Biography of Master Chief Joe Barnes, USN, (Ret.)
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Retired Navy Master Chief Joseph L. (Joe) Barnes is director of legislative programs for the Fleet Reserve Association (FRA). His responsibilities include communicating with Congress on military compensation, benefit and entitlement issues, writing and presenting testimony, tracking legislation and speaking at FRA legislative seminars. He also writes and edits legislative update columns for FRA publications.

He co-chairs The Military Coalition's (TMC's) Committee on Military Personnel / Compensation and Commissaries, and is a member of the Coalition's Retirement Issues and MWR / Military Construction Committees. He also is a member of the Defense Commissary Agency (DeCA) Patron Council.

Prior to his present position, he served as editor of On Watch, FRA's bimonthly publication distributed to 160,000 senior enlisted Navy, Marine Corps, and Coast Guard members.

He speaks regularly to Navy senior enlisted personnel regarding quality of life legislative issues and is also keynote speaker for sea service retiree seminars throughout the United States.

Barnes is an accomplished writer/editor, special events coordinator and communications manager. He was public affairs director for the United States Navy Band in Washington, D.C., and directed marketing and promotion efforts for extensive national concert tours, network radio and television appearances and major special events in the Nation's capital.

His awards include the Defense Meritorious Service Medal and Navy Commendation Medal. He holds a bachelor's degree in education and a master's degree in public relations management from The American University, Washington, D.C. He's an accredited member of the International Association of Business Communicators (IABC), a member of the American Society of Association Executives(ASAE) and the American League of Lobbyists (ALL).

Barnes has served in a variety of volunteer leadership positions in community and school organizations. He is married to the former Patricia Flaherty of Wichita, Kansas. The Barnes' have three daughters and reside in Fairfax, Virginia.

CERTIFICATION OF NON-RECEIPT
OF FEDERAL FUNDS

Pursuant to the requirements of House Rule XI, the Fleet Reserve Association has not received any federal grant or contract during the current fiscal year or either of the two previous fiscal years.

Introduction

Mr. Chairman: The Fleet Reserve Association (FRA) is grateful to have been invited to present its priority personnel issues for FY 2003. On behalf of the Association's President and Board of Directors, I extend their appreciation for this opportunity while at the same time, thanking you and the members and staff of the Subcommittee for the outstanding successes gained over the years for the

men and women serving in the Armed Forces of the United States. FRA salutes each of you for a job well done.

The FRA is the oldest and largest Association in the United States representing enlisted men and women of the Sea Services whether on active duty, in the reserves, or retired. Established in 1924, FRA's primary mission is to act as the premier "watchdog" organization for maintaining and improving quality of life for Sea Service personnel. In the past five years, for example, FRA led the way in a campaign to amend the military's "Redux" retirement system for the better and provided a pay study referenced by Congress in the adoption of pay reform for mid-grade enlisted personnel in 2001, and subsequently by Congress in 2002 with regard to further revising the pay for all noncommissioned and petty officers in grades E5 thru E9.

In 1996 FRA sought recognition for the arduous duties performed by junior enlisted personnel serving aboard the Nation's naval vessels. Sea pay was recommended by the Association only to have the proposal turned down by the Navy. Last year, Congress gave the Navy the authority to manage its sea pay program. The amounts paid to career personnel were increased and junior enlisted sailors again became eligible for sea duty pay.

There are other issues and programs advocated by FRA over the past few years that are now a reality. Tricare for Life and expanded pharmacy benefits for older military retirees are major benefit enhancements strongly advocated by FRA and other member organizations of The Military Coalition. (The Association appreciates the great work and strong support of these programs by this Subcommittee and its outstanding staff.)

FRA is the leading enlisted association in the Coalition and has the distinction of holding two of the six elected offices in the Coalition President of the Coalition Corporation, and the Administrator. Additionally, three of nine Coalition committees are co-chaired by members of the Association's legislative staff including Personnel/Compensation/Commissaries, Health Care, and Taxes/Social Security/Medicare Committees.

