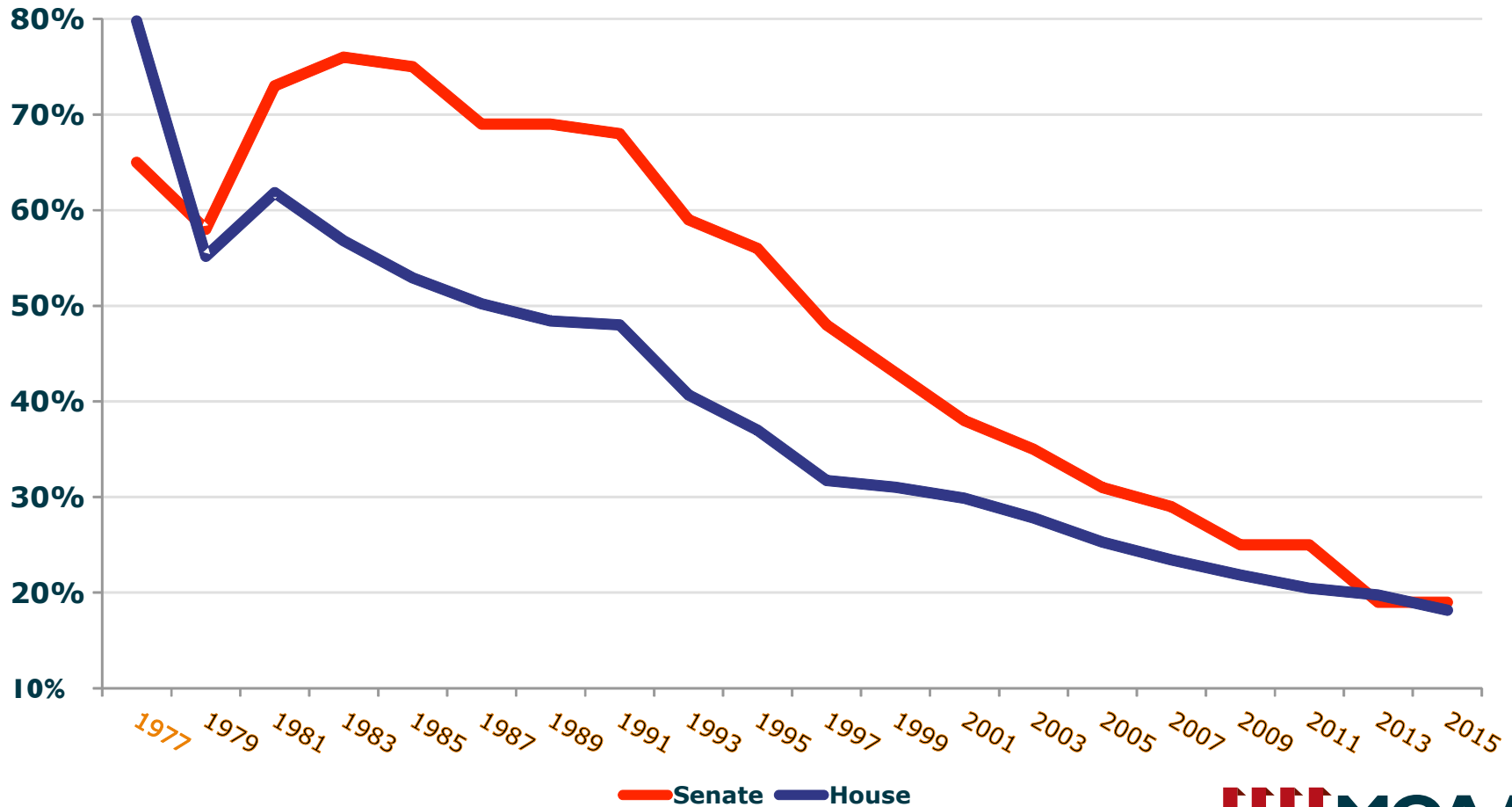


Military Experience in Congress



Decade of Wins

- **Major Pay Raises for Currently Serving***
- **End Strength Increases***
- **Survivor Benefit Upgrades**
- **Defeated Major TRICARE Fee Hikes***
- **TRICARE For Life/TRICARE Senior Pharmacy***
- **Major GI Bill Upgrades (Transferability)**
- **Wounded Warrior Protections**
- **Caregiver Enhancements**
- **Repealed REDUX Retirement Penalties***
- **Major Compensation Increase for Disabled Rets.**
- **Reserve TRICARE Coverage (& Premium Cut)**
- **G/R Retirement Age Credit for AD Service (Prospective)**
- **Added Protections for Spouses/Children**

***Under attack**



Environment on Capitol Hill

- **After decade of fixes, DoD “must slow the growth”**
- **Undoing previous decade of legislative wins**
- **DoD rhetoric emboldened Congress: COLA -1%**
- **FY16 budget continues cutbacks to pay and benefits**
- **And that’s just a drop in the bucket:**
 - **FY16 budget rehash of FY15**
 - **Military Compensation and Retirement Modernization Commission (MCRMC) recommendations**
 - **Sequestration still looms**

Defense Budget Summary

- **Focus on cutting personnel costs**
 - **Shifting tune but still hear “slow the growth”**
- **2000-2010 growth fixed years of budget cutbacks**
 - **13.5% pay gap**
 - **25% reduction in retirement value**
 - **19-20% out-of-pocket housing costs**
 - **Preserved ability to recruit and retain**

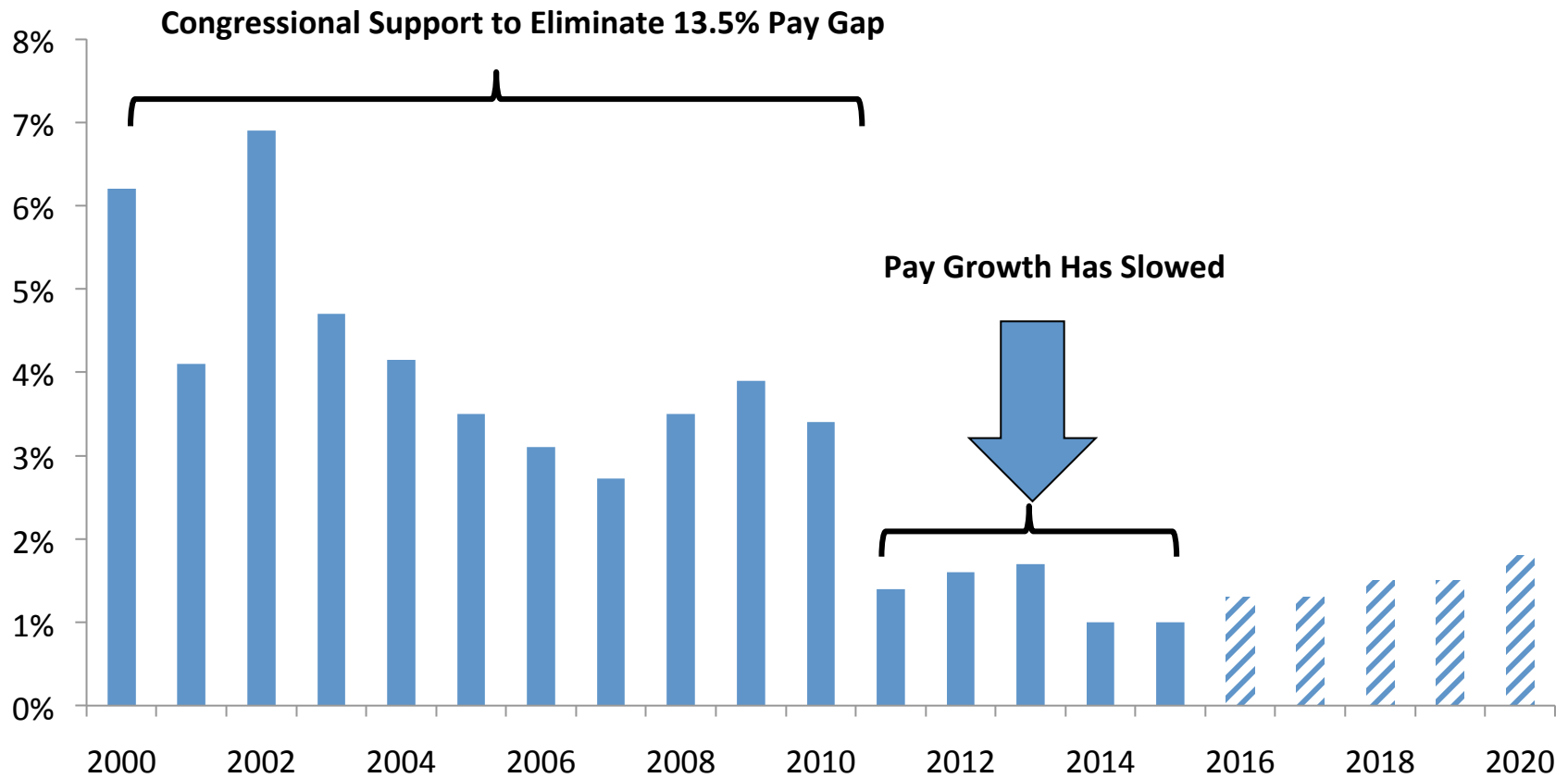
Fact: Growth Has Slowed

Since 2011, rate of growth has declined

- **Two years of pay caps**
- **16% TRICARE Prime fee increases***
- **Pharmacy increases x 2***
- **Mandatory mail-order implemented**
- **End strength cuts: 124K and additional 78K+**
- **Prime Service Areas reduced**

***Future increases indexed to COLA**

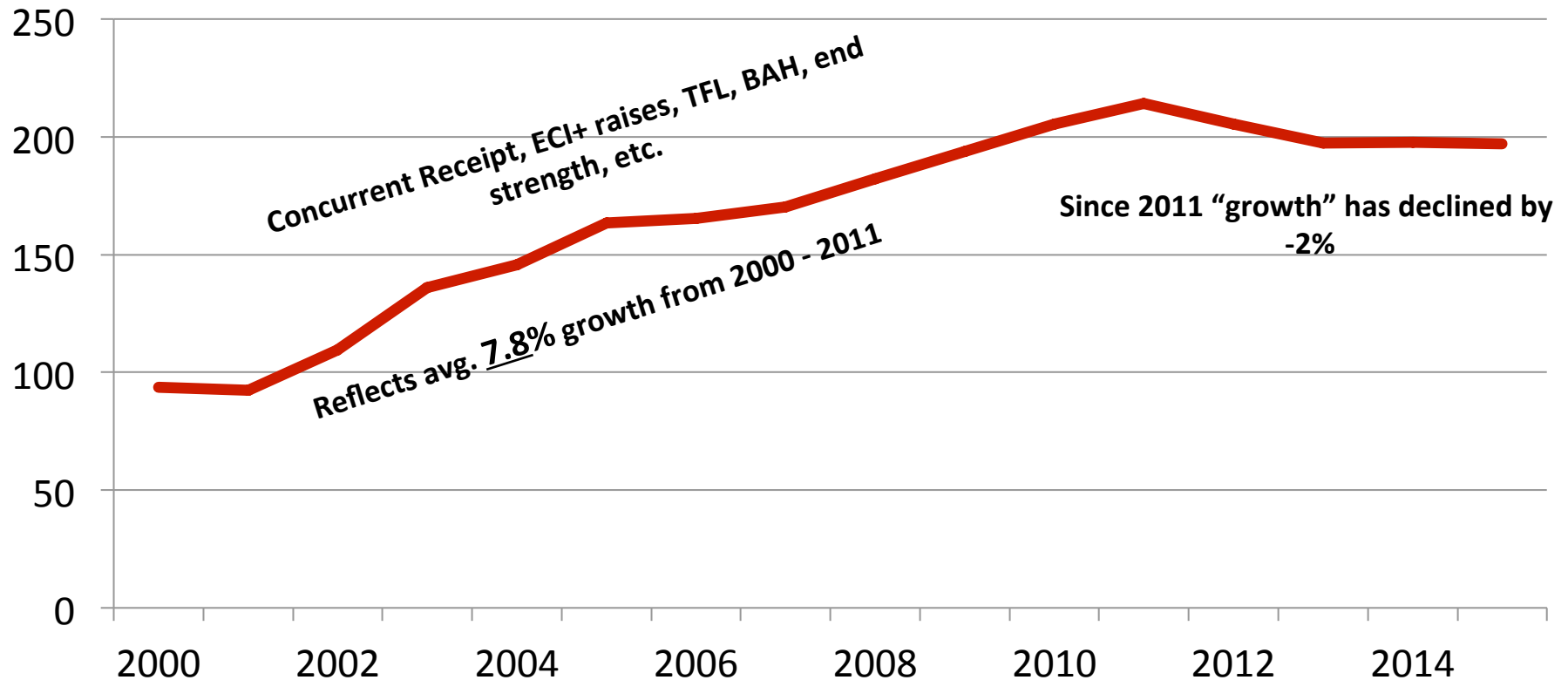
Military Pay Raises Since 2000



Personnel/Health Care Growth Rate

(Outlays in \$ Billions)

