

Pay and Benefits and National Security

IN 1973, the United States ended the draft and created an all-volunteer military force. Without conscription, how would the Defense Department get the right number of people—and the high-quality people—it needed to fill its ranks?

The answer was simple: Pay military members fairly, give the troops benefits commensurate with their needs, and make sure they have the tools, training, and support needed to do their jobs.

There has been a recurring theme over the past four decades. When compensation was fair, the military was able to fill its rolls. When compensation lagged, DOD had trouble getting and keeping the right people.

In the late 1970s and early 1980s, large pay raises were needed to fix flagging recruiting and retention. The problem went away, until military compensation again began to lag the civilian sector during the mid-1990s. By 1999, a so-called pay gap stood at 13.5 percent, and the Air Force missed its recruiting targets for the first time in 20 years. This was a huge problem, and it took years of military compensation increases to fix.

Today, recruiting and retention are again rock solid. This is true even though the Air Force has been continuously deployed to Middle Eastern war zones since Operation Desert Shield in 1990. Large numbers of troops from all services have been fighting overseas for more than 13 years.

Pay and benefits should be continuously reassessed and adjusted, however. The civilian job market, demographics, and expectations all change over time. And so, 42 years after the advent of the all-volunteer military, the Military Compensation and Retirement Modernization Commission's recent report on how to improve DOD's pay and benefit systems is perhaps overdue.

The US has the world's finest military because of its people, but compensation, to put it bluntly, is a means to an end. Pay and benefits are critical components in building the military America needs, but the systems have changed little in decades.

To cite one anomaly, DOD has a 20-year "cliff" pension. Active Duty troops who serve 20 years in uniform can

retire and immediately begin drawing a military pension, typically at age 38 for enlisted troops or age 42 for officers. It is an all-or-nothing system. Those who serve less than 20 years—and this is fully 83 percent of enlisted troops—get nothing for retirement when they leave the military.

After spending 18 months studying these issues, the MCRMC ("the commission") found this system archaic and suggested in its final report that it be replaced with a hybrid system containing both a 20-year pension and a

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401(k)-style savings plan that has value to many more troops.

Pay and benefits questions are complicated, emotional, and tied to national security. The Air Force Association will have to take time to study the details and ramifications of the commission's numerous specific recommendations, but its final report, issued earlier this year, is a thoughtful search for ways to offer improved compensation more efficiently. The specifics will certainly be debated throughout the year.

Compensation is tied to national defense. Military personnel costs, when measured on a cost-per-troop basis, have skyrocketed in recent years. The overall portion of the DOD budget dedicated to personnel expenses has remained relatively flat, but this is largely because the size of the force has declined by 40 percent since the mid-1980s.

The Air Force is faced with a dangerous choice: With Pentagon budgets declining and manpower costs rising, USAF is forced to slash personnel, readiness, or modernization expenses to make ends meet. If these cuts are not kept in balance, national security will suffer.

Why are pay and benefit costs a problem? According to a 2012 study by the Center for Strategic and Budgetary Assessments, if budget and manpower levels remain constant, personnel spending will consume the entire defense budget by 2039. Similarly, Gen. Mark A. Welsh

III, Air Force Chief of Staff, said in late 2013 that "we must address the issue of compensation or it will consume our warfighting spending over the next few decades."

If the nation can provide troops with fair compensation more efficiently, it should do so. As the commission noted this year, it may be possible to provide troops with a pay and benefits package they prefer to today's model—while simultaneously saving taxpayers \$12.6 billion per year in the future.

The commission believes that the military pay tables should be preserved, because they offer transparency and predictability the troops value. In the future, the pay levels within the tables should be adjusted as needed to keep military recruiting and retention at the desired levels. Pay is easy to adjust, to great effect.

The Air Force Association believes that through their service, service men and women willingly choose hardship for the good of the nation. The nation must in turn honor its commitments to the troops. For that reason, any changes to military compensation—notably to retirement programs—must be made in such a way that they do not break promises made to the troops.

Few things would damage morale, recruiting, and retention more than breaking faith with the men and women in uniform. They have sacrificed, endured hardships, and faced danger for the sake of the nation. Future changes must ensure existing troops are "grandfathered in" to the old systems, or be made optional for today's troops. This will slow the rate of change, but keeping promises is a moral imperative.

The commission's mandate lists laudable goals: to ensure the long-term viability of the force; to enable a quality of life that fosters recruitment, retention, and careers; and to "modernize and achieve fiscal sustainability for the compensation and retirement systems."

AFA believes today's compensation system can be improved, so that it is generous, fiscally sustainable, and appropriate for today's and the future's needs. The specifics can and should be debated, but the commission's report is an important step toward a sustainable future force. ☛