



OFFICIAL STATEMENT OF

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**SENATE ARMED SERVICES,
SUBCOMMITTEE ON PERSONNEL**

Retirement and Compensation Proposals of the Military Compensation and Retirement Modernization Commission



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CURRICULUM VITAE

Chief Master Sgt. (Retired) Robert L. Frank is the Chief Executive Officer of the Air Force Sergeants Association. He oversees the daily operations, advocacy efforts, outreach and support on behalf of the Association's 110,000 dues-paying members world-wide. Mr. Frank served 26 years in the United States Air Force at numerous stateside and overseas locations. His last duty assignment was on the Air Staff as the First Sergeant Special Duty Manager in the Office of the Chief Master Sergeant of the Air Force. While there he led, established policy, and provided guidance for more than 2,500 Regular Air Force, Air National Guard and Air Force Reserve First Sergeants. Before joining the Air Force Sergeants Association, Mr. Frank served as the Veteran Outreach Specialist with the Consumer Financial Protection Bureau's Office of Servicemember Affairs where he established a new position and Veteran engagement strategy for this startup government agency. He assumed his current position on May 26, 2014.

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Air Force Sergeants Association (AFSA) does not currently receive, nor has the association ever received, any federal money for grants or contracts. All of the association's activities and services are accomplished completely free of any federal funding.

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Chairman Graham, Ranking Member Gillibrand, and members of this committee, thank you for this opportunity to present the views of the Air Force Sergeants Association (AFSA) on the military retirement recommendations of the Military Compensation and Retirement Modernization Commission.

AFSA is a 110,000 member strong, federally chartered, worldwide veterans and military service association representing the quality-of-life interests of current and past enlisted Airmen as well as their families. We are in a unique position to have a good understanding of the views of enlisted servicemembers as half of our membership is currently serving in uniform and half are retirees or veterans. We have chapters at every Air Force base around the world, as well as a variety of retiree chapters. As such, we have the pulse of our members and regularly receive feedback on a variety of important issues.

We want to thank the committee for its historic, nonpartisan focus on protecting this nation and those extraordinary military citizens who subject themselves to unlimited liability to make freedom possible. We know your work here today is not an academic exercise. The recommendations of the commission and how this Congress acts on them will have a great impact on the morale of those serving, their decisions whether or not to pursue the military as a career, and the attitudes and wellbeing of those who love and support them. More importantly, these recommendations will have a significant impact on those who have not yet decided to serve, as well as the effect on retention well into the future.

Today, I want to briefly comment on the commission recommendations relative to changing the structure of the military retirement program itself. The tasking to the commissioners was extraordinary, and we certainly applaud their dedicated efforts. Their challenges were unique, and they delivered several recommendations for you to consider as this nation's military moves forward. We understand budget protection and reduction was not the stated motivation of the commission; rather, it was primarily the long-term efficacy of the All-Volunteer force and the quality of the lives of those who serve.

Some say the current pay, benefits, and retirement systems are too generous. We would ask, "What is the basis for comparison to make that statement?" We would assert that you cannot fairly compare the lives of military members with those of other citizens, and there is no "job" like this for a true comparison. Military members face unique day-to-day risks, demands, and challenges, and a condition of their employment is a pledge to give up their very lives if ordered to do so. As such, it would seem to us that the measurement of success of the current compensation, benefits, and retirement systems has to be based on the success of recruiting and retention.

Compensation in this report has been compared to private sector programs, yet unlike the private sector, the military services cannot hire experience into most of their positions, and must rely on "growing" experience. Because we must retain servicemembers at various degrees to keep experience levels right, a retirement and compensation system has to entice a significant portion of servicemembers to make the military a full career to 20 years and beyond. We urge the committee to proceed with caution, find the unanswered questions, and note the challenges we have seen already in the All-Volunteer force. Errors with adjustment to the retirement system has occurred in the past and it has required Congress to take corrective action.

The current retirement system has also been characterized as an "old system" which hasn't been drastically altered in nearly 70 years. Yet it is a system that ushered us into an All-Volunteer force, served us in good and bad economic times, through significant personnel downsizing over the past few decades, and certainly has maintained a ready force through 13 years of war with more than 20 years of heavy deployment cycles. We believe there are times that call for bold decisions; but we also believe a primary motivator should be to not harm a system that seems to be working.

Specifically, my comments today will center on Recommendation #1 to "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." I will also include Recommendation #3, to "promote the financial literacy of servicemembers by implementing a more robust financial and health benefit training program," in my comments as a related measure.

While we are intrigued with the intent of these recommendations, we have serious concerns about some details of the proposals. Our members have told us the current retirement system has served us well since the initiation of the All-Volunteer Force in 1973. Our nation does not currently have an overall military recruiting and retention problem. In fact, such problems have

usually not cropped up unless there is tinkering with their pay and benefit programs. Therefore, we will be interested in further examining the justification to change an untested system that may or may not have the same consistently positive results. The commission cited many private sector programs in comparison, but as previously stated, there are stark differences between the private sector and military service. Changes made today could take ten or more years to reveal their success or failure. There is no better example of this than the passage The Military Reform Act of 1986 (better known as “Redux”) which triggered severe retention issues in the mid to late 1990s requiring congressional intervention to stop them in 1999.

