



**NATIONAL  
MILITARY FAMILY  
ASSOCIATION**

Together we're stronger

Statement

of the

**NATIONAL MILITARY FAMILY ASSOCIATION**

Before the

**UNITED STATES SENATE  
ARMED SERVICES COMMITTEE**

**January 28, 2014**

**Not for Publication Until Released by  
The Committee**

The National Military Family Association is the leading nonprofit organization committed to strengthening and protecting military families. Our over 40 years of accomplishments have made us a trusted resource for families and the Nation's leaders. We have been at the vanguard of promoting an appropriate quality of life for active duty, National Guard, Reserve, retired service members, their families and survivors from the seven Uniformed Services: Army, Navy, Air Force, Marine Corps, Coast Guard, and the Commissioned Corps of the Public Health Service and the National Oceanic and Atmospheric Administration.

Association Volunteers in military communities worldwide provide a direct link between military families and the Association staff in the Nation's capital. These volunteers are our "eyes and ears," bringing shared local concerns to national attention.

The Association does not have or receive federal grants or contracts.

Our website is: [www.MilitaryFamily.org](http://www.MilitaryFamily.org).

The National Military Family Association thanks you for the opportunity to present this statement regarding recent changes to the U.S. military retirement system. Our Association strenuously opposes the provisions in the Bipartisan Budget Act capping the Cost of Living Allowances (COLAs) for military retirees under age 62. While it may be necessary to find savings in this time of fiscal austerity, it is unconscionable to balance the budget on the backs of those who have already sacrificed so much. We appreciate that Congress has acted to repeal this provision for medically retired service members and surviving family members who receive survivor benefit plan annuity payments. **We ask you to act to restore COLA for all military retirees.**

The pension received by military retirees is an essential part of the military compensation package. It is a mistake to view retirement pay as a benefit or an entitlement; rather, it is deferred compensation. It is a key consideration for service members and families when they are deciding whether they will make the military a career. Reducing the purchasing power of retiree pay will significantly impact the financial well-being of retiree families and make it harder for families to justify the sacrifices a military career entails.

The National Defense Authorization Act (NDAA) for Fiscal Year 2013 called for the creation of a Military Compensation and Retirement Modernization Commission (MCRMC). The MCRMC was tasked with reviewing all aspects of military compensation, with the caveat that none of its recommendations would affect currently serving military members or retirees. The COLA caps contained in the Bipartisan Budget Act undercut the mandate of the MCRMC and betray the promise that compensation for current military members and retirees would be protected.

The COLA cuts are just one of a host of threats to military compensation that have come forward in recent months. The FY14 NDAA authorized only a 1 percent pay increase for service members – the lowest pay raise since the creation of the all-volunteer force and lower than the 1.8 percent it should have been under the law. This lower pay scale will further reduce the pensions military families can expect to receive upon retirement, since retirement pay is based on base pay.

Another looming threat to military compensation is the proposed closure of stateside commissaries. Recent reports indicate that the Pentagon has drafted a budget plan that would reduce the commissary budget of 1.4 billion dollars by 1 billion by the year 2017, essentially eliminating stateside commissaries in all but rural, isolated areas. This is yet another blow to compensation and benefits for the currently serving and those who have earned the right to shop at the commissary as deferred compensation. The loss of the 30% savings military families receive by shopping at the commissary would be a severe blow to many families.

Retirement pay is especially important to military families because the military lifestyle forces families to make significant financial sacrifices. Most civilian families rely on two incomes in order to make ends meet. However, the frequent moves and other disruptions associated with life in the military often compromise the military spouse's ability find a job or pursue a rewarding career. In fact, 1 in every 4 military spouses is unemployed and looking for work. A military move often forces a spouse to shift to a more portable career or begin again at the bottom of the ladder. Thanks to these challenges, studies show that on average military spouses earn 25 percent less than their civilian counterparts – when they are able to find a job at all.

These obstacles to military spouse employment present both short and long-term financial challenges to military families. In the short term, families face the loss of income that a spouse might have received if he or she could pursue a career without frequent moves and disruptions. Over the long term, frequent unemployment and reduced earnings lower the military spouse's Social Security and other retirement benefits. Because the average military spouse can expect to receive little in the way of retirement benefits, the service member's retirement pay takes on even greater importance.

Another source of wealth for most Americans is home ownership, and here too military families are at a disadvantage. Because military families move on average every two to three years, they do not have the

opportunity to build equity in a home as their civilian counterparts do. One spouse of a Navy officer has this to say:

*Every five years, my husband has to update his security clearance. This involves providing contact information for friends and family members who can vouch for him. When we completed the process four years ago, we noticed that all four of his siblings – all civilians – were at the same addresses where they were living the last time we updated his clearance. None of them have moved in the four years since then. In fact, all of them have lived in the same houses for at least fifteen years. Meanwhile, my address book is filled with scratched out addresses and multiple entries for our military friends.*

Many military families never purchase a home, choosing instead to rent or live on the installation. Others buy a home and are faced with having to sell it – often at a loss – when they receive orders to a new location. Regardless, military families have little opportunity over a 20 year career to build wealth through equity in a home. Once again, this loss serves to increase the importance of the service member's retirement compensation.

Military families have sacrificed greatly over the past twelve years of war. Although the war in Afghanistan may be coming to a close, there is no doubt that military families will continue to be called on to serve and sacrifice. Our service members and families never fail to answer the call, and in return our government has promised to provide them with resources to keep them ready. Now it seems those promises are falling by the wayside. **We urge Congress to honor the Nation's commitments, restore the damaging COLA cuts, and protect the compensation package military families rely on.** The compensation provided to service members must reflect the service they provide to our Nation.