithfully served by the retiree. Receipt of both SBP and DIC must be fully funded by the government that the beneficiaries and their family members faithfully served and supported over the course of their military careers. Anything less than a fully funded program is considered an egregious breaking of faith with retirees and their survivors.

AMRA expects Congress to do its due diligence and seek out areas of the entire Federal budget where fraud, waste, and abuses exist in order to fund this and all programs for our nation's military retirees and their family members.

Recommendation 6: Increase access, choice, and value of health care for active-duty family members, Reserve Component members, and retirees by allowing beneficiaries to choose from a selection of commercial insurance plans offered through a Department of Defense health benefit program.

The American Military Retirees Association supports some aspects of this plan but has concerns over many aspects that are not directly related to retirees. However, we will focus our concerns on those aspects of the recommendations that directly affect retirees.

In short, this recommendation would do away with TRICARE and replace it with a system operated with a fraction of the inflated manpower required to operate the current TRICARE system—a plan that we could support. Furthermore, this recommendation would provide greater choice and much more efficient appointment scheduling times for both primary care and specialist care by widening the civilian care use options currently available to all persons who use the military health care system.

However, under this recommendation, there is no allowance for a 100% health care option for working-age military retirees. Instead, working-age retirees, at the time of implementation of this recommendation, would use a plan that would require each to pay out-of-pocket costs. In the first year, those costs would be equal to 5% of the total cost of services provided and would increase by 1% each year for the next 15 years until the total out-of-pocket costs equal 20%.

AMRA Position: AMRA will not support the recommendation of the Commission until a provision to provide a 100% coverage option for all military retirees is included. We recognize that working-age retiree healthcare has been a target for cost saving measures by lawmakers and we want Congress to apply all means necessary to find the necessary funding to provide an option for 100% coverage for the 17% of less than 1% of our nation's population that wear a military uniform and serve for 20 or more years. This funding is available and should be sought and consolidated by identifying the current fraud, waste, and abuse in many other facets of our Federal budget.

The American Military Retirees Association respects and appreciates the efforts of the Commission and can and will support many aspects of their recommendations if and when more detailed information is presented. The above recommendations cannot be supported in their current form but would be supported if and when the concerns of military retirees, future retirees, and their surviving spouses are properly addressed.