

Resist “Fast-Tracking” Military Retirement Changes

Issue: The FY2013 defense budget proposes a special BRAC-style commission to recommend changes to military retirement under rules that would require a “yes or no” vote in Congress without normal legislative oversight.

Background: Several studies in recent years have proposed radical changes to the military retirement system to dramatically cut benefits for career service. These have envisioned:

- Delaying payment of full retired pay until age 57 or 60
- Converting partially or completely to a contributory 401(k)-style system
- Significantly reducing benefits payable for 20+ years of service
- Vesting retirement benefits for those who leave service after 10 years

The current military retirement system, with relatively modest changes, has been in effect for roughly 60 years. Though decades of hot and cold wars, it has been the primary incentive to successfully induce top-quality people to endure the extraordinary demands and sacrifices inherent in a career of 20-30 years in uniform.

The last major change enacted by Congress was the 1986 “Redux” plan, which:

- Cut 20-year retired pay from 50% to 40% of high-three-year-average basic pay
- Capped annual COLAs 1 percentage point below inflation.

The Defense Department at the time strongly opposed Redux as detrimental to long-term retention and readiness (see Secretary Weinberger’s letter on reverse). In 1999, Congress had to repeal Redux after that prediction came true.

Recent study proposals would cut military retirement far more severely than Redux did, and compound the retention disincentive with a vesting option that would encourage early separation, particularly in difficult wartime or high-deployment environments.

These proposals have gotten no traction in Congress, largely because of the Redux experience and the negative reaction of career servicemembers.

But budget pressures create powerful new incentives for cutbacks, particularly if normal Congressional oversight is curtailed by BRAC-type rules that require votes with only limited time for debate and bar any amendments.

MOAA Position: MOAA accepts that there will always be new proposals for change, and believes arguments pro and con must be able to stand up to intensive scrutiny. But MOAA ardently opposes short-circuiting the legislative process to achieve military retirement savings without adequate time to assess and adjust for retention and readiness impacts.

Recommendation: *Oppose BRAC-style rules that would short-circuit full congressional scrutiny of radical military retirement proposals. Past experience proves such changes pose high risks for long-term retention and readiness.*