COMMISSION ON
THE NATIONAL GUARD AND RESERVES

HEARING ON MANAGING
AN INTEGRATED ACTIVE AND RESERVE FORCE

WITNESS:
THE HONORABLE MICHAEL L. DOMINGUEZ,
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
FOR PERSONNEL AND READINESS

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ARNOLD PUNARO: The commission will come to order. The subject of our hearing this afternoon is managing an integrated active and reserve force. Our witness is the Honorable Michael Dominguez, the principal deputy undersecretary of defense for personnel and readiness. He and his boss, Undersecretary Dr. David Chu, are essentially the total force managers for the Department of Defense. As discussed earlier this morning, many of our current force management and personnel policies date back – predate this highly operational reserve force. Much of our military human capital strategy was forged in the late 40s and 50s. DOPMA was enacted in the late 70's. Many of these provisions really were designed for a post-World War II force, fulfilling roles and missions very different from today. While there's been a lot of things that have been updated, a lot of the fundamental laws, rules and regulations, as we've said many times, remain unchanged.

In addition, management of total force issues in the Department of Defense can appear to the outsider to be somewhat divided into active and reserve stovepipes until it reaches the principal deputy undersecretary's level, rather than being addressed from an integrated force perspective. For example, oversight of active component recruiting and retention is overseen by one office as a different shop for the National Guard and Reserve. Similar stovepipes exist in the military departments in the services. And the question there is, if we're going to have an integrated force, if we're going to have a total force, should it be managed from an integrated force perspective.

A true continuum of service is a central element of integrated force management. The phrase, continuum of service, appears frequently in testimony and documents, but there's a wide range of interpretations as to what actually constitutes a continuum of service, such as on-ramps and off-ramps and how it would work. As generally understood, a continuum of service would facilitate the seamless transition of individual reservists on and off active duty to meet mission requirements over the course of a military career.

Two basic underpinnings of a continuum of service are, first, a reduction in the number of duty status categories, and second, the implementation of an integrated pay and personnel system to facilitate the seamless transition from reserve, the active status, and back to reserve status on multiple occasions. Beyond duty status categories, and an integrated pay and personnel system, there are a number of other complicated issues to be addressed to create a true continuum of service. As a service member potentially transitions along the on and off-ramps between the active and reserve components, between very intensive and traditional 39-day drill roles, between the selected reserve and the Individual Ready Reserve, and potentially into a time-out period for, say, education or parenthood or other family needs, that individual faces the prospect of being non-competitive within the traditional personnel management systems.

Secretary Dominguez has thought about these issues, has discussed these issues, has evaluated these issues, both in his current position, as the assistant secretary of the Air Force for manpower and reserve affairs, and as an individual that's a career professional in these fields in the Department of Defense. So he's spent almost his entire career really thinking through some of these very complex and very knotty problems, and you know, based on our interaction with him in both this job and other jobs, has a lot of wisdom to share on these very complicated subjects. So we welcome his views of integrated force management and its various component parts.

On last month's panel we heard from a panel of employers both large and small, and from family readiness coordinators who work closely with Guard and Reserve family members on a daily basis. One way to ease some of the burdens of the reserve component's high operational tempo, some have suggested that DOD needs a new compact with both employers and families, and we'd want to know, is that something that we ought to look at. Everything has to fit together holistically in this continuum of service. It's not just the service member. It's the employer, it's the family members, similar to what we face on the active side, certainly, with family members. They don't have the employment consideration.

At our May hearing we asked a panel of family readiness coordinators to identify the major issue they had to deal with, and it was overwhelmingly TriCare and how to get clear, concise understandable information for, quote, "suddenly military," end quote, reserve families tried to navigate the TriCare complex for the first time. How to find a provider who would accept TriCare for the many families not near a military treatment facility, and how to find someone who could help when the 1-800 number doesn't provide the needed assistance. These things you've heard many, many times.

But really the focus of our hearing today, if there is such a thing as sort of an informal discussion and deliberation, we'd like to really just try to bounce some ideas around about this continuum of service. I know you and Secretary Novice (ph) in the Navy in particular have spent a tremendous amount of time really thinking through these issues and I know you've got a lot to share with us here this afternoon. So thank you for being here and your great service to the nation. And without objection your entire written statement will be made a part of the hearing record, and please proceed in any way you deem appropriate.

MICHAEL DOMINGUEZ: Thanks very much. Mr. Chairman, thanks for this opportunity to bat around some ideas with you. I really do appreciate the opportunity to engage in that kind of discussion. And I do also appreciate the opportunity to meet and talk to some old friends again. And I know Jimmy and I spent hours working on these kind of issues, and Gordon and I talked about these on long flights over the Pacific. So this is a great opportunity and I'm really pleased to see some old friends.

Now let me first start by saying that the nation, not just the DOD but the nation is on a journey here in the transition of the reserve components from the strategic reserve to the operational reserve. And those words and that change is much, much more than a

bumper sticker. Unfortunately, most of the thinking about it right now is at the bumper sticker level and we – it seems to resonate with what's going on, but we haven't drilled down and really understood it and defined it and how it would work and what it means. But what it does mean is huge and, in my opinion, huge change in the relationship between the Department and the member and the family. It's a change in the relationship between the Department and the employer. It's a change within the Department in our organizing, training and equipping concepts and how we define and recognize requirements around that. It's a change in the relationship between the reserve component forces and the active component forces, and it requires a change in our force development and force management practices. So there's relatively little left out of this, save how these combatant commander employs these forces because when they get to the combatant commander they're indistinguishable and component from which they came is not of relevance or concern, their capabilities to the standards, to the requirements that the combatant commander needs to do their force employment job.

Now as I said, we're on this journey. We have done some important things to lay out the path and plot the course, at least in the early part of the transition. And I think the most significant event on that journey has been Secretary Gates' statement that – which really set the expectation for what level of service will you demand of me now if I am a citizen soldier. And his statement of policy, that, you know, mobilization will be limited to one year, that's it. There ain't no more. And that we will seek to mobilize you, call you to active service no more often than one year out of six, one up, five back. That occurred early this year, and I think that was a major milestone on this journey.

Similarly, the Congress' enactment of the operational support duties deficit. That was a huge event, where we didn't have to worry about you were called on for 180 days and if you were on for 181 then you count against active end strength. So we moved away from all that and said, you can come in, you can serve to support operations in the Department of Defense and so long as you're serving no longer than three years continuously, or three years out of four, you don't have to worry about counting against the active component strength. You can still do that. You can serve longer than three years in your operational duty status, but just you count against end strength. But there's no barrier any longer. Much easier, much more flexible.

The extension of the TriCare program. Two people with orders to mobilize, so 90 days before, 100 days after, that's a significant step and milestone, recognizing again in the context of our relationship with you, the member, is now different. We're responsible for your health care, getting you medically ready to go, and oh, by the way, taking care of your family 90 days before you go, through that journey, and then 180 days after you get back. That's recognizing a different relationship between the Department and these part-time orders.

The REEP (ph) program, which I forget the acronym, but it's if you serve in contingency, it's an educational benefit for service in the contingency, you know. So that, again, is another recognition. And then bonus authorities, increasing the bonus

authorities and adding the flexibilities that we have on the active side to the reserve side. So those also I think were big changes.

There's things where we have – and those, you know, were big policy or statutory steps. There's other steps that we've taken kind of below the radar scope to increase management agility in responding to this, so the feds HEEL (ph) program, the use of a common access card, Guard and Reserve, so it doesn't say Guard and Reserve. You get a CAP card because you're a member of the armed forces. And then importantly, the military services move to what we call force generation plans. That's huge in terms of our adapting to this operational reserve because it's the predictability that is essential for the part-time force. It's here's the schedule, when you all need to be putting on uniform and rolling forward into the fight. That is an anchor for everything. And the fact that we've now moved that forward so we can begin using it to talk to members, to talk to families, to talk to employers, I think that's huge.

Now there are, as I said, those are steps and milestones on the journey. There is a lot left yet to do. We are now embracing in our rhetoric (to) train, mobilize, deploy. But we haven't all in every component of the DOD actually implemented that through policy and practice. And the challenges in doing that are pretty huge. One of the things we'll talk about, and I think you may have already talked about, is the equipping issue, right. So train, mobilize, deploy means you're fully trained the day you get mobilized because you mobilize to get on the airplane and go, and very shortly thereafter you're in the theater of operation. Well, there is a training thing that had to occur in those five years back before you got on, but there's equipment as well.

Now if we don't change our equipping paradigm, we're not going to get there from here. And by that I mean, you know, there isn't enough cash in the Treasury to give every unit in the armed forces 100 percent of the most modern stuff all the time. But in a train, mobilize, deploy paradigm, and this same paradigm actually applies to the active force, so this is a total force equipping paradigm we have to wrestle with, is it may be possible to give you enough to train on at your home station, and maybe enough to have at these seminal training events where you bring things like together like at the national training center. And then the stock in theater is enough to equip everybody to 100 percent of our capability, you know. So there's a model that might work in terms of being able to buy the most modern stuff and make it work in the train, mobilize, deploy concept.

But we are in the early stages of trying to work through that and figure out how it works and do the calculations for pricing, you know. But it's cultural change that will be required and fortunately, again, this is – the active forces will see the same challenge because they are also on the force generation model, so they know when they're going to be saddling up and going again, and they know what missions they're going to have to be doing. So equipping to train for that as opposed to equipping to train for everything on the planet, you know, there's risks associated, tough challenges. So we don't have answers.

Other parts of the thing, I think this compact with the member and their family. Great question. My own view is, yes, you know, we need to begin redefining that because it has clearly changed. You know, we're asking for a different level of service and then we need to be able to say, in return for that, here's what we provide to you and be clear about that.

Now we need management flexibilities in order to do this, and we need to be able to focus what we do on the DOD side very, very precisely, to get the force management outcome you want. Otherwise you can price yourself out of the business. So some of the things, you know, I think we would need is a lot more flexibility and the House Armed Services authorization act draft posits a consolidation and collapsing of special and incentive pays so that we would have a great deal more flexibility and be able to target incentive pays and bonuses and stuff to get the people that we need to do the things that we need them to do in a very targeted and laser-like fashion.

I think TriCare reserve select is a major component of people who get into the operational reserve, who are on these deployment cycles, or on these training and spin-up cycles in order to deploy, and having them, the opportunity through that program to stabilize the family's health care over that whole continuum. I think that's a big deal.

As we look at this operational reserve and you think about train, mobilize, deploy, the other thing I think we need to think about is experience matters. Wisdom matters. Leadership is crucial in that model. What that translates to is longer careers for the gray hairs among us because they are the wisdom, they are the continuity, they are the leadership, they're the people who will make the unit ready to go on day one. And so we have to be thinking about the retirement program, and on the active side we have the same problem on the active side. Well, gee, cliff (ph) vesting retirement system isn't optimally designed to get some of those gray hairs to stay in past 20. Neither, by the way, is moving the annuity date back on the reserve components.

And certainly it's of course a management problem to have this retirement system over here for this part of your force, to be so radically and fundamentally different from this other part when the people start seeing themselves mixing together more often. Some harmonization and meeting in the middle as you put these two things in motion is probably ought to be thought about as a component of our solution.

Let's see. Transition assistance. This is a big deal. I've just come from a hearing on that. When you're using these part-timers and you put them into the kind of complex, difficult, challenging situations that we do, you know, part of our compact with them is, look, we need to help you transition from warrior back to citizen. And that's tough when you're spread all over the country and not just around a, you know, an active duty base. We have to figure out how we do that. But we've been reading in the papers about some of the challenges there, particularly in the mental health line, and that's going to be difficult for us. But you know, that's part of helping you move back into your civil society and civil job is helping you transition, just as we would with an active component.

Just a couple of statements about this employer relationship. The strategic reserve model in my opinion envisioned a once in a generation kind of event, the nation in peril, so that we will take these people out, they will go away, they will fight the fight, they'll win and then they'll come home and there's this single integration, re-integration problem back into your employment. And suck it up, employers, USERA (ph) specifies to you your obligations, right. And so it's a – and we wrap it up in some patriotism and say, you know, that's your responsibility as a company in this country. And most employers have taken it that way and accepted it that way. But fundamentally I think, you know, it's employer as victim. I put the trump card of the state, the coercive power of the state, and mobilize this asset, take it away from you. I don't have to ask permission, I just do it, and then I return them and then you have these obligations. And that works fine in that model.

It, I think, doesn't – it's not the right philosophical foundation for an operational reserve, where over a 30-year career, you know, we'll share this asset multiple times, sometimes for long periods of service on our side. And I now need to think more about employers as partners, and employers need to be thinking about, well, this is how I serve in the global war on terror. This is what I do. It's how I contribute. Besides running my company and generating wealth for the nation, I also contribute, share valuable resources, which is a piece of human capital that moves back and forth between the DOD. That's a whole different thing. You don't find that philosophy if you read through USERA, but it's a place I think we're going to need to move to sustain this journey and stay together. And for us, that's huge.

We have to think about employers as partners. We have to be mindful of their needs. We have to find ways where we can fit our needs into their needs so that we can stay together on this journey. That's a big deal. And starting that conversation I think is also a big deal and in front of us. So those are just some thoughts. I touched on much of this in my written testimony. Hope that's helpful, and now I'd love to –

MR. PUNARO: Very helpful. Let me sort of pick up right there because you talked about this change in philosophy, you talked about the change in attitude. Let's bounce around kind of in an hypothetical way. We're not looking for an official DOD position any more than I have an official commission position. I mean, the operational reserve is a fact of life. We don't see in our earlier two reports, we don't see the threat changing that much. In fact, it's probably more complex than it was at the peak of the Cold War in terms of what you have be prepared to deal with. You've got the added homeland threat for DOD is going to have an ever-increasing role. It's inevitable. We all sitting around this table, that end and this end, we know that. We know that. We've been around long enough to understand how that's all going to play out.

So this continuum of service has to be a continuum of service both at home and overseas in a wide variety of circumstances. Yet you've got Defense Ops or Personnel Management Act, DOPMA, enacted in the late 70's, that has a rigid up or out system, that says basically if you don't basically check all these boxes and you don't go to the

basic school, the medium range school, the advanced school, if you don't have a shore billet and an operational billet, you don't have a staff billet and a command billet – in other words, every single day you'd better be doing something that ties back into DOPMA or when it comes time to be competitive to promotion to your next higher grade, you're not going to get selected and you're forced out. It was certainly designed for the Cold War.

ROPMA, by the way, its companion piece, although it passed in the early 90's, it's totally tied back to DOPMA because the reserve has an up or out system as well. It has nothing to do with the realities of the world that we're living in today. You've got these 32 pay categories in the reserve.

So what we've been knocking around, sort of picking up on what you said, is, why can't you do away with all these categories and all these rigid restraints, and basically either you're on active duty or you aren't. And if you're needed on active duty, whether it's for a day or two days, and whether it's to be training to get ready to mobilize, or whether it's actually being mobilized, or if you're needed for two months, or if you're needed for two years, you have a continuum of service and you have an understanding with the employer and there's certain compensation and incentives for the employers. You have an understanding with the family.

The health care system has got to be part and parcel of that so it's got to be totally transparent, whether you're in active duty status for a day, or you're in active duty status for two years. It shouldn't change at all because nobody wants to change their doctors, you know, whether you're an active duty person when you're moving around or you're in the Guard and Reserve and you're in the business world. Nobody wants to go through the hassle of trying to find new doctors, particularly like if we have the testimony a couple of weeks ago.

Then you have these issues of competitiveness. I mean, right now there's no incentive for somebody that's on active duty in the military that's got a good career to take a year off for whatever purpose, or to go into the reserve for a couple of years, because they know if they come back now, holy smokes, I just missed my school window, I missed my staff billet, and the cold hard facts of life under the up or out system. And right now when you say we need a more experienced, more mature force. That's absolutely what we need. And yet the entire pay and compensation incentive designs you to serve for 20 years on active duty, retire and draw retirement benefits for 60 years. So we pay people for 60 years to serve for 20 years. They retire for 40 years. And of course it's a very generous retirement system.

So the whole laws, rules, regulations are totally upside down from what we would need for this continuum of service. Is this kind of ease of flow back and forth, the ability – and for example, if you had a capability in the Guard and Reserve that you knew you didn't need on active duty 365 days out of the year, but you may need it for two months or you may need it for two years, and you could get at it a lot easier than you can get at it

now, then the Department of Defense would be more willing to allow that capability to reside in the Guard and Reserve and not mirror image it on the active duty side.

