



**HISTORICAL BACKGROUND
AND
AUTHORITY
FOR**

**ALLOTMENTS FROM NATIONAL GUARD DRILL PAY
OF STATES' NATIONAL GUARD ASSOCIATIONS'
GROUP LIFE INSURANCE PREMIUMS**

GUARD ALLOTMENTS FOR COMMERCIAL LIFE INSURANCE PREMIUMS

HEARING BEFORE THE SUBCOMMITTEE ON GENERAL LEGISLATION OF THE COMMITTEE ON ARMED SERVICES UNITED STATES SENATE

NINETY-THIRD CONGRESS

SECOND SESSION

ON

S. 383

**A BILL TO ENCOURAGE PERSONS TO JOIN AND REMAIN IN
THE RESERVES AND NATIONAL GUARD BY PROVIDING
FULL-TIME COVERAGE UNDER SERVICEMEN'S GROUP LIFE
INSURANCE FOR SUCH MEMBERS AND CERTAIN MEMBERS
OF THE RETIRED RESERVE UP TO AGE SIXTY.**

MARCH 22, 1974

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GUARD ALLOTMENTS FOR COMMERCIAL LIFE INSURANCE PREMIUMS

FRIDAY, MARCH 22, 1974

U.S. SENATE,
SUBCOMMITTEE ON GENERAL LEGISLATION
OF THE COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The subcommittee met, pursuant to call at 2:25 p.m., in room 212, Richard B. Russell Senate Office Building, Hon. Harry F. Byrd, Jr. [chairman].

Present: Senators Byrd, Jr., of Virginia [presiding] and Taft.

Also present: Edward B. Kenney, professional staff member; and John T. Ticer, chief clerk.

Senator BYRD. The committee will come to order.

First the chair would like to express apology to everyone present for being delayed in opening this session but the Senate voted just a few minutes ago on the final piece of legislation for today and that delayed both Senator Allen and myself.

The General Legislation Subcommittee will now hear testimony on S. 383, a bill introduced by the distinguished and able Senator from Alabama, Mr. Allen.

[S.383 follows:]

[S. 383, 93d Cong., first sess.]

A BILL To encourage persons to join and remain in the Reserves and National Guard by providing full-time coverage under Servicemen's Group Life Insurance for such members and certain members of the Retired Reserve up to age sixty

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. (a) Chapter 13 of title 37, United States Code, is amended by adding at the end thereof a new section as follows:

"§ 707. Allotments: members of the National Guard

"The Secretary of the Army or the Secretary of the Air Force, as the case may be, may allow a member of the National Guard who is not on active duty to make allotments from his pay under sections 204 and 206 of this title for the payment of premiums under a group life insurance program sponsored by the military department of the State in which such member holds his National Guard membership or by the National Guard association of such State."

(b) The table of sections at the beginning of chapter 13 of such title is amended by adding at the end thereof a new item as follows:

"707. Allotments: members of the National Guard."

Senator BYRD. This legislation would permit the Secretaries of the Army and the Air Force to allow members of the National Guard, who are not on active duty, to make allotments from their pay for payments of commercial group life insurance programs provided these programs are sponsored by the military department of the State or the National Guard Association of the State.

This legislation is similar to a section of H.R. 6574, a bill which extends Servicemen's Group Life Insurance (SGLI) coverage to certain members of the Ready Reserve and the Retired Reserve. H.R. 6574 passed the House of Representatives last year and was referred to the Senate Veteran's Affairs Committee on May 8, 1973.

As a part of the legislative background it should be noted that the Veterans' Affairs Committee reported on March 1 a bill, S. 1835, entitled the Veterans Insurance Act of 1973. This act provides for the extension of the Servicemen's Group Life Insurance (SGLI) to reservists as well as several other insurance provisions, but omits the allotment provision for National Guardsmen. S. 383, introduced by Senator Allen, was rereferred last year from the Veterans' Affairs Committee to the Senate Armed Services Committee for jurisdictional reasons.

The bill now before the subcommittee proposes a new program which provides that the Government assume the responsibility for allocating from pay of National Guardsmen certain funds to private commercial insurance companies in the various States.

As to witnesses, the Department of Defense opposes this legislation and that position will be explained by the Department witness later in the hearing.

Senator Allen, author of the bill, will be the first witness and will be followed by a distinguished Member of the Congress from Mississippi, Congressman G. V. Montgomery, and then by Dr. Theodore C. Morris, Deputy Assistant Secretary of Defense for Reserve Affairs, and several National Guard witnesses.

Senator Allen, I am pleased to welcome you to this hearing and you may proceed as you wish, sir.

STATEMENT OF HON. JAMES B. ALLEN, U.S. SENATOR FROM ALABAMA

Senator ALLEN. Thank you, Mr. Chairman.

On behalf of Mr. Montgomery and myself and the various National Guard associations throughout the country and for members of the National Guard throughout the country, I want to thank you for holding this hearing on S. 383, which may also be identified as Senate amendment 150 to S. 1835. I am sure the chairman knows, and he has recited, that H.R. 6574 passed the House of Representatives containing the identical wording of amendment 150 to S. 1835 and, of course, that is the identical wording on S. 383.

We were using two approaches to get the language of the House bill approved inasmuch as the House bill is still in committee and has not been acted on, and we offered Senate amendment 150 to the companion bill S. 1835, which is a companion bill to 6574. It was offered as an amendment to that, and we also put in a separate bill, S. 383, and further proceedings in the Senate on S. 1835 have been postponed until such time as the Committee on Armed Services can act on S. 383 and also in effect giving its opinion of Senate amendment 150 to S. 1835.

I would certainly like to say, Mr. Chairman, that we appreciate your taking time from your busy schedule so that the proponents of S. 383 might properly be heard, and this is only typical of the thoughtfulness and fairness and the understanding and dedication that you

have always displayed regarding the work of the Senate and work of this committee and this subcommittee, and I certainly want to express my personal appreciation to you for giving us this forum to discuss this amendment and this bill.

Before I address myself to the merits of S. 383, I would like to pay tribute to the other witnesses who are here this afternoon to present our case in support of S. 383. They traveled to Washington because they want you and the committee and indeed the U.S. Senate to know how deeply interested they are and we are in this legislation and how very important it is to their mission and our mission of recruiting and maintaining the well-organized militia which the men who wrote our Constitution wisely recognized as the main bulwark of our Nation's security, and I commend their respective testimonies to you.

I would also like to pay tribute to Dr. Ted Marrs who will testify this afternoon in opposition, or possibly in some degree of opposition, to S. 383 and we are hopeful that an agreement can be reached during the afternoon about the bill and about the amendment. He will address the committee on behalf of the Pentagon. Dr. Marrs is a fellow Alabaman and I am proud of the splendid job he is doing in this capacity as Deputy Assistant Secretary of Defense for Reserve Affairs and I, of course, regret that Dr. Marrs must, because of vocational specialty, be the spokesman for the Pentagon in opposing S. 383. But this is typical of his devotion to duty and I commend him on it.

On the other hand having Dr. Marrs here may be a blessing in disguise. At one time it is my understanding that he was with us on this bill and, hopefully after hearing all the testimony this afternoon he will again be persuaded as to the importance of maintaining State national guard group life insurance programs.

Senator BYRD. If the Senator will yield?

Senator ALLEN. Yes, sir.

Senator BYRD. I would say that the Senator from Alabama is very persuasive and it is very likely when Dr. Marrs completes his testimony he may be in agreement with you. [Laughter.]

Senator ALLEN. We certainly hope so. I thank the chairman.

Mr. Chairman, the purpose of S. 383 is quite simple but it is awfully important. The bill would provide for payroll deduction from drill pay for existing State national guard group life insurance programs. The State programs cannot compete equitably nor long survive without the same payroll deduction which is being afforded the servicemen's group life insurance program under S. 1835, unless the bill which I have introduced, S. 383, or amendment 150 are approved.

In all the furor which has arisen over amendment 150, it has either been overlooked or gone unnoticed by many that the identical language of the amendment is already contained in the House-passed version of legislation providing full-time coverage under servicemen's group life insurance for members of the National Guard and our Reserve Forces, and, at this juncture, I might state we owe a debt of gratitude to Mr. Montgomery for introducing this provision into the House bill and being its sponsor in committee and on the floor.

Senator BYRD. I notice he got a 342-to-1 vote, that is a powerful vote.

Senator ALLEN. Yes; that is indicative of the popularity of this bill.

Senator BYRD. I don't believe anyone except——

Senator ALLEN. And of the influence of the distinguished gentleman from Mississippi.

Senator BYRD. That is what I was going to say, I don't think anyone except Sonny Montgomery could have gotten a 342-to-1 vote. It might have been 330 something but not 342. [Laughter.]

Senator ALLEN. But, as the chairman says, it was passed by the House of Representatives on May 7, 1973, by an overwhelming vote of 342 to 1.

The provisions of H.R. 6574 are twofold:

(1) It would provide servicemen's group life insurance to members of all Reserve components on a full-time basis; and

(2) Equally important, it would provide authority for payroll deduction allotments from Armory drill checks limited only to the payment of premiums under a group life insurance program sponsored by the military department of a State for its National Guard members or by the National Guard association of such a State, either approach assuring that it would be administered for the benefit of the guardsmen of a particular State.

In lieu of H.R. 6574, the Senate Veterans' Affairs Committee on May 1, 1974, reported out its bill, S. 1835 which eliminated, on jurisdictional grounds, any payroll premium withholding for State National Guard group life insurance programs. This, to my way of thinking, is somewhat ironic. As we in the Senate well know, the other Chamber is quite the stickler on the issue of germaneness and they have some mighty sharp-eyed and able parliamentarians over on the other side of the Capitol. Yet, the withholding provision as envisioned under S. 383 was considered by the House and was determined not to be a jurisdictional problem.

Before proceeding further, I should like to just briefly touch upon the history of the existing State National Guard group life insurance programs.

I would like to change one word there where I said the bill would provide for payroll deduction from drill pay for existing National Guard group life insurance programs and I would think it might cover other groups coming under the program and not freeze it on——

Senator BYRD. Is that page 3?

Senator ALLEN. Page 2, the 11th line from the bottom.

Senator BYRD. Thank you.

Senator ALLEN. I should like briefly to touch on the history, knock out the word "existing" there, history of the State National Guard Group Life Insurance programs.

From the late fifties leaders in the National Guard from several States were concerned over a lack of benefits, both State and Federal, available to a guardsman, and in particular, to the guardsman's family in the event of his death. Subsequently, several States initiated or sponsored a group life insurance program for the members of their National Guard. These programs were similar to and patterned after the GI insurance of World War II. Each program is administered by the State or by an approved agency for the State in exactly the same manner that the Veterans' Administration administer the present-day SGLI except the premium is not withheld from the individual guardsman's pay. Today there are 28 States which sponsor a State National Guard life insurance program.

For the record, these States are listed in appendix 1 to my testimony and insure over 50,000 National Guardsmen in their respective life insurance programs. As of June 1973 these State programs have paid \$7,695,540.00 in death benefits to over 741 families of deceased National Guardsmen. A thorough breakdown of these claims is contained in the second appendage to my testimony. As of today the death benefits paid are in excess of \$9 million. Mr. Chairman, let me point out that this has been paid at no cost whatsoever to the Government, either State or Federal. We hope if our bill is approved, our amendment is approved, a withholding program can be carried out without cost to the Government.

The State programs are nonprofit and have been so approved by the Internal Revenue Service. Income derived from premiums and dividends are returned to the individual guardsman in the form of additional benefits at no additional cost on his part. The insurance companies underwriting the State programs were selected by open, competitive bid.

While the benefits provided by the programs of the several States differ in varying degrees, all are basically similar. By way of an example, the program currently approved by the State Military Department of Alabama and sponsored and administered by the National Guard Association of Alabama is such a basic program. The important provisions of the Alabama program are:

1. Recognized by the Internal Revenue Service as a nonprofit program strictly for the benefit of all Alabama guardsmen and their families. By administering the program, a certain amount of income is received which in turn is reapplied toward the purchase of additional benefits for participating members (currently providing a maximum of \$5,000 free insurance.)

2. \$5,000 to \$20,000 coverage—\$6 to \$16 per quarter. \$1,000 dependent life coverage for \$2 per quarter per family.

3. Payments of claims within 25 hours of notification of death. (10½ years), a total of \$1,483,000 in claims has been paid to beneficiaries of deceased Alabama guardsmen.

The other figure I quoted was the whole program.

The third appendage to my testimony provides a summary and a complete listing of deaths and claims paid for the period July 15, 1971, to March 15, 1974, under the Alabama plan.

The State or its designated agency is the administrator of the program and considered equivalent in function and responsibility to the Veterans' Administration. The prime problem in the administration of such a program is the collection of premiums. This is due to the inconvenience or forgetfulness to pay on the part of the individual. Every Guard member prefers and requests payroll deduction from his drill check over any other collection form.

Collection of Guard life insurance program premiums will be on a no-cost-to-the-Government basis as is the SGLI program. The State-sponsored programs will pay the same administrative cost to the Government for payroll deduction that the Veterans' Administration will be required to pay. Mr. Chairman, Col. James F. Gamble, the executive director of the National Guard Association of Alabama is here today and his testimony will, in large measure, concern itself with the "no cost" aspect of S. 383, that is, no cost to the Government.

Authority for payroll deduction of premiums from National Guard drill checks for National Guard group life insurance is limited to the National Guard in this bill because:

1. In its dual (State/Federal) status the National Guard is one autonomous command or administrative unit. Its primary function is the largest organized backup force for the U.S. Army and Air Force and its important secondary mission is to augment civil authorities under State control during disaster and disturbances that exceed the capabilities of civilian agencies.

2. The State or its administrative agency will bear the total administrative cost to include reimbursing the U.S. Government for administrative cost of withholding and, therefore, this will be at no cost to the U.S. Government.

3. The State National Guard life insurance programs have been in effect for several years and no other reserve component with which we are aware has similar programs for their members on a separate State basis.

4. The legislation was not intended to be all inclusive to cover other types of payroll deduction or allotment forms. Senate Amendment No. 150 to S. 1835 which is also S. 383, provides authority for payroll deduction allotments from armory drill checks limited only to the payment of premiums under a group life insurance program approved and sponsored by the military department of a State for its National Guard members or by the National Guard Association of such State.

