The Next Round on Retirement

By John T. Correll, EDITOR IN CHIEF

This year, the strongest attack on the military retirement system in a decade is coming. That system has been under steady assault for a long time, but in 1985 the federal deficit will escalate it to a priority for the new Congress. Bugle noise for the attack will be provided by J. Peter Grace, who headed up the President’s Private Sector Survey and presented its flawed findings and who has since held a press conference to complain that his report is being ignored.

There are two schools of thought about how to respond to this. One advocates what might be called preemptive concession. It holds that change is probable, perhaps inevitable. Either the defense establishment can show a degree of cooperation and help shape the coming change or else the change will be shaped by Congress and imposed on the military. Others, however, do not believe that the victim should become a willing participant to the mugging.

It is the view of the Air Force Association that a strong defense of the existing twenty-year retirement system can be and should be mounted. The program has already been cut enough. Changes since 1980 alone will reduce the lifetime value of the package for future retirees by twenty percent. And for all of the talk about excessive benefits, the average retiree today gets $9,372 a year.

The Grace Commission, which proposed cuts that would reduce the value of military retirement by about eighty percent, gave no consideration at all to the impact such action would have. It is difficult to explain to outsiders how much visceral emotion is packed into the maxim, “It all counts for twenty.” Those five words can get you through a lot of tough spots over the years and guide your thinking about such things as frequent moves, family separations, unpaid overtime, remote duty, the up-or-out promotion system, the limitations on personal freedom and post-military employment, and maybe even a bullet fired in anger.

Senior Enlisted Advisors report that change to retirement is the number-one concern of airmen in the field. Surveys show that retirement leads all other benefits as an incentive for a military career. If Mr. Grace and like thinkers want to stir up a hornet’s nest, they have surely found the right stick.

This is not to say that change to the military retirement system is not coming. The budget deficit is real, and military people, being notorious nonvoters, have less political clout than other groups who will be guarding their own interests with a vengeance. But that is all the more reason to make the case as strongly as it can be made.

Unlike the private industry programs it is often compared with, military retirement is not an old-age pension. It is designed to attract and keep a force of proper size and nature to meet the nation’s defense needs. Among other things, it provides a skilled mobilization base of veterans. It is sometimes forgotten that military retirees are required to keep uniforms in their closets in case of involuntary recall, to which they are subject. The system also seeks to avoid the historic problem of an aging force with a stagnant grade structure, which did harmful things to military readiness as recently as the beginning of World War II.

The Wall Street Journal says it’s a “gravy train.” Rep. Les Aspin calls it “a boondoggle.” If so, then why aren’t more people demanding immediate admission? Why, even in periods of unemployment, do the services have to work hard at recruiting and retention? Why all the concern about the not-too-distant future when the services will have to compete even more for manpower as the pool of military age young people declines?

In the winter of 1972-73, American GIs around the world were herded into base theaters to hear the rites read over the military retirement system as they had known it. The nation could not afford to continue so lavish a benefit, they were told. And now that the All-Volunteer Force was bringing pay comparability with the civilian world, this overly generous retirement program was no longer justified as deferred compensation. Everybody got worksheets to calculate how they would fare individually under the new order.

As for older retirees, they were advised to pipe down about “recomputation”—the updating of retired pay when active forces got a raise. Recomp had died in 1958, and, like it or lump it, retirees would instead have their pay adjusted by the Consumer Price Index (CPI).

Fortunately, the briefings turned out to be premature, but some of the ensuing developments are worth remembering. The budget was found to be strong enough to support new social programs, but pay comparability for the military soon vanished. It was not restored until after the “Hemorrhage of Talent”—career people leaving at an alarming rate, high costs to recruit and train replacements, and a loss of experience levels that it took years to regain. Meanwhile, double-digit inflation drove the CPI to heady altitudes. Those who had schemed to save money at the expense of retirees by eliminating recomp had managed to outfox themselves instead. Fifty-five percent of the increased cost of the military retirement program in recent years is attributable to inflation.

It is also instructive to note that pay comparability for the military, supposedly restored, is slipping again. Even after the January 1 pay raise, a comparability gap of better than ten percent will remain.

The nation is still looking for a way to have its All-Volunteer Force for less than all-volunteer prices.