So there's a whole host of considerations here. So how are you sort of pulling all that together in your own mind? I know you and a lot of others have brainstormed this. Again, we're not looking for a department position and we're not looking for, you know, the OMB gold seal of approval, but how are you all just going about thinking about these problems and then how are you organizing to try to basically zero in.

Okay, what are the barriers? Is it DOPMA, is it ROPMA, is it the 32 pay categories? What are the things that need to be changed to truly allow a continuum of service? And then second part, why couldn't we put some pilot programs in places? Pick a unit in each one of the reserve components and each one of the active components and test it for a couple of years. Because we know one size doesn't fit all. We know that. So that's kind of a long, rambling question designed to get a long rambling answers that doesn't get you in trouble with the pooh-bahs in the Department of Defense.

MR. DOMINGUEZ: I'm generally in trouble with the pooh-bahs in the Department of Defense, and being one of them myself.

MR. PUNARO: That's correct. I was going to say, you are one of the pooh-bahs.

MR. DOMINGUEZ: Let's see, I think that you actually – you provided part of the answer in the question. This is complex. I mean, it's a long rambling question because these things are so closely interrelated, and it's hard to disentangle them. I can't go fix DOPMA without – and ROPMA without an effect on duty status's, without an effect on – so that things just get tied up in a knot.

And in particular, which as you mentioned to me right before the hearing, the comptroller general was correct. Constitutionally there is only one person with a veto in practice. Thousands of people in the Pentagon have veto authority. When you start dealing with a tough problem like this, you know, very frequently you get to an impasse because, you know, some faction or other brings one of these threads in and says, boom, just disrupted how we do this and we're unprepared to think about it that way and we can't move on.

So one of the ways that I actually in my time serving on the Reserve Forces Policy Board, we were moving to a concept of these pilot programs. Look, we don't actually know what will work. We're pretty confident that what works for strategic air power or strategic lift may not work for the high intensity armored maneuver warfare. So there may be some differences. And not just because of demand we place on them, but because of the connectivity back into civil society and their opportunity for people to stay trained and available. Those things may be vastly different and so they may dictate different solutions.

So the concept we kind of – we were moving toward is this issue of, hey, we need reserve component chiefs to each come up with a pilot. Look, how do you make this work? How do you get on this cycle of one year in and five years back, or that can, one year out of six continuously, with high quality, well trained and equipped people, and keep them together and keep their employers together and keep the families in it? How do you do that? What would you need to do? What would be the effect, or what passes would you need out of ROPMA to be able to do this, or DOPMA? How much would you need to tap into the active force to help you do that, and when – so what are the experiments? We need those experiments to begin thinking through this.

Because again, we are – this is a journey and this is a complicated enough journey (that) we're not going to get to an answer that's going to work everywhere all the time. And we'll be adjusting this over time. So we need to start there. But I tell you, there are some things we need to do and the duty status problem is a big one. Let me explain how. My testimony, unfortunately, is not clear on this. My personal view is we need to get rid of those. We need to abandon those. Why? They trap us in our internal processes into the legacy environment. They are the comfortable thing.

Now operationally out in the field, right, a reserve component chief could say, I don't need all that kind of stuff. I can get you onto service and I can blow my way through that stuff. Okay. But every active component leader on the planet looks at that pile of things and sees enormous complexity and the bells start going, danger, danger, don't go there. Only go there with lawyers, all right. Okay. That is a barrier to their willingness and ability to embrace the reserve component.

The second thing is, every budget officer and budget analyst inside the Beltway loves those things because they are a vehicle by which they can drag you through excruciating detail of minutiae forecasting a future 18 months from now that you absolutely positively know will bear no relation to the, you know, estimates and the pain you're going through. But it is a vehicle for saying, you know, specify to me how many days and how many hours and what kind of things people will be doing that I'll need, you know, in the future, and so there I can fill my budget estimates.

Now we did that and they served a purpose and these were good things and we passed. They are not so useful in the future, and they do trap us, I think, into the legacy system.

MR. PUNARO: I think you hit the bulls-eye as always. Let's talk about the journey in my last few minutes here. It obviously would have to be a journey. Is it a five-year journey or a 10-year journey? And I'm thinking of, okay, what we ought to do is set some realistic milestones. Year one, we've got to get pilots up and running and we've got to learn more about how to do it. Maybe year two is the year you start knocking down some of the barriers like the duty categories and maybe look at revisions to ROPMA. I mean, is that the way? In other words, if you and I had as a magic wand, we'd wave it and everything would change all right away, but that's totally unrealistic in the world we work in, both with Congress, with OMB, with the Department of Defense,

with employers, with families. So, you know, the operational reserve was brought to us by 9/11. We weren't ready for it. The laws, rules, regulations, policies, resources haven't changed. We know that.

So maybe now when we've got – if we get a little breather, and the breather doesn't seem to be coming any time soon, but if we're going to go to this continuum of service, it's a concept that gives the force manager and the combatant commander greater flexibility, a more experienced force, more latitude, gives the Department a greater ability, gives the individual and their family and their employer greater flexibility, all characteristics I think people would say, hey, that's a good thing, not a bad thing. Portability in health care.

So do you design it where you look at kind of broad strategic milestones each and every year and try to figure out how we get from where we are today, which is the Cold War force, to the continuum of service force that's totally integrated? Is that a five-year journey, a 10-year journey? What's realistic here, Mr. Secretary?

MR. DOMINGUEZ: Let me try a shot at that. The first thing I have to say is that the ground forces were brought into the operational reserve by 9/11. I think Jimmy and Gordy will agree.

MR. PUNARO: You're absolutely right. I stand corrected on that.

MR. DOMINGUEZ: That force is an operational reserve and we – I mean, everybody needs to think back to the visionaries who built that and created it and be thankful for it. And I am thankful that I didn't break it during my stewardship. I probably came close a couple of times. But anyway.

But let's see. I guess there's two – the kind of approach that you outlined has some appeal. Let's set some global milestones and let's get some of these things up and running year one and then adjust fire or evaluate year five and see if we can kind of re-do these things. And we probably ought to start that way. But I'm partially persuaded that we have a circumstance of quite enormous complexity and that we may be on a journey more like the duration between the enactment of the China Lake demo and the national security personnel system. That was a 20-year journey before we thought we knew enough about moving to a performance-based environment that we could actually pull the whole situation.

In the meantime, we had pockets of innovation happening all over the Department, and those things then achieved critical mass really in about 2002 and 2003, and that may be actually what we realistically should be thinking about, is creating an opportunity for innovation. While, you know, you have this architecture of DOPMA, ROPMA. Some things we absolutely need to kill. The duty status's. The other stuff, the bigger stuff, maybe that's a longer, slower journey of building critical mass, of dealing with it, making it work in the ground combat because it won't work the same way you do it in air combat or in the air systems business. Different problems.

MR. PUNARO: Maybe in the early years you also identify all the barriers to the continuum of service. Because I mean, we know in flight joint training and education, if we want to have the reserves have more joint PME, that's a 15-year journey. That's not a one-year journey. It's not a five-year journey.

MR. DOMINGUEZ: Well, and it's connected to a larger journey in the Department of moving from an activity-based progression system, and this is the DOPMA-ROPMA stuff, to a competency based. What do you know, what have you achieved and accomplished, and how does that factor into your potential to go do this next thing. That's a different thing than so you sat through these classes, or played golf during the classes, but anyhow, you got a graduate certificate, and then you served a tour in a joint, you know, headquarters, and so therefore you will qualify. Well, that's activity-based. Hopefully you actually gained some things.

We're trying to move the whole management system to one where demonstrated competency –

MR. PUNARO: Joint duty might be joint duty in a state headquarters of the joint Army and Air Guard of homeland defense.

MR. DOMINGUEZ: It goes to, what did you learn? What competencies did you acquire? But that's moving the whole force in that direction.

MR. PUNARO: Commissioner Lewis.

PATRICIA LEWIS: Thank you, Mr. Chairman. Thank you, Secretary Dominguez. Along the lines that the chairman was just questioning, are there any legislative limitations that you're aware of that would limit the testing of any of these new concepts that we should consider making any recommendations on?

