

NATIONAL MILITARY VETERANS ALLIANCE

**STATEMENT BEFORE THE
SENATE ARMED SERVICES
PERSONNEL SUBCOMMITTEE**

**BY DEIRDRE PARKE HOLLEMAN, ESQ.
CO-DIRECTOR, NATIONAL MILITARY VETERANS ALLIANCE
AND
NATIONAL LEGISLATIVE DIRECTOR
THE RETIRED ENLISTED ASSOCIATION**

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Biography of Deirdre Parke Holleman, Esq.

National Legislative Director
The Retired Enlisted Association
And
Co-Chair of the
National Military and Veterans Alliance

Deirdre Parke Holleman, Esq. is the National Legislative Director of The Retired Enlisted Association. She is also the Co-Director of the National Military and Veterans Alliance (NMVA) and the Co-Chairman of The Military Coalition's (TMC) Survivors Committee. In all three capacities and as a member of TMC's Health Care Committee Mrs. Holleman focuses on healthcare, financial and benefit matters for the Military's retirees, the active duty, the National Guard and Reserves and all their families and survivors.

Prior to joining TREA Mrs. Holleman was the Washington Liaison for The Gold Star Wives of America, Inc. There she represented the concerns of active duty widows and widows of Military members who die of service connected disabilities Before Congress, the Department of Defense, the Department of Veteran Affairs and other Veteran Service Organizations.

Mrs. Holleman is an attorney licensed to practice in the State of New York and before all Federal Courts. For years she was a civil trial attorney in New York primarily handling Domestic, Family and Juvenile cases. She was the Associate Director of The Legal Aid Society of Mid-New York, Inc. This charity represents people who cannot afford to hire counsel in civil matters over nine counties in Upstate New York. She has a B.A. in History and Journalism from George Washington University and a J.D. from Vanderbilt University School of Law.

She lives in Rosslyn Virginia with her husband Christopher Holleman, an Administrative Judge for the Small Business Administration.

INTRODUCTION

Mr. Chairman, distinguished members of the Committee, The National Military and Veterans Alliance wishes to thank you for the honor of testifying before your subcommittee concerning crucial improvements that are needed to support Military Retirees and their survivors.

The Alliance was founded in 1996 as an umbrella organization to encourage all military and veteran associations to work together towards their common goals. The Alliance Members are:

- ❖ American Logistics Association
- ❖ American Military Retirees Association
- ❖ American Military Society
- ❖ American Retirees Association
- ❖ American World War II Orphans Network
- ❖ AMVETS
- ❖ Association of Old Crows
- ❖ Catholic War Veterans
- ❖ Class Act Group
- ❖ Gold Star Wives of America
- ❖ Korean War Veterans
- ❖ Legion of Valor
- ❖ Military Order of the Purple Heart
- ❖ Military Order of the World Wars
- ❖ National Association for Uniformed Services
- ❖ National Gulf War Resource Center
- ❖ Naval Enlisted Reserve Association
- ❖ Naval Reserve Association
- ❖ Paralyzed Veterans of America
- ❖ Reserve Enlisted Association
- ❖ Reserve Officers Association
- ❖ Society of Military Widows
- ❖ The Retired Enlisted Association
- ❖ TREA Senior Citizens League
- ❖ Tragedy Assistance Program for Survivors
- ❖ Uniformed Services Disabled Retirees
- ❖ Veterans of Foreign Wars
- ❖ Vietnam Veterans of America
- ❖ Women in Search of Equity

The preceding organizations represent almost 5 million members and collectively, represent some 80 million Americans, those who serve or have served their country and their families.

The overall goal of the National Military and Veteran's Alliance is a strong National Defense. In light of this overall objective, we would request that the committee examine the following proposals.

Needed Improvements in the Survivor Benefit Plan (SBP)

All the VSOs and Military Organizations participating in the National Military and Veterans Alliance (NMVA) and the Military Coalition (TMC), the American Legion, as well as numerous other VSOs and Military Organizations have been on the Hill this year asking Congress to correct the several severe shortcomings in the present Survivor Benefit Plan. Today we are asking you to take up this issue.

The Drop from 55% to 35%

When a SBP beneficiary reaches the age of 62 his or her benefit drops from 55% to 35% of the Member's retired pay. This occurs at the time when more and more people are on fixed incomes and when their health care needs and costs are growing. It is a crippling surprise. Although it is clear that this reduction has always been in the statute it is also clear that the vast majority of Retirees signing up for this program had no idea that this reduction occurred. It was never highlighted in the explanatory materials from the commencement of the program in 1972 onward.

