



STATEMENT OF
THE AMERICAN LEGION

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ON

RECENT CHANGES TO THE
U.S. MILITARY RETIREMENT SYSTEM

JANUARY 28TH, 2014

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*“I want to be absolutely clear:
We cannot, we must not, and we will not balance the budget on the backs of our veterans,”
“And as commander-in-chief, I won’t allow it.”*

*President Barack Obama,
The American Legion National Convention
August 2011*

The Congressional Budget Office projects the Department of Defense to save almost \$6 billion over the next ten years by reducing the cost of living adjustments for all military retirees not medically retired who are below the age of 62¹. According to the most recent Department of Defense ²Actuary, this new law will affect just under 1 million military retirees who have dedicated 20 years or more defending the United States while wearing the uniform of this country. In short, each retiree is expected to return an average of \$600 per year of their retirement dollars to the treasury so that congress can continue to wring their hands over sequestration – a provision they promised would never actually go into effect.

As the largest Veteran Service Organization in the United States, The American Legion would like to thank this committee for holding this hearing, and for inviting The American Legion to share its views on the recent changes to the U.S. military retirement system. At its August 2012 national convention in Indianapolis, The American Legion passed a resolution that specifically opposes any changes to the current military retirement system because it would reduce incentives for enlistment and/or re-enlistment³. The American Legion recognizes, as does this committee, that without highly qualified, dedicated men and women, even the most sophisticated weaponry will not provide the deterrent force necessary for this nation to remain at peace. We also understand that preserving an attractive retirement system for the active and reserve components is critical to maintaining an effective all-volunteer force. The Department of Defense has on several occasions

¹ http://budget.house.gov/uploadedfiles/bba2013_cbo.pdf

² <http://actuary.defense.gov/Portals/15/Documents/statbook12.pdf>

³ <http://archive.legion.org/bitstream/handle/123456789/2219/2012N058.pdf?sequence=1>

conducted studies to change, modify, and update the military retirement system, and recommendations from those studies have been repeatedly found to be unsatisfactory. In July 2011 the Defense Business Board study⁴ recommended significant changes in the current military retirement system, and these recommendations were many of the same recommendations made by the 1978 Presidential Commission on Military Compensation. The 1978 report from the Congressional Budget Office goes on to address the significant risk to maintaining a viable volunteer force if dramatic changes to the current system are made. Further, any changes to the existing military retirement system may violate contracts made with military retirees and currently serving military personnel, and would undermine morale and readiness.

In January 2013 congress established the Military Compensation and Retirement Modernization Commission⁵. Specifically, this commission was established to examine the current compensation and retirement system, and render to Congress proposals for recommended changes that could be made to the existing system – for future military members. In September 2013, members of the Commission attended a Benefits Summit hosted by The American Legion and reinforced to our members that any recommendations made by the Commission were to be targeted at future enlistees and retirees, and that all current retirees and members would be grandfathered in their current programs.

In December of 2013 Congress passed the Bipartisan Budget Agreement (BBA) of 2013. It was signed by President Obama on December 26 as Public Law 113-67.

The BBA, in relevant part states;

“Sec. 403. Annual adjustment of retired pay and retainer pay amounts for retired members of the Armed Forces under age 62.

Generally, service members who have completed 20 years of service, regardless of age, are eligible for non-disability retirement with immediate commencement of retired pay. For most retirees, pay is a percentage of the highest 36 months of the service member’s Basic Pay. A service member who retires after 20 years of service receives 50 percent of his or her High-36 month Basic Pay with the percentage increasing in 2.5 percent increments for each year above 20. Because service members can retire well before the normal retirement age in the private sector, most service members begin a second career after leaving the military. Section 403 would provide for an annual cost of living adjustment (COLA) of inflation (measured by the Consumer Price Index) less one percentage point for adjustments starting on December 1, 2015 until the retiree reaches age 62. There would be no alteration to the 2014 COLA. At age 62, the retired pay would be adjusted as if the COLA had been the full CPI adjustment in all previous years. Annual COLAs for service members after age 62 would be at the full CPI.”

⁴ http://dbb.defense.gov/Portals/35/Documents/Reports/2011/FY11-5_Modernizing_The_Military_Retirement_System_2011-7.pdf

⁵ http://www.mcrmc.gov/public/docs/statutory/PLAW-112publ239_1.pdf

In support of this act, Members of Congress have pointed to military retirees younger than 62 who said that they can still work, yet according to the U.S. Census Bureau the average military retirement check would place most military retiree families at or below the national poverty level⁶. Also, The American Legion has found that military members who spend a career in the U.S. military and are able to retire young enough to begin a second career, often transition with no civilian equivalent skillset, making the average transition take between two and five years before the retired military member is able to find comparable second career to begin.

Since most of the affected retirees are 1980's era enlisted, their retirement pay was based on pre 2005 military pay and benefits increase, and as a result are already thousands of dollars less than their current day equivalents. For example, an E-8 with 22 years of service in 2002 made \$3,573 per month. At 50 percent of pay, that E-8 today receives a retirement, with all COLA included of \$2,407 per month before taxes. Monthly pay for an E-8 today is \$ 5,115.30 which puts their retirement compensation at \$ 2,558 – more than \$1,800 a year greater than retirees who will be asked to forfeit another \$600 per year.

The American Legion adamantly opposes the COLA reduction in section 403 of the 2013 BBA and formally supports bills to repeal this provision. Further, we cannot understand why Congress would seek to offset the effects of sequestration by targeting less than one quarter of one percent of the American population – that same one quarter of one percent who chose to dedicate nearly a quarter of a century of their lives to the rigors of military service which involved: moving their families every 3 to 5 years, enduring multiple deployments, living on an income that was far less than their civilian peers, enduring physical and emotional stressors unlike any in the civilian sector, and swearing an oath to uphold and defend the Constitution of The United States, against all enemies – without any question or mental reservation – even if it meant, their life. Really?

The American Legion appreciates the opportunity to submit this written testimony for the record and looks forward to working with the Committee to find cost saving measures that both benefit our economic recovery, our national defense, and our military and veteran population.

Questions concerning this testimony can be directed to Mr. Louis J. Celli Jr. National Legislative Director, The American Legion, LCelli@Legion.org (202) 263-2981.

⁶ http://www.census.gov/how/infographics/poverty_measure-how.html

The Honorable Senator Carl Levin
The Honorable James Inhofe
Senate Committee on Armed Services
228 Russell Senate Building
Washington, D.C. 20510-6050

January 28th, 2014

Dear, Chairman Levin and Ranking Member Inhofe;

The American Legion has not received any federal grants or contracts, during this year or in the last two years, from any agency or program relevant to the January 28th 2014, Senate Committee on Armed Services hearing on “Recent Changes to the U.S. Military Retirement System.”

Sincerely,



Louis J. Celli Jr.