



Defense Advisory Committee on Military Compensation

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PARTICIPANTS

This list includes members of the Committee participating in the meeting. (Committee members Dr. Walter Oi was not present).

No.	Name	Role
1	Adm. Don Pilling	Chairman of the Committee
2	Gen. Lester Lyles	Committee Member
3	Dr. John White	Committee Member
4	Mr. Frederick Cook	Committee Member
5	Dr. Martin Anderson (via telephone)	Committee Member
6	Mr. Joseph Jannotta (via telephone)	Committee Member
7	Mr. Paul Hogan	Chief of Staff

SIGNED-IN VISITORS

This list includes all signed-in (non-staff) visitors to the public meeting (both sessions).

No.	Name	Organization Symbol
1	Steve Greisiger	Pentagon Channel
2	Ben Abalos	ASN (M&RA)
3	Gorden Lobolas	Army Times
4	Mike Hayden	MOAA
5	Tom Philpott	Military Update
6	Denny Eakle	WHS
7	Rick Harvey	IDA
8	Carolyn Miller	Watson Wyatt
9	Joyce Raezer	NMFA
10	Ron Montgomery	DFAS-JR& ID
11	Mike Waters	NA
12	Clare Heller	Watertown Daily Times
13	Ellen Krenke	OSD/PA
14	Lisa Burgess	Stars and Stripes

TRANSCRIPT

Admiral Pilling: There are four of us present of the seven members, two other members are on the telephone, one in Chicago and one in California, and the seventh member, Dr Walter Oi, could not be with us because he is on travel today overseas. The purpose of today's meeting is to go through the set of recommendations in briefing form to allow the members any additional insights or editorial comments they would like to make before we sit down and put pen to paper to write the full report which is due now in April. I had planned to do this brief myself but as you might tell from my decibel level, a cold is going to prevent me from doing that so I have asked Mr. Paul Hogan, Chief of Staff, to brief these slides. There are 18 slides and after this meeting we will make available on website that we maintain, if anybody wants to download the slides. So with that Paul, if you could start.

Mr. Hogan: *Inaudible*

Adm. Pilling: You're going to have to speak into the mike in order to ensure the two members on the telephone can hear.

Mr. Hogan: Good morning, I'm happy to present the preliminary recommendations of the Committee, as you may recall these are the Committee members (pointing to slide). Where we are is the Committee has preliminary recommendations through January, as Adm. Pilling had mentioned, the plan is to finalize into a report that will be due in April.

Let me talk first about the findings. First finding and the most important one is that the current compensation system has indeed produced force of experienced, trained, motivated volunteers that are the best in the world. And the Committee certainly agrees with that finding. However there are areas for potential improvement in the compensation system, and the next couple of slides are findings that might lead to some of the possible improvements. The current retirement system rewards about the 15%, or fewer actually, of the enlisted force, and the 50% of the officer corps that actually serve 20 or more years with a lifetime inflation protected annuity, which is generous by private sector standards, and with lifetime medical care for members and dependents.

The current system is cliff-vested, by that we mean that it's all or none. If you reach 20 years of service, you maintain, you earn full benefits, if you fall short of that, you do not; you get essentially no retirement. This limits certain options and fails to recognize that members with service of less than 20 years should, as a matter of equity, earn some potential benefits to retirement. It makes the force management inflexible in the sense that you have to carefully manage who you retain and make sure there is a demand not only for 10 or 12 years of services but at 20 years of service also because you don't want to be opportunistic and bringing folks to ten or 12 years and saying it's time to go home with essentially nothing under the current system.

Under the current system there is virtually no incentive to serve beyond 30 years. The system stops at the thirty year point.

The Immediate Lifetime benefit was designed for another era – by this we mean that in today's armed forces, most members who leave after 20, even 30 years services do have a very good second career in the civilian sector. This was probably not the case 30, 40 years ago when life expectancies were significantly lower and military occupations, many military occupations did not have corresponding civilian occupations that demanded similar skills, as they do today.

Adm. Pilling: And Paul, I would comment that when we write this up it would be worthwhile getting some quotes from the Deputy Chiefs of Staff of manpower that testified in the late forties, who made the case that needed 30 year retirement program

with immediate annuity because people were retiring in their fifties, and life expectancy was 60, so making them wait for that annuity was sort of unfair. We're in a very different environment now and the 20 year retirement was really an after-thought that they asked for in case somebody doesn't want to go all the way to 30 years, just have a provision so you can leave early at twenty years, when in fact what's actually happened is that the twenty years is basically the standard most people serve into.

Dr Anderson: I think that's a very good idea. Can we get some hard numbers to put in there too?

Adm. Pilling: Can you say that again, it didn't come clear?

Dr Anderson: I just thought it'd be good if we got some numbers to show the actual change.

Adm. Pilling: Right. We will do that; we will put the actual numbers in: life expectancy in the late forties and the life expectancy for somebody retiring today from the military.

Dr. White: I think that if we have the record too, and we could show the logic at that time, that would be helpful.

Mr. Hogan: Moving on to additional findings. There's a growing sentiment, the Committee members heard this from a number of different sources, for "Pay for Performance" – by that we mean the ability to make the Compensation System more responsive to differences in performance among members. But changes would be necessary under the current system to make this sentiment a reality.

There are some compensation differences in today's system that don't appear to be related either to mission demands or performance and perhaps again is a relic of an older system, perhaps a draft era system.

Special and Incentive pays are very important in the sense that they can target specific problems and put money right on the particular retention problem or motivation problem and therefore are potentially very powerful– but they exceed 60 in number and are very complex to administer. They represent less than, despite their potential usefulness, less than 5% of the total cash compensation.

The lifetime medical care for retirees crowds out the private sector for second career retirees – by this is the growing trend where retirees in the civilian sector who have civilian jobs with employers who offer civilian health insurance choose to participate in TRICARE rather than their civilian employer plan and they do that for at least two reasons: One is that the premiums in the pre-65 TRICARE program have not kept pace with similar premiums in the civilian sector, they have essentially been frozen since 95, so it just makes economic sense to the pre-65 retiree to switch. In addition, there is some evidence that some employers also subsidize their employees to switch to the TRICARE plan, rather than choose their own civilian, their own employer's plan.

Adm. Pilling: It would be helpful if we can actually demonstrate that there are states, which we've been told anecdotally, that require TRICARE eligible retirees to remain on TRICARE and the state will not cover their health insurance plans.

Mr. Hogan: The current use of Guard and Reserve as an operational reserve rather than a strategic reserve argues for greater symmetry in the benefits Guard and Reserve benefits between active and reserve. By this we mean that it should be seamless

when a reserve member is called to active duty that the compensation for reserves should be similar to their equivalent active duty counter part.

The demand for Quality of Life programs is increasing, largely due to two reasons one is the operational tempo; greater deployments mean one of the spouses is away from the family more often, more frequently, putting a demand for Quality of Life Programs and the other is changing demographics.

Gen. Lyles: Paul, we probably should emphasize in the report that to qualify that term “demand” – it’s not necessarily coming from the military per se, but as a result of a need expressed in surveys and other activities as an incentive for families, an incentive and requisition of a problem area, so we probably just need to make sure that we qualify exactly what that term “demand” means.

Mr. Hogan: The next slide or two is going to discuss a framework for change for the military retirement system, recently there have been some changes that have been made that have been fairly substantial in terms of cost, but appear to have no direct relationship to force management and readiness.

A set of principles or criteria for evaluating proposed changes for both active and reserve compensation would be useful in the sense that if these are reasonable criteria, if the compensation change seems to satisfy quite a few of these, it’s probably a good thing to do; if it satisfies none of them, then it should call the change itself into question, and perhaps address the necessity for the particular change.

These 9 principles include the following – and they’re not in priority except probably the first one, is the single most important and that is Force Management; that a change in the compensation system should generally be linked to a particular force management problem – how is it going to improve force management and surely it should not impede force management.

Second, changes should increase the flexibility of the system, not decrease it.

Third, changes, where possible should be towards simplifying the compensation system, not making it more complex.

Changes should take a systems approach. This is particularly evident in considering certain changes say for example to the reserves system, where the reserves are linked for example with the active duty on the supply side, they compete often in the same non prior service succession market, the prior service successions to the reserves or active duty losses – those things need to be taken into account when you try to fix one set of problems in the systems context.

Gen. Lyles: Mr Chairman, Don, I’m just wondering, that when we talk about a systems approach, to be completely thorough and accurate – our body here is not looking at civilian side, but I think from a total force perspective, we should at least look to make sure that whatever changes we recommend don’t have some implication, positive or negative, to the civilian part of total force for the military, for DOD.

Adm. Pilling: That’s a fair point.

Mr. Hogan: Another principle is that changes, where possible, should attempt to expand choice, volunteerism and market-based compensation as opposed to one size fits all types of solutions, solutions where a particular pay is put in place that's quite independent of supply and demand as opposed to the actual market for that pay that supply and demand conditions.

The choices for change to the compensation system should be efficient – that is among alternative ways of improving the system through a change in the compensation, one should attempt to choose the ones, the least costly way to achieve a particular objective.

All costs should be visible with respect to personnel & compensation, that you should recognize both the current cost liabilities and future ones where those are relevant.

Leverage should be applied in compensation changes – by this we mean, that, and again going back to the TRICARE example, that if there is if there is something in place in the civilian sector, one should attempt to take advantage of it and leverage it rather than crowd it out and replace it. This principle is particularly important say in kind benefits, and in the Quality of Life area.

Finally, changes should be fair – that is commitments that have been made in the past should be continued to be honored in the future.

Going to turn know what the Committee is calling its Compensation Architecture. These are particular areas where recommendations are made – in general these recommendations provide an architecture, but not precise details of exact amounts and so forth, it's how one might structure, the recommendations for how to structure the compensation system; but not specific multipliers and things like that.

Turning first to - kind of the linchpin of the compensation system so to speak - retirement. The proposition is that Services need to improve management flexibility within the current compensation system. In particular, in the near term, the Services should have the authority to “buy out” members with more than ten years of active service who are not yet vested. Again, this is a problem that The Committee has heard from several of the Services that because of changes in demand, in needs, and maybe some management mistakes earlier on, that there are folks with between thirteen, fourteen, fifteen, sixteen years of service, that it would make sense both from the individual member's perspective and the Service's perspective if there were a graceful way to separate them at that point, rather than bring them to twenty which is typically a practice now. The buy-outs would be purely voluntary, that is, it would be a deal struck between the Service and the member on a voluntary basis. A plan for a voluntary separation pay, like that proposed by the Navy, would be one way to do this but the Committee is not prescribing a particular way, how to do a buy-out.

In the longer term, the compensation system should be restructured. The vision for this restructuring, whose primary purpose is to improve its overall flexibility on the management side, and efficiency, would include the following: earlier vesting of at least some portion of the retirement; incentives, in at least some occupations to serve beyond a twenty year career, or even a 30 year career; and reassessment of high year tenure policies, not necessarily doing away with higher tenure, but they should be reassessed based on the needs of the Service.

Adm. Pilling: By that I think we have to make it very clear that we're talking about... if you're an E6 Linguist, right now on the high year tenure, you're asked to leave at twenty years whereas your linguistic skills should only be getting better, not failing, so you would want people like that to stay in longer than twenty years so you'd have to do something to the high year tenure program.

Dr. White: I think one of the problems we have today, is that we look at the retirement system as it is, we've lived with it for a long time and we've learned to adjust, and make other changes in order to adjust to it, we have not adequately it seems to me as reflected here, appreciated what could be done if we had a flexible system, where in fact we responded to needs of the Services with respect to giving them flexibility in the way they deal with retirement, while being even more fair to the members, than is the case now because of the bifurcation in terms of who participates, and who doesn't.

Mr. Hogan: The proposed future retirement system would have three components that, again, are in the form of an architecture rather than precise details. The first component would be a Government contribution to a thrift savings plan (TSP) or 401K-like plan. The Government contribution would be on the order of 5 – 10% of the Basic Pay. The contributions would begin upon entry to active duty but it would not be vested until between five and ten years of service. Certainly not before five, but not after ten years of service.

A second component would be a Retirement annuity that begins at 60. The retirement annuity would be very much like the retirement annuity today, so that at age sixty, the member would receive pretty close to the annuity that the member would receive under the current system, but the retirement annuity might be vested earlier, as early as ten years of service. The second component of that is that the annuity formula would continue beyond thirty years to forty years. So, for those occupations or ranks that serve beyond thirty years, you could potentially receive, under a forty year career, up to 100% of your high 3 basic pay.

The third component is a particularly important one; again the details are not prescribed, but there would be additional compensation as part of the system that would be in one or more of the following forms:

The first is so-called Gate Pay at various years of service. The concept here for Gate Pay would be a multiplier of your Basic Pay, 100% of your basic pay, 75% of your basic pay, at various years of service milestones – year of service ten, fifteen, twenty and so forth. This would ensure that the Services had the ability to provide the retention incentives they need to maintain force profile that best fits the demands of their Service.

Adm. Pilling: The Service could set the Gate Pay at zero if they decided.

Mr. Hogan: Right.

Adm. Pilling: I mean, it's flexible. Depending on how they want to shape their force.

Dr. White: But don't you think also, Don, that it's flexible but at the same time we need all four elements that are here in order to have a successful alternative.

Adm. Pilling: Right.

Dr. White: And then within those elements, obviously you have a lot of flexibility in terms of how you structure the compensation.

Adm. Pilling: What I had in mind was that the Marine Corps has a model where they don't look for a lot of retention, they want a lot of turn over, whereas the Air Force has an opposite model, so the Gate Pay in the Air Force may be a more significant figure than Gate Pay in the Marine Corps, for example.

Mr. Cook: Admiral, a couple of comments on this. I think that this is probably the most important recommendation area and a key thing that we're trying to do, I believe, is free up some money. The new system, the new retirement system would be less costly for the Government to fund, and that money would be used in other ways – to enhance more current compensation, more flexible compensation for the troops, be more appealing to them. Now, getting to this point is going to be a very significant thing to do; we need some transition to get there. But, Paul, refresh me on the savings plan, we don't have a requirement that the empl... the service member contribute in order to get company's contribution is that correct?

Mr. Hogan: That's correct and

Mr. Cook: Ok, so this is just on top, it goes in, and we're thinking about after it vests, the employee, the service member, *inaudible* private sector, can take out the new money instead of having it go into the trust. But I think we want to put a marker on that maybe and evaluate it further, because I can see pluses and minuses in allowing that to occur and I would like the Commission, the Committee to maybe think about that this afternoon, further.

Adm. Pilling: OK.

Mr. Hogan: So in addition to the Gate Pay the other forms of compensation that could be part of this third tier so to speak, would be Transition Pay upon separation; that is if member separates after ten years in service, there would be some multiple of basic pay, a basic monthly basic pay, provided over a period of time, perhaps as a function of years of service to provide a transition to the civilian sector. And of course additional basic pay increases or bonuses. The vesting for health benefits would remain at 20 years of service.

Turning to the next area, the Pay Table. If we recall the finding regarding pay for performance, this addresses that particular finding. The current pay table is based on grade and time in service. As a result, there's only a modest financial incentive for early promotion. In particular, as most of us know, if you're promoted one year early, your pay for that year is greater than it otherwise would be, but if you compare to yourself being promoted on time, the next year your pay would be about the same as had you been promoted on time. One way to improve upon such a system would be to make pay a function not of time in service, but of time in grade, and that's the recommendation here. The second aspect of the current pay system is that increases in pay end after thirty years, a time in grade pay table would be structured not only to substitute the fogies so to speak from the time in service to time in grade fogies, but they would extend beyond thirty years to provide incentives for retention for those occupations, those members that there is a mutual interest to have a career beyond thirty years.

Mr. Jannotta: Admiral Pilling, Joe Jannotta. One thing that is happening as we speak is that the structure of the Services are changing Air Force, Navy, Army, particularly the Army, are changing, and I think that it's reasonable to say that possibly some of the competencies, the leadership skills that are needed in these new forces are also changes, and we really don't have a good picture of that yet, as it's work in process, but somewhere in here we should recognize that and at some point, I'd say a year or two years from now come back to this subject of the compensation architecture and look at it in terms of the current force and what does that say about how we pay people, and incentives and that sort of thing.

Adm. Pilling: Joe, I recognize the point, and I think in the draft Executive Summary that we've started to shape, that's basically the final thought, that as the force structure and demands on the Services become more clear for the future, periodic revisits of this particular issue should be made.

Mr. Jannotta: Perfect.

Mr. Hogan: A pay table that's a function of time in grade rather than time in service also provides flexibility in the future, building on Mr Jannotta's theme. Currently lateral entry is relatively small in the military. It occurs, lets say for physicians who come in at O3, and some enlisted skills maybe come in at O...E4, E5, because the.. if one were to expand lateral entry again in the future, a time in grade pay table is better suited for that because, in time in service, you always come in with 0 years in service, and you always, regardless of what pay grade you come in, you will always be a little bit behind your peers, your erstwhile peers, because you have no time in service in the lateral system. Again, something for the future, not that particularly important right now.

The next area, and again it's related to the concept of pay for performance is that members with dependents receive a Basic Allowance for Housing, a BAH, that on average is about 25% greater than members without dependents. This recommendation would eliminate this distinction between BAH for with dependents rate versus the BAH without dependents rate. And instead it would pay all the members at the with dependents rate. This would apply not only to BAH, but to the overseas housing allowance. The BAH...a second part of this recommendation is to provide BAH in cash to all members, and those in Government housing would rent that Government housing at the appropriate market-based rent.

Along with this, other elements of compensation that differentiate based on things other than performance and the needs of the service should be eliminated, and the recommendation here is to consolidate the Family Separation Allowance with other Special and Incentive pays if an allowance needs to be provided an incentive for example for deployment or for particularly harsh tours, it should be provided independent of family status.

Gen. Lyles: Paul, let me go back to your comment about BAH, and all members receiving BAH, and pay back if they're living in Government housing – we probably need to make sure take a look at that and understand that if there are any implications at all to the privatized housing situation we now have in the DoD. Those calculations and formulas for creating that situation were made with some assumption of what the privatization firms might make in terms of recoupmental funds from those who are living in the housing. And while I don't think, off the top of my head, that there's an impact there, just to be safe, we probably need to make sure that this kind of recommendation doesn't impact future privatized situations in that calculation.

Adm. Pilling: And the other comment I'd like to make is historically, how did we ever get to this situation? One of the reporters present with us this morning has written an article that talked about the reason we even got to an allowance for quarters was the Army couldn't accommodate some of their officers in base housing, sometime in the middle of the last century I guess it was, Tom. They did it for that and then it just expanded so now it's a major source of compensation.

Dr. White: Well I think also unfortunately it's a major source of differentiation. The differentiation is artificial in the sense of the professional career that the people are engaged in. We're making a distinction with people, and rewarding them at different levels, for being professionally at the same level.

Mr. Hogan: The next area concerns Special and Incentive pays. As we mentioned in the findings section, they are potentially very powerful, they can target specific staffing issues efficiently, but as most of us know, there are over sixty different pay categories, and depending on when you count and how you count, you can get way above the sixty. Many are fixed in law, and because they are, they provide little flexibility. There's a kind of a bean counting exercise, year after year, that counts the number eligible times the amount eligible, with little thought, in some cases, to the underlying force management purpose associated with some of those special pays.

The recommendation area here is to consolidate Special and Incentive Pays into a smaller number of categories. Within those categories, the dollars would be much more fungible than they are now, and that you could reallocate to meet the particular problem areas, at least at the margin, with greater ease than you can under the current system. The Secretary of Defense would have the authority which could be delegated to the Service Secretaries, to determine the criteria and amounts to be paid within the broad categories. The pays should be structured, at least a certain component of them to be very responsive to wartime conditions and contingencies, to make sure that the Secretary and the Services have a compensation tool that can adjust to wartime as well as peacetime conditions.

The second part of the recommendation is that the share of S&I pays in total compensation should be increased. Once this increase has gone into effect, the effects of the increase should be evaluated to make sure that the priors, that is, that these are very efficient pays and will do a lot for the Services, are borne out by the evaluation and the facts.

Dr. White: Paul, I think it's important to note, I think this is right, that in fact we would like to see them be a larger part of the total, but only of course if they are in fact flexible and manageable. So if you take the last recommendation off the rest of the recommendation, then probably we would say that's not a good idea. You really have to tie it to the flexibility.

Mr. Jannotta: And if I can say we also need to tie it to the future architecture, which we really don't quite know what this is going to look like.

