



THE UNITED STATES OF AMERICA
OFFICE OF THE SECRETARY OF DEFENSE

RESERVE FORCES POLICY BOARD
ANNUAL REPORT
FOR FISCAL YEAR

2013



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14 June 1951

The first Chairman of the Reserve Forces Policy Board, Mr. Charles H. Buford (center) is sworn in by Mr. Ralph N. Stohl, Director of Administration, Office of the Secretary of Defense (left), during a special ceremony in the office of the Secretary of Defense George C. Marshall (right) at the Pentagon



CHAIRMAN

OFFICE OF THE SECRETARY OF DEFENSE RESERVE FORCES POLICY BOARD

5113 Leesburg Pike, Suite 601
Falls Church, VA 22041

JAN 8 2014

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: 2013 Annual Report of the Reserve Forces Policy Board

The Reserve Forces Policy Board met on September 5, 2013 to determine which reserve component matters the Board considered appropriate for inclusion in a separate report to the President and Congress that fulfills the requirement of Section 113(c)(2) of Title 10, United States Code. The attached Annual Report covering Fiscal Year 2013 is respectfully submitted for that purpose.

This Annual Report summarizes six separate Board reports, covering seventeen recommendations made to you over the course of Fiscal Year 2013. Thus, we have complied with our statutory mandate to serve as an independent source of advice to you and the Department.

In fulfilling our mission in Fiscal Year 2013, the RFPB operated in an open and collaborative fashion with officials throughout the Department of Defense and elsewhere, assuring that diverse perspectives were considered in the process of formulating and approving the Board's recommendations to you.

ARNOLD L. PUNARO
Chairman



“... the Secretary shall transmit to the President and Congress a separate report from the Reserve Forces Policy Board on any reserve component matter that the Reserve Forces Policy Board considers appropriate to include in the report.”

10 USC § 113(c) (2)



Chairman of the Reserve Forces Policy Board greets Secretary of Defense Leon Panetta prior to Board discussions. (Photo: U.S. Navy Petty Officer First Class Chad J. McNeeley.)

For additional information:

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Preparation of this report/study cost the Department of Defense

a total of approximately \$15,000 in FY 2013–2014.

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THE UNITED STATES OF AMERICA OFFICE OF THE SECRETARY OF DEFENSE RESERVE FORCES POLICY BOARD ANNUAL REPORT FOR FISCAL YEAR 2013

Executive Summary

The Reserve Forces Policy Board provides the Secretary of Defense with advice and recommendations designed to strengthen the Reserve Components. During fiscal year 2013, the Board held four (4) quarterly meetings and delivered to the Secretary of Defense six (6) reports containing seventeen (17) recommendations. A summary of each of these reports is included in the body of this Annual Report.

Starting in January, 2013, the Board delivered two (2) ground-breaking reports. The first report, entitled “Eliminating Major Gaps in DoD on the Fully-Burdened and Life-Cycle Cost of Military Personnel: Cost Elements Should Be Mandated by Policy”, presented factual data that was vetted by costing experts within and outside of DoD detailing the true “fully-burdened” and “life-cycle” costs of Active and Reserve Component personnel. The second report, entitled “The Operational Reserve and Inclusion of the Reserve Components in Key DoD Processes”, suggested that the term “operational reserve” be defined by the Joint Chiefs of Staff, and that high level DoD manpower, material, and strategic policy reviews include senior reserve officials when making decisions that have an impact on Reserve Component forces.

In the Board’s costing report, the following six (6) recommendations were provided to the Secretary:

1. Establish DoD policy/guidance for computing “fully-burdened” Military Personnel Costs for the Total Force
2. Specify all the cost elements that must be included in cost studies
3. Identify mission support, Treasury contributions, and all other external costs that must be considered
4. Calculate and report cost element figures annually



5. Clarify the use of composite rates in studies

6. Develop a model to calculate and compare “life-cycle” costs

The second Board report dealing with defining the “Operational Reserve” and including Reserve leaders in major decision making reviews included the following four (4) recommendations for the Secretary to consider:

1. The Secretary of Defense direct the inclusion of the Under Secretary of Defense (Personnel & Readiness) as a member of the Department’s Base Realignment and Closure (BRAC) Infrastructure Executive Council, or a similarly constituted body, during future BRAC rounds.
2. The Secretary of Defense direct the inclusion of the Assistant Secretary of Defense - Reserve Affairs as a member of the Department’s Base Realignment and Closure (BRAC) Infrastructure Steering Group, or a similarly constituted body, during future BRAC rounds.
3. The Secretary of Defense direct the Chairman, Joint Chiefs of Staff to update Joint Publication 1-02, Department of Defense Military and Associated Terms, with a definition of “Operational Reserve” for appropriate use in strategy, policy, and doctrinal publications.
4. The Secretary of Defense direct the Under Secretary of Defense (Policy) to take care to ensure that the 2014 Quadrennial Defense Review complies with the requirements of Title 10, Section 118 by including in its analysis “the anticipated roles and missions of the reserve components in the national defense strategy and the strength, capabilities, and equipment necessary to assure that the reserve components can capably discharge those roles and missions.”

In May, 2013, two (2) more reports were delivered to the Secretary. These reports contained a total of four (4) recommendations. The first of these reports, “Strategic Choices and the Reserve Components”, was written to provide the Secretary with important information on Reserve Component forces to help shape DoD’s Strategic Choices Management Review and the Quadrennial Defense Review. The other report, “The

Reserve Component Survivor Benefit Plan Disparity Issue”, examined differences in death benefits based on reserve duty status.

In the “Strategic Choices and the Reserve Components” report, three (3) recommendations were made to the Secretary. They include the following:

1. Continue Operational Use of the Reserves - The Reserve Components can, have, and should continue to be employed operationally to help meet the needs of the Nation, both at home and abroad. Continued operational use of the Reserve Components offers a number of benefits. It helps to maintain the experience, skills, and readiness gained through twelve years of war for both military personnel leaving active duty and the 850,000 Guard and Reserve personnel who have been mobilized. It frees up Active Component Forces to ensure their availability to source no-notice contingency war fighting requirements. It acts to reduce Active Component deployment tempo and aids in the preservation of the All-Volunteer Force. To that end, the Department should regularly plan, program and budget for Reserve Component operational use under your new 12304b authority. In the RFPB’s view, recent decisions to “off-ramp” Reserve Component units from assigned missions in the Balkans and Sinai are troubling, and will not result in long-term cost savings. The Reserve Components were essential to the successful conduct of the campaigns in Iraq and Afghanistan. They have also been effective at supporting the aforementioned enduring missions for over a decade, as well as operations in the homeland. They can be counted on to perform their assigned missions effectively and professionally. The Board strongly urges the inclusion of specific guidance directing continued use of the Reserve Components in appropriate departmental planning documents.
2. Ensure an Affordable and Balanced Force Mix – The steadily increasing “fully-burdened” and “life-cycle” costs of active duty military manpower and the “all-in” support costs of the volunteer force will either drive further reductions in active component structure or result in unwise trade-off among personnel, training and modernization. The Department must make smart decisions about military end strength and force mix.

The Reserve Components offer an affordable option, retaining capability and capacity that can be used when needed. Making arbitrary cuts, for the sake of component equity, does not make sense. The Board strongly recommends the preservation of Reserve Component capabilities and that the Department should actively consider the Reserve Components to mitigate the increased risk associated with further Active Component end strength reductions either intentional or unavoidable as a result of declining resources. These are urgent issues worthy of consideration in your Strategic Choices Management Review.

3. Include Consideration in Strategic Reviews – Reserve Component matters have been frequently afterthoughts in major departmental reviews. The 2010 Quadrennial Defense Review is but one example. The law requires the report include “the anticipated roles and missions of the reserve components in the national defense strategy and the strength, capabilities, and equipment necessary to assure that the reserve components can capably discharge those roles and missions.” Yet, the 2010 QDR omitted this required section and instead directed the Assistant Secretary of Defense for Reserve Affairs to produce a separate Comprehensive Review of the Future Role of the Reserve Component. The resultant Comprehensive Review was largely ignored by most of the Department’s staff and the Military Departments, and it was unable to address issues associated with cost. This error should not be repeated. As you have said, the challenges facing the Department of Defense are significant and require a review with everything on the table. To that end, serious consideration must be given, up front, to Total Force use, force structure, and mix in both the Strategic Choices Management Review and in the Quadrennial Defense Review. To assure effective dialogue on these topics, the Board urges you to include these considerations in the guidance you provide to the on-going and future reviews. Specifically, the governance structures should include key defense officials with responsibility for Reserve Component oversight, including the Under Secretary of Defense (Personnel and Readiness), the Assistant Secretary of Defense (Reserve Affairs), as well as senior Guard and Reserve Component leaders.

The second report dealt with “The Reserve Component Survivor Benefit Plan Disparity Issue”. The specific issue revolves around the significant difference in survivor benefits paid out to family members of traditional (part-time) guard or reserve service members, killed in the line of duty, based solely on their administrative duty status (Active Duty versus Inactive Duty for Training) at the time of their death.

4. The Board’s one (1) recommendation to the Secretary on this topic was that he support House Resolution (H.R.) 1770 or amendments containing similar language, as a primary course of action. The H.R. stated, “To amend title 10, United States Code, to eliminate the different treatment under the Survivor Benefit Plan accorded members of the reserve components who die from an injury or illness incurred or aggravated in the line of duty during inactive-duty training compared to members of the Armed Forces who die in the line of duty while on active duty”. If H.R. 1770 failed to become law, the Board felt that the Secretary of Defense should direct the DOD staff to provide a Unified Legislation and Budgeting Process (ULB) proposal supporting ongoing legislative efforts by Congress to remove the distinctions between “Active Duty” and “Inactive Duty” as they apply to the current Survivor Benefit Plan and Reserve Component Survivor Benefit Plan. The Board felt that the ULB should also include provisions that address:
 - Removal of the word “active” from “active service” to enable equitable treatment under provisions in Title 10, USC, Chapter 73, Subchapter II, Survivor Benefit Plan, section 1451(c)(1)(A)(iii); the calculation of annuity payments awarded to qualifying survivors.
 - The choice to extend eligibility directly to dependent children.
 - Eligibility for the Special Survivor Indemnity Allowance.
 - Annuity calculations based on a disability rating of “total”.

In June, 2013, the Board delivered one (1) report to the Secretary that addressed future Base Realignment and Closure procedures and practices. The report entitled, “Inclusion of the National Guard Bureau in DoD Base Realignment and Closure (BRAC) Governance Bodies”, made two (2) recommendations for the Secretary to consider.

1. The Secretary of Defense should direct the Under Secretary (Acquisition, Technology and Logistics) to include the Chief of the National Guard Bureau as a member of the Department's Base Realignment and Closure (BRAC) Infrastructure Executive Council, or a similarly constituted body, during future BRAC rounds to advise on matters involving non-federalized National Guard forces in support of homeland defense and civil support missions and the facilities, land, and airspace required to provide that support.
2. The Secretary of Defense should direct Under Secretary (Acquisition, Technology and Logistics) to include the Vice Chief of the National Guard Bureau as a member of the Department's Base Realignment and Closure (BRAC) Infrastructure Steering Group, or a similarly constituted body, during future BRAC rounds to advise on matters involving non-federalized National Guard forces in support of homeland defense and civil support missions and the facilities, land, and airspace required to provide that support.

In July, 2013, the Board delivered one (1) report to the Secretary that included one (1) very important recommendation on reducing the total number of Reserve Component member duty statuses. The report entitled, "Reserve Component (RC) Duty Status Reform", made the following recommendation to the Secretary:

1. The Secretary of Defense should direct the Under Secretary of Defense for Personnel and Readiness (USD (P&R)) and the Secretaries of the Military Departments to jointly develop a plan that revises and reduces the total number of duty statuses driven by policies and authorities which fall under their purview. Further, USD (P&R) should propose necessary statutory modifications needed to implement duty status reduction to the Congress. All actions should be completed within one year.





Introduction

The Reserve Forces Policy Board (RFPB) is a federal advisory committee established by statute within the Office of the Secretary of Defense. Its purpose is to “serve as an independent adviser to the Secretary of Defense to provide advice and recommendations to the Secretary on strategies, policies, and practices designed to improve and enhance the capabilities, efficiency, and effectiveness of the reserve components.” By law, the Secretary of Defense transmits annually to the President and Congress a separate annual report from the RFPB on reserve component matters the Board considers appropriate to include in the report.



Board members right to left Ms. Paulette Mason, Hon. Gene Taylor, Dr. John Nagl, and Ms. Maria Vorel 5 September 2013. (Photo: US Army Photo, Mr. Jerome Howard)

During fiscal year 2013, the RFPB successfully fulfilled its statutory role by delivering to the Secretary of Defense six (6) reports containing a total of seventeen (17) recommendations.

As required under Title 10 U.S. Code, Section 113(c)(2), this Annual Report contains those reserve component matters the Reserve Forces Policy Board considers appropriate to include in the report for transmission from the Secretary of Defense to the President and Congress. The report includes a compilation of the six (6) reports and seventeen (17) recommendations provided to the Secretary of Defense over the past year. The text of statutes governing Board operations is included as an appendix to this report.



Board members Adjutant General of Colorado Maj Gen Michael Edwards and Vice Admiral (Ret.) John G. Cotton discuss policy issues 12 December 2012. (Photo: US Army Photo, Mr. Jerome Howard)

Organizational Overview

The 20-member Reserve Forces Policy Board is led by a civilian chair and includes a non-voting Military Executive and Senior Enlisted representative, a member (serving or retired) of each of the seven reserve components of the armed forces, and ten U.S. citizens with significant knowledge and experience in national security and reserve component matters. Board members represent a wide range of military, industry, business, professional, and civic experience, which combined provide the Secretary of Defense with a unique and independent body of senior officials to provide advice and recommendations on Reserve Component strategies, policies, and practices.

The Board is supported by a full-time staff consisting of a Colonel or Navy Captain from each of the six DoD reserve components, plus a part-time detailed member of the Coast Guard Reserve. These officers also serve as liaisons between their respective components and the Board. The law requires them “to perform their staff and liaison duties under the supervision of the military executive officer of the board in an independent manner reflecting the independent nature of the board.”



Chairman Punaro introduces Dr. Matthew J. Schaffer, Deputy Director, Analysis and Integration, Office of the Director, CAPE 5 June, 2013. (Photo: US Army Photo, Mr. Jerome Howard)

The RFPB is one of the oldest advisory committees in the Department of Defense. In September 1949, in response to inadequate recruitment and strength in the reserve program of the armed services, Secretary of Defense Louis A. Johnson established a Civilian Components Policy Board. On June 13, 1951, Secretary of Defense George C. Marshall re-designated the Civilian Components Policy Board as the Reserve Forces Policy Board. In July 1952, Congress passed the Armed Forces Act of 1952. This act established the Reserve Forces Policy Board as “the principal policy advisor to the Secretary of Defense on matters relating to the Reserve Components.” Passage of the Reserve Officer Personnel Act of 1954 and the Reserve Bill of Rights and Revitalization Act of 1967 underscored the Board’s role and expanded its authority, responsibility, and membership. In 1995, a member of the staff of the Joint Chiefs of Staff was added to the Board’s membership.

In 2008, the Commission on the National Guard and Reserves recommended that the RFPB’s governing statute (10 USC 10301) be amended, because the Board was not structured to obtain and provide independent advice directly to the Secretary of Defense on a wide range of National Guard and Reserve matters due to the nature of its

membership and its subordination to other offices within DoD. Other than the Chairman, the Board's membership included only DoD officials who made recommendations through the Assistant Secretary of Defense for Reserve Affairs.

In the National Defense Authorization Act of 2011, after receiving input from the Department of Defense and a wide range of outside experts, Congress significantly changed the operating framework and membership of the RFPB to its present structure. The revised law became effective July 1, 2011. On September 12, 2011, Arnold L. Punaro succeeded William S. Greenberg as Chairman of the RFPB.

Fiscal year 2013 was the second full year of Board operations under the revised statute and saw the Board reach a high level of productivity through the delivery of six (6) reports totaling seventeen (17) recommendations. These recommendations were deliberated, debated, and approved during four meetings over the course of the year.



Board discussion 5 June, 2013 with The Acting Under Secretary of Defense (Personnel & Readiness), the Honorable Jessica L. Wright, and Chairman Arnold Punaro. (Photo: US Army Photo, Mr. Jerome Howard)

Summary of Meetings

Quarterly Meeting – December 12, 2012

A quarterly meeting was held on December 12, 2012 where seven new members were sworn in. The first portion of the meeting was conducted in “Closed” session with presentations made by: the Chief, National Guard Bureau, General Frank F. Grass; Deputy Under Secretary of Defense for Strategy, Plans and Force Development, Ms. Christine E. Wormuth; Vice Chairman of the Joint Chiefs of Staff, Admiral James A. Winnefeld, Jr.; Chief of Staff of the Army, General Raymond T. Odierno; and the Reserve Component Chiefs.

General Grass stressed the need for a strong National Guard and the importance of getting the budget right to ensure the Guard is ready to respond at home and abroad. He provided his thoughts on the Guard Empowerment Act that elevated the Chief of the National Guard Bureau to the Joint Chiefs of Staff, and noted the need to address some challenges that surfaced from that legislation.

Ms. Wormuth reviewed key elements of the defense strategic guidance. She suggested that a certain level of additional budget cuts might require a relook at the strategy. She then made a number of observations about use of the Reserve Components and on Active/Reserve Component force-mix.

Admiral Winnefeld thanked the Board for its useful and important advice to the Secretary. He offered his compliments to Ms Paulette Mason for her efforts on behalf of Wounded Warriors, and noted the need to address “caregivers.” Admiral Winnefeld then provided an overview of the DoD response to Hurricane Sandy.

