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The Pentagon Is Making a Huge Mistake on Military Retirement

James R. Sweeney II and John A. Biedrzycki Jr., Special to Military Times

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The 2016 National Defense Authorization Act created the blended military retirement system for which the Department of Defense had been screaming. Now, the Pentagon is trying to gut its overall value and availability to junior enlisted and officers before its implementation in 2018.

The Reserve Officers Association and the Veterans of Foreign Wars of the United States supported exploring a new blended retirement system, as recommended by the 2015 Military Compensation and Retirement Modernization Commission report. We support fresh thinking, and we like giving service members a choice, compared to most things military where there is none.

We just don't like nickel and diming the troops.

By law, what goes into effect for those who enlist after Jan. 1, 2018, creates a 1 percent automatic government contribution to individual Thrift Savings Plan accounts, and a government match of up to 4 percent beginning in year three of service through year 26. Currently, there is no government contribution or match to any TSP account. The new program also includes a one-time midcareer continuation bonus, grandfathers everyone in uniform under the existing system, and allows younger troops to opt into the new.

A downside to the new retirement system is that it drops the existing retirement standard of 50 percent of base pay after 20 years of service to 40 percent, but the beauty of compound interest should more than make up the difference, provided that troops invest early to take advantage of the match.

An upside to the new system is that everyone who enlists after 2018 will get something when they leave, whether they serve the requisite 20 years or not. Plus, they can roll their TSP accounts into civilian employer-sponsored retirement plans, the proceeds from which are 100 percent transferable to their heirs of choice, whereas, at most, only 55 percent of military retirement pay can go to surviving spouses.

DoD now wants to up the government match to 5 percent (for a 6 percent total), and continue the match beyond year 26 through the end of service. But the Pentagon wants an offset that would delay the start of the government match by two years, from year three to the beginning of year five. Their rationale is that year five is when a young service member contemplates a military career and decides to re-enlist, so that's when the matching "incentive" should begin.

The two-year delay could impact recruitment, because virtually all civilian plans provide a match after a brief probationary employment period, and it could impact retention, since the two-year delay would significantly impact the retirement portfolios of future retirees who depart at the 20-year mark, which represents half of all military retirees.

An obvious question is, why can't the Pentagon support enhancements to those few who serve beyond 26 years without diminishing the blended system's value and availability to the great majority who don't' Why does there always have to be an offset?

Because it's all about the money.

There is no arguing that the Pentagon is in a tough spot. America is still at war, plus DoD has a meat cleaver called sequestration hanging over its head that remains the law of the land, even though the world's threats are far different than when Congress created the sequester five years ago.

Shortchanging younger troops communicates the wrong message to those still in the fight, to their families, and to those contemplating joining America's all-volunteer force.

Junior enlisted and officers make up the lion's share of every war's casualty list. Moreover, for the Pentagon to suggest delaying a match to their TSP accounts ignores the reality that every military leader today was once a junior enlisted or officer. If and when the nation's economy fully recovers, these young lions just might choose to work elsewhere, in a career field that doesn't include loss of life in the job description and for employers who aren't regarded as cheap.

Knowing that, DoD should back off and let the new law work. If it must tinker, then the Pentagon should support increasing the government's total contribution to 6 percent, supporting its start in year three and extending it beyond 26 years. ROA and the VFW can support that.

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