



Making the Reserve Retirement System Similar to the Active System

Retention and Cost Estimates

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RAND Arroyo Center researchers analyzed a proposal allowing vested Army reservists to receive military retirement benefits immediately upon retiring from the Selected Reserve. They assessed effects on the size and experience mix of the Army reserve and active components, for enlisted personnel and officers, and for the steady state and the transition to it. They concluded that the proposal would save the Army \$800 million per year in personnel costs.



RESEARCH QUESTIONS

- If the Army changed the reserve component retirement system by making an annuity available immediately upon vesting, how would the change affect the size and experience mix of the Army reserve component (Army National Guard and Army Reserve) and the Army active component, as well as annual Army personnel costs?



KEY FINDINGS

The Policy Change Would Not Adversely Affect the Active Component Force

- For reservists with prior active component (AC) service, these potential changes to the retirement system would lead to higher reserve component (RC) participation in midcareer years and lower participation after retirement vesting, relative to the current system. For reservists with no prior AC service, RC participation would be largely unchanged.
- AC retention would be higher in midcareer years but lower prior to 20 years of service; because these changes in AC retention are small, overall the RC retirement proposal is not likely to have an adverse consequence for the AC force.
- With the addition of supplemental contemporaneous compensation, RC force size could also be held constant.

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Providing Members with an Immediate Option to Transition to the New System Could Make Service Members Better Off and Lower Costs

- When given the choice, most individuals who would be grandfathered under the current system would choose the proposed retirement system versus staying with the current system. Providing this choice would also accelerate the transition to the steady state.
- Army personnel costs would decrease by \$800 million per year, mainly because the AC force would become more junior and its members would leave the Army with less seniority.