End Strengths

In a recent appearance before the Senate Armed Services Committee the Chairman, Joint Chiefs of Staff, avowed that the Armed Forces will defeat terrorism "no matter how long it takes or where it takes us." Missing from the statement was the promise to succeed "no matter how many uniformed service members are needed to do the job."

Since 1995, when it was obvious that the downsizing of strengths in the Armed Forces was causing increased operational and personnel tempos, FRA has annually requested increases in military manpower. Operational levels involving uniformed members of the Army, Navy, Marine Corps, Air Force, and Coast Guard have escalated significantly over the past decade to a point where the United States does not have adequate numbers of military personnel to fully accommodate the many commitments ordered by the Department of Defense and area commanders-in-chief.

Today, those engagements have accelerated to meet anti-terrorism campaigns directed by the Bush Administration, including Transportation (Coast Guard and Federal Aviation Administration), and other governmental agencies involved in homeland defense measures. Over 70,000 National Guard and Reservists are now serving in some active duty capacity, while increased numbers of active duty

service members are assigned duties in and near Afghanistan and in other foreign locations on land and sea.

A February 5, 2002, news item in USA Today reported the Army has told the Pentagon it needs 20,000 to 40,000 additional troops in FY 2003, the Air Force 8,000 to 10,000, and the Navy and Marine Corps an additional 3,000 each. However, the Secretary of Defense isn't favorable to the increase in manpower. FRA, on the other hand, must support the military services. Before September 11 some defense officials, both civilian and military, complained that uniformed personnel were doing more with less, were over deployed, overworked, and stretched thin- this during a peace time environment. Now that the United States has ordered troops into Afghanistan and surrounding areas, military personnel are stretched much more. Nevertheless, the troops are serving magnificently. The question is: How much longer?

Recently a military-oriented news source headlined two items dealing with deployments: "Atlantic Fleet chief warns of higher operations pace" and "On watch for the holidays: Amphib group leaves early." Both attested to increased operational and personnel tempos. It's for certain that since the admiral's warning, operational tempos have not subsided and the military services' need additional uniformed manpower.

Recommendation. Congress should take heed of the need for greater strength authorizations and funding to ease both operational and personnel tempos now imposed upon a force not sufficient in numbers to continue the current demands for manning operational commitments. Although Congress did allow a small increase in the strengths of the Navy and Air Force, the numbers fell short of their needs. The Army and Marine Corps received no increase in manpower for FY 2003, but they too are seeking increased numbers. FRA recommends Congress give greater credence to the needs of the individual services that have a greater knowledge of their manpower requirements. It may be worthwhile to subscribe to the following warning appearing in a Navy Times editorial of 12/10/01, 'Don't overextend military:' Time and again, America's armed forces have shown they'll do what it takes to serve their country. But history offers a warning: Work them too hard, keep them away from home too long, overlook their welfare and eventually they will walk.

Basic Pay

FRA is ecstatic with the 106th and 107th Congresses for providing pay reform for mid-career enlisted personnel in the Armed Forces as of July 1, 2001, and again on January 1, 2002, for this group as well as senior enlisted members in pay grades E8 and E9. FRA is particularly pleased that its 1999 study on mid-career noncommissioned and petty officers pay played a significant part in opening the path to pay reform for enlisted personnel in pay grades E5 and above.

It is the Association's understanding that the Bush Administration is seeking an additional $300 million in FY 2003 to execute further pay reform for mid-career enlisted personnel and to target raises for some critical commissioned officer grades. FRA welcomes the President's effort to further reduce the 7.6 percent gap that now exists between comparable civilian wages and military pay. Most important is Congress' commitment to increase military pay each year by one-half percent more than the average wage hike in the civilian sector to close the pay gap by the year 2006.

FRA salutes Congress for its resolution to provide comparable pay for the Nation's Armed Forces personnel. This is something that should have been authorized years ago when the gap was closed by two double digit pay increases in 1981 and 1982. In its adoption of the Uniformed Services Pay Act of 1981, Congress made it clear it was trying to restore in current dollars the relative relationship of military compensation to pay in the private sector "that existed in 1972 when Congress adopted the All-Volunteer Force."

