
Defense Report

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Changes to the Military Retirement System—They Should Be Studied Carefully

The military retirement system is a treasured asset to those who serve our country in uniform. They closely watch every effort to amend it and react vociferously when they perceive a proposed change to be detrimental to their interests.

For this reason they are concerned over the presence in the Reagan Administration budget for fiscal year 1984 of four distinct proposals to alter the retirement system. They are concerned, too, because the Fifth Quadrennial Review of Military Compensation is now under way with the major goal of looking at retirement. The changes included in the budget have not had the benefit of that study. To be sure, three of the four proposals are relatively minor, but the fourth—which would make permanent a current decision to give retirees under the age of 62 just half of the cost-of-living (COLA) adjustments provided to older retirees—would have a substantial impact on the lifetime earnings of those who make military careers.

This proposal obviously hurts those under 62 who are already retired, but one must look a little more closely to discern its impact on the careerists still serving actively. Assuming a conservative five-percent-per-year increase in the consumer price index which governs cost-of-living changes to retired pay (it has actually averaged six percent over the past 20 years), an enlisted person retiring after 30 years of service would realize a 24-percent reduction in cumulative lifetime retired pay income. Officers, who usually begin serving at an older age because most go to college, would lose 19 percent after serving 30 years.

There is no question that the military retirement system needs to be modified. But changes to the system by Congress during the past several years have been made piecemeal and, in most cases, without the benefit of hearings. Reportedly, the President has agreed to a recommendation by the Joint Chiefs of Staff that the half-COLA proposal be held up until the quadrennial review has had a chance to look at it. This is as it should be. Otherwise, military morale, recruiting and retention will suffer.