Military Compensation and Retirement Modernization

VFW’s Concerns:

The House and Senate both included a 401(k)-type retirement contribution for every service member in their respective versions of the FY16 National Defense Authorization Act (NDAA). This benefit could help over 6.4 million service members better save for retirement. The VFW supports any legislation that will provide benefits to more service members, create new recruitment and retention tools, and maintain the overall value of the current system, in a fiscally responsible manner.

Under the plan the Department of Defense (DOD) will automatically contribute one percent of a service member’s basic pay into a retirement account. DOD will also match service members’ contributions up to five percent after they complete two years of service. However, the Senate version stops providing matching contributions to service members after they reach 20 years of service. While DOD supports the 401(k) plan, their plan would not match the service member’s 5 percent contribution until the service member completes 4 years of service. The VFW believes that both the Senate and DOD retirement plans fall short; their plans would lessen the overall value of the current system and hinder service member retention.

The Senate Armed Services Committee (SASC) passed legislation that could lead to the privatization of military commissaries. This provision could have harmed the military families who rely on the savings they earn by shopping at the commissary – which can save a family up to $4,500 per year. The VFW fought hard to remove this provision which would have hurt the pocketbooks of military families and potentially reduced financial supplements to DOD’s Morale, Welfare, and Recreation programs.

During the wars in Iraq and Afghanistan, Reserve Component (RC) service members mobilized far more often than any previous era of the all-volunteer force. However, RC members must wait until they reach age 60 before they can collect their military retirement pay. We believe that we need to present RC members with better retirement options. Giving the RC members the option to receive partial retirement earlier could motivate young RC members to stay in uniform for a full career, and give incentives for transitioning active-duty troops to continue serving in the reserves.

A one percent reduction in the annual cost-of-living adjustment for current working-age military retirees is scheduled to go into effect in January of 2016. The reduction was part of a congressional budget deal in 2013 intended to reduce the federal budget deficit and partially restore some of the automatic budget cuts that Congress imposed on government agencies under sequestration. The retirement cuts would cost a typical enlisted member who retires at age 40 about $83,000 over 20 years, and cost a typical retired officer more than $124,000 over 20 years. The world remains a very dangerous and unpredictable place; it is in that regard that the VFW will continue to fight for a full repeal of the COLA penalty.

VFW’s Solutions:

- Provide an employer matching retirement contribution to every service member starting on their first day of service and continue contributions until their discharge from service.

- Reserve Component members should have the choice to receive their retirement annuity in various forms, including the option to receive lump-sum payments immediately upon their retirement.

- Merge the Defense Commissary Agency and three military exchanges systems into one organization without increasing the prices of groceries or reducing supplements to Morale, Welfare, and Recreation programs.

- Restore the full Cost-of-Living Adjustment (COLA) from COLA -1% for working-age retirees.