Congress also highlighted a requirement for further action. It declared that 'substantial' improvements in pay rates "are necessary in FY 1982" to provide necessary incentives for a career of military service. Additionally, the Senate found fault with the then-current mechanism determining comparability indices used for proposing annual increases in military pay, and suggested that a better mechanism be developed within the next year. Needless to say, budget constraints since then and until recently prevented any improvement in developing legislation addressing the pay gap.

FRA further endorses pay reform for warrant officers but not as a comparison of their pay with that of the senior enlisted pay grades. When an enlisted member has an opportunity to accept a voluntary movement to a warrant officer grade, he or she continues to have the choice of remaining in the enlisted ranks with an expectation of subsequently reaching the most senior enlisted grade of E-9. If the choice is to leave the enlisted ranks and join the warrant grades, then FRA believes there is no basis to compare a warrant grade to that of a senior noncommissioned or petty officer. Enlisted personnel can be assigned to a warrant or commissioned officers' billets, while remaining at their enlisted grade. Warrant officers may be assigned to a commissioned officers' billet, but not that of an enlisted person. So, if there is to be a comparison, reasonably it should be between warrant officer grades and commissioned officer pay tables.

Granted, FRA in its 1999 pay study did compare mid-career enlisted grades with mid-grade commissioned officers' pay cells. The reason FRA employed this contrast (as noted in the study) was attributed to a defense official's use of enlisted promotions and pay cells as partial justification to increase the pay of mid-level commissioned officers. However, FRA employed greater emphasis on comparisons between the enlisted grades before and after the advent of the All-Volunteer Force to make a case for mid-career enlisted pay reform.

Recommendation. That Congress holds fast to its commitment to closing the military pay gap by 2006 through the use of higher-than-civilian-pay increases to military basic pay. However, in order not to allow military pay to again fall behind that in the civilian community, Congress needs to act before 2006 to repeal the law that authorizes capping annual military pay increases below that of civilian wages. Additionally, FRA recommends that future pay increases for the Armed Forces be based on the value of each pay grade within its own category; enlisted, warrant officers, and commissioned officers. Any comparison between categories should be based on the performance value of the grades reviewed. For example: If senior NCOs and petty officers have a greater value to the military than warrant or commissioned officers of certain pay grades, then the basic rate of pay for the senior enlisted should be of a greater premium. The opposite would also apply.

Dislocation Allowance

Throughout a military career, service members endure a number of permanent changes of station (PCS). Most often the moves require additional expenses for

household relocations. Such expenses may include, but are not limited to, loss of rent deposits, abandonment or forced sale of items that must be replaced, added wear and tear on household goods in transit, disconnecting and connecting telephone service and other utilities, and the purchase of some furniture replacements for the new home.

To help defray these additional costs, Congress in 1955 adopted the payment of a special allowance termed "dislocation allowance" to recognize that duty station changes and resultant household relocations reflect personnel management decisions of the Armed Forces and are not subject to the control of individual members. In 1989, Congress increased the allowance from one month's basic allowance for quarters (BAQ) to two months.

Odd as it may appear, service members retiring from the Armed Forces are not eligible for dislocation allowances, yet many are subject to the same additional expenses as their active duty counterparts. In August 2000, the Marine Corps Sergeants Major Symposium recommended the payment of dislocation allowances to retiring members who, in the opinion of the Sergeants Major, bear the same financial consequences on relocating as their active duty counterparts. Both reflect management decisions.

Enlisted personnel, numbering two-thirds of the Armed Forces, upon effecting retirement know they will experience a dramatic reduction in pay beginning the first month of retirement. They will lose housing and subsistence allowances, family separation allowances, death gratuity, and a number of other payments and allowances earned while on active duty. Their retirement pay will average slightly more than one-third of their active duty compensation.