MR. DOMINGUEZ: Well, I'm not the expert on that. I will say the answer is tons of them. I believe that there – I think I'm correct in this. There are, and Commissioner Brownlee is probably more expert at this. There's about 200 places in statute that govern general officer management, okay. And just as an example. Again, I go back to the House Armed Services Committee's mark, which – or the House's proposed authorization bill, which would simplify the special incentive pays. And right now every one of those special pays is enacted specifically in legislation for specific purpose for specific career field. Maybe it is –

MS. LEWIS: And it requires us to have an authorization bill every year because we have to renew it as if it were –

MR. DOMINGUEZ: Right, it's those, and you can't – you know, if I don't – if the problem isn't with nuclear engineers but is with combat infantry squad leaders, I can't move nuclear engineer dollars over to combat infantry squad leaders if that's where I'm

hemorrhaging, right. So I don't have that flexibility in policy because they're enacted in statute in different places. So simplification. So there are plenty of barriers like that that I think inhibit this agility in management of the force.

MS. LEWIS: If you could as you think about this, perhaps over the next month or so, if there's some low-hanging fruit in areas where you see some simplification and a clear legislative obstacle or obstacles, for example grouping that special pay issues, if you could provide that to us, it might be helpful as we work towards making our recommendations in this area.

We discussed quite a bit over the course of our last several hearings and again today this transition from a strategic to an operational force and how we get there and how we make it work more smoothly. Do you envision any remaining strategic use of the reserve components, and how do you see that operating – functioning with this operational use?

MR. DOMINGUEZ: Thank you. That's a critical question. Yes. Absolutely. And we have to not lose sight of the fact that while we are engaged in the global war on terror, and it's a type of conflict that's requiring us to adjust and adapt and think about things in a different way, there is still the possibility out there that – there are several nation-states who are on the journey of their own to modernity, and to integration into the global economic and political structure. And they have yet to make choices about how they're going to do that, whether the choices that they make will lead to peaceful competition and resolution of the inevitable disputes and friction through peaceful means or through others, right. So there are several nation-states out there that the United States of America needs to be prepared for the possibility of them choosing a more confrontational path. And that could tap our conventional capabilities in a significant way. And we need to be prepared to do that.

Now, how does that operational reserve – inherent in the operational reserve is strategic reserve capability. Inherent in the operational reserve is not everybody is forward at the same time. There's that periodic and predictable schedule, the force generation plans. So those who aren't back are available. There may be some spin-up time, but hopefully in these kind of situations you get the strategic warning.

There are aspects of reserve components, and let's talk about the nuclear submarine force, for example. That's in the active force largely, but there are capabilities that aren't challenged and demanded in an operational kind of context where, you know, where you could have those parked in the reserve component and the piece reserve component that didn't need to be coming forward every year, or one year out of every five or six. So there's strategic capability there as well. We absolutely need to build that in.

MS. LEWIS: It's reassuring to me to know that you being in that position in the Department that we aren't so focused on operational use of the reserve components that we lose sight of the potential strategic requirements, and I'm glad to get that response.

Jumping around a little bit from those more geopolitical type issues to some more practical ones. You spoke earlier about the TriCare Reserve select program. I'm familiar with that, but I think it would be helpful for the benefit of all our commissioners if you spent just a couple of minutes describing that program, how it assists reserve component member, how it assists the Department in meeting medical readiness requirements, and what gap is left after creation of that program. Are we seeing participation in that program? I know it's early on to make those sorts of judgments, but is that filling a niche that we don't see the whole impact of yet because of the new implementation?

MR. DOMINGUEZ: This is a program that the Congress enacted, in fact the Department was not enormously supportive of, but – and I hope I don't lead you astray here on the details. But the way they enacted it was everybody in the selected reserve could, if they chose, enroll in TriCare. They would need to pay a premium. There's a co-pay, so it's just like health insurance you buy in the private sector, is you can enroll in this plan. You pay that premium and then you're in the program. Okay.

How it, as we think about it, benefits us is, for those of you who are in the selective reserve and stay affiliated with the selective reserve, and in fact are in a component in the selective reserve where you will – and you've signed up and affiliated with a unit that has this deployment schedule, so you know you're going to go. You're going to put on the uniform and go forward. By definition that means you're going to move from your civil employer to us, to your civil employer to us, to your civil employer. And you have the option of flipping from his health care to our health care to his health care to our health care, or you can go on TriCare Reserve select and we'll carry you the whole way so that your family can have a TriCare physician, and your spouse, if it's a female, can have an Ob-Gyn and deliver her babies with the same provider, you know, all the time. As opposed to this year you're with this provider because I'm not on active service, and next year you're with another one.

Now as enacted, it didn't target it to those people, didn't target it to the operational reserve. It was a larger blanket thing, which is, you know, going to be more costly and less focused and targeted than I would have preferred it, but then we didn't get out in front of this and the Congress felt the obligation to act in the absence of our leadership, if I can use that.

MS. LEWIS: But there is a newly established program there that does provide for continuity of care and that – and there isn't switching back between civilian and military, should the service member choose to participate in that program.

MR. DOMINGUEZ: Yes. Now, there is an issue with, particularly again in the ground forces. There's lots of young kids in there, some of whom don't have a lot of income and their ability to participate in TriCare may be low. Their need for medical care in terms of medical readiness may be high. Partly that's been fixed by the 90 days before you go issue. So there's challenges we need to look at.

There's also the challenge of special needs families. You have a kid with special needs, how do you deal with that. And there's I think recent movement about, well, probably best for us to pay for your civil insurance so that you can stay with providers who are comfortable and familiar with that.

MS. LEWIS: Which is a perfect lead-in to my next question if you'll indulge me one more. And then I do have more but I'll give my colleagues an opportunity. Admiral Pilling (ph) met with us this morning and we discussed health savings accounts and opportunity to potentially provide a Reservist or their employer access to funding through those accounts to continue private health care plans. Could you just comment on your views, and has your office done any analysis or looked at any proposals regarding health savings accounts?

MR. DOMINGUEZ: Yes. The office has. I'm not familiar with the details of them, but the office, assistant secretary of health affairs, which is part of the personnel and readiness, has done some. I think it's an intriguing concept but I couldn't speak to the details and how – it's certainly something that I think we should explore in this context for sure.

MS. LEWIS: Thank you.

MR. PUNARO: Thank you. Commissioner Ball.

WILLIAM BALL: Thank you, Mr. Chairman. I want to first ask a question on recruiting. Last night we were having some interesting discussions about active, reserve, Guard recruiting. From your perspective do you view the integration of our recruiting effort to be satisfactory? Or do you have any improvements to suggest or have you recommended any improvements we should consider to the integration of our Guard, active and reserve recruitment activity?

MR. DOMINGUEZ: Okay. That's another one where I think it would be prudent for us to try some pilots rather than, you know, take a huge leap off a cliff, although I'm oft-times the first one off the cliff. This is one I want to be very careful. The first thing I would do is say, well, the Guard is different. The Guard is a state force. They work for the governor until they're federalized. Having a solid partnership with them so that the Guard recruiter finds a kid and would steer the kid to active service if that's where that kid's interest – I mean, that would be great and I'd love to be able to build that kind of relationship.

But I would hesitate myself to integrate Guard recruiters into the active and reserve recruiter team. But I'm willing to say let's try an experiment. Where do we think it would work. Let's try something.

MR. BALL: That's a good answer. I mean, I think we were struck last night in some informal discussions about it. You may have some assets that are not being really utilized, especially in –

MR. DOMINGUEZ: Sure. Well, I think the big thing that we could do is try and give everybody credit for sourcing somebody else's needs. I mean, that would be a simple thing. Hey, we're all in it together, you know, whoever lands this fish or gets this kid, you know, to join whatever, that's great. You get credit for it, that's a big deal for everybody. So something like that would be a useful and important measure because it also does build – it welds this total force thing together, right. Your success is my success. If I contribute to your success, that's a win for me. How do I build that in. We need to do that for sure. I'm not sure the answer is let's integrate the recruiting force. It may be something like, let's goal them differently.

MR. BALL: Well, thank you. I was pleased to hear you mention in your opening statement USERA and making the suggestion that the foundations of that are well intended flaw, perhaps need examining in its application to the current circumstances that the nation faces. I just want to reference a series of articles published early this month in the Charlotte Observer in North Carolina with respect to the experience of members of the North Carolina 505th engineer battalion that deployed to Iraq and came home and this enterprising young reporter documented some of the difficulties that certain members of the Guard had with their employers. This raised a number of questions in my mind, and I know the Commission has had an opportunity to hear from DOD officials on this subject.

I wanted to put the question to you, if the Department has any proposals under consideration now to do any restructuring to the existing organization of ESGR and this volunteer network, and if there are ways in which you feel this could be strengthened and made more integral to our current pattern deploying and of pace of activity.

