



Military Retirement Reform – Let's Get It Right

As America faces many future security challenges in an uncertain global environment, it is imperative America continue to have a strong national defense. The Department of Defense (DOD) needs an adequate budget to provide world-class training, high readiness, and modern equipment. It must also offer our service members fair pay and a competitive compensation package to recruit and retain the very finest across our nation.

This spring, the Air Force Association (AFA) supported many of the Military Compensation and Retirement Modernization Commission's (MCRMC) recommendations including their recommendation on retirement reform. We worked with the Senate and House Armed Services Committees and the Department to combine the best of a matching 401K for all service members, and a defined benefit for career military members, while maintaining the overall value of the current retirement system.

However, the implementation of the Commission's retirement recommendation requires close attention to ensure the benefit does not diminish or damage the very recruitment and retention tool we have worked to enhance and preserve.

The MCRMC's plan reduces retiree pay from 50-to 40-percent of base pay, but offsets this reduction with employer contributions to a service member's Thrift Savings Plan (TSP). We strongly support the Commission's recommendation and the House version of the NDAA which calls for an initial one-percent employer contribution to the service members' TSP, and a matching contribution of up to five-percent. Anything less does not maintain the value of the current benefit.

Furthermore, matching contributions must continue until the end of service, not just until a service member reaches 20 years of service. The services must retain senior military members with the experience, know-how, education, and leadership skills to lead the force. It is critical we retain these top leaders well past 20 years, especially in the enlisted force. AFA also believes that the services need the flexibility to offer continuation pay and lump sum annuity payments, as necessary, to retain a quality force.

Finally, the success of any change to military retirement hinges upon repealing the one-percent COLA penalty. The one-percent COLA penalty was put in place based on the current retirement program, which will cease to exist in fiscal year 2018. The COLA-minus-one penalty erodes the value of the retirement benefit due to inflation, and it affects future retirees as well as current retired service members.

AFA has been committed to supporting a blended retirement plan that would grandfather all currently-serving and maintain the overall value of the current retirement system. It is absolutely imperative any implementation of the MCRMC retirement recommendations keep the TSP matching as the Commission intended, continue matching contributions through the end of service, and find a way to repeal the COLA-minus-one-percent provision. Failure to do this risks damaging the recruitment and retention of quality service members who are absolutely necessary to meet the very real, current and future security challenges.

Mark A. Barrett
Major General, USAF (Ret.)
Acting President
Air Force Association