



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

MAR 26 2007

MEMORANDUM FOR MEMBERS OF THE SECRETARY OF THE NAVY'S
RETIREE COUNCIL

SUBJECT: 2006 Secretary of the Navy's Retiree Council Report

The attachment contains the 2006 Retiree Council report items developed at the Council's annual meeting, held April 24-28, 2006, along with the official Department of Navy responses to each of those items. A summary of Council's recommendations precedes the report items. You may note that some of the report items have been referred to other agencies in order to gather further information or for action. These items are considered to be in an open status, and as new information is received, updates will be provided as necessary.

The report responses will also be provided to the Navy and Marine Corps for publication in the official retiree newsletter, Shift Colors and Semper Fidelis, and will be posted on the Retiree Council's website.

A handwritten signature in black ink, appearing to read "W. Navas, Jr.", is positioned above the typed name.

William A. Navas, Jr.
Assistant Secretary of the Navy
(Manpower and Reserve Affairs)

Attachment:
As stated

2006 Retiree Council Report

Recommendations Summary

Item No: A-1.06

Subject: THE PROMISE OF SEAMLESS, COMPREHENSIVE
HEALTHCARE

RECOMMENDATION:

That the Secretary of the Navy along with the TRICARE Management Activity (TMA) continue to work towards the goal of a seamless, comprehensive healthcare benefit for all beneficiaries.

Item No: A-2.06

Subject: TOTAL TRANSFORMATION CONTINUUM OF SERVICE

RECOMMENDATION:

That the Secretary of the Navy continue to support development of a Department of the Navy Auxiliary Force to utilize retiree volunteers in a non-pay status to support both active duty commanders and the retired community -- a program which the Total Force Transformation Working Group is planning to examine.

Item No: A-3.06

Subject: RETIRED ACTIVITIES OFFICE PROGRAM COORDINATORS
(RAOPC)

RECOMMENDATION:

That the Secretary of the Navy provide paid RAOPCs.

Item No: A-4.06

Subject: OPEN SEASON ENROLLMENT ANOMALY BY SERVICE IN
THE SURVIVOR BENEFIT PROGRAM (SBP)

RECOMMENDATION:

That the Secretary ensures the SBP Open Season is more aggressively promoted and that retirees be educated on the value of this opportunity.

Recommendations Summary (cont.)

Item No. B-1.06

Subject: OCONUS SUPPORT TO MILITARY RETIREES

RECOMMENDATIONS:

- A. That the Secretary of Navy encourages DFAS to implement toll free phone service for retirees and annuitants outside of the United States.**
- B. That the Secretary of the Navy urge the Department of Veterans Affairs to provide permanent, full-service counselor(s) in Europe.**
- C. That the Secretary of the Navy request OSD Postal Service to ascertain the services' support for raising the postal weight limit for retirees using FPO/APO facilities at overseas locations.**
- D. That the Navy and Marine Corps Retired Activities Sections survey OCONUS Retirees to identify and resolve additional retiree support issues.**

Item No: B-2.06

Subject: FULL AND CONCURRENT RECEIPT OF MILITARY PAY AND VA DISABILITY COMPENSATION

RECOMMENDATION:

That the Secretary of the Navy support legislation and funding to allow concurrent receipt of military retired pay and VA disability compensation for all eligible retirees, regardless of disability rating or years of service.

Item No. B-3.06

Subject: PRE-TAX HEALTH INSURANCE PREMIUMS

RECOMMENDATION:

That the Secretary of the Navy support a Unified Legislative and Budget (ULB) initiative to amend the Internal Revenue Code to allow active duty, retired military members, and federal civilian annuitants to pay their health insurance premiums on a pre-tax basis.

Recommendations Summary (cont.)

Item No. B-4.06

Subject: ADJUSTMENT OF SELECTED RESERVE RETIREMENT PAY ELIGIBILITY DATE TO RECOGNIZE PERIODS OF ACTIVE DUTY PURSUANT TO MOBILIZATION

RECOMMENDATION:

That the Secretary of the Navy resubmit a proposal to the Secretary of Defense to advance Selected Reserve retirement eligibility pay dates to compensate for periods of active duty pursuant to mobilization orders when that active duty accumulates to more than 180 days.

Item No: B-5.06

Subject: AUTHORIZED PATRONAGE OF MILITARY MWR PROGRAMS

RECOMMENDATION:

That the Secretary of the Navy submit a change to DOD Instruction 1015.10, Military Morale, Welfare, and Recreation, providing active duty retirees privileges equivalent to those afforded to Reserve Retirees.

