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Prepared Statement of

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Principal Deputy Under Secretary of Defense

(Personnel and Readiness)

Before the

Senate Committee on Veterans' Affairs

?Benefits for Survivors?

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Charles S. Abell was appointed by the President as the Principal Deputy Under Secretary of Defense for Personnel and Readiness on November 15, 2002. A Presidential appointee confirmed by the Senate, he is the primary Assistant of the Under Secretary of Defense for Personnel and Readiness providing staff advice to the Secretary of Defense and Deputy Secretary of the Defense for total force management as it relates to manpower; force structure; program integration; readiness; reserve component affairs; health affairs; training; and personnel requirements and management, including equal opportunity, morale, welfare, recreation, and quality of life matters.

Prior to his appointment as the Principal Deputy, Mr. Abell served as the Assistant Secretary of Defense for Force Management Policy beginning on May 8, 2001. In this capacity he was responsible for policies, plans and programs for military and civilian personnel management, including recruitment, education, career development, equal opportunity, compensation, recognition, quality of life and separation of all Department of Defense personnel.

Before joining the Department of Defense, Mr. Abell served as a professional staff member of the Senate Armed Services Committee. Mr. Abell joined the Armed Services Committee staff in 1993, after a 26-year career in the Army. He was the lead staffer for the Subcommittee on Personnel, responsible for issues concerning military readiness and quality of life. His responsibilities also encompassed manpower; pay and compensation; and personnel management

issues affecting active duty, reserve and civilian personnel; and organization and functions within the Department of Defense.

In recent years, Mr. Abell has had the primary Committee responsibility for a broad array of important initiatives aimed at restoring cost-of-living adjustment (COLA) equity for military retirees and survivors; improving the military health care program; upgrading Survivor Benefit Plan coverage; and enhancing pay, allowances and retirement programs for active duty and reserve members and TRICARE for Life, guaranteeing all retirees coverage within TRICARE and the military health care system. He also worked on codification of the homosexual conduct policy and legislation concerning the assignment of women within the Department of Defense.

Mr. Abell entered active duty service as an enlisted soldier and concluded his Army career by retiring as a Lieutenant Colonel. He served two tours in Vietnam in various positions; Infantry Platoon Leader, Company Commander and Cobra Attack helicopter pilot. His career progressed through increasingly responsible positions at every level of Army operations. His decorations include the Legion of Merit, (2) Bronze Stars (Valor), Purple Heart, the Meritorious Service Medal (with four Oak Leaf Clusters), 14 Air Medals (two for Valor), the Army Commendation Medal (for Valor), and the Combat Infantryman's Badge.

Mr. Abell holds a Master of Science from Columbus University in Human Resource Management and a Bachelor of Science in Political Science from the University of Tampa.

Introduction

Mr. Chairman and members of this distinguished Committee, it is my privilege to discuss the means by which we care for the severely wounded, as well as the surviving families of deceased military personnel.

Support to the Severely Wounded

Each of the Services has initiated an effort to ensure that our seriously wounded Service members are not forgotten ? medically, administratively, or in any other way. To facilitate a coordinated response, the Department has established a Joint Support Operations Center. We are collaborating, not only with the military Services, but also with other departments of the federal government, nonprofit organizations, and corporate America, to assist these deserving men and women and their families.

A number of our severely injured Service members will be able to return to duty, thanks to their dedication and commitment, and the phenomenal quality of military medicine. Some, however, will transition from the military and return to their hometowns or become new members of another civilian community. These are capable, competent, goal-oriented men and women ? the best of our nation. We will ensure that during their rehabilitation we provide a ?case management? approach to advocate for the Service member and his or her family. From the joint support operations center here, near the seat of government, to their communities across America, we will be with them. This will continue through their transition to the Department of Veterans Affairs, and the many other agencies and organizations providing support to them.

I have mentioned that the Joint Support Operations Center is a collaborative effort, both inside and outside the government. I recognize and appreciate the interest and expressed desire of the Congress to help ensure the success of this effort. As we identify the need for statutory changes, we will be certain to make you aware and seek your assistance

Twenty-four hours a day, seven days a week, 365 days a year, we are a toll-free phone call away. We will provide a venue for each of the separate programs to be successful, while ensuring that no one falls through a crack. The Center will be a one-stop location, providing a central point of contact for information and support.

Preventing Injuries

The Department actively pursues all methods to prevent our military members from bodily harm. As technology has dramatically advanced from previous wars, the military has increased its lethality, but our equipment is safer, and our warfighter is more highly skilled.

With your support, we strive to provide the best military equipment in the world and ensure that it is safe to operate. For example, we believe that body armor, helmets and protective vests, are reducing both hostile and accidental serious injuries. This is supported by preliminary analysis, which indicates that most injuries are to the body extremities, arms and legs, with less severe injuries to the head and torso areas.

Secretary Rumsfeld's initiative to change how the Department of Defense views the safety of its military personnel and civilian employees also has made an impact. Our goal is zero preventable mishaps. We have taken a major step in that direction. We are succeeding: in Operation Iraqi Freedom (OIF). Historically, about half of the Army's wartime losses were due to accidents; in OIF, about 26% of the losses result from preventable mishaps.

When injuries do occur, far-forward medical and surgical resuscitation, en route critical care support and rapid evacuation to definitive care have significantly reduced combat-related deaths. This is very evident in OIF as we have a ratio of only one battle death for every ten wounded in action, compared to ratios for previous wars that ran typically around 1 to 3. With improved treatment we are also seeing 48% of the wounded in Iraq return to their units within 72 hours. Similarly, our Military Health System has made significant advances in the prevention of injury and disease. These include public health measures, immunization of service members, use of early detection techniques against biochemical agents, and pre- and post-deployment assessments. These have been particularly beneficial in prevention and early detection and treatment of disease and non-battle injuries. Consequently, Disease/Non-Battle Injury rates have been lower than in any other conflict.

Death Benefits

We realize first that no benefits can replace a human life. The lost presence of the family member is what the survivors face. We can't provide that, nevertheless, we must try to address the difficult issue of how to compensate these survivors. Permit me to offer you an overview of what we do in response to the loss of a military member, including personal assistance, as well as cash benefits.

Our system of benefits is generally good, but our recent assessment, in response to your direction, concluded that the overall package could be improved to honor properly the contributions and sacrifices of our service members. We are working within the Department and

with other agencies to address these deficiencies, primarily in the area of immediate cash compensation, for those whose death is the result of hostile actions. We are looking at ways to improve the lump sum payments through increased insurance and death gratuity payments. I will address these in more detail later.

Military Casualty Assistance

When a military member dies, our first concern is to inform the next-of-kin in a manner that is fast, efficient, and highly respectful. Our military casualty assistance program is highly developed and well suited to perform this difficult task effectively. Notification is made in person by Casualty Assistance Office personnel who are customarily accompanied by a chaplain. Casualty Assistance Office personnel stay with the family following notification of the loss, through funeral preparations, burial, and the entire process of determining benefits and compensation. They provide valuable counsel and support to the families, arranging for the military funeral (if desired), running interference when problems arise, and ensuring that the families receive the benefits and compensation due them. The families know that they can contact their Casualty Assistance Office representative at any time, even long after the service member's death. We are proud of our Casualty Assistance program. We often hear from the families that they consider their Casualty Assistance Office representative "part of the family."

The Department continuously explores how it can better support our family members during the most tragic of times, the loss of a loved one in the service to our Nation.

One such initiative is the expedited claims process (ECP) with the Social Security Administration. In March 2003, we partnered with the Social Security Administration to study the possibility of institutionalizing the ECP that was so effective in the tragic aftermath of September 11, 2001. The ECP incorporates post-adjudicative development of evidence, as well as the use of a special toll free number for applicants and Casualty Assistance Officers to call when they are ready to file. This process has been extremely successful in providing swift financial assistance to our families. The final results of the pilot program showed the average claims processing time dropped from several weeks to an average of just over two days time. Accordingly, the ECP was made permanent in January 2004 for surviving family members of all active duty casualties. We established a similar arrangement with the Department of Veterans Affairs several years ago. That program has also significantly expedited the delivery of compensation and benefits to our families.

