



MILITARY COMPENSATION AND RETIREMENT
MODERNIZATION COMMISSION

WASHINGTON, D.C.

October 7, 2015

MEMORANDUM FOR THE RECORD

In many cases, the National Defense Authorization Act for Fiscal Year 2016 (FY16 NDAA), Public Law 114-92, adopted the Commission's recommendations as they were proposed in the Commission's final report. The legislative process modified other recommendations, such as capping Government matching of Service member Thrift Savings Plan (TSP) contributions at 4 percent rather than the recommended 5 percent. The outcomes of the Commission's recommendations, as of the date of this memorandum, are recorded in Attachment A of this document.

The legislative process also resulted in several changes to military compensation that were not related to the Commission's work. Examples include military pay raises, changes in basic allowance for housing benefits, increases in pharmaceutical copayments, and a report on achieving budget neutrality for commissaries and exchanges. Attachment B highlights such items.

We look forward to the Congress's further deliberation on key areas of military compensation reform. Recommendations related to Service member and veteran education, transition assistance, and student dependents are currently being considered by the Congress. Joint readiness, including strengthened oversight and identification of essential medical capabilities, is a critical issue that requires further consideration next year. Similarly, health care access, choice, and quality can be improved for dependents, the Reserve Component, and non-Medicare-eligible retirees while improving fiscal sustainability. A more expeditious means of meeting the needs of families with exceptional family members and maintaining benefits at more fiscally sustainable commissaries should also receive continued attention.

It has been a great honor to be part of the public discussion regarding how we, as a grateful nation, ensure Service members and their families benefit from a modern and relevant compensation system. We again thank the Congress, the DoD, and all who participated in the Commission's efforts during the past two years.

Attachment A: MCRMC Recommendations and Outcomes

(Updated 12/15/2015)

MCRMC RECOMMENDATION

OUTCOME

Recommendation 1: 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.

(Final Report pages 37-41; BL 274-302; JES 97-99, 104)¹

<ul style="list-style-type: none"> • Implement a new blended military retirement system as detailed below <ul style="list-style-type: none"> – Grandfather current Service members and retirees in the existing military retirement system, but provide option for Service members to opt in to the new blended retirement system 	<p>Adopted in FY16 NDAA to be implemented for Service members who first enter service on or after January 1, 2018 Adopted in FY16 NDAA and Service members may opt in to new system if they have less than 12 YOS as of December 31, 2017</p>
<ul style="list-style-type: none"> • Defined benefit <ul style="list-style-type: none"> – Vest at Year of Service (YOS) 20 for standard retirement – Set the defined benefit multiplier at 2.0 vs. current 2.5 	<p>Adopted in FY16 NDAA Adopted in FY16 NDAA</p>
<ul style="list-style-type: none"> • Defined contribution through the Thrift Savings Plan (TSP) <ul style="list-style-type: none"> – Automatically enroll Service members to contribute 3% of basic pay at service entry date with annual automatic reenrollment for those who opt out – Government automatically contribute 1% of Service members’ basic pay at service entry date – Government match Service member contributions up to 5% of basic pay from beginning of YOS 3 (2 years and 1 day) through YOS 20 (with Congressional testimony that matching beyond 20 YOS should be considered to maintain Service members’ lifetime earnings) – Vest at beginning of YOS 3 (2 years and 1 day) 	<p>Adopted in FY16 NDAA Adopted in FY16 NDAA Adopted in FY16 NDAA with matching up to 4% through YOS 26 Adopted in FY16 NDAA</p>
<ul style="list-style-type: none"> • Continuation pay <ul style="list-style-type: none"> – Provide new midcareer retention incentives paid at YOS 12 – Provide “basic continuation pay” of 2.5 times monthly basic pay for Active Component (AC) members (0.5 times AC pay for Reserve Component (RC) members) – Services provide additional continuation pay as needed 	<p>Adopted in FY16 NDAA Adopted in FY16 NDAA Adopted in FY16 NDAA</p>

¹ Final Report page numbers refer to the MCRMC Final Report. Addendum page numbers refer to the MCRMC Final Report Addendum. BL page numbers refer to the bill language and JES refer to the joint explanatory statement in the conference report for National Defense Authorization Act for Fiscal Year 2016 (FY 16 NDAA). The conference report is available online at <http://docs.house.gov/billsthisweek/20150928/CRPT-114hrpt270.pdf>.