First, we will be interested in viewing the details of the specific surveys that resulted in these recommendations. As you know, enlisted servicemembers represent about 83 percent of the overall force. As such, decisions made in regard to the military retirement program will primarily impact enlisted members and their families. Based on the views of our members, our understanding has been that the vast majority of them are content with the current system that provides them with a solid retirement benefit based on the extraordinary career they serve over the long term—*without their need to constantly monitor and participate in the details of the growth and development of the retirement benefits they will eventually receive.* So our first major interest would be to examine the specific survey results received from the large majority of servicemembers who are current and past noncommissioned members.

A second concern that we believe is an important one is that the recommendations may well encourage early departure from the military—rather than promoting a full, 20-year service career. We believe most involved in these recommendations recognize the need for a strong career force to ensure continuity, training, mentorship, and leadership. As you know, our military members have certainly been stressed during the past decade--with repeated deployments, persistent separations from families, increased group and individual taskings due to cuts in our military forces, and the unique challenges of their military operations and tactics of the particular enemies they are facing. It would seem the recommended changes provide servicemembers with greater incentives to leave at critical career points. We would ask this committee to take a close look at the choices offered in relation to the stresses on military members and their families, and if the changes might set in motion future retention problems.

Next, in looking at the numbers, it is apparent those who would choose to serve beyond 20 years under the recommended system would derive less of a financial benefit than they do under the current system. We believe it is important to always keep in mind the possibility that the decisions this committee makes in regard to military retirement changes could backfire. The recommended changes could entice members who currently would choose to serve full careers to instead opt to leave military service in order to start different career paths in civilian industry that do not have the career stresses and unique challenges of military life. Again, we would be moving to an untested system to replace one that is already working, potentially leaving a hollow force without critical experience and leadership at certain levels. Accordingly, we challenge this committee to make its decisions to call for change -- only if you are very confident that no unnecessary risks to the maintenance of the All-Volunteer Force will be set in motion.

Additionally, the recommended system would only provide government matching of the thrift saving aspect of the blended program up to the 20-year point. It would seem to us that this, in

itself, would encourage those members who reach 20 years of service to find another career outside of military service to continue to gain matched contributions and make the most of a defined compensation system. Again, we would suggest that this aspect of the recommended program—of encouraging departure at critical career points-- should be closely scrutinized.

Concerning the thrift savings portion of the blended retirement system, we would make a few observations.

First, a greater management burden and risk would be shifted from the employer (the Department of Defense) to the employees (servicemembers)—who are already very occupied in carrying out their military duties, often overseas, in spartan conditions, and at great risk. Furthermore, many of our servicemembers lack the knowledge to fully understand how to manage the investment funds they will be expected to use under this proposal.

Secondly, the recommended blended retirement system should first include a program to promote and provide for financial literacy training, such as has been recommend in this report. Having worked during my active duty years as an Air Force First Sergeant and in later years with the Office of Servicemember Affairs of the Consumer Financial Protection Bureau, I can personally attest to the specific financial capabilities and challenges of servicemembers-- and several of the “traps” they can fall into. While any such training would be commendable, one would have to take a close look at the logistics, funding, and practical applications of this training. Some very important questions would include these:

- Would the financial education training program be enthusiastically funded by DoD, or would it be a prime, first-in-line target for future spending cuts—as are some other military personnel programs?
- Would it be carried out as a part-time, additional duty (as many programs in the military tend to be), or would it be taught by a dedicated team of professional financial counselors?
- Will financial counseling be provided early on, before Basic Military Training to ensure these servicemembers fully understand the system they are about to enter?
- How large would this financial training force be? Would it be adequate to provide counseling when needed at all military locations?
- Would this program include family financial training/planning as well—considering that participation of a spouse is important when making career decisions?
- Who will review the curriculum of such training outside of those facing budgetary pressures?
- Will the recommended, blended system be placing those who are simply financially illiterate and/or unlikely to grasp the full breadth of the training at a career disadvantage? Remember we are dealing with military members of various capabilities, aptitudes, and educational backgrounds.
- Would such a training effort leverage already-existing, very successful agencies and programs such as those provided by the Consumer Financial Protection Bureau?

Mr. Chairman, AFSA has worked for many years with members of the overall Armed Services Committees and its subcommittees—this subcommittee in particular, since we primarily focus on quality-of-life programs. Together, we have worked on and achieved many things that have greatly benefited the force and which have made the All-Volunteer Force effort successful.

We have watched you adjust military pay in the past, gauged the results, and made further adjustments when warranted to get it “just right.” Similarly, during the past 40 years of the All-Volunteer Force, we have seen a few minor adjustments to the military retirement system.

However, in the coming months this committee will exercise its collective wisdom to decide if a major departure from the currently working system is justified and appropriate. We do not envy you in that regard, and we fully recognize the burden of leadership you have chosen to carry out on behalf of this nation.

As this committee moves forward in looking at the range of recommendations made by the Commission, on behalf of this association and the 110,000 enlisted members we represent, we pledge our cooperation, participation, and support of your effort to make the right decisions for the great men and women who serve to protect and defend the interests of the American people.

(End of Statement)