Often they must seek employment knowing not what opportunities exist in the civilian world, where those opportunities are located, what the pay will be, or what will be their spouses' employment possibilities. Sometimes their prospective employers offer less wages to military retirees knowing that they are in receipt of retired pay, and falsely believe the retirees don't need the same salary as civilians applying for the same position. Additionally, the military retiree will have to meet financial demands for mortgages (or rentals) , insurance, taxes, utilities, food, etc., on a smaller income that averages less than $1,000.00 monthly. [DOD Statistical Report on the Military Retirement System, FY 2000, notes that enlisted military retirees in grades E5 thru E7 number 74 percent of the total of enlisted personnel on DOD's retirement rolls with an average monthly retirement check of $965.]

Recommendation: That Congress amend 37 USC , '407, to authorize the payment of dislocation allowances to members of the Armed Forces retiring or transferring to an inactive duty status such as the Fleet Reserve or Fleet Marine Reserve who perform a "final change of station" move.

Termination of Retired Pay on Date of Retiree's Death

FRA believes it is insensitive for the Federal government to continue recovering the balance of the retired pay of a member of the Armed Forces whose death occurs on any date in the final month of the retiree's life. Current regulations require the military's finance center to terminate payment of retired pay upon notification of the retiree's demise. Further, to recoup outstanding retired pay checks or direct deposit payments including any check or deposit paid for the month in which the retiree dies.

Eventually, the finance center will pay the eligible survivor for each day the retiree was alive during the month of demise. Meanwhile, the eligible survivor will experience a considerable drop in income. The retiree, unlike his or her active duty counterpart, will receive no death gratuity and, in the case of many of the older enlisted retirees, will not have adequate insurance to provide a financial cushion for their surviving spouses. Although the SGLI program was initiated in 1965, it covered the retiree only up to 120 days after the effective date of retirement. Retirees were then authorized to purchase an individual policy of permanent insurance in an amount equal to the SGLI coverage from any participating company in the program.

The problem is one of finances. When the service member retires, his or her income decreases by two-thirds. As noted above, the average retiree is an enlisted member in grades E5 thru E7 (74% of total enlisted retirees in FY 2000) whose monthly FY 2000 retired pay averaged only $965. It was much less in the earlier years. Simply stated, the majority of retirees with families could ill afford to convert their SGLI policies. Others believed that the military would pay a death gratuity to the family when the member passed away in retirement.

Recommendation: Retirement and its related activities is a most agonizing if not a arduous experience for many military retirees and families transitioning to an unfamiliar civilian lifestyle. For the average enlisted member, finances can be a continuing concern. Upon his or her demise, in consideration of the member's service to the Nation and the trauma surrounding the member's death, the surviving spouse should be authorized to retain the final retired pay check/deposit covering any month in which the member was alive for at least 24 hours.

Sea and Submarine Pay

Congress is to be lauded for authorizing the Navy to determine the pay its personnel will receive for sea and submarine duty. The Navy has taken steps to enhance its career sea pay program and to include junior personnel assigned to ships afloat. It has diverted other personnel funds totally $150 million to finance the new pay rates. Submarine pay is another matter. The rates have not been changed for 13 years. In that time, the purchasing power of submarine pay has deteriorated significantly. There is no money in the Navy's FY 2002 budget to increase the rates to reflect the arduous duty required of a submariner.

The requirements in the performance of the duties related to both assignments can be mundane and repetitive, along with unusually excessive work hours. Today's operational commitments and shortages of manpower place even heavier burdens on personnel deployed on naval ships and submarines. They are deserving of higher rates for their outstanding effectiveness in discharging their mission to provide the United States with the world's most efficient and powerful naval force.

Recommendation: Congress is urged to consider the sea and submarine duty programs as an imperative part of the Nation's vital defenses. Both programs should be funded independently. FRA requests of Congress the necessary appropriations to cover the costs of the new rates for the two pays as established by the U. S. Navy.

Concurrent Receipt

The FY 2002 National Defense Authorization Act (NDAA) includes a provision addressing the concurrent receipt of both military non-disability retired pay

and any VA compensation for service-connected disabilities without a reduction in one or the other payment. Currently, the receipt of VA compensation causes a like reduction to a retired service member's military retired pay. This leads to the belief that retired service members, earning retired pay as a result of 20 years or more of service, are forced to pay for their own disablement.