<ul style="list-style-type: none"> • Service member defined benefit annuity choice <ul style="list-style-type: none"> – Enable Service members to receive all or part of pre-Social Security age defined benefit payments as lump-sum payments – Resume full defined benefit payments at full Social Security receipt age to ensure steady old-age income 	<p>Adopted in FY16 NDAA up to 50 percent of defined benefit payments (available to RC members at age 60)</p> <p>Adopted in FY16 NDAA</p>
<ul style="list-style-type: none"> • Defined benefit vesting flexibility <ul style="list-style-type: none"> – Grant DoD authority to propose YOS changes to defined benefit vesting period for individual career fields – Require a 1-year waiting period after YOS changes are proposed to the Congress 	<p>Not Adopted</p> <p>Not Adopted</p>
<ul style="list-style-type: none"> • Set the disability retirement multiplier at 2.0 vs. current 2.5 without the current 75 percent cap 	<p>Not Adopted</p>

Recommendation 2: Provide more options for Service members to protect their pay for their survivors by offering new Survivor Benefit Plan coverage without Dependency and Indemnity Compensation offset. (Final Report pages 44-45; Addendum pages 2-3)

<ul style="list-style-type: none"> • Maintain the current SBP program for Service members who want to select subsidized coverage that would remain subject to the Dependency Indemnity Compensation (DIC) offset 	<p>Not Adopted</p>
<ul style="list-style-type: none"> • Institute an new SBP option under which Service members pay an additional premium to ensure survivors receive full SBP and full DIC payments (no offsets) 	<p>Not Adopted</p>
<ul style="list-style-type: none"> • Determine the additional premium using the difference between the costs of coverage with and without offsets 	<p>Not Adopted</p>
<ul style="list-style-type: none"> • Do not offset SBP payments by DIC payments for survivors of Service members who die on active duty or inactive duty training 	<p>Not Adopted</p>
<ul style="list-style-type: none"> • Provide a 1-time, 1-year open season for current SBP participants to opt in to the new SBP option 	<p>Not Adopted</p>

Recommendation 3: Promote Service members’ financial literacy by implementing a more robust financial and health benefit training program. (Final Report pages 49-51; Addendum pages 3-7; BL 314-319)

<ul style="list-style-type: none"> • Increase the frequency and strengthen the content of financial literacy training 	<p>Adopted in FY16 NDAA</p>
<ul style="list-style-type: none"> • Provide professional financial literacy training at appropriate career points 	<p>Adopted in FY16 NDAA</p>
<ul style="list-style-type: none"> • Encourage messaging from DoD leadership to reinforce the importance of financial literacy from both readiness and quality of life perspectives 	<p>Adopted in FY16 NDAA</p>
<ul style="list-style-type: none"> • Annually include in the status of forces survey a survey of the financial literacy and preparedness of Service members. The initial and follow-up survey results should be used as a benchmark from which to evaluate and update training. Survey results should be provided to Congress. 	<p>Adopted in FY16 NDAA</p>
<ul style="list-style-type: none"> • DoD provide a military-specific online budget planner for Service members, which should be used during the first 4 years of financial literacy training 	<p>Not Adopted</p>
<ul style="list-style-type: none"> • Restructure military leave and earnings statements to include TSP contributions and value of benefits paid by DoD 	<p>Adopted in DoD Policy²</p>

² In some cases, DoD adoption of recommendations is yet to be implemented.

Recommendation 4: Increase efficiency within the Reserve Component by consolidating 30 Reserve Component duty statuses into 6 broader statuses. (Final Report pages 54-56; BL 193-194, JES 56-57)

<ul style="list-style-type: none"> • Replace the 30 current RC duty statuses with 6 broader statuses 	SECDEF shall, no later than 180 days after enactment of FY 16 NDAA, submit an assessment of the Commission's recommendation and if SECDEF determines that an alternative approach to consolidating RC duty status authorities should be taken, submit legislative language for the alternative approach to HASC/SASC for implementation by October 1, 2018
<ul style="list-style-type: none"> • Issue new orders only when an authority changes 	Same as previous
<ul style="list-style-type: none"> • Amend orders when the duty status, purpose, or funding source changes 	Same as previous

Recommendation 5: Ensure Service members receive the best possible combat casualty care by creating a joint readiness command, new standards for essential medical capabilities, and innovative tools to attract readiness-related medical cases to military hospitals. (Final Report pages 73-78; JES 107, 119)

<ul style="list-style-type: none"> • Improve joint readiness oversight by establishing a new Joint Readiness Command (JRC) and a Joint Staff Medical Readiness Directorate 	Expected to be considered in FY17
<ul style="list-style-type: none"> • Establish Essential Medical Capabilities (EMCs) to promote and maintain certain medical capabilities in the military <ul style="list-style-type: none"> – Define EMCs as a limited number of critical medical capabilities that must be retained within the military for health care during contingency operations – Secretary of Defense approve, establish policies related to, and report to Congress annually on EMCs – JRC recommend EMCs, monitor Services' adherence to EMC policies and standards, and report to the SECDEF on Service compliance – Services develop means to comply with EMC policies by: <ul style="list-style-type: none"> ▪ Managing adherence to EMCs and compliance with EMC standards ▪ Regulating manning requirements and personnel fill rates by specialty ▪ Not substituting required medical specialties ▪ Reporting to JRC on EMCs – GAO review DoD report to Congress annually – Provide authority and financial tools to attract additional EMC-related workload into Military Treatment Facilities (MTFs) 	<p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p>
<ul style="list-style-type: none"> • Adjust the flow of funding for medical readiness and benefits <ul style="list-style-type: none"> – Appropriate health benefits through MILPERS prior to transfer to trust funds – Accrual-fund non-Medicare eligible retiree health care – Establish working capital funds for MTFs with Service O&M subsidies for readiness costs 	<p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p>

Recommendation 6: Increase access, choice, and value of health care for active-duty family members, Reserve Component members, and retirees by allowing beneficiaries to choose from a selection of commercial insurance plans offered through a Department of Defense health benefit program. (Final Report pages 108-119; JES 107)

<ul style="list-style-type: none"> • Replace the current TRICARE program with a broad menu of commercial insurance plans (TRICARE Choice) <ul style="list-style-type: none"> – AC members continue to receive health care through their units or MTFs – AC families purchase a plan from TRICARE Choice with a new Basic Allowance for Health Care (BAHC) <ul style="list-style-type: none"> ▪ Base BAHC on the premium of the median plan selected in the family’s location, plus average out-of-pocket costs ▪ Automatically pay premium part of BAHC to the insurance carrier selected by the family ▪ Provide remainder of BAHC to family to pay for copayments, deductibles, etc. ▪ Establish a program to assist families with high-cost chronic or catastrophic conditions until they reach their plans’ catastrophic caps – RC members may purchase a plan from TRICARE Choice at varying cost shares <ul style="list-style-type: none"> ▪ Reduce cost share to 25% to encourage RC health and dental readiness and streamline mobilization of RC personnel ▪ Provide BAHC to mobilized RC members to pay for their TRICARE Choice selection or their current (civilian) plan – Non-Medicare-eligible retain access to TRICARE Choice <ul style="list-style-type: none"> ▪ Cost shares gradually increase 1 percent annually for 15 years 	<p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p>
<ul style="list-style-type: none"> • Retain current pharmacy benefit, dental benefit, TRICARE for Life, and eligibility for care at MTFs, which would be in insurance carrier networks 	<p>Expected to be considered in FY17</p>
<ul style="list-style-type: none"> • OPM administer TRICARE with DoD input and funding 	<p>Expected to be considered in FY17</p>
<ul style="list-style-type: none"> • Institute a program of education and benefits counseling for beneficiaries 	<p>Expected to be considered in FY17</p>
<ul style="list-style-type: none"> • Finance through trust funds <ul style="list-style-type: none"> – Expand MERHCF to cover the health care and pharmacy program for non-Medicare eligible retirees – DoD, DHS, Department of Commerce, and HHS transfer funding to OPM’s Employee Health Benefits Fund in a segregated account – Create new trust fund for DoD health-care expenditures appropriated in the current year 	<p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p> <p>Expected to be considered in FY17</p>

Recommendation 7: Improve support for Service members’ dependents with special needs by aligning services offered under the Extended Care Health Option to those of state Medicaid waiver programs. (Final Report page 126)

<ul style="list-style-type: none"> • Increase services covered by ECHO to ensure consistency with state Medicaid waiver programs 	<p>Expected to be considered in FY17</p>
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Recommendation 8: Improve collaboration between the Departments of Defense and Veterans Affairs by enforcing coordination on electronic medical records, a uniform formulary for transitioning Service members, common services, and reimbursements. (Final Report pages 138-140; Addendum pages 7-8; BL 338-340)