MR. DOMINGUEZ: I think the first thing that we have to recognize is that ESGR right now is essential to that reintegration under the current construct, so they have an operational mission and the work they do prevents and resolves lots and lots of challenges way down deep, miles and miles away from Washington. That's a good thing. And you don't want to disturb that.

But Secretary Hall has, you know, recently re-energized them around this thinking about because some of these problems around the operational reserve and the engagement with employers. And in particular the tough nut there is the small businesses. And so Secretary Hall has got some work going on trying to think through that problem. I don't think we have any answers yet.

MR. BALL: Well, we want to share with you this. These articles in North Carolina, this was one long examination of a number of episodes, but it pointed to the fact that there are a lot of employers not well educated on the provisions of the law. There are service members who don't understand the procedures involved. And there's some disjointed activity within the government between DOD, the Department of Labor, the Department of Justice. And we'll share these articles with your office. I was struck by the anecdotal evidence that – and I realize this caliber of the education effort varies greatly state to state. And that may be in part one of the reasons.

MR. DOMINGUEZ: Let me say first, with regard to solving the current problems under the current authorities, we deployed just this month a transition aid called Turbo TAP, Transition Assistance Program. So it's an Internet-based tool where Guardsmen and Reservists can get de-mobilized fast, gives a little bit of information about re-integration, get home, get reacquainted with your families, and then log onto the Internet and download all the information they need about the re-integration, USERA, et cetera, et cetera, and also get access to people when they need to talk to a human being.

More importantly, as we move to the future we – when you affiliate with a unit that will have a force deployment schedule and you know five years from now you're going over for a year, I envision a time when the Department of Defense recognizes somebody in the chain of command owes – and not just you – somebody in the chain of command owes a conversation with your civil employer about your schedule, so up front, before you go, we're having this dialogue about partnership around this shared asset now. That's not now happening. That's not now part of our concept. I think that's where we need to go into the future. We're doing lots to try and make this thing work.

MR. BALL: I'm glad to hear you say that. You've obviously focused thought on that issue. That will be a smart thing to do. Thank you, Mr. Chairman.

MR. PUNARO: Thank you. Commissioner Brownlee.

LES BROWNLEE: Good to see you again. Thank you for this. I have about three questions here. What is the DOD doing to ensure that the compensation packages that you have that include special pay, retirement and other deferred benefits are appropriate and are allocated so that you achieve optimal benefit?

MR. DOMINGUEZ: Right. Right. Two things that we did there is we commissioned the Defense Advisory Committee on Military Compensation, Don Pilling (ph) and the work that that commission did. And then we took that input and made it foundation for the work the Quadrennial Review of Military Compensation attempt, QRMC, is doing now. So they're looking at their concepts that Admiral Pilling laid out in the DACMC report. And then evaluating them and actually trying to determine whether moving down these paths actually helps us with the force management challenge, creates a better force management profile than the one we have now. And so we're doing the modeling and analysis around the different pieces of that.

That's pretty interesting work and pretty complicated. We're a long way from having it done or having it sold, sir.

MR. BROWNLEE: So we don't really – I mean, the assertion was made that the DOD doesn't know, and of course the DOD doesn't apply all these different layers of pay and benefits and everything. A lot of it's done here in the Congress and other places, but DOD doesn't really know what it's achieving with its pay schemes for the reserve components, the active components?

MR. DOMINGUEZ: No, I wouldn't say that at all. You know, we watch recruiting and retention numbers or attrition in the reserve components like a hawk. I've been in multiple hearings where I've been hounded by senior members of the Congress because I insist that the education benefits, MGIBSR, REEF and whatever, are retention tools. The key people in the reserve components. Don't make them transition benefits because these people are transitioning back to their civil life and I don't want them to leave because I need them to come again, right? And so I know deeply.

Now what we want to do is we've got to investigate how to do it better. As I said, special incentive pay consolidation, that will help a lot because we can be more agile in targeting the money to the force management outcomes that we need. I think the retirement program has to be looked at because it creates a force management profile that's probably not optimal for the challenges facing the national security establishment of this country, and we ought to have one that actually helps us generate the force management profile and experience profile that we need. And this one doesn't. You know, we're looking at that. But it's a tough struggle getting consensus around how to change it.

MR. BROWNLEE: Some of the special pays and benefits have been focused on those who have, quote, "served in contingencies," and some are spread across the force. We kind of heard last night, we ought to just spread them all across the force, don't create have's and have not's, but this morning we kind of heard, you ought to consider doing it the other way. What do you think?

MR. DOMINGUEZ: I think you're going to need to be focused and laser-like. Think about this. What would it take you to stay affiliated with the 34th Infantry Division in Minnesota? I mean, we are going to need the brigade combat teams from that division again in defense of this nation. Absolutely, positively, they need to be in the rotation. And soldiers in that division, you know, if they sign up for that, that is a fundamentally different journey than the guys I know out in the Air National Guard out in Nevada flying Predators from Nevada, okay. And they do it nights and evenings after their work, and they go home to bed. Both major contributors to the national service, but you know, one I probably could charge a fee to get them to do, and the other guys, God bless them, there's not enough money in the world to compensate them.

MR. BROWNLEE: As a former infantry soldier, I agree with you but I just want to get you on the record.

MR. PUNARO: Are you saying the Air Force reserve ought to pay us to be in the Air Force reserve? (Laughter)

MR. BROWNLEE: You mentioned earlier that we haven't taken a lot of time to really define operational reserve and strategic reserve, but we're making a huge issue that we've gone from one to the other. I agree, and I've said that here on this commission and to other people, but I don't know yet a good definition for operational reserve or strategic

reserve. And I even asked a member of our staff to call up Department of Defense and ask them and we didn't get very much back from them. There is not a good definition and yet we are basing a lot of what we are doing and planning to do on the fact that we've gone from a strategic reserve, which we haven't defined, to an operational reserve, which we haven't defined.

MR. DOMINGUEZ: Yes, sir. And you know, I think – I'm speculating about Secretary Hall's motivations here but you know, I think he's trying to be cautious here. You can try and get out ahead of things and say, you know, here is the definition. And then I've been in the Pentagon long enough to know this is inevitable. As soon as we do that, the next day we'll have a situation that it doesn't fit. Oops. What do you do with that? So I think Tom has been cautious and said, let this thing evolve.

We know what we're not doing any more is many, many people in reserve components, and when you affiliate with the reserve components in a whole wide range of skills you're no longer thinking about one weekend a month, two weeks a year, and once in a generation. It's a different model. So we're not there, so we're in some place else, and that's probably more routine, putting on the uniform and going to serve, and they actually go and serve forward in many cases. Beyond that, you know, we're not trying to put a definition because we're evolving to the definition. We evolved in January, February to, hey, it's one year out of six home. One year mobilization. That's it. No more.

And so it's at seminal moments when the political system and the demands get together and, boom, a policy foundation stone is created. And so Tom's kind of managing the evolution of that.

MR. BROWNLEE: If that is a policy objective, because you can't do that today. You don't have enough of a base to do that.

MR. DOMINGUEZ: Sure.

MR. BROWNLEE: Not with the current demands.

MR. DOMINGUEZ: By hammering that down, though, it now drives a whole bunch of behavior. That happened first. Right after that the secretary appeared probably within two weeks and said, so now I'm going to grow the Army. Right. Well, because I can't do that unless I grow the Army with current demands. And so when you set that foundation stone, it drives a whole bunch of other stuff.

The other thing it's going to be driving is this new equipment strategy. The other thing it will be driving is the training. The Air Force figured out how to keep people up on this training curve so that they're ready to go on day one. That's a whole different problem than the ground forces and now the ground forces are now struggling with how to do that, right. But it was that policy foundation that's now driving that thinking. So I think Tom's strategy on this is, let's let that stuff evolve.

MR. BROWNLEE: Last question, Mike, and this again goes back to a lot of the things we're talking about. Everybody agrees with but it was also asserted this morning that none of it is sustainable over the long run. And health care was mentioned as something that is eating the Department's budget alive, eating the national budget alive.

Do you believe that the health care benefits we have in place for reserve components, for active components, for the retired population, are any or all of those just too generous to be affordable?

MR. DOMINGUEZ: I guess – the first thing that I would say is that what we have to do is be clear about what we're offering so that people don't re-interpret it downstream, so that it is more generous than it was when we started. The second thing is that if I strike a bargain with somebody and it said, here's what I'm going to do for you with regards to health care, and I have to – then I think we need to be clear about what it is we're saying. And you sign up and say, sure, I'll take that deal, that's a contract and both people ought to honor the contract, including the person who accepted the deal and say, yeah, I'll give you service in return for that contract. You ought not to then show up, you know, six or eight or 10 years later and say, gee, I'd like to re-negotiate.

The third thing then is that we, like everybody else who's in the health care business, has to find ways to control costs and deliver that service more effectively and we're on that journey. But the last thing on that is that retirees who have left service, I think do owe a contribution to the health care costs. That's a standard in American society today and we got into this huge food fight with the Congress about the rates. We haven't changed rates for the under-65 working, normally fully employed, relatively well off relative to American society population, and raising their rates from the 1995 levels. You know, that's just nuts, I think. They do need to pay more. There's no compelling reason, and there's certainly a national interest.

Now I'm not talking about gouging them because they still have one of the best health care plans at the lowest price on the planet.

MR. BROWNLEE: Just so it's clear, I'm going to say what I've said twice already today. There is about one-half of one percent of the population in the United States who has been in Iraq and Afghanistan in a uniform. And I would assert that this is part of the cost of a volunteer force, and unless the nation wants to consider changing that policy, as far as I'm concerned those people who have stepped up and volunteered, we can't do enough for them.

MR. DOMINGUEZ: Well, I guess I would characterize it a different way, which is to say if you stepped up and volunteered in return for a clear contract or a bargain that you made with me, then that's what you're entitled to. That's fairness because you accepted it that way, right. So I didn't say I was going to make you a millionaire. I said, here's what I'd do for you if you are willing to step forward and do this. There's some non-monetary rewards in it. I mean, now set that aside and say, if you get wounded,

damaged, you know, as a result of your service, you are hurt somehow – yeah, we need to cover that and that's not out-of-pocket expense for you for the rest of your life. That's on us. That's part of the contract. That's for sure. Free health care for life is not the contract.

MR. BROWNLEE: If we think the benefit is too generous, go down to the recruiting station and see how long the line is.

MR. DOMINGUEZ: Right. Okay.

MR. PUNARO: Commissioner Dawson.

RHETT DAWSON: My apologies for missing this morning. I was testifying in my day job, and so I missed out on the two testimonies that were given which I think should have been probably enlightening to the questions I'm about to ask, but I'm going to ask them anyway because they're following up on the questions that I don't think I quite heard the answers to that Mr. Brownlee just asked, which is, how do you know when you're using the right compensation tools to achieve the right end.

What I thought I heard him say was, well, we've used as a foundation what Pilling told us to do, isn't that right?

MR. DOMINGUEZ: In terms of structuring and thinking about the future and how to make the – yes. We're building on Pilling's –

MR. DAWSON: Nine principles to evaluate changes. I assume you're familiar with the nine principles?

MR. DOMINGUEZ: I have read them at one point.

MR. DAWSON: Well, I'll read them to you. Force management. Flexibility. Simplification. Systems approach. Expand choice. Efficiency. Cost transparency. Leverage. And fairness. Do you endorse those?

MR. DOMINGUEZ: Absolutely.

MR. DAWSON: So they will guide your strategies about change in the future.

MR. DOMINGUEZ: Yes. And they are – that was an input to the QRMC in their work, yes, sir.

MR. DAWSON: So when the GAO comes in and says, you don't have a compensation strategy, isn't this your compensation, what the changes ought to be?

MR. DOMINGUEZ: That is about how we ought to be changing our compensation strategy for the future to help us adapt to the world we're in and the

demands we face. Would I say all of those principles apply today to the statutory framework that guides our compensation? That would be a stretch.

MR. DAWSON: I wasn't trying to get you to that. I was only trying to get you to tell me that you may have actually answered GAO, which you just embraced this and said, okay, now we're going to go forward, we're going to change things.

MR. DOMINGUEZ: Right. Well, and that is the course we are on through the tenth QRMC.

MR. DAWSON: Okay, what's your timeline to get on that course? What's your milestones? When are making these things happen, what's your game plan? When are you going to have performance measures to do all these things?

MR. DOMINGUEZ: The tenth QRMC is in place now, working, has been charged with those things so they are actually there. They actually did deliver a product. The concept on special incentive pay simplification was developed by them and actually made its way over into the House Armed Services Committee to get enacted into their bill while we were –

MR. DAWSON: If I could scratch simplification off. That's one.

MR. DOMINGUEZ: Simplification occurs in many different places, so that principle is applying in how we'll be approaching retirement, how we'll be applying the concept of moving in a direction of performance pay.

MR. DAWSON: Now as I understand it, these principles apply whether you're in a reserve component or in active component.

MR. DOMINGUEZ: Yes. Yes.

MR. DAWSON: Although Admiral Pilling has a separate slide here that talks about additional principles that ought to be kept in mind, or architecture for reserve compensation. And I assume you agree with those as well. If I could refresh your recollection as to what those are?

MR. DOMINGUEZ: If you have time and want, yes, sir.

MR. DAWSON: It won't take long. Mobilize reserve members and any reserve member on active duty should receive the same pay, same benefits as other equivalent active duty members.

MR. DOMINGUEZ: Yes.

MR. DAWSON: Reserve members who are called to active duty but who choose not to participate in TriCare should be offered a stipend or payment to help defer the cost of their alternative insurance.

MR. DOMINGUEZ: I think we're looking at that. I don't know. That's not a principle. That's – he characterizes it as a principle. I would have to look at that.

MR. DAWSON: A question to you as to whether or not you agree with what I just asked you.

MR. DOMINGUEZ: In that case I'm unprepared to agree. I may get there. But I'm not there.

MR. DAWSON: Do you want to provide an answer for the record?

MR. DOMINGUEZ: Sure, I can do that for you.

MR. DAWSON: Reserve component should have the flexibility to solve recruiting and retention problems as they arise. We had a long conversation about this last night.

MR. DOMINGUEZ: Sure.

MR. DAWSON: A systems approach is critical. This is a sub-bullet. Critical to recruiting in that active and reserve recruit from the same non-prior service market and prior service reserve accesses are active duty losses. That may be a little bit too prolix for you to get the way I read it, but do you agree with that?

MR. DOMINGUEZ: Yes.

MR. DAWSON: So we're two out of three. And you'll give me an answer to the other one.

MR. DOMINGUEZ: Sure.

MR. DAWSON: That's all I have.

MR. DOMINGUEZ: Okay. Commissioner Rowley.

WADE ROWLEY: Thank you, Mr. Chairman. In July '06 a report entitled The Future of the National Guard and Reserve, conducted by a CSIS, and it suggested that the incorporation of a permanent TriCare liaison capability at deploying unit level would greatly facilitate the ability of spouses and family members to access to TriCare system. This capability could be in the form of a federal employee contract or non-appropriated fund employee would remain as part of the home station cadre upon deployment.

Has your office considered this CSIS recommendation, and have you proposed other solutions to deal with that problem that was identified by CSIS?

MR. DOMINGUEZ: I can't – I don't know the answer to whether or not we've formally considered that recommendation. I know that the issue of the transition from whatever health care you had to TriCare is a big deal and that it has been worked by our office.

MR. ROWLEY: As discussed in our commission's March 1st report, DOD polled young men and women on their propensity to serve, and also polled their spouses and significant others towards favorability towards continued service. Also noted in our report was an informal survey conducted by Workforce magazine, and that survey concluded 51 percent of respondents said that they would not hire Reservists.

DOD has yet to poll reserve component employers and dismisses private sector polls like Workforce magazine as anecdotal. Does DOD currently have a plan to survey component employers, and if so, what time frame is expected for completion?

MR. DOMINGUEZ: I don't believe that we have a plan for a formal survey, which is a year's long journey because of the processes for controlling surveys. But we do have ongoing vehicles for dialogue with employers. What's the aviation group that meets? The chief operating officers of the aviation companies.

MR. PUNARO: Airline Symposium.

MR. DOMINGUEZ: Airline Symposium. Right. That's going on this week. So we have vehicles like that. The ESGR does sponsor a lot of things.

When I was in the Air Force, the secretary wrote to 67,000, 68,000 employers themselves, so we structured a dialogue like that which actually continued in e-mail through some electronic tools that we deployed to, you know, continue a dialogue with employers. So there are different ways to do this. I don't dismiss that, sir. I am deeply concerned about keeping employers with us as we make this transition from strategic to operational. And I don't think the Department has done nearly enough on that subject. It bothers me a great deal.

MR. DAWSON: Thank you very much. Mr. Chairman?

MR. PUNARO: Thank you. Mr. Sherrard.

JAMES SHERRARD: Thank you very much, sir. And Mr. Secretary, it's good to see you again. Two issues I'd like to address with you. One came from a concern that was raised in an earlier hearing we had with some senior enlisted advisors regarding reimbursement of out-of-pocket expenses that the members are incurring for attending in active duty training. And I guess my question to you, they voiced it as a major concern and I guess my question to you would be, in your list of requirement compensation

requirement issues that are being considered by the department, where does this rack up, if it racks up at all, in your priority listing?

MR. DOMINGUEZ: I couldn't put a priority on it. It is a big issue, again particularly thinking about this transition to the operational reserve, and again particularly thinking about the challenges and the ground forces, where you've got large numbers of very young people who aren't making buckets of money in their civil employment, but we will put increasing demands on them in terms to come to put on a uniform and train. And this is something we're going to have to solve to enable them to serve.

MR. SHERRARD: Would you see this as being something that ought to be addressed by service-specific responses, or should it be a uniform, across-the-board –

MR. DOMINGUEZ: That one's going to have to be a – you know, I think uniform, across-the-board. It may be, you know, that we means test it, create a cut-off, et cetera. Where I'm mostly concerned about it myself – again, I haven't thought deeply about that problem but is that junior enlisted ranks and the younger part of the force.

MR. SHERRARD: A second question I need to raise, would like to raise with you, sir, with regard a joint military professional education. Secretary Gates' memo in May directed the Department to modify its delivery methods to enhance reserve officer, reserve component officers' ability to get the qualifying training. My question to you, sir, is, who is the responsible agent for doing that within the Department? Does that lie in your office or somewhere else?

MR. DOMINGUEZ: It's in P&R (ph), and it will require – Tom Hall, Secretary Hall will be the lead for it, but it will be a close partnership with the Office of Military Personnel Policy for which – oversees the joint officer qualifications process.

MR. SHERRARD: Are there other goals and objectives that you would include into that delivery process, other than just PME attendance that are important for us to have?

MR. DOMINGUEZ: Well, the direction we are pushing in is acquisition of competencies, and then the record of those because experience matters, and you learn a lot from actually doing this stuff. And so we want to be able to credit that experience. And the Congress has actually enabled that to happen now.

Part of that experience that I think we need to be pushing toward is, civil experience matters. There are enormous leadership management functional capacities and competencies that people acquire in our reserve components that we need to be mindful of and to integrate into our thinking about the value of this asset to the DOD. Right now we're blind on that.

If we didn't put it in you, you're a blank slate, if we didn't put it there, it has no value. That's nuts.

MR. SHERRARD: Let me just close by saying thank you for your service to our men and women for the things you do because you're a staunch backer of all our members and we're grateful to have someone of your caliber doing the job, so thank you very much. Thank you, Mr. Chairman.

MR. PUNARO: Commissioner Stockton.

DONALD STOCKTON: Thank you for being with us today. My questions are in regard to TriCare, again. And the reason is because that's one issue that we hear voiced the loudest, is TriCare issues, among other things of course. And I'm glad to see in your prepared statement that you've spent at least three or four pages here talking about those issues. So it's very apparent that you're aware too that this is a very important concern.

I guess I want to change my focus just a little bit away from the 90 days before and 180 days after. While those are important, there's other important times too that doesn't fit into that. I think that maybe that's part of the discussions that we're having and the thinking about the continuum of service and the forever obligations that we have to the health care issues for the active component and the reserve component as well. And so I guess I'd like to ask you, what thoughts do you have? Because for one thing there's some unemployed people that are members of the reserve components that don't have insurance. Self-employed may or may not have coverage. Students may not have coverage to be active reserve component members. And then just the plain uninsured.

So what thinking do we have about what we might be able to do for them?

MR. DOMINGUEZ: Here's the thing. The first principle from Pilling's Defense Advisory Committee Force Management. TriCare, and in particular extending the TriCare benefit to the reserve components. That was necessary maybe at the time. But the fact is we didn't get something for it. And the thing we needed to get for it – because that is a gem, a jewel in terms of what we have to offer in return for something. And the in-return-for needed to be affiliation with a select reserve unit that's got a deployment schedule and is going because it's in part of the operational reserve.

Because if you've got – as I said in the beginning, we need to think about that differently. If you're going to be in that unit, you're going to affiliate with that unit as a volunteer, lots of things change. And you know, so if I need to provide you a little health care to keep you in there – because I can count on you. I know on day one you're going to be there and when you come home, you know, at day 365 you're likely to stay to go do it again five years or six years hence. That's worth something to me. Health care may be a cheap price to me to pay for that, so it's force management that ought to drive our thinking on this. And it's part of what – one of the big things we can do for people who will stay engaged.

On the other hand, it's way, way overkill, you know, to add that onto people whose service paradigm and demands in service have not significantly changed from the time in the Cold War, right. They're still doing strategic reserve stuff and it's one weekend in a month. You know, this to me makes no sense. What makes sense is force management.

MR. STOCKTON: Thank you.

MR. PUNARO: Commissioner Thompson.

MR. THOMPSON: Mr. Secretary, glad to have you with us today. I was really interested in your comment that you made that every once in a while a miracle happens and there's actually a cornerstone laid in the Pentagon that you all stand on. And one of the things that we have looked at with interest is the basic categories of reserve, of reserve component members were generated by law over 50 years ago. And it seems to us to believe that we put a lot of managerial energy and investment in the selected reserve category of the ready reserve. Would you agree with that?

MR. DOMINGUEZ: Yes.

MR. THOMPSON: And we also sense that there is a token amount of managerial energy and investment in the Individual Ready Reserve, which is another segment of the ready reserve. Would you agree with that? The Marine Corps has tried to mobilize about 1,200 people in the Individual Ready Reserve. Army made some attempt a few years ago. But I'm looking in terms of investment of managerial energy and investment.

MR. DOMINGUEZ: And sir, on that, I would say there's a scale.

MR. THOMPSON: There's a what?

MR. DOMINGUEZ: It's a sliding scale. The Marines absolutely positively put more than a token amount of managerial energy into the IRR. They are contacting those people, they are mustering those people, they are creating an expectation that you will go. You are liable to be called. So they are touching people in the IRR as an active – the commandant is aware of it. I know I was in a discussion between the commandant and the secretary.

MR. THOMPSON: The next category – I mean, I'm looking again at this over-50-year-old set of pipes. The stand-by reserve has people in it. We have had reports to us that there are computer databases that have people's names in it, but my impression is that there's no investment of managerial energy in that category. Is that correct?

MR. DOMINGUEZ: Very little, I would say.

MR. THOMPSON: And other than retirement and pay benefits, the retired reserve, which is the third category, there's no – what I'm trying to get to is, do you

believe that these three categories are fundamentally hard to bend an operational reserve concept around? Do those categories need to be redefined for the 21st century?

MR. DOMINGUEZ: You know, right now I would say I don't think so. I think they're flexible enough and, you know, to adapt to that. And the way – again, the selective reserve is a conscious voluntary affiliation with a unit and the deployment schedule and the training schedule that goes with that in the operational reserve context. There are sel-res units that will stay in the strategic reserve won't have that demand, and there are people who make choices to go one way or the other.

MR. THOMPSON: It just seems to me like that the administrative tale that was created and has been evolved over 50 years, and the rules and policies that affect these three categories seem to me like at times, at least from the testimony we have received from many, that it just – we try to still bend this new concept of operational reserves and the use of the reserve components differently around these three 50-year-old paradigms. And I'm seriously wondering if those still are applicable, or is there another way of skinning this cat?

MR. DOMINGUEZ: I'd be open, and it's certainly a worthy subject of inquiry. I don't see those categories myself as the big obstacles. What I do see is innovation within those categories. As I said, there is a class of units that we know and we can identify and go pick today that are operational reserve who have a deployment schedule, will have a training schedule backed up from that. And if you affiliate with that, you're signing up for a whole lot more than a weekend a month and two weeks a year.

MR. THOMPSON: Yes, but I don't see the stand-by reserve fitting into that mold at all.

MR. DOMINGUEZ: The stand-by reserve is a different class. Let's talk about the IRR. In the IRR we can do some innovating around because there may be people who can't, for whatever reason, affiliate with the selective reserve, but if you call them and they can do it, they'll probably come. And so they'll want to be affiliated, so there may be a subset of the IRR.

The stand-by reserve is a different animal because it has people that you wouldn't normally call, and are basically parked there because they don't want to lose their affiliation with the reserve component of the service, but it's their civil job or some other circumstance, like they're a member of the Congress.

MR. THOMPSON: Do you see maybe the ready reserve and the operational reserve as synonymous terms in your mind? And then maybe the stand-by reserve and strategic reserve in --

MR. DOMINGUEZ: No, no. I mean, one could define it that way, but no, I don't see that because the strategic reserve needs to go – to be ready to go along the timeline that's required too.

MR. THOMPSON: So you think there needs to be a training matrix with the strategic reserve –

MR. DOMINGUEZ: Oh, yes. Absolutely.

MR. THOMPSON: -- that the stand-by reserve could not fulfill. Is that what you're –

MR. DOMINGUEZ: Under the current – again, you can re-architect it, and that's possible, and it may come out in a better place than we are. Myself, I don't see that as the major obstacle.

MR. THOMPSON: Is there anybody do you know of within the Department that is thinking different categories, or that's beginning to kind of rub that a little bit and see if it needs – or a recommendation we could make to change that part of law?

MR. DOMINGUEZ: No, I don't believe so. I think what we are thinking about is innovating within the selective reserve and the Individual Ready Reserve to – in ways that create voluntary associations between members in those pools and the call to service. So you can move away from involuntary mobilization as the way to go get you. And so within those two pieces of ready reserve, it's innovation inside of those around volunteerism, voluntary affiliation and periodic predictable calls to service.

MR. THOMPSON: Mr. Chairman.

MR. PUNARO: Thank you. We're going to turn to Secretary Brownlee for one last question.

MR. BROWNLEE: Just one question, Mike.

MR. PUNARO: Well, delay that. We're not going to have Secretary Brownlee, but Commissioner Stump. You go first and then we'll go to Gordon.

MR. STUMP: Mike, I believe it was pointed out earlier that the military retirement system was restructured in 1986, and then in 2004 or so we had to re-do it again because the Department was unhappy that they had a two-class system and all. But when we re-did it, one of the things that I believe I recall that we did was to put in an option for a cash payment at year 15.

MR. DOMINGUEZ: Right.

MR. BROWNLEE: Do you know what the Department statistics are on how many have taken that option? I mean, it seems to me that would be some indication of whether or not these kinds of benefits are attractive to people. If nobody's opting for that, that might tell you something.

MR. DOMINGUEZ: But it also could be, you now, it's relative value, I would figure. But I'll take that for the record and get that to you.

MR. BROWNLEE: Would you just let us know what the numbers are that have taken that, maybe by year. And also what the cash stipend is. You're right. I mean, if they haven't raised the stipend, I would assume they'd have to do that over time. That's kind of like a cash buy-out that General Motors and others are doing. If you'd let us have that, I'd appreciate it.

MR. PUNARO: Mr. Stump.

MR. DOMINGUEZ: Sure.

E. GORDON STUMP: Mr. Secretary, it's great to see you again, and we really appreciated your service on the Reserve Policy Board, the one assistant secretary that always showed up for the meetings and went on the trips and showed interest in the reserve component, so it's great to see that you're still here looking after the reserves.

In your opening remarks you mentioned longer careers and change the retirement system, so it sounds to me like that you're buying into or at least looking closely at Admiral Pilling and their report on the reserve compensation. One comment that he made is, well, we showed this report to reserve components and they didn't want to have anything to do with it. Well, it didn't do anything for them when it was still at 60. But if you were to make that age 55, you could get the reserve components on board and maybe make it not as bitter a pill to swallow for the active duty people and have the same retirement system. I think everybody is on board. If you can have the same retirement system for the reserve components as you have for the active duty, you would go a long way toward the continuum of service.

Have you given any thought to looking at something like this? Make it 55 for everybody?

MR. DOMINGUEZ: Yes. Or 60 for everybody. How about that?

MR. STUMP: Sixty for everybody, you're not bringing the reserve component guys on board and that's what Admiral Pilling said.

MR. DOMINGUEZ: Well, unless I bring the actives up to 60, see.

MR. STUMP: Unless there's something in it for them.

MR. DOMINGUEZ: Right. Well, and this – you can't do that alone, okay. So here's my objections to what's on the table, you know, right now today, is doesn't help me with force management. Hurts me in force management. If all we do, if all we do, if the only change on the table is, let's lower the age at which an annuity can be paid out, all

it does is incentivize the gray-haired wisdom, which I absolutely, positively need to do, train, mobilize, deploy. We've got to keep those wise heads, experienced people in. So it's nuts if the only change I make is to pay them to leave early.

Now, part and parcel of other things, you know, that causes them, incentivizes them to serve more often, right, and to stay engaged longer. You know, a whole different thing, where it's redesigned in order to achieve a force management profile and a service profile. But that's a different thing. And if part of that is, you know, lowering an annuity because you're serving longer and more time on active service, the date at which you get the annuity is coming in, then that possibly can work because now that's working for me, I get something the nation needs out of that.

MR. STUMP: Well, I just met with the TAGs a week ago to discuss the alternatives. And what's happening in the National Guard is that everybody is exiting in 20 years. Very few are staying beyond 20. So the two-for-one program, where you get an extra year, reduce it by one year, is one where you keep the graybeards in –

MR. DOMINGUEZ: See, now you're talking about a force management outcome. And the cliff vesting, serve 20, get out, that's nuts in today's environment. It's not what the nation needs so we have to figure a way to move beyond that. And your commission, you know, can be a major contributor to helping build consensus in the nation that we do need to move beyond it.

MR. STUMP: Now the Pilling proposal, that we find very interesting, but nobody seems to be able to give us a handle on what happens monetarily for this thing. Does it cost DOD more money, less money? If you put all the provisions in, the 401(k), the 10-year vesting and all that sort of thing. Who's running the numbers?

MR. DOMINGUEZ: The Quadrennial Review 10th QRMC is running the numbers. And here's a blinding flash of the obvious. Demanding more of reserve component warriors than I did in the strategic reserve, demanding more service from them is likely to cost us more money in order to achieve that outcome. Okay. So we may be more expensive when we come out of this thing, but it ought to be designed well so it's just enough to achieve what the nation needs. So the QRMC is looking to that, and they're going to try and get as close to cost neutral as they can on this because the Treasury doesn't have an unlimited supply of cash.

But we'll have to step up to pay for what the nation needs if we can make it more efficient so every dollar yields more in national security by virtue of keeping the right people in and the right experience and the right service profile, you know, we'll be better off. And $1.25 rather than the dollar because the models have changed.

MR. STUMP: Well, in the Guard community the two-for-one seems to be the consensus there. The 90 days that's on the table now doesn't appear to –

MR. DOMINGUEZ: And the 90 days in any kind of service is problematic because – you know. So extend 90 days out in Colorado, you know, watching a snowstorm, okay, you're away from home but it's not the same as 90 days in Baghdad.

MR. STUMP: Well, I think that when they look at that to bring the reserve component on board, if there's something just a little less – so they can look at it some, because it's going to be a political thing. We know that the active duty people are going to –

MR. DOMINGUEZ: Yes, sir.

MR. THOMPSON: Mr. Chairman, I have just a little. I'm going to pile on Commissioner Stump's –

MR. PUNARO: If you can do it in 20 seconds.

MR. THOMPSON: I can do it. Higher tenure is a problem in some of the services, so you have upward mobility. How do we retain the graybeards and the expertise and avoid a stockpile of senior enlisted ranks for which there is no promotion?

MR. DOMINGUEZ: That's the ROPMA problem, and the answer there is, let's get some innovation. Pilots. There's some commander out there that's got a way to work that in his or her unit, and we ought to be letting them do it.

MR. PUNARO: Okay, Mr. Secretary, you've got a lot of fans on the commission, as you well know, not just for your current job and service but as a career national security professional who's given a lot of really objective thought to a lot of difficult problems. We look forward to staying in close touch as we work through here, and working with you on these definitions of operational reserve, on the continuum of service, and many of the other issues, the pay issues, the principles that ought to be invited in a pay system for the future. We look forward to working closely with you on that. So thanks again.

The committee will reconvene tomorrow at 9:00 o'clock here in the same room, where we'll hear from the personnel chiefs of all the military services.

(End of session.)