State programs can compete with the coverage and benefits of SGLI. However, they cannot do so without the convenience of payroll deduction of premiums. Without the convenience of payroll deduction the Guard programs cannot survive. This will mean a reduction in available insurance protection for many of the individuals presently insured rather than an increase with the implementation of SGLI.

Mr. Chairman, I ask the remainder of my statement be included in the record.

Senator BYRD. Without objection the remainder of Senator Allen's statement will be included in the record.

[Senator Allen's statement follows:]

Mr. Chairman, I want to thank you for holding this hearing on S. 383 which may also be identified as Senate Amendment 150 to S. 1835.

For those present I should like to say that the Chairman of this Subcommittee, the distinguished Senior Senator from Virginia, has taken time from an awfully schedule so that the proponents of S. 383 may be properly heard. This is typical of the thoughtfulness, fairness, understanding and dedication of Senator Harry F. Byrd, Jr. and I want to express my personal appreciation to you, Senator Byrd, Byrd, for giving us this forum.

Before I address myself to the merits of S. 383, I should like to pay tribute to the other witnesses who are here this afternoon to present their cases in support of S. 383. They have traveled to Washington because they want you and the Committee, indeed, the United States Senate, to know how deeply interested they are in this legislation and how very important it is to their mission of recruiting and maintaining the well organized militia which the men who wrote our Constitution wisely recognized as the main bulwark of our nation's security. I commend their respective testimonies to you.

I should also like to pay tribute to Dr. Ted Marrs who will testify this afternoon in opposition to S. 383 on behalf of the Pentagon. Dr. Marrs is a fellow Alabamian and I am proud of the splendid job he is doing in this capacity as Deputy Assistant Secretary of Defense for Reserve Affairs. I, of course, regret that Dr. Marrs must—because of vocational specialty—be the spokesman for the Pentagon in opposing S. 383, but this is typical of his devotion to duty and I commend him on it.

On the other hand, having Dr. Marrs here may be a blessing in disguise. At one time he was with us on this bill and, hopefully, after hearing all the testimony this afternoon, he will again be persuaded as to the importance of maintaining State National Guard Group Life Insurance Programs. We certainly hope this will be the case.

Mr. Chairman, the purpose of S. 383 is quite simple, but awfully important. The bill would provide for payroll deduction from drill pay for existing State National Guard Group Life Insurance Programs. The State Programs cannot complete equitably nor long survive without the same payroll deduction which is being afforded the Servicemen's Group Life Insurance program under S. 1835, unless the bill which I have introduced, S. 383, as Amendment 150 is approved.

In all the furor which has arisen over Amendment 150, it has either been overlooked or gone unnoticed by many that the identical language of the Amendment is already contained in the House-passed version of legislation providing full-time coverage under Servicemen's Group Life Insurance for members of the National Guard and our Reserve Forces.

This bill may be identified as H.R. 6574. It was passed by the House of Representatives on May 7, 1973 by an overwhelming vote of 342 to 1. The provisions of H.R. 6574 are two-fold:

1. It would provide Servicemen's Group Life Insurance to members of all Reserve Components on a full-time basis; and,
2. Equally important, it would provide authority for payroll deduction allotments from Armory drill checks limited only to the payment of premiums under a group life insurance program sponsored by the Military Department of a state for its National Guard members or by the National Guard Association of such a state.

In lieu of H.R. 6574, the Senate Veterans Affairs Committee, on March 1, 1974, reported out its bill, S. 1835 which eliminated, on jurisdictional grounds, any payroll premium withholding for State National Guard Group Life Insurance programs. This, to my way of thinking, is somewhat ironic. As we in the Senate well know, the other Chamber is quite the stickler on the issue of germaneness and they have some mighty sharp-eyed and able parliamentarians over on the other side of the Capitol. Yet, the withholding provision as envisioned under S. 383 was considered by the House and was determined not to be a jurisdictional problem.

Before proceeding further, I should like to just briefly touch upon the history of the existing State National Guard Group Life Insurance programs. In the late 1950's leaders in the National Guard from several states were concerned over a lack of benefits, both State and Federal, available to a Guardsman, and in particular, to the Guardsman's family in the event of his death. Subsequently, several states initiated or sponsored a group life insurance program for the members of their National Guard. These programs were similar to and patterned after the "G I" insurance of World War II. Each program is administered by the state or by an approved agency for the state in exactly the same manner that the Veterans Administration administers the present day SGLI except the premium is not withheld from the individual Guardsman's pay. Today there are twenty-eight states which sponsor a State National Guard life insurance program. For the record, these States are listed in Appendix #1 to my testimony and insure over fifty thousand National Guardsmen in their respective life insurance programs. As of June 1973, these State programs have paid \$7,695,540.00 in death benefits to over 741 families of deceased National Guardsmen. A thorough breakdown of these claims is contained in the second appendage to my testimony. As of today the death benefits paid are in excess of nine million dollars. Mr. Chairman, let me point out that this has been paid at no cost whatsoever to the Government, either Federal or State.

The state programs are non-profit and have been so approved by the Internal Revenue Service. Income derived from premiums and dividends are returned to the individual Guardsman in the form of additional benefits at no additional cost on his part. The insurance companies underwriting the state programs were selected by open, competitive bid.

While the benefits provided by the programs of the several states differ in varying degrees, all are basically similar. By way of an example, the program currently approved by the State Military Department of Alabama and sponsored and administered by the National Guard Association of Alabama is such a basic program. The important provisions of the Alabama program are:

1. Recognized by the Internal Revenue Service as a nonprofit program strictly for the benefit of all Alabama Guardsmen and their families. By administering the program, a certain amount of income is received which in turn is re-applied toward the purchase of additional benefits for participating members (currently providing a maximum of \$5,000 free insurance.)

2. \$5,000 to \$20,000 coverage—\$6.00 to \$16.00 per quarter. \$1,000 dependent life coverage for \$2.00 per quarter per family.

3. Payment of claims within twenty-four hours of notification of death. (10½ years), a total of \$1,483,000.00 in claims has been paid to beneficiaries of deceased Alabama Guardsmen. The third appendage to my testimony provides a summary and a complete listing of deaths and claims paid for the period 15 July 1971 to 15 March 1974 under the Alabama plan.

The state or its designated agency is the administrator of the program and considered equivalent in function and responsibility to the Veterans Administration. The prime problem in the administration of such a program is the collection of premiums. This is due to the inconvenience or forgetfulness to pay on the part of the individual. Every Guard member prefers and requests payroll deduction from his drill check over any other collection form.

Collection of Guard Life Insurance Program premiums will be at a *no cost to the Government* basis as is the SGLI program. The state sponsored programs will pay the same administrative cost to the Government for payroll deduction that the Veterans Administration will be required to pay. Mr. Chairman, Colonel James F. Gamble, the Executive Director of the National Guard Association of Alabama is here today and his testimony will, in large measure, concern itself with the "no cost" aspect of S. 383.

Authority for payroll deduction of premiums from National Guard drill check for National Guard Group Life Insurance is limited to the National Guard in this bill because:

1. In its dual (State/Federal) status the National Guard is one autonomous command or administrative unit. Its primary function is the largest organized backup force for the United States Army and Air Force and its important secondary mission is to augment civil authorities under State control during disasters and disturbances that exceed the capabilities of civilian agencies.

2. The State or its administrative agency will bear the total administrative cost to include reimbursing the United States Government for administrative cost of withholding and, therefore, this will be at *no cost to the U.S. Government*.

3. The State National Guard Life Insurance Programs have been in effect for several years and no other reserve component with which we are aware has similar programs for their members on a separate state basis.

4. The legislation was not intended to be all inclusive to cover other types of payroll deduction or allotment forms. Senate Amendment No. 150 to S. 1835 S. 383 provides authority for payroll deduction allotments from Armory drill checks limited only to the payment of premiums under a group life insurance program approved and sponsored by the Military Department of a State for its National Guard members or by the National Guard Association of such State.

State programs can compete with the coverage and benefits of SGLI; however, they *cannot* do so without the convenience of payroll deduction of premiums. Without the convenience of payroll deduction the Guard programs cannot survive. This will mean a reduction in available insurance protection for many of the in-

dividuals presently insured rather than an increase with the implementation of SGLI.

Mr. Chairman, the Senate and House reports on S. 1835 and H.R. 6574, respectively, make it abundantly clear that the primary purpose of both bills is to encourage persons to join and remain in the Reserves and National Guard. I could not agree more, but the Congress must take notice that it is at the State level with the State National Guard Associations leading the way where most of the recruiting and retention activity occurs, not on the banks of the Potomac River where the opposition to S. 383 arises. Surely, the most swivel chaired bureaucrat at the Pentagon cannot help but recognize that a good viable State National Guard Group Life Insurance program will be an added incentive toward assuring the well-manned, well-trained National Guard which we must have ready for immediate and effective active duty service at any time.

Someone recently remarked to me that passage of S. 383 would be giving National Guardsmen a benefit that other Reservists would not be able to enjoy. My reply was that failure to pass S. 383 would be penalizing National Guardsmen for their initiative in developing benefits for their members and families years ago.

No member of the Reserves has told me that he is opposed to S. 383. Many have contacted me in support of S. 1835.

The Reserve Officers Association apparently is not opposed to S. 383. The absence of a witness from the Association attests to this. If the Association were opposed to S. 383 I am sure their spokesman would have no difficulty making an appearance at this hearing inasmuch as the ROA National Headquarters is right across the street, less than a hundred yards from this committee room.

In closing, Mr. Chairman, I should again like to reemphasize that through the nearly 200 years of our nation's history the National Guard has met every threat to our freedom and met it brilliantly. For example, the record will show that shortly after we entered World War II, the National Guard had 18 Infantry Divisions in the field, 300,000 men. Those state troops doubled the strength of the Army at once and their presence in the field gave our nation the sense that it had passed the lowest ebb of its weakness.

We continue to look to the National Guard as the main source for the security of our country. With so much service expected to be rendered by our National Guard and with so much responsibility expected to be borne by our Guardsmen, they are justly entitled to retain their additional life insurance protection afforded by separate state's plans. Payroll deduction will not only keep existing plans in effect, but will also allow those states not now sponsoring a program to initiate one. S. 383, i.e., Senate Amendment 150 will accomplish these objectives.

I, therefore, respectfully urge approval of S. 383 by this Committee with a view toward making the bill a part of S. 1835.

And I give you these words from one who loved the National Guard, and who until the day of his death, played a part in the National Guard program. In fact, the National Guard Armory in Montgomery, Alabama is named in honor of his late wife, who also served briefly in the United States Setate. I am speaking of Alabama's "Little Colonel," the late Governor Bibb Graves. His slogan typifies the National Guard. It was, "Respecting all, fearing none, always ready."

Thank you, Mr. Chairman.

State National Guard life insurance programs are sponsored in the following States: Alabama, Arkansas, Arizona, California, Colorado, Idaho, Indiana, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin, and Wyoming.

**STATE NATIONAL GUARD LIFE INSURANCE PROGRAMS SPONSORED IN THE FOLLOWING STATES AS OF
JUNE 1973**

State	Inception date	Number claims paid to date	Claims paid to date
Alabama	July 1963	110	\$1,321,000
Arkansas	June 1969	29	303,500
Arizona	December 1970	6	73,000
California	1963	70	652,640
Colorado	February 1972	0	0
Idaho	August 1969	2	4,000
Indiana	May 1964	10	110,000
Kansas	May 1970	5	40,500
Kentucky	May 1968	23	223,000
Louisiana	July 1966	31	318,000
Michigan	May 1969	63	566,000
Minnesota			40,000
Mississippi	June 1961	136	1,600,000
Missouri	May 1967	13	130,000
New Mexico	1968	2	13,000
North Carolina	February 1961	62	564,900
Oklahoma	March 1967	19	167,500
Oregon	1968	0	0
South Carolina	October 1971	6	30,000
South Dakota	1968	3	15,000
Tennessee	March 1966	59	714,000
Texas	May 1967	54	462,000
Utah			32,000
Washington	1964	34	298,000
West Virginia	April 1970	0	0
Wisconsin	May 1971	3	15,000
Wyoming	January 1973	1	2,500
Total		741	7,695,540

¹ \$56,000 total claims paid as a result of death from hostile action Vietnam (Alabama: 1 claim, \$14,000) (Kentucky: 4 claims, \$42,000).

² Accidental and dismemberment coverage only.

DEATHS OF ALABAMA GUARDSMEN, JULY 15, 1971, TO MARCH 15, 1974

Summary: 68 deaths in 32 months; 38 insured for \$517,000 total claims; 30 uninsured with a possible loss of \$450,000 due to no insured at individuals' choice. Since the inception of the Dependent Life Coverage program (Jan. 15, 1972), a total of \$11,800 has been paid in claims due to deaths of members of Guardsmen's families.