2006 Retiree Council Report

Item No: A-1.06

Subject: THE PROMISE OF SEAMLESS, COMPREHENSIVE HEALTHCARE

RECOMMENDATION:

That the Secretary of the Navy along with the TRICARE Management Activity (TMA) continue to work towards the goal of a seamless, comprehensive healthcare benefit for all beneficiaries. Specifically:

- A. Ensure that medical department end strength is adequate to provide seamless and comprehensive healthcare.**
- B. Review Congressional reports concerning TRICARE fee increases; assess and evaluate the total overall effect on retiree participation, including changes in the drug formulary.**
- C. Review contracts to ensure that a TRICARE uniform benefit network exists in all areas, including MTF catchment and non-Prime Service Areas (PSAs).**
- D. Establish a customer dossier system for problem-solving, enabling TRICARE to document all inquiries and contact with beneficiaries to ensure continuity of service.**
- E. Enhance OCONUS health care benefit and support to include toll free telephone capability and establish an OCONUS retiree dental plan.**

DISCUSSION:

The healthcare benefit continues to be highly valued by the military retiree community. We appreciate our Military Healthcare System (MHS) and we are grateful for the effort extended on behalf of retirees and their families. We are heartened by the seamless transition program from MHS to the Veteran's Administration in caring for our returning veterans. We have also been encouraged by the progress that has been made in improvement and refinement of the TRICARE program in considering the inclusion of a preventive eye health benefit, and in retaining current MEDICARE reimbursement rates.

However, the Council invites your attention to the following:

- A. Medical Manning.** The Council has reservations about possible reductions in active duty medical personnel end strength. The Military Health System (MHS) provides services not only to active duty personnel and their families, but also to retirees. The

MHS system is already facing challenges with increased operating tempo, care of the wounded, BRAC realignment, and funding restraints. Any reduction could seriously impact the goals of a comprehensive healthcare system.

B. Proposed TRICARE fee increases and Tiered Formulary changes. Quite distinct from the private sector, military retirees are a unique constituency which has served its nation with pride, sacrifice and honor. While the Council is cognizant of the nation's escalating healthcare costs, the exceptionally large and rapid projected charge increases for retirees is disheartening. This may discourage many from continuing and enrolling in programs that were intended to be of benefit to them. The simultaneous increase of enrollment fees, pharmacy co-pays, and establishment of an additional tier of full pay drugs could effectively preclude some retirees from participation in this earned benefit. We are encouraged by Congressional support for additional review prior to execution of the projected fee increases in order to determine the overall impact on the retiree's healthcare benefit.

Proposed changes in the Tiered Formulary cause several concerns. In addition to the increased financial co-pays, drugs placed in a higher tier may cause providers and beneficiaries uncertainty regarding the medical implications. Change in dosage, frequency, drug substitution, and medication effects have potential to cause frustration at the point of service and may compound a medical problem. When TRICARE is considering formulary changes, the Council strongly recommends that attention be given to the unique health needs of the retiree population.

C. Prime network availability. TRICARE Prime availability for retirees continues to be an issue for those beneficiaries not residing within Military Treatment Facility (MTF) catchment areas. The Council is concerned that retirees in remote areas do not have access to the uniform TRICARE benefits that those living in populated areas enjoy. The Council is mindful of the TMA's detailed response to the 2005 report; however, the Council requests that the TMA review contract language to assess prime networks beyond PSAs. Additionally, improvement in provider networks in all regional operations is necessary to ensure that access to quality care is available and maintained for all beneficiaries.

D. Customer service. Although there has been significant progress made in the customer service arena, TRICARE quality may be compromised by the inability to maintain continuity in the problem solving process. Beneficiaries report that conflicting information is received when they talk with more than one TRICARE service representative. Other federal and private agencies have demonstrated a best business practice by maintaining a customer contact dossier. If the TMA had such a dossier system, TRICARE could track and maintain the continuity of the process over a span of numerous calls.

E. OCONUS Healthcare. As the retired population becomes professionally and personally mobile and as retirees accept OCONUS contractor and civil service positions,

it is paramount to ensure that current healthcare standards remain uniform worldwide. The Council specifically recommends the following:

1. That a TRICARE Retiree Dental Plan be available to OCONUS military retirees. Council recommends that the TMA include retiree dental plan option in 2008 contract.
2. That the TRICARE Website be reviewed for accuracy ensuring toll-free capability for OCONUS beneficiaries. The TRICARE website is extremely informative, highlighting both CONUS and OCONUS TRICARE programs. There is concern, however, from European based retirees that accessing the published toll free number results in a cautionary message that “fees” will be incurred if the call is completed.

RESPONSE: DEFER TO TRICARE MANAGEMENT ACTIVITY.

The Retiree Council’s recommendations have been forwarded to the Executive Director of the TRICARE Management Activity for possible action and response.

STATUS: OPEN.

Item No: A-2.06

Subject: TOTAL TRANSFORMATION CONTINUUM OF SERVICE

RECOMMENDATION:

That the Secretary of the Navy continue to support development of a Department of the Navy Auxiliary Force to utilize retiree volunteers in a non-pay status to support both active duty commanders and the retired community -- a program which the Total Force Transformation Working Group is planning to examine.

DISCUSSION:

In our 2004 and 2005 Reports, the Council recommended commissioning a study to evaluate the viability of developing a Department of the Navy Auxiliary Force from the Navy and Marine Corps retiree community. In response, the Secretary referred the recommendation to the Total Force Transformation Working Group stating, that the proposal was “clearly feasible” and held “great promise for the Department of the Navy organization as it seeks to restructure itself into a more agile, flexible workforce...”

The Council requests that this item remain open and strongly urges continued support of the Secretariat for an expanded role for the retired community as volunteers supporting the active force.

There are examples of auxiliary forces such as the Washington State Guard, Oregon State Defense Force, and California State Military Reserve. Each of these is a volunteer organization that supplements the State National Guard. They are unpaid, voluntary positions, unless activated by their respective governors.

Many retired Navy and Marine Corps personnel are willing to serve in a non-pay status to fill positions to support active and retiree needs. This is demonstrated by the continued staffing and support of Retired Activity Offices and veterans support groups by military retirees.

The Council recommends that the Total Force Transformation Office communicate with the Retiree Council as it develops policies and programs for including retirees in the continuum of Service initiatives. Several Members of the Retiree Council have volunteered their time to assist in this effort.

RESPONSE: The Navy’s Safe Harbor Program is developing a pilot program to utilize retiree volunteers to support severely injured service members in their community as they transition to civilian life. An advisory letter announcing the program was sent to all Navy Retired Activities Offices in Dec 2006 and the initiative will also be announced in the upcoming issue of Shift Colors.

The program will be designed as follows: those RAOs that will participate in the program (currently planned for eight locations) will select a “Harbor Master” to manage the local

program (recruit and train volunteers) and will receive specialized training. Local retiree volunteers will be designated as “Harbor Pilots” and will receive training to assist severely injured personnel in accessing services and resources in the local area and also as a source of support.

The Council will receive more information on the Safe Harbor pilot program at the 2007 annual meeting.

STATUS: OPEN

Item No: A-3.06

**Subject: RETIRED ACTIVITIES OFFICE PROGRAM COORDINATORS
(RAOPC)**

RECOMMENDATION:

That the Secretary of the Navy provide paid RAOPCs.

DISCUSSION:

Secretary of the Navy Instruction 5420.169J, Department of the Navy Retired Activities Program, defines the parameters of the Retired Activities Office (RAO) organization, structure, mission, and support requirements. The above instruction addressing the RAO program was originally written over 25 years ago when the Department of the Navy (DoN) had many more installations to support RAO services. The RAO Program envisioned by our predecessors is disappearing and our retiree communities are being deprived of a valuable service that once existed. RAOs are staffed by volunteers with the primary responsibility of providing assistance and support to the retirees, their spouses, family members, and survivors. The value of the RAO depends on an accessible location to service retirees and the ability to provide assistance to the retiree in time of need. Command support to the RAO is an essential component to the program.

Retirees over 65 in remote locations are not receiving updated information concerning their benefits. Feedback from RAOs indicates that retirees and survivors, many of whom are being referred to the RAOs from local social service agencies, are:

- Paying high co-payments and extremely high premiums for supplemental health insurance and this is five years after TRICARE for Life was authorized.
- Not in possession of current ID Cards.
- Unaware of potential VA benefits. For example, retirees from the Vietnam era who have been diagnosed with certain illnesses are unaware that these illnesses are on the presumptive list for Agent Orange as a service connection.

The Secretary of the Navy's Retiree Council feels very strongly that quality of service will be greatly enhanced for retirees by establishment of Full Time Equivalent (FTE) paid RAOPCs in areas that have high concentrations of retirees.

These full time positions would enhance the existing sixty-four U. S. Navy RAOs and the seventeen Marine Corps RAOs. Volunteers currently staff these offices on a "catch as catch can" basis, and in some areas these offices remain vacant. A full time paid RAOPC would coordinate activities of the RAOs and oversee/support the volunteers who continue to staff the RAO and foster coalitions with community based organizations. This approach to ensuring excellent assistance to the retired Navy family is aligned with industry customer service best practices.

At present, the Navy and the Marine Corps each have one full-time paid position in a high retiree concentration area. This has proven to be valuable to the local commander and the retiree community. Their existence has relieved the burden on active duty personnel administrative systems by giving the retired community a single point of contact who is the expert on the needs of the retired community.

An enhanced structure would allow for consistency in managing, recruiting, and training volunteers. It would also provide a means for ensuring the quality of service is consistent throughout the RAOs and provide a means of accountability to local commanders of all services. The Retired Activities Program does not have a Program Manager at the local level. The Marine Corps has developed, staffed, and has under consideration a Marine Corps Order to implement the paid RAOPC concept at the Marine Corps level. The Retiree Council is encouraged by the Marine Corps' leadership, and strongly views a viable RAO Program as a necessary tool to strengthen our military commitment to "take care of our own".

RESPONSE: As this is an area best addressed by the uniformed services, this recommendation has been formally sent to the Chief of Naval Personnel, the Commander, Navy Installations Command, and the Deputy Commandant, Manpower and Reserve Affairs for review and response.

STATUS: OPEN.

Item No: A-4.06

Subject: OPEN SEASON ENROLLMENT ANOMALY BY SERVICE IN THE SURVIVOR BENEFIT PROGRAM (SBP)

RECOMMENDATION:

That the Secretary ensures the SBP Open Season is more aggressively promoted and that retirees be educated on the value of this opportunity.

DISCUSSION:

The Council reviewed the number of retiree enrollments during the current open enrollment period for the Survivor Benefit Plan and noticed substantial differences by Service in the numbers of members taking advantage of this benefit. The numbers of Navy and Marine Corps retirees who have applied for enrollment of SBP during the Open Season Enrollment period is significantly less than that of the Air Force and the Army.

In raw numbers, the Army and Air Force enrollments are significantly larger than those of Navy and Marine Corps retired members. When comparing the levels of participation of Air Force and Army retirees to Navy and Marine Corps retirees reflected in the table below, there is an anomaly which highlights that Air Force and Army retirees are participating at significantly greater rates than their Navy and Marine Corps counterparts – in the case of Navy enrollees, the Air Force and Army enrolls nearly three times as many as Navy retirees when comparing enrollments to the respective service’s retired community, and nearly five times as many as Marine Corps retirees.

Numbers of New Enrollees as of April 26, 2006

Service	Retiree Accounts	New Enrollees
Army	723,350	439
Navy	528,868	183
Air Force	701,816	535
Marine Corps	120,584	58

The Council is concerned that the Navy and Marine Corps may be overlooking techniques in their presentations to retired members when an open enrollment period occurs. The Council believes this anomaly, particularly when measured against Air Force efforts, and reinforced by the short period for closure of Open Season Enrollment merits urgent attention.

RESPONSE: As a result of the Retiree Council Co-Chairs out brief to the Secretary of the Navy on this issue, the Secretary personally contacted the Chief of Naval Operations and Commandant of the Marine Corps and asked them to review the ongoing efforts within the Navy and Marine Corps for publicizing the SBP open season. Contact with DFAS indicates that as of Jan 22, 2007, new enrollees by service are as follows:

Service	Retiree Accounts	New Enrollees as of April 2006	New Enrollees as of Jan 2007	% increase from Apr 2006 to Jan 2007
Army	723,350	439	1143	260%
Navy	528,868	183	647	353%
Air Force	701,816	535	1294	241%
Marine Corps	120,584	58	204	351%

These are not final numbers as DFAS still has cases pending. It is important to note that the percentage of increase from April 2006 to Jan 2007 in new SBP enrollments was much higher for the Navy and Marine Corps than it was for the Army and Air Force.

STATUS: CLOSED.

2006 Retiree Council Report

Item No. B-1.06

Subject: OCONUS SUPPORT TO MILITARY RETIREES

RECOMMENDATIONS:

- E. That the Secretary of Navy encourages DFAS to implement toll free phone service for retirees and annuitants outside of the United States.**
- F. That the Secretary of the Navy urge the Department of Veterans Affairs to provide permanent, full-service counselor(s) in Europe.**
- G. That the Secretary of the Navy request OSD Postal Service to ascertain the services' support for raising the postal weight limit for retirees using FPO/APO facilities at overseas locations.**
- H. That the Navy and Marine Corps Retired Activities Sections survey OCONUS Retirees to identify and resolve additional retiree support issues.**

DISCUSSION:

Retirees residing outside of CONUS lack many services available to their peers residing within the United States. Certain services and support are extremely vital to the quality of life, morale, health, and safety of the retiree community in OCONUS locations.

A. The Council thinks DFAS should, as part of its Technology Plan, provide a toll free number for the use of OCONUS retirees and annuitants. DFAS has briefed the council that it is not satisfied with current phone center operations, wants to automate to save dollars and has a list of "initiatives" to make the Call Center more responsive to the customer and the management in monitoring performance. As a matter of comparison, the TRICARE program currently provides toll free numbers for Europe and Asia as well as a collect call capability for retirees living in "Europe."