<ul style="list-style-type: none"> • The JEC should be composed of the Secretary of Defense and the Secretary of Veterans Affairs, who may delegate JEC responsibilities only to the respective Deputy Secretaries of each Department 	Not Adopted
<ul style="list-style-type: none"> • Grant additional authorities and responsibilities to the JEC to standardize and enforce collaboration between the DoD and VA to: <ul style="list-style-type: none"> – Oversee electronic health record compliance with national health information technology standards – Create a uniform formulary including all drugs critical for Service members transitioning from DoD to VA – Define common services and standard terms for Resource Sharing Agreements – Establish a standard reimbursement methodology between DoD and VA – Determine whether planned acquisition of a medical capital asset should be accomplished as a joint acquisition – Report semiannually to the Congress on DoD and VA medical and related expenditures, consistency with JEC strategic plan, and reasons for inconsistencies – Establish a health care record within VA for all military Service members and monitor the percentage of Service members with DoD and VA medical records 	Not Adopted Not Adopted Adopted in FY16 NDAA for pharmaceuticals relating to pain, sleep disorders, psychiatric conditions (e.g., PTSD), and other conditions Not Adopted Adopted in DoD and VA Policy Not Adopted Not Adopted Not Adopted

Recommendation 9: Protect both access to and savings at Department of Defense commissaries and exchanges by consolidating these activities into a single defense resale organization. (Final Report pages 149-151; BL 306-314, 538-553; JES 100-101, 105-106)

<ul style="list-style-type: none"> • Retain commissary benefit by continuing to sell food and other essential items at cost plus 5 percent 	Expected to be considered in FY17
<ul style="list-style-type: none"> • Consolidate DoD commissaries and exchanges into a single Defense Resale Activity 	Expected to be considered in FY17

Recommendation 10: Improve access to child care on military installations by ensuring the Department of Defense has the information and budgeting tools to provide child care within 90 days of need. (Final Report pages 159-160; Addendum pages 9-10; JES 330)

<ul style="list-style-type: none"> • Establish standardized reporting of child care wait times by December 2016 	Not Adopted
<ul style="list-style-type: none"> • Support current DoD efforts to streamline Child Development Program (CDP) position descriptions and background checks 	Adopted in DoD Policy
<ul style="list-style-type: none"> • Exempt child care personnel from future Departmental hiring freezes 	Not Adopted
<ul style="list-style-type: none"> • Revise child and youth direct care staff position descriptions 	Adopted in DoD Policy
<ul style="list-style-type: none"> • Reestablish authority to use operating funds for minor construction projects when building, expanding, or modifying Child Development Program facilities 	Not Adopted

Recommendation 11: Safeguard education benefits for Service members by reducing redundancy and ensuring the fiscal sustainability of education programs. (Final Report pages 169-172; Addendum pages 10-11; BL 228-229, 240-241; JES 68, 70)

<ul style="list-style-type: none"> • Sunset Montgomery GI Bill Active Duty (MGIB-AD) and grandfather beneficiaries 	Not Adopted
<ul style="list-style-type: none"> • Sunset Reserve Education Assistance Program (REAP) and grandfather beneficiaries 	Adopted in FY 16 NDAA for certain Service members
<ul style="list-style-type: none"> • Increase Post-9/11 GI Bill transferability requirements to 10 YOS with a commitment to serve an additional 2 YOS 	Expected in FY16 VA Bill
<ul style="list-style-type: none"> • Sunset Post-9/11 GI Bill housing stipends for dependents 	Expected in FY16 VA Bill
<ul style="list-style-type: none"> • Eliminate eligibility for unemployment insurance for anyone simultaneously receiving a Post-9/11 GI Bill housing stipend 	Adopted in FY16 NDAA for certain individuals who receive Post-9/11 GI Bill benefits.
<ul style="list-style-type: none"> • DOD should document and track the education levels of Service members at entry and at various points during the course of their careers, including Service members who transfer their Post-9/11 GI Bill benefits to their dependents. 	Not Adopted
<ul style="list-style-type: none"> • Require educational institutions to provide information to DoD and VA on students using Post-9/11 GI Bill and Tuition Assistance (TA) benefits and VA report this information to the Congress annually 	Not Adopted
<ul style="list-style-type: none"> • Require that TA be used only for professional development 	Not Adopted
<ul style="list-style-type: none"> • Sense of Congress on Transferability of Unused Education Benefits 	Not Adopted

Recommendation 12: Better prepare Service members for transition to civilian life by expanding education and granting states more flexibility to administer the Jobs for Veterans State Grants Program. (Final Report pages 177-179; Addendum pages 11-12; BL 227-228; JES 79-80)