MilPers and Defense Health Program



Source: OMB historical tables



FY16 Budget Details

- **Seven straight years of active duty pay caps**
- **Continues BAH cuts, increases out-of-pocket to 5%**
- **Reduces commissary funds: patrons lose 66% savings**
- **TRICARE consolidation:**
 - **Higher deductibles and copays**
 - **Eliminates Prime for working-age retirees**
 - **Working age retirees to pay at MTFs**
 - **New enrollment fees (means testing) for TFLers (grandfathers those currently over 65)**

President's Budget Currently Serving Impact

**Annual loss of purchasing power from FY 2016 budget proposal
(active duty family of four with 10 years of service)**

	E-5	O-3
Loss of Basic Pay*	\$979	\$1,867
Basic Allowance for Housing	\$1,224	\$1,584
Commissary	\$2,970	\$2,970
Total Annual Loss	\$5,173	\$6,421

*FY 2014 - 2016 aggregate loss

FY16 Defense Bill Status

- **Deep divides between House and Senate on DoD proposals**
- **Both bills have many of the MCRMC recommendations**
- **Big changes to military retirement:**
 - **Blended system: pension and Thrift Savings Plan**
 - **Pension multiplier reduced by 20%**
 - **Govt match up to 5% with 1% base pay contribution**
 - **Fully vests after 2 years**
- **Conference started in July – delays over Rx fees & retirement**

What's in the FY16 Defense Bill

Proposal	House	Senate	Final
Retirement reform	Yes	Yes	Yes
Means testing TRICARE fees	No	No	No
TRICARE consolidation	No	No	No
Active duty pay raise	2.3%	1.3%	TBD
Cuts to housing allowances	No	Yes	TBD
Cuts to commissaries	No	Yes	TBD
TRICARE Rx fee increases	No	Yes	TBD

Blended Retirement Proposals

Proposal	House	Senate	Pentagon	MOAA
Pension multiplier reduction	Yes	Yes	Yes	Concerned
Disability multiplier	2%	2%	2.5%	2.5%
Government contribution	1%	1%	1%	1%
Government match	Up to 5%	Up to 4%	Up to 5%	Up to 5%
Match begins	2 YOS	2 YOS	4 YOS	1 st term
Match ends	Retirement	20 YOS	Retirement	Retirement
Continuation pay at 12 YOS	Yes	Yes	8-16 YOS	Needs floor
Lump sum retirement option	No	Yes	No	No
COLA - 1%	Remain	Remain	Repeal	Repeal
Grandfather current force	Yes	Yes	Yes	

Veterans/Health Care Issues

- **Wins:**

- **Sustainable Growth Rate (Doc Fix): 21% cut in Medicare & TRICARE payments averted**
- **Veteran Choice Program: driving distance rule change**

- **Concerns:**

- **TRICARE: mandatory mail-order begins Oct 1**
- **VA budget shortfall: VA to use internal funding to address sharp rise in demand/Hep C treatment and consolidate purchased care program under single account – MOAA recommendation**
- **TRICARE budget shortfall: non-MTF funding**



Looking Ahead

- **Force of the Future study**
 - **Overhaul of “antiquated” and “oppressive bureaucracy”**
 - **Focus on recruiting/retaining millennials**
 - **Looking at flexibility in assignments, developing talent, dual-track careers, promotion structure, length of service, etc**
 - **Implementation in 18 months**
- **Expect more TRICARE changes in FY17**
 - **Graham: “TRICARE’s eliminating itself. We’re going to replace TRICARE with more choice”**
- **VA Commission on Care: review VA health care delivery**

MOAA's "Lines in the Sand"

- Anything that breaks faith with currently serving
- Sustain military pay comparability
- Oppose disproportional health care cost increases
- Preserve military retirement (past, present & future)
- Keep up the fight on SBP/DIC and concurrent receipt
- Preserve CO





Questions?