Age	Unit/location	Cause	Amount paid
17	Spt Co 1 Bn 131 Ar (Abbeville)	Menigitis	(1)
18	Det 1 Co B 30 Mt Bn (Lineville)	Drowning	\$10,000
18	Det 1 Spt Co 1/152 Ar (Springville)	Automobile accident	10,000
19	Co C 131 Sig Bn (Graysville)	Motorcycle accident	5,000
19	715 Mt Co (Birmingham)	Pneumonia	Uninsured
19	Det 1 Co A 877 Engr Bn (Guin)	Automobile accident	10,000
19	Det 1 Co B 877 Engr Bn (Reform)	do	5,000
19	168 Engr Co (Centreville)	Motorcycle accident	(1)
19	1146 Pers Svc Co (Enterprise)	Crushed	(1)
20	Det 2 Co B 877 Engr Bn (Reform)	Automobile accident	10,000
20	Co A 711 Sig Bn (Almore)	do	(1)
20	Det 2 1165 MP Co (Linden)	do	(1)
20	Det 1 158 Mt Co (Dadeville)	Heart attack	(1)
21	Co B 115 Sig Bn (Tuscumbia)	Car-train accident	(1)
21	Hq Co 1203 Engr Bn (Dothan)	Motorcycle accident	(1)
21	Det 1 Co A 115 Sig Bn (Moulton)	Automobile accident	(1)
21	187 Civ Engr Flt (Montgomery)	do	(1)
21	Co B 711 Cmd Sig Op Bn (Mobile)	do	(1)
22	(-) Co C 877 Engr Bn (Berry)	do	(1)
22	217 MP Co (Auburn)	Suicide	(1)
22	HNB 1 Bn 117 FA (Andalusia)	Electrical shock	(1)
22	do	Motorcycle accident	10,000
22	Det 2 900 HEM (Dadeville)	Struck by automobile	10,000
22	299 HEM Co (Prattville)	Electrocution	15,000
22	do	Automobile accident	(1)
22	do	do	(1)

Age	Unit/location	Cause	Amount paid
24	Co B 1/152 Ar (Heflin)	Automobile accident	\$15,000
24	Det 1 900 HEM Co (Brundidge)	Homicide	()
25	HHD 145 Engr Bn (Camden)	Automobile accident	()
25	Co B (FS) (-) 30 Mt Bn (Oxford)	Wild-animal attack	15,000
26	Co A (-) 279 Sig Bn (Huntsville)	Electrocution	()
27	(-) Co C 156 MP Bn (Monroeville)	Automobile accident	()
27	Co D 151 Engr Bn (Jacksonville)	do	()
28	115 Tac Cont Sq (Dothan)	Suicide	()
28	Co D 131 Sig Bn (Birmingham)	Drowning	()
30	115 Tac Hosp (Birmingham)	Suicide	()
30	Hq Co 122 Spt Gp (Montgomery)	Lung collapse	()
32	HHD 131 Sig Bn (Birmingham)	Cardiac arrest	10,000
33	715 Mt Co (Birmingham)	Gunsbot wound	()
35	117 Crabl Spt Sq (Birmingham)	Suicide	15,000
37	Co C (-) 151 Engr Bn (Piedmont)	Homicide	10,000
38	Det 1 Hq 279 Sig Bn (Arab)	Suicide	()
40	Det 1 HHC 279 Sig Bn (Arab)	Cancer	15,000
42	EDN AL ARNG (Montgomery)	Natural causes	15,000
44	HHC 31st Bde (Tuscaloosa)	Coronary	10,000
45	Co B 156 MP Bn (Greensboro)	do	15,000
45	Hq Co 1203d Engr Bn (Dothan)	do	15,000
46	Det 1 Co C 711 Sig Bn (Bay Minette)	Carcinoma	15,000
46	Hq 167 Spt Bde (Birmingham)	Cardiac arrest	15,000
46	Hq Co 31 Avn Bn (Montgomery)	Coronary	()
47	HHD (-) AL ARNG (Montgomery)	Cardiac arrest	20,000
47	168 Engr Co (Centerville)	do	15,000
48	280 Comm Sq (Montgomery)	do	20,000
48	299 HEM Co (Prattville)	Auto accident	15,000
48	HHC 20 SF Gp (Birmingham)	Suicide	20,000
49	Det 1 1670 Trans Co (Fort Deposit)	Liver disease	10,000
51	HHC 1/152 Ar (Gadsden)	Carcinoma	20,000
52	HHD AL ARNG (Montgomery)	Coronary	10,000
52	217 MP Co (Auburn)	do	10,000
53	HHC 1103 Trans Bn (Eufaula)	do	17,000
54	HHD 156 MP Bn (Linden)	do	20,000
55	299 HEM Co (Prattville)	Fall	15,000
55	Det 2 214 MP Co (Roanoke)	Cardiac arrest	15,000
56	187 Tac Recon Gp (Montgomery)	Carcinoma	15,000
56	307 Avn Co (Birmingham)	Cardiac arrest	()
59	Hq Co 31 Bde (Tuscaloosa)	Road failure	20,000
59	214 MP Co (Clanton)	Coronary	10,000

¹ Uninsured.

Senator ALLEN. We do hope, Mr. Chairman, that you will approve S. 383 which would be used by the proponents of the legislation as a vehicle to offer amendment 150 to S. 1835, that is being held up now by agreement between Chairman Hartke and Chairman Stennis so that this subcommittee can act, and if S. 383 is approved then S. 1835 will be brought up on the floor and an effort will be made to amend it with amendment 150.

Senator BYRD. Thank you very much, Senator Allen.

Senator ALLEN. Thank you, Mr. Chairman.

Senator BYRD. Without passing judgment on the total legislation, there are six little words that you capitalized in several places that appeal to me very much, "No cost to the U.S. Government."

If Senator Taft approves, I would suggest that we take testimony now from Congressman Montgomery before proceeding to questions.

Congressman Montgomery, we are very pleased to have you here today.

STATEMENT OF HON. G. V. MONTGOMERY, U.S. REPRESENTATIVE FROM MISSISSIPPI

Mr. MONTGOMERY. Thank you, sir.

Senator BYRD. A man who can get legislation passed in the House

Mr. MONTGOMERY. It is quite a bill, Mr. Chairman.

Mr. Chairman, thank you for giving me this privilege and honor to testify today. I might say that, and I say this from the heart, that the three Members of the Senate here today are personal friends of mine and I have a warmness for the three. I had the privilege of serving with Senator Taft for 6 years in the other body and Senator Allen and I joined together down South and we certainly worked together and, Mr. Chairman, not only in legislation but from a personal side of it you have been very kind to me in the 8 years I have been in Washington and it has meant a great deal to me and I am certainly proud really to have this opportunity to testify briefly before you today.

Senator BYRD. I am proud of my friendship with the Congressman from Mississippi.

Mr. MONTGOMERY. Thank you.

Senator BYRD. A very able and outstanding Congressman.

Mr. MONTGOMERY. Thank you, sir. I have just to recognize three people from my State who are interested in this legislation, the adjutant general of Mississippi. He was a former Judge, I might say, and I will ask the general to identify himself, General Turnage; Colonel Gresham, who is president of the Mississippi National Guard Association, and Major Lewis, the executive director of the association.

I would like to request, sir, that my full statement be printed in the record and I will only briefly touch on my statement.

Senator BYRD. Without objection the entire statement will be printed in the record. You may proceed as you wish.

Mr. MONTGOMERY. Thank you, sir.

Thank you for giving me this opportunity to appear before you today to express my feelings concerning the bills now being considered. I do have a special interest in Senate bill 1835 and also Senate bill 383 because of their similarity to H.R. 6574 which Senator Allen has referred to, I introduced and strongly supported in its passage through the House. I think that you would be interested in knowing, which has been mentioned, that the bill passed with only one dissenting vote, and Mr. Chairman, what got me in trouble, the reason I lost that one dissenting vote, was that I said of no cost to the Government, and Congressman Hechler of West Virginia said no legislation passes through here that doesn't cost the Government something, so he opposed it, and so I think you would be interested in knowing that S. 1835 includes all the provisions of H.R. 6574 except the authority for payroll deduction of State association life insurance premiums from the drill pay of National Guard personnel.

S. 1835 is the bill that Senator Allen referred to which came out of the Veterans' Affairs Committee.

The full time servicemen's group life insurance provided for in both the House and the Senate bills is urgently needed at this time as a recruiting incentive for the Reserve components and I am hopeful that legislation to provide this coverage will be passed in the 93d Congress. The Reserve components have not been provided the much needed incentives to enable them to meet their manpower requirements under the all volunteer concept. S. 1835 is the basis whereby the Congress could take the first step in providing needed incentives.

I would urge you to include payroll deduction of State association insurance premiums from National Guard drill pay either as a part of S. 1835 or, in the alternative, in separate legislation as provided in Senator Allen's bill S.383.

I will skip the next paragraph.

Payroll deductions to pay for commercial premiums are not new to the Armed Forces. DOD has, as far back as World War II, provided this service for their personnel who were on active duty. They still provide this service, and I might add, absorb the administrative cost involved. In fact, payroll deduction is currently provided members of the National Guard who wish to pay their premiums to the State National Guard group life insurance programs while they are serving on extended active duty. I really can find no valid reason for denying this same service to members of the National Guard not on extended active duty, especially since the group programs have, if required, offered to reimburse the Armed Forces for administrative costs.

Mr. Chairman, there is a possibility, as Senator Allen mentioned today, we have talked to Dr. Marrs who will testify before you in a few minutes, Dr. Marrs has told me that the Defense Department has changed their position in that they would probably have no objections to the payroll deduction if the administrative costs were paid by the associations. So there is a possibility that we can work this out. We do not have the mechanics at this time. I think it is good that you have had this meeting and maybe it would be proper if the committee thought the bill was worth while to pass it out of this committee until we can work out something but it is needed, and I certainly appreciate your giving me the opportunity to testify.

[The statement of Mr. Montgomery follows:]

Mr. Chairman and committee members, thank you very much for affording me this opportunity to appear before you to express my feelings concerning the bills now being considered. I have a special interest in Senate Bills 1835 and 383 because of their similarity to H.R. 6574 which I introduced and strongly supported in its passage through the House. I think that you would be interested in knowing H.R. 6574 passed the House with only one dissenting vote. S. 1835 includes all the provisions of H.R. 6574 except the authority for payroll deduction of state association life insurance premiums from the drill pay of National Guard personnel.

The fulltime Servicemen's Group Life Insurance provided for in both the House and Senate bills is urgently needed at this time as a recruiting incentive for the Reserve Components and I am hopeful that legislation to provide this coverage will be passed in the 93rd Congress. The Reserve Components have not been provided the much needed incentives to enable them to meet their manpower requirements under the all volunteer concept. S. 1835 is the basis whereby the Congress could take the first step in providing needed incentives.

I would urge you to include payroll deduction of state association insurance premiums from National Guard drill pay either as a part of S. 1835 or, in the alternative, as separate legislation as provided in S. 383.

You have been given details concerning the state operated group insurance programs now in operation in 28 states. The success of these insurance programs now available to a significant number of Guardsmen attests to the fact that a much needed benefit is being provided. I feel the state programs should remain available so that those who desire to do so may more adequately provide for the well being of their dependents. For these state programs to continue to be successful, payroll deduction authority is essential.

Payroll deduction to pay for commercial premiums is not new to the Armed Forces. DoD has, as far back as World War II, provided this service for their personnel who were on active duty. They still provide this service, and I might

add, absorb the administrative cost involved. In fact, payroll deduction is currently provided members of the National Guard who wish to pay their premiums to the State National Guard Group Life Insurance Programs while they are serving on extended active duty. I really can find no valid reason for denying this same service to members of the National Guard not on extended active duty, especially since the Group Programs have, if required, offered to reimburse the Armed Forces for administrative costs.

Thank you for your attention and I hope that you will give favorable consideration to legislation providing authority for payroll deduction of life insurance premiums from the drill pay of National Guard personnel.

Senator BYRD. Thank you very much, Congressman Montgomery.

Senator Taft, do you have any questions of these two witnesses or should we proceed to Dr. Marrs?

Senator Taft. Thank you, Mr. Chairman, I just have one or two and perhaps Dr. Marrs will want to answer them also.

Has the voluntary Army concept so injured the enlistment in the National Guard that some additional incentive is appropriate?

Senator ALLEN. I would rather Colonel Gamble or Colonel Gresham answer that. I am really not—

Mr. MONTGOMERY. I believe I can answer it. I am very familiar—

Senator TAFT. I am sure in their State they can answer it, but I thought perhaps you would have a general idea.

Mr. MONTGOMERY. What has really happened, Senator Taft, in my opinion, and it is not Dr. Marrs fault, but the Pentagon hasn't realized that the Reserves needs to be pulled out of the Selective Service era into the volunteer concept era, and some things Dr. Marrs told me today are changed that will help us do this. They should have been changed 6 months ago, and the word just did not get upstairs.

The National Guard has done a great job of recruiting; in fact they have done more recruiting than they have training and this is a problem. But they are getting prior service personnel instead of non-prior-service personnel. This insurance bill that we are talking about is tied in where National Guardsmen would be covered under the SGLI program 24 hours a day, not while he goes off to camp or to drill, so this is why we say we need incentives. We need some incentives that won't cost a lot of money. The Guard is holding up its strength and the other Reserves are not doing as good a job as the National Guard and we do need some incentives and this is one of them.

Senator BYRD. Fine.

Senator TAFT. Thank you very much, Congressman, and I might say, I would like to say, it is a pleasure for me to be able to sit here on this committee and have you appear before us after our service in the House, and I very much appreciated your fine work there particularly in these areas with which we are dealing, and I am delighted to have you here.

Just one other question for either of the witnesses.

You said this is done without cost. I take that to mean that the business machines or the accounting equipment procedures are already established for taking on this without additional purchase of machines or alteration of existing machines.

Senator ALLEN. There would be a payment made by the National Guard association or the military department of the State to cover the cost to the Government. Now, whether they would have to buy more machines or not I don't know. Dr. Marrs could elaborate on that but I would think with the strength of the Army and the Air Force down a great deal, I would think that by adding the National Guard personnel you would not get up anywhere near the level that the Army and the Air Force were several years ago.

Senator BYRD. I just wanted to be able to assure people of that and if the question is asked I would take it that would be true because of the fact that the reduction is occurring as to other men in the service and I take it the procedures they have established probably would mean there would be no additional costs for an additional finger or additional button on a machine or new machines, whatever.

Senator ALLEN. At the State level the associations would have to charge enough—

Senator BYRD. To take care of the work.

Senator ALLEN. Extra to take care of this expense, but spread over many thousands of guardsmen it would not add too greatly, will not add prohibitively, to the amount of the premium.

Senator BYRD. Thank you very much.

Senator ALLEN. Thank you, Mr. Chairman.

Senator BYRD. As I understand it from your statement, Senator Allen, the State-sponsored programs would pay whatever the administrative cost is?

Senator ALLEN. Yes, sir; that is correct and that will be brought out by subsequent witnesses.

Senator BYRD. Yes.

Both Senator Allen and Congressman Montgomery have made excellent statements and I suppose now we should get a balancing view, shall we say, from Dr. Marrs. We are glad to have you, Dr. Marrs. You may proceed as you desire.

STATEMENT OF DR. THEODORE C. MARRS, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS, ACCOMPANIED BY COL. ELLIS C. STEWART, JR., DIRECTOR FOR RESERVE MANPOWER, PERSONNEL, AND TRAINING, OFFICE OF DEPUTY ASSISTANT SECRETARY OF DEFENSE (RESERVE AFFAIRS); AND JOHN K. SCOTT, DIRECTOR OF FINANCE AND OPERATIONS, OFFICE, ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER)

Dr. MARRS. Senator, I am accompanied by Colonel Stewart and Mr. Scott from the Comptroller's Office in the Department of Defense and he will, Scott will, answer the technical questions if any arise in regard to this matter.

It is with regret that I testify with any degree of negativeness in regard to the bill that my Senator has advanced. Mr. Chairman, being equally appreciative of your courtesy and kindness in hearing this bill but lacking the persuasiveness of my Senator from Alabama, and recognizing the overwhelming vote of 342 to 1 in the House, with your permission, I am going to submit my statement with which I think you are already familiar at this point.

Senator BYRD. Your statement will be published in full in the record.

Dr. MARRS. Thank you. I would however like to make a few germane comments.

Senator BYRD. Yes, I wish you would.

Dr. MARRS. To assure there is no cost to the government, which five words have apparently been rather well accepted in presentation to this committee, if the committee should act favorably on this bill we would prefer that the bill markup would include provisions for reimbursement on an actual cost basis rather than on any advance estimate which we may have made at this point in time, and I think that with the points covered in our already submitted presentation that we will be happy to be open to questions, sir.

[The statement of Dr. Marrs follows:]

STATEMENT OF DR. THEODORE C. MARRS

It is a privilege to appear before this Committee to present the views of the Department of Defense regarding S. 383, entitled: "A Bill To encourage persons to join and remain in the Reserve and National Guard by providing full-time coverage under Servicemen's Group Life Insurance for such members and certain members of the Retired Reserve up to age sixty."

S. 383 would authorize members of the National Guard to make allotments from their pay for the payment of premiums under group life insurance plans sponsored by the Military Departments or State National Guard Associations of the States in which the individuals are members of the National Guard.

The Department of Defense considers the issue of allotments for commercial insurance to be unrelated to the provision of coverage under Servicemen's Group Life Insurance. Rather, we consider this bill to relate only to the question of pay and allowance for the National Guard and Reserve.

Accompanying me today is Mr. John K. Scott, from the Office of the Assistant Secretary of Defense (Comptroller), who is prepared to answer questions relating to the cost and administration of the program which S-383 would authorize.

There are three points which we feel should be considered: the potential value of allotments as an incentive, the cost of establishing and maintaining an allotment system, and the potential inequity of establishing an allotment which applies to one relatively small segment of the Guard and Reserve.

With regard to incentive value, the insurance coverage which would be available through allotment of pay is already available to those persons who would be eligible to make such allotments. No additional persons would be provided an incentive under the bill. While authority for allotments might make the payment of premiums simpler for the individual purchaser of insurance, the principal benefit would be to the insurance plan rather than to the purchaser, because the Federal government would assume the responsibility for collection and accounting.

There is also the question of dis-incentive implications. I have in mind the possibility that an individual, through no fault of his own, might miss an entire month's or even several month's unit training assemblies (drills). In this case, he would have no pay from which an allotment could be paid. And yet, if his insurance were lapsed because of missed premiums, he might logically be expected to develop some resentment against Guard and Reserve service. This is one of the basic differences in active Armed Forces and the Guard and Reserve when we discuss the question of allotments. With an active force individual, we know that he is going to be entitled to a certain amount of pay whether he is sick, out of town or whatever. With the Guardsman or Reservist, he is only entitled to pay if he attends scheduled training periods, and there is no guarantee that he will earn a given amount until the training period has passed.

The major concern of the Department of Defense in regard to this bill is the question of cost and the difficulty of administration.

The pay systems that have been developed for Reservists and Guardsmen do not provide for any allotment. We do, of course, make pay deductions of amounts required for Federal Income Tax, Social Security and the presently authorized "part-time" coverage for SGLI. In all cases, these amounts are remitted to another Government agency.

In the case of SGLI, we are able to work out procedures with the Veterans' Administration to assure the insurance is in force, that the Government will be reimbursed for any over payments that might be made temporarily and that information required for their records and files is minimized. This latter point is significant and bears explanation. Most private carriers require with each payment a listing identifying the amount for each member. In this case, it would be potentially 32 State association carriers. In the case of SGLI, we are doing business with one agency—VA. We also have the situation where coverage is automatic unless the member declines. Since few decline, we are able to maintain a file of declinations by name and report only total numbers of participants (without regard to name) to VA. This information is readily available from our strength reports (less our few declinations). Consequently, we minimize the administrative expense associated with the program.

As I mentioned, our existing systems for guard and reserve pay do not provide for any allotments. These systems are centralized and automated at the service finance centers except for the Army. In the case of the Army, they are in the final stages of development of a centralized computerized system to be installed later this year. As you know, it is expensive to redesign automated systems and that would be necessary to provide for allotments. This one-time design cost is estimated at \$75,000 for each service.

Based on our active duty system, it costs about \$1.00 to initially set up an allotment and about 18¢ per month for the recurring monthly processing of check writing, accounting, etc. With the present strength of the Army and Air Guard of approximately 500,000, we have a potential start cost of nearly one-half million. It is doubtful if all members would take advantage of the allotments authorized by the proposed bill, but we have no way of knowing the extent of participation. We could also expect new starts and stops each year based on the turnover of the force. Assuming 400,000 participants with a 25% annual turnover, our costs would be as follows:

Systems design.....	\$150,000
Initial start.....	400,000
Changes.....	100,000
12 months operation.....	864,000
Total first year.....	1,514,000

There is no provision in this bill as written for reimbursement of these costs.

A third point which deserves consideration is that S. 383 would apply to only a small segment of the Selected Reserve—specifically to members of National Guard units only in those States in which group insurance plans are offered by the State or by the State National Guard Association. This raises the issue of discrimination within the States where such insurance is offered, because allotments would be authorized on an exclusive basis and other commercial insurance plans, including group insurance plans sponsored by the Reserve Officers' Association, Air Force Association, etc., would not have the opportunity to offer coverage on the same basis. Likewise, if we deny that opportunity to Guardsmen in other States and to all other members of the Reserve, there is another inequity.

Furthermore, if we eliminate the exclusive nature of the bill, we further complicate the cost picture by multiplying the bookkeeping load for many companies and types of insurance plans.

In summary, the Department of Defense does not have any basis for an assumption that insurance coverage presently available to members of the National Guard would provide more of a recruiting or retention incentive if it were allowed to be purchased by allotment. On the other hand, the administrative difficulty and cost of administering an allotment system for non-active-duty forces is significant and the cost, if allotments were expanded to avoid discrimination, would be even greater.

For these reasons, the Department of Defense opposes the enactment of S. 383.

Thank you for the opportunity to present these views. Mr. Scott and I will be pleased to answer any questions you may wish to pose.

Senator BYRN. It might be well, Dr. Marrs, for the committee to understand some of the technical problems that could follow if S. 383 is approved.

How are the members of the Army Guard and the Air Guard presently paid. Are they paid monthly, quarterly?

Dr. MARRS. The Air Guard is paid monthly. The Army Guard is paid quarterly. The Air Guard is paid by machine. At the present time the Army Guard is paid primarily on a manual basis, and is moving toward machine payment.

Senator BYRD. They are paid from a central source or locally?

Dr. MARRS. Central for the Air Guard.

Senator BYRD. And locally for the Army Guard?

Mr. SCOTT. Yes; they are paid locally today in the Army. They have plans to go toward a centralized system similar to that of the Air Guard, and it will be out of their finance center in Indianapolis. Their plans are to begin that later this year. I believe by December of 1974 is the first phase of their implementation of that.

Senator BYRD. Could you sum up very briefly, Dr. Marrs, one, two, three, why you are opposed to this? Why is the Defense Department opposed to this bill?

Dr. MARRS. Yes, sir, I cover that in some detail in my statement and I will go back to it.

Senator BYRD. I prefer not to have the detail but I would prefer to have the highlight of it.

Dr. MARRS. All right, sir. One of the principal points is that the Department of Defense does not have any basis for an assumption that the insurance coverage which is presently available to members of the National Guard could provide more of a recruiting or retention incentive if it were allowed to be purchased by an allotment.

Senator BYRD. It wouldn't be detrimental in any way, would it?

Dr. MARRS. As far as purchase by allotment is concerned I don't think it would in any way be detrimental as far as recruiting (if retention is concerned; no, sir. On the other hand, administrative difficulty and the cost of administering the allotment system is significant and the cost was the primary thrust.

Senator BYRD. The primary reason that the Defense Department has opposed it is because of the cost?

Dr. MARRS. That is right.

Senator BYRD. If the cost is paid for by the State associations would you have the same objection?

Dr. MARRS. That is the reason that I made the comment that I did if that were included in the bill we feel quite a bit more comfortable about this, yes, sir. At the present time the payment is not included in the bill.

Senator BYRD. Didn't we understand from Senator Allen's statement, though, that the State sponsored program will pay the administrative cost?

Dr. MARRS. That was in his statement; yes, sir.

Senator BYRD. What you are saying is if that is made a part of the bill—

Dr. MARRS. That is right.

Senator BYRD [continuing]. Which I assume is satisfactory to Senator Allen, then the objections of the Defense Department would be removed?

Dr. MARRS. The primary objection being cost that would be removed.

Senator BYRD. Thank you.

Senator Taft?

Senator TAFT. Dr. Marrs, what is the nature of the additional cost that would be required? Is it the securing of additional machines or additional personnel or what?

Dr. MARRS. I would anticipate it would involve use of additional personnel. As far as machines are concerned I know of no indication for an increase in machinery.

Mr. Scott?

Mr. SCOTT. I am sure that the machines we have today have the capacity to carry this out. Our problem is that we have not made provision for allotments in these systems the way we commonly think about allotments, and there would be reprogramming efforts that would be required in order for us to accept allotments to our Reserve and Guard systems, and then we have used as a basis our experience in Active Duty systems, and it takes a certain amount of time and cost to initially start an allotment and that we have to obtain certain information from the individual member, we have to then keypunch that information to establish it into a system, so that we can routinely from there on make that deduction, and those costs are estimated at \$1 per start.

Then we also have the situation where we have changes, people change their minds and want to either stop the allotment or there are people in the process of getting into or out of the Guard, and we consider that a stop and a start and a change all taking about the same documentation cost about a dollar each.

Then, for our machine time, our checkwriting, our accumulation of the listings that would go with the particular payment we have used a cost figure of 18 cents per month per deduction.

Senator TAFT. Are you worried about this as a precedent of some kind?

Dr. MARRS. I think that that was also covered in Senator Allen's comments, and any time that there is a step in this direction, why there is a possibility of a precedent. There are other organizations, National Guard Association of the United States, the Reserve Officers Association, the Naval Reserve Association, the Enlisted Reserve Association, all of which have group insurance programs and there is the question of equity, as you know.

Senator TAFT. Those are all the questions, Mr. Chairman.

Senator BYRD. Thank you.

Dr. Marrs, do you foresee any problem in regard to Government liability in the event that a mistake is made by the Government and the Government would be liable if the insurance lapsed and a person would subsequently die?

Dr. MARRS. I have no doubt making such a mistake does exist, sir, and the area and the extent to which the Government could be held liable would have to be worked out in these relationships with the insurance companies. If 383 is enacted by the Congress the administration can take appropriate steps, though, to require written agreement signed by an individual member requesting an allotment and the insurance company, by the insurance company, which will receive payment for the premium and that would protect the United States in the event of liability when through either a mistake or through other action of the Government that the insurance lapsed and the policy expired.

Senator BYRD. Thank you.

Do I understand that the other witnesses, General Turnage, desire to testify? Does anyone else desire to testify?

As I understand it there is not too much, too large an area of disagreement, if any, between the Senator from Alabama and his colleague from Alabama, the Assistant Secretary of Defense, at this point. Is that about right?

In other words, I am assuming that the associations are prepared to pay the cost and that is what—

Dr. MARRS. I think with that assumption and particularly with the authorization written into the markup of the bill that it would be something the Department of Defense could handle.

Senator BYRD. Does that meet with your approval?

Senator ALLEN. Yes, sir. I would like to add just a few small things.

When I stated that this would be without cost to the Government that was the assurance that I had from the National Guard Association. Also the wording of the bill states that the Department may do that and it was my thought that in exercising that option that they had they would have the right to make that requirement so I thought the interests of the Government would be taken care of.

Also on the matter of the deductions from the guardsmen's pay, it might be that the guardsman, if he were taking another type of policy and did not attend drills, say he would have nothing to pay his insurance company with, under this plan, the National Guard Association, the money would be turned over to the association and they would, frequently do, carry the guardsmen an extra length of time, conferring an extra benefit and an extra safeguard on the guardsman. So I think that this would give protection to the guardsmen under this plan.

Senator BYRD. Thank you, Senator Allen.

The committee will now be glad to hear Maj. Gen. Henry W. McMillan, president of the National Guard Association of the United States.

Welcome, General.

**STATEMENT OF MAJ. GEN. HENRY W. McMILLAN, PRESIDENT,
NATIONAL GUARD ASSOCIATION OF THE UNITED STATES**

General McMILLAN. Thank you very much, Mr. Chairman, and Senator Taft.

Mr. Chairman and members of the committee, I wish to express, at the outset, the appreciation of the National Guard Association of the United States for this opportunity to state our views on S. 383. We strongly support the proposition of withholding from National Guard training pay of premiums for insurance programs sponsored by National Guard Associations of the several States.

In recent years the State National Guard associations have grown and become increasingly effective organizations, working in support of the National Guard organizations of the respective States. These organizations work at State level very much as the National Guard Association of the United States, which is my organization, works at the national level. Many of the State organizations publish informa-

tive magazines, sponsor scholarship programs, support retention and recruiting efforts. In many other ways they support their National Guard and provide benefits for guardsmen and women in their States.

One of the benefits provided by most of these associations is group, term life insurance. This insurance is offered at very low rates. The State associations derive some income from such programs and it is this which defrays the cost of operating the association and provides the funding for many worthwhile programs which support the National Guard.

Guardsmen enrolled in the State-sponsored insurance programs must make timely payments of premium by check or money order mailed to the insurance carrier or the insurance office of the State National Guard association. A simple procedure would be to deduct the amount of the premium from the training pay due the individual. The State National Guard associations are asking the Congress to grant that authorization. S. 383 would give that authorization. The National Guard Association of the United States urges the subcommittee to favorably consider the proposal.

We are convinced that active and well-financed National Guard associations at State level are State and community assets. Not only do they support the active National Guard in many ways, but they do, in most areas, involve themselves in State and community programs.

A House-passed bill—H.R. 6574—which would authorize extension of servicemen's group life insurance to guardsmen and reservists on a full-time basis includes a section which would authorize withholding of premiums for State National Guard insurance programs.

The House-passed bill was referred to the Senate Committee on Veterans' Affairs. That committee has included in a broader piece of legislation, dealing with insurance for active military personnel and veterans, authorization for extending SGLI to guardsmen and reservists on a full-time basis. SGLI is now available to guardsmen and reservists only while they are in training status. The bill reported by the Senate Committee on Veterans' Affairs does not include authority for the payroll deduction for insurance provided by State National Guard associations.

It is our understanding that the matter of military pay allotments is within the province of the Committee on Armed Services and for that reason S. 383 is being considered here today.

Full-time coverage of SGLI for guardsmen and reservists is sought by Guard and Reserve commanders throughout the country who feel it would be an effective incentive to retaining men in the National Guard and would help in recruiting new members. We agree that it has that potential. For that reason we cannot urge too strongly that the Senate act on the committee bill.

There is genuine concern that with the extension of SGLI coverage, the State National Guard association-sponsored programs will go into decline. This would, in our judgment, be a certainty if the authorization for withholding was not granted.

Because of this and for the reasons I have cited above, Mr. Chairman, the National Guard Association of the United States urges favorable action on S. 383. It is in the best interest of the Na-

tional Guard to continue to have active State National Guard associations, which this would help to assure.

Thank you very much, sir.

[Resolution No. 16 follows:]

RESOLUTION No. 16, NATIONAL GUARD ASSOCIATION OF THE UNITED STATES, 92d GENERAL CONFERENCE, SEPTEMBER 17, 1970, SUBMITTED BY MISSISSIPPI, ARKANSAS, MICHIGAN, AND MISSOURI

Whereas, the National Guard Association of the United States heretofore duly adopted a Resolution relating to a program of deductions of Group life insurance premiums from pay of National Guardsmen; and

Whereas, A number of State National Guard Associations now have in existence a program of life insurance, available to all members of the Army and Air National Guard; and

Whereas, One of the major problems encountered in the administration of an effective life insurance program is that of collecting premiums from individual members and transmitting same to the appropriate State association or agency, and

Whereas, Both the Active Army and the Active Air Force have provisions whereby individual members may make allotments from their pay for insurance premiums payable to commercial insurance companies, such transactions being effected by their respective Finance Officers; and

Whereas, A similar provision permitting deductions from inactive duty training pay due individual Guardsmen, to effect payment of premiums for State Association sponsored life insurance programs and subsequent transmittal of such premiums to the agency concerned, by the respective Finance Officers, would eliminate a major obstacle now present in such insurance programs and would serve to stabilize programs now in existence and encourage establishment of new programs in other States; and

Whereas, Such a provision would be in the best interest of the individual Guardsman, and would add to the advantages of membership in the Army and Air National Guard: Now, Therefore, be it

Resolved, That action be initiated to effect the changes to existing laws and/or regulations to permit individual allotment of National Guard inactive duty training pay for payment of premiums to appropriate State association or agency for sponsored Group life insurance programs, with subsequent transmittal of allotted funds to the State association or agency concerned, by the respective Finance Officer.

Senator BYRD. You agree, I assume, that the State associations should pay the Defense Department the costs?

General McMILLAN. Yes, I think that is, that seems to be, a fine solution—

Senator BYRD. For administration.

General McMILLAN [continuing]. To a possible objection to the bill, yes, sir.

Senator BYRD. Senator Taft?

Senator TAFT. I have no questions.

Thank you very much, General.

Senator BYRD. Thank you very much, General.

General McMILLAN. Thank you very much, sir.

Senator BYRD. The committee will be glad to hear Major General Turnage, the Adjutant General of the great State of Mississippi.

General TURNAGE. Thank you, Mr. Chairman.

Senator BYRD. Mississippi sort of runs things around this Capitol with Senator Eastland and Senator Stennis. [Laughter.]

**STATEMENT OF MAJ. GEN. E. A. BEBY TURNAGE, ADJUTANT
GENERAL, STATE OF MISSISSIPPI**

General TURNAGE. Thank you for your fine comment. We appreciate very much being here. I will not read the complete statement.

Senator BYRD. Your statement will be inserted in the record in full and you may make any additional comment you would like to make.

General TURNAGE. I would like to say, not by way of apology but—I have been acting general for 2 years since the first of 1972 but—before that time I have been connected with the National Guard for over 25 years. During that time I served as a director, vice president twice, and president once of the State association. I say that more or less because I am quite familiar with the insurance program.

We started ours in Mississippi in June of 1964. In fact we were the second State that started the insurance program. We originally offered to our guardsmen amounts of \$5,000 to \$10,000. This program is a nonprofit program as are other States and has been so approved by the Internal Revenue Service. All dividends for these are reinvested to buy additional coverage for the Guard at no cost to him. Now that guardsman who purchases \$5,000, has \$7,000 and those who purchase \$10,000 have \$14,000 coverage.

Since June of 1961 we have paid 139 death claims and over \$1,642,000. Today in Mississippi we have about 7,291 guardsmen carrying our life insurance program.

I can say as the Adjutant General I am proud of the record of the life insurance program. I am proud that 7,300, almost 7,300, Mississippians carry this. I believe with payroll deductions which we, as a nation, have become used to, that even more will take advantage of the program which our association offers.

It appears to me after Congressman Montgomery mentioned I had been a judge—and I was for about 12 years—it sounded like a pretrial conference, Mr. Chairman, and I believe with this pretrial conference we have it all settled.

I really appreciate the opportunity of being here and thank you for your consideration of this bill.

[The statement of General Turnage follows:]

Mr. Chairman, I am Major General E. A. Beby Turnage, Adjutant General, State of Mississippi since 1972 and a member of the Mississippi National Guard for the past twenty-five years. During this period I have served as Vice-President of the National Guard Association of Mississippi and President of the Association in 1967-1968. I am, therefore, quite familiar with the insurance program and total operation of the Association.

In June 1961 the National Guard Association of Mississippi established a life insurance program for the members of the Mississippi National Guard which would allow every guardsman who wished to have life insurance protection at a low cost.

This life insurance program was set up at a time few benefits existed for Guardsmen.

The original program offered life insurance to our Guardsmen in the amounts of: \$5,000 or \$10,000.

The program is non-profit as are other states and has been so approved by the Internal Revenue Service. All dividends from the program are reinvested to purchase additional insurance for each Guardsman at no increase in cost to him so that now a Guardsman who purchases \$5,000 protection receives \$7,000 and those who purchase \$10,000 protection receive \$14,000.

Our National Guard Association of Mississippi life insurance program has been in effect as I previously stated since June 1961. Since this period there have been 139 death claims paid to the beneficiaries of the deceased Guardsmen and the total dollar amount of claims paid today is \$1,642,000.

Oftentimes the Association life insurance was the only life insurance carried. The Association's life insurance program filled a definite need and continues to fill an insurance need.

Today Mississippi has 7291 Guardsmen carrying life insurance under the National Guard Association life insurance program.

This program has meant much to us in the Mississippi Guard because it filled a need for our people and provided a service to the Guard while at the same time it did not cost the State or Federal Government one penny.

The National Guard Association of Mississippi is most active in our recruiting and retention efforts and in other programs which benefit the National Guard and individual Guardsmen.

As an Adjutant General, I can speak with pride concerning the Association's life insurance program. I am proud that almost 7300 Mississippi Guardsmen carry this life insurance. However, if payments could be made on a payroll deduction basis from Armory drill checks, we would have even a larger number insured.

Mr. Chairman, I earnestly request your favorable consideration of S. 383 which will authorize not only our State National Guard Association to utilize payroll deduction for payments of insurance premiums, but the other 27 States, as well, who have similar programs.

Thank you.

Senator BYRD. You didn't succeed Senator Stennis as a judge?

General TURNAGE. No, sir; I was in south Mississippi as a chancery judge and he was a circuit judge up in north Mississippi. It was in different parts of the State.

Senator BYRD. I notice from the addenda to the able Senator from Alabama's presentation where he lists the States involved in this program, Mississippi and Alabama seem to utilize the program more than any other States.

Is there any particular reason for that?

General TURNAGE. We would say, Senator, Mr. Chairman, that we are two good Guard States, Mississippi and Alabama. We have, if I may say, 107.9 percent of our authorized strength at this time.

Senator BYRD. How are collections made?

General TURNAGE. Made by collections from the individual guardsmen by the local unit after each drill check.

Senator BYRD. What is the cost of making the collections?

General TURNAGE. The cost is very nominal, what do you pay the man to collect for you?

Major LEWIS. I am Maj. John T. Lewis, executive director of the National Guard Association of Mississippi. The approximate amount that we pay in costs for collection in a period of a year would be approximately \$2 a person.

Senator BYRD. What is the expense to the Guard association as a sponsor of the Mississippi insurance program?

General TURNAGE. To the State of Mississippi?

Senator BYRD. To the Guard association.

General TURNAGE. To the Guard it is self-sustaining. It doesn't cost the Guard association a thing, it is self-sustaining, it is nonprofit.

Senator BYRD. Some have charged that perhaps insurance companies rather than the individual guardsmen would benefit most if the Federal Government assumes responsibility for premium collection.

Would you comment on that point?

General TURNAGE. No, sir, I don't think so because, as I said previously, I think we as a people are very accustomed to payroll deductions and I think each guardsman who takes it out and some of them, by the way, do not have a bank account and it is paid sometimes in cash rather than by check for the ease of it. Every guardsman from Mississippi would love to have it deducted from his check each month so he would know then what he took home and he wouldn't have to take \$11 out of that or so much to pay it.

Senator BYRD. Could a Mississippi guardsman retain his insurance if he transfers to the Guard in a State where no State-sponsored insurance is offered?

General TURNAGE. We have a certain provision in ours where he can become a life member under certain conditions and carry his policy.

Senator BYRD. What arrangements would be made?

General TURNAGE. He would have to pay that direct to the association.

Senator BYRD. Direct to the Mississippi association.

General TURNAGE. Mississippi association.

Senator BYRD. I assume that you concur in the view that the legislation can and should be amended to specify that the State Associations will pay to the Defense Department whatever administrative costs are involved?

General TURNAGE. I fully concur in that. I personally thought maybe they had the authority to do it anyway but maybe an amendment would clarify it.

Senator BYRD. Senator Taft?

Senator TAFT. I have no questions.

Senator BYRD. Thank you very much, General. Glad to have you.

Next we will call on Col. James Gamble, executive director of the Alabama State Guard Association.

**STATEMENT OF COL. JAMES F. GAMBLE, EXECUTIVE DIRECTOR,
NATIONAL GUARD ASSOCIATION OF ALABAMA, ACCOMPANIED BY
BOB RASNZENBACH, NATIONAL GUARD ASSOCIATION OF WASH-
INGTON**

Colonel GAMBLE. Thank you, Mr. Chairman.

Senator BYRD. Glad to have you, Colonel Gamble.

Colonel GAMBLE. Thank you, sir. I am accompanied by Bob Rasnzenbach, representing the National Guard Association of Washington and, at the end of my testimony he might be able to answer some questions relative to the association that the committee might desire. That is the State of Washington.

Mr. Chairman, I am Col. James F. Gamble, Alabama Army National Guard, the executive director of the National Guard Association of Alabama. I am appearing before your committee today in my

capacity as chairman of the Committee on Legislation of the National Guard Executive Directors Association of the National Guard associations of the several States in support of S. 383. I shall delete for the purpose of brevity some of the paragraphs of my testimony.

Senator BYRD. Yes, your testimony will be printed in full and you can summarize it if you wish.

Colonel GAMBLE. Very fine. Thank you, sir.

The purpose of the bill, of course, is stated.

Authority for payroll withholding is essential to 28 State sponsored group life insurance programs which have been providing in the absence of servicemen's group life insurance low cost, high coverage life insurance on a 24-hour basis to the members of their Guard. State Guard insurance programs cannot compete equitably or survive without the same payroll deduction provision which is being offered under SGLI in the proposed legislation S. 1835 and H.R. 6574. As previously indicated H.R. 6574 passed the House by a tremendous vote.

It has come to our attention that representatives of the Department of Defense through letters and certain testimony have opposed the provisions of S. 383. As far as we can ascertain, only the Department of Defense is opposed to S. 383. The State National Guard associations and other proponents of S. 383 feel that Department of Defense opposition is unjustified and has no sound basis.

The position of the State associations that DOD's objections are not basically sound is further supported and amplified by House of Representatives Report No. 93-132 (H.R. 6574) House Committee on Veterans' Affairs. I will not at this time read this particular statement but it is in my testimony.

In subsequent testimony before the Senate Veterans' Affairs Committee this same representative, as indicated in the previous reference, stated the following DOD position and I quote:

At the time of my letter, the views I expressed represented a coordinated position of the Department of Defense. Since that time, however, there has been an opportunity to review in detail the procedures which would be required to administer such allotments and the cost which would have to be met by the services.

It is rather difficult to understand how the coordinate position of DOD could change so rapidly since the first position of not objecting was evidently based on data presented to the Chief of the National Guard Bureau by letter of March 24, 1971—

Senator BYRD. Colonel, if you would yield, I think that DOD has worked the matter out, hasn't it?

Colonel GAMBLE. All right, sir, yes, sir. If the Senator desires there are some questions in here they are asking and I am trying to point out we have maintained since 1971 that we would pay the costs of the withholding, and maybe I can summarize it.

Senator BYRD. I assume that if the Defense Department is willing to go along with the proposal, and you are willing to go along, which I understand you are—

Colonel GAMBLE. Yes, sir.

Senator BYRD [continuing]. To pay the administrative costs.

Colonel GAMBLE. Yes, sir.

Senator BYRD. Have we not pretty well worked out the controversies that previously existed before?

Colonel GAMBLE. I yield to the Senator.

Senator ALLEN. Some of the testimony might become inoperative.
 Senator BYRD. Very appropriate word. You may proceed as you wish.

Colonel GAMBLE. I think the chairman's point is well taken.

I showed in my testimony which is written down, the costs by DOD, and we would pay that and there is a standard schedule of rates, charges for withholding at the present time. There are also mechanics on board or systems programed now which can be withheld.

[The statement of Colonel Gamble follows:]

Mr. Chairman, I am Colonel James F. Gamble, Alabama Army National Guard, the Executive Director of the National Guard Association of Alabama. I am appearing before your committee today in my capacity as Chairman of the Committee on Legislation of the National Guard Executive Directors Association of the National Guard Associations of the Several States in support of S. 383.

S. 383 provides under Title 37, United States Code, that: "The Secretary of the Army or the Secretary of the Air Force, as the case may be, may allow a member of the National Guard who is not on active duty to make allotments from his pay under sections 204 and 206 of this title for the payment of premiums under a group life insurance program sponsored by the military department of the State in which such member holds his National Guard membership or by the National Guard association of such State".

Authority for payroll withholding is essential to the twenty-eight State sponsored group life insurance programs which have been providing in the absence of Servicemen's Group Life Insurance (SGLI) low cost, high coverage group life insurance on a twenty-four hour basis to the members of their Guard. State Guard insurance programs cannot compete equitably or survive without the same payroll deduction provision which is being afforded SGLI under the proposed legislation S. 1835 and H.R. 6574.

Language identical to S. 383 passed the House on 7 May 1973 as a part of H.R. 6574 by a vote of 342 to 1 and is currently pending action in the Senate.

It has come to our attention that representatives of Department of Defense (DoD) through letters and certain testimony have opposed the provisions of S. 383. As far as we can ascertain, only Department of Defense is opposed to S. 383. The State National Guard Associations and other proponents of S. 383 feel that Department of Defense opposition is unjustified and has no sound basis.

The position of the State Associations that DoD's objections are not basically sound is further supported and amplified by House of Representatives Report No. 93-132 (H.R. 6574) House Committee on Veterans Affairs which states and I quote:

"In his testimony in the hearing on this bill the Deputy Assistant Secretary of Defense (Reserve Affairs) recommended deferral of this provision without prejudice, until the Department has adequate time to study its ramifications and ascertain the cost of such a program. The Committee takes note, however, of the fact that in a letter of December 29, 1972, to the President of the National Guard Association of the United States this same official expressed the view that 'We do not oppose authority for withholding from drill pay, on a voluntary basis, premiums for commercial life insurance programs such as that sponsored by NGAUS and a number of the State Associations.' Obviously, the implementation of this provision will require the development of certain administrative procedures; however, there are a number of permanent provisions of law containing broad authority for the allotment of pay of servicemen for many purposes and the Committee is not persuaded that there is any sound basis for a deferral of action on this provision."

In subsequent testimony the Senate Veterans' Affairs Committee this same representative, Dr. Theodore C. Marrs, stated:

DoD Position: "At the time of my letter, the views I expressed represented a coordinated position of the Department of Defense. Since that time, however, there has been an opportunity to review in detail the procedures which would be required to administer such allotments and the cost which would have to be met by the services."

Guard position: It is rather difficult to understand how the coordinated position of DOD could change so rapidly since the first position of not objecting was evidently based on data presented to the Chief of National Guard Bureau by

letter of 24 March 1971 and subsequently to the Deputy Assistant Secretary of Defense (Reserve Affairs) by letter of 23 May 1972 from the National Guard Association of Alabama on behalf of thirty-nine States requesting authority for payroll deduction.

These letters set forth specific recommendations of collection procedures which were the result of coordinated effort of the several states and their Army Finance Officers who pay Army Guard Drill payrolls. The recommendations would require no change in and would utilize the existing Army Finance System Procedures then currently in effect. The effect of the new Joint Uniform Military Pay System "JUMPS" were also considered. "JUMPS" payroll procedures will greatly enhance the allotment ability as the "JUMPS" system program would be the same for the National Guard as well as the regular forces. This uniformity is the purpose of "JUMPS".

Further, both letters were specific and clear that the burden of administration and that payment of cost of collection would be borne by the States and *not the Federal Government*.

DOD position: "Figures obtained from the services and reviewed by the Office of the Assistant Secretary of Defense (Comptroller) indicate that the normal cost of starting or stopping an allotment for insurance is one dollar (\$1) for each action. The cost of the monthly withholding is about eighteen cents (\$.18). Based upon the April 1973 end strength of the Army National Guard and the Air National Guard (428,748) the initial cost of the allotment provision could be as high as \$428,748 with monthly sustaining costs of \$77,175 plus the added cost of stopping allotments which may be cancelled and any other stop/start actions created by turnover in Guard personnel."

Guard position: The figures indicated by DOD are cost factors only and the funding or payment of these costs are the responsibility of the State administering agency, *not the Federal Government*. Authority and programs to withhold from pay and the prescribed service charges currently exist within the Army Finance System. The Guard asks for the same privilege as indicated by the following current regulations.

DA Message No. 890967, Subject: "Employee Allotments of Pay for Savings (Public Law 90-365)" dated 18 December 1968 provides:

Paragraph 13. Service Charge. Sub-paragraph a. "The Government's cost in the administration of these procedures will be recovered by each Finance and Accounting Office on the basis of standard (Government-wide) rates. The total service charge applicable to a remittance to a financial organization will be automatically collected from the financial organization by deduction from the total amount to be remitted (paragraph 6). The standard rates are: (1) Six (6) cents for each payroll deduction stated on the listing which is to accompany the aggregate remittance, plus (2) Twelve (12) cents for each remittance, as a single charge for the entire listing accompanying the remittance, regardless of the number of payroll deductions listed."

C-20, AR 37-105, Section VI. Voluntary Allotments for Payment of Dues to Employee Organizations provides:

Paragraph 10-112. Policies, Sub-paragraph a.: "Any eligible employee organization, upon compliance with the procedures prescribed in FPM 550-5, 10 October 1963, will be accorded the right for its members who are eligible employees to make voluntary allotments from their pay for the payment of their dues to such organizations."

Paragraph 10-113. Allotments, Sub-paragraph c.: "Fee for Service. Each employee organization will be charged a fee in the amount of \$0.02 for each deduction from an employee's salary."

As indicated by the above regulations, the Federal Government recovers the cost of administration of all allotments from the organizations to which the allotments are paid utilizing a prescribed standard (Government-wide) rate. Therefore, regardless of whatever the total initial cost plus cost of subsequent withholdings is determined to be—the *net cost to the Federal Government is zero* and the organization receiving the allotment pays the cost.

The State Associations who administer the State Programs have maintained all along that they will pay the cost of such withholding to the Government, and agree that the cost of withholding (\$1.00 to start and \$1.00 to stop and \$0.18 each withholding) as stated would be acceptable.

DoD position: "In addition to the basic costs of allotments from National Guard pay, the establishment of insurance allotments for Guardsmen could create several distinct problems. Should a Guardsman miss one or more unit

training assemblies and reduce his earnings below the amount of the allotment, there arises the possibility of an overpayment. Should the Guardsman make his own cash payments to the system to offset such overpayment, it would cost approximately sixty cents (\$0.60) additional for each collection. It would be necessary to design, implement and maintain a sub-system of the allotment system, just to cope with such problems."

Guard position: Payroll withholding for National Guard Programs by Finance Officers will be on a "fill or kill" basis. This "fill or kill" concept is not new to the Finance System as noted by the prescribed policy set forth by DA Message 890967, Paragraph 4, "Policies", Sub-paragraph b, as follows:

"The amount of salary or wages becoming due an employee for any pay period after the effective date of the allotment(s) must be sufficient to cover the amount(s) of the allotment(s). In making this determination, all payroll deductions otherwise required will have priority over the allotments of pay for savings account. If the net pay due after applying all payroll deductions otherwise required is less than the amount of one allotment of pay authorized by an employee, the allotment will be automatically nullified for that particular pay period. If the net amount is insufficient to cover the aggregate of two authorized allotments, both will be automatically nullified for that pay period, without attempting to choose between them even if the net pay might be sufficient to absorb one."

The Federal Government would have priority over collections. The State administering agency would then handle premium collections on a local level with the individual with insufficient pay, thus, insuring continuation without jeopardy of his life insurance protection and no liability to the United States Government for failure to withhold premiums.

A new program to handle Guard withholdings would not have to be developed since State programs are operated the same as Veterans Administration and would use the same allotment withholding procedures developed by the Veterans Administration in their administration of Servicemens Group Life Insurance (SGLI).

Veterans' Administration Administrator, Mr. Donald E. Johnson, in a letter to Honorable William Jennings Bryan Dorn, Chairman, House Committee on Veterans Affairs, (House of Representatives Report No. 93-132, Page 5) and to Honorable Vance Hartke, Chairman, Senate Committee on Veterans' Affairs, (Senate Report No. 93-723, Page 42) cites the method of collection of premiums from individual participants as follows:

"The premium charges for members of the Reserve eligible for fulltime coverage under the bill (other than members assigned to the Retired Reserve) will be contributed from the appropriation made for active-duty pay of the uniformed service concerned. Any amounts so contributed on behalf of an individual shall be collected by the Secretary concerned from such individual (by deduction from pay or otherwise) and shall be credited to the appropriation from which such contribution was made."

The above procedures are currently in effect and the burden of accommodation to the existing Army Finance System procedures and programs would be the responsibility of the State administering agency for Guard insurance programs and not the Army Finance Officer.

DoD position: "It is the opinion of the Department of Defense that the cost of installation and operation of a system for administration of the additional State National Guard allotment would outweigh any advantage as a recruiting and retention incentive."

Guard position: One wonders just how valid the opinion of the Department of Defense is in this matter since they have spent considerable time in trying to show that SGLI and low cost insurance will be a recruiting and retention incentive and then with tongue in cheek say that the same program, with the same collection cost and procedure which twenty-eight States have been providing (some in excess of ten years) has little advantage as a recruiting and retention incentive.

Mr. Chairman, S. 383 will not open up drill pay to numerous and sundry allotments. To alleviate DoD's concern in this area, the bill is specific in its limitations for withholding from National Guard drill checks for State approved group insurance programs.

The administrative agency appointed or designated by the Military Department of State operates and conforms totally under the rules and regulations of the State and its activities are audited to insure that they are in conformity with State Statutes. This one designated agency performs the similar functions of the Veterans Administration. Because of the dual status (State-Federal) of the Guard this is the only reserve component that has this type of insurance program in existence today.

In summary, Mr. Chairman:

1. There currently exists within the Army and Air Force Finance system the necessary procedures and data processing programs required to affect an allotment/withholding from National Guard drill payroll checks. Further, these procedures have been verified as workable by each Finance and Accounting Officer paying Army and Air Guardsmen.

2. Any objection by DoD to the cost of starting, stopping and subsequent allotments are academic and irrelevant as far as the Federal Government is concerned, since the designated State Guard insurance administering agency or organization will pay fully the cost determined or prescribed and set forth by the current standard (Government-wide) rate schedule for withholding.

3. The bill is specific in its withholding authority and does not open up drill pay to numerous allotments.

4. Most importantly, State National Guard insurance programs must have payroll allotments to allow existing State programs to compete equitably with SGLI.

Since 1735 the Guard, in peace and war, has developed and maintained the tradition of defending colonial America, the United States of America, and providing for the welfare of its members. The National Guard needs the provisions of S. 383 in continuing its tradition.

Mr. Chairman, we most respectfully ask your committee's assistance in our endeavor by providing a favorable report leading to an early enactment of S. 383.

Senator BYRD. Let me ask you a couple of questions if I may.

Colonel GAMBLE. All right, sir.

Senator BYRD. How long has the Alabama Guard Association life insurance program been in effect?

Colonel GAMBLE. It was started in July 1963, sir.

Senator BYRD. Why do you feel that Alabama and Mississippi have utilized this program more than any of the other States?

Colonel GAMBLE. I cannot speak for the other States, sir, but we, in Alabama, feel you have a certain responsibility to the individual soldier himself to provide for his welfare and if you provide for his welfare then you will have him a long time. And I might add that the strength of Alabama is 99.7, the last account I had; we were, just have been, reorganized and they gave us 1,500 more bodies on January 1, so we are in good shape.

We contribute not necessarily to the insurance program but if you take care of the man's welfare then he will be loyal and stay with you, and that is basically what we are saying.

Senator BYRD. What is the extent of coverage of guardsmen?

Colonel GAMBLE. We have three basic coverages, a \$5,000 basic, a \$10,000 basic, and a \$15,000 basic. On the first 10, either 5 or 10 we will give him after 2 years of participation a 50-percent increase in coverage at no additional cost. So for the \$10,000, the premium cost is \$11 per quarter. After 2 years he had \$15,000 worth of coverage still at \$11. If he takes a third five this gives him \$20,000 at \$16 a quarter.

Senator BYRD. So he could go up to \$20,000?

Colonel GAMBLE. If he takes \$15,000. We give him the first 10 free, this gives him a total of \$20,000.

Senator BYRD. How do your rates compare with other commercial insurance in servicemen's life insurance?

Colonel GAMBLE. SGLI, sir?

Senator BYRD. Yes.

Colonel GAMBLE. On the proposed 1835 the premium is \$10.65 for \$20,000, that is a quarter. Ours is \$16 now. With payroll deduction and with our contract that we have we feel within 3 years with payroll

deductions we will have \$25,000 worth of coverage and we will get SGLI rates.

Senator BYRD. And that is after paying the administrative costs to the Department of Defense?

Colonel GAMBLE. Yes, sir.

Sir, the chairman asked the question, I think of another witness, basically what do the insurance companies get out of it?

Our contract is this: We pay our carrier, which happens to be Protective Life of Birmingham, 7 percent of gross premium. This is all the retention that they get. The rest of the money comes back into the program to pay claims, to use as reserves, to administer the program and to provide additional benefits.

Senator BYRD. Does this particular insurance company specialize in group programs for the Guard?

Colonel GAMBLE. It has all types of insurance, both group, ordinary, combination, different types.

Senator BYRD. Can you provide documentation to support your position that your State program would suffer if allotments are not approved?

Colonel GAMBLE. Yes, sir. I think I could provide documentation and I could give you an example. Under the provisions of SGLI the individual has coverage unless he actively says "No" I don't want it. He must sign it. When a new man comes into the unit, and the recruiter or the technician who signs him up says, "You have SGLI unless you don't want it and it is roughly \$11 a quarter for \$20,000. The Guard has a program, and it is going to cost you \$16 and you are going to have to pay this out of your pocket," he is going to take the easy way out because you don't have to sell him SGLI. So, consequently over the years we will not be getting the young people to keep our level premium set, and we will have to go up on the older premiums. So we just can't compete without payroll deduction.

Senator BYRD. What legal or administrative problems has the Guard experienced in administering this State program?

Colonel GAMBLE. None, sir.

Senator BYRD. What would be the mechanics for the Guard to pay the Federal Government the cost of the allotment program? Would you be billed by the Government?