The FY 2002 NDAA authorizes concurrent receipt but only if the Administration seeks that authorization and includes the request for funding in the Federal budget. Such action is not expected and is not contained in the President's FY 2003 budget. Although FRA is not privy to the Administration's reason not to ask Congress to adopt and fund concurrent receipt, some government officials reference a 1993 Congressional Research Service report that cites a number of programs (i.e. social security, unemployment compensation, black lung disease) that have offsets or limits in concurrent receipts. However, the report states emphatically that: "...veterans' disability compensation is always payable fully and concurrently with income or benefits from nonmilitary sources because concern about preserving work incentives for disabled veterans and the long-standing policy that disabled veterans who are able to work in the private economy after separation from military service should not be penalized." (Emphasis added.)

The report further noted that its review listed 25 pairs of programs that in a broad sense might be relevant to policies pertaining to military retired pay and veterans' compensation. "However," the report warns, "many of the program pairs are not similar enough to the veterans' situation to be instructive." (Emphasis added.)

FRA also reminds Congress that its actions relative to tax changes to the military's disability retirement system forced many retired service members to seek redress from the Veterans Administration, later the Department of Veterans Affairs (VA). Before 1975 all military disability pay was tax exempt. A perception of abuse to the system, mostly in the more senior Armed Forces grades, caused Congress to amend the Internal Revenue Code.

The Tax Reform Act of 1976 forced the Department of Defense (DOD) to change the rules so that only a percentage of the member's disability retired pay attributable to combat- related injuries would be tax-exempt. Subsequently, many retiring service members petitioned the VA for relief for service-connected injuries. (Example: A senior enlisted service member with 30 years active service, a veteran of three major conflicts, received a "0" disability upon retirement. The VA awarded him 60%, all exempt from taxation, but to receive the VA compensation, he forfeited an equal amount in the receipt of military non-disability retired pay.)

Service members, whether in uniform or retired, are considered Federal employees, subject not only to Title 10, U. S. Code, but Title 5, U. S. Code, the latter that governs the conduct and performance of government employees. Both active and retired Federal civilian employees eligible for veterans' compensation may also receive full benefits of Federal civil service pay or Federal civil service retirement payments, including disability retirement with no offsets, reductions, or limits.

Recommendation: FRA encourages Congress to take the helm and fully authorize and fund concurrent receipt of military non-disabled retirement pay and veterans' compensation program as currently offered to other retired Federal employees including those receiving benefits under the Federal government's disability program. It is a Constitutional requirement that Congress take the

initiative in matters dealing with the uniformed services as well as Federal employees. For Congress to pass the issue to the Administration is nothing more than a deceptive ploy to avoid responsibility. Congress must remember that U. S. service members not only had a major hand in the creation of this Nation, but have contributed more than any group to the military and economic power of the United States for more than 200 years. Those who have served in the Armed Forces for 20 years or more certainly deserve the opportunity to have equity with their counterparts in the Federal service.

Uniformed Former Spouses Protection Act (USFSPA)

The USFSPA was enacted nearly 20 years ago, the result of Congressional chicanery that denied the opposition an opportunity to express its position in open public hearings. With one exception, only private and public entities favoring the proposal were permitted to testify before the Senate Manpower and Personnel Subcommittee. Since then, Congress has made 23 amendments to the Act: eighteen (18) benefitting former spouses. All but two of the 23 amendments were adopted without public hearings, discussions, or debate. In the nearly 20 years since the USFSPA was adopted, opponents of the Act or many of its existing inequitable provisions, have had but one or two opportunities to voice their concern to a congressional panel. The last hearing, in 1999, was conducted by the House Veterans Affairs Committee and not before the Armed Services panel having oversight authority for amending the USFSPA.

