

**Written Statement of**  
**Reserve Officers Association of the United States**  
**and**  
**Reserve Enlisted Association of the United States**  
**for the**  
**House Armed Services Committee**  
**Subcommittee on Military Personnel**  
**United States House of Representatives**  
**on**  
**The Uniformed Services Retirement System**  
**Rayburn House Office Building**  
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*“Serving Citizen Warriors through Advocacy and Education since 1922.”™*



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The Reserve Officers Association of the United States (ROA) is a professional association of commissioned and warrant officers of our nation's seven uniformed services, and their spouses. ROA was founded in 1922 during the drawdown years following the end of World War I. It was formed as a permanent institution dedicated to National Defense, with a goal to teach America about the dangers of unpreparedness. When chartered by Congress in 1950, the act established the objective of ROA to: "...support and promote the development and execution of a military policy for the United States that will provide adequate National Security."

The Associations' 59,000 members include Reserve and Guard Soldiers, Sailors, Marines, Airmen, and Coast Guardsmen who frequently serve on Active Duty to meet critical needs of the uniformed services and their families. ROA's membership also includes officers from the U.S. Public Health Service and the National Oceanic and Atmospheric Administration who often are first responders during national disasters and help prepare for homeland security.

ROA is a member of The Military Coalition where it co-chairs the Tax and Social Security Committee. ROA is also a member of the National Military/Veterans Alliance and the Associations for America's Defense. Overall, ROA works with 75 military, veterans and family support organizations.

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The Reserve Enlisted Association is an advocate for the enlisted men and women of the United States Military Reserve Components in support of National Security and Homeland Defense, with emphasis on the readiness, training, and quality of life issues affecting their welfare and that of their families and survivors. REA is the only Joint Reserve association representing enlisted reservists – all ranks from all five branches of the military.

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#### DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Reserve Officers and Reserve Enlisted Associations are member-supported organizations. Neither ROA nor REA have received grants, subgrants, contracts, or subcontracts from the federal government in the past three years. All other activities and services of the associations are accomplished free of any direct federal funding.

## **The Uniformed Services Retirement System – Currently Serving**

Mr. Chairman and members of the committee, thank you for the opportunity to submit testimony. The manpower profile of our armed forces should be shaped by strategy rather than budget. If decisions are made in a reactive mode, more problems will be created than will be resolved. Retirement eligibility is a force shaping tool.

In 2003, the average Active Component retirement was at 21 years of service, while the Reserve Component retirement averaged 24 years. With the passage of an earlier retirement provision in 2008 providing credit for service in support of Overseas Contingency Operations, the Reserve retirement average has been reduced, more resembling that of the Active Duty.

As field experience is essential, a retirement plan should include incentives to encourage a warrior to serve longer. The current system, at least, sets the bar at 20 years.

Both enlisted and officer mid-grade shortages continue to plague the armed forces. This will be only aggravated with each service throttling back on new accessions into the services.

A proposed plan suggested by the Defense Business Board suggests that military retirement compensation be altered from a “defined benefit” to a “defined contribution” as private sector plans have done using a 401(k) style plan, allowing members of the armed forces to be vested between three to five years. This will only amplify the risk of earlier separations, as individual serving members won’t have to remain as long for retirement eligibility.

Typically, a member who stays in the armed forces beyond the initial period of active duty will be making career decisions between 8 to 12 years. A plan based on a business model could create earlier turnovers, and may actually increase federal expenses as people exit with their vestments.

With a system that encourages higher turnover, there will also be higher costs in recruiting and training, which has been estimated at over \$100,000 per recruit for primary training. Retention bonuses might have to be increased to retain certain skill sets.

To achieve savings, an immediate change would have to be made. It is inappropriate to replace the current plan for those already serving in the armed forces. The ROA and REA do not favor setting up a dual tier system where different generations of warriors involuntarily have different retirement systems. Differences between the retirement plans for the Active and Reserve Components already create enough tension as it is.

Without changing the current system, the only savings that could be accrued is by a deferment of payment. ROA and REA are not suggesting elimination of or reduction in the retirement annuity at 20 years, but suggest developing an incentive program that would be actuarially based to encourage Active Component members to delay receipt until they are older. This could be structured similar to Social Security with higher retirement annuities being paid to those who delay receipt longer. An additional incentive would be for annuity rates to annually increase at the rate of armed forces pay increases, and the High-3 formula could be calculated on the pay scale of the last three years before annuity receipt, rather than the last three years of Active Duty.

## **The Uniformed Services Retirement System – those already in retirement**

Last September, the President announced his plan for Economic Growth and Deficit Reduction. Unfortunately, it included the recommendation to increase costs to military retirement and military families for some of their benefits. This would be a change to a compensation package that has already been earned.

Under the plan, annual fees would be instituted for TRICARE For Life health care, beginning with a \$200 annual fee in FY 2013 and would be increased annually if recommended by the Secretary of Defense. This would be above the cost of Part “B” Medicare premiums now being paid, which is means tested.

Additionally, the president suggested adjusting TRICARE pharmacy co-payments to more closely match those of Federal employee health plans by shifting retail pharmacy from dollar co-payments to a percentage co-payments, starting at 10 percent for generic drugs and increasing to 20 percent. Brand name and non-formulary drugs would start with a 15 percent copayment and would rise to 30 percent over time. Mail order generics would be free, but brand drugs would increase to a \$20 dollars co-payment and \$35 for non-formulary, with each eventually increasing to a \$40 co-payment.

Generic drugs ordered from mail order are already free as of October 1, 2011, so the president’s plan contains cost increases without offsetting incentives.

Neither ROA nor REA can support such increases. Retirees from the National Guard and Reserve would be hit the hardest because they typically retire with half of what active duty retirees receive in their pay grade.

Under a total force concept, members of the National Guard and Reserve face the same exposure to call-up, but without many of the same support programs. Many Reserve Component retirees have served in overseas contingency operations during the last ten years, or in Desert Storm. Others are veterans of World War II, Korea, Vietnam and other lesser known conflicts.

For most, retirement is tightly budgeted. Added costs are disproportionate when you are living on the margin. These retirees have earned this benefit, and should not have it altered.

### **Conclusion:**

The serving armed forces represent less than 1 percent of the United States population with the retirees representing just another 6/10s of a percent. The sacrifices and stress faced by this group are unique, unlike anything experienced by the remaining 98.5 percent of American citizens. To target the 1.5 percent of those who have served a career in the armed forces with its included challenges to pay down the deficit is not condonable. Those who have sacrificed shouldn’t be expected to sacrifice again.

The ROA and REA are willing to work with the committee to find better ways to effectively reduce costs to not only maintain an adequate national security, but sustain the benefits of those who have served to attain it.