



DACMC Selected Reserve Compensation Committee Report

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Introduction

- **Selected Reserve consists of about 884,000 men and women in**
 - Army Reserve and National Guard
 - Naval Reserve
 - Marine Corps Reserve
 - Air Force Reserve and National Guard
 - