



MILITARY COMPENSATION AND RETIREMENT
MODERNIZATION COMMISSION

WASHINGTON, D.C.

September 22, 2015

The Honorable John McCain
Chairman, Senate Armed Services Committee
228 Russell Senate Office Building
Washington, DC 20510

Dear Chairman McCain:

We thank the Congress for its continued support and efforts to modernize military compensation and retirement programs. In particular, the Congress's adoption of several of the Commission's recommendations in the National Defense Authorization Act of Fiscal Year 2016 will improve benefits for Service members, veterans, retirees, and their families. This letter provides additional insight and reaffirms the perspective of the Commission regarding the recommended retirement plan. It is our hope that this letter will inform conference negotiations. Failing that, we urge the Congress to consider these matters in the future so that any modernized retirement system ensures the long-term viability of the All-Volunteer Force:¹

- The Commission's recommended retirement plan was designed to maintain the Services' current force profiles, including after 20 years of service. As we testified after the release of our final report, the Commission supports matching levels that exceed those of the Federal Employees Retirement System. We understand that conference may be considering alternative matching levels; however, the Commission has only modeled the retention effects of the recommended retirement plan and cannot predict the effect of alternative plans on force profiles. Greater matching levels and/or years of service, including matching throughout Service members' careers, would increase lifetime earnings. The Commission believes that such increases in lifetime earnings would help retention and that the Congress should consider such increases as necessary in order to help to maintain the All-Volunteer Force.
- Continuation pay is critical to maintaining mid-career retention under the modernized retirement system. Our assumption was that fiscal savings from retirement modernization would remain available to fund continuation pay. The Congress should continue to ensure that the Services have sufficient appropriations for the continuation pay necessary to maintain the All-Volunteer Force. Specifically, continuation pay should not be held

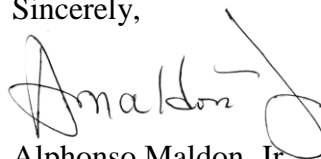
¹ The Commission's mandate was to propose recommendations to ensure the long-term viability of the All-Volunteer Force, enable the quality of life for members, and modernize and achieve fiscal sustainability for the compensation and retirement systems.

hostage to other Service budget requirements. The outlays required to maintain the required Service force profiles should be guaranteed each year.

- An option for Service members to receive lump-sum payments of pre-Social Security age retired pay would provide the flexibility, choice, and long-term fiscal sustainability that are central to Service member's interests and ultimately the Commission's recommendations. In particular, there is strong public interest in a lump-sum option for Reserve Component members. We recognize that such lump sums increase mandatory outlays in the short term. Therefore, the Congress should consider phasing in an expanded lump-sum option for all Service members in a budget-neutral manner as the modernized retirement system generates savings in mandatory outlays that can be applied to the lump-sum payment.
- Granting DoD authority to adjust the years of service required to vest for retired pay, subject to Congressional notification and waiting, would provide substantial flexibility for the Services' force management efforts. In particular, such authority would support DoD's current efforts to modernize military personnel and promotion systems. It would also enable future modifications of the retirement system without the need to touch the third rail of "retirement reform." The Congress should consider providing DoD such authority as personnel and promotion systems are modernized.

It has been a great honor to be part of the public discussion regarding how we, as a grateful nation, ensure Service members and their families benefit from a modern and relevant compensation system. We again thank the Congress, the DoD, and all who participated in the Commission's efforts during the past two years.

Sincerely,

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Alphonso Maldon, Jr.
Chair



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The Honorable Jack Reed
Ranking Member, Senate Armed Services Committee
228 Russell Senate Office Building
Washington, DC 20510

Dear Senator Reed,

We thank the Congress for its continued support and efforts to modernize military compensation and retirement programs. In particular, the Congress's adoption of several of the Commission's recommendations in the National Defense Authorization Act of Fiscal Year 2016 will improve benefits for Service members, veterans, retirees, and their families. This letter provides additional insight and reaffirms the perspective of the Commission regarding the recommended retirement plan. It is our hope that this letter will inform conference negotiations. Failing that, we urge the Congress to consider these matters in the future so that any modernized retirement system ensures the long-term viability of the All-Volunteer Force:¹

- The Commission's recommended retirement plan was designed to maintain the Services' current force profiles, including after 20 years of service. As we testified after the release of our final report, the Commission supports matching levels that exceed those of the Federal Employees Retirement System. We understand that conference may be considering alternative matching levels; however, the Commission has only modeled the retention effects of the recommended retirement plan and cannot predict the effect of alternative plans on force profiles. Greater matching levels and/or years of service, including matching throughout Service members' careers, would increase lifetime earnings. The Commission believes that such increases in lifetime earnings would help retention and that the Congress should consider such increases as necessary in order to help to maintain the All-Volunteer Force.
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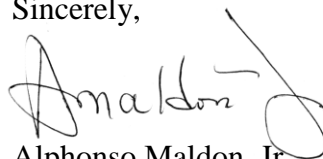
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WASHINGTON, D.C.

September 22, 2015

The Honorable Mac Thornberry
Chairman, House Armed Services Committee
2216 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman,

We thank the Congress for its continued support and efforts to modernize military compensation and retirement programs. In particular, the Congress's adoption of several of the Commission's recommendations in the National Defense Authorization Act of Fiscal Year 2016 will improve benefits for Service members, veterans, retirees, and their families. This letter provides additional insight and reaffirms the perspective of the Commission regarding the recommended retirement plan. It is our hope that this letter will inform conference negotiations. Failing that, we urge the Congress to consider these matters in the future so that any modernized retirement system ensures the long-term viability of the All-Volunteer Force:¹

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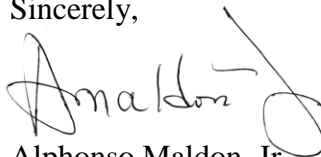
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The Honorable Adam Smith
Ranking Member, House Armed Services Committee
2216 Rayburn House Office Building
Washington, DC 20515

Dear Representative Smith,

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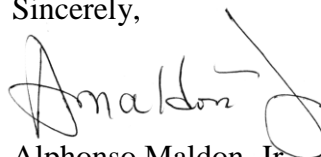
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