FRA believes strongly that Congress once again is avoiding its responsibility to the men and women who serve or have served in the Armed Forces of the United States. For nearly 200 years, Congress controlled the pay and allowances of active, reserve, and retired military personnel. The States had no say as to how Federal payments would be regulated, even when the recipient retired from military service. In fact, the Federal courts ruled that in retirement the member was still in the military service and was 'in all respects still performing service'. This led to the term, "reduced pay for reduced but continuing service." In short, military retired (or retainer) pay is not a pension or an annuity. Through the media and other public forums, members of Congress, reporters, and outside advocates for the enactment of a former spouses protection act, used the term "pension" to describe military retired pay. Today, the word has nearly replaced its true nomenclature.

One of the major problems with the USFSPA is its few provisions protecting the rights of the service member. They are unenforceable by the Department of Justice or DOD. If a State court violates the right of the service member under the provisions of USFSPA, the Solicitor General will make no move to reverse the error. Why? Because the Act fails to have the enforceable language required for Justice or Defense to react. The only recourse is for the service member to appeal to the court, which in many cases gives that court jurisdiction over the member that it didn't have when the original ruling violated the Act. Another infraction is committed by some State courts awarding a percentage of veterans' compensation to ex-spouses; a clear violation of U. S. law. Yet, the Federal government does nothing to stop this transgression.

A recent DOD review of the USFSPA was more politically-flavored and less concerned with what effect the Act may have on the service members' morale and readiness. One of the stipulations attached by the military to the adoption of the Act was it "should not interfere with the ability of the Armed Forces to recruit and retain qualified personnel." (Emphasis added.) However, it appears DOD is skeptical of possible negative results from the USFSPA for it fails to publicize the provisions of the Act to its uniformed members. Why? Could it be

such action may cause retention problems? FRA believes that if the services should inform their members of the possibility of losing 50% or more of their retirement pay should they divorce regardless of the number of years of marriage retention could suffer.

Recommendation: The Congress needs to take a hard look at the USFSPA with a sense of purpose to amend the language therein so that the Federal government is required to protect its service members against State courts that ignore provisions of the Act. More so, a few of the other provisions weigh heavily in favor of former spouses. For example, when a divorce is granted and the former spouse is awarded a percentage of the service member's retired pay its should be based on the member's pay grade at the time of the divorce and not at a higher grade that may be held upon retirement. The former spouse has nothing to do to assist or enhance the member's advancements subsequent to the divorce, therefore, the former spouse should not be entitled to a percentage of the retirement pay earned as a result of service after the decree is awarded. Additionally, Congress should review other provisions considered inequitable or inconsistent with former spouses laws affecting other Federal employees with an eye toward amending the Act.

Spousal Employment

Recently the Armed Forces have become concerned with the plight of military spouses who lose employment when their service member husbands or wives are transferred to new locations. Studies have concluded that many military families suffer significant financial setbacks when spouses must leave employment to accompany their military sponsor on permanent changes of station (PCS). Some losses are substantial. Worse, yet, is the lack of equal or even minimal employment opportunities at new duty stations.

Currently, the services are launching new programs to assist spouses in finding full or temporary employment to include counseling and training. Other initiatives will help spouses find 'portable' employment in companies with customer-service jobs that can be done at remote locations.

Recommendation: Today's military societal environment requires the services to consider the whole family. It is no longer adequate to focus only on the morale and financial well-being of the member, but his or her family, too. Spousal employment is a major stepping stone to retention of the service member who is a valuable participant in the defense of this Nation. FRA salutes Congress for the provisions it adopted in the FY 2002 NDAA to provide military spouses with financial and other assistance in job training and education. The Association urges Congress to continue its support of the military's effort to effect a viable spousal employment program and to appropriate sufficient funds to assure the program's future success.

Survivor Benefit Plan

FRA believes the Federal Government continues to renege on its commitment to members of the uniformed services who opt to participate in the military's Survivor Benefit Plan (SBP). First, the plan was to be patterned after the Civil Service/Federal Employees Retirement Systems. Second, the cost of the program would be shared; 40 percent by the government and 60 percent by participating military retirees. Both of these themes appear numerous times in congressional hearings on SBP before the House and Senate Armed Services Committees.

