

Blueprint for Modernizing Military Pay Delivered
Tom Philpott | June 21, 2012

If endorsed by the White House and enacted by Congress, a new blueprint for modernizing [military compensation](#) after 11 years of war would reshape many traditional service pays to strive for more efficiency.

The 11th Quadrennial Review of Military Compensation, after two years of study, has produced some wide-ranging recommendations, from replacing combat zone tax exclusions and overhauling weekend drill pay to reforming reserve retirement and slicing by half a reduction in survivor benefits that widows see when they accept VA dependency and indemnity compensation.

The law requires that the Department of Defense report to Congress every four years on the status of military compensation, focusing on key pay challenges that the president deems need review.

President Obama chartered the latest QRMC to study: combat zone compensation; reserve components' pays and benefits; compensation for wounded warriors, caregivers and survivors; and pay for critical career fields. This includes special operations, mental health professionals, linguists and translators, and new skills such as unmanned aerial vehicle operators.

The report indeed proposes that Congress grant broad authority for services to create new incentive pay structures for expanding career fields similar to the pay package of aviators with a combination of monthly stipends to retain these skills and lump sum bonuses to address periodic shortages.

The overall QRMC goal was to find ways to revise elements of compensation to be more effective at sustaining the all-volunteer force, explained Thomas L. Bush, director of the 11th QRMC. The retired Navy captain, who flew combat missions in Vietnam as a flight or radar intercept officer, worked previously as a senior reserve policy official at the Pentagon.

The QRMC concludes that military compensation overall fares well compared with the private sector. The enlisted pay package is at the 90th percentile of civilian peers of similar age and education. Officers, on average, are paid around the 83rd percentile of civilian peers.

The report also concludes that compensation for combat injuries work well to replace what otherwise would be sharp declines in family earnings. Retired and disability pays replace "income losses suffered by nearly all injured service members and their families," it says.

"Among the seriously and very seriously injured, compensation benefits more than offset earnings losses, with both groups experiencing a net gain in household income." For those "who do experience earnings losses, the loss is small, on average."

The QRMC cautions, however, that these findings are based on the near term impact of current disability pays from DoD, VA and social security. But such pays need reassessment periodically to protect their worth, it says.

To help relieve financial challenges for the caregivers of severely disabled members and veterans, Congress passed new compensation programs. The QRMC says these started only last year and need to mature before they can be properly judged though they do help to offset caregiver income losses. But eligibility, disbursements and terminology need to be better aligned to provide a smoother transition as severely injured transfer to veteran status, the report says.

The QRMC finds survivor benefits comprehensive, particularly given changes enacted in the past decade. Yet the study offers a new approach for addressing a chronic complaint -- the SBP-DIC offset.

Survivors of retirees who die of service-related ailments or on active duty or die with 100-percent disability ratings are eligible to draw tax-free Dependency and Indemnity Compensation (DIC) from VA. But their military survivor benefits plan (SBP), must be reduced dollar-for-dollar by monthly DIC. Premiums paid on lost SBP benefits are returned to survivors. Affected widows have pressed Congress for years to end the SBP-DIC offset. The QRMC proposes a compromise. It notes that SBP premiums, on average, cover just over half of program costs and taxpayers subsidize the other half. So the study proposes that eligible survivors be allowed to keep half of their SBP, or roughly that portion of SBP bought with premiums.

Bush acknowledged this approach might be perceived as inequitable by some because a surviving spouse whose member never paid premiums would get to keep half of their SBP, the same as the survivor of a retiree who paid premiums for 30 years. However, this would keep the offset simple versus having to calculate what every retiree paid in actual premiums.

"In our view, on average, it's not an inequitable way to approach the issue," Bush said.

The compromise is controversial for another reason. It's the most costly proposal offered in the study with a projected cost over 10 years of almost \$1 billion for the Defense Department and \$3.4 billion for Treasury.

More often, it seems, the QRMC seeks to modernize pays through tradeoffs that would produce net cost savings. For example, it finds that the progressiveness of the U.S. tax code and blanket eligibility for Imminent Danger Pay (IDP) in combat support areas where danger is quite low results in "misalignment" of combat compensation to favor officers and senior enlisted over more junior personnel who actually suffer more casualties.

The study proposes replacing the combat zone tax exclusion and the one-size-fits-all IDP with refundable tax credits and a multi-tiered danger payments tied more directly to level of risks individuals face.

The QRMC also found imbalances in Reserve and National Guard pay for drill weekends with compensation for two days' training often exceeding what colleagues are paid in combat zones. It proposes that drilling members receive the same basic pay and allowances as active duty colleagues, and that the money saved on drill pay be used to enhance reserve retirement.

It proposes replacing reserve retirement at age 60 with a system that would allow annuities [for having at least 20 years of qualifying service] to begin on the 30th anniversary of a member first entering the military. So a reservist who entered at age 18 could draw retired pay by age 48.

Jeri Busch, director of military compensation policy for the Defense Department, said the QRMC recommendations would be reviewed carefully in the coming months as potential ways to improve military compensation.

To comment, email milupdate@aol.com, write to Military Update, P.O. Box 231111, Centreville, VA, 20120-1111 or visit: www.militaryupdate.com

Sound Off...What do you think? [Join the discussion.](#)