B. There are no permanent VA counselors in the European theater to support veterans and their families. There is a VA representative located in the Landstuhl Army Hospital, who is there to serve separating active duty personnel. At DOD expense, VA counselors visit Europe, but they are there intermittently, on a temporary-duty basis and provide only pre-retirement counseling to separating active duty personnel. Retirees are allowed to make appointments on a space available basis, but they are allocated few appointments and since they are not linked to the active duty communication systems they are late in receiving notice. With the current and future growing population of veterans, eligible family members, and retirees in Europe, there is a need for a permanent counselor.

C. Retirees residing overseas and living in locations near bases have the opportunity to use services of the DOD Postal System at existing FPO/APO sites. As defined by existing DOD Postal Regulations, a retiree's use of the DOD Postal system is restricted to a limit of 16 ounces for items shipped or received through FPO/APO facilities. This 16 ounce limit has and continues to place significant hardships on the retiree community residing at OCONUS locations utilizing DOD Postal Facilities to participate in earned benefit programs. For example:

- Retirees using GI Bill benefits and Disabled Retirees participating in the Vocational Rehabilitation Program are unable to receive textbooks through FPO/APO facilities when enrolled in specific educational programs.
- Retirees receiving VA approved batteries for hearing aids have had items not delivered and returned when the item and packing material exceeds 16 ounces.

The Council recommends the Secretary of the Navy request that OSD Postal Service poll the services to ascertain their support for raising the postal-weight limit for retirees using FPO/APO facilities at overseas locations.

D. There is a significant retiree population residing outside of the United States. Retirees are often encouraged to apply for employment as government contractors in key OCONUS support functions. In many cases retirees continue valuable service to their country as American "ambassadors" in these countries. Retirees choosing to live outside of CONUS understand that they will face unique challenges and that some retiree benefits may be limited or unavailable. In many cases retirees are simply looking for a convenient way to obtain answers to their questions. All retirees, regardless of their location, deserve benefits and entitlements they have earned to the maximum extent feasible and as a minimum should have reasonable access to retiree support. The Council recommends the Navy and Marine Corps Retired Activities Sections survey OCONUS Retirees to help identify and resolve, where possible, additional retiree support issues.

RESPONSES:

A: This recommendation is being forwarded to the Director of DFAS for review and comment.

STATUS: OPEN.

B: There have been several major recent developments in regards to the issue of VA counselors in Europe (called the Overseas Military Services Program (OMSP) in the past year. As noted in the discussion above, DOD has paid for travel and per diem for VA counselors to go overseas to conduct transition assistance workshops and pre-separation counseling, per a 1993 Memorandum of Agreement (MOA) between DoD and VA on the OMSP. Under this agreement, the VA has been able to provide seven VA personnel to provide approximately nine months of overseas coverage per year (this includes counselors in the Western Pacific area as well as Europe). It is important to note that

under the MOA with DOD, the primary responsibility of the overseas VA counselors was to implement the Transition Assistance Program for active duty members, and that VA does not have statutory authority to operate a permanent, full service office in any European country, even on a U.S. military installation. This is why the current program is provided on a temporary duty basis and offers limited services.

On May 1, 2006, the Office of the Secretary of Defense officially notified the VA that starting in FY 2007 DoD would no longer provide travel and per diem funding for the OMSP and that the MOA would be redrafted to reflect this change. As of Oct 2007, VA has taken over the responsibility for funding the OMSP. As the VA's budget cycle runs two years forward, this has meant taking funds already planned for other programs in order to continue the OMSP in 2007. However, VA is planning to expand the program to 12 months of coverage overseas in FY 2008.

The Assistant Director, Veterans Service Staff in the VA's Compensation and Pension Service, Ms. Diane Fuller, has indicated that she is interested in ensuring that the overseas counselors work more effectively with the overseas military retired community when feasible. She has been in discussions with the Navy's Retired Activities Program Manager about forming a Service/VA Working Group to meet 1-2 times per year to discuss issues of mutual interest; one of those items is how VA counselors overseas could better align their base visits with retiree events that occur there.

STATUS: OPEN.

C. The anecdotal examples cited in the Discussion portion of this recommendation as problems with overseas retirees accessing VA benefits through the military postal system due to the 16 oz. weight restriction are identical to those provided by the Retiree Council in a 2004 recommendation on raising the postal weight limits for overseas retirees (Retiree Council recommendation B-5.04). These examples were thoroughly investigated at that time and the VA could not document any instances where the APO/FPO weight limit was causing a systemic denial of benefits such as those cited. Absent such evidence, it was concluded that a convincing case could not be made to the Military Postal Service Agency (MPSA) that the weight restriction for retirees should be changed. That situation remains the case today.

However, the upcoming OCONUS Retiree Survey funded by this office will include questions about the postal weight limit issue in order to gather data from overseas retirees in order to more fully document this issue. (See D. below).

STATUS: OPEN.

D. The Navy Secretariat (ASN (MRA)) has agreed to fund an online survey of OCONUS Navy and Marine Corps retirees. The survey is being developed by the Naval Personnel Research Studies and Technology Department (NPRST) and will include questions on a number of topics traditionally believed to be issues for OCONUS retirees. The survey will also allow respondents to provide their own opinions on the major issues

facing them as OCONUS retirees. We will provide a status report on the survey during the 2007 meeting.

STATUS: OPEN.

Item No: B-2.06

Subject: FULL AND CONCURRENT RECEIPT OF MILITARY PAY AND VA DISABILITY COMPENSATION

RECOMMENDATION:

That the Secretary of the Navy support legislation and funding to allow concurrent receipt of military retired pay and VA disability compensation for all eligible retirees, regardless of disability rating or years of service.

DISCUSSION:

In prior years, the Council submitted recommendations concerning concurrent receipt of military retired pay from the Department of Defense and disability compensation from the Department of Veterans Affairs (VA). Congressional action occurred in 2005 that partially corrected situations where disabled military retirees were required to forfeit part or all of their retired pay in order to receive disability compensation from the VA. However, additional Congressional action is still needed to correct this inequity for the remaining group of retirees who are required to forfeit a portion of their retired pay.

The National Defense Authorization Act of Fiscal Year 2005 eliminated the 9 year phase-in period for full concurrent receipt to eligible retirees rated at 100% disability by the VA. Retirees with ratings between 50% and 100% will have their concurrent receipt phased in over the next several years. These benefits are referred to as "Concurrent Retirement and Disability Pay (CRDP)" and are a substantial benefit to more seriously disabled retirees. Members retired with combat related injuries under provisions of United States Code, Title 10, Chapter 61, who have less than 20 years credible service are not eligible for CRDP, nor are those with less than 50% disability.

Regular retired pay is an earned benefit for past military service to our country, while disability pay is compensation for pain and suffering and reduced earnings capability of the disabled veteran. These are two distinctively separate benefits. Extent of a disability should not be a factor for consideration of concurrent receipt, as this is addressed by financially indexing the degree of disability from zero to 100%. Number of years of service should also not be a factor.

Pending legislative actions, expressed in S-558, S-2385, HR-303 and HR-2076 sponsored by Sen. Harry Reid (D-NV) and Rep. Michael Bilirakis (R-FL) respectively, encompass various solutions in resolving this issue, each allowing receipt of both military retired pay and veteran's disability compensation at lower levels of disability and with less than 20 years of service, if disabled. Collectively, these Bills would require a merge to reflect in detail the will of the SECNAV Retiree Council, and we urge that these Bills be revised to address provisions of this recommendation, and strongly encourage support from the Secretary of the Navy and approval by Congress.

RESPONSE: The Department of the Navy does not concur with this recommendation. The Department of Defense continues to oppose expansion of concurrent receipt of retirement pay and VA disability benefits based upon the same period of service. Retired pay and VA disability benefits represent two entitlements that were created for distinctly separate populations. Concurrent payments of the two benefits were prohibited for over 100 years, and the policy was in sync with most private and public benefit systems, which also do not pay both benefits concurrently. Nevertheless, approximately 170,000 retirees now receive concurrent retirement and disability payments totaling \$98 million annually as a result of section 641 of the National Defense Authorization Act for Fiscal Year 2004, which provides a 10 year phase in for concurrent receipt for those retired service members whose combined disability rating is 50 percent or greater. Along with this program, combat-related disabilities are recognized through the Combat Related Special Compensation (CRSC) program.

STATUS: CLOSED.

Item No. B-3.06

Subject: PRE-TAX HEALTH INSURANCE PREMIUMS

RECOMMENDATION:

That the Secretary of the Navy support a Unified Legislative and Budget (ULB) initiative to amend the Internal Revenue Code to allow active duty, retired military members, and federal civilian annuitants to pay their health insurance premiums on a pre-tax basis.

DISCUSSION:

Many uniformed services beneficiaries, including retirees, pay premiums for a variety of health insurance programs, such as TRICARE Prime enrollment fees, TRICARE Standard supplemental premiums, TRICARE Dental Plan, and TRICARE Retiree Dental Plan. For the vast majority, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 percent of their adjusted gross taxable income.

Since 2000, Federal civilian employees have been able to use pre-tax dollars to pay health insurance premiums to the Federal Employees Health Benefits Program under the "Premium Conversion" program. Premium conversion uses Federal tax rules to let employees deduct their share of health insurance premiums from their taxable income, thereby reducing their taxes. This plan is similar to the private sector, in which their employees have been allowed to deduct health insurance premiums from their taxable incomes for many years.

Similar legislation for all active and retired military beneficiaries would restore equity with many private sector and federal civilian workers who can pay their health premiums with pre-tax dollars. This would be especially important in light of proposed increases in military health care premiums for retirees. Military retirees and federal annuitants should be afforded the same tax relief for their health care premiums as private sector and civilian federal workers.

This item was submitted by the 2005 Retiree Council and the Secretary agreed to concur with appropriate legislation. H.R. 994 and S. 484 Bills were introduced in March 2005. These Bills would amend the IRS Code to allow active duty and retired military members and federal civilian annuitants to pay their health insurance premiums on a pre-tax basis. However, since being introduced, these Bills have languished in Congress and will die if not acted upon before Congress adjourns. Support from the Military Departments is critical to moving this legislation forward. A ULB initiative to include this proposal in subsequent legislation would provide a positive endorsement by the Department of Defense.

RESPONSE: The Department of the Navy does not concur with this recommendation. A ULB submission from DoD is not the most efficient means to push such legislation forward in the next session of Congress. The Unified Legislation and Budgeting (ULB) process runs at least 2 years in advance. ULB submissions being developed at this time are for the FY09 cycle.

An additional complicating issue is that this legislation would not amend Title 10 but Title 26 (IRS code) and would affect a larger community than military retirees (H.R. 994 and S. 484 included federal civilian retirees as well). The draft ULB would have to go through additional review from other federal agencies such as the Treasury Department and the Office of Personnel Management, which could further prolong the timeline for eventual submission.

In our earlier response, we indicated that DON could envision supporting bills on this issue that are provided for comment by Congress as part of the normal legislative review process. We stand by our earlier response.

STATUS: CLOSED.

Item No. B-4.06

Subject: ADJUSTMENT OF SELECTED RESERVE RETIREMENT PAY ELIGIBILITY DATE TO RECOGNIZE PERIODS OF ACTIVE DUTY PURSUANT TO MOBILIZATION

RECOMMENDATION:

That the Secretary of the Navy resubmit a proposal to the Secretary of Defense to advance Selected Reserve retirement eligibility pay dates to compensate for periods of active duty pursuant to mobilization orders when that active duty accumulates to more than 180 days.

DISCUSSION:

Reserve mobilizations have averaged a 13 fold increase over any comparable period during the entire 50 years of the Cold War as dependence on the Reserve component continues to grow with each passing year.

Recent world events, e.g., Afghanistan, Iraq and the Global War on Terror have resulted in involuntary recalls to active duty for lengthy periods of time, often in excess of one year. Such reliance on Reservists continues. Additionally future force projections demonstrate increased need for a continuing reliance on the Reserve Force for major contingencies, while maintaining a smaller, more agile Active Force to respond to emerging national defense issues.

Selected Reservists are not entitled to receive retirement pay until age 60, regardless of when eligibility is attained through accumulation of a minimum of twenty years satisfactory participation. As designed, this system does not contemplate extended periods of active duty, particularly involuntary recalls pursuant to mobilization orders now being experienced by many Selected Reservists. These involuntary recalls, and the prospect of additional recalls in the future, are beginning to negatively impact recruiting and retention in the Selected Reserve, particularly in high op tempo organizations and units, and among individual reservists possessing critical skills needed in wartime.

Human resource analysts are already predicting that retention will be adversely affected by these extended involuntary mobilizations. In many instances, they severely disrupt and negatively affect the member's civilian career and home life, not to mention family finances. These analysts predict that many individuals will opt to leave the Reserve force unless there are additional incentives to persuade them to stay.

The 2003 and 2004 Retiree Councils proposed graduated recognition of these sacrifices while on active duty in a proposal very similar to the one proposed herein. This was forwarded to the National Naval Reserve Policy Board (NNRPB) and the Marine Corps Reserve Policy Board (MCRPB) by the Secretary of the Navy.

The NNRPB and the MCRPB concluded that cost offsets would somehow jeopardize other Reserve programs. This Council could not determine which "...other programs vital to other Reservists" would be impacted since the Reserve operational accounts are separate and independent from the retirement account. Contributions to the retirement account while a member is recalled to active duty are similar to annuity payments that the Services currently make for each member on active duty regardless of how they were accessed. Except for the future impact on the retirement account due to an earlier eligibility for retirement, there is no unplanned impact which is not already addressed and absorbed in the Department of Defense budget.

With regard to the MCRPB conclusion that this would create "equity" issues beyond the retirement account impact, we believe that those Reservists recalled for periods of extended active duty suffer inequities when compared to their Active counterparts who draw a benefit earlier. They are also at a disadvantage to their comparable Reserve counterparts who do not suffer a period of extended mobilization yet draw the same benefit at the same time.

Recognizing and rewarding sacrifices made by Reservists during these periods of extended active duty is possible through graduated retired pay eligibility credits which would, after periods of qualifying service, enable a recalled member to draw retirement pay earlier than age sixty.

The 109th Congress has begun to recognize this increased reliance on the Reserve Force and introduced bills (H.R. 783 and S. 639) to address this challenge. Both bills propose a wholesale reduction of the eligibility age for retirement pay in the Selected Reserve from age 60 to age 55. There are many in Congress, the Administration, and the Military Services who believe that the costs inherent in such a dramatic change will negatively impact these bills and, in fact, will impede their passage.

As a reasonable and more viable alternative, the Council proposes that the Secretary introduce a legislative change that acknowledges the rigors of involuntary recalls which accumulate over 180 days of active duty (at any time). After a reservist accumulates 180 days of active duty, pursuant to mobilization or involuntary recall only, he/she would be entitled to draw a retirement check six months earlier than current law provides. Additional six-month credits could be earned through accumulation of additional involuntary active duty in 180-day increments, limited to a total of five years' credits.

The Council respectfully requests that the Secretary readdress and resubmit this issue.

RESPONSE: The Department of the Navy does not concur with this recommendation. The 10th Quadrennial Review of Military Compensation (QRMC) was convened on April 1, 2006 with a charter to take an in-depth look at the entire military retirement system, both active duty and reserve. That review is still underway. Retirement age policy for purposes of receipt of retired pay is being reviewed by the QRMC for both active duty

and Reservists and any changes the QRMC recommends are expected to be in line with overall changes to the retirement system for all categories of retirees.

Among other things, the QRMC is using predictive modeling developed by the Rand Corporation to analyze the effects of various retirement proposals on retention. The Office of the Secretary of Defense has accessed similar reserve retirement reform proposals using an expanded version of Rand's Dynamic Retention Model. Findings show that while reducing the retirement age might increase mid-career retention slightly, any increase was more than offset by a large outflow of members when they reach retirement eligibility, thus encouraging senior, trained members to leave just when their skills are needed the most.

The Rand Corporation also released a technical report, "Reserve Retirement Reform: A Viewpoint on Recent Congressional Proposals" which reviews the retirement reform alternatives that would compensate deployed reserve personnel through improved retirement benefits. The report notes the following: "One might argue that deployed reservists will eventually become retired reservists and improved retirement benefits will reassure them that their service is valued. But. . .the problem with this argument is that if one is concerned about retaining those deployed or who have a high risk of deployment, providing benefits that are deferred far into the future is a costly and poorly targeted means of doing so. . . .Other approaches such as special and incentive pay that increase current compensation are more efficient." In line with this assessment, the Department of Defense has consistently opposed reducing the age for receipt of Reserve retired pay as it would not serve to accomplish any Department force management objectives.

Because of these multiple factors, introducing a stand-alone legislative change to change Reserve retirement eligibility pay dates would not be a productive course of action at this time.

STATUS: CLOSED.

Item No: B-5.06

Subject: AUTHORIZED PATRONAGE OF MILITARY MWR PROGRAMS

RECOMMENDATION:

That the Secretary of the Navy submit a change to DOD Instruction 1015.10, Military Morale, Welfare, and Recreation, providing active duty retirees privileges equivalent to those afforded to Reserve Retirees.

DISCUSSION:

Currently, DOD Instruction 1015.10 (Enclosure 3, Subparagraph E3.1.3) states that members of the Ready Reserve and Retired Reserve, including those who have qualified for retired pay at age 60, but have not yet reached age 60, are permitted use of Category C (MWR-REVENUE GENERATING PROGRAMS) activities on the same basis as members on active duty and their families. For fairness, this statement should also include **Retired** members from **Active Duty**.

RESPONSE: The Council's suggested change was submitted to the Office of the Secretary of Defense (OSD), which controls this instruction. Although DoD Instruction 1015.10 is slated to be updated in the future, there is no definitive date when that effort will begin. OSD is in the process of collecting suggested changes for the anticipated rewrite and will retain the Council's recommendation for use at that time. It should be noted however, that while the narrative language cited by the Council in subparagraph E3.1.3 is indeed confusing, the chart located in subparagraph E.3.2.1, which clearly delineates all authorized groups for MWR programs (and which can be used to determine specific use priorities), places active duty retirees in the same category as reserve retirees, and should be considered the source document for determining MWR patron eligibility.

STATUS: CLOSED.