Benefits for Survivors

Benefits for survivors vary significantly in purpose and method of payment. Some are immediate cash payments or reimbursements for costs incurred; others provide long-term monthly income. These benefits are typically available whether the death is a result of hostilities, the result of non-hostile duty-related activities, or even the result of disease or off-duty injuries. Death Gratuity Benefit - The first benefit is to provide an infusion of cash to alleviate immediate financial requirements. This is accomplished by the death gratuity payment (currently \$12,420, indexed to inflation). Our intent is to provide this payment in conjunction with the notification of death or as quickly thereafter as possible. This is done at the local level and normally takes place within 24 hours.

Funeral Costs ? One of the first expenses survivors encounter is for the funeral. DoD will

reimburse some or all such expenses the family pays directly. The amount payable varies depending which government services are provided. If the family pays all costs, it qualifies for up to \$6,900 in reimbursements for these services.

Insurance Proceeds - After the funeral, the most substantial benefit is the life insurance proceeds from personal policies as well as from SGLI, or Servicemembers' Group Life Insurance. This is our principal insurance program and is under the purview of the Department of Veterans Affairs (VA), operated by the Office of Servicemembers Group Life Insurance (OSGLI), an arm of Prudential. SGLI provides up to \$250,000 of coverage for modest premiums paid by the member. The Department of Defense pays any costs associated with an increased number of deaths attributable to the extra hazards of military service compared to the number of deaths expected in peacetime.

Housing-in-kind or Cash Allowance ? A surviving family may continue to live in military housing without cost for up to six months after the member's death. This enables the members' family to reorient their lives without undue pressure to relocate immediately. They are able to make choices about the future in an orderly manner. Should the family not occupy military housing or move out of military quarters before the end of those six months, they receive a cash allowance in lieu of quarters. In essence, we provide six months of transitional rent.

Medical Benefits - Surviving family members continue to qualify for military medical benefits. For the first three years, health benefits remain at the same level of care as if the member were still on active duty. Family members are then provided medical coverage at the same level as for the families of retired members. Children remain qualified until age 23, and spouses so long as they do not remarry.

Continued Military Community Privileges ? Surviving family members continue to be eligible for use of the Commissary and Exchange, and military morale, welfare, and recreation facilities. These privileges continue under the same qualifying criteria that otherwise apply if the member were retired.

Monthly Cash Compensation ? The surviving family typically qualifies for one or more monthly cash benefits under plans administered the DOD, the VA, and by the Social Security Administration. Taken together, the surviving spouse with minor children will typically qualify for monthly benefits that are equal to or even exceed the former income of the member. These payments are reduced in the event of remarriage before a certain age. Although Survivor Benefit Plan payments from DoD are taxable as income, little or any tax will apply if the payments are made to the children. The VA Dependency and Indemnity Compensation (DIC) benefit is not taxable. Social Security payments can be taxable depending on the other income, but would probably be minimal for a survivor with little or no other income. Thus, the income provided the surviving family would carry little or no tax liability.

VA Monthly DIC ? DIC is provided by the VA to the surviving spouse with additional payments for children. For a spouse and two children, this benefit is \$993 monthly plus \$247 per Child (Plus if there are children under age 18, \$250/month for 2 years). This equates to \$20,844 of tax-free income annually for the first two years, and \$17,844 thereafter so long as the children are not of age (the benefit for a spouse alone is \$11,916 annually for life or until remarriage if before age 57). The DIC is fixed for all veterans regardless of rank in service.

DoD Survivor Benefit Plan (SBP) ? The family also qualifies for a monthly payment from DoD equal to 55 percent of the retired pay the member would have received if he or she had retired for total disability on the date of death. This retired pay is computed as 75 percent of the member's average basic pay over the last three years. If the spouse alone qualifies for this benefit, the DIC

is subtracted from the SBP. However, it may be paid instead to the children and the benefits are then additive for as long as the youngest child qualifies (about age 22).

Social Security Survivor Benefit ? Military members participate in social security on their basic pay and thus qualify for the same benefits as any other covered worker. This means monthly payments for children as well as to the surviving spouse with young children (up to age 16). These benefits depend on the history of covered wages under the Social Security program.