To get full a SBP annuity a retired member of the Uniformed Services has to contribute 6 ½ % of their base amount of retired pay. This is a serious contribution. It is a truly responsible step in the process of estate planning. It is especially foresighted when you consider that the Member is making this selection at the time of retirement. It is the type of planning that the Federal Government wishes to encourage. But it still has a real negative affect on the Retiree and his spouses' shared retirement. It is a particularly expensive benefit when you consider that since, happily, retirees are living to old ages most SBP widows or widowers **never** receive a 55% payment since they are already 62 when they lose their spouse. For enlisted retirees this reduction in benefits is especially devastating. The loss of between \$100 and \$200 a month can mean the difference of a comfortable old age or one that is dominated with worry.

When the SBP program was instituted Congress intended the federal government to pay 40% of the costs (a subsidy equivalent to the civilian SBP) and the Member was to pay the remaining 60%. Thanks to conservative assumptions and the long paying lives of the retirees that Government contribution is now less than 19% of the costs of the SBP program. With the unforeseen savings the federal civilian program is now substantially better than the corresponding military program. The FERS program has a 33% government subsidy while the CSRS has a 48% subsidy. Additionally, the FERS beneficiary receives 50% of the employee's retired pay throughout her life and the CSRS beneficiary receives 55%. There is no reduction when he or she reaches 62 or any other age. While the federal retirees' pay 10% of their retired pay for their survivor program they pay it for a much shorter time. When analyzing these programs it needs to always be remembered that Uniformed Services retirees are required to retire at much younger ages than are civilian employees. There is no good policy reason for the United States to provide a lesser survivor benefit for its military retirees than its civilian ones. We do not believe that this is what was initially intended. And we firmly believe this is not how the program should continue to operate.

The National Military and Veterans Alliance hopes that this will be the year that this problem is corrected.

The National Military and Veterans Alliance (NMVA) respectfully requests that the Members of this Committee support the ending of the post 62 years of age reduction of SBP annuities. Please support S 1916

SBP/DIC Offset

There are additional improvements that should be made in the SBP program. If a retiree dies of a service connected condition his or her spouse will qualify for Dependency Indemnity Compensation (DIC) from the VA. If the retiree has paid into SBP there is a dollar for dollar offset. (The Widow's concurrent receipt). For the vast majority of widows DIC completely offsets the SBP payment. If the SBP payment has completely swallowed up DIC the survivor will receive the premiums paid all those years. But the SBP premiums are returned without interest, in a lump sum and subject to taxation wholly in the year the money was returned. Even so, many seriously disabled retirees pay into SBP because they cannot be sure they will die of their service-connected disability. This is most unfair. Congress just recently passed a law to allow survivors of Service members who are killed on active duty to receive SBP even though they have, of course, never paid any premiums into the program. But since every active duty surviving spouse is entitled to DIC this would be a hollow benefit if the offset were allowed to continue. For the retiree who paid into the SBP it may have been a real financial difficulty to do so but he or she wanted to protect their spouses' future. In both cases help is needed.

The National Military and Veterans Alliance (NMVA) respectfully requests that the SBP/DIC offset be ended. Please support S 585.

SBP Paid Up Provisions

The military SPB program was enacted in September 1972. Current law provides for a SBP premiums to be paid up after the retiree reaches age 70 and has paid premiums for 30 years. However, the effective dates of said paid up premiums is 1 October 2008. Those retirees who enrolled in SBP before September 21, 1978 will pay up to six years longer than those who enrolled in SBP after 21 September 1978. These enrollees have been a great boon to the SBP program. Since they have happily lived far longer than expected they have been paying far more into this program than their survivors will ever receive. There is no logical reason why they should be required to pay premiums for a significantly longer time than retirees who have enrolled in SBP since September 21, 1978. The paid up date should be moved forward to commence on October 1, 2004. This proposed change is a matter of simple fairness. It would immediately improve the lives of many of our older Military retirees and their spouses.

The National Military and Veterans Alliance (NMVA) strongly recommends that the effective date for the paid up provisions of SBP be moved up to October 1, 2004.

CONCLUSION

At this time in our history we are once again asking our service members and their families to make huge sacrifices and take on enormous risks. Throughout the years we have been required to call on Service members and their families again and again to take on these burdens. They have always willingly done so. And they will do so again. Therefore, the rest of the Country has the obligation to assure that after their service they will be treated with fairness and respect. The changes we have proposed in the Survivor Benefit Plan (SBP) will make it fair and workable. It will succeed in accomplishing what the program has always intended to do: provide an adequate life for the survivors of those who have protected this nation in the past and will do so in the future.