<ul style="list-style-type: none"> • Require mandatory participation in the Transition GPS education track 	Adopted in FY16 NDAA with authority for Service members to attend any of the additional tracks
<ul style="list-style-type: none"> • Require DoD, VA, and DOL to review and report on the core curriculum for Transition GPS 	Expected in FY16 VA Bill
<ul style="list-style-type: none"> • Encourage states' One-Stop Career Center (OSCC) employees to attend Transition GPS classes and require information be reported on the number of job fairs attended by OSCC employees 	Expected in FY16 VA Bill
<ul style="list-style-type: none"> • Permit state departments of labor to work directly with state VA offices to coordinate implementation of Jobs for Veterans State Grant funds 	Expected in FY16 VA Bill
<ul style="list-style-type: none"> • Require a 1-time joint report from DoD, VA, and Department of Labor regarding the challenges employers face when seeking to hire veterans 	Expected in FY16 VA Bill

Recommendation 13: Ensure Service members receive financial assistance to cover nutritional needs by providing them cost-effective supplemental benefits. (Final Report pages 187-188; Addendum pages 12-13; BL 260, 262; JES 92, 93)

<ul style="list-style-type: none"> • Retain FSSA for Service members serving outside the United States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, or Guam 	Adopted in FY16 NDAA
<ul style="list-style-type: none"> • Sunset FSSA in the United States, D.C., Puerto Rico, Guam, and other U.S. territories where Supplemental Nutrition Assistance Program (SNAP) is available 	Adopted in FY16 NDAA
<ul style="list-style-type: none"> • Require Secretary USDA to report to SECDEF, annually, on use of SNAP benefits by members of the Armed Forces 	Adopted in FY16 NDAA with emphasis that

	information collected from SNAP applicants may be used by SECDEF to determine the number of SNAP applicants in the Armed Forces
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Recommendation 14: Expand Space-Available travel to more dependents of Service members by allowing travel by dependents of Service members deployed for 30 days or more. (Final Report pages 190-191; JES 200)

<ul style="list-style-type: none"> • DoD allow unaccompanied dependents of Service members deployed for 30 days or more to use Space-A travel, under priority category IV 	Adopted in DoD Policy
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Recommendation 15: Measure how the challenges of military life affect children’s school work by reporting on military-connected students. (Final Report pages 195-196; Addendum pages 13-14)

<ul style="list-style-type: none"> • Require states to include information on students who have parents or guardians who are AC or RC Service members in reporting for the Elementary and Secondary Education Act 	Adopted in Public Law 114-95 Student Success Act
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**Attachment B: Military Compensation Changes in the FY16 NDAA
Unrelated to Commission Recommendations**

Pay Raise. (BL 259-260; JES 92)

- Authorizes a 1.3 percent across-the-board pay raise for members of the Uniformed Services in the grades of 0-6 and below, rather than the Employment Cost Index (ECI) of 2.3 percent.

Basic Allowance for Housing (BAH). (BL 261; JES 93)

- Authorizes phased-in modification of BAH by up to 5 percent of the national average for housing.

Survivor Benefit Plan. (BL 302-306; JES 99-100)

- Allows for the election of a new spouse beneficiary after the death of a former spouse beneficiary.

Health Benefit. (BL 322-355; JES 107-115)

- Authorizes modifications of TRICARE pharmaceutical cost-sharing.
- Requires SECDEF to establish health care access standards, including wait time goals for appointments, and ensure that covered TRICARE beneficiaries obtain primary and specialty care appointments within access standards and wait time goals or offer the beneficiary an appointment with a contracted health care provider.
- Requires SECDEF to issue regulations ensuring seamless access to health care for beneficiaries in each TRICARE program region, and establishing portability mechanisms for beneficiaries who relocate between regions.
- Requires SECDEF to submit an annual comprehensive report on patient safety, quality of care, and access to care at military MTFs. The report will contain information on internal analyses, accreditation and other data related to MTFs, and any practitioners reported to the National Practitioner Data Bank.
- Requires SECDEF to conduct a pilot program, to begin NLT 180 days after enactment of this NDAA, to assess value-based incentive programs to encourage institutional and individual health care providers under the TRICARE program to improve quality of care, experience of care, and health of beneficiaries.
- Requires SECDEF to publish and update each quarter public data on measures used to assess patient safety, quality of care, patient satisfaction, and health outcomes on the DoD website.

Commissaries. (BL 306-314; JES 100-101)

- Requires SECDEF to report to HASC and SASC by March 1, 2016 on a plan to achieve commissary and exchange budget neutrality by October 1, 2018. Such budget neutrality must be achieved while maintaining discount savings to beneficiaries.
- Authorizes SECDEF to implement, at his discretion, a pilot program to achieve budget-neutrality using any commissary or exchange and inviting any private sector entity to participate.