The table below summarizes these income benefits for married O-3s and E6s with two children as well as a married E6 with no children, and a single E6. For a married E6 with two children (eight years of service), the total of these three programs pays more than 110 percent of the member's final rate of Regular Military Compensation (RMC). For a married O-3 with children, the total equates to 96 % of RMC. In both cases, much of the income is tax free. Thus, the family's after tax income could actually be higher than RMC.

Education Benefits from the VA ? Education benefits from the VA are quite valuable and are available to both the spouse and the children. These benefits are payable for up to 45 months of education time and can easily exceed \$100,000 for a spouse and two children.

Financial Counseling ? A final, but important benefit is the financial counseling available to survivors. There are many associations that provide such benefits, some of them chartered for special status by the Congress, for example, the Mutual Aid Associations. Each has programs that help members and survivors understand their benefits. Anyone who receives proceeds under the SGLI program qualifies to receive continuing financial counseling service through a program set up by the VA. The Beneficiary Financial Counseling Service (BFCS) provides a highly valuable benefit for survivors. This program provides a comprehensive assessment of the lifetime financial plan of beneficiaries, including a full presentation of the benefits described in this paper.

We are currently in the process of testing a Servicemembers Benefit Analysis program through an Army pilot. We are also developing simple spreadsheet tools to help describe available benefits for service personnel. We expect to see rapid improvement in our capability to deliver financial counseling over the next several months.

Adequacy of Benefits

The Fiscal Year 2004 National Defense Authorization Act included a requirement for us to study the totality of all current and projected death benefits for survivors of deceased members of the Armed Forces. The study was to include a comparison of military with other federal death benefits as well as with commercial and other private sector death benefit plans. The Government Accountability Office (GAO) was to conduct a similar study.

To ensure an independent review, we contracted for the study with the SAG Corporation. SAG completed the study in June 2004. The study concluded that the system of benefits provided to survivors of members who die on active duty to be adequate, substantial and comprehensive. However, it identified areas where improvements could make the benefits more

comparable to benefits provided by other employers. For example, many large employers provide some insurance at no cost. The rationale of providing federal benefits in recognition of deaths in the performance of duty of law-enforcement officers and firefighters, would seem to apply as well to military members.

GAO's report, dated July 2004, "Survivor Benefits for Servicemembers and Federal, State, and City Government Employees" made no recommendations, but reached findings similar to the SAG report. GAO found service members almost always obtain higher lump sums than do the survivors of 61 civilian government entities, but the survivors of civilian government employees in some high-risk occupations may receive supplemental benefits. These supplemental payments generally result in higher benefits to employees in these high-risk occupations than for service members.

As you can see from the foregoing, the benefits provided are substantial. They come from a wide variety of programs and address a variety of concerns. They provide significant continuing income and are of great help to survivors in making their transition through the changes in life that inevitably follow a member's death. A surviving spouse with young children has the potential to receive more than \$2 million over her or his remaining lifetime.

We agree with the findings of the SAG and GAO reports that our benefits, while substantial, do not provide specific recognition of deaths that occur when our members are sent into harms' way in the service of their nation; so we propose increasing the cash benefits for deaths that occur under these circumstances. We support the principle that the surviving family of a member killed in combat should receive about \$500,000. This compares to the approximately \$262,000 they are able to receive today. We advocate doing this by: (1) Increasing the maximum SGLI to \$400,000 with \$150,000 of insurance funded by the Government when the member is serving in an operation or area designated by the Secretary of Defense, (2) Increasing the current \$12,420 death gratuity to \$100,000 for deaths occurring in these same designated areas, and (3) Applying these improvements retroactively to the beginning of Operations Enduring Freedom and Iraqi Freedom. We intend to fund these enhancements within planned appropriations or budgeted levels.

These improvements I have outlined in benefits are an outgrowth of the conclusions in both the SAG and the GAO reports that I discussed above. We have drafted language to make these improvement and are eager to move this legislation forward. Our bill, while not identical, is broadly consistent with other bills already introduced in the 109th Congress, such as the HEROES Act of 2005.

Our objective is to ensure that we fully support our service members when we send them in harm's way, and that we properly support the family's needs if the service member dies on active duty.