General Odierno suggested that the Department of Defense and the Army will be in a period of transition for the next three to five years as it implements the new strategic guidance. He noted that the Army has been at war for over ten years and is still committed in Afghanistan. As global commitment declines, he stressed the need to maintain readiness. He described the complexity of the future operating environment and the Army's approach to those challenges.



The Chief of Staff of the Army, Gen Raymond T. Odierno addresses the Board 12 December 2012. (Photo: US Army Photo, Mr. Jerome Howard)

The Reserve Component Chiefs provided annual updates to the Board, focusing on the issues and concerns of their respective Service Reserve Components in facing the challenges of maintaining hard-earned relevance and readiness in the face of diminishing budgets and a new strategy.

The remainder of the meeting was conducted in “Open” session with the subcommittees giving updates and making recommendations. Board members deliberated and approved the “Eliminating Major Gaps in DoD Data on the Fully-Burdened and Life-Cycle Cost of Military Personnel: Cost Elements Should be Mandated by Policy” report for submission to the Secretary of Defense.

Quarterly Meeting – April 3, 2013

The quarterly meeting, scheduled originally for March 6, 2013, was postponed to April 3, 2013 due to a weather related government shutdown. The make-up meeting was held in the RFPB’s Skyline 4 office conference room. Many of the members attended the rescheduled meeting in person, while others listened to the proceedings and participated in Board business and deliberations via a telephone bridge. The entire meeting was held in “Open” session with presentations made by: MG Martin Umbarger, Adjutant General for the State of Indiana; Mr. Paul Patrick, Deputy Assistant Secretary of Defense for Reserve Affairs (Training & Mobilization); Honorable Grier Martin,



Board discussion on key topics 3 April, 2013. (Photo: US Army Photo, Mr. Jerome Howard)

Chairman of the SECDEF Strategic Question Task Group; and the Board’s Subcommittee Chairs.

MG Umbarger spoke about a decision by the Army to “off-ramp” Indiana National Guard units from planned deployments. He described repeated mobilization and “off-ramping” of units from the 76th Brigade Combat Team and the associated impacts including: employment turbulence, missed educational opportunities, and the termination of TRICARE benefits for families.

Mr. Patrick described DoD fiscal and policy perspectives regarding the Army’s decision for “off-ramping” Guard & Reserve units. He assured the Board that the Army was addressing and mitigating any of the negative impacts associated with the “off-ramping”.

The Honorable Grier Martin provided an update from the SECDEF Strategic Question Task Group, offering background and context that informed the development of several group observations. These observations included an in-depth look at future roles and missions for Reserve Components, and the optimal Active and Reserve Component force mix to meet projected demands outlined in Global Force Management documents.

VADM (Ret) John Cotton, Chair of the “Ensuring a Ready, Capable, Available and Sustainable Operational Reserve” Subcommittee, discussed the subcommittee’s previous Base Realignment and Closure (BRAC) recommendations. He noted that, if approved, the Under



Maj Gen James N. Stewart providing a proposal supporting on-going legislative efforts by Congress to adjust Survivor Benefit Plans 3 April, 2013 (Photo: US Army Photo, Mr. Jerome Howard)

Secretary of Defense (Personnel and Readiness) and the Assistant Secretary of Defense (Reserve Affairs) would be added to key BRAC governance bodies. He also provided an update on the Subcommittee's previous recommendation on defining the phrase - "Operational Reserve".

Maj Gen James Stewart, Subcommittee Member on the "Supporting Service Members, Families and Employers" Subcommittee, briefed Board members on disparities in the distribution of survivor benefits resulting from the death of Reserve Component members in different duty statuses. He presented for Board consideration a recommendation for the Secretary of Defense to direct the DoD staff to provide a Unified Legislative Budget (ULB) proposal supporting on-going legislative efforts by Congress to remove the distinctions between "Active Duty" and "Inactive Duty" as they apply to both Active and Reserve Survivor Benefit Plans. The proposal was approved.

Major General Marcia Anderson, Chair of the "Creating a Continuum of Service" Subcommittee, provided an update on the status of the subcommittee's recommendations from its April 2012 report on

"Avoiding Past Drawdown Mistakes to Enhance Future Total Force Capabilities." She also provided an update on the subcommittee's review of Departmental efforts to refine the DoD form DD214 to meet Reserve needs and overall Reserve Duty Status reform.

Board members considered and approved the following for submission to the Secretary of Defense: a letter to the Secretary entitled "Strategic Choices and the Reserve Components", written to help shape discussions on Reserve Component issues during the Strategic Choices and Management Review (SCMR), Quadrennial Defense Review, and Fiscal Year 15 POM process; and a report outlining Survivor Benefit Plan Disparities between "active" and "inactive" Reserve duty statuses.

Quarterly Meeting – June 5, 2013

The meeting on June 5, 2013 was held in the Secretary of Defense's conference room. Chairman Punaro's first order of business was to administer the Oath of Office to two new Board members - Lieutenant General (Retired) James E. Sherrard III and Sergeant Major Michael E. Biere. The RFPB moved into "Closed" session with presentations made by: the Deputy Director, Analysis and Integration, Office of the Director, Cost Assessment and Program Evaluation (CAPE), Dr. Matthew J. Schaffer; Commander, U.S. Southern Command, General John F. Kelly; Deputy Commander, U.S. Cyber Command, Lieutenant General Jon M. Davis; Acting Under Secretary of Defense (Personnel & Readiness), The Honorable Jessica L. Wright; Senior Military Advisor for Cyber, Under Secretary of Defense (Policy), Major General John A. Davis; former Assistant Secretary of Defense for Homeland Defense and Americas' Security Affairs, Dr. Paul N. Stockton; Co-Chairman, Council of Governors, Governor Martin J. O'Malley, and Adjutant General of the State of Iowa, Major General Timothy E. Orr.

The Deputy Director, Analysis and Integration, Office of the Director, CAPE, Dr. Matthew J. Schaffer, provided feedback on the Board's "Eliminating Major Gaps in DoD Data on the Fully-Burdened and Life-Cycle Cost of Military Personnel" report. There were areas of agreement and disagreement, all fully discussed by Dr. Schaffer. In addition, he provided Board members with an update on his office's work on a Congressionally mandated Active Component/Reserve Component (AC/RC) mix report, emphasizing the need for a good analytical foundation for determining the proper mix of AC/RC forces



Commander U.S. Southern Command, General John F. Kelly addresses questions from Board members 5 June, 2013. (Photo: US Army Photo, Mr. Jerome Howard)

in the future. Finally, Dr. Schaffer described the Secretary of Defense's Strategic Choices and Management Review (SCMR) process and the impact it would have on the Quadrennial Defense Review, the FY14/15 budget, and future fiscal challenges.

The Commander, U.S. Southern Command, General John F. Kelly briefed Board members on the threats and opportunities present within his command, and described the essential role Reserve Component members play in supporting his theater engagement activities. He also stated that reservists and guardsmen are filling key positions on his Headquarters Staff, Crisis Action Teams, Exercise Support Teams, and Civilian Affairs organizations. Finally, General Kelly related that Reserve Component members are better suited to fill SOUTHCOM missions, due to their maturity and civilian acquired skills.

The Deputy Commander, U.S. Cyber Command, Lieutenant General Jon M. Davis, not only described U.S. Cyber Command's efforts to organize, man, and train forces capable of countering the growing number of threats in the cyber domain, but also outlined his vision of the future roles and missions for Reserve Component members. LtGen Davis also provided Board members with an unclassified description of the scope and types of operations conducted by his command to defend Department of Defense information networks.

The Acting Under Secretary of Defense (Personnel & Readiness), The Honorable Jessica L. Wright, commented on the on-going challenges

associated with sexual assault in the military, suicides, the effects of sequestration, and the Department of Defense and Department of Veterans Affairs collaboration. Secretary Wright also discussed civilian furloughs and the negative impact it had on employees and their families.

The Senior Military Advisor for Cyber, Under Secretary of Defense (Policy), Major General John A. Davis, described the Department of Defense's strategy for operating in cyberspace. He also explained his role in the formulation of policy, and how he interfaces with senior officials in the Office of the Under Secretary of Defense (Policy) to implement new or change old, outdated policies. Finally, MG Davis outlined the process for development and oversight of cyber-related policies, strategies, and plans to promote stability in, and ensure continued freedom of access to, the global cyber commons in order to achieve national security objectives.

The former Assistant Secretary of Defense for Homeland Defense and Americas' Security Affairs, Dr. Paul N. Stockton, proposed several homeland-related matters for the RFPB to examine for potential recommendations to the Secretary of Defense. These included refining procedures for using Title 10 reservists for disaster relief under the authority of 10 USC, 12304a. Dr. Stockton noted that after Hurricane Sandy the Reserve Components: 1) Need to build a better system to take politics out of the assignment of forces; 2) Provide Unity of Effort – Dual Status Commanders need better situational awareness of all activities occurring in their Area of Responsibility; 3) Need an interagency coordination cell to effectively utilize all governmental and non-governmental agencies and their assets; and 4) Need to make electrical power grid restoration and generators a priority. Another discussion topic dealt with the use of Chemical, Biological, Radiological, Nuclear and Enhanced Conventional Weapons (CBRNE) assets overseas, and how to build capability abroad. Finally, Dr. Stockton urged members of the Board to provide policy advice to the Secretary on the minimum number of personnel, units, and bases needed to protect the Homeland.

The Council of Governors' Co-Chair, The Honorable Martin J. O'Malley, Governor of Maryland and Major General Timothy E. Orr, the Adjutant General of Iowa, representing the Honorable Terry E. Branstad, Governor of Iowa, provided information to Board members on the Council of Governors organization, roles and responsibilities, and interaction with the Department of Defense. They further discussed the role of the National Guard and Reserve in the Homeland;



Chairman Arnold Punaro introducing Maryland Governor Martin J. O'Malley to the Board, 5 June, 2013. (Photo: US Army Photo, Mr. Jerome Howard)

the development of requirements and resourcing for Homeland related requirements; and the impacts of sequestration on their Reserve Component members.

Upon completion of the “Closed” portion of the meeting, the Board continued into “Open” session with subcommittee chairs providing updates and recommendations. Board members deliberated and approved the “Inclusion of the National Guard Bureau in DoD Base Realignment and Closure (BRAC)” report for submission to the Secretary of Defense.

Annual Meeting – September 5, 2013

The Annual meeting was held at the Army Navy Country Club in Arlington, Virginia. Chairman Punaro opened the Board meeting by recognizing key members of the Board staff for their outstanding work and Colonel (Retired) Harvey “Barney” Barnum Jr., a former Deputy Assistant Secretary of the Navy for Reserve Affairs and Marine Corps Medal of Honor recipient. The RFPB moved into “Open” session with presentations made by: the President, National Guard Association of the United States (NGAUS), Major General (Retired) Gus Hargett; Executive Director, Reserve Officers Association (ROA), Major General (Retired) Andrew B. Davis; President, RFPB Fellows Society, Major General (Retired) Kenneth Bouldin; Acting Assistant Secretary of Defense for Reserve Affairs, Mr. Richard O. Wightman Jr.; Chairman, National Commission on the Structure of the Air Force, The Honorable Dennis M. McCarthy; Former Director, Cost Assessment and Program Evaluation

(CAPE), The Honorable Christine H. Fox; and Under Secretary of Defense (Comptroller), The Honorable Robert F. Hale.

The President of NGAUS, Major General (Retired) Gus Hargett, briefed Board members on his memberships’ growing concern about force structure reductions and the impact it will have on National Guard force structure and end strength in the future. He also observed and was concerned about the lack of Reserve Component representation in key DoD strategy and planning entities; sequestration in FY14 and FY15 and its negative impact on National Guard equipment readiness; and dwell policies which are self-imposed limits on availability of the force that aren’t necessarily applicable to future conflicts. Finally, he discussed the current Quadrennial Review of Military Compensation and the need to review reserve/active duty retirement and compensation.

The Executive Director of the Reserve Officers Association, Major General (Retired) Andrew B. Davis, stated that it is important to maintain operational use of the Reserve and National Guard. He further postulated that the Reserve Components should not be the bill payer for budget cuts, and that the Department should avoid decreasing Reserve Component equipment and training readiness to prevent deterioration into a hollow force. Major General (Retired) Davis also suggested that periodic reviews of Service roles and missions should be conducted, using a balanced approach and consideration of reversibility to meet future requirements. Finally, he added that the reduced “Life-Cycle” costs of the Reserve Components should be considered when looking for cost effective ways to perform National Security Missions.

Major General (Retired), Kenneth Bouldin, RFPB Fellows Society President thanked Chairman Punaro for providing the RFPB Fellows Society with an opportunity to participate in the annual meeting of the Board. He noted that 2013 marked the Fellows Society’s third year of establishment, and felt the presentation of the Citizen Patriot Awards at the RFPB dinner enhanced their participation with the Board. MG (Retired) Bouldin finished by advocating for continued and deeper engagement with the Board, suggesting that Fellows could serve as sources of experience and expertise on Reserve Component matters.



Acting Assistant Secretary of Defense for Reserve Affairs, Mr. Richard O. Wightman Jr. addresses the Board 5 September 2013. (Photo: US Army Photo, Mr. Jerome Howard)

Acting Assistant Secretary of Defense for Reserve Affairs, Mr. Richard O. Wightman Jr., reminded members of the Board that the DoD Defense Strategic Guidance outlines a smaller force, reduced priorities, reversibility, and a greater reliance on mobilized forces and noted that the Reserve Components provide a trained, equipped, ready and available force for a fraction of the cost of comparable active forces. He also suggested that evolving/emerging missions can be used to leverage Reserve Component capabilities to support the "Total Force". Finally, he suggested that the 2014 Quadrennial Defense Review provides an opportunity to seriously explore new operating models, adding that in these fiscally constrained times, the Services need to propose the most capable and cost-effective "force mix" possible.

The Chairman of the National Commission on the Structure of the Air Force, The Honorable Dennis M. McCarthy, described the Commission's mission, which is to recommend to the President and Congress principles of force structure and force management that, if followed, will allow the Air Force to meet present and future mission requirements within the limits of resources the Commission anticipates will be available. The Honorable McCarthy noted that the Commission consists of eight commissioners - four appointed by Congress and four by the President - and that the statutory requirements are to produce a report by February 1, 2014 which considers: (1) Current and anticipated requirements of Combatant Commanders; (2) Appropriate balance between Active Component and Reserve Component (3)



Former Director CAPE, The Honorable. Christine H. Fox sharing her perspective with the Board 5 September, 2013. (Photo: US Army Photo, Mr. Jerome Howard)

Ensure Active Component and Reserve Component have sufficient capacity for Homeland Defense and disaster assistance; (4) Provide sufficient numbers in Regular USAF to provide a base of trained personnel for Reserve Component; (5) Provide a force structure that can maintain a rotation that meets operational tempo goals of 1:2 for the Active Component and 1:5 for the Reserve Component; and (6) Maximizes and appropriately balances affordability, efficiency, effectiveness, capability and readiness. Finally, he explained that the Commission has covered a number of topics including: anticipated decline in overall funding; world-wide Air Force commitments; the need to modernize aircraft and equipment; the role of "entitlement growth" in personnel costs; the difficulty of identifying the true cost of AC and RC personnel; USAF innovations in associated units; and emerging missions (cyber, remotely piloted aircraft, and disaster response). Conclusions of the Commission will be reflected entirely in its final report.

Former Director, Cost Assessment and Program Evaluation, The Honorable Christine H. Fox, reminded members that she is now a private citizen and that the views expressed were hers and not those of the Department. She began her presentation by suggesting that Fiscal Year 2014 will be worse than Fiscal Year 2013. She described two cases for the implementation of sequestration in Fiscal Year 2014. The worst case was to delay implementation, while the best case was to fully implement beginning on October 1, 2013. She also suggested

that Fiscal Year 2015 resourcing levels would be lower than what the Department needs to execute national defense strategy, and that it is important for the Department to position itself for uncertainty. She acknowledged the contributions and sacrifices of Reserve Component members; the increased access to them thanks to new legislative changes; and recent progress in understanding “fully-burdened” and “life-cycle” costs. In addition, she noted that the Department lacks analytics with regard to what Reserve Component members have done operationally, and argued the Department would be well served if it understood Reserve Component capacity and capability in an analytical way. She complemented the Board for its Cost Methodology Report, stating that it has contributed to a better understanding of the true cost of personnel. The Honorable Fox also shared three driving factors to better position Guard and Reserve forces for the future. They include: (1) The ability of Reserve Components to field complex war fighting skills rapidly; (2) Improve access to Reserve Component personnel and equipment in wartime; and (3) Provide access to Reserve Components skills and equipment in peacetime. She then offered suggestions to improve Reserve Component positioning. The Honorable Fox concluded with a suggestion that the National Guard and Reserve continue to develop its analytic capability to enhance objectivity; to aid in the development of better analytical data with regard to homeland requirements; to better describe state “needs” for the National Guard; and to steer clear of state and federal politics to build trust.



Chairman Arnold Punaro welcomes the Under Secretary of Defense (Comptroller), the Honorable Robert F. Hale, at 5 September 2013 Board meeting. (Photo: US Army Photo, Mr. Jerome Howard)

Under Secretary of Defense (Comptroller), The Honorable Robert F. Hale, reminded members that the Department was nearing the close of Fiscal Year 2013. He related that DoD would end the year in a deep hole, both fiscally and with regard to readiness, but would meet the fiscal target. In order to meet the budgetary challenges ahead, the Honorable Hale suggested that the best approach was to have several detailed planning options available, especially considering the size of the planned fiscal reduction for 2014 - \$52 Billion. Some of those challenges include: completing a responsible drawdown in Afghanistan; recovering readiness lost as a result of funding cuts in Fiscal Year 13; minimizing additional readiness cuts in Fiscal Year 14; looking for additional efficiencies; slowing compensation growth; eliminating unnecessary infrastructure; shrinking active and reserve manpower; maintaining the All-Volunteer force; and better balancing the drawdown in manpower, modernization, and readiness. He had several suggestions for Reserve Component savings that he shared with the Board. They include: consolidating Guard and Reserve units at fewer locations around the country, decreasing overhead and infrastructure; and looking at the current Reserve Component military compensation system. The Honorable Hale finished his remarks by urging caution when looking for cuts in the investment accounts this time around. He offered that the force structure drawdown during the 1990's cut too deeply into the investment accounts, and we should not repeat the mistakes of the past by trying to achieve quicker savings in the short term with investment cuts verses the longer time required for force structure and personnel reductions.



The Board continued the “Open” session with the subcommittee chairs providing updates and recommendations. The Board also deliberated and reached consensus on reserve component issues it considered appropriate for inclusion in this Annual Report for the Secretary of Defense to transmit to the President and Congress as required by statute. Finally, Board members discussed and voted to approve the “Reserve Component (RC) Duty Status Reform” report for submission to the Secretary of Defense.



RFPB Reports of Advice and Recommendations to the Secretary of Defense

During Fiscal Year 2013, the RFPB delivered to the Secretary a total of six (6) reports containing seventeen (17) separate recommendations. This section of the annual report includes a summary of those report's recommendations provided to the Secretary of Defense by the RFPB.



Secretary of Defense Leon Panetta greets Ms. Maria J. Vorel and Major General (Ret.) Leo Williams. Also present is the Former Under Secretary of Defense (Personnel & Readiness) Ms. Erin Conaton.

“Eliminating Major Gaps in DoD Data on the Fully-Burdened and Life-Cycle Cost of Military Personnel”

Report delivered to the Secretary of Defense on January 7, 2013

From January 29, 2012 to May 24, 2012 the RFPB's project team convened 16 meetings with costing experts from across the Department in order to examine and compare current AC/RC costing practices across Services and Components.

The RFPB interim report to the Secretary of Defense in June 2012 noted that senior leaders within Department of Defense (DoD) did not have complete or uniform data on the total costs of Active and Reserve Component forces. Following the issuance of the interim report, the RFPB project team conducted additional quantitative fiscal analysis and met with a wide range of subject matter experts inside and outside of the DoD. It is increasingly apparent and documented by and to senior DoD and Congressional leaders, outside think tanks and subject matter experts, that the fully-burdened and life-cycle cost growth trends supporting the All-Volunteer force have reached unsustainable levels. Although the Department requires its contractors to provide fully-burdened and life-cycle cost computations on their invoices and the Department's acquisition process require the same before approving the purchase of major weapon systems, the RFPB found that the Department does not know, use, or track the fully-burdened and life-cycle costs of its most expensive resource – its military personnel. Thus, major military manpower decisions are uninformed on the real present and future costs. The RFPB concluded that the Department suffers from a gap in its costing data, because it lacks proper policy to require a complete and consistent costing methodology that can identify the true fully-burdened and life-cycle costs. Consequently, in this report, the Board recommends the establishment of such policies and proposes specific cost elements that should be included in them. The report identified the following recommendations:

1. Establish DoD policy/guidance for computing fully-burdened Military Personnel Cost for the Total Force. The Director of Cost Assessment and Program Evaluation (CAPE) should establish permanent DoD policy for calculating the “Fully-Burdened” costs of individual members from both the active and reserve components.
2. Specify all the cost elements that must be included in cost studies. DoD Policy should require that any study conducted or contracted by the Services or other DoD component for the purpose of comparing the costs of active and reserve component personnel or forces include, at a minimum, the following cost factors: Basic Pay, Retired Pay Accrual, Allowances, Incentives & Special Pay, PCS Costs, Medicare-Eligible Retiree Health Fund Contribution, DoD Healthcare Costs, DoD & Department of Education Dependent Education Costs, DoD & Service Family Housing Costs, DoD

Commissary Costs, Treasury Contribution for Concurrent Receipt, and Base Operations Support Costs.

3. Identify mission support, Treasury contributions, and all other external costs that must be considered. DoD Policy should require that any study comparing the costs of Active and Reserve Component personnel or forces consider the amounts, degree and methodology for possible inclusion of all or part of the annual contributions made by the U.S. Treasury, Veterans costs, and the non-compensation costs of the Department of Defense.
4. Calculate and report cost element figures annually. The Director, Cost Assessment and Program Evaluation (CAPE) or the Under Secretary of Defense (Comptroller) should calculate and publish all cost elements for Total Force military personnel cost studies on an annual basis, and provide guidance on their use in an appropriate memo or report.
5. Clarify the use of composite rates in studies. The Under Secretary of Defense (Comptroller) should modify the annual memo on “Military Personnel Composite Standard Pay and Reimbursement Rates” to eliminate the directive to use such rates “when determining the cost of military personnel for budget/management studies.”
6. Develop a model to calculate and compare life-cycle costs. The Director of CAPE should develop a model to calculate and compare the “life-cycle” costs of Active and Reserve Component personnel.

The “Operational Reserve” and inclusion of the Reserve Components in Key Department of Defense (DoD) Processes

Report delivered to the Secretary of Defense on January 14, 2013

The RFPB met on 12 December, 2012 and voted to make four recommendations concerning three subjects: the definition of the phrase “Operational Reserve”; DoD Base Realignment & Closure Governance (BRAC); and the Quadrennial Defense Review.

The Board found that senior defense officials use the phrase “Operational Reserve” inconsistently creating potential confusion within the Department, in communications to Congress, and with the Public. The Department should define “Operational Reserve” for consistent use in strategy, policy, and doctrinal publications to ensure the necessary supporting statutes and policies are developed, and to enable effective assessment of service program and budget positions. The report listed the following recommendations:

1. The Secretary of Defense direct the Chairman, Joint Chiefs of Staff to update Joint Publication 1-02, Department of Defense Military and Associated Terms, with a definition of “Operational Reserve” for appropriate use in strategy, policy, and doctrinal publications. The Board reviewed and offered the following definition for consideration: “Operational Reserve - Routine, recurring utilization of the Reserve Components as a fully integrated part of the operational force that is planned and programmed by the Services. As such, the “Operational Reserve” is that Reserve Component structure which is made ready and available to operate across the continuum of military missions, performing strategic and operational roles, in peacetime, in wartime, and in support of civil authorities. The Services organize, man, train, equip, resource, and use their Reserve Components to support mission requirements following the same standards as their active components. Each Service’s force generation plan prepares both units and individuals to participate in missions, across the range of military operations, in a cyclical manner that provides predictability for service members, their families, their employers, and for the Services and Combatant Commands.”
2. Senior officials in the Office of the Secretary of Defense with responsibility for Reserve Component oversight were not involved in key DoD BRAC governance bodies during the 2005 BRAC process. Specifically, the Under Secretary of Defense (Personnel & Readiness) and the Assistant Secretary of Defense, Reserve Affairs were not included in the Department’s key BRAC governance bodies. In future BRAC rounds, Senior officials in the Office of the Secretary of Defense with responsibility for Reserve Component oversight should be involved in key DoD BRAC governance bodies. The Secretary of Defense

should direct the inclusion of the Under Secretary of Defense (Personnel & Readiness) as a member of the Department's BRAC Infrastructure Executive Council, or a similarly constituted body.

3. The Secretary of Defense should direct the inclusion of the Assistant Secretary of Defense, Reserve Affairs as a member of the Department's BRAC Infrastructure Steering Group, or a similarly constituted body, during future BRAC rounds.
4. The Secretary of Defense should direct the Under Secretary of Defense (Policy) to take care to ensure that the 2014 Quadrennial Defense Review complies with the requirements of Title 10, Section 118 by including in its analysis "the anticipated roles and missions of the reserve components in the national defense strategy and the strength, capabilities, and equipment necessary to assure that the reserve components can capably discharge those roles and missions."

Strategic Choices and the Reserve Components

Report delivered to the Secretary of Defense on May 6, 2013

On September 5, 2012, Secretary Panetta asked the Board to provide advice and recommendations on the best way to use Reserve forces in support of the President's Defense Strategy and determine the right balance of Active and Reserve Component forces. The RFPB met on April 3, 2013 to discuss an interim report of observations concerning these topics to help the Secretary during his Strategic Choices and Management Review, Quadrennial Defense Review and FY15 POM deliberations. The Board sent the following recommendations forward for the Secretary to consider:

1. Continue Operational Use of the Reserves – the Department should regularly plan, program and budget for Reserve Component operational use under your new 12304b authority. In the RFPB's view, recent decisions to "off-ramp" Reserve Component units from assigned missions in the Balkans and Sinai are troubling, and will not result in long-term cost savings. The Reserve Components were essential to the successful conduct

of the campaigns in Iraq and Afghanistan. They have also been effective at supporting the aforementioned enduring missions for over a decade as well as operations in the homeland. They can be counted on to perform their assigned missions effectively and professionally. The Board strongly urges the inclusion of specific guidance directing continued use of the Reserve Components in appropriate departmental planning documents.

2. Ensure an Affordable and Balanced Force Mix – the steadily increasing fully-burdened and life-cycle costs of active duty military manpower and the "all-in" support costs of the all-volunteer force will either drive further reductions in active component structure or result in unwise trade-off among personnel, training and modernization. The Department must make smart decisions about military end strength and force mix. The Reserve Components offer an affordable option, retaining capability and capacity that can be used when needed. Making arbitrary cuts, for the sake of component equity, does not make sense. The Board strongly recommends the preservation of Reserve Component capabilities and that the Department should actively consider the Reserve Components to mitigate the increased risk associated with further Active Component end strength reductions either intentional or unavoidable as a result of declining resources. These are urgent issues worthy of consideration in the Strategic Choices and Management Review.

3. Include Consideration in Strategic Reviews – Reserve Component matters have been frequently afterthoughts in major departmental reviews. The 2010 Quadrennial Defense Review is but one example. The law requires the report include "the anticipated roles and missions of the reserve components in the national defense strategy and the strength, capabilities, and equipment necessary to assure that the reserve components can capably discharge those roles and missions." Yet, the 2010 QDR omitted this required section and instead directed the Assistant Secretary of Defense for Reserve Affairs to produce a separate Comprehensive Review of the Future Role of the Reserve Component. The resultant Comprehensive Review was largely ignored by most of the Department's staff and the Military Departments and it was unable to address issues associated with cost. This error should not be repeated. Serious consideration

must be given, up front, to Total Force use, force structure, and mix in both the Strategic Choices and Management Review and in the Quadrennial Defense Review. To assure effective dialogue on these topics, the Board urges you to include these considerations in the guidance you provide to on-going and future reviews. Specifically, the governance structures should include key defense officials with responsibility for Reserve Component oversight, including the Under Secretary of Defense (Personnel and Readiness), the Assistant Secretary of Defense (Reserve Affairs), as well as senior Guard and Reserve Component leaders.

Reserve component Survivor Benefit Plan Disparity Issue

Report delivered to the Secretary of Defense on May 31, 2013

The RFPB met on April 3, 2013 and recommended the Department ask Congress to change the law regarding the Reserve Component Survivor Benefit Plan (RCSBP). The Board's view was a change in law would correct inequities between various reserve duty statuses. Specifically, the family of a service member killed in the line of duty will receive differing amounts of annuity payments depending solely on the administrative duty status (Active Duty versus Inactive Duty Training) for a traditional (part-time) guardsman or reservist.

Inconsistencies in compensation for Reserve Component (RC) members exist today due to the overarching need to reform reserve component duty statuses. The 2001 Quadrennial Defense Review plainly acknowledged the need for reform – the current reserve component duty status “system is complex, aligns poorly to current training and mission support requirements, fosters inconsistencies in compensation, and complicates rather than supports effective budgeting.” The 2008 Commission on the National Guard and Reserve (CNGR) also pointed out that “there are 32 different duty statuses and each Service has variations of those 32 duty statuses, which only adds to the confusion.” Active component members have a single duty status – “active duty” while reservists serve in an array of statuses that are driven by a wide range of policies, laws, and types of duty. The CNGR recommended significantly reducing the duty statuses and DoD

concurrent. Most recently, the 11th Quadrennial Review of Military Compensation (QRMC) stated that “the reserve duty system consists of a plethora of authorities to order a reserve component member to duty and a variety of purposes of duty – all of which need to be tracked in order to justify the budget request, remain within authorized strength limits, and comply with utilization restrictions. The QRMC found that without first addressing the convoluted and complex system of reserve duty, it would be difficult to bring meaningful change to compensation and benefits.”

Notwithstanding the recommendations and agreement, to date, the duty statuses have not been reduced. Congressman Chaffetz introduced H.R. 1770 on April 26, 2013. According to a preliminary score by the Congressional Budget Office during the 112th Congress, changing the relevant sections of Title 10 to eliminate disparities would cost \$12 million over a ten-year period, including \$1 million in retroactive payments for families dating back to 2001.

Therefore, the Board recommended the following: the Secretary of Defense should support H.R. 1770, or amendments containing similar language, as a primary course of action. If H.R. 1770 fails to become law, the Secretary of Defense should direct the DOD staff to provide a Unified Legislation and Budgeting Process (ULB) proposal supporting on-going legislative efforts by Congress to remove the distinctions between “Active Duty” and “Inactive Duty” as they apply to the current Survivor Benefit Plan and Reserve Component Survivor Benefit Plan. The ULB should also include provisions that address: removal of the word “active” from “active service” to enable equitable treatment under provisions in Title 10, USC, Chapter 73, Subchapter II, Survivor Benefit Plan, section 1451(c)(1)(A)(iii); the calculation of annuity payments awarded to qualifying survivors; the choice to extend eligibility directly to dependent children; eligibility for the Special Survivor Indemnity Allowance; and annuity calculations based on a disability rating of “total”.

Inclusion of the National Guard Bureau in DoD Base Realignment and Closure

Report delivered to the Secretary of Defense on June 26, 2013

On June 5, 2013, The Board voted to make two recommendations concerning the inclusion of National Guard Bureau leaders in the key governance bodies for the DoD Base Realignment and Closure (BRAC) process.

The Board found that senior officials of the National Guard Bureau were not involved in key DoD BRAC governance bodies during the 2005 BRAC process. Deliberations in the two key governance bodies – the Infrastructure Executive Council and the Infrastructure Steering Group – were not informed by the judgments of officials with responsibility for matters involving non-federalized National Guard forces. The inclusion of National Guard Bureau officials in key DoD BRAC governance bodies could have eliminated, reduced, or greatly mitigated challenges to recommendations affecting the National Guard. The Chief of the National Guard Bureau has a unique role in the Department and should be included in key DoD BRAC governance bodies during future BRAC Rounds to advise on matters involving non-federalized National Guard forces in support of homeland defense and civil support missions, and the facilities, land, and airspace required to provide that support.

The following recommendations were provided to the Secretary of Defense:

1. Direct the Under Secretary (Acquisition, Technology and Logistics) to include the Chief of the National Guard Bureau as a member of the Department's Base Realignment and Closure (BRAC) Infrastructure Executive Council, or a similarly constituted body, during future BRAC rounds to advise on matters involving non-federalized National Guard forces in support of homeland defense and civil support missions and the facilities, land, and airspace required to provide that support.
2. Direct the Under Secretary (Acquisition, Technology and Logistics) to include the Vice Chief of the National Guard Bureau as a member of the Department's BRAC Infrastructure Steering

Group, or a similarly constituted body, during future BRAC rounds to advise on matters involving non-federalized National Guard forces in support of homeland defense and civil support missions and the facilities, land, and airspace required to provide that support.

Reserve Component Duty Status Reform

Report delivered to the Secretary of Defense on July 16, 2013

The RFPB met on June 5, 2013 and voted to recommend the Secretary of Defense direct changes regarding the number of duty statuses across the services. Disruption in compensation and benefits for Reserve Component members exists today in large part because members are often required to change their duty status, which adversely affects readiness and mission accomplishment. For this reason, all recent reviews of the reserve components have recommended major reform of reserve component duty statuses. Much of the complexity of the current system is derived from the duty authority, purpose, funding, and restrictions embedded within each duty status. By separating these management functions from the actual authority, the number of duty statuses could be reduced from 32 to as few as 6. The purpose of the duty, funding for the duty, and compliance with limitations and restrictions could be managed/tracked separately.

The 2001 Quadrennial Defense Review directed a Review of Reserve Component Contributions to National Defense which was published in December 20, 2002. It plainly acknowledged the need for reform, stating the current Reserve Component duty status “system is complex, aligns poorly to current training and mission support requirements, fosters inconsistencies in compensation, and complicates rather than supports effective budgeting.”

The 2008 Commission on the National Guard and Reserve (CNGR) also found that “there are 32 different duty statuses and each Service has variations of those 32 duty statuses, which only adds to the confusion.” Active component members have a single duty status, “active duty”, while reservists serve in an array of statuses that are driven by a wide range of policies, laws, and types of duty. The CNGR recommended significantly reducing the duty statuses and DoD concurred.

The 2011 report of the 11th Quadrennial Review of Military Compensation (QRMC) stated that “the reserve duty system consists of a plethora of authorities to order a reserve component member to duty and a variety of purposes of duty—all of which need to be tracked in order to justify the budget request, remain within authorized strength limits, and comply with utilization restrictions. The QRMC found that without first addressing the convoluted and complex system of reserve duty, it would be difficult to bring meaningful change to compensation and benefits.” (TAB D) Of note, the 11th QRMC developed draft legislation that reduces the number of authorities under which a Reserve Component member can be ordered to perform duty, while retaining the ability of the Services and Congress to track and account for the purpose and funding of the duty. The draft legislation was delivered to the Department as a separate package.