Colonel GAMBLE. Under current existing regulations, which are cited in my testimony, the finance officer would withhold from the amount that he retains from the individual's pay the cost of such collections as determined by the standard rate or as determined by the proposed amendments we are talking about.

Senator BYRD. Maybe I should ask Dr. Marrs how he envisions how that would be handled.

Colonel STEWART. Senator, Dr. Marrs had to leave. I am Colonel Stewart.

Senator BYRD. Colonel, you can answer it.

Colonel STEWART. I am sorry, I didn't understand the question.

Senator BYRD. What would be the mechanics for the Guard to pay the Federal Government the administrative costs? How would you get the money from the State associations?

Colonel STEWART. From the Guard associations. I will have to defer to my financial expert, Mr. Scott.

Mr. SCOTT. We presently have a similar situation in civilian areas whereby we collect union dues, for example.

Senator BYRD. You are not concerned then?

Mr. SCOTT. No.

Senator BYRD. There is a method for doing it?

Mr. SCOTT. Yes.

Senator BYRD. There is no problem.

Mr. SCOTT. In that case when we remit the amount of money to the union, along with a listing of all of the personnel for whom we have collected dues, we have a deduction so much per member and we take that off of the amount that we remit to them. So, we have our money before they have theirs.

Senator BYRD. Fine. Thank you.

Just one other question. When you speak of costs, Colonel, do you mean the original changeover or do you mean the maintenance after the initial changeover, or both?

Colonel GAMBLE. Any costs.

Senator BYRD. Any costs involved.

Colonel GAMBLE. Any costs, yes, sir.

Senator BYRD. Senator Taft?

Senator TAFT. Thank you, Mr. Chairman.

Is there any possibility that insofar as the National Guard is concerned that taking this step would result in adverse selection against SGLI?

Colonel GAMBLE. Adverse selection within the Guard?

Senator TAFT. No, adverse—

Colonel GAMBLE. Against SGLI?

Senator TAFT. Yes.

Colonel GAMBLE. No, sir, I don't think so. I think, with the convenience of payroll deduction that we would have in excess of 90 percent participating in the Guard program and 99 percent in the other.

Senator TAFT. Neither are exclusive of the other in your opinion?

Colonel GAMBLE. No, sir, because both are low cost and we would like to have and I think most of our people would like to have instead of \$20,000 under SGLI \$40,000 low cost. And this would be no problem and I foresee none.

The thing we keep coming back to is we can compete with the strength of payroll deduction even though our premium is higher. The individual will take it.

Senator TAFT. When you say you are competing it sounds as though it is adverse. It hadn't occurred to me particularly that it was. But—

Colonel GAMBLE. We are competing—

Senator TAFT. But when you say you are competing it means they are going to take one not the other.

Colonel GAMBLE. Because of convenience sake. We cannot compete with the convenience, not the insurance.

Senator TAFT. Competing for manpower you mean?

Colonel GAMBLE. No, sir, we are competing with the convenience of a method of payment. We have a number of guardsmen who do not have bank accounts, they come to drill, they don't have money, and some guardsmen, some young guardsmen would desire the insurance and quite frankly need it, their families need it but they will get their check and spend it and then they won't have any money to pay the insurance.

Senator TAFT. How long after quarterly due date for premium would your policy in Alabama go before you have a lapse?

Colonel GAMBLE. The standard is a 31-day period, but if they haven't got their drill check and haven't drilled after they get their check then they are covered.

In other words, through our funds, the fund itself covers these individuals with the carrier, with an agreement with the carrier.

Senator TAFT. How long do you carry them?

Colonel GAMBLE. Sir?

Senator TAFT. How long do you carry them?

Colonel GAMBLE. We carry them until they have had this drill or at least 31 days or in some cases it can be up as far as 60 days. Sixty days past the end of the beginning of the quarter.

Senator TAFT. Would SGLI deductions have priority over Guard insurance deductions if the pay was insufficient?

Colonel GAMBLE. Yes, sir; the Government would have priority over collections.

Senator TAFT. Generally speaking, what variance is there in premiums and other factors among the 30 States that have such programs?

Colonel GAMBLE. Sir, just generally both will average approximately 30 cents per 1,000 per month. It will range from that to 30 to 45 cents per 1,000 per month.

Senator TAFT. Thank you very much.

Senator BYRD. Thank you, Senator Taft.

Just one question, I guess I should ask Mr. Scott this: when the legislation is amended, as I understand it needs to be to take care of the administrative costs, you would need, the legislation would need, to specify the State associations and not the State of Mississippi or the State of Alabama, is that right?

Mr. SCOTT. You mean list?

Senator BYRD. As to who would be responsible for the costs.

Mr. SCOTT. I am not sure it needs to be amended for that particular part. I think the part that authorizes those particular organizations to receive the payroll deductions, if the amendment included a provision that said:

Those organizations who are obtaining the payments from these deductions are the organizations that will reimburse the Department of Defense for the services of maintaining the deduction would be sufficient.

Senator BYRD. Thank you. Thank you very much, Colonel.

Colonel GAMBLE. Thank you, sir.

Senator BYRD. The next witness is Col. William W. Gresham, Jr., president of the Mississippi State Guard Association. Welcome aboard, Colonel Gresham.

**STATEMENT OF COL. WILLIAM W. GRESHAM, JR., PRESIDENT,
NATIONAL GUARD ASSOCIATION OF MISSISSIPPI, ACCOMPANIED
BY MAJ. JOHN T. LEWIS, EXECUTIVE DIRECTOR**

Colonel GRESHAM. Thank you, Mr. Chairman, and Senator Taft. I appreciate the privilege of testifying before you today. It is real short.

Mr. Chairman, I am William W. Gresham, Jr., president of the National Guard Association of Mississippi. I am a civilian soldier and am not a full-time technician. I have taken off from my personal business to come to Washington to testify before you.

I can speak quite frankly concerning what the association's life insurance has meant to our guardsmen because, for the past 4 years, I have served as commanding officer of the 1st Brigade, 30th Armored Division, Mississippi ARNG with over 3,000 men in my command. I have been personally involved in many situations where the only life insurance carried by a deceased guardsman was through the association's program. I know from the personal experience of delivering claim checks what this insurance has meant to wives who lost a husband, children who lost their father, or mothers and fathers who lost a son.

The National Guard Association of Mississippi's life insurance program has always been considered a recruiting and retention incentive. In fact, all the recruiting information published list insurance as a prime and viable incentive.

While there are almost 7,300 Mississippi Guardsmen insured for Guard Association life insurance, if we had the ease of payroll deduction from armory drill checks, which SGLI has, then others who find it difficult to pay on a scheduled basis would join this program. I know this to be a fact. Our people request and desire payroll deduction for their life insurance.

As General Turnage stated in his testimony, our Guard association's life insurance has paid death claims to 139 families in the amount of \$1,642,000 over a 13-year period. This program has served and continues to serve our people. I shudder to think what would have happened to some of these families without the benefits they received from our program.

Mr. Chairman, I respectfully ask you to give favorable consideration to S. 383 which will authorize, not only the State of Mississippi Guard life insurance program to have payroll deduction, but the other 27 States, as well, who also provide this service to its members.

We do not ask for anything but that which is fair and equitable. We are not asking for a handout. All costs will be paid by our association. We now have the "one Army concept" or the "total force policy." Let the Guard enjoy the payroll deduction or allotment feature that the regulars have. Let's follow the "one Army concept". Let our programs continue to be effective by authorizing payroll deduction for state sponsored National Guard life insurance programs.

Senator BYRD. Thank you very much.

Colonel GRESHAM. Thank you.

Senator BYRD. Senator Taft?

Senator TAFT. I have no questions, Mr. Chairman.

Colonel GRESHAM. Thank you.

Senator BYRD. I believe the subject has been rather thoroughly covered.

Senator ALLEN, do you have additional comment?

Senator ALLEN. No additional comments, Mr. Chairman. Thank you, Mr. Chairman.

Senator TAFT. Thank you, Senator.

Senator ALLEN. I would like to make a request back of you, if you would include me as a cosponsor.

Senator ALLEN. Yes, sir, thank you, I sure would.

Senator BYRD. Thank you, gentlemen.

Colonel GRESHAM. Thank you.

Senator BYRD. The committee will meet and go into executive session.

Thank you, gentlemen.

[Whereupon, at 3:45 p.m., the committee proceeded to other business.]

○

**AUTHORIZING ALLOTMENTS FROM THE PAY OF MEMBERS OF
THE NATIONAL GUARD OF THE UNITED STATES FOR GROUP
LIFE INSURANCE PREMIUMS AND FOR OTHER PURPOSES**

APRIL 3, 1974.—Ordered to be printed

Mr. BYRD, from the Committee on Armed Services,
submitted the following

REPORT

[To accompany S. 353]

The Committee on Armed Services, to which was referred the bill (S. 353) to amend chapter 13 of title 37, United States Code, to authorize allotments from the members of the National Guard of the United States, who are not on active duty, to make payment for group life insurance premiums and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

COMMITTEE AMENDMENTS

1. On page 1, line 7, insert "(a)" immediately before "The" This is a technical amendment to provide a transition for the main portion of the amendment.

2. On page 2, line 5, strike out the period and the quotation marks and insert in lieu thereof the following:

if the State or association concerned has agreed in writing to reimburse the United States for all costs incurred by the United States in providing for such allotments. The amount of such costs and procedures for reimbursements shall be determined by the Secretary of Defense and his determination shall be conclusive. All amounts of reimbursements for such costs received by the United States from the State or association concerned shall be credited to the appropriations or funds against which charges have been made for such costs.

3. On page 2, between lines 5 and 6, insert the following:

(b) The United States shall not be liable for any losses or damages suffered by any person as the result of any error made by any officer or employee of the United States in administering the allotment program authorized under subsection (a).

4. Amend the title so as to read:

A bill to authorize allotments from the pay of members of the National Guard of the United States for group life insurance premiums.

PURPOSE OF THE BILL

The purpose of this bill would be to allow the Secretaries of the Army and Air Force to permit allotments from the pay of members of the National Guard, who are not on active duty, to make payment for group life insurance premiums of programs sponsored by the state military department or state associations of the Guard.

EXPLANATION OF THE AMENDMENTS

1. The first amendment is technical in nature and does not change the meaning of the bill.

2. The second amendment provides that the state military departments or state associations of the National Guard would be responsible to the Federal Government for the cost of administering this program.

3. The third amendment provides that in administering the allotment provision the United States would not be liable for any damages growing out of this administrative function.

4. The fourth amendment changes the title of the bill to express more clearly its purpose.

EXPLANATION OF THE BILL

This bill provides new law in that it would permit the Service Secretaries of the Army and Air Force to establish an allotment system for members of the National Guard if requested by the separate states for the purpose of paying group life insurance premiums sponsored by the state military department or the state Guard Association.

However, no Guardsman would be required as a matter of law to take the state or Guard Association sponsored life insurance or to use the allotment provision provided for in this legislation.

With the expected extension of the Servicemen's Group Life Insurance (SGLI) program to certain members of the Reserve and Guard the Committee felt the allotment provision was justified for the state Guard programs.

Under SGLI, payments for life insurance will be automatic for certain members of the Guard and Reserve by payroll deduction unless the individual declines coverage in writing.

Thus, by providing the allotment provision for the Guard sponsored programs the Committee has placed these programs on a relatively equal competitive basis. The Guardsman would have the convenience

of a pay deduction for this Guard sponsored life insurance program just as he would for the Federal Government sponsored life insurance program.

BACKGROUND

The unique nature of the National Guard, being a dual agency under control of the State Governor unless mobilized by the Federal Government, resulted in the Guard in some states establishing their own group life insurance programs.

Group life insurance programs, under the sponsorship of the state military department or state National Guard Associations, have up to the present provided the only life insurance coverage to Guardsmen because of their membership in the Guard.

Guard witnesses testified that these programs could not survive in competition with the payroll deduction to be offered by SGLI. Testimony during the hearings also revealed that some of the funds generated by the state or Guard Association backed programs are used to promote and strengthen the National Guard in an overall way. This support for the Guard in states with active group life insurance programs would be reduced if SGLI drives the state supported programs out of business.

However, in approving the bill the Committee took the position that cost of such an extension should be borne by the state sponsors. The Committee also took the position that the Federal Government should be excluded from any liability in administering the program.

FISCAL DATA

The Committee bill as amended would result in no increased budgetary requirements for the Department of Defense.

DEPARTMENTAL POSITION

The Department of Defense favors enactment of this legislation as indicated below.

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE,
Washington, D.C., March 28, 1974.

HON. JOHN C. STENNIS,
*Chairman, Armed Services Committee,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to S. 383 and the hearing held by the General Legislation Subcommittee on March 22, 1974. Pursuant to the referenced hearing, the Department of Defense has reconsidered its position with respect to S. 383, a bill "To encourage persons to join and remain in the Reserve and National Guard by providing full-time coverage under Servicemen's Group Life Insurance for such members and certain members of the Retired Reserve up to age sixty."

The Department of Defense would interpose no objection to the enactment of S. 383, subject to its amendment to insert after "State" on line 5, page 2 of the bill, "if the State or association concerned has agreed in writing to reimburse the United States for all costs incurred

by the United States in providing for such allotments. The amount of such costs and procedures for reimbursement shall be determined by the Secretary of Defense and his determination shall be conclusive. All amounts of reimbursement for such costs received by the United States from the State or association concerned shall be credited to the appropriations or funds against which charges have been made for such costs."

The Office of Management and Budget advises, that from the standpoint of the Administration's program, there is no objection to the presentation of the report for the consideration of the Committee.

Sincerely,

L. NIEDERLEHNER,
For MARTIN R. HOFFMAN.

○

10/19/50

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PUBLIC LAW 93-289 May 24, 1974
Title 37 United States Code, Section 707

(Authority for Payroll Deduction of Life Insurance Premiums, ONLY,
from National Guard Drill Pay)

§ 707. Allotments: members of the National Guard

(a)¹ The Secretary of the Army or the Secretary of the Air Force, as the case may be, may allow a member of the National Guard who is not on active duty to make allotments from his pay under sections 204 and 206 of this title for the payment of premiums under a group life insurance program sponsored by the military department of the State in which such member holds his National Guard membership or by the National Guard association of such State if the State or association concerned has agreed in writing to reimburse the United States for all costs incurred by the United States in providing for such allotments. The amount of such costs and procedures for reimbursements shall be determined by the Secretary of Defense and his determination shall be conclusive. All amounts of reimbursements for such costs received by the United States from a State or an association shall be credited to the appropriations or funds against which charges have been made for such costs.

