
Defense Report

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Tinkering with Military Retired Pay— It Costs More in the End and Saves the Taxpayer Nothing

Once again the House of Representatives, has reverted to use of the budget reconciliation process to make ill-advised, piecemeal changes to the retired military pay system that will have a severe and lasting adverse impact on the Army. The House included a provision in its 1985 Budget Reconciliation Bill that would extend the cap on cost-of-living adjustments (COLA) for military and federal civilian retirees through fiscal 1987. If it becomes the law, this provision would cap COLA adjustments for nondisabled retirees under age 62 at half the annual inflation rate in fiscal years 1986 and 1987, thus extending the temporary COLA cap passed by Congress in 1982 for an additional two years. Worse still, is the perception by many that this is a step toward making the half-COLA feature a permanent one.

In writing to House and Senate committee chairmen, Defense Secretary Caspar Weinberger has asked that the two-year extension be killed. "We know that making this permanent would reduce the lifetime value of retired pay by 33 to 36 percent for most retirees," he said. "Correspondingly, we would lose about 20,000 career enlisted members by the end of fiscal year 1988. This, in turn, increases the number of new accessions we must attract in a declining youth market. As a result, recruiting and training costs would increase, while overall readiness of the armed forces would decline," the secretary warned.

Congressmen favoring the reduction in retired pay adjustments attribute their motives to a desire to reduce the federal spending deficit. But, as the defense secretary indicated, changes in the retiree COLA can have a significant effect on reenlistments and force readiness. So the dollars saved by limiting retirees to less than a full cost-of-living increase will have to be repaid many times over in recruiting, training and reenlistment incentive costs. The Senate understands and has voted to rescind the half COLA provision completely.

The mechanism used for adjusting retired pay for changes in the cost of living worked very well before Congress started tampering with it. Maybe the legislators should heed the old saw: "If it ain't broke, don't fix it."