Many of the duty statuses can be streamlined and reduced simply through changes in DoD internal policies. Others will require the Department to request congressional changes in legislative authority. While DoD has concurred with numerous recommendations from previous studies and reviews over the past decade to reduce the number of reserve duty statuses, there has been no movement to actually reduce the number of duty statuses. In fact, the number of duty statuses has actually increased.

Since the vast number of duty statuses continues to be a problem and adversely affect many aspects of compensation and benefits to the service member, the Board made the following recommendations to the Secretary of Defense:

1. The Secretary of Defense should direct the Under Secretary of Defense for Personnel and Readiness (USD (P&R)) and the Secretaries of the Military Departments to jointly develop a plan that revises and reduces the total number of duty statuses driven by policies and authorities which fall under their purview.
2. Further, USD (P&R) should propose necessary statutory modifications needed to implement duty status reduction to the Congress.
3. All actions should be completed within one year.

Impact of Recommendations Made

The RFPB is not required by statute or policy to track or assess the degree to which its recommendations and advice are agreed to or actually implemented by the Department of Defense (DoD). However, in an era of increasing fiscal constraint, the Board feels that good governance drives all governmental organizations to be accountable and effective in the use of limited resources devoted to its work.

As of September 31, 2013 (the end of the fiscal year), all six RFPB reports remained out for comment by various DoD components within the Department’s automated staffing system. None of the reports have received a final, definitive acceptance or rejection; however, the Board believes that the policy recommendations generated under its revised statutory structure are receiving an appropriate degree of review and consideration within the Department.

In order to continually gauge its effectiveness, it is the intention of the RFPB to have its staff actively monitor the responses to and implementation of RFPB recommendations by the Department.



Appendix 1 – Members of the RFPB

Arnold L. Punaro, Major General (Ret) US Marine Corps Reserve – Chairman

Reserve component members

Pending - Major General Wofford - Army National Guard Member
Major General Marcia M. Anderson - Army Reserve Member
Rear Admiral Russell S. Penniman - Navy Reserve Member
Major General Darrel L. Moore - Marine Corps Reserve Member
Major General H. Michael Edwards - Air National Guard Member
James E. Sherrard III, Lieutenant General (Ret) - Air Force Reserve Member
Rear Admiral John S. Welch – Coast Guard Reserve Member

Citizens having significant knowledge of and experience in policy matters relevant to national security and reserve component matters

John G. Cotton, Vice Admiral (Ret), US Navy
John W. Handy, General (Ret), US Air Force
Hon. Grier Martin, North Carolina House of Representatives
Paulette M. Mason, Delaware Employer Support of the Guard and Reserve
Dr. John Nagl, Fellow, Center for New American Security
Sergio A. Pecori, President & CEO, Hanson Professional Services, Inc.
Honorable Gene Taylor, Former Member, US House of Representatives
Maria Vorel (Ret), Federal Emergency Management Agency
Leo V. Williams, III, Major General (Ret), US Marine Corps Reserve
Pending - Ms. Frances Halfaker - Special Government Employee

Non-voting members

Major General James N. Stewart, USAFR - Military Executive Officer
Sergeant Major Michael E. Biere, USAR - Enlisted Military Adviser to the Chair



Chairman
Arnold L. Punaro



Major General
Marcia M. Anderson



Sergeant Major
Michael E. Biere



John G. Cotton
Vice Admiral (Ret)



Major General
H. Michael Edwards



John W. Handy
General (Ret)



Honorable Grier Martin



Paulette M. Mason



Major General
Darrel L. Moore



Dr. John Nagl



Sergio A. Pecori



Rear Admiral
Russell S. Penniman



James E. Sherrard III, Lieutenant
General (Ret)



Major General
James N. Stewart



Honorable Gene Taylor



Maria Vorel



Rear Admiral
John S. Welch



Leo V. Williams, III
Major General (Ret)



Major General
William D. Wofford



Ms. Dawn Halfaker
Captain (Ret)

Appendix 2 – Staff of the RFPB

Military Executive Officer - Maj Gen James N. Stewart

Enlisted Military Advisor - Sergeant Major Michael E. Biere

Chief of Staff - COL Robert A. Preiss

Senior Policy Advisor for Navy Reserve and
Designated Federal Officer (DFO) - CAPT Steven P. Knight

Senior Policy Advisor for Army National Guard - COL Robert A. Preiss

Senior Policy Advisor for Army Reserve - COL Timothy J. Lynch
- CAPT Steven P. Knight

Senior Policy Advisor for Marine Corps Reserve - Col Reidar F. Larsen

Senior Policy Advisor for Air National Guard - Col Mary A. Salcido
outgoing/incoming - Col Donald R. Bevis

Senior Policy Advisor for Air Force Reserve – Col Jay D. Jensen

Senior Policy Advisor for Coast Guard Reserve – LT Alisa G. Harkins

Senior Program Analyst – Mr. Fergus Paul Briggs

Senior Program Analyst – Mr. Alex Sabol

Administrative Support – SMSgt Joyce Voyles

Administrative Assistant/Executive Secretary – Mrs. Karen E. Baber



Appendix 3 – Governing Statutes

Title 10, United States Code, Section 175. Reserve Forces Policy Board

There is in the Office of the Secretary of Defense a Reserve Forces Policy Board. The functions, membership, and organization of that board are set forth in section 10301 of this title.

Title 10, United States Code, Section 10301. Reserve Forces Policy Board

- (a) In General.— As provided in section 175 of this title, there is in the Office of the Secretary of Defense a board known as the “Reserve Forces Policy Board” (in this section referred to as the “Board”).
- (b) Functions.— The Board shall serve as an independent adviser to the Secretary of Defense to provide advice and recommendations to the Secretary on strategies, policies, and practices designed to improve and enhance the capabilities, efficiency, and effectiveness of the reserve components.
- (c) Membership.— The Board consists of 20 members, appointed or designated as follows:
 - (1) A civilian appointed by the Secretary of Defense from among persons determined by the Secretary to have the knowledge of, and experience in, policy matters relevant to national security and reserve component matters necessary to carry out the duties of chair of the Board, who shall serve as chair of the Board.
 - (2) Two active or retired reserve officers or enlisted members designated by the Secretary of Defense upon the recommendation of the Secretary of the Army —
 - (A) one of whom shall be a member of the Army National Guard of the United States or a former member of the Army National Guard of the United States in the Retired Reserve; and
 - (B) one of whom shall be a member or retired member of the Army Reserve.

- (3) Two active or retired reserve officers or enlisted members designated by the Secretary of Defense upon the recommendation of the Secretary of the Navy —
 - (A) one of whom shall be an active or retired officer of the Navy Reserve; and
 - (B) one of whom shall be an active or retired officer of the Marine Corps Reserve.
- (4) Two active or retired reserve officers or enlisted members designated by the Secretary of Defense upon the recommendation of the Secretary of the Air Force —
 - (A) one of whom shall be a member of the Air National Guard of the United States or a former member of the Air National Guard of the United States in the Retired Reserve; and
 - (B) one of whom shall be a member or retired member of the Air Force Reserve.
- (5) One active or retired reserve officer or enlisted member of the Coast Guard designated by the Secretary of Homeland Security.
- (6) Ten persons appointed or designated by the Secretary of Defense, each of whom shall be a United States citizen having significant knowledge of and experience in policy matters relevant to national security and reserve component matters and shall be one of the following:
 - (A) An individual not employed in any Federal or State department or agency.
 - (B) An individual employed by a Federal or State department or agency.
 - (C) An officer of a regular component of the armed forces on active duty, or an officer of a reserve component of the armed forces in an active status, who —
 - (i) is serving or has served in a senior position

on the Joint Staff, the headquarters staff of a combatant command, or the headquarters staff of an armed force; and

- (ii) has experience in joint professional military education, joint qualification, and joint operations matters.

- (7) A reserve officer of the Army, Navy, Air Force, or Marine Corps who is a general or flag officer recommended by the chair and designated by the Secretary of Defense, who shall serve without vote—

- (A) as military adviser to the chair;

- (B) as military executive officer of the Board; and

- (C) as supervisor of the operations and staff of the Board.

- (8) A senior enlisted member of a reserve component recommended by the chair and designated by the Secretary of Defense, who shall serve without vote as enlisted military adviser to the chair.

- (d) Matters To Be Acted on.— The Board may act on those matters referred to it by the chair and on any matter raised by a member of the Board or the Secretary of Defense.

- (e) Staff.— The Board shall be supported by a staff consisting of one full-time officer from each of the reserve components listed in paragraphs (1) through (6) of section 10101 of this title who holds the grade of colonel (or in the case of the Navy, the grade of captain) or who has been selected for promotion to that grade. These officers shall also serve as liaisons between their respective components and the Board. They shall perform their staff and liaison duties under the supervision of the military executive officer of the Board in an independent manner reflecting the independent nature of the Board.

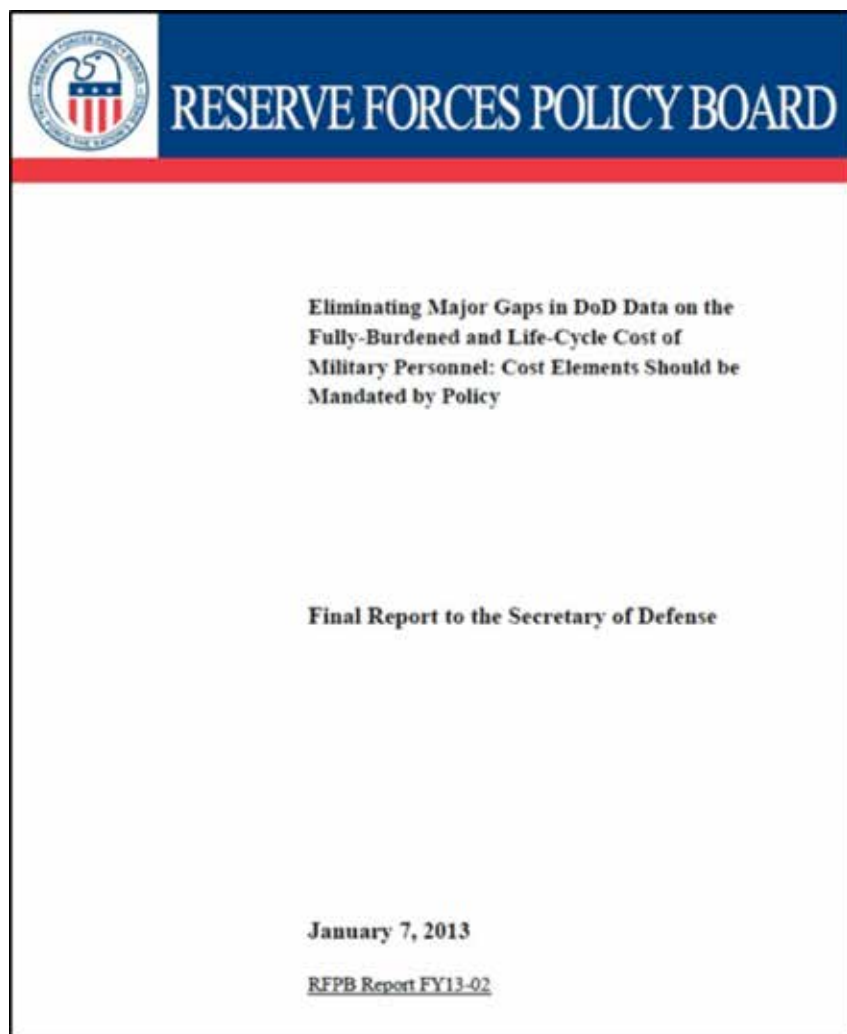
- (f) Relationship to Service Reserve Policy Committees and Boards.— This section does not affect the committees and boards prescribed within the military departments by sections 10302 through 10305 of this title, and a member of such a committee or board may, if otherwise eligible, be a member of the Board.

Title 10, United States Code, Section 113. Secretary of Defense
[EXCERPT]

- (a) There is a Secretary of Defense, who is the head of the Department of Defense, appointed from civilian life by the President, by and with the advice and consent of the Senate. A person may not be appointed as Secretary of Defense within seven years after relief from active duty as a commissioned officer of a regular component of an armed force.
- (b) The Secretary is the principal assistant to the President in all matters relating to the Department of Defense. Subject to the direction of the President and to this title and section 2 of the National Security Act of 1947 (50 U.S.C. 401), he has authority, direction, and control over the Department of Defense.
- (c) ... (1), the Secretary shall transmit to the President and Congress a separate report from the Reserve Forces Policy Board on any reserve component matter that the Reserve Forces Policy Board considers appropriate to include in the report.



Appendix 4- RFPB Reports



Eliminating Major Gaps in DoD Data on the Fully-Burdened and Life-Cycle Cost of Military Personnel: Cost elements should be mandated by policy

Report delivered to the Secretary of Defense on January 7, 2013

Eliminating Major Gaps in DoD Data on the Fully-Burdened and Life-Cycle Cost of Military Personnel: Cost elements should be mandated by policy

EXECUTIVE SUMMARY

It is increasingly apparent and documented by and to senior Department of Defense (DoD) and Congressional leaders, outside think tanks and subject matter experts, that the fully-burdened and life-cycle cost growth trends supporting the All-Volunteer force have reached unsustainable levels. Although the Department requires its contractors to provide fully-burdened and life-cycle cost computations on their invoices and the Department's acquisition process require the same before approving the purchase of major weapon systems, The Reserve Forces Policy Board (RFPB) found that the Department does not know, use, or track the fully-burdened and life-cycle costs of its most expensive resource – its military personnel. Thus, major military manpower decisions are uninformed on the real present and future costs. The RFPB concluded that the Department suffers from a gap in its costing data, because it lacks proper policy to require a complete and consistent costing methodology that can identify the true fully-burdened and life-cycle costs. Consequently, in this report, the Board recommends the establishment of such policies and proposes specific cost elements that should be included in them.

In our interim report to the Secretary of Defense in June 2012, the RFPB noted that senior leaders within DoD do not have complete or uniform data on the total costs of Active and Reserve Component forces. This conclusion was based on several discussions with senior DoD leaders, military and civilian, who believed that Reserve Component (RC) members are more expensive than their Active Component (AC) counterparts. Those remarks and subsequent analysis

indicated that there is a gap in the data provided to DoD leadership. As a result, decisions about military personnel as well as the optimal mix of Active and Reserve Component forces are not fully informed. Consequently, the Reserve Forces Policy Board (RFPB) recommended the establishment of appropriate DoD policy guidance to accurately and consistently capture the costs of both components in order to fill this data gap. The Board concluded that knowing the fully-burdened costs of each component (active, reserve, civilian and contractor) is foundational for senior DoD decision makers as they develop Courses of Action (COAs) and make assessments and decisions on future force mix options.

Also included in the June interim report was the observation that there have been many studies done in the past on component costing, but there is no consistency in identifying which costing elements should be included or how costing elements are used or counted when making comparisons. The RFPB recommended that DoD establish a policy to address this gap. Subsequently, the Deputy Director of Cost Assessment and Program Evaluation (CAPE) committed to address this gap and agreed to work on writing a policy to meet the need. The RFPB applauds the willingness of CAPE to pursue this objective.

Following the issuance of the interim report, the RFPB project team conducted additional quantitative fiscal analysis and met with a wide range of subject matter experts inside and outside of the Department of Defense. These discussions included personnel from each of the Services, the offices of Cost Assessment and Program Evaluation, Comptroller, Defense Human Resources Activity Office of Actuary, the Assistant Secretary of Defense for Reserve Affairs, the Government Accountability Office, Congressional Budget Office, and the Center for Strategic and Budgetary Assessment as well as private sector companies.

During the development of this cost methodology study, a bottom-up approach was utilized to accurately capture all costing elements. From January 29, 2012 to May 24, 2012 the Board's project team convened 16 meetings with costing experts from across the Department in order to examine and compare current AC/RC costing practices across Services and Components. This "bottom-up" assessment of the current use of cost elements within the Department revealed the need for a new DoD policy and culminated in the Board's Interim report delivered in June 2012. In subsequent months, the research team pursued a

"top-down" quantitative analysis of the Fiscal Year 2013 federal budget request as detailed in DoD's "Green Book" and related budget materials. In total, the RFPB project team held more than 100 meetings for substantive discussion and examination of the data. The meetings provided quantitative validation of the relative importance and fully-burdened value of the various cost elements and revealed the following findings:

1. The cost of an RC service member, when not activated, is less than one third that of their AC counterpart. According to RFPB analysis of the Fiscal Year 2013 budget request, the RC per capita cost ranges from 22% to 32% of their AC counterparts' per capita costs, depending on which cost elements are included.
2. While Reserve Component forces account for 39% of military end strength, they consume only about 16% of the Defense budget.
3. Reserve component members receive a smaller retirement than their active component counterparts. The RC accounts for approximately 17% of DoD retiree payout. The FY 2013 average Retired Pay Accrual is \$12,834 per AC service member, but only \$3,419 per RC service member.
4. Reserve component members incur lower health care costs. For FY 2013, DoD requested \$32.5 billion for the Defense Health Program (plus nearly \$8 billion in military medical personnel funds and nearly \$7 billion in Medicare-eligible Retiree Health Care accrual funds) to serve more than 9.5 million beneficiaries. Only about 21% of those beneficiaries are from the Reserve Components, and as a whole, the RC member uses the system less than AC members.
5. RC members serve in their home town and rarely incur military moving costs for "Permanent Change of Station", for which DoD requested \$3,260 per AC service member in FY'13.
6. With few exceptions, Reserve families do not send dependent children to DoD schools, and only reservists serving on active duty are counted for Impact Aid calculations. For FY 2013, the DoD Education Activity requested \$2.7 billion and the Department of Education's "Impact Aid" program requested \$505 million. The project team estimates that reservists account for approximately 1% of the DoD's and approximately 2% of the Department of Education's funds to educate military dependents.

7. Generally, reservists are ineligible to use the military family housing system, which required \$1.3 billion to build and operate in FY'13. Only reservists on active duty orders qualify for on-base housing, and few use it
8. Reservists do not drive the need for military commissaries, which in FY 2013 cost \$1.37 billion over and above revenue income in order to operate. Only 3% of commissary users are from the Reserve Component.
9. Since the Reserve Component does not require as much infrastructure as the Active Component, it incurs a far lower cost for base operations support, such as maintenance, security, and utilities costs associated with the housing, childcare and recreation facilities found on major bases. This is true whether the reservist is mobilized or in a drill status. Of the roughly \$36 billion in DoD Base Operations Support costs, about 12% is appropriated for Reserve Components.
10. Reservists account for a relatively small portion of the contributions made by the U.S. Treasury over and above the DoD budget for defense-related costs.
 - a. The U.S Treasury's direct contribution for "Concurrent Receipt" of both military retired pay and Veterans disability compensation was estimated at \$ 6.95 billion for FY 2013, but only 9% is attributable to RC recipients.
 - b. The U.S Treasury direct contribution for Medicare-Eligible Retiree Health Care Fund (MERHCF) over and above the DoD contribution was estimated at \$6.44 billion in FY 2013, but only 29% of the liability for that cost is attributable to the Reserve Components.
 - c. The U.S Treasury direct contribution to the Military Retirement Fund over and above the DoD contribution was estimated at \$67.18 billion in FY 2013, but only 17% of the payout from that fund is made to RC retirees.

In this final report, the RFPB lays the foundation for answering the Secretary's call at the September 5, 2012 RFPB meeting to provide him with advice and guidance on: the best balance between active and reserve forces, the cost of a strong reserve, and how to achieve savings in the Reserve Components. To meet these objectives, the

Board felt that addressing all of the specific cost factors associated with Active Component and Reserve Component members must be compared and included in a consistent manner in order to significantly reduce the current data gap in its AC/RC cost analyses. Therefore, the RFPB recommends mandatory inclusion of specific cost factors in all future Departmental studies comparing the costs of Active and Reserve Components in order to accurately capture the fully-burdened and life-cycle costs of military manpower.

In particular, the RFPB found that the Department of Defense is neither complete nor consistent in its consideration of some of the most important cost factors when weighing the relative costs of Active and Reserve Component forces. While the Services generally do consider basic costs associated with Active and Reserve Component personnel accounts (like the annual appropriations pay accounts), there are significant costs paid from other accounts (either at the DoD level or by other federal agencies) that are not counted in AC/RC comparative cost analyses. Current methodologies used in DoD omit as much as \$600 billion in annual costs. Consequently, such analyses fail to reflect the fully-burdened cost to the Department of Defense and other Federal agencies, much less to the American taxpayer.

In response, the RFPB makes six recommendations in this report. In short, they are:

1. Establish DoD policy/guidance for computing fully-burdened Military Personnel Costs for the Total Force.
2. Specify all the cost elements that must be included in cost studies.
3. Identify mission support, Treasury contributions, and all other external costs that must be considered.
4. Calculate and report cost element figures annually.
5. Clarify the use of composite rates in studies.
6. Develop a model to calculate and compare life-cycle costs.

Each of these recommendations is explored more fully in the body of this report. However, the primary purpose of the recommendations in this report is to ensure senior DoD leaders receive accurate analysis products that are based on more complete and consistent data. The Board believes that the establishment of a standard costing method for determining individual component costs is essential when exploring AC/RC component mix and mission alternatives in a budget constrained environment. The Director of CAPE must take the lead for the Secretary of Defense in determining the cost methodology ground rules for the military departments and other DoD entities.

THE TASK

At the November 29, 2011 meeting of the Reserve Forces Policy Board, the Chairman of the RFPB, in accordance with the RFPB statute, raised for Board consideration the need for the Department of Defense to develop a methodology to examine both the “fully-burdened” and “life-cycle” cost of its forces so that senior leaders could make more fully-informed decisions about the long-term sustainability of the All-Volunteer Force and the future mix of Active and Reserve Component forces. This policy gap became apparent from comments made by the outgoing Assistant Secretary of Defense for Reserve Affairs and other senior DoD leaders. Upon Board approval and direction by the Chairman, the Military Executive of the Reserve Forces Policy Board initiated a staff project to examine DoD costing methodologies and policies for the Total Force.

Additional focus on the importance of completing this project occurred when, at the September 5, 2012 meeting of the RFPB, the Secretary of Defense met with members of the RFPB and charged them to provide him with advice and guidance regarding the best balance between active and reserve forces, the cost of a strong reserve, and how to achieve savings in the Reserve Components. This report addresses the issue of cost of the reserve component member. Responses to the other topics raised by the Secretary will be included in future reports.

THE PROBLEM

The fully-burdened and life-cycle cost trends supporting the current All-Volunteer force are unsustainable. The Secretary of Defense, current and former senior DoD officials, and prominent think tanks alike have all underscored this problem.

The DoD cost of “taking care of people” now consumes more than \$250 Billion or over 50 percent of the total DoD budget. An additional \$200 Billion is spent by organizations outside of DoD for programs within the Departments of Veterans Affairs, Labor, Education, and Treasury. Secretary Panetta has stated that “the escalating growth in personnel costs must be confronted. This is an area of the budget that has grown by nearly 90 percent since 2001” for approximately the same size force. Specifically, military healthcare and retirement costs have increased to about \$50 billion (SECDEF’s words in same testimony) and \$100 billion a year respectively and are projected to continue their climb.

Former Secretary Gates stated that changing from “a culture of endless money where cost is rarely a consideration” to a “culture of savings and restraint” is essential. Other senior officials with detailed knowledge have echoed the concern. Notably, the current Under Secretary of Defense Comptroller, the Honorable Robert Hale has said, “the cost of pay and benefits has risen more than 87 percent since 2001, 30 percent more than inflation.”

Respected think tanks have produced analysis with similar findings. This year, the Congressional Budget Office said that military compensation has outpaced inflation rates and private sector wages by more than 25 percent during the past decade. Additionally, the Center for Strategic and Budgetary Assessment offered the following sobering commentary in July 2012 on military personnel costs: “Over the past decade, the cost per person in the active duty force increased by 46 percent. If personnel costs continue growing at that rate and the overall defense budget remains flat with inflation, military personnel costs will consume the entire defense budget by 2039.”

The Reserve Forces Policy Board contends that DoD does not know, use, or track the fully-burdened and life-cycle costs of military personnel in decision-making. The former Assistant Secretary of Defense for Reserve Affairs, the Honorable Dennis McCarthy describes his experience

dealing with this issue as follows: “One of my main tasks...was to lead a “comprehensive review” of the Guard and Reserve. My main frustration... was that we couldn’t get agreement on how to calculate the cost of personnel. We need an apples-to-apples methodology that accurately calculates the true cost of people in the Active and Reserve Components.” The Board agrees with the former Assistant Secretary and further postulates that absent written policy on a Total Force (active, civilian, contractor, and reserve component personnel) costing methodology, major decisions on future force structure may be made that are uninformed on the true fully-burdened and life-cycle manpower costs.

PROJECT PHILOSOPHY/APPROACH

This report’s primary purpose is to provide Department senior decision-makers with an independent, objective method to develop and present repeatable data on the fully-burdened and life-cycle costs of military personnel, providing these decision-makers with the ability to track trends over time, and to permit objective comparative analysis. The Board wants to make clear at the onset that it is not advocating for more reserve or less active component forces. Nor is this study an effort to reform the pay, compensation, and benefits systems or challenge the rationale on current spending levels of the cash and non-cash cost elements supporting the All-Volunteer Force. In September, 2012, the Secretary of Defense charged the RFPB with the task of giving him advice on the cost of a strong reserve and how to achieve savings in the Reserve Components. This report establishes the foundation that will both educate Department senior decision-makers, and help the Board formulate future answers to the Secretary’s questions.

The Board notes that cost is not and should not be the sole basis for determining force structure and the mix of active, reserve, defense civilian and contractor personnel. Other key factors include requirements, capability, capacity, risk and expectations of future demand, such as deployment frequency, duration, speed of response, and the readiness levels necessary for given mission sets. Often these factors require subjective determinations based on military judgment. However, as the Nation faces an era of persistent fiscal constraint, cost will be an increasingly important element in Defense decision-making. To support such decision-making it is essential that DoD’s cost-estimating methodology – the objective side of the equation – be as complete and consistent as possible.

The staff study group addressed the DoD military personnel cost data gap by researching existing policy documents on costing methodology in the DoD Comptroller and Cost Assessment Program Evaluation (CAPE) offices to determine if there were any policy gaps. The group found that although individual cost studies have been conducted in the past, there is no DoD consensus or standardized costing process for use by all Services; they all use different cost elements for military personnel cost comparison and none consider all the costs.

The Board found it curious that DoD requires all costs to be included and considered in major acquisition decisions, but not for military personnel. In the acquisition world, mere “fly away” costs are deemed inadequate. DoD uses the all-in program acquisition unit cost and provides life-cycle operating costs. Neither DoD nor the Congress would make major acquisition decisions without knowing the full costs. Additionally, DoD now uses the Fully-Burdened Cost of Energy (FBCE) calculations to consider long-term fuel costs in procurement decisions. Finally, the Department requires contractors to invoice the fully-burdened cost of their personnel working for DoD. Thus, the Board feels that a similar fully-burdened and life-cycle approach should inform senior DoD leaders’ decisions on military personnel where the life-cycle and fully-burdened costs are just as substantial.

To better understand the current practice of how DoD compares the cost of both components of military personnel (Active and Reserve), the project team convened 16 working group meetings, consisting of cost experts from across the Department in order to examine and compare current Active/Reserve Component costing practices across Services and Components. The work group identified and compared all of the various cost elements. This group found that the inclusion and use of these cost elements varied widely. Within DoD today, military personnel costing is neither complete nor consistent. Although the Director of CAPE has published guidance (DTM 09-007 currently, with DoDI 7041.dd as a replacement) providing a starting framework to move in the right direction, the documents do not provide the Services and Components with all fully-burdened and life-cycle costing elements. Additionally, neither document includes Reserve Component costing tables.

The reason that this inconsistency in cost analysis matters is there are decisions being made by senior DoD officials that impact future

total force structure, and there are vast differences between reality and myth on the costs of our All-Volunteer force, both Active and Reserve Component personnel. If one examines all of the costs within the DoD budget, as well as applicable federal programs outside of DoD, a Reserve Component service member costs less than 1/3 that of an Active Component service member.

METHODOLOGY

The project team used a “layer cake” approach built from the bottom up to ensure all stakeholders were included and heard. The first layer included costing experts from all of the Services and Components. These individuals reviewed previous costing studies, then identified the various fully-burdened and life-cycle individual cost elements and developed options and recommendations for use. The next three layers entailed vetting the work done with active and reserve leadership from each of the military services, and key decision makers and subject matter experts from within and outside the Department. These included visits with the Director, CAPE, USD (C), USD (P&R), Deputy Director, Joint Staff J8, Deputy Director, DOD Office of the Actuary, Government Accountability Office, Congressional Budget Office, and Center for Strategic & Budgetary Assessments just to name a few. Overall, RFPB members and/or staff conducted more than 100 meetings with senior officials and experts inside and outside the Department of Defense to collect data, conduct analysis, and receive a diverse range of inputs, opinions, and perspectives.

The foundation for analysis began with the identification of costs at the individual level in order to enable “apples-to-apples” comparisons. Seeking common business case analysis processes, identifying and capturing ‘lessons-learned’ from previous analysis across the Services and Components, and having DoD follow the same requirement they impose on contractors to allocate all costs were identified as keys to this study.

From January 29 to May 24, 2012, the RFPB project team conducted a “bottom-up” review of current AC/RC costing practices across the services and components. During 16 meetings, an informal working group, consisting of costing experts from across the Department, examined and compared these different methodologies. First, the working group developed a schedule to identify all tasks and

deliverables. Next, based on the recommendation of the Deputy Director, CAPE, the project team examined Directive Type Memorandum (DTM) 09-007; the Department’s policy on the subject of “Estimating and Comparing the Full Costs of Civilian and Military Manpower and Contract Support” dated September 2, 2011. This policy identifies for DoD analysts the cost elements to be examined when studying full-time staffing options. Using DTM 09-007 as a baseline, the task group identified several costing element discrepancies between the Service’s Reserve Components and missing cost elements. Finally, the group developed a model for presenting all Service cost elements and provided recommendations on needed DoD policy changes.

In June 2012, the project team began an independent “top down” analysis of the DoD FY 13 budget request in order to determine and demonstrate the feasibility of calculating a true, “fully-burdened” per capita cost of Active and Reserve Component forces, and use those calculations to independently quantify the relevant cost factors.

Additionally, the project team conducted roughly 100 visits with senior officials and costing experts inside and outside of the Department of Defense.

RECOMMENDATIONS & FINDINGS

Recommendation #1 - Establish DoD policy/guidance for computing fully-burdened Military Personnel Costs for the Total Force. The Director of Cost Assessment and Program Evaluation (CAPE) should establish permanent DoD policy for calculating the “Fully-Burdened” costs of individual members from both the active and reserve components.

As noted in the RFPB’s Interim Report of June 2012, the Department of Defense has no policy in place to define or require complete analytical data for the comparison of Active and Reserve Component costs to determine Total Force mix options. As a result, senior leaders within DoD do not have complete or uniform data on the total costs associated with such forces. Therefore, decisions about the optimal mix of future Active and Reserve Component forces are not fully informed, and an “apples to apples” comparison is not possible.

While DoD has no policy in place to define or to require consistent or complete analytical data for the comparison of Active and Reserve Component costs for force mix options, it does have a policy guiding the collection and analysis of comprehensive cost data for comparing military, government civilian, and contractor full-time staffing options.

Directive Type Memorandum (DTM) 09-007 was DoD's initial attempt at establishing policy on "Estimating and Comparing the Full Costs of Civilian and Military Manpower and Contract Support," dated September 2, 2011. Currently, the Deputy Director of CAPE is circulating a new Department of Defense Instruction (DODI 7041.dd) to replace DTM 09-007. It too identifies the cost elements necessary to calculate and compare the full cost of full-time staffing options. However, neither document examines part-time staffing, includes all costing elements, nor addresses comparisons of Active and Reserve Component forces. Even so, this product is a commendable example of the type of guidance that DoD should produce with regard to Active/ Reserve Component cost comparison. In its Interim Report, the Board recommended that there should be such a policy.

Subsequently, the Director of CAPE has indicated that their office agrees that there is value in having such cost comparison guidance in place, and will begin crafting one. The RFPB applauds the willingness of CAPE to tackle this objective.

Recommendation #2 - Specify all of the cost elements that must be included in cost studies. DoD Policy should require that any study conducted or contracted by the Services or other DoD component for the purpose of comparing the costs of active and reserve component personnel or forces include, at a minimum, the following cost factors: Basic Pay, Retired Pay Accrual, Allowances, Incentives & Special Pay, PCS Costs, Medicare-Eligible Retiree Health Fund Contribution, DoD Healthcare Costs, DoD & Department of Education Dependent Education Costs, DoD & Service Family Housing Costs, DoD Commissary Costs, Treasury Contribution for Concurrent Receipt, and Base Operations Support Costs.

In the draft DODI 7041.01, the Director, Cost Assessment Program Evaluation's staff has identified forty two (42) cost elements and data sources for the calculation of the "fully burdened" cost of full-time military manpower. Twenty nine (29) of these cost elements come from Personnel appropriation accounts that are included in the annually-calculated "Composite Rate" for each rank/grade within each Service, as required by the DoD Financial Management Regulation. The remaining cost elements are in the areas of Health Care, Education Assistance, Discount Groceries, Child Development Program, Training, Recruitment, Dependent Education, Veterans benefits and Treasury Contributions.

Taking the list of military cost elements from DTM 09-007 (converted to DODI 7041.01) as an apparently strong and comprehensive set, the RFPB project team sought to determine the degree to which the Services and Reserve Components were utilizing these costing elements in calculating the comparative costs of AC and RC personnel – even in the absence of a DoD policy directing them to do so.

From January 29 to May 24, 2012, the RFPB project team convened 16 meetings bringing together experts in the field of costing from the various Reserve Components as noted above in the Methodology section of this report. As a result of these meetings, the RFPB project team found that the services were neither complete nor consistent in the use and consideration of the various cost factors in determining Reserve Component costs. All components (predictably) used personnel costs such as Basic Pay and Housing Allowances in their cost analysis, but there was wide variance in the use of many other cost factors. No component consistently took into consideration the military-related costs borne by other federal agencies such as the Departments of Education, Treasury, Labor or Veterans Affairs. Notably, the working group identified that Family Housing was an additional relevant compensation cost factor, but one which is neither included in DTM 09-007 (or the replacement DODI 7041.dd), nor consistently used by components in cost analysis.

