This report applies the models developed in earlier RAND reports (Asch and Warner [1994a, 1994b]) to analyze the effects of converting the military retirement system to a system very similar to the Federal Employees Retirement System (FERS), which is the system that covers federal civil service employees. The authors analyze several versions of this system, named the Military Federal Employees Retirement System, or MFERS. To compensate for the mandatory contributions, MFERS would be coupled with a pay raise. To the extent that the MFERS system failed to create the retention and separation patterns needed to achieve the services’ desired seniority profiles, it would also include a system of retention bonuses and/or separation payments. The authors consider the implications of this proposal in terms of the effects on cost, force size and structure, productivity, and force management flexibility.

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The report should be of interest to policymakers concerned with the military retirement system and to others studying the career military or compensation issues in large organizations.