



Reserve Retirement— Illuminating Some Gray Areas

The U.S. Army's increasing reliance upon reserve component soldiers demands a review of the reserve retirement system. Today, soldiers in the active force who complete 20 years or more of service and choose to retire begin to draw their retirement pay immediately, regardless of age. However, soldiers who complete at least 20 years of duty as an Army reservist (in the Army National Guard or Army Reserve) must wait until age 60 to receive their retirement pay. As a result, many reserve soldiers complete the required time in service but are forced to wait many years before they collect a single dollar of their Army retirement income. These soldiers are known as "gray area retirees." This system, in effect since the end of World War II, needs reform.

Who's Affected?

As of July 2002, there are approximately 242,000 members of the Army Retired Reserve who do not receive retired pay but will be entitled to retired pay at age 60.¹ These soldiers are all "gray area retirees" who receive some of the benefits available to active duty retirees, but are still required to wait until age 60 to draw retirement pay.

Why Is Reform Needed?

The current reserve retirement system was based on the idea that most reserve soldiers would be called to active duty only in the event of a global war with the Soviet Union. Therefore, their predominantly part-time service did not warrant the same benefits as soldiers who served on active duty. The reserve retirement system, established in 1948 as Title III of the Army and Air Force Vitalization and Retirement Act, resulted from the recognition that the United States must maintain a large, well trained, ready-to-fight reserve force that could be rapidly mobilized in the

event of a large-scale war. A retirement pay incentive was considered necessary to build and maintain the planned reserve component manpower structure.

Today, although many of the fundamental assumptions that underlie the current reserve retirement system have changed, the system remains largely the same as when it was established in the 1940s. The past decade has witnessed an increasing use of reserve component soldiers to support Army operations during times of peace and war. During Operation Desert Storm, 265,000 reservists were called up for active duty service. Throughout the 1990s, thousands more were called up to support U.S. Army missions around the world, including long-term duty in Bosnia, Kosovo and other peace operations. All told, to date more than 48,000 Army reservists have served in the Balkans.² Since the 11 September 2001 attacks on the United States, the Army has called up thousands of reservists to support homeland security and overseas operations. As of 24 July 2002, more than 34,000 Army National Guard and Army Reserve soldiers were serving on active duty to support the war effort.³ More than ever before, reserve component soldiers are being called to active duty for long periods and are being asked to serve for months at a time far away from home. As Representative Jim Saxton (R-NJ) recently pointed out, "The age limit for the reserve components was set decades ago when the reserves were not relied upon the way they are today."⁴

This trend reflects a larger shift in the relationship between the active component Army and the reserve components. During the Cold War, a large active component force was able to accomplish its peacetime missions without large-scale support from the reserve forces. As a result, reserve forces were seen as necessary only to support a global war with the Soviet Union or large



regional conflicts such as the Korean War and the Gulf War. However, the steady reduction in the size of the active duty force throughout the 1990s and a corresponding increase in overseas deployments forced the Army to increasingly rely upon reserve component soldiers to help accomplish its peacetime missions. Today, the demands of homeland security and the war on terrorism have accelerated this trend. In the future, large increases in Army manpower appear unlikely. Therefore, it is probable that the Army will increasingly depend on the reserve component to support its operations at home and abroad. As a result, the Cold War-era retirement system should be analyzed to ensure that it properly compensates reserve component soldiers working in this new environment. If it does not, the system needs to change. AUSA believes that one place to start is the age at which reserve retirees begin to receive their retirement pay.

What Should Be Done?

There are several bills before Congress that seek to modify the current reserve retirement system. Two bills (H.R. 3831 and S.2250) drop the age for reserve retirement pay receipt from 60 to 55. Another bill (H.R. 4676) would allow reserve retirees to receive retirement pay immediately upon retirement. Finally, Senate Bill S.2751 would create a graduated scale allowing reserve retirees to receive retirement pay prior

to age 60 based on their length of service. However, before changing the reserve retirement system, it is important to fully study and understand the potential second- and third-order impacts of such changes. Many questions remain unanswered: How would such changes affect the overall retirement system? How would reducing the benefits age impact recruiting and retention? How many soldiers would be affected? How much will they cost and where will the money come from? Therefore, AUSA supports, as a first step toward reform, a Department of Defense analysis of the current reserve retirement system. AUSA calls on Congress to include a provision in the 2003 National Defense Authorization Act directing the Department of Defense to conduct this study.

Endnotes

1. U.S. Army Reserve Personnel Command.
2. Mr. Jayson L. Spiegel, Executive Director of the Reserve Officers Association of the United States, in testimony before the Military Personnel Subcommittee, United States House of Representatives, 13 March 2002.
3. Department of Defense News Release no. 383-02, 24 July 2002.
4. Office of Representative Jim Saxton. News release. 28 February 2002.

Key Points

- Under the current system, “gray area” retirees who complete 20 years of service in the Army National Guard or Army Reserve must wait until age 60 to collect their retirement pay. This stands in stark contrast to active duty soldiers who retire and immediately begin to receive their retirement pay regardless of age.
- Since the end of the Cold War, the relationship between the active and reserve force has changed significantly. Specifically, the reserve component has been increasingly required to perform long-term periods of active duty service in support of Army operations at home and overseas. AUSA believes that the retirement system must change to recognize this new relationship.
- While some have called for immediate changes to the reserve retirement pay system, AUSA believes that the Department of Defense must first complete a detailed analysis of the impact of this and other possible changes to the reserve retirement system. AUSA calls on Congress to include a requirement for this study in the 2003 National Defense Authorization Act.