Subsequently, in order to quantify the relative importance of all of the possible military cost factors and identify those most critical for inclusion in future policy documents, the RFPB project team calculated a fully-burdened cost of Active and Reserve Component personnel based upon the Fiscal Year 2013 budget request for the Departments

of Defense, Veterans Affairs, Labor, Education and Treasury. The basic approach in this calculation was to allocate all DoD costs and appropriate costs of other Departments to either Active or Reserve Components. In this analysis, costs were allocated to Active and Reserve Components just as the funds were requested in the various component appropriation accounts. Defense-wide accounts were allocated based on identifiable “fair share” quantitative multipliers. Where no such multipliers were apparent, Defense-wide costs were allocated on an equal per capita basis. Unquestionably, this calculation required some assumptions and even judgment calls that not everyone will agree with. The actual numbers in the resulting calculations are less important from a policy perspective than their relative values, which clearly demonstrate the importance of addressing the existing data gap with an effective and comprehensive policy for the future. The results of this analysis are presented within Appendix B of this report.

In short, based upon findings from this analysis, the RFPB recommends that DoD policy mandate that any studies conducted, contracted, or commissioned by the military services or any other DoD component for the purpose of comparing the costs of Active and Reserve Component personnel or forces must, as a minimum, include the following cost factors:

- Personnel Costs
- Health Care
- Dependent Education
- Family Housing
- Commissaries
- Concurrent Receipt
- Base Operations Support

PERSONNEL COSTS

The annually-calculated “Composite Rate” for each rank/grade within each Service as required by the DoD Financial Management Regulation includes basic pay, allowances for housing, subsistence, uniforms, incentives and special pays, education assistance, contributions for

retirement pay accrual and to the Medicare Eligible Retiree Health Care Fund (MERHCF), and essentially all other funds within the Service component’s personnel appropriation account.

While these cost elements alone are insufficient to arrive at a “fully-burdened” cost, all of them are essential when dealing with a comprehensive comparison of Active and Reserve Component costs.

Retirement pay accrual is a particularly important cost element needed for inclusion. In view of the differences in the Active and Reserve Component retirement systems, it is imperative that future AC/RC cost studies fully consider the impact of the resulting differences in retirement costs. Inclusion of the annual budget appropriations for retired pay accruals for Active and Reserve Components is an actuarially sound mechanism to capture the present value of these significant future costs. Using this approach recognizes the importance of life-cycle costs for Active and Reserve Component mix decisions. Consequently, the retired pay accruals are a critical cost element for inclusion.

The project team found that the Services and Components generally include these personnel costs (including the retirement accrual payments) in comparative cost calculations for Active and Reserve Components. This practice should be continued and codified in future DoD policy.

The test for completeness of such calculations should be whether or not the resulting aggregate sums account for essentially all of the service component’s personnel appropriation for a given fiscal year.

HEALTH CARE

Health care is a major cost to the DoD. The cost of providing health care to Active Component service members is vastly higher than it is for Reserve Component members.

For Fiscal Year 2013, the DoD has determined that the cost of medical health care for active duty personnel and their dependents is \$10,563 per capita. This is included in the annual rate billable to other federal

agencies when obtaining reimbursement for services provided to agencies outside of DoD. The Department publishes no similar annual calculation for Reserve Component members.

To illustrate one method of filling this data gap, the Reserve Forces Policy Board staff examined the \$32.5 billion requested in the FY 2013 budget for the Defense Health Program. The program serves more than 9.6 million beneficiaries. Approximately 7.6 million beneficiaries are active component service members, while the vast majority of users are active component family members and retirees. On the other hand, Reserve Component service members, retirees and their family members comprise only about 21% of the total military healthcare beneficiaries (approximately 2 million). Thus, apportioned on a per capita basis across the two components, the project team estimates that Defense Health Program actually costs more than \$19,000 per Active Component member, in contrast to just over \$8,000 per Reserve Component member.

In addition to the \$32.5 billion for the Defense Health Program, the Department also requested nearly \$8 billion in military medical personnel funds and nearly \$7 billion in Medicare-eligible Retiree Health Care accrual funds. The Congressional Budget Office further opines that the Fiscal year 2103 budget request understated military healthcare costs by about \$4 billion so that the actual total cost is potentially more than \$50 billion.

A major cost of the health care system that is frequently omitted from AC/RC cost comparisons is the cost of providing health care to Active Component retirees. This is a significant cost that is not reflected in the annual reimbursement rate calculated under the DoD Financial Management Regulation. It is, however, a legitimate cost of the Active Component and should be included in analyses.

When health care costs are ignored in AC/RC cost comparisons, the results are skewed. For example, DoD cost savings for a shift of force structure from Active to Reserve Components will be notably understated. Likewise, the additional cost burden of shifting force structure from Reserve to Active Components will be similarly understated.

In order for future cost comparison studies to more accurately reflect the true cost to the Department of Defense, it is imperative that future

DoD policy require that such studies fully account for the costs of health care. These studies should include a calculation of the present value of the future cost burden the Department will bear for retirees.

DEPENDENT EDUCATION

Dependent children of active component service members are eligible for education in schools operated by the Department of Defense. However, if the active duty service member sends his or her children to local public schools, then that public school system receives funding from the Department of Education on a per-child basis. Because active duty service members can live and work on federal property, and thus not pay local property taxes, “Impact Aid” provided by the Department of Education to local governments helps compensate the community for the cost of educating active duty military children.

The FY 2013 DoD budget includes more than \$2.7 billion in Defense-wide Operations and Maintenance funding for dependent education. The Department of Education budget includes an additional \$500 million to fund “Impact Aid” to civilian schools for the cost of students from military families.

Neither of these Department of Defense or Department of Education dependent education benefits is provided to part-time Reserve Component service members. Their children are ineligible for DoD schools and are not included in the Department of Education’s “Impact Aid” program. Reservists live in the communities and pay local and state taxes. Only a comparatively small number of reservists serving on full-time active duty incur these costs. As a result, the RFPB project team estimates that the annual federal government costs for dependent education totals \$2,389 per active component service member compared to just \$42 per Reserve.

COMPONENT SERVICE MEMBER

In order for future cost comparison studies to more accurately reflect the true costs to the federal government, it is imperative that DoD policy require future studies to fully account for the costs of dependent education. This includes costs incurred by the Department of Defense, as well as those incurred by the Department of Education.

FAMILY HOUSING

Part-time Reserve Component personnel are not eligible for military family housing when not mobilized. Only a comparatively small number of reservists serving on full-time, active duty orders qualify for this benefit. Because most reserve units are located in civilian communities rather than on major military installations, even these full-time reservists tend to live in civilian housing off-base.

In addition to the Basic Allowance for Housing paid to service members on active duty, the Department incurs yearly costs in both Service-level and DoD-wide accounts for new construction, as well as the operation and maintenance of 42,000 military family housing units. The FY 2013 DoD budget request included an annual cost of more than \$1.6 billion for these purposes. This figure does not include “sunk costs” from any construction in past years.

In order for future cost comparison studies to more accurately reflect the true cost to the Department of Defense, DoD policy studies should require inclusion of the full costs of family housing, including costs in both service-level and defense-wide accounts for construction, as well as operations and maintenance of family housing.

COMMISSARIES

The Department of Defense spends about \$1.4 billion annually to subsidize discount groceries to service members and retirees through the operations of the Defense Commissary system. Reserve Component service members tend not to use military commissaries. Survey data from the Defense Commissary Agency shows that only 3% of commissary users are from the Reserve Component. This is consistent with the findings of a May 2000 study by the Food Marketing Institute, which estimated that 5% of commissary users were reservists. The relatively low usage by Reserve Component members is not surprising. The average American lives less than six miles from a supermarket. In contrast, 54 percent of Reserve and National Guard units are located more than 20 miles away from a military commissary.

In order for cost comparison studies to more accurately reflect the true costs to the Department of Defense, future DoD policy should

require that such studies account for the costs of operating the Defense Commissary system and apportion those costs according to usage.

CONCURRENT RECEIPT – TREASURY CONTRIBUTION

Military Retirees are allowed to draw both their military retired pay from the Department of Defense, plus any disability compensation paid by the Department of Veterans Affairs. This benefit, established in the 2004 National Defense Authorization Act, is known as “concurrent receipt.” It is funded not by the Department of Defense, but rather by direct contributions made by the Department of the Treasury from the General Fund of the United States.

This benefit is disproportionately drawn by retirees from the Active Components. According to the September 30, 2011 Statistical Report on the Military Retirement System (the most current available), there were a total of nearly 319,000 retirees drawing concurrent retirement and disability pay. Only about 5% or 16,000 of these were reserve retirees. Moreover, the Reserve Component retirees who do draw the concurrent receipt draw smaller amounts. While the average active duty retiree draws almost \$1,400 per month in concurrent receipt pay, the average Reserve Component retiree draws just over \$1,000 per month. Overall, reservists draw approximately 4% of the total payout for concurrent receipt pay.

For the October 1, 2012, Treasury payment, the amount due to Concurrent Receipt totals \$6.8 billion. This is \$6.5 billion for full-time service members as compared to \$0.3 billion for part-time service members. Even noting that roughly 5% of full-time service members are reservists on active duty in support of the reserves (also known as the Active Guard and Reserve program), the Reserve Component only accounts for 9% of the actuarial liability to the U.S. Treasury for Concurrent Receipt.

In order for cost comparison studies to more accurately reflect the true costs to the Department of Defense, future DoD policy should require that such studies account for the costs borne by the United States Treasury for Concurrent Receipt payments.

BASE OPERATIONS SUPPORT

The Reserve Component does not require the huge facility and base infrastructure as does the Active Component. As a result, the Reserve Component incurs a far lower cost for base operations support such as maintenance, security, and utilities costs associated with the housing, childcare and recreation facilities found on major bases. Of the roughly \$36 billion in DoD Base Operations Support Costs, about 12% is appropriated for Reserve Components.

In order for cost comparison studies to more accurately reflect the true costs to the Department of Defense, future DoD policy should require that such studies account for the costs of Base Operations Support.

Recommendation #3 - Identify mission support, Treasury contributions, and all other external costs that must be considered. DoD Policy should require that any study comparing the costs of Active and Reserve Component personnel or forces consider the amounts, degree and methodology for possible inclusion of all or part of the annual contributions made by the U.S. Treasury, Veterans costs, and the non-compensation costs of the Department of Defense.

TREASURY COSTS

The United States Treasury covers several costs of our national defense that are not appropriated in the annual budgets of the Department of Defense.

Reserve Component members account for a disproportionately small portion of the contributions made by the U.S. Treasury (over and above the DoD budget) to defense-related costs. The Treasury contribution for Concurrent Receipt was already noted above. Additionally, the U.S. Treasury direct contribution for the Medicare-Eligible Retiree Health Care Fund (MERHCF), over and above the DoD contribution of \$6.7 billion, was estimated at another \$6.44 billion in FY 13, but only 29% of the liability for that cost is attributable to the Reserve Components.

The U.S. Treasury direct contribution to the Military Retirement Fund, over and above the DoD contribution, was estimated at \$ 67.18 billion in FY 13, but only about 17% of the payout from that fund is made to RC retirees.

Developing a complete understanding of these costs to the federal government (the precise degree to which they can or should be allocated as Active or Reserve Component costs) and the circumstances where these costs should be included or considered is a significant task beyond the scope of this report. The Department should study these issues and develop a policy to appropriately account for and allocated them for the purpose of force-mix studies. The RFPB concluded that these costs should be included in future cost comparisons but recognizes the Department need to take the leadership role.

CONTRIBUTIONS FOR MILITARY RETIREMENT

For FY 2013, DoD is projected to pay, from its appropriations, about \$21.6 billion into the Military Retirement Fund. This amount is shown in each of the service's military personnel budgets as "Retired Pay Accrual." This appropriation covers the accruing costs of future retirement benefits being earned by today's service members. This amount continues to increase due to the larger number of retirees as well as the increase in life expectancy of future retirees.

However, over and above this amount, the United States Treasury contributes an additional \$67.2 billion into the Military Retirement Fund. This amount covers a portion of the accrued unfunded liability for all the retirees and current members who earned benefits before the accrual funding system was set up in 1985.

This additional Treasury contribution is necessary in order for the fund to make its anticipated disbursements in payments to retirees of \$53.1 billion and to grow the fund toward eventual self-sufficiency. While the Reserve Components account for 39% of today's Total Force, the project team estimates that Reserve Component retirees' account for only about 17% of the payout from the Military Retirement Fund.

To function, the fund purchases United States Treasury Bonds and derives income from the interest on those bonds. While not a cost

to the DoD budget, the additional Treasury contribution is a burden on the national debt. This burden could shift if significant changes were made in the mix of Active and Reserve Component forces. However, determining the degree and direction of this shift would require additional study beyond the scope or capability of this report. The RFPB believes the Department should undertake this additional analysis.

CONTRIBUTIONS TO MEDICARE-ELIGIBLE RETIREE HEALTH CARE

The clear need to properly allocate the significant annual costs of military retirees who are under the age of 65 and thus not eligible for Medicare is addressed above in this report in the Health Care section under Recommendation #2. These costs are paid directly out of the DoD annual appropriations rather than on an accrual basis.

For those retirees who are age 65 and older (“Medicare Eligible”), some – but not all – of their health care expenses are paid for from the Medicare Eligible Retiree Health Care Fund. As with the Military Retirement Fund, this is also an accrual fund.

For FY 2013, DoD is projected to pay (from its appropriations) about \$6.7 billion into the Military Retirement Fund. This amount is shown in the service military personnel budgets as “Medicare Eligible Health Care Fund Contribution” (MERHFC). This fund covers the liability for future benefits accruing to current service members.

However, over and above this amount, the United States Treasury will contribute an additional \$6.4 billion into the Fund. This is an annual payment from the general fund of the Treasury on the accrued unfunded liability and is necessary to make the estimated \$10 billion payout from the fund in 2013.

While the Reserve Components account for 39% of today’s Total Force, the project team estimates that Reserve Component retirees account for about 29% of the payout from the Medicare Eligible Retiree Health Care Fund.

Like the Military Retirement Fund, the Medicare Eligible Retiree Health Care Fund also purchases United States Treasury Bonds and derives income from the interest on these investments. While not a cost to the DoD budget, the additional Treasury contribution is a burden on

the national debt. This resulting additional burden to the Nation’s debt could shift somewhat if major changes were made in the mix of Active and Reserve Component forces. Determining the degree and direction of this shift, however, would require additional study beyond the scope or capability of this report. The RFPB believes the Department should undertake this additional analysis.

VETERANS COSTS

The raising, maintaining, and employing of military forces eventually contributes to a bill for the American taxpayer for Veteran’s benefits and healthcare.

The budget request for the Department of Veterans Affairs for FY 2013 was more than \$140 billion. Additionally, the Department of Labor sought nearly \$259 million for its Veterans Education and Training Service. The programs of these two departments serve the estimated 22.2 million veterans in America. This comes to a little more than \$6,200 per veteran, per year.

The project team did not find an obvious model or mechanism for determining different allocation costs for Active and Reserve Component veterans. Consequently, the project team assumed that Active and Reserve Component service members consume an equal level of veteran’s benefits and services. The question of whether there is, in fact, a difference merits more thorough analysis. If a subsequent analysis determines that there is such a difference, that difference should be included for consideration in future costing studies. The RFPB recommends that this additional analysis be done.

NON-COMPENSATION COSTS OF DOD

Service-level non-compensation costs such as Other Operations and Maintenance, Procurement, Military Construction, Research and Development, and training costs vary from service to service, but still merit explicit DoD guidance for inclusion in future AC/RC cost studies. The costs total more than \$350 billion and must be considered.

OTHER OPERATIONS & MAINTENANCE COSTS

As stated under Recommendation #2 above, the Board recommends that certain Operations and Maintenance costs such as Base Operations Support costs, family housing operating costs, health care and dependent education should be consistently included in calculations of the fully-burdened cost of Active and Reserve Component forces.

Roughly \$135 billion in other funds from “Operations and Maintenance” (O&M) accounts are used for a broad range of expenses including fuel, spare parts, supplies, service contracts, and civilian pay. These other O&M costs should be considered in costing studies and included when appropriate.

Each Reserve Component has its own O&M account that Congress appropriates funding into based on the annual budget request. Reserve Component O&M totals about \$21 billion. Active Component O&M for the four Services totals about \$120 billion. Consequently, most O&M funding is already clearly allocated between Active and Reserve Components.

One notable exception is the \$32 billion “Operations & Maintenance – Defense-Wide” account. This account includes funding for activities which support both Active and Reserve Components. While the bulk of the account funds Active Component activities, it also funds some activities that at least partly support the Reserve Components. These activities include Civil Military Programs, Defense Finance and Accounting Service, National Defense University, Defense Media Activity, Defense Human Resources Activity and the United States Special Operations Command.

The O&M Defense-wide account also includes DoD Dependent Education (\$2.7 billion), which is addressed separately in the report above because it is a form of compensation.

Overall, the project team estimates that only about 4% of the total \$32 billion O&M Defense-wide account is attributable to Reserve Component expenses.

In developing future policy regarding AC/RC costing, DoD should consider allocation of the full O&M Defense Wide account as cost factors when calculating comparative, fully-burdened costs.

PROCUREMENT

Funds from “Procurement” accounts are used to purchase major items of equipment including aircraft, armored vehicles, trucks, weapons, communications systems, missiles and ammunition. No Reserve Component has its own procurement account. Reserve Component equipment is funded and procured strictly through the Service procurement accounts.

The DoD Budget Request which goes to Congress each year includes a publicly-available exhibit that identifies which part of the Department’s procurement funding request it plans to use for the purchase of Reserve Component equipment. The “Procurement Programs – Reserve Components” (P-1R) exhibit is a subset of the Procurement Programs exhibit. It reflects the Service estimates for those funds used to procure equipment for the National Guard and Reserve. For example, for FY 2013 DoD requested \$98.8 billion in total procurement. The P-1R exhibit for FY 2013 shows that, of that amount, the Department intends to spend \$3.1 billion for the purchase of Reserve Component equipment – only about 3% of the total.

This amount funds the procurement of new equipment or major upgrades to existing equipment. It does not cover transfers of used equipment from the active to the Reserve Component. Detailed information about such transfers of equipment can be found in the annually published “National Guard and Reserve Equipment Report” produced by the Assistant Secretary of Defense for Reserve Affairs. It is available on the internet.

In developing future policy regarding AC/RC costing, DoD should consider allocation of procurement account costs when calculating comparative, fully-burdened costs. The P-1R should be the basis for such an allocation.

MILITARY CONSTRUCTION OTHER THAN FAMILY HOUSING

Military Construction funding is used to build new facilities and infrastructure. For FY 2013, DoD requested \$8.7 billion for this purpose.

The need to consistently include Family Housing construction and operating costs in future costing studies is addressed above. The Board feels that other Military Construction costs should be considered and included in such studies as appropriate.

Each Reserve Component has its own Military Construction account that Congress appropriates funding into based on the annual budget request. In Fiscal Year 2013 budget request, Reserve Component Military Construction totals about \$1 billion. Active Component Military construction for the four Services totals about \$4 billion. Consequently, most Military Construction funding is already clearly allocated between active and Reserve Components.

One notable exception is the \$3.7 billion “Military Construction – Defense Wide” account. This account includes funding for construction of some facilities that support both active and Reserve Components. Additionally, some facilities built with active component Military Construction funds may also, in part, serve Reserve Component forces. The reverse may also be true at times.

This report recommends that future DoD policy should require that any AC/RC cost study include the costs for both building and operating military family housing.

Certain Military Construction costs other than family housing, such as that contained in Defense-wide military construction accounts or for projects which serve both Active and Reserve Components may also merit consideration.

RDTE & OTHER

Research, Development, Testing and Evaluation (RDT&E) funding is used to develop new technologies for DoD capabilities. None of the Reserve Components has an RDT&E account. Such basic research and testing would likely be required regardless of the relative Active/ Reserve Component mix of the Total Force.

Other costs within the Department of Defense budget that are unlikely to be sensitive to changes in AC/RC mix include those for Environmental Restoration, Drug Interdiction, Cooperative Threat Reduction, and the Service-level Working Capital Funds.

Consequently, the value of allocating the RDT&E costs and other accounts is uncertain. In developing future policy regarding AC/RC costing, DoD could consider allocation of RDT&E and other account costs when calculating comparative, fully-burdened costs, but the project team feels there would be minimal value in such allocations.

TRAINING

A significant portion of the training costs for Reserve Component members is conducted by the Active Component at their expense. This varies from service to service. In developing future policy regarding AC/RC costing, DoD could consider allocation of training costs borne by the Active Component to train the Reserve Component.

Recommendation #4 - Calculate and report cost element figures annually. The Director, Cost Assessment and Program Evaluation (CAPE) or the Under Secretary of Defense (Comptroller) should calculate and publish all cost elements for Total Force military personnel cost studies on an annual basis, and provide guidance on their use in an appropriate memo or report.

Annual standardized calculations of the required critical cost elements will provide updated and consistent numbers for the Services and other DoD components to use in costing studies.

Additionally, publishing such cost elements annually demonstrates DoD commitment to tracking costs in an increasingly budget-constrained environment.

Recommendation #5 - Clarify the use of composite rates in studies. The Under Secretary of Defense (Comptroller) should modify the annual memo on “Military Personnel Composite Standard Pay and Reimbursement Rates” to eliminate the directive to use such rates “when determining the cost of military personnel for budget/management studies.”

This recommendation fixes two currently conflicting DoD policies; one from the DoD Comptroller and one from the Director, Cost Assessment and Program Evaluation (CAPE).

At present, the DoD Deputy Comptroller publishes an annual memo titled “Military Personnel Composite Standard Pay and Reimbursement Rates.” This memo is sent to disseminate the yearly calculation of composite rates. It provides a cost figure for a full-time service member, by grade, in each service. This cost figure is called the “Composite Rate” and includes a limited number of obvious cost elements: Base pay, allowances, PCS costs, retirement accrual and so on. The annual cost memo includes a statement that says, “The composite standard pay rates will be used when determining the cost of military personnel for budget/management studies.”

This guidance is in clear conflict with DTM 09-007 (draft DODI 7041.dd) which states, “the DoD composite rates, as published by the [DoD Comptroller], used to calculate manpower costs for program and budget submissions do not account for the full costs of military or DoD civilian personnel...For this reason, composite rates should not be the only source of data used when answering questions about the cost of the defense workforce, making workforce-mix decisions, or determining the cost impact of manpower conversions.”

The DTM 09-007 (draft DODI 7041.dd) guidance is especially significant, because the composite rate ignores the cost of health care.

DoD Comptroller officials explained to the RFPB project team that the language of the annual memo reference to “management studies” is intended to mean that the Composite Rate is used to calculate the cost of DoD manpower employed in the creation of written reports and studies. If such is the case, then Deputy Comptroller should articulate that point more clearly in their next annual “Military Personnel Composite Standard Pay and Reimbursement Rates” memo. Otherwise, the current wording can, and based on RFPB findings in its work group, has actually been interpreted to suggest that the Composite Rate is sufficient to be used as the basis for calculating manpower costs in studies about management of personnel, units, forces, etc. Consequently, the Comptroller should modify the wording of the annual memo to specify that the Composite Rate is intended to be

used for reimbursement by federal agencies and for the calculation of manpower costs associated with the creation of written reports, but that the data (consistent with DTM 09-007) should not be the only source of data used when answering questions about the cost of the defense workforce, making workforce-mix decisions, or determining the cost impact of manpower conversions.

Recommendation #6 - Develop a model to calculate and compare life-cycle costs. The Director, Cost Assessment and Program Evaluation (CAPE) should develop a model to calculate and compare the “life-cycle” costs of Active and Reserve Component personnel.

On an annual basis, the cost of a Reserve Component service member is 22% to 32% that of their active component counterpart, depending on what cost elements are included. This fact alone does not fully capture the entire scope of the costs to the Department of Defense or to the federal government, because it ignores the enormous cost of retirement and health care.

The retirement and health care costs for RC forces as compared to their AC counterparts are far lower. The RFPB believes that DoD needs to have improved visibility on these costs over the long term. To assist the Department with the development of a life-cycle model, the Board provides two specific examples that already exist where life-cycle costs are examined and modeled. A previous study by Jennifer Buck, a former Deputy Assistant Secretary of Defense for Reserve Affairs, published in 2008 and the “Individual Cost Assessment Model” or ICAM (presently being vetted by the US Air Force Reserve with the Air Force) are two examples of work that can be used.

RETIREMENT PAY COSTS

The Reserve Component retirement benefit is notably less than that of the Active Component. The Reserve Component member is paid a far lower amount for a far shorter period of time. While an Active Component service member can begin drawing retirement pay immediately upon completion of 20 years of service, a part-time

Reserve Component member completing 20 years of service generally can draw no retirement pay until age 60. This means that while the Reserve Component retiree draws pay for the roughly 20 years from age 60 until death, an Active Component retiree leaving the service at age 38 can draw retirement pay for over 40 years – more than twice as long.

Additionally, the retirement pay of the Reserve Component member is less. According to the Statistical Report on the Military Retirement System for FY 2010 (the latest version available), there were 1.47 million non-disability retirees from active duty receiving retired pay. In FY 2010, non-disability retirees were paid \$40.2 billion – an average of \$27,347 per active duty retiree. In contrast, as of the same date, there were 357,000 reserve retirees receiving retired pay. In FY 2010, reserve retirees were paid \$4.89 billion -- an average of \$12,574 per reserve retiree. So, the average reserve retiree receives just 46% of what an active retiree receives. Roughly speaking, a Reserve Component retiree is paid less than half as much for potentially half as long.

These differences in retirement cost are at least partially accounted for in DoD budgeting through the annual retirement pay accrual. However, as noted above, this amount only covers part of total military retirement costs. The United States Treasury makes an additional direct contribution to the Military Retirement Fund in order for benefits to be paid.

RETIREE HEALTH CARE COSTS

Active Component service members retiring with 20 years of service not only receive immediate retirement pay, they also continue to receive lifetime military healthcare for themselves and their dependents. A service member retiring at age 38 can receive this health care benefit for over 40 years. The health care benefit received by active duty retirees until age 65 is not captured by an accrual, but must be fully paid out of the annual appropriations of the Department of Defense. This is roughly \$10,000 per retiree, per year – a major cost which is not incurred by Reserve Component service members.

Up until recently, Reserve Component service members who completed 20 years of service, but had not yet reached age 60 (the so called “Grey area retirees”) were completely ineligible for military healthcare. Though now eligible to enroll, they must pay the full, unsubsidized premium for the coverage.

Retirees age 65 or over are eligible for Medicare. DoD makes an annual contribution into the Medicare Eligible Retiree Health Care Fund. However, that contribution by DoD does not cover the full cost of providing care to those older retirees. The United States Treasury must make an additional contribution to the Medicare Eligible Retiree Health Care Fund in order to meet expenses.

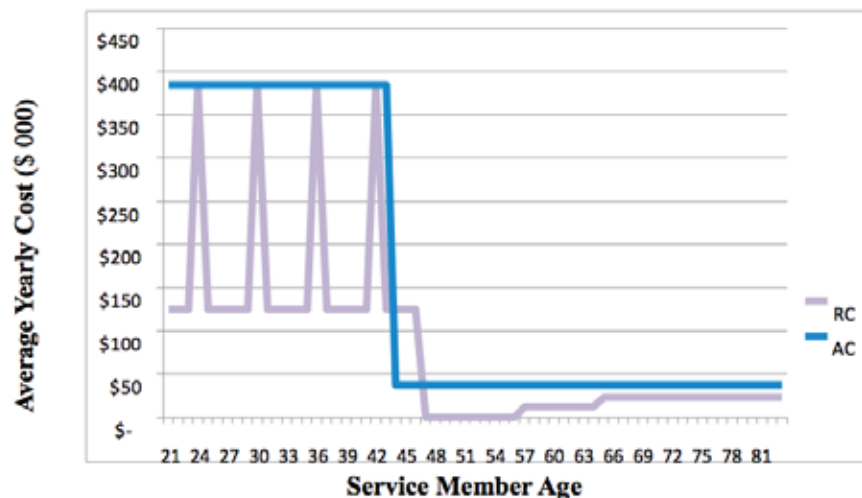
EXISTING WORK TO LEVERAGE IN DEVELOPING A DOD LIFE-CYCLE COST MODEL

Only by comparing the life-cycle cost of Active and Reserve Component forces can the full scale of potential savings be quantified for decision-making purposes.

Fortunately, there has been some commendable work already done on the subject of identifying, calculating and using the life-cycle costs of Reserve Component forces. In developing the model recommended above, the Department should leverage these existing works and translate their concepts and ideas into DoD-wide usage.

THE BUCK MODEL

Jennifer C. Buck’s paper “The Cost of the Reserves” was published as a chapter in the book, “The New Guard and Reserve” in 2008 by Falcon Books. In the paper, she identifies three alternative approaches in determining the cost of Reserve Component forces; the traditional, simple method of comparing budget and force structure, the method of evaluating unit costs, and the method of estimating the cost of the “use” of individual members over the course of a career. While Buck’s approach of calculating and comparing the life-cycle costs is a valid approach, the data she used did not reflect fully-burdened costs. This could be rectified in future applications.



To demonstrate the viability of comparing life-cycle Active and Reserve Component individual costs under a given usage level assumption, the project team applied its fully- burdened cost data from analysis of the FY 2013 budget to the Buck model to arrive at the AC/ RC Life-Cycle Cost Illustration above.

The illustration is based on a number of variables and assumptions.

- 20 years of demand for forces at current employ-to-dwell ratios (1:3 AC and 1:5 RC)
- AC annual cost: \$385,000 per capita
- RC annual cost: \$125,000 per capita
- RC costs same as AC for each of four mobilization/deployment years
- Career length: AC=22 years, RC=25 years
- Deployments completed: AC=7, RC=4
- AC retiree costs: \$27,000 in retired pay, \$10,000 in DoD-provided healthcare
- RC retiree draws no retired pay until age 57 (age 60 minus 36 months credit for four 9- month deployments)

- RC retiree costs: \$13,000 in retired pay. At age 65 add \$10,000 in healthcare (Medicare)
- Life Expectancy for both: Age 83

As the Department moves forward to develop a comprehensive model to examine life-cycle costs, the above assumption set shows the type of data needed for inclusion in an actual model.

Air Force Reserve ICAM

The Air Force Reserve Command has developed a manpower life cycle cost model known as the Individual Cost Assessment Model (ICAM). It has been constructed with the intent of building an enduring analytical tool and capability to support more informed leader decisions. While the ICAM, as of the project team's review in June of 2012, did not include a true fully-burdened set of cost factors, it nonetheless provides a commendable example of the sort of tool that the Department should have available for all Services and Components.

CONCLUSION

The Reserve Forces Policy Board makes these recommendations to the Secretary of Defense under our statutory charter. The RFPB stands ready to make its members and staff available for further consultation or discussion on these matters as the Department shall require.

Arnold L. Punaro
Major General, USMCR (Ret)
Chairman, Reserve Forces Policy Board

The “Operational Reserve” and inclusion of the Reserve Components in Key Department of Defense (DoD) Processes

Report delivered to the Secretary of Defense on January 14, 2013



**OFFICE OF THE SECRETARY OF DEFENSE
RESERVE FORCES POLICY BOARD**
5113 Leesburg Pike, Suite 601, Falls Church, VA 22041

FOR: SECRETARY OF DEFENSE
DepSec Action_____

A handwritten signature in dark ink, appearing to read "Arnold L. Punaro".

FROM: MajGen Arnold L. Punaro, USMCR (Ret), Chairman,
Reserve Forces Policy Board

SUBJECT: Report of the Reserve Forces Policy Board on The
“Operational Reserve” and inclusion of the Reserve Components
in Key Department of Defense (DoD) Processes

- The RFPB is a federal advisory committee established to provide you with independent advice and recommendations on strategies, policies and practices designed to improve and enhance the capabilities, efficiency, and effectiveness of the reserve components.
- The RFPB met on Wednesday, December 12, 2012 and voted to make four recommendations to you concerning three subjects – The definition of the phrase “Operational Reserve”; DoD Base Realignment and Closure Governance; and the Quadrennial Defense Review.
- Operational Reserve: The Board found that senior defense officials use the phrase “Operational Reserve” inconsistently creating potential confusion within the Department, in communications to Congress, and with the Public. The Department should define “Operational Reserve” for consistent use in strategy, policy, and

doctrinal publications; to ensure the necessary supporting statutes and policies are developed; and to enable effective assessment of service program and budget positions. The Board recommends:

Recommendation #1: The Secretary of Defense direct the Chairman, Joint Chiefs of Staff to update Joint Publication 1-02, Department of Defense Military and Associated Terms, with a definition of “Operational Reserve” for appropriate use in strategy, policy, and doctrinal publications.

- *The Board reviewed and offers the following definition for consideration:*
-

“Routine recurring utilization of the Reserve Components as a fully integrated part of the operational force that is planned and programmed by the Services. As such, the “Operational Reserve” is that Reserve Component structure which is made ready and available to operate across the continuum of military missions, performing strategic and operational roles, in peacetime, in wartime, and in support of civil authorities. The Services organize, man, train, equip, resource, and use their Reserve Components to support mission requirements at the same standards as their active components. Each Service’s force generation plan prepares both units and individuals to participate in missions, across the range of military operations, in a cyclical manner that provides predictability for Service Members, their Families, their Employers, and for the Services and Combatant Commands.”

- Base Realignment and Closure (BRAC) Governance: The Board found that senior officials in the Office of the Secretary of Defense with responsibility for Reserve Component oversight were not involved in key DoD BRAC governance bodies during the 2005 BRAC process. The Under Secretary of Defense (Personnel & Readiness) and the Assistant Secretary of Defense – Reserve Affairs were not included in the Department’s key BRAC governance bodies. Senior officials in the Office of the Secretary of Defense with responsibility for Reserve Component oversight should be

involved in key DoD BRAC governance bodies during future BRAC Rounds. The Board recommends:

Recommendation #2: The Secretary of Defense direct the inclusion of the Under Secretary of Defense (Personnel & Readiness) as a member of the Department's Base Realignment and Closure (BRAC) Infrastructure Executive Council, or a similarly constituted body, during future BRAC rounds.

Recommendation #3: The Secretary of Defense direct the inclusion of the Assistant Secretary of Defense – Reserve Affairs as a member of the Department's Base Realignment and Closure (BRAC) Infrastructure Steering Group, or a similarly constituted body, during future BRAC rounds.

- The Quadrennial Defense Review (QDR): The Board found that senior officials in the Office of the Secretary of Defense with responsibility for preparing the 2010 QDR did not ensure that it complied with the requirements of Title 10, Section 118. Title 10, Section 118 specifies that the QDR include “the anticipated roles and missions of the reserve components in the national defense strategy and the strength, capabilities, and equipment necessary to assure that the reserve components can capably discharge those roles and missions.” The Government Accountability Office found that The QDR submitted to the Congress in February 2010 did not meet this requirement. The Board recommends:

Recommendation #4: The Secretary of Defense direct the Under Secretary of Defense (Policy) to take care to ensure that the 2014 Quadrennial Defense Review complies with the requirements of Title 10, Section 118 by including in its analysis “the anticipated roles and missions of the reserve components in the national defense strategy and the strength, capabilities, and equipment necessary to assure that the reserve components can capably discharge those roles and missions.”

