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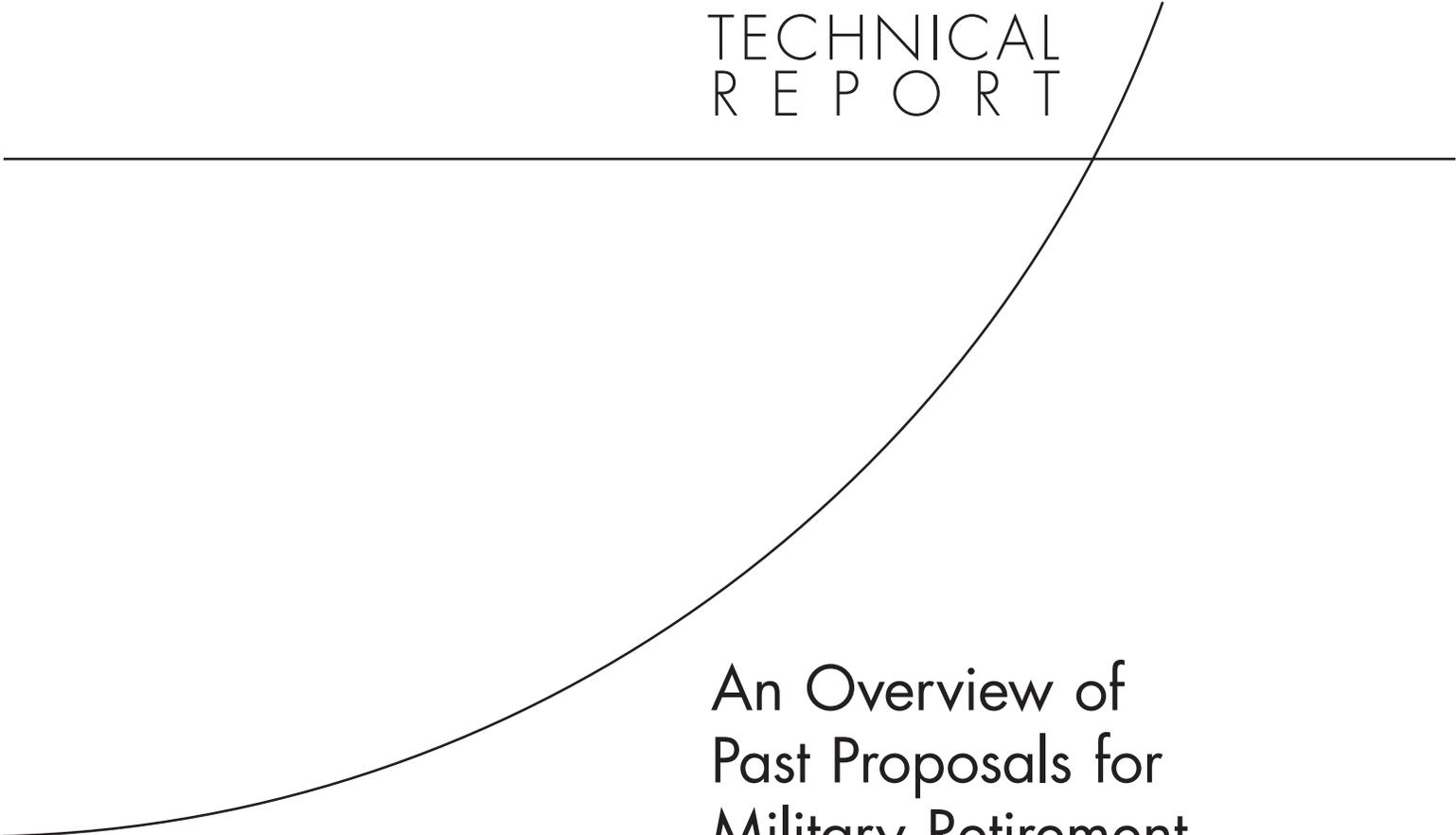
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TECHNICAL
REPORT



An Overview of
Past Proposals for
Military Retirement
Reform

John Christian

Prepared for the Office of the Secretary of Defense

Approved for public release; distribution unlimited



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1776 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138
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Summary

This technical report provides an overview of the history of U.S. military retirement studies and associated legislation, with a particular focus on the past 60 years of proposed reforms. The emphasis is on regular (as opposed to reserve) nondisability retirement because of the relative weight that reformers have placed on the regular retirement system. It is organized around the following five major issues that have driven attempts at retirement system reform:

- *Cost*: Reducing the benefits associated with the transition from active duty to civilian life during the so-called “second-career phase” of military retirement. (The term “second-career phase” refers to the fact that service members who are fully vested receive an immediate annuity upon retirement, which is often at a young enough age for them to embark on a second career until they reach old-age retirement.)
- *Equity*: Providing benefits for members separating before 20 years of service (YOS) as well as for those who are vested at 20 YOS.
- *Selective retention*: Increasing incentives for key service members to stay beyond 20 YOS.
- *Civilian comparability*: Providing a defined contribution plan that vests earlier than 20 YOS. (The military retirement system is a defined benefit plan, commonly called a pension plan in the private sector. The Thrift Savings Plan is a type of defined contribution plan.¹)
- *Force management flexibility*: Providing tools for the services to create variable career lengths when needed for force management.

To provide context, this report begins with a brief overview of the current provisions (e.g., vesting rules and benefit formulas) of the regular and reserve retirement systems before going into detail about the history of reform efforts. It also includes a brief commentary on reforms aimed at the reserve retirement system as a point of comparison.

¹ A defined benefit plan is characterized by mandatory participation and strict benefit formulas based on YOS and pay. A defined contribution plan is characterized by voluntary participation and benefits that are based on the amounts that participants and employers contribute to the plan plus interest income. For a discussion of the differences between the military’s pension system and the Thrift Savings Plan, see U.S. Department of Defense, 2005, p. 939.