Reluctant to change: lessons learned from the Military Retirement Reform Act of 1986

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Reluctant to Change: Lessons learned from the Military Retirement Reform Act of 1986

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This PAE is being submitted in partial fulfillment of the requirements for the degree of Master in Public Policy at Harvard Kennedy School. It reflects the views of the authors and should not be viewed as representing the views of the Military Compensation and Retirement Modernization Commission, nor those of Harvard University or any of its faculty.
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Executive Summary

The U.S. military has been at the vanguard of a nation that has undergone unimaginable social, economic, and geopolitical changes since WWII. Despite the tremendous transformations of the military’s composition, operational expectations, and place in society, the retirement program on which the military relies to attract and retain competent service-members has remained structurally the same since its introduction in 1948. The existing system as come under increasing scrutiny for being economically unsustainable as well as inflexible and unfair.

Despite a plethora of reports from government officials, the Department of Defense (DoD), and think tanks, there has only been one substantive change to the current military retirement system: the Military Retirement Reform Act of 1986 (MRRA). Although the law passed with overwhelming support, Congress repealed it less than fourteen years later. This paper will analyze why the MRRA passed in 1986 and why it was repealed in 1999. It will then proceed to apply the lessons learned from the analyses of the MRRA to present considerations to reform military retirement. Lastly, the paper will provide policy-makers a comprehensive strategy to achieve lasting military retirement reforms in the near future.

Analyzing the MRRA passage and repeal, we found that successful reform requires a conducive political climate, a congressman or group of congressmen willing to champion reform, and provisions that cannot be attributed to future retention problems.

The current political climate is conducive for reform. As the US debt to GDP ratio approaches nearly 70%, the war in Iraq has ended, and the war in Afghanistan comes to a close, congressmen will have the bandwidth and capability to review military personnel policies that might have otherwise been held as sacrosanct in times of war. Reducing military expenditures and increasing flexibility and fairness are bipartisan goals. The political climate also fosters reform through recent Pentagon proposals and recognition of the existing system’s shortcomings by the JCS and Secretary of Defense.

There are currently no congressmen championing military retirement reform. The MRRA would not have passed without Rep. Les Aspin navigating it through the legislative process nor would it have been repealed without the Joint Chiefs of Staff and key officials in the DoD and Congress citing it as the cause of severe retention issues. Nonetheless, the cost of doing nothing regarding military retirement is low for each individual congressman, while the costs of proposing reforms, given opposition from military associations (lobbying groups for current and former service-members), are high. Despite the favorable political climate, one should not anticipate any congressmen stepping forward to lead on this issue.
Congress should implement reforms gradually, grandfather current personnel into the existing system, and enact comprehensive changes. This paper will not advocate specific reforms, but we do find that any proposals should include these three elements. The MRRA caused service-members enlisting after August 1, 1986, to feel marginalized with respect to retirement benefits. Congress must grandfather current service-members and retirees to fulfill its obligations. Structural changes to military retirement are necessary to reduce costs, increase flexibility, and increase fairness.

Finally, we would advise advocates of military retirement reform follow the sequence outlined below, described much more substantially and specifically at the end of the paper, in order to maximize their chance of success.

Find a policy champion in Congress

This policy champion must be on the House or Senate Armed Service Committee. We recommend a congressman who is a fiscal conservative and who has served in uniform.

Wait until the MCRMC publishes its report in February 2015 to introduce legislation

It would be politically infeasible to pass retirement reforms before the MCRMC releases its recommendations.

Have the Joint Chiefs, senior DoD officials, and the military associations testify before the Armed Service Committees

Their support prevents congressmen from appearing to force change on the military. While the military associations will oppose reform, they are influential stakeholders which Congress must include in the debate for reasons of legitimacy and stakeholder inclusion.

Introduce reforms within the 2016 National Defense Authorization Act (NDAA)

The 2016 NDAA will be introduced in early 2015. The policy champion should capitalize on the short window of opportunity after the release of the MCRMC report and the introduction of the 2016 NDAA. Most significant military reforms pass with NDAAs.
Glossary of Terms

Base Pay: Compensation given to service-member that varies with rank and years of service. This is separate from the housing allowance and compensation for hazardous duty or specialized skills.

COLA: Cost of Living Adjustment. A yearly adjustment made to military retirement pensions to account for inflation.

DoD: Department of Defense

Force Structure: Composition of the armed forces. For this report, force structure means the spread of personnel through different ranks, years of experience, and military occupational specialty.

HASC: House Armed Services Committee

High-3: In 1980, Congress changed military reform so that it was calculated as a percentage of a service-member's highest three years of base pay instead of final base pay.

MRRA: Military Retirement Reform Act of 1986

Multiplier: The multiplier is the percentage of base pay a service-member earns as retirement for every year of service.


OSD: Office of the Secretary of Defense

Redux: The Military Retirement Reform Act of 1986

SASC: Senate Armed Services Committee

Vesting Age: The age at which a person is eligible to receive retirement benefits.

Years of Service (YOS): The number of years a service-member has serviced in the armed forces.
Introduction

SITUATION: While the military has offered retirement pensions since the Civil War, the Army and Air Force Revitalization and Retirement Equalization Act of 1948 created what we consider to be the modern military retirement system. Since 1948, retirement pay for military service members has been equal to 2.5% of their base pay for every year of service. Some military personnel are able to serve as long as 30 years, thus earning 75% of their base pay once they retire, but all personnel must serve a minimum of 20 years, earning a retirement pension of 50% of their final base pay, to qualify for any retirement payments whatsoever. Once a service member retires at some point after 20 years of service (YOS), they receive that portion of base pay every month for the rest of their life. It is important to note that persons separating before serving 20 years will receive no retirement benefits whatsoever, save for those separating under a special circumstance. This system has undergone few structural changes since 1948.

PROBLEM: Excluding both adjustments for inflation and the funding for the wars in Iraq and Afghanistan, the cost per service member in the US military has increased over 40% since 2001. As a percentage of the defense budget, personnel costs have climbed to well over 25% of the total defense budget allocation and they are expected to grow tremendously in years to come. The fastest growing component of these personnel costs rests in the military’s retirement system. These expenditures will continue to increase as more service members become eligible for retirement, the cost-of-living adjustment (COLA) payments they receive rise with inflation, and the average lifespan continues to advance.

Critics of the military’s current retirement system focus predominately on its expense but also cite issues ranging from expense and inflexibility to its inequality to the majority of those who serve. This should come as no surprise given how drastically military service, the society it represents, and the country’s commitments internationally have changed since Congress passed the modern system in 1948.

Today, the retirement system seeks to accomplish the same goal, but the average lifespan of veterans that retire today is significantly greater than those retiring in 1948. Furthermore, the average veteran receiving retirement benefits today retired at age 42 and is highly likely to have started another civilian career while receiving a secondary income from his military pension. The retirement benefits outlined in 1948 - which remain structurally the same today - were

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1 Hale, HASC Testimony
2 Ibid, 42
3 Ryan, “The Need to Reform Military Compensation.”
intended to motivate personnel to pursue 20-year careers in the military and ensure a decent quality of life for retirees in a very different era than service members face today.

The current retirement system does not account for a service-member's specialty or deployments. Thus, a service-member who never deploys but stays in the service for 20 years will receive half of his base pay and numerous benefits for the rest of his life while a service-member with multiple combat deployments that leaves after 10 years of service receives few benefits and no retirement pension. The inflexibility of the current system means military leaders cannot adjust retirement benefits to target personnel with critical specialties that the military needs to retain.

Advocates of the system argue that the unique nature of military service warrants higher retirement compensation. Military service involves long separations from family, a regimented lifestyle, irregular hours, and a risk for severe injury or death that far surpasses that of civilian careers. The only way to retain personnel beyond extending the length of time of new members' compulsory service, they argue, is to offer a generous retirement package. Some advocates claim that military retirement benefits are not a pension; rather they constitute a reduction in pay as retired personnel transition to something comparable to a reserve status. In a time of extreme national emergency, Congress and the president could call retired personnel back to service. However, this has never been done.

PURPOSE: Military and congressional leaders fear that this spending will increasingly crowd out investments in other critical areas of the budget, compromising national security and operational readiness. Thus, Congress established, our client, the Military Compensation and Retirement Modernization Commission (MCRMC) to recommend policies to Congress and the President in early 2015 that will:

1) Ensure the long term viability of the All-Volunteer Force
2) Enable the quality of life for members of the Armed Forces... in a manner that fosters successful recruitment, retention, and careers
3) Modernize and achieve fiscal sustainability

This charter clearly outlines that the Commission must provide recommendations that reduce compensation and retirement expenditures while maintaining personnel readiness. However, this is not the first time that Congress has reviewed military compensation in recent years, having authorized dozens of commissions in the last 50 years to review compensation issues, particularly retirement reform. Regardless,

Due to aforementioned concerns, the current system is under scrutiny. Our report for the MCRMC assumes that the commission can follow its chartered mandates in proposing a military retirement program that reduces overall costs and maintains the desired force structure. With that assumption made, our purpose is to not only reaffirm the importance of achieving said mandates but also applying lessons learned from past reform attempts in order to make future changes politically palatable, effective, and lasting.

**OBJECTIVES:** Our goal is to determine why Congress has been unable to enact lasting reforms when policy-makers have considered reform proposals for the last 50 years. We will not evaluate specific policies or programs that are being considered to replace the current retirement system as there is already a large body of literature analyzing the various alternatives. We believe that we can add value in analyzing why Congress has been unable to pass structural reforms in recent decades despite widespread concerns and criticism about the current system.

**METHODS:** We will analyze the passage and repeal of the Military Retirement Reform Act of 1986, referred to as the MRRA but renamed Redux in popular reference by its opponents, to understand the challenges of passing and sustaining retirement reform. The history of the MRRA is relevant to current policy-makers considering reform as a lesson in both implementation and longevity. Supporters of the MRRA wanted the bill to reduce costs while maintaining the desired force structure, exactly what Congress chartered the MCRMC to do. However, the bill was attributed to the military's retention problems in the late 1990s and Congress subsequently repealed the bill. Retirement reform advocates must understand why the MRRA passed and why it was repealed in 1999 in order to design, sequence, and implement reforms that will stand the test of time.

In addition, we will analyze reform proposals post-Redux and why Congress has not authorized any of these proposals. Using this analysis, we will outline takeaways for current policy-makers about both the conditions necessary and the prospects for military retirement reforms.
The Military Retirement Reform Act of 1986

I. Overview

History of Military Retirement Post-WWII

While military retirement had not significantly changed since 1948, policy-makers had considered reforming the current system since at least the late 1950s. Nine studies of the military retirement system between 1959 and 1984 found that the pension system had become too costly. These studies, as well as think-tank reports, recommended changing the COLA, vesting age, or moving to a defined contribution system. They argued that those reforms would reduce government expenditures while maintaining the desired force structure.

Although eager to find means of reducing military expenditures in the early 1980s, Congress’s first attempts were relatively minor. In 1980, Congress passed the Defense Officer Personnel Management Act (DOPMA) that standardized the military’s up or out retirement system among the four services to reach the desired force structure. The next measure was a slight change to the final pay amount used to calculate the retirement pension. In the 1981 DAA, Congress changed the final base pay calculation to an average of the highest 36 months of basic pay instead of basic pay at retirement. Because personnel typically earn the highest base pay of their military careers in their final year of service, this would reduce the value of the overall retirement package. However, this change only applied to those entering the service after the bill’s enactment; existing service-members would continue to use final base pay to calculate retirement. The Military Retirement Reform Act of 1986, derided later as Redux, would become the first and only major renovation of the modern military retirement program.

II. Context

To explain why the MRRA passed so swiftly, one must understand the larger national debates that demanded so much of Congress and the public’s attention when the reform was proposed and considered in the mid-1980s. The first aspect of the political climate included the growing national debt, budget deficit, and military expenditures. The second, which is not completely unrelated to the first, was the movement for reforming the military with respect to both the chain of command and military acquisitions.

US Fiscal Outlook

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6 Hale, "HASC Testimony," 44
7 Ibid, 43
In 1980, the U.S. budget deficit was $74 billion and national debt stood at $907 billion. By 1985, the deficit was $212 billion and the national debt had doubled to $1.8 trillion. In those same five years, the military budget increased 52% in inflation-adjusted dollars because of the Reagan military build-up. This occurred even after President Reagan drastically cut domestic discretionary spending in the early 1980s. Thus, by 1985 policy-makers had to look for areas outside of discretionary spending to reduce expenditures.

President Reagan created the Grace Commission in 1982 to find novel ways for the government to reduce waste and inefficiency. Named for its chairman, businessman Peter Grace, the Grace Commission recommended cutting the value of military retirement 75%; however, the Commission neither considered the manpower requirements nor the national security implications of its recommendations. While the Commission did not offer specific policy alternatives, it is significant that a Reagan appointee considered reforming military retirement.

In 1983, the Pentagon’s Fifth Quadrennial Review of Military Compensation (QRMC) took a more nuanced approach toward military retirement reform. The Pentagon is required to review compensation every four years, but this report took on new urgency with the state of US finances. The Fifth QRMC prioritized the national security implications for retention over cost savings. The review found that the Grace Commission’s recommendations would “cause immediate recruiting and retention disincentives.” To counteract those disincentives, the Fifth QRMC recommended either reducing the cost of living adjustment or allowing early withdrawal. While the review did not advocate keeping or reforming the pension system, it did report that none of the previous studies had sufficiently considered how reform would impact recruitment and retention.

The Fifth QRMC report highlighted that nine major studies since 1959 recommended changes to military retirement to reduce costs, but none of these studies sufficiently addressed the effect on force structure. The report argued that the current military retirement system served “has strongly supported its intended purpose” in retaining personnel with more than eight years of service. However, the Fifth QRMC also found:

The current retirement structure can be restructured and strengthened to produce the same or improved force profiles as the current system and thus sustain the same mission readiness at less cost.

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9 Historical Outlays by Function and Subfunction, Archived on April 10, 2010 at the Internet Archive
10 Lawrence Korb, “SASC Testimony.”
12 Ibid, 30.
The Fifth QRMC evaluated four alternatives that reduced the COLA, reduced the multiplier (the percent of a service-member’s salary received as a pension for each year of service), or did a combination of the two. When asked about this finding in a SASC hearing on retirement reform, military leaders stated that both they and Secretary of Defense Weinberger disagreed with that conclusion or the recommendations by the Fifth QRMC. They argued that the military retirement system could not be changed while still achieving the same outcome on retention and mission readiness. This is somewhat ironic given that OSD wrote the Fifth QRMC. Public opinion favored budget cuts, but military leaders were hesitant to reduce costs by changing the retirement system.

The emphasis on reducing military retirement costs also increased in the 1980s because of the lack of sustained combat. Military leaders and military associations argued that a generous pension plan is warranted because of the unique risks faced by service-members. Senator Strom Thurmond noted in 1985:

> The military retirement system has come under a great deal of criticism in recent years as being too costly or too generous... in my lifetime, I have found that there is one accurate barometer to gauge when such criticism will rise, and that is an extended period of peace. We have not been engaged in extended combat operations for more than a decade, so naturally some people have begun to view the military retirement pension system as too costly.

This quote accurately reflects national sentiment at the time. Even noting this reality, Senator Thurmond voted for the MRRA which demonstrates the desire on Capitol Hill to reduce government spending. The political climate was such that congressmen wanted the general public to see them as stringent on budgetary issues, including defense. As previously noted, the defense budget increased in the early 1980s. Military spending in 1986 was $70 billion greater than it was in 1980 (in constant 1986 dollars). At the same time, military retirement spending had quadrupled over the last 20 years to $18 billion per year in 1986 dollars. Policy-makers thought that, without reform, retirement expenditures would rise from $18 billion to $45 billion in the year 2000, again in 1986 dollars.

These statistics caused the military budget to come into the crosshairs. When Reagan’s Budget Director David Stockman called military pensions “scandalous,” he received criticism from

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13 Lawrance Korb, Congressional Testimony, 34.
14 Ibid, 37.
15 Strom Thurmond, “SASC Statement,” 2747
16 Military Pensions: How Scandalous?
17 Associated Press, “House Votes Lower Pension.”
veterans, military associations, and congressmen. However, some newspapers ran editorials praising Stockman for getting tough with the military budget.

**Military Reform Movement**

In the mid-1980s a series of operational and administrative embarrassments increased support, both among congressional leaders and the American public, for structural reforms to the US military. The ever-controversial Vietnam War, complete military failure in the Desert One operation to rescue the Iranian hostages in 1979, and loss of 250 Marines to one suicide bomber in Beirut in 1982 were forefront on the minds of the American public, members of Congress, and senior military leadership. The embarrassment in Grenada, where a small number of Cuban construction workers held nine US battalions at bay for three days, furthered showed the need to change the military operational structure.

The operational disasters as well as a string of administrative scandals shifted public opinion towards changing the military status quo. As one military officer recalled, the public could not properly analyze the necessity of a $1 billion Aegis cruiser, but they understood that a $700 toilet seat was fraudulent. Public opinion also shaped the debate on Capitol Hill; military operations and procurement were now under the microscope. In 1981, Senator Gary Hart published an op-ed in the Wall Street Journal calling for reforming the military budget.

Soon after publishing the op-ed, Senator Hart, a liberal Democrat from Colorado, partnered with Senator William Whitehurst, a conservative Republican from Virginia, on reforming the military. They joined with other like-minded legislators to form the Military Reform Caucus. Caucus membership grew quickly. With less than 25 members in 1981, the caucus had over 130 members by 1986. As Senator Goldwater stated in 1985, “It’s like everyone in Congress wants to shoot at the military service.” This group did not center around particular policy issues, but rather on the need to change the process. While it is unclear whether the growth of the caucus caused increased public attention to military reform or increased public attention to military reform caused the growth of the caucus, the end result was that military reform had entered public discourse.

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18 Heritage Institute, “Military Pensions: How Scandalous?”
19 Sun Sentinel Editorial Board, “Stockman Deserves Credit For Tough Talk On Budget.”
20 William Berry, “Getting a Hand on Spare Parts.”
22 Gary Hart, “The Case for Military Reform.”
23 Sun Sentinel Editorial Board, “Stockman Deserves Credit For Tough Talk On Budget.”
This reform movement was not without its detractors. Military associations such as the Air Force Association, Association of the US Army, and the Navy League of the United States, as well as senior military leaders opposed reform because they feared a loss of control over defense policy and because they assumed that reform would mean benefit cuts. Nonetheless, the political climate in the mid-1980s was such that their concerns were insufficient to impede reform. In the end, reformists not only managed to pass significant changes to the military retirement system with the MRRA, but also the most sweeping changes to the Department of Defense since the landmark National Security Act of 1947. The Goldwater-Nichols Act of 1986, passed with overwhelming support three months after President Reagan signed the MRRA into law and drastically reworked the command structure of the US military. Although these two acts were not directly related, the passage of two significant military reform measures in a three-month period of time, demonstrates the desire on Capitol Hill to change the status quo in the military.

In summary, some congressmen at the time wanted the public to see them as stringent with all budgetary policy, including defense, both because of military failures and because of the expanding peacetime defense budget. This context explains why congressional deficit hawks and military reformers put military retirement in the crosshairs.

III. Structural Changes

While the political climate at the time favored cutting government spending and reforming the military, the MRRA would not have passed without earlier legislative changes both in Congress and to the military retirement system. These changes included the dispersal of political power in Congress in the 1970s, changes to how Congress appropriated funding for military retirement, and Congress requiring the Pentagon to cut $2.9 billion from military retirement in 1986.

*Dispersal of Political Power in Congress*

In 1965, in large part because of the ability of conservative Southern Democrats to ally with conservative Republicans to block liberal legislation, liberal congressmen formed the Joint Committee on the Organization of Congress. In 1970, the committee spearheaded the passage of the Legislative Reorganization Act of 1970. This was the first in a series of pieces of legislation in the 1970s that shifted power away from committee chairmen by giving subcommittees more autonomy and by limiting the number of committees on which an individual member could serve.\(^{26}\)

\(^{26}\) Mark A. Triebwassar, "Structural Reform in Congress."
This change affected the passage of MRRA because the military establishment could no longer rely on a few friendly, powerful legislators to protect its interests.\textsuperscript{27} Previously, a high ranking member of the armed services committee could prevent a vote on military reforms with which he or she opposed even if those reforms had widespread support. By dispersing power in Congress, the rule changes made Congress more reactive to public opinion.

\textit{Accrual Accounting}

Before 1984, the military used a pay-as-you-go system whereby retirement payments were allocated to current retirees and recorded as operational expenses. Congress would appropriate the amount necessary to pay retirees each year under the defense authorization act.\textsuperscript{28} By 1984 this policy led to a $500 billion unfunded liability to future retirees. But because the accounting system did not require legislators to consider the costs of future retirees in defense budgets, policy-makers had little incentive to enact long-term retirement reforms. Furthermore, congressional leaders knew that changing military retirement would be politically infeasible without grandfathering in current retirees and active-duty personnel. Thus, Congress could not bring down short-term retirement costs. Any savings through retirement reform would not be realized for at least twenty years.

Representative Les Aspin, an advocate of military retirement reform, incentivized reform by inoffensively changing the accounting method in the 1984 Defense Authorization Act.\textsuperscript{29} The new legislation stipulated that the military fund retirement on an accrual basis. This meant that every year, Congress would allocate the estimated funds to pay for future retirees. Starting in 1985, the DoD actuaries would estimate the yearly contribution necessary to pay future retirees under the existing retirement plan. Congress would then allocate funds to the Military Retirement Trust Fund. The DoD would pay future retirees from this trust fund.\textsuperscript{30} For existing retirees, Congress charged the Treasury Department with amortizing the existing $500 billion liability.

This change, passed within the $220 billion 1984 Defense Authorization Act, attracted almost no notice, but it made reform politically possible. Because of accrual accounting, Congress could achieve immediate savings without affecting the pensions of active-duty and retired military personnel.

\textit{1986 Defense Authorization Act}

\textsuperscript{27} Chiarelli "Politics of Military Reform," 42.
\textsuperscript{28} Rex Hudson and Alice Buchalter, "Summary of Major Military Retirement Reform Proposals, 1976-2006."
\textsuperscript{29} New York Times Editorial Board, "Mr. Aspin Slays the Monster."
\textsuperscript{30} Charles A. Henning, "Military Retirement: Background and Developments."
The 1986 Defense Authorization Act (DAA) was the first defense budget passed during Rep. Aspin’s chairmanship of the HASC. Even though committee chairmen were less powerful in the 1980s, Rep. Aspin still had significant sway over defense issues. He used the 1986 DAA to force military retirement reform by mandating a $2.9 billion cut to the amount paid into the Military Retirement Trust Fund for future military retirees. The Pentagon had requested $18.3 billion for the fund. The 1986 DAA recommended reducing that amount to $15.2 billion. In order to reach this target, the DAA instructed the OSD to submit two reform proposals to meet that cut. The bill also reduced payments by $500 million to current retirees by freezing the COLA for one year. This demonstrated the desire on Capitol Hill to reduce expenditures.

While this bill significantly reduced funding for military retirement and forced dramatic changes, it was but one small part of the bill that allocated an over $300 billion budget. Congressional attention spent on military retirement reform was limited relative to all other defense appropriations. For example, the Senate Subcommittee on Manpower and Personnel heard testimony from eleven different panels over a six-day period in advance of appropriating defense funding. Only two of those panels covered military retirement. Senator Goldwater, Chairman of the SASC, made a statement at the opening of the first panel on military retirement and then left to attend another meeting on MX missile deployments.

During those two panels, Assistant Secretary of State for Manpower Lawrence Korb recommended the Fifth QRMC alternative that combined COLA and multiplier reductions. Representatives of five leading military associations- Naval Reserve Association, Fleet Reserve Association, Air Force Association, Non-Commissioned Officers Association, and Association of the US Army- also testified. The military associations argued that military retirement had worked to promote successful force structure since 1948 and should not be fixed. They also would not endorse the QRMC alternatives for reducing pension costs. This testimony occurred before Rep. Les Aspin introduced the 1986 DAA; thus, the panelists did not have the opportunity to explain their position on the $2.9 billion cut.

Even with the strong support of Rep. Aspin, the 1986 DAA would not have passed with the retirement cuts intact if a large number of congressmen opposed retirement reform. Since it passed, Rep. Aspin correctly read congressional sentiment on this issue. He understood the desire on Capitol Hill to reduce the budget deficit writ large and reform the military. Rep. Charles

31 Robert F. Hale, “Statement before the Manpower and Personnel Subcommittee.”
32 James Gerstenzang, “Defense Spending Will Increase $18.1 Billion in Fiscal 1986: Pentagon Budget Grows Even as It Appears to Shrink.”
34 Robert F. Hale, “Statement before the Manpower and Personnel Subcommittee.”
35 Robert F. Hale, “Statement before the Manpower and Personnel Subcommittee.”
Bennett, a Democrat from Florida and decorated WWII veteran, was the only congressmen to speak out against the cut. He sponsored an amendment to the 1986 DAA to restore full funding to the military retirement and to eliminate the requirement that the DoD submit two proposals for retirement reform to Congress. The Committee of the Whole rejected his amendment by a voice vote.\footnote{Bennett, “H.AMDT.215 to HR1872”}

The 1986 Defense Authorization Act, which included the $2.9 billion cut to military retirement, passed the Republican-controlled Senate 91 to 4 and the Democratic-controlled House by a vote of 278 to 106. In addition, the 1986 DAA required Congress to change military retirement before May 1, 1986. If Congress failed to implement reforms by that date, the DoD would be required to discharge personnel to meet the mandated reduction.

\textbf{IV. Military Retirement Reform Act Passed}

As outlined in the previous sections, the budget and military reform climate on Capitol Hill incentivized retirement reform. Rep. Aspin’s adjustments to retirement reform with the change to accrual accounting in 1983 and his political intelligence in mandating retirement budget cuts in 1985 all but guaranteed reforms. Even so, one must understand that there was a great deal of opposition to the MRRA, but these stakeholders were outside of Congress and ultimately marginalized.

\textit{Opposition from the Military and Military Associations}

The secretary of defense, service secretaries, JCS, and many military personnel opposed reform.\footnote{Goldich, “Military Retirement Reform,” 4.} The FY1986 DoD Authorization Act required the DoD to draft two legislative proposals to reform military retirement. The Pentagon reluctantly submitted two options to cut $2.9 billion from the 1986 contribution into the military retirement fund. The first option was to decrease the multiplier to 2.15% for each year served up to 20 years, then increase the multiplier to 3.2% every year thereafter up to 30 years, and use a “High-5” average instead of the “High-3” to calculate base pay at retirement. The second option was a combination of reducing the multiplier (to 2.2% for the first 20 years and to 3.1 % for each year thereafter, and reducing the COLA.\footnote{Chavarrie, “Testimony before the SASC.”} Nonetheless, Secretary of Defense Casper Weinberger expressed his discontent with any reductions in military pensions by arguing that the 16% reduction in the overall value of the retirement plan, which would be necessary to enact a $2.9 billion cut, would hurt the armed forces in the long term.\footnote{Goldich, “Military Retirement Reform,” 12-13.}
Military leaders from all the services opposed reforming the pension system because of negative consequences on recruitment and retention. They pointed to a survey saying that the proposed changes to the retirement system was one of the key reasons service-members in pay-grades E-7 through E-9 were leaving the service when they reached 20 years of service. According to this survey, 14% of the NCO’s surveyed stated that they left the Army because of these proposed changes. Additionally, military leaders pointed to the 15% decline in reenlistments from FY84 to FY85. This drop in reenlistments is odd considering that none of the proposals would change pensions for current retirees and active-duty service-members. It can be more likely attributed to the economic recovery in the early 1980s. Ironically, this drop in retention that military leaders used to argue against reforming military pensions may have sped up the process by demonstrating to Congress that it needed to act quickly to reduce uncertainty that was thought to decrease retention.

The DoD stated, “The first requirement of the retirement program is to maintain a young, vigorous and combat ready force capable of operating effectively in both wartime and peacetime. The proper balance between youthful vigor and experience is required and the current system provides that balance.” The DoD also notes that retirees can be called back to service at times of extreme national emergency. Military leaders felt that recuperating the reduced pension plans with increased bonuses and pay would help attract younger recruits, but it would not make up for the loss of personnel at 12-14 year mark who care more about retirement.

However, the DoD’s models do not take into account outside economic factors. This oversight, which Senator John Glenn highlighted in a hearing on military retirement, seemed to nullify the DoD’s predictions on the negative effects on retention by changing retirement benefits. In congressional hearings on military pension changes, congressmen acknowledged the military’s position that the status quo was the best option. Nevertheless, according to our interview with Mr. Emmerichs, the HASC staffer who wrote the MRRA, reform was inevitable in 1986. The external factors such as rising deficits and rising military retirement expenditures coupled with internal factors such as Rep. Aspin’s change to accrual accounting and mandated cuts incentivized Congress to pass reform. In sum, these factors overrode concerns that reforms would impede the military’s ability to retain talented personnel.

Provisions in the MRRA

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40 Hart, “The Need for Military Reform.”
41 Elton, SASC testimony. 18.
42 Ibid, 14.
44 Ibid, 30.
Rep. Aspin and his staff wrote the MRRA to address the concerns of those opposed to military retirement reform. Active-duty service-members and retirees feared that Congress would cut their benefits. To quell this fear, the MRRA explicitly grandfathered all existing retirees and active duty service-members who joined before August 1, 1986, one month after President Reagan signed the bill.

The foremost concern for military leaders was that reducing benefits would hurt national security by eliminating a major incentive for service-members to stay in the military. MRRA lowered the multiplier so that service-members retiring at 20 years would earn 40% of the high-3 base pay. However, it increased the multiplier for the next 10 years of service so that each additional year added 3.5% to retirement pay. Thus, those retiring after 30 years would still earn 75% of high-3 base pay. Also, these changes only applied to retirees under age 62. Once a retiree reached this secondary retirement point, they were automatically enrolled in the traditional High-3 military retirement system (Appendix 2).

Rep. Aspin argued that the existing system incentivized people to leave at 20 years because those remaining for longer than 20 years were essentially working for half pay.\(^{45}\) According to Robert Emmeriches, Rep. Aspin’s senior military aide, the architects of the bill understood that it would reduce the number of service-members staying in for 20 years based on econometric models. This reduction in retention could be recuperated through selective bonuses.\(^{46}\) Unlike the Grace Commission, the architects of the MRRA considered the link between national security, retention, and military retirement and intended to reform the system while minimizing the negative effects. Les Aspin stated that the bill will “encourage people to stay in the full 30 years and keep the people who are the most experienced and the most valuable.”\(^{47}\)

Thus, when Rep. Aspin introduced the Military Retirement Reform Act of 1986, the act passed the House on April 22, 1986 with seven dissenting votes and the Senate on May 15, 1986 with one dissenting vote.\(^{48}\) After resolving differences in conference, Congress sent the bill to President Reagan on July 1, 1986, and President Reagan signed it that same day.\(^{49}\) One of these congressmen cast a dissenting vote because he opposed HIV testing in the military, while another congressman argued that the act did not go far enough in reducing military pension expenditures. The only legislator to speak out in opposition to military reform was Rep. Charles Bennett.\(^{50}\)

\(^{45}\) Wright and Herron, “A Vote to Curb Military Pensions.”
\(^{46}\) Freedberg, “Retirement Redux.”
\(^{47}\) Wright and Herron, “A Vote to Curb Military Pensions”
\(^{48}\) Library of Congress: HR 4420, Summary of Major Congressional Actions
\(^{49}\) Ibid
\(^{50}\) Ibid
Summary

In conclusion, the external climate—caused by unprecedented budget deficits and by operational and administrative military failures—combined with accrual accounting and prior action to lock in $2.9 billion in cuts meant that legislators could vote for the 1986 DAA without being perceived as trying to balance the deficit on the backs of those who had served.

The Retirement Reform Act of 1986 would not have passed without Rep. Les Aspin guiding the process years in advance. He introduced the subtle change to accrual accounting in 1983. Two years later, in another defense authorization act, he had the political acumen to realize that the conditions were ripe to mandate military retirement cuts—now politically palatable because of the accounting changes. Irrespective of the political climate and previous legislation, the provisions in the MRRA almost nullified dissent. After predicting the effects on force structure, Rep. Aspin could argue that the bill would help the military retain personnel for longer than 20 years. Congressmen voted in the affirmative, thinking that the reforms would reduce costs while increasing national security. According to the New York Times editorial board, “Mr. Aspin has gradually made an intractable political problem soluble.”51

51 New York Times Editorial Board, “Mr. Aspin Slays the Monster.”
Repeal of the Military Retirement Reform Act of 1986

IV. Seeds of Discontent

The Military Retirement Reform Act of 1986 was presented as a tenable solution to the unsustainable growth in retirement costs. The MRRA could not have had a more adept champion than Les Aspin; his clever sequencing and ability to establish a political situation that craved the solution he had devised well beforehand must be significantly credited for the passage in 1986. That being said, the overwhelming support his measures received in Congress was more directly an extension of the external political and economic environment. The mounting concerns about uncontrolled growth in federal budget deficits, concerns about an inability to effectively retain personnel beyond the 20th year of service, and presence of a military reform mindset and movement in Congress had reached a climax in the mid-1980s. The political situation was expedient for getting the measures called for in the MRRA passed, but the measures taken during a temporary situation compromised its viability. The fundamental issue with the MRRA was not that its supporters capitalized on an impermanent state. Instead, the opposition of key stakeholders compromised the MRRA’s long-term legitimacy.

The failure to adequately address the reform’s shortcomings, poor implementation of desired changes, exclusion of key influencers within the DoD, and changes to the social, political, and economic environment would ultimately lead to the repeal of the MRRA in the FY 2000

The goal of the MRRA was very simple; it was expected to reduce the overall cost of military retirement payments for the DoD during a period of mounting fiscal deficits. However, it was also intended to provide greater incentive for the military’s most experienced personnel to stay in uniform beyond their 20th year of service and to have a negligible effect on the ability to recruit and retain competent personnel for shorter terms of service. This simplicity contributed to the long-term weaknesses of the reforms as the architects avoided making sweeping or systemic changes that could alienate more interested parties or reduce support in Congress. Failing to implement any personnel policies to offset the damage caused by creating a less enticing retirement pension introduced systemic issues to retention efforts without addressing any concerns that had existed in the services prior to the MRRA.

For example, grandfathering currently serving personnel into the old retirement system was politically necessary, but failing to establish any additional incentives or provisions to increase retention among the grandfathered group would mean there could be no visible, positive effects
on retention beyond the 20 YOS point until the post-MRRA personnel began reaching retirement age in 2006. More importantly, the MRRA did not mandate any changes to the services’ manpower and personnel policies. The military uses an “up or out” promotion system, which means that service-members must reach the next rank by a certain time or else they will be separated from the military. This system limits the service-members that can remain on active-duty for longer than 20 YOS.

The worst MRRA implication was the establishment of two, disparate groups. Those personnel who had been fortunate enough to enter the service before August 1, 1986, would fall under the more generous historic retirement system while those joining after August 1, 1986, would become part of a growing, ‘underprivileged class’ of personnel who would perform the same duties with the same expectations and limitations as the grandfathered group, but would receive a substantially lower retirement benefit. While this divide would dissipate in the decades to follow as the personnel falling under the more generous retirement system would leave and be replaced by post-MRRA service-members, the peak of discontent would actually occur in the mid to late 1990s.

Although the MRRA passed with overwhelming congressional support, the JCS, OSD, and the military associations opposed the legislation. With the reform signed into law, there would be virtually no chance of gaining enough momentum to repeal unless there was a dramatic change in the political environment or within the military itself. As it was, the MRRA would have a negligible effect on retention and manning until the mid-1990s as the majority of active-duty military personnel still fell under the more-generous High-3 retirement system. Furthermore, it would be difficult to mobilize support for increasing military personnel costs when government deficits remained at record-high levels. Advocates for the repeal of the MRRA would have to wait for changes in the political, economic, and military situations.

V. Climates Change

The MRRA significantly reduced the amount of money the DoD had to set aside for future retirement benefits. The Federal Research Division observes that the post-MRRA retirement costs were already two-thirds of the pre-MRRA level and that the most significant cost savings would not be realized for another decade.52 With criticism abounding that mid-career retention would suffer as post-MRRA service-members elected to separate rather than perform the same work as their predecessors for less retirement compensation, the DoD targeted payments and bonuses to select personnel in critical career fields on the condition that they extend their active duty service commitments.

Regardless, retention rates for junior and mid-career service members began to suffer dramatic losses in the 1990s, and frustration over the inability to recruit and retain personnel began reverberating through all echelons of the military. While there would be no statistical data available on the post-20 YOS retention effects until 2006 (20 years after the law took effect), the most recent cuts to the military’s generous retirement benefits became an easy target on which to blame the retention problems. Opponents of the MRRA were armed with testimony about retirement program inequality, early separation, and the perception that the declining recruitment rate must have been a direct consequence of the retirement reform.

Number of Officers

As displayed in the graph from page 16 of the ‘Wardynski Monograph’ the exodus of Army officers throughout the 1990s was pronounced. The effect was just as pronounced in the other services and the shortage much more grave in critical, enlisted career fields. 53

By 1998, the unofficial motto of the modern US military had become “doing more with less” as the force structure and resources to cope with an increasing operational tempo continued to decline. This was not hard to appreciate considering that the active duty force had been cut by more than 800,000 personnel since the reforms took effect in 1986 and the defense budget under

consideration for fiscal year 1999 represented the fourteenth consecutive year of a real decline in defense spending.\(^{54}\)

As George C. Wilson observed in his book, *This War Really Matters*, the Chairman of the House National Security Committee, Floyd Spence, was one of the most vocal readiness alarmists with access to Congress in 1998. In a speech on the floor of the House on May 19, 1998, he explained the situation:

- Between 1990 and 1998, the Army had been reduced from eighteen to ten divisions
- Between 1988 and 1998, the Navy had reduced the fleet from 565 to 446 ships
- Between 1990 and 1998, the Air Force had reduced fighter wings from twenty four to twelve
- Between 1988 and 1998, the US had closed more than 900 military bases and facilities around the world and 100 at home

Despite the significant reductions in manpower and resources, military operations around the world had been increasing substantially during the same period of time. As a point of comparison, between 1960 and 1991 the Army was involved in ten foreign operations, whereas between 1991 and 1998 it had conducted twenty-six operations. Likewise, the Marines had participated in sixty-two contingency operations since the end of the Cold War, more than four times the number of such operations they had conducted in the fifteen-year period preceding the end of the Cold War.\(^{55}\)

"At this critical point in history, the mismatch between the nation’s military strategy and the resources required to implement it grows larger every day. Consequently, a wide range of quality of life, readiness, and modernization shortfalls have developed. If left unresolved, these shortfalls threaten the viability of today’s All-Volunteer Force... and jeopardize America’s ability to effectively protect and promote its national interests around the world.\(^{56}\)

The Congressional Research Service observed that the significant shift in congressional attitude towards military retirees and their benefits began in 1997 as members of Congress began taking notice publicly of potential problems related to the MRRA. By the time the Clinton Administration made its first statements supporting the repeal in the fall of 1998, change was pending.\(^{57}\) It was over this same period that a demographic shift had occurred within the active duty military itself as the number of post-reform personnel finally grew to a two-thirds majority over members that could retire under the High-3 system. Furthermore, the dire economic

situation that had once favored any reforms to the military budget that could bring down excessive costs had all but disappeared. The nearly $300 billion federal budget deficit of the late 1980s had decreased substantially throughout the 1990s. By 1997, the budget deficit was a mere $22 billion and the government was expected to run surpluses in the near future.

As the retirement demographic shift occurred in the military, the national economic outlook improved, and the political climate in Congress changed, proponents for the repeal of the MRRA gained momentum. By 1995 the military associations had even managed to effectively rename the Military Retirement Reform Act of 1986. The new sobriquet, “Redux,” began appearing in newspapers, Congressional hearings, and echoing within all echelons of the military. Les Aspin’s chief architect of the MRRA noted in an interview that even this seemingly innocuous change was important. Whereas retirement reform sounds reasonable, necessary, and somewhat hard to target, Redux sounded sinister. More importantly, it suddenly became an object that could be blamed for personnel issues within the military, targeted by pundits, and ultimately isolated and removed.

VI. Champions of the Repeal

The biggest advantage MRRA opponents had was the significant decline in the retention of mid-career officers and enlisted personnel. Key policymakers at the time recognized that the situation was the product of a great number of systemic issues internal and external to the military but MRRA represented a very contentious policy that could be tangibly targeted and publicly eliminated with bipartisan support. By mid-1998 that waiting period had provided MRRA opponents time to build sufficient support to affect legislation. As an August 1998 issue of the Daily Press reported: “Enough alarms are ringing that, for the first time, senior Pentagon officials are discussing whether to ask Congress to kill Redux and move those million members, two-thirds of the current force, under a more generous [retirement] plan.”58 Earlier that week, the Undersecretary of Defense for Personnel and Readiness, Rudy DeLeon, had just finished his second of two major personnel meetings that would discuss repealing the MRRA as one measure to close the perceived 13.5 percent gap between military and private sector compensation.59

It was during 1998 that military interest groups waged their most effective efforts in Congress to repeal the MRRA. The Fleet Reserve Association took a leadership role amongst the groups in gaining the attention of congressmen. The legislative director of FRA at the time, Joe Barnes, explained that the platform was “driven by the inequity, by rising concerns about retention and by the recruitment challenge… There’s growing awareness among midcareer folks that their

58 Philpott, “Military Update.”
59 Ibid.
future benefit is going to be a lot less." The Chairman of the Joint Chiefs of Staff, General Hugh Shelton, had identified the reduction of the salary and benefit gap between military and civilian employees as a priority personal interest and focused particular attention to having Redux repealed. Most significantly, Chairman Shelton realized that the retention crisis was a common thread concern amongst senior military leaders in each of the services and spent the first half of 1998 uniting every one of the Joint Chiefs of Staff behind a common, priority issue. In a September 1998 hearing before Congress, the testimony presented by the Joint Chiefs was that of a united front demanding something be done to end the retention crisis plaguing operational readiness. They needed something done to immediately show their dwindling mid-career military members that significant relief was forthcoming and the repeal of Redux was cited numerous times as a significant signal to their forces that positive changes were coming. Chairman Shelton summarized the common sentiment of the JCS leading up to the September hearing:

After 34 years in the service, I recognize trouble when I see it. I’ve got intuition that tells me, and all other senior leaders in the armed forces, that something is impacting retention... There’s enough anecdotal evidence that I’m not sure we need to wait another year. Because once this thing goes into a dive, if it did, then it might take an awful lot to bring it back.

The JCS, OSD, and military association’s arguments for repealing the MRRA were finally strong enough to impact Congress. MRRA opponents found the perfect champion for their cause in the outspoken former Marine, Representative John Murtha. Murtha, a Pennsylvania Democrat, had begun a public campaign to correct the misstep taken by Congress in 1986. Personal interactions with dissatisfied service members and the deluge of negative emails and letters he had received over the years fueled his desire to restore the more generous military retirement system. Murtha regularly pointed to a face-to-face meeting with sailors aboard the USS Lincoln who had explained that the single best way to improve the dwindling recruitment and retention the services were facing would be to repeal the MRRA.

VII. Repeal of the MRRA

Despite strong support for the repeal of the MRRA by some members of Congress as well as by influential members of the DoD, any attempt to repeal the law was expected to meet stiff resistance from its supporters in the Clinton Administration and by pockets of Capitol Hill representatives. Note, the architect and champion of the MRRA, Les Aspin, served as President Clinton’s Secretary of Defense from 1993 to 1994. It is not inconceivable that some of the

60 Ibid.
61 Freedberg, "GOP, Clinton, Agree."
63 Harrison, "Rebalancing Military Compensation: An Evidence-Based Approach," 9.
expected resistance in the Administration was postulated while Aspin had an audience with the president.

By 1998, the MRRA had reduced the government’s financial obligation for military retirement under accrual accounting by over $6 billion and these savings were set to accelerate even more once the 20 year window closed in 2006. Repealing the MRRA would eliminate these savings and require a cost of $9.3 billion over a five-year period to transition the million post-1986 enlistees to the pre-MRRA High-3 pension plan. Defense budgets had been effectively capped at $250 billion a year after rather stiff negotiations between the White House and Congress; it would be extremely difficult to procure additional funding from an already burdened budget.

However, the voice of the Joint Chiefs of Staff was significantly louder and more influential now than when they were marginalized in the mid-1980s. They specifically identified the MRRA as the preeminent issue contributing to the poor retention rate and recruitment difficulties in recent years in a September 29th, 1998 hearing before the Senate. Rep. Murtha waited only a few days before confronting Deputy Defense Secretary John Hamre about his desire to have the MRRA repealed and the former retirement system in place.

The Pennsylvanian was the ranking Democrat on the House Appropriations Subcommittee on National Security; he could make or break nearly any administration project with a firm grasp on the appropriations purse and neither Hamre, nor any member of the Clinton administration, could afford to brush aside the Congressman’s demands.

Rep. Murtha would lead the first formal effort to repeal the MRRA by introducing a bill (HR 4696) on October 5, 1998, that would amend Title 10 of the United States Code to repeal the retired pay computation formula and COLA reduction applicable to persons entering military service on or after August 1, 1986. The bill proposed that the amendments to Title 10 take effect on October 1, 2004. Interestingly, Murtha’s bill was proposed only two days before his Republican counterpart, Senator John McCain of Arizona, would partner with a fellow Armed Services Republican, Pat Roberts, to introduce a very similar bill repealing Redux. It would be Murtha’s bill that was subsequently referred to the House National Security committee and then to the Subcommittee on Military Personnel on October 16th but there was an ensuing ‘bidding war’ between Democrat and Republican ‘repeal hawks’ which ultimately led to Murtha’s bill ‘dying in committee’ with a referral to the DoD for executive comment. Murtha’s bill may have died in committee with the end of the 105th Congress but the drive to repeal Redux had only

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64 Philpott, “Military Update.”
66 Wilson, This War Really Matters: Inside the Fight for Defense Dollars, 2000, 98.
67 Freedberg, “GOP, Clinton, Agree.”
begun to surge. The ultimate compromise appeared early in the 106th Congress and represented the best possible outcome for the troops, and probably the worst for deficit hawks, as it called for the elimination of Redux provisions, a pay raise for all military service members, establishment of the Thrift Savings Plan, extension of Montgomery GI Bill benefits by 13 percent.69 The compromise developed by the Republicans and Democrats in the Armed Services Committee attempted to address all of the JCS complaint’s simultaneously, and then some. The retention crisis, driven by compensation and retirement benefit gaps between the military and civilian world would end as these provisions would eventually be introduced and approved in the National Defense Authorization Act for FY2000, introduced on January 6, 1998.70

Instead of passing retirement reform as an independent bill, the now widely-accepted proposal to eliminate the MRRA provisions was included in the provisions for Compensation and Other Personnel Benefits, Title VI, Subtitle D, sections 641, 642, 643, and 644.71 The NDAA was introduced for voting on May 17th. It passed overwhelmingly in the Senate on May 27th and the House on June 14th President Clinton signed the NDAA into law on October 5th, 1999 and the fate was sealed for the MRRA.

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<td>Democrat</td>
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<td>Independent</td>
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<td>Totals</td>
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With the FY 2000 NDAA, service-members who entered the military after August 1, 1986, would be eligible to remain under the MRRA or could elect to receive the High-3 military retirement program. Those that elected the latter would fall under the High-3 calculation formula for retirement pay as well as the full rate for COLAs rather than the CPI minus 1% that the MRRA members would receive. Those that elected to remain under the MRRA would be eligible for a $30,000 retention bonus provided at 15 years if they agreed to remain under the MRRA and serve a minimum of 20 years.

Summary

69 Freedberg, “GOP, Clinton, Agree.”
71 Ibid.
In the end, the MRRA was not repealed due to overwhelming evidence that linked it to the recruitment and retention crisis of the 1990s. The repeal effort was driven by the Joint Chiefs of Staff and key members of the Armed Forces Committee and fueled by the support of active-duty military members and military retiree associations. These groups based the necessity to repeal on gut feelings, as was the case identified by the Chairman of the Joint Chiefs of Staff, or by purely anecdotal evidence, as was the case for Murtha and McCain, that the retention crisis was produced in large part by Redux. As the Defense Undersecretary at the time, Rudy de Leon, observed, the world and military life had fundamentally changed in that decade with regard to the end of the Cold War, drastic change in operations tempo, and extraordinary improvement in the economy and civilian pay.\(^{72,73}\) All of these changes, and numerous others, likely had a significant effect on the inability to recruit and retain personnel following the massive downsizing of the forces that took place early in the 1990s. In the end, Redux was an easy, tangible target that could be eliminated with bipartisan support.

**IX. Retirement Proposals since the Repeal of the MRRA**

While Congress has neither passed nor proposed any systemic reforms to military retirement since repealing MRRA, the government has sponsored numerous blue-ribbon commissions to propose recommendations to military retirement. Some of these commissions focused exclusively on military compensation while others addressed overall debt reduction. The below table lists the major government commissions, their sponsors, and the date they released their reports.

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<th>Date of Release</th>
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<td>April 2006</td>
<td>Defense Advisory Commission on Military Compensation</td>
<td>Secretary of Defense</td>
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<td>July 2008</td>
<td>10th Quadrennial Review of Military Compensation</td>
<td>President (required by law)</td>
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<td>December 2010</td>
<td>National Commission on Fiscal Responsibility and Reform (Simpson-Bowles)</td>
<td>President</td>
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<td>July 2011</td>
<td>Defense Business Board</td>
<td>Secretary of Defense</td>
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\(^{73}\) Freedberg, "GOP, Clinton, Agree."
These commissions recommended different options for vesting periods and multipliers, or they recommended shifting to a defined contribution system to achieve greater efficiency. Efficiency in this case means reducing retirement costs while maintaining or improving force structure. This paper will not evaluate reform proposals, but the number of blue-ribbon commissions recommending changes means that senior officials believe that Congress should reform the current program. Also, policy-makers have numerous alternative military retirement programs in addition to the MCRMC’s recommendations that will be published in 2015. Even so, no congressman has proposed significant changes to military retirement since 1999. Congress has not approved any of these reforms for three main reasons.

First, the MRRA provides a perfect case study for how changing military retirement negatively affects retention. Many congressmen, especially those unfamiliar with military personnel issues, will oppose reforms because of the MRRA’s failure, even though they do not likely understand why MRRA failed. MRRA may cause some congressmen to see retirement reform as a lost cause, and they should thus spend their time on other issues.

Second, the wars in Iraq and Afghanistan shifted the congressional focus away from military personnel issues. Congress has limited bandwidth, and with two wars to fight, military retirement reforms became secondary issues. In a similar vein, congressmen did not want to be perceived as favoring benefit cuts to troops in harm’s way.

Third, the existing system appeared to be working; military retention improved in the years after MRRA was repealed. However, it is difficult to attribute this improvement to the MRRA repeal. Soon after the MRRA repeal, Congress approved pay raises for the troops and the 9/11 attacks caused a surge of enlistments into the armed forces. While the country has run a budget deficit since FY2000, these deficits did not reach astronomical proportions until 2007.

As the previous table demonstrates, the number of blue-ribbon commissions has increased in the last five years. We attribute this increase to the changing political climate. The drastic increase in government debt because of the financial crisis coupled with the near conclusion of sustained

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74 Henning, “Military Retirement Reform: A Review of Proposals and Options for Congress”
75 Search of Congressional Proquest “military retirement” since 2000 for proposed bills to reform military retirement
76 Micciche, “Clinton signs military pay raise measure.”
combat affects congressional priorities. They are currently more focused on reducing government expenditures, both in Congress and among senior military leaders.

When the MRRA passed, OSD and the JCS united in opposition to changing military retirement. Now, military leaders, both members of the JCS and political appointees, agree that the military needs to find ways to reduce personnel expenditures. Former Chairman of the JCS Admiral Michael Mullen remarked, “The most significant threat to our national security is our debt.” Current military leaders favor reforms that reduce compensation expenditures without hurting force structure. This is a marked departure from 1986 when military leaders stated in congressional testimony that they did not think military retirement could possibly be improved.

Takeaways

1. **Political climate:** Without the right political climate, even the best reform proposal will not pass. When Congress passed the Military Retirement Reform Act in 1986, the U.S. ran record budget deficits, President Reagan’s budget director called military pensions “scandalous,” the military reform movement was gaining strength, and military pay was on par with civilian pay. When Congress repealed the MRRA in the 2000 NDAA, the U.S. had a budget surplus, the military had difficulty retaining personnel, and military pay was 15% lower than civilian pay for equivalent positions.

Numerous panels, commissions, and think tanks have drafted reforms since the repeal of MRRA, yet Congress has passed no systemic changes. The wars in both Afghanistan and Iraq have required major sacrifices from a growing number of service-members and their families. Any perception of reducing the retirement benefits of those who served in Iraq and Afghanistan will meet bipartisan resistance.

However, the prospect for successfully passing retirement reform has increased in recent years. The financial crisis and subsequent increase in federal deficits and national debt have put renewed emphasis on finding smart solutions to reduce the deficit. In contrast to the 1980s, the current OSD and JCS publicly favor reforming military retirement.

2. **Policy champion:** Congress would not have passed retirement reform in 1986 without Rep. Les Aspin sequencing the accounting and budgetary actions necessary to force reform. He shrewdly inserted the change to accrual accounting in the 1984 DAA. This allowed Congress to realize immediate savings to reforming the current system while not changing the retirement

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77 CNN Wire Staff, “Mullen: Debt is top national security threat.”

78 Tilghman, “JCS chief: Time to rethink civil-military relations.”
promises made to current retirees and active-duty personnel.\textsuperscript{79} When chairman of the HASC, he proposed the $2.9 billion reduction in military pensions in the 1986 DAA. This cut went largely unnoticed in the overall defense appropriations bill, but it forced Congress to pass reforms within the next year. Rep. Aspin could sell the MRRA as a way of achieving immediate cost savings for retirement pensions that would not affect any service-members for two decades. Moreover, Rep. Aspin argued that the multiplier change in the MRRA would increase military retention beyond 20 years.

Military retirement reform currently has no policy champion in Congress. The support for military retirement reforms outside of Congress has not been sufficient to translate to support within Congress. Furthermore, congressmen keen on military issues know that the military associations will oppose any retirement changes. Unless a congressman is willing to defend the legislation, debate on its behalf, and build support from colleagues, it will almost certainly be defeated. Finding someone to spearhead the effort is difficult. The cost of inaction is low, but the cost of championing military retirement reform is high because maintaining the status-quo is a high priority issue for the powerful military associations. As with the MRRA of 1986, retirement reform framed as a solution to budgetary and personnel issues would have the greatest chance of success.

3. **Structure of reforms:** The MRRA failed because the military faced a massive and unexpected retention crisis within a decade of the reforms being enacted. Rather than investigate and address the root issues driving the crisis, the MRRA became an easy attribution target that would satisfy a host of concerned parties. It is inconceivable that retirement reforms will have no effect on recruitment or retention. It is the responsibility of policy-makers to accurately predict and account for potential force-power effects reforms might have and propose attenuation mechanisms or justification for new manpower levels. As a matter of political necessity, Congress should utilize a phased or gradual implementation for major reforms, grandfathering current personnel and retirees into the existing system and avoid the creation of a ‘privileged’ and ‘underprivileged’ group based on an arbitrary timetable or a universally inferior retirement system.

The MRRA established two groups based on an arbitrary and almost immediate date of implementation. All personnel who joined after August 1, 1986, performed the same job as those who entered before that date, but they received a lower-valued retirement package. Gradual reforms will reduce this effect and mitigate effects on unit morale. Gradual implementation means more time until the DoD will realize cost savings. However, this is necessary for long-

\textsuperscript{79} Lund, *Military Pay, Benefits, and Retirement*, 73.
term viability. Gradual implementation is especially important for reforms that change the multiplier, COLA, and vesting age because these reforms could be perceived as creating more definable winners and losers as far as the retirement package's overall value. Reforms that transition to a defined contribution system would have less clear winners and losers and could be implemented more rapidly.

Many active-duty and retired personnel instinctively oppose retirement reform because they assume it will lead to a decrease in benefits. The recent COLA changes in the bipartisan budget deal- which did not grandfather anyone into the pre-existing system- likely confirmed the fears of active-duty and retired personnel that Congress wants to reduce their retirement benefits. Both active-duty service-members and veterans made decisions based on the promised retirement plan. Congress must honor its obligations by grandfathering current personnel and retirees into the current retirement system. Additionally, Congress must make public the fact that reforms do not change benefits for service-members and veterans. Otherwise, current personnel and retirees will rightfully be extremely upset, and the reforms will have little likelihood of success.

While Congress believed the MRRA would incentivizing service beyond the 20-year point, by not changing corresponding manpower policies- specifically the up or out system- many service-members were not even eligible to stay could not take advantage of the increased multiplier for service beyond 20 years. Policy-makers must consider the indirect effect of changing retirement by understanding how retirement reforms interact with other policies that affect retention.

Gradually implementing a more fair retirement system that does not unexpectedly affect the force structure through poor recruitment and retention will be difficult while simultaneously satisfying the mandate of overall cost-savings, but these criteria must be satisfied. Any reforms that fail to satisfy these criteria will not pass or have the potential to be repealed as quickly as Redux.
Passing Military Retirement Reforms

X. Current Stakeholders

Congress

Neither political party vocally supports or opposes military retirement reform. While Congress has sponsored studies and report on military compensation reforms since the MRRA repeal, no one in Congress has introduced retirement reforms.\textsuperscript{80} The vast majority of Americans are ambivalent about military retirement reform. Because it is such a low priority, even among congressmen who advocate deficit reduction, military retirement reform has no lobby in Congress. As of this point, a proposal to reform the current military retirement system can be treated as a non-partisan issue within Congress.

Neither party will control the entire legislative process in the 114\textsuperscript{th} Congress regardless of whether the Republican Party takes the Senate in the 2014 elections. While this divide prevents one party from pushing its agenda through on contentious issues, this political context should not prevent retirement reforms. Retirement reforms can receive bipartisan support if its backers can successfully sell reforms to members of both parties.

While few congressmen have been outspoken about military retirement reforms, backlash against the 1\% reduction in COLA in the recent Bipartisan Budget Act demonstrates how future reforms must grandfather current service-members and retirees. Rep. Paul Ryan and Sen. Patty Murray included the relatively small reduction to save $6 billion over ten years.\textsuperscript{81} The adjustment did not grandfather current retirees and service-members, and Congress restored the full COLA following extensive protest by military retiree associations, veterans, and senior military

\textsuperscript{80} Library of Congress, "Military Retirement Reform."
\textsuperscript{81} Committee for a Responsible Federal Budget, "Understanding the Defense Retirement Reforms in the Bipartisan Budget Act."
leaders. The experience reveals how Congress must include the Joint Chiefs of Staff, the Office of the Secretary of Defense, and the military associations in the decision-making process.

**JCS/OSD**

While the JCS do not control the legislative process, they have considerable influence in military affairs, and their support for any reforms affecting the military is critical for success. Many members of the JCS have spoken publicly about the need for compensation and benefit changes. On November 16, 2013, General Dempsey stated:

> If anybody here thinks I want to be the Chairman that goes down in history for having carved up pay and compensation and health care, I assure you I do not. I don’t want to be that Chairman. The problem is there’s going to be a Chairman that has to do it. So in my view we should get on with it, but we should do it all at once.83

When asked about the recent 1% reduction in the COLA for current military retirees in congressional testimony, Admiral Winnefeld stated:

> I want to make it clear that Chairman Dempsey and I and the Service Chiefs and senior enlisted leaders support grandfathering any changes to our retirement structure... We believe changes to our retirement plan, if appropriate, should only be made after the [Military Retirement Reform and Modernization] commission takes a holistic look at the many variables involved in such a plan.84

Admiral Winnefeld went on to say that he had four criteria for military retirement: grandfathering, rewarding personnel for their national service, shaping the force structure, and reducing costs to taxpayers.85 His testimony implies that he can support the MRCMC’s proposals so long as they satisfy those four criteria. While neither General Dempsey nor Admiral Winnefeld opined on specific retirement reforms, their statements demonstrate that the JCS are not categorically opposed to military retirement reforms.

In testimony before the Senate Armed Service Committee on November 7, 2013, the four Service Chiefs indicated that the military needs compensation reforms because current compensation cost projections are unsustainable.86 Like the Chairman and Vice Chairman of the JCS, the Service Chiefs did not identify any specific reforms they would or could support, but they did advocate that any reforms grandfather present personnel into the current system.87

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82 Herb, "Senate Reverses Pension Cut."
84 Winnefeld, “SASC Testimony.”
85 Ibid.
86 Odierno, Greenert, Welch, and Amos, “SASC Testimony.”
87 Wong, “Military chiefs support grandfathering retirement pay changes.”
Acting Deputy Secretary of Defense Christine Fox, testifying alongside Admiral Winnefeld about the COLA reduction, echoed the JCS in observing that the growth in military compensation was unsustainable. She said that she and Secretary of Defense Charles Hagel understand that the defense budget is unlikely to increase in the near future, so reducing compensation costs will allow the department to spend more on training and acquisitions. Like her counterparts in the JCS, Fox vocalized her support for grandfathering current personnel with any retirement reforms but declined to comment on what specific retirement reforms should be enacted until the MCRMC issues its report and cautioned Congress to wait for the report before enacting specific proposals like what was seen with the Bipartisan Budget Act.

Military Associations

While there are numerous military associations in Washington, we chose to highlight the military associations that have a significant lobbying budget and have spoken publicly about military retirement. The military associations would all like to maintain the existing system for current service-members, but they vary in their opinions on reviewing retirement reforms for future service-members.

Military Officers Association of America (MOAA): MOAA calls itself the nation’s largest and most influential association of military officers. Since 2008, MOAA has spent $10.6 million on lobbying and currently employees 13 lobbyists. MOAA opposes any changes in military retirement reform, even those that grandfather current service-members and retirees. Colonel Michael Hayden, USAF (Ret.), MOAA’s director of government relations, wrote an article on the MCRMC titled, “Change Military Retirement- Are you Crazy?” When Congress recently changed the COLA reductions to exempt current service-members and retirees, Hayden denounced the effort as “mini-Redux” and asserted the 1% reduction in COLA for service-members entering the service after January 1, 2014 will negatively affect retention.

Fleet Reserve Association (FRA): According to its website, “The FRA is a congressionally chartered, non-profit organization that represents the interests of the Sea Service community before the U.S. Congress.” Since 2008, the FRA has spent $3.4 million on lobbying and currently employs 5 lobbyists. They oppose changes to current military retirement benefits;

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88 Fox, “SASC Testimony.”
89 Ibid.
90 “About MOAA” moaa.org.
91 Ibid.
92 Hayden, “Change Military Retirement- Are you Crazy.”
93 Philpott, “COLA Cap Repealed; ‘Mini-Redux’ Awaits New Entrants.”
94 “About FRA” fra.org.
however, they did not specifically oppose the reduction in COLA for future service-members.\textsuperscript{96} In congressional testimony, FRA opposed any reforms that decreased military compensation and specifically opposed the 1\% reduction in COLA.\textsuperscript{97} However, they have not specifically opposed the 1\% COLA reduction for future service-members.\textsuperscript{98}

**The Retired Enlisted Association (TREA):** TREA is a military association with the goal of giving a voice to retired enlisted personnel. TREA has spent $2.0 million on lobbying since 2008 and currently employs two lobbyists. TREA opposed the 1\% reduction and stated that full retirement benefits should be restored for those entering after January 1, 2014.\textsuperscript{99} However, unlike the MOAA and the FRA, TREA wants Congress to wait for the MCRMC report before making further changes to military retirement.\textsuperscript{100}

**Association of the U.S. Army (AUSA):** The AUSA’s goal is to support every American soldier. They have spent about $2.4 million on lobbying since 2008 and currently employ two lobbyists.\textsuperscript{101} AUSA wants to keep the current military retirement system.\textsuperscript{102} Even so, according to their official statements, they realize that Congress must do something about military compensation growth.\textsuperscript{103}

These military associations, and many others, are all members of The Military Coalition. The Military Coalition is not a lobbying group in and of itself, but rather a forum for the various military associations to discuss strategy for their overlapping interests. Thus, it is relevant in that it allows the military associations to consolidate their lobbying and advocacy efforts.

**XI: Roadmap for Successful Reform**

1. **Find reform Champions.** Like all successful congressional legislation concerning military affairs, retirement reform needs a powerful congressman on the Senate or House Armed Services Committee to take ownership of the process. Because the MCRMC will not issue its report until February 2015, retirement reforms will not be passed until the 114\textsuperscript{th} Congress convenes. Neither the MCRMC nor Armed Service Committee staffers can force a congressman to spearhead military retirement reform. Nevertheless, they can try to persuade certain congressmen on the merits of reform. To determine suitable candidates to champion military retirement reform, we analyzed members' voting records on spending bills and positions on the Armed Services

\textsuperscript{96} "About FRA." fra.org.

\textsuperscript{97} Snee, "SASC Testimony."

\textsuperscript{98} ibid.

\textsuperscript{99} Unattributed, "TREA Speaks at a Press Conference and Congress Repeals the COLA Cuts."

\textsuperscript{100} ibid.

\textsuperscript{101} "Assn of the US Army," opensecrets.org.

\textsuperscript{102} Association of the US Army, "COLA Cut Solution?"

\textsuperscript{103} ibid.
Committees. For the voting records, we used the Club for Growth Rankings. Club for Growth is an independent political action committee that promotes less taxes and less spending. They rank congressmen based on how each congressman votes on “growth” issues, which includes votes on deficit reduction measures. This ranking does not measure a congressman’s position on deficit reduction, but it does capture how their voting record prioritizes deficit reduction. We used these ranking to determine which congressmen prioritize reducing government expenditures as reducing costs is a big selling point for military retirement reform.

We chose representatives in the top-50 and senators in the top-20 Club for Growth rankings who were also on the Armed Services Committees. We found 5 representatives and 5 senators that are highly ranked in the Club for Growth and on the Armed Services Committees. The candidates in the House are: Representatives Joe Wilson, Trent Franks, Mike Conaway, Doug Lamborn, and John Fleming. In the Senate: Senators James Inhofe, John McCain, Jeff Sessions, Kelly Ayotte, and Lindsey Graham.

Of these candidates, Rep. Wilson and Sen. Graham are the best candidates to spearhead reform because of their positions on the Personnel Subcommittee, because they have both served in uniform, and because neither receives significant campaign contributions from the military associations. Rep. Wilson is the Chairman of the HASC: Military Personnel Subcommittee; and Sen. Graham is the ranking member of the SASC: Military Personnel Subcommittee. Rep. Wilson served in the Army Reserves and South Carolina National Guard for 31 years, retiring at the rank of Colonel. Sen. Graham served as an Air Force officer for four years and has served in the Air Force Reserves from 1989 to the present. Neither Wilson nor Graham receives significant campaign contributions from the military associations. Their major campaign contributors are shown in appendix 4. Thus, they are in a political position to introduce reforms in committee, have the legitimacy of changing military compensation because of their uniformed service, and are not significantly influenced by military associations who will likely oppose these reforms.

2. Gain legitimacy for reforms. When the MCRMC issues its report in February 2015, it will have spent 18 months studying compensation and retirement reform. Assuming their reform proposal satisfies the three critical criteria- cost savings, retention, and fairness- the JCS and the OSD should support the measures. The congressmen who have chosen to spearhead the effort should hold committee hearings with the JCS and relevant members of the OSD (such as the Secretary and Deputy Secretary and the Undersecretary for Personnel and Readiness) to testify about their opinions of the MCRMC’s report. At the same time, the congressmen championing retirement reform should have the Congressional Budget Office (CBO) issue a report on the MCRMC’s proposal to validate its expenditure reduction estimates.

104 Club for Growth 2012 Scorecard Methodology
Having JCS and OSD backing will increase congressional support and reduce the credibility of opponents who try to assert that Congress is “balancing the budget on the backs of the military.” CBO validation of the cost savings achieved by the reform will increase support among congressmen who are looking for smart solutions to reduce government expenditures.

This strategy assumes that the JCS and OSD will back the MCRMC proposal and that the CBO will decide that the proposal reduces spending. If these assumptions turn out wrong, then the congressmen spearheading reform should work with the OSD, JCS, and CBO experts to find out what changes need to be made.

3. **Minimize opposition from the military association.** The military associations will likely oppose any changes based on their current positions. The will encourage their members to contact their congressmen to demonstrate the strength of the opposition. We expect them to cite the failed MRRA reforms to justify their opposition to changing the status quo.

Even so, the congressmen leading the reforms should still include the major military associations in the congressional process. They should have the military associations testify before the relevant congressional committees. Their opposition is not insignificant, but we believe the reforms can still pass if congressmen build a stronger base of support by using the JCS, OSD, and CBO support. Reform proponents should be able to justify the merits of the reforms.

4. **Build congressional support through Dear Colleague letters and Op-Eds.** Once the Armed Services Committees have held hearings looking at the MCRMCs proposals and the congressmen spearheading the effort have introduced the legislation, the congressmen should send Dear Colleague letters to members of both parties to find other co-sponsors. The Dear Colleague letters should explain how the proposal will decrease costs while still maintaining retention and increasing fairness in distributing retirement benefits. Because military retirement reform is a low-interest, non-partisan issue, congressmen are more likely to be persuaded to back this legislation on its merits. The strong support for the MRRA in 1986 demonstrates that it is possible to persuade Congress.

By publishing op-eds, the congressmen leading reform will be able to increase public awareness and support of the changes. The general public, both those who have served and those who have not, does not want to reduce benefits for military retirees. The public does not want to balance the budget on the back of those who have dedicated their careers to military service. However, like Congress, the public can be persuaded to support, or at least not oppose, reforms if congressmen can show that reforms will benefit military readiness and increase fairness in distributing retirement benefits.
4. Pass military retirement reforms independent of other military compensation changes.
One idea for passing military retirement reforms is to pass the legislation as part of a larger package of military compensation reforms. This would allow the reforms to increase compensation and benefits in one area and decrease them in others, thereby not creating groups of winners and losers.

While passing a larger package of compensation reforms has merits, we believe that it is too much change for the military at one time. It will increase uncertainty and complexity about future compensation among those in the military. The package will also give the military associations more components with which they can disagree. Because a package would involve changing compensation and benefits to current service-members, active-duty personnel would take more interest in the legislation.

Gradual implementation of compensation and benefit changes allows the military to evaluate how each change affects recruitment and retention. Econometric models can give some estimates as to how a single compensation and benefit reform would affect recruitment and retention; these models have limited ability to predict the impact of a package of compensation and benefit reforms. We cannot precisely analyze how each change interacts with the other reforms. Changing military retirement independent of other changes will give policy-makers the opportunity to review how the retirement change affects the force structure before enacting additional changes. Because retirement reforms will grandfather existing service-members, these reforms will have a delayed impact on retention.

5. Pass military retirement reform as part of the 2016 NDAA.
Besides the government budget, the NOAA is the largest piece of yearly congressional legislation in terms of appropriating government expenditures. Additionally, Congress must pass the NOAA or retain military expenditures at the previous year’s level. The sheer scope of the NDAA limits the bandwidth individual congressmen can devote to reviewing and debating each component of the bill. Congressmen spearheading the reform should pass military retirement reform as part of the 2016 NDAA because Congress has to enact the NDAA. If the reforms were passed as a stand-alone measure, there would be much more debate, and it would have a reduced likelihood of success. Because military retirement reform is a low-priority issue, we do not foresee its backers increasing or decreasing funding in other areas to sway particular congressmen. They will likely save those trade-offs for other, higher priority issues such as weapons programs.

The armed services committees have passed 32 pieces of legislation since the 107th Congress. Of those 32 laws, ten of them were the NDAA. The stand-alone bills have been very low-issue items such as a bill “to preserve the Mt. Soledad Veterans Memorial in San Diego, California, by providing for the immediate acquisition of the memorial by the United States.” The full list of
omnibus and stand-alone legislation passed since 2005 by the Armed Services Committees is listed in Appendix 5. Because military retirement reform will structurally change the military compensation package, we believe it has a higher likelihood of success of being passed within next year’s NDAA. Also former retirement changes, such as the change to accrual accounting, cutting funding to the military retirement fund, and changing the military pay raise in 2013, have all been passed as in NDAA.

Obviously, successful passage of the NDAA still requires President Obama to sign the act into law. But because the president does not have a line-item veto, we do not think that he will veto the entire NDAA solely due to reservations about military retirement reform. President Obama has not spoken publicly about his stance on this issue, but his DoD appointees have publicly stated their support for military retirement reforms that meet the three criteria—cost reduction, retention, and fairness. Thus, we predict that he will approve a NDAA that includes military retirement reforms.

The 2016 NDAA will be introduced soon after the MCRMC issues its report. The MRCMC proposal will put military retirement reform in the spotlight for a short period of time. The reforms champions should use this window of opportunity to build congressional support in the ways outlined in this section.
The above flowchart is intended to show the critical points in the legislative process for passing military retirement reforms. It also includes a dependent likelihood assessment (low, medium, or high) based on our assessment of how likely the proposal is to pass each critical point, given that it passed the previous steps. Should a reform proposal fail to meet any one of these steps, we feel there is virtually no chance that reforms would take place.
Appendices

Appendix 1: Stakeholders for the Passage of the MRRA

The following is a list of relevant stakeholders and their positions on military retirement reform.

1. **Congress**: Congress shapes military personnel and readiness policies. Current and future military retirees also represent a large and politically active constituency who closely follow congressional legislation on military pensions. Congress also represents the American public who ultimately foots the bill for all defense programs. The vast majority of congressmen favored military retirement reform to bring down costs and improve the force structure.

2. **Reagan administration**: Considering he was Commander-in-Chief of the US Military, President Reagan was oddly quiet on retirement reform. He was in the unique position of increasing military spending while reducing budget deficits. President Reagan ultimately signed the MRRA, but did not mention the law in any public statements.

3. **Military associations**: Military associations represent the interests of current and former military personnel. The associations were almost unanimous in decrying the negative effects any reduction in retirement benefits would have on retention.

4. **Military leaders**: Military leaders- both civilian appointees and general and flag officers- care first and foremost about the impact of military retirement changes on military readiness. Almost all military leaders favored maintaining the existing system.

5. **Active-duty personnel and retirees**: Service-members currently in uniform and those receiving pensions fear that congressional leaders will reduce their benefits. This fear, while unfounded because of the grandfathering provision, provided an impetus for Congress to promptly reform the system to reduce uncertainty.
Appendix 2: Comparing Retirement Benefits under the High-3 and the MRRA

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Pre-MRRA</th>
<th>MRRA, before age 62</th>
<th>MRRA, after age 62</th>
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<tr>
<td>20</td>
<td>50.0%</td>
<td>40.0%</td>
<td>50.0%</td>
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<tr>
<td>21</td>
<td>52.5%</td>
<td>43.5%</td>
<td>52.5%</td>
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<tr>
<td>22</td>
<td>55.0%</td>
<td>47.0%</td>
<td>55.0%</td>
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<td>23</td>
<td>57.5%</td>
<td>50.5%</td>
<td>57.5%</td>
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<tr>
<td>24</td>
<td>60.0%</td>
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<td>30</td>
<td>75.0%</td>
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Appendix 3: Comparison of 1986 Passage and 1999 Repeal

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<tr>
<td></td>
<td>• Budget Deficit of $220 billion(^{105})</td>
<td>• Budget Surplus of $125 billion</td>
<td>• Budget Deficit of $950 billion</td>
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<tr>
<td></td>
<td>• Recent Military Failures: spare parts scandal, Grenada, Desert One</td>
<td>• Recent Military Successes: Gulf War, Bosnia</td>
<td>• Coming off 13 years of sustained combat</td>
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<tr>
<td></td>
<td>• No sustained combat</td>
<td>• No sustained combat</td>
<td>• Military pay higher than civilian pay</td>
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<tr>
<td></td>
<td>• Military pay on par with civilian pay</td>
<td>• Military pay 13.5% lower than civilian pay</td>
<td>• Financial Crisis since 2007</td>
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<tbody>
<tr>
<td></td>
<td>• Rep. Les Aspin sequencing accrual accounting, mandatory retirement cuts, then retirement reforms</td>
<td>• Rep. John Murtha first proposes repeal in 1998</td>
<td>• No member of Congress championing reforms</td>
</tr>
<tr>
<td></td>
<td>• Grandfathering active-duty service-members into existing system</td>
<td>• Service-members who enlisted post-MRRA reaching point where retirement pension significantly affects the retention decisions.</td>
<td>• Opposition by military associations</td>
</tr>
<tr>
<td></td>
<td>• Strong congressional support for passage</td>
<td>• Strong congressional support for repeal</td>
<td>• Some acceptance for reforms by JCS</td>
</tr>
<tr>
<td></td>
<td>• Strong DoD and military association opposition to passage</td>
<td>• Strong DoD and military association support for repeal</td>
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<table>
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<tr>
<th>Predicted/Actual Effects of the MRRA</th>
<th>1986: MRRA Passed</th>
<th>1999: MRRA Repealed</th>
<th>2014</th>
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<tr>
<td><strong>Predicted</strong></td>
<td>• Reduce future retirement costs</td>
<td>• MRRA attributed to retention problems by creating two groups with one group slotted to receive a lower-valued retirement package</td>
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<tr>
<td><strong>Actual</strong></td>
<td>• Increase service beyond 20 years</td>
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Senator Graham’s top 25 contributors

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<th>Individual</th>
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Rep. Wilson's top 25 contributors

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Appendix 5: Bills passed by the House and Senate Armed Services Committees

Omnibus:


Stand-Alone:

1. Alicia Dawn Koehl Respect for National Cemeteries Act
2. Dignified Burial and Other Veterans' Benefits Improvement Act of 2012
3. To modify the Department of Defense Program Guidance relating to the award of Post-Deployment/Mobilization Respite Absence administrative absence days to members of the reserve components to exempt any member whose qualified mobilization commenced before October 1, 2011, and continued on or after that date, from the changes to the program guidance that took effect on that date.
4. Ultralight Aircraft Smuggling Prevention Act of 2012
5. Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012
6. To designate the City of Salem, Massachusetts, as the Birthplace of the National Guard of the United States.
8. To amend the National Defense Authorization Act for Fiscal Year 2010 to extend the authority of the Secretary of the Navy to enter into multiyear contracts for F/A-18E, F/A-18F, and EA-18G aircraft.
10. Recognizing the service, sacrifice, honor, and professionalism of the Noncommissioned Officers of the United States Army.
11. A bill to provide additional personnel authorities for the Special Inspector General for Afghanistan Reconstruction.
12. Hubbard Act
13. To recognize the Navy UDT-SEAL Museum in Fort Pierce, Florida, as the official national museum of Navy SEALs and their predecessors.
15. A bill to name the Armed Forces Readiness Center in Great Falls, Montana, in honor of Captain William Wylie Galt, a recipient of the Congressional Medal of Honor.
16. To preserve the Mt. Soledad Veterans Memorial in San Diego, California, by providing for the immediate acquisition of the memorial by the United States.
17. To authorize the Secretary of the Navy to enter into a contract for the nuclear refueling and complex overhaul of the U.S.S. Carl Vinson (CVN-70).
18. A bill to authorize the transfer of items in the War Reserves Stockpile for Allies, Korea.
19. Recognizing Commodore John Barry as the first flag officer of the United States Navy.
20. Trafficking Victims Protection Reauthorization Act of 2005
21. A bill to extend the special postage stamp for breast cancer research for 2 years.
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Hale, Robert F. “Statement before the House Armed Services Committee: Manpower and Personnel Subcommittee.” December 5, 1985, 2 http://thomas.loc.gov/cgi-bin/bdquery/D?d099:2:/temp/~bdZsIL::.


Library of Congress. “Military Retirement Reform Act of 1986.” March 23, 2014. http://beta.congress.gov/advanced-search?raw=%5B%7B%22op%22%3A%22AND%22%2C%22conditions%22%3A%5B%22op%22%3A%22AND%22%2C%22inputs%22%3A%7B%22source%22%3A%22current-legislation%22%2C%22field%22%3A%22search%22%2C%22operator%22%3A%22contains%22%2C%22value%22%3A%22military%20retirement%20reform%22%7D%7D%7D%7D%7D/. 