Added Pub.L. 93-289, § 11(a), May 24, 1974, 88 Stat. 172.

¹ Section enacted without a subsec. (b).

Liability of United States for Losses or Damages. Section 11(b) of Pub.L. 93-289 provided that: "The United States shall not be liable for any losses or damages suffered by any person as the result of

any error made by any officer or employee of the United States in administering the allotment program authorized under subsection (a) [this section]."

In a letter signed by H.H. Kraft, Jr., Deputy Assistant Secretary of Defense, dated 4 Oct 1985, he states that:

"We (DOD) reviewed 37 U.S.C. 707 and determined that the statute permits only group life insurance premium allotments from the pay of National Guard members. An allotment for any other purpose is not authorized under the statute. The legislative history from Senate Report 93-769 authorizes allotments 'to make payment for group life insurance premiums and for no other purpose.' "



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

COMPTROLLER

(Management Systems)

23 JUL 1976

Col. James F. Gamble
National Guard Association
of Alabama
1675 Montclair Road, Suite 102
Birmingham, Alabama 35210

Dear Col. Gamble:

At our last meeting in the Pentagon, we discussed the recent cost studies on adequacy of fees charged for allotments for premiums for National Guard Life Insurance.

It was agreed that the cost study showed that the actual recurring cost for continuing deductions amounted to \$.01 a month for members of the Army National Guard and \$.05 a month for members of the Air National Guard. In addition, the cost study showed that the recurring cost of a start/stop/change is \$.83 in the Army and \$.96 in the Air Force.

It was also agreed that you would provide us with a recommendation on how the Guard Associations would prefer to "pay off" the unrecovered portion of the costs Army and Air Force incurred in setting up the system. In reviewing the data to arrive at the method you recommend, please bear in mind we are anxious to recover this cost as soon as possible. Since we understand that you share that concern, we are anxious to receive your proposal.

The information has now been received and is provided for your information. I have also attached a copy of the Army and Air Force input to this office which indicates the basis for the computation.

Sincerely,


Floyd Fox

Enclosures





OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

COMPTROLLER
(Management Systems)

15 JAN 1976

Col. James F. Gamble
Executive Director, National
Guard Association of Alabama
1675 Montclair Road, Suite 102
Birmingham, Alabama 35210

Dear Col. Gamble:

Reference the meeting between representatives of the Payroll Deduction Coordinating Board (PDCB) representing the several State National Guard Associations and representatives of the Department of Defense (Offices of the Secretaries of Defense, Air Force, and Army). At that meeting, it was agreed that at the request of the PDCB, the DoD would undertake a cost study to serve as a basis for a review of the reasonableness of the fees charged the National Guard Associations for allotments of the pay of members of the National Guard to pay the premiums under a group life insurance program. As you know, P.L. 93-289 (37 U.S.C. 701) requires the Department of Defense to recoup all costs incurred by the United States in providing for such allotments.

It was further agreed at the meeting that we would advise you of the tasks to be included in our study. The preliminary study by representatives of the Army and Air Force developed the following tasks to be costed:

A. Start-up Costs

1. Systems Design

- a. Administrative and clerical tasks relating to the development of the basic documents including the Memorandum of Agreement and the forms used in the certification process.
- b. Initial administrative and clerical tasks at the Finance Centers.
- c. Initial systems development.
- d. Initial programming costs.



2. Systems Development

- a. Providing a system "change" capability vs. a start plus a stop.
- b. Other development effort.

B. Recurring Costs (Starts, Stops, Changes)


1. Administrative and clerical tasks in the field.
2. Administrative and clerical tasks at the Finance Centers.
3. Supplies, field.
4. Supplies, Centers.
5. AUTODIN service.
6. Computer service (Centers).
7. Handling.

C. Recurring Costs (Continuing Deductions)

1. Computer service (Centers)
2. Administrative and clerical.
3. Mailing and handling costs.

The breakout of the recurring costs parameters will allow the determined costs to be compared to the separate fees currently charged for processing allotments; i.e., \$1.00 start, stop, or change fee and \$0.18 monthly maintenance fee. Please provide me with your comments or concurrence on the parameters of the study.

Sincerely,


Floyd Fox, Chairman
DoD Study Group

PUBLIC LAW 93-289 May 24, 1974
Title 37 United States Code, Section 707

(Authority for Payroll Deduction of Life Insurance Premiums, ONLY,
From National Guard Drill Pay)

§707. Allotments: members of the National Guard

(a)¹ The Secretary of the Army or the Secretary of the Air Force, as the case may be, may allow a member of the National Guard who is not on active duty to make allotments from his pay under sections 204 and 206 of this title for the payment of premiums under a group life insurance program sponsored by the military department of the State in which such member holds his National Guard membership or by the National Guard association of such State if the State or association concerned has agreed in writing to reimburse the United States for all costs incurred by the United States in providing for such allotments. The amount of such costs and procedures for reimbursements shall be determined by the Secretary of Defense and his determination shall be conclusive. All amounts of reimbursements for such costs received by the United States from a State or an association shall be credited to the appropriations or funds against which charges have been made for such costs. Added Pub.L. 93-289, §11(a), May 24, 1974, 88 Stat. 172.

¹Section enacted without a subsec. (b)

Liability of United States for Losses or Damages.
Section 11(b) of Pub.L. 93-289 provided that: "The United States shall not be liable for any losses or damages suffered by any person as the result of

Any error made by any officer or employee of the United States in administering the allotment program authorized under subsection (a) (this section)"

In a letter signed by H. H. Kraft, Jr., Deputy Assistant Secretary of Defense, dated 4 Oct 1985, he states that:

"We (DOD) reviewed 37 U.S.C. 707 and determined that the statute permits only group life insurance premium allotments from the pay of National Guard members. An allotment for any other purpose is not authorized under the statute. The legislative history from Senate Report 93-769 authorizes allotments "to make payment for group life insurance premiums and for no other purpose""

MEMORANDUM OF AGREEMENT

Allotments from the Pay of Members of the National Guard For Group Life Insurance Premiums

1. To encourage persons to join and remain in the National Guard, full-time coverage under group life insurance is provided for such members.
2. The Secretary of the Army or the Secretary of the Air Force, as the case may be, may allow a member of the National Guard who is not on extended active duty to make an allotment from his pay under sections 204 and 206 of title 37, United States Code, for the payment of premiums under a group life insurance program sponsored by the State military department in which such member holds his National Guard membership or by the State associations of the National Guard if the State or association concerned (hereinafter referred to as association) has agreed in writing to reimburse the United States for all costs incurred by the United States in providing for such allotments.
3. The amount of such costs and procedures for reimbursements shall be determined by the Secretary of Defense and his determination shall be conclusive. All amounts of reimbursements for such costs received by the United States from an association shall be credited to the appropriations or funds against which charges have been made for such costs.
4. The amount of reimbursement cost for each allotment start or stop, except automatic stops as prescribed in paragraph 5h below, will be \$.83 for ARNG and \$.96 for ANG and the recurring reimbursement cost for each transaction, including these for which there was insufficient pay due the member to make the deduction, will be \$.01 for ARNG and \$.05 for ANG per month. These costs cover both centralized and field activities involved with administering the allotment account. Such costs will be subject to annual re-determination and may be increased or decreased depending on costs of administration at the time. Reimbursement costs will be deducted by the Service Department from the gross amount to be paid the association each month.
5. Procedures:
 - a. Allotment limitations:
 - (1) This allotment will be treated as a deduction from pay.
 - (2) Only one deduction will be permitted for any one member.
 - (3) Only one rate of deduction can apply to any one member. Any change in the amount of deduction requires the completion of an allotment change form by the member to "discontinue" the old amount and "start" the new amount.
 - (4) Only monthly deductions are authorized.
 - (5) Only one association will be permitted for any one State.
However, one association may be designated for more than one State.
 - b. The first deduction for a non-prior service member will not be made until after completion of the initial training period and reassignment back to his unit.
 - c. The necessary form(s) authorizing the deduction will be completed by the member. Deductions from pay will be initiated in the month following the submission date by the member.

- d. Distribution of the form(s) will be in accordance with procedures established by the Secretaries of the Army and Air Force. The procedures will provide, as a minimum, that the original will be retained by the military department, a copy will be provided the association concerned; and a copy will be given to the member.
- e. Cost of administration will be deducted prior to release of payment to the association. The check will only be drawn in favor of the association concerned and will be mailed by the 20th day of the month following the month reported to the address provided by the association.
- f. No provision will be made for actuarial amounts.
- g. The listing to the association will include name, SSAN, unit of assignment, amount of deduction and the period for which the deduction applies. The listing will include information by unit and a summary of all units as to the amount collected from members, the number of starts, stops, and deductions for which a charge is being made and the net amount due the association. An identification of members for whom no deduction was made due to insufficient pay for a given month will also be included.
- h. Deductions will be made whenever a member earns pay. Payments to associations will be made on a monthly basis. Deductions will be made currently for members who had insufficient pay to permit such deduction during prior months up to a maximum of 4 months. If after the end of 4 consecutive months without sufficient pay to deduct the amount of the current month plus prior months for which no deduction was made, the allotment shall automatically be stopped. The allotment can only be reinstated by initiation of the necessary forms by the member. There will be no charge to the association for the automatic stop.
- i. All communications and products will be directed to one designated association source in each State. There shall be no more than one such designation for each of the 50 States, District of Columbia, and territories or possessions.
- j. Adjustments requiring a monetary refund to the member or the association will be resolved between these two parties. Employees of the U.S. Government are not authorized to collect premiums from members for remittance to the associations nor refund monies from the associations to members except through the allotment system prescribed herein.
- k. No National Guard member will be required to take the association sponsored group life insurance or to use the allotment provisions provided for in legislation.

6. The United States shall not be liable for any losses or damages suffered by a person as the result of any error made by an officer or employee of the United States administering the allotment program authorized. See paragraphs 2 and 3 above.

7. The allotment privilege will not be authorized for members to associations that do not accept the terms of this Agreement as indicated by an authorized signature affixed hereto. The Agreement can be amended at any time if all participating associations and the Department of Defense officials concerned agree to the amendments. This provision does not preclude the unilateral amendment by the Secretary of Defense as prescribed in paragraph 4 above. To simplify the process of proposing and negotiating amendments to the Agreement, the associations concerned shall designate a board, committee or single association to act as the agent for all associations. The Office of the Assistant Secretary of Defense (Comptroller) will act in a similar capacity for the Department of Defense activities involved.

Office of Assistant Secretary of Defense
(Comptroller)

Department of the Army

NATIONAL GUARD ASSOCIATIONS

Date _____

Signature

Date _____

(Typed) Name & Grade

Title

(State Association)

SUBJECT: Certification of Allottee
Payroll Deduction for National Guard Association
Group Insurance Programs

THRU: Chairman
Payroll Deduction Coordinating Board
National Guard Association of Texas
PO Box 10045
Austin, Texas 78766-1045

1. This is to certify that indicated below is the only official designated allottee-(Agency) of this Association to whom allotments withheld from drill pay under Sections 204 and 206 of Title 37, USC, are to be payable to and at the indicated address.

(Exact Name)

(Commercial Telephone Number)

(Mailing Address)

(DSN Number)

2. The below named individual is officially designated administrator of this State's program with the necessary authority to conduct the normal business activity of the program.

NAME GRADE)

(Commercial Telephone Number)

TITLE

(DSN)

(Mailing Address)

3. Implementation Effective Date: (Check and complete one below.)

a. ☒ The effective date for implementation of withholding for this State
Will be _____.
(Month) (Year)

b. ☐ The exact effective date for implementation of withholding for this
State has not been determined, but for planning purposes the
estimated date for implementation will be _____.
(Month) (Year)

NAME OF ASSOCIATION

SIGNATURE

DATE

(Typed - NAME & GRADE)

TITLE

DATE: _____

SUBJECT: Change of Address and Change of Administrator
Allotments from Pay of Members of the _____
National Guard for Payment of Group Life Insurance Premiums

THRU: Chairman
Payroll Deduction Coordinating Board
National Guard Association of Texas
PO Box 10045
Austin, Texas 78766-1045

1. Address for allotment from drill pay of members of the _____ National Guard for payment of group life insurance premiums should be changed as follows:

FROM: National Guard Association of _____

TO: National Guard Association of _____

2. Request that the administrator be changed as follows:

FROM: _____

Commercial Telephone Number: () _____
DSN: _____

TO: _____

Commercial Telephone Number: () _____
DSN: _____

3. It is requested that the changes become effective immediately.

SIGNED: _____
Adjutant General or USPFO

SIGNED: _____
Administrator

NOTE: Request for change must be received by DOD at least thirty (30) days prior to implementation of change.

SUBJECT: Change of Address and Change of Administrator Allotments from Pay of Members for the state of _____ National Guard Association for Payment of Group Life Insurance Premiums.

THRU: Chairman
Payroll Deduction Coordinating Board
Ohio National Guard Association
PO Box 8070
Columbus, OH 43201

TO: Defense Finance and Accounting Service for Denver, Colorado, Cleveland, Ohio, and Indianapolis, Indiana.

1. Address for allotment/deduction from pay of members from the state of _____ for payment of group life insurance premiums should be as follows:

FROM: _____

Name: _____

Address: _____

TO: _____

Name: _____

Address: _____

EFFECTIVE DATE of CHANGE: _____

2. Request that the administrator be changed as follows:

FROM

Name: _____

Address: _____

Telephone: _____

TO:

Name: _____

Address: _____

Telephone: _____

EFFECTIVE DATE of CHANGE: _____

SIGNED:

SIGNED:



DEFENSE FINANCE AND ACCOUNTING SERVICE

Cleveland, Ohio Denver, Colorado Indianapolis, Indiana

Association CTX and Point of Contact Information

Association Name:

Blanket Code

Street or PO Box:

City

State:

Zip:

Effective date of change:

Please enter the person's name, phone number, fax number and email address, who will be your point of contact to resolve questions concerning depositor information.

Name:

Phone:

Fax:

E-mail (print)

Administrator Signature

Banking CTX Information

Please enter your Association bank information.

Bank Name:

Effective date of CTX change:

Street or PO Box:

City

State

Zip:

Bank Routing Transit Number:

Bank Account Number

Type of Account: Checking or Savings (Please circle one)

Administrator's Signature: