



Fact Sheet: Military Retirement Pay Restoration (S. 25)

The men and women of our Armed Forces deserve the full compensation and benefits that they have earned through service to their country. We should honor their sacrifice by protecting these payments, rather than shifting the burden of the federal budget deficit to those who have risked everything to safeguard our freedom. Senate Democrats are committed to honoring our country's promise to military retirees by restoring scheduled cuts to military retiree pensions.

Legislative Background on S. 25

The Bipartisan Budget Act included a modification to the annual cost-of-living-adjustment (COLA) for working-age military retirees' pensions. Earning a military pension usually requires 20 years of service, allowing some service members to retire as young as 38 years old. The Budget agreement modified the annual COLA for military retirees under age 62 by making the adjustments equal to inflation minus 1 percent. Once retirees reach age 62, their pensions would be recalculated to the level they would be at if they had always received a full COLA, and they would receive full COLAs in the future equal to the traditional adjustment. The FY14 Omnibus restored full COLA adjustments for disabled military retirees and their survivors.

S. 25, which passed the House of Representatives on February 11, would grandfather in and protect all current servicemembers and military retirees from the COLA reduction. This legislation would instead make the COLA modification prospective to the retired pay of all servicemembers who join the military after January 1, 2014. CBO estimates the COLA restoration in S. 25 will cost approximately \$6.8 billion over 10 years. [DPCC; CRS, [2/11/14](#); CBO, [2/11/14](#)]

Restoring Military Retirement Pay

S. 25 would restore full retirement payments for up to 750,000 military retirees. Of the 1.94 million retirees that collected benefits in FY12, it has been estimated that 40%, or 750,000 will face a benefit cut unless action is taken to restore payments. [CRS, [2/11/14](#)]

Enlisted retirees stand to reclaim thousands of dollars each year if their full COLA is restored. For an E-7 retiring this year with 20 years of service, the cut would result in an average reduction in their promised retirement benefits of \$3,700 per year, until they reach age 62. Lifetime retirement pay for enlisted personnel will be reduced from \$1.73 million to \$1.67 million for a 4% cut of \$69,000. Lifetime retirement pay for officers would be reduced from \$3.83 million to \$3.74 million, for a 2.3% cut equal to \$87,000. [Testimony of General John H. Tilelli, Jr. (Ret.), MOAA, [1/28/14](#); CRS, [2/11/14](#)]

S. 25 would protect retirement payments before cuts take place. The COLA modification included in the Bipartisan Budget Act is not slated to go into effect until December 1, 2015. This legislation, S. 25, would grandfather current retirees and the current force from the effects of the COLA reduction.

Additional Background

The Bipartisan Budget Act of 2013 extended sequestration for mandatory spending from 2022 to 2023. S. 25 would require the President to sequester the same percentage of mandatory budgetary resources for an additional year beyond 2023, which reduces spending by \$9.2 billion in FY2024.

The bill uses the remaining savings from extending the sequestration for mandatory spending to create a fund to assist in the transition to a new payment policy for physicians' services and repeal the sustainable growth rate formula (SGR).