Statement for the Record

by the

NATIONAL MILITARY FAMILY ASSOCIATION

before the

Subcommittee on Military Personnel

of the

UNITED STATES HOUSE OF REPRESENTATIVES ARMED SERVICES COMMITTEE

December 9, 2015
The National Military Family Association (NMFA) is the leading nonprofit dedicated to serving the families who stand behind the uniform. Since 1969, NMFA has worked to strengthen and protect millions of families through its advocacy and programs. They provide spouse scholarships, camps for military kids, and retreats for families reconnecting after deployment and for the families of the wounded, ill, or injured. NMFA serves the families of the currently serving, retired, wounded or fallen members of the Army, Navy, Marine Corps, Air Force, Coast Guard, and Commissioned Corps of the USPHS and NOAA.

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.
Chairman Heck, Ranking Member Davis, and Distinguished Members of the Subcommittee, the National Military Family Association (NMFA) thanks you for the opportunity to present this statement regarding Military Survivor Benefit Plan issues. We appreciate the Committee listening to the concerns of retirees and surviving spouses about the inequity of the Department of Veterans Affairs (VA) Dependency and Indemnity Compensation (DIC) offset to the Survivor Benefit Plan (SBP) annuity.

We endorse the recommendations presented in the statement of The Military Coalition (TMC).

**We Need the DIC Offset Eliminated for Today’s Surviving Spouses**

Our Association has long believed the benefit change that would provide the most significant long-term advantage to the financial security of all surviving families would be to end the Dependency and Indemnity Compensation (DIC) offset to the Survivor Benefit Plan (SBP). Although we know there is a significant price tag associated with this change, ending this offset would correct an inequity that has existed for many years. Each payment serves a different purpose. The DIC is a special indemnity (compensation or insurance) payment paid by the VA to the survivor when the service member’s service causes his or her death. The SBP annuity, paid by the Department of Defense (DoD), reflects the military member’s length of service. It is ordinarily calculated at 55 percent of retired pay. Military retirees who elect SBP pay a portion of their retired pay to ensure their family has a guaranteed income should the retiree die. If that retiree dies due to a service-connected disability, their survivor becomes eligible for DIC.

*We ask the DIC offset to SBP be eliminated to recognize the length of commitment and service of the career service member and spouse.*

**Special Survivor Indemnity Allowance**

In the FY2008 National Defense Authorization Act (NDAA), the Military Personnel Subcommittee established the Special Survivor Indemnity Allowance (SSIA) as a first step in a longer-term effort to phase out the DIC offset to SBP.

That initial legislation authorized the SSIA for all survivors affected by the SBP-DIC offset in the amount of $50 per month for FY2009, with the amount increasing by $10 monthly for each of the next five years, reaching $100 per month for FY2014-2016, not to exceed the amount of SBP subject to the offset. The authority to pay the SSIA, under this initial provision, was to expire on March 1, 2016.

In 2009, SSIA payments were extended through the end of FY2017, and the monthly SSIA amounts were increased:

- FY2014: $150
- FY2015: $200
- FY2016: $275
As of FY2017, phased SSIA increases will have eliminated roughly 25 percent of the SBP-DIC penalty.

Including an extension of SSIA in the FY2017 National Defense Authorization Act is necessary so SBP-DIC widows will not see an interruption or elimination of the then-$310 payment.

*Extend SSIA so the modest progress in eliminating the DIC offset to SBP will not be lost.*

**Military Compensation and Retirement Modernization Commission (MCRMC) Recommendation**

We appreciate the hard work of the Commission. However, we cannot support the recommendation put forth by the Commission that would give retired service members the option of funding the elimination of the offset by paying a higher premium.

We have concerns about the Commission’s proposed changes to the SBP premium structure. It would leave the 60,000 surviving widows/widowers who currently absorb the offset in the same situation they are now—continuing to have their SBP annuity offset by their DIC payment. **We need Congress to address the elimination of the offset to those who paid the premium and don’t receive their complete benefit now!** Only 8 percent (4580) of SBP/DIC recipients are active duty death surviving spouses. Over 57,500 are the surviving spouses of retirees who have paid SBP premiums subsidized by DoD1.

As stated, the SBP annuity and the DIC annuity are paid for two separate purposes. The retiring service member chooses to ensure the financial security of his/her surviving spouse by enrolling in the Survivor Benefit Plan. There is a chance the retiree may die of a service-connected disability. We maintain the payment of the DIC is the responsibility of the VA regardless of what other insurance or annuity the survivor may be eligible for. No other survivors of federal employees (former military members) are subject to the offset when they receive both a survivor annuity and the DIC. Surviving children receiving SBP are not subject to the offset. Since the retiree already pays a premium for SBP, why should he/she also subsidize the payment of the VA DIC annuity?

Increasing the SBP premium to 11.25 percent would discourage retirees from signing up for the higher coverage unless they were severely disabled and had no other options. Those with severe disabilities who have been medically retired may be least financially able to pay higher premiums even though their survivors would have the greatest stake in having the offset eliminated.

We are especially concerned the Commission did not address how the survivors of those who die on active duty would be affected if this recommendation were enacted. Would they continue to experience the DIC offset to SBP? For many of the survivors of junior service members, the DIC

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completely offsets the SBP annuity. How would the changes to the retirement system included in the FY16 NDAA figure into this?

We agree with the Commission that retiring service members and spouses should receive a full analysis of the costs and benefits of the various options available to them. Service members and families need information in order to make informed decisions on retirement and survivor plans. **However, we cannot support asking the retiree to fund both the unsubsidized portion of the SBP and the VA provided DIC payment on the chance he/she may die of a service-connected disability.**

**SBP for Inactive Duty for Training Deaths**
The Eleventh Quadrennial Review of Military Compensation released in June, 2012 recognized the Survivor Benefit Plan (SBP) annuity for reserve component personnel who die while performing inactive duty is significantly less than the benefit available to survivors of active duty members and reserve members who die on active duty. Despite their inactive status, these reservists are still performing military duties at the time of their death. The review report recommends calculating SBP benefits for a reservist who dies while performing inactive duty training using the same criteria as for a member who dies while on active duty.

*Calculate Survivor Benefit Program annuities for a reservist who dies while performing inactive duty training using the same criteria as for a member who dies while on active duty.*

Our Association appreciates the responsiveness of Congress, the Department of Defense and the Department of Veterans Affairs to surviving families when needs arise and the continued support these agencies provide. However, more needs to be done. We thank you for your consideration of benefit changes that, if enacted, would have a significant positive effect on the financial well-being of surviving families. These families deserve no less for the sacrifice they have made for our Nation.