- As required by the Federal Advisory Committee Act, recommendations were deliberated and approved in an open, public session. The briefing presented to and approved by the Board (TAB A) has been posted to the RFPB public website. The basic overview of the RFPB is submitted as TAB B.

COORDINATION: NONE

Attachments(s):

As stated

Prepared by: Maj Gen James N. Stewart, 703-681-0060

Strategic Choices and the Reserve Component

Report delivered to the Secretary of Defense on May 31, 2013



OFFICE OF THE SECRETARY OF DEFENSE RESERVE FORCES POLICY BOARD 5113 Leesburg Pike, Suite 601, Falls Church, VA 22041

FOR: SECRETARY OF DEFENSE

A handwritten signature in dark ink, reading "Arnold L. Punaro", is written over the "FROM:" line.

FROM: MajGen Arnold L. Punaro, USMCR (Ret), Chairman,
Reserve Forces Policy Board

SUBJECT: Strategic Choices and the Reserve Components

- The Reserve Forces Policy Board (RFPB) is a federal advisory committee established in law to provide you with independent advice and recommendations on strategies, policies and practices designed to improve and enhance the capabilities, efficiency, and effectiveness of the Reserve Components.
- On September 5, 2012, Secretary Panetta asked the Board to provide advice and recommendations on the best way to use Reserve forces in support of the President's Defense Strategy and determine the right balance of Active and Reserve Component forces.
- The RFPB met on April 3, 2013 to discuss an interim report of observations concerning these topics. As you lead the Department with the Strategic Choices and Management Review and the Quadrennial Defense Review and the FY15 POM, the Board felt it urgent that it convey some key observations for your consideration as part of these reviews. Our final report will be completed shortly after our Board meeting on September 5, 2013 and will include recommendations on making the Guard and Reserve even more cost-efficient.

1. Continue Operational Use of the Reserves – The Reserve Components can, have, and should continue to be employed operationally to help meet the needs of the Nation, both at home and abroad. Continued operational use of the Reserve Components offers a number of benefits. It helps to maintain the experience, skills, and readiness gained through twelve years of war for both military personnel leaving active duty and the 850,000 Guard and Reserve personnel who have been mobilized. It frees up Active Component Forces to ensure their availability to source no-notice contingency warfighting requirements. It acts to reduce Active Component deployment tempo and aids in the preservation of the All-Volunteer Force. To that end, the Department should regularly plan, program and budget for Reserve Component operational use under your new 12304b authority. In the RFPB's view, recent decisions to "off-ramp" Reserve Component units from assigned missions in the Balkans and Sinai are troubling, and will not result in long-term cost savings. The Reserve Components were essential to the successful conduct of the campaigns in Iraq and Afghanistan. They have also been effective at supporting the aforementioned enduring missions for over a decade as well as operations in the homeland. They can be counted on to perform their assigned missions effectively and professionally. The Board strongly urges the inclusion of specific guidance directing continued use of the Reserve Components in appropriate departmental planning documents.

2. Ensure an Affordable and Balanced Force Mix – The steadily increasing fully-burdened and life-cycle costs of active duty military manpower and the "all-in" support costs of the volunteer force will either drive further reductions in active component structure or result in unwise trade-off among personnel, training and modernization. The Department must make smart decisions about military end strength and force mix. The Reserve Components offer an affordable option, retaining capability and capacity that can be used when needed. Making arbitrary cuts, for the sake of component equity, does not make sense. The Board

strongly recommends the preservation of Reserve Component capabilities and that the Department should actively consider the Reserve Components to mitigate the increased risk associated with further Active Component end strength reductions either intentional or unavoidable as a result of declining resources. These are urgent issues worthy of consideration in your Strategic Choices and Management Review.

3. Include Consideration in Strategic Reviews – Reserve Component matters have been frequently afterthoughts in major departmental reviews. The 2010 Quadrennial Defense Review is but one example. The law requires the report include “the anticipated roles and missions of the reserve components in the national defense strategy and the strength, capabilities, and equipment necessary to assure that the reserve components can capably discharge those roles and missions.” Yet, the 2010 QDR omitted this required section and instead directed the Assistant Secretary of Defense for Reserve Affairs to produce a separate Comprehensive Review of the Future Role of the Reserve Component. The resultant Comprehensive Review was largely ignored by most of the Department’s staff and the Military Departments and it was unable to address issues associated with cost. This error should not be repeated. As you have said, the challenges facing the Department of Defense are significant and require a review with everything on the table. To that end, serious consideration must be given, up front, to Total Force use, force structure, and mix in both the Strategic Choices and Management Review and in the Quadrennial Defense Review. To assure effective dialogue on these topics, the Board urges you to include these considerations in the guidance you provide to the on-going and future reviews. Specifically, the governance structures should include key defense officials with responsibility for Reserve Component oversight, including the Under Secretary of Defense (Personnel and Readiness), the Assistant Secretary of Defense (Reserve Affairs), as well as senior Guard and Reserve Component leaders.

- As required by the Federal Advisory Committee Act, the observations were deliberated upon in an open, public session (TAB A). In that spirit, a copy of this letter will be posted to the RFPB web site. Background information about the RFPB is at TAB B.

COORDINATION: NONE

Prepared by: Maj Gen James N. Stewart, 703-681-0600

Reserve component Survivor Benefit Plan Disparity Issue

Report delivered to the Secretary of Defense on May 31, 2011



OFFICE OF THE SECRETARY OF DEFENSE RESERVE FORCES POLICY BOARD 5113 Leesburg Pike, Suite 601, Falls Church, VA 22041

FOR: SECRETARY OF DEFENSE

FROM: MajGen Arnold L. Punaro, USMCR (Ret), Chairman,
Reserve Forces Policy Board

SUBJECT: Report of the Reserve Forces Policy Board on the
Reserve Component Survivor Benefit Plan Disparity Issue

- The Reserve Forces Policy Board (RFPB) is a federal advisory committee established to provide you with independent advice and recommendations on strategies, policies and practices designed to improve and enhance the capabilities, efficiency, and effectiveness of the reserve components.
- The RFPB met on April 3, 2013 and voted to recommend the Department ask Congress to change the law regarding the Reserve Component Survivor Benefit Plan (RCSBP) (TAB A).
- Inconsistencies in compensation for Reserve Component (RC) members exist today due to the overarching need to reform reserve component duty statuses. The 2001 Quadrennial Defense Review plainly acknowledged the need for reform - the current reserve component duty status "system is complex, aligns poorly to current training and mission support requirements, fosters inconsistencies in compensation, and complicates rather than supports effective budgeting." The 2008 Commission on the National Guard and Reserve (CNGR) also pointed out that "there are 32 different duty statuses and each Service has variations of those 32 duty statuses, which only adds to the confusion." Active component members

have a single duty status—"active duty"—while reservists serve in an array of statuses that are driven by a wide range of policies, laws, and types of duty (TAB B). The CNGR recommended significantly reducing the duty statuses and DoD concurred. Most recently, the 11th Quadrennial Review of Military Compensation (QRMC) stated that "the reserve duty system consists of a plethora of authorities to order a reserve component member to duty and a variety of purposes of duty—all of which need to be tracked in order to justify the budget request, remain within authorized strength limits, and comply with utilization restrictions. The QRMC found that without first addressing the convoluted and complex system of reserve duty, it would be difficult to bring meaningful change to compensation and benefits." (TAB C)

- Notwithstanding the recommendations and agreement, to date, the duty statuses have not been reduced.
- Based on the problem associated with duty statuses, the following disparity was discovered: the family of a service member killed in the line of duty will receive differing amounts of annuity payments depending solely on the administrative duty status (Active Duty versus Inactive Duty Training) for a traditional (part-time) guardsman or reservist.
 - o The 11th QRMC (TAB C) cites an example using hypothetical O-4s, each with 18 years of service (10 years of service for retired pay computation purposes). The monthly Survivor Benefit Plan (SBP) for the surviving spouse of the RC member on Active Duty orders would be \$2,908, while the spouse of the RC member in Inactive Duty Training (IDT) status would be \$969...even if both deaths occur in the line of duty, during the same incident.
 - o The family of the Reserve Component member on Active Duty orders is also eligible for SBP benefits, which provides significantly more in survivor benefit payments than those members in IDT status who are eligible only for RCSBP.
 - o SBP is calculated based on "years of service"; whereas, RCSBP is calculated based solely on "active service" or total points computed under Title 10 Sec 12733.

- The family of the RC member on Active Duty orders is also eligible for other key survivor benefits not provided to the family of the member in IDT status. These include:
 - 1) Annuity calculations with a disability rating of “total”.
 - 2) Special Survivor Indemnity Allowance (Title 10, 1450).
 - 3) The choice to extend SBP eligibility directly to dependent children (Title 10, 1448).
- The 11th QRMC (TAB C) recommended the following: “Calculate Survivor Benefit Plan 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.” The Military Coalition (33 military, veteran, and uniformed service organizations) urged this change as well.
- Congressman Chaffetz introduced H.R. 1770 on April 26, 2013 (TAB D). According to a preliminary score by the Congressional Budget Office during the 112th Congress, changing the relevant sections of Title 10 to eliminate disparities would cost \$12 million over a ten-year period, including \$1 million in retroactive payments for families dating back to 2001.
- Therefore, the Board recommends the following (TAB A):
 - o The SecDef should support H.R. 1770, or amendments containing similar language, as a primary course of action.
 - o If H.R. 1770 fails to become law, the Secretary of Defense should direct the DOD staff to provide a Unified Legislation and Budgeting Process (ULB) proposal supporting on-going legislative efforts by Congress to remove the distinctions between “Active Duty” and “Inactive Duty” as they apply to the current Survivor Benefit Plan and Reserve Component Survivor Benefit Plan. The ULB should also include provisions that address:
- Removal of the word “active” from “active service” to enable equitable treatment under provisions in Title 10, USC, Chapter 73, Subchapter II, Survivor Benefit Plan, section 1451(c)(1)(A)(iii).

- The calculation of annuity payments awarded to qualifying survivors.
- The choice to extend eligibility directly to dependent children.
- Eligibility for the Special Survivor Indemnity Allowance.
- Annuity calculations based on a disability rating of “total”.
- As required by the Federal Advisory Committee Act, recommendations were deliberated and approved in an open, public session. The briefing presented to and approved by the Board (TAB A) has been posted to the RFPB public website. Additional background information is submitted as TAB E. The basic overview of the RFPB is submitted as TAB F.

COORDINATION: NONE

Prepared by: Maj Gen James N. Stewart, 703-681-0600

*Inclusion of the National Guard Bureau in DoD Base
Realignment and Closure*

Report delivered to the Secretary of Defense on June 26, 2013



**OFFICE OF THE SECRETARY OF DEFENSE
RESERVE FORCES POLICY BOARD**
5113 Leesburg Pike, Suite 601, Falls Church, VA 22041

FOR: SECRETARY OF DEFENSE

DepSec Action_____

A handwritten signature in black ink, reading "Arnold L. Punaro".

FROM: MajGen Arnold L. Punaro, USMCR (Ret), Chairman, Reserve
Forces Policy Board

SUBJECT: Report of the Reserve Forces Policy Board on the
Inclusion of the National Guard

Bureau in DoD Base Realignment and Closure (BRAC) Governance
Bodies

- The RFPB is a federal advisory committee established to provide you with independent advice and recommendations on strategies, policies and practices designed to improve and enhance the capabilities, efficiency, and effectiveness of the reserve components.
- The RFPB met on Wednesday, June 5, 2013 and voted to make two recommendations to you concerning the inclusion of National Guard Bureau leaders in the key governance bodies for the DoD Base Realignment and Closure process.
- The Board found that senior officials of the National Guard Bureau were not involved in key DoD BRAC governance bodies during the 2005 BRAC process. Deliberations in the two key governance bodies - the Infrastructure Executive Council and the Infrastructure Steering Group - were not informed by the judgments of officials

with responsibility for matters involving non-federalized National Guard forces. The inclusion of National Guard Bureau officials in key DoD BRAC governance bodies could have eliminated, reduced, or greatly mitigated challenges to recommendations affecting the National Guard. The Chief of the National Guard Bureau has a unique role in the Department and should be included in key DoD BRAC governance bodies during future BRAC Rounds to advise on matters involving non-federalized National Guard forces in support of homeland defense and civil support missions and the facilities, land, and airspace required to provide that support.

- The Board recommends:

Recommendation #1: The Secretary of Defense direct the Under Secretary (Acquisition, Technology and Logistics) to include the Chief of the National Guard Bureau as a member of the Department's Base Realignment and Closure (BRAC) Infrastructure Executive Council, or a similarly constituted body, during future BRAC rounds to advise on matters involving non-federalized National Guard forces in support of homeland defense and civil support missions and the facilities, land, and airspace required to provide that support.

Recommendation #2: The Secretary of Defense direct Under Secretary (Acquisition, Technology and Logistics) to include the Vice Chief of the National Guard Bureau as a member of the Department's Base Realignment and Closure (BRAC) Infrastructure Steering Group, or a similarly constituted body, during future BRAC rounds to advise on matters involving non-federalized National Guard forces in support of homeland defense and civil support missions and the facilities, land, and airspace required to provide that support.

- As required by the Federal Advisory Committee Act, these recommendations were deliberated and approved in an open, public

session. The briefing presented to and approved by the Board (TAB A) has been posted to the RFPB public website. The basic overview of the RFPB is submitted as TAB B.

COORDINATION: NONE

Attachments(s):

As stated

Prepared by: Maj Gen James N. Stewart, 703-681-0060

Reserve Status Duty Reform

Report delivered to the Secretary of Defense on July 16, 2013



OFFICE OF THE SECRETARY OF DEFENSE RESERVE FORCES POLICY BOARD

5113 Leesburg Pike, Suite 601, Falls Church, VA 22041

INFO MEMO

FOR: SECRETARY OF DEFENSE

FROM: MajGen Arnold L. Punaro, USMCR (Ret), Chairman, Reserve Forces Policy Board

A handwritten signature in dark ink, reading "Arnold L. Punaro", is written over the "FROM:" line of the memo.

SUBJECT: Report of the Reserve Forces Policy Board on Reserve Component (RC) Duty Status Reform

- The Reserve Forces Policy Board (RFPB) is a federal advisory committee established to provide you with independent advice and recommendations on strategies, policies and practices designed to improve and enhance the capabilities, efficiency, and effectiveness of the reserve components.
- The RFPB met on June 5, 2013 and voted to recommend that you direct the Under Secretary of Defense for Personnel and Readiness (USD (P&R)) and the Secretaries of the Military Departments to jointly develop a plan that revises and reduces the total number of duty statuses driven by policies and authorities which fall under their purview. Further, USD (P&R) should propose necessary statutory modifications needed to implement duty status reduction to the Congress. All actions should be completed within one year. The recommendation and supporting slides considered by the Board are located at TAB A.
- Disruption in compensation and benefits for Reserve Component (RC) members exists today in large part because members are often required to change their duty status, which adversely affects readiness and mission accomplishment. For this reason, all recent reviews of

the reserve components have recommended major reform of reserve component duty statuses.

- Much of the complexity of the current system is derived from the duty authority, purpose, funding, and restrictions embedded within each duty status. By separating these management functions from the actual authority, the number of duty statuses could be reduced from 32 to as few as 6. The purpose of the duty, funding for the duty, and compliance with limitations and restrictions could be managed/tracked separately.
- The 2001 Quadrennial Defense Review directed a Review of Reserve Component Contributions to National Defense which was published in December 20, 2002. It plainly acknowledged the need for reform, stating the current Reserve Component duty status “system is complex, aligns poorly to current training and mission support requirements, fosters inconsistencies in compensation, and complicates rather than supports effective budgeting.” (TAB B)
- The 2008 Commission on the National Guard and Reserve (CNGR) also found that “there are 32 different duty statuses and each Service has variations of those 32 duty statuses, which only adds to the confusion.” Active component members have a single duty status, “active duty”, while reservists serve in an array of statuses that are driven by a wide range of policies, laws, and types of duty. The CNGR recommended significantly reducing the duty statuses and DoD concurred. (TAB C)
- The 2011 report of the 11th Quadrennial Review of Military Compensation (QRMC) stated that “the reserve duty system consists of a plethora of authorities to order a reserve component member to duty and a variety of purposes of duty—all of which need to be tracked in order to justify the budget request, remain within authorized strength limits, and comply with utilization restrictions. The QRMC found that without first addressing the convoluted and complex system of reserve duty, it would be difficult to bring meaningful change to compensation and benefits.” (TAB D) Of note, the 11th QRMC developed draft legislation that reduces the number of authorities under which a Reserve Component member can be ordered to perform duty, while retaining the ability of the Services and Congress to track and account for the purpose and funding of the duty. The draft legislation was delivered to the Department as a separate package.

- Many of the duty statuses can be streamlined and reduced simply through changes in DoD internal policies. Others will require the Department to request congressional changes in legislative authority.
- While DoD has concurred with numerous recommendations from previous studies and reviews over the past decade to reduce the number of reserve duty statuses, there has been no movement to actually reduce the number of duty statuses. In fact, the number of duty statuses has actually increased.
- As required by the Federal Advisory Committee Act, this recommendation was deliberated and approved in an open, public session. The minutes presented to and approved by the Board have been posted to the RFPB public website. The basic overview of the RFPB is submitted as TAB E.

COORDINATION: NONE

Prepared by: Maj Gen James N. Stewart, 703-681-0600



For additional information:
<http://ra.defense.gov/rfpb/>