Dr. White: That's exactly right Joe. And in fact, you want this to be a tool in terms of meeting that architecture.

Mr. Jannotta: That's right.

Mr. Hogan: The next area is in terms of the Health Benefit. Again, just repeating the finding: the TRICARE costs, especially for the pre-65 retiree population are growing rapidly. One major reason for this is the simple economic choices that the pre-65

population are making, with premiums being frozen essentially at the 1995 level, more and more are choosing the TRICARE system rather than their own employer's health plan.

The recommendation here is to restore premiums and Copays and deductibles to a competitive level with the civilian sector practices, and to adjust the premiums and copays and deductibles annually, perhaps in line with the annual cost of living adjustment to the military retirement annuity.

A second recommendation, based on the observation that the only component of the Health Care system that's not recognized on a current liability and accrual basis is the pre-65 Health Benefit liability, the recommendation here is that that should be funded on an accrual basis, just as the TRICARE for Life benefit is funded on an accrual basis.

Adm. Pilling: It's more than just healthcare, it's the entire retirement package, with this exception, is on an accrual basis. As retired pay is.

Mr. Hogan: In the Quality of Life area, the two most difficult and arguably intractable problems continue to be spouse employment and dependent schools. Here, just provide the observation that in addition to the programs that are targeted in that area, assistance to the spouse in finding jobs and so forth, that another area that the Services may use in the future to try to alleviate these particularly intractable problems is to provide greater choice in assignments, perhaps with the choice in assignments with incentives provided, so that those members that for example, don't have school age children, and are indifferent to the school system of a particular area can be assigned, on a voluntary basis perhaps, to areas that are known not to have such a terrific school system as opposed to members where that would be a very costly assignment in terms of schools, similarly in terms of spouse employment. That point is more in the form of an observation rather than a recommendation, that this would be a way to help alleviate those problems.

The recommendation is that Quality of Life programs should be subject to periodic and rigorous evaluation – that it would be very useful to have a framework for deciding what's in and what's out so to speak in the Quality of Life area. The recommendation is for the Under Secretary of Defense for Personnel and Readiness to develop such a framework and the guidelines, and then to evaluate Quality of Life programs rigorously and periodically based upon that framework and the guidelines within that framework.

The final area of recommendations is Reserve Compensation, and the first is, and perhaps the most important is that mobilized reserve members and reserve members on active duty should receive the same pay and benefits as otherwise equivalent active duty members. For the most part that's true today, but there are some rough edges that still need to be smoothed over.

A second area for recommendation is that those members who are called to active duty often face a choice between maintaining their current civilian health insurance or joining TRICARE for their family. This creates a natural continuity of care problem. The recommendation here is that those who do not choose to participate in TRICARE would be offered a stipend or payment to help defer the cost of maintaining alternative health insurance, in particular the health insurance of their civilian employer.

Finally the reserve component should have the flexibility to solve recruitment and retention problems as they arise. The ability to target incentives geographically as well as by occupation because of the particular aspects of the way the reserves are

structured. But in all those cases the incentives should be provided within the context of a systems approach to make sure the active duty reserves and civilians and contractor manpower if we go to the total force, are considered jointly in solving any particular problems so that solving a problem in one component does not inappropriately create problems in another.

Dr. White: Paul, one of the briefers in this area I thought had a very important observation and that was that in terms of dealing with compensation for the active force, if you want to change something, you have to stop what the person is rewarded now, the reverse is true for the reservist – you have to start something up for the reservist, this invariably takes longer, is more complicated, and the reservist suffers as a result. So you really need to put them both on the same system in terms of the logic of the way the system works, not just give them the same compensation.

Mr. Hogan: That concludes the formal portion of the presentation on the recommendations of the Committee.

Gen. Lyles: Paul, let me go back for a second to Quality of Life, as you noted our recommendations in the Quality of Life area perhaps are not as prescriptive as in the other areas –I think we need to emphasize both in our Executive Summary and in the report that was not by omission – it's a recognition that there are a lot of things that can be done to address Quality of Life programs, that it is important, that it has both the motivating factor, and the incentives factor. But we recognize that it sort of becomes a leadership issue, if you will, we did not want to describe one solution or another, but by asking the Department to raise the bar and put awareness on this, with guidelines and a framework, we hopefully will achieve result of getting recognition, get people to take a look at this seriously as opposed to prescribing specific bits and bites of recommendations. So I think we need to emphasize that so it doesn't look like we overlooked that very important area.

Mr. Cook: General, could we, I wonder if, staying within that, still there are some Defense Department-wide things that we might want to take a position on, like Paul emphasized the importance of education and spousal employment. The commission...the Committee may want to take the position that says "we would favor preference for spousal hiring in the civilian force on the base where they are", same way there are veteran preferences, or we may not want to take a position on that. Likewise with education, we may wish to take the position that says "We think base schools should be preserved or perhaps expanded because they provide great educational opportunities", or we may not want to take a position on that, but I would like to see us talk about that a little bit further, maybe later.

Gen. Lyles: I agree with you Frederic I think we can probably safely make sure we at least voice some favorings and ideas, if you will, and stick to strong recommendations of getting the guidelines and framework described by the Department as the main thing for everybody to put emphasis on this area.

Dr. White: I think that needs to be underlined because today we cannot be satisfied that in fact we're spending this money wisely – that we're providing directly what the force wants in terms of these sorts of Quality of Life activities.

Mr. Jannotta: And when you think about this, it's very much a local issue – you have different dynamics depending on where the base is, and this raises I think Gen Lyles' point which is that leadership becomes very key in this so that the base Commander if you will is able to sort of put together a plan that makes sense for his particular area. And so the notion that the leadership piece of that, for me, is essential to success in here.

Adm. Pilling: Agreed, Joe. Excuse me for leaving

Adm. Pilling: Are there any other comments from Martin or Joe?

Dr Anderson: I think it sounds very good

Gen. Lyles: I have one other comment that goes back to Fred's discussion about cost in the retirement area, and we've described and had discussions amongst ourselves in the Committee there are going to be those looking at our recommendations will not intuitively understand or agree that this could be a less costly approach that we are recommending, so, whatever matrix, whatever comparison chart, or examples we can give in the Executive Summary and in the body of report itself would be very instructive and helpful for those who won't automatically grasp that our recommended approach could be a less costly one.

Adm. Pilling: That's a fair point

Mr. Cook: Admiral, our recommendations and our report as delivered really don't give any mention at all to TRICARE for life, after age 65. We did, in fact, take a look at it, but we're aware that there is major evaluation done of how to deal with rising costs of this underway within the Pentagon. And I think our point of view was that we had nothing to offer to that basically. But we didn't just disregard the concern that's expressed

Adm. Pilling: That's correct, we ought to be more explicit, say we didn't ignore it

Mr. Cook: Yeah

Adm. Pilling: Are there any other comments? The only thing I think, administratively we have to sort out is we're scheduled for a meeting in March; my intuition is that we could do that as a virtual meeting because all we're going to be doing is providing comments on a draft report at that point. Unless Martin or Joe feel very strongly that we should have a real meeting.

Dr. Anderson: I think you've convinced us on that // laughter

Mr. Cook: Martin, we always enjoy having your presence though, you and Joe.

Mr. Hogan: Virtual meetings are real meetings...

Adm. Pilling: Right

Mr. Jannotta: So it will be telephonically done then, you're saying

Adm. Pilling: Yes, probably telephonic, as in the past we would...

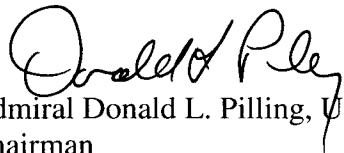
Mr. Jannotta: I'm going to be there anyway, so I was just wondering

Adm. Pilling: OK. Unless there's any strong feelings, I think we plan on the March meeting being a virtual meeting and I have no other business to discuss and if there are any members of the press that want to talk to me after this, I'm happy to entertain questions. And at that point I'll call this meeting to a close. Thank you.

Gen. Lyles, Mr. Jannotta: Thanks

Meeting adjourned at 10:47 a.m.

I hereby certify that, to the best of my knowledge, the foregoing transcripts are accurate and complete.



APR 12 2006

Admiral Donald L. Pilling, USN(Ret.)

Chairman

Defense Advisory Committee on Military Compensation