House and Senate Hearings in the 94th, 95th, 96th, and 99th Congress note that the military's SBP should "conform identically to the formula" or "function in an identical fashion" to the civil service plan. During a September 1976 hearing conducted by the House Armed Services Committee, a Department of Defense General Counsel letter of July 26, 1976, was inserted for the record. The letter read that if Congress failed to make certain corrections to the military's SBP as it had authorized for the civil service plan, it would "constitute an unwarranted inequity that has extremely adverse impact on the morale of retirees and those nearing retirement."

The 40-60 share between the government and the participating military retiree is also a topic of many congressional hearings. One such hearing is reported in Senate Hearing No. 99-298 of June 20, 1985 that lists five different references to the intent of the plan to share the cost at the above percentage figures. Spokesmen for the Congressional Budget Office and Department of Defense referred to the cost-sharing as follows:

(CBO). Under current law, members retiring today will bear about 62 percent of the cost of the Survivor Benefit Plan; roughly consistent with the 60 percent goal for cost-sharing.

(DOD) The legislative history of the SPB shows an intent that the Government contribute approximately 40 percent of the benefits.

There has been some reluctance by Congressional sources to accept the fact that the military's Survivor Benefit Plan was designed to emulate the civil service plan or that the participating service member was to incur but 60 percent of the program's costs. It's obvious these sources are ignoring the wishes of earlier Congresses to provide an attractive program that would be both equitable and reasonable.

Equity has gone the way of all good intentions. Military SBP participants have seen their share of the plan's cost rise above the 70% factor (approximately 73% overall, 79% for those enrolled since the 1970s.) The rise in the plan's cost-sharing for military retirees was predicted as early as 1980 (Senate Report No. 96-748, p. 7) and again in 1996 (Military Compensation Background Papers, Fifth Edition, Sep. 1996, p. 691). In fact, DOD, in the Senate Report referenced immediately above, warned that if certain changes were not made to the Plan, "the officer portion of the cost sharing will escalate to 76 percent, while enlisted members share 125 percent of the costs." Nearly 10 years earlier, in the September 1, 1976, House hearing referenced above, a DOD General Counsel letter of August 30, 1976, was inserted for the record. It stated that over time, "inflation will cause the cost of the SBP participant to become increasingly out of balance with the cost to his or her counterpart participating in the comparable plan for Federal civil servants." Meanwhile, the civil service and federal employees' plans remain at participating costs of 50 percent and 58 percent, respectively.

There is yet another cost-sharing inequity that exists in the military SBP. Participants in the plan pay premiums over a much longer period than their counterparts in the civil service/federal employees' plans. This gives the federal retiree a far more advantageous benefit-to-premium ratio.

FRA is in agreement with Retired Air Force Colonel Mike Lazorchak who wrote in Navy Times, January 15, 2001, "(E)ach year Congress fails to pass more meaningful SBP rates, military retirees are forced to give the government an ever-increasing interest-free loan in return for their benefits. Admittedly, an

increase in the government subsidy will require Congress to increase the annual contribution to the Military Retirement Trust Fund, most of this increase is merely a repayment of the interest-free loans that military retirees have been required to give the government for decades."

Recommendation. The high cost of participating in the military's Survivor Benefit Plan is contrary to the intent of Congress to pattern it after the Civil Service/Federal Employees survivor plans. To accomplish this goal, Congress is urged to amend the military's Survivor Benefit Program to repeal the minimum post-62 SBP annuity over a period of 10 years. [35% to 40% in October 2002, to 45% in October 2005, and 55% no later than October 2011.] Additionally, to further amend the year 2008 to 2003, at which time the military retiree who has paid premiums for 30 years and is at least 70 years of age, will be a paid-up participant.

Conclusion

Mr. Chairman. In closing, allow me to again express the sincere appreciation of the Association's membership for all that you and the distinguished Subcommittee and staff have done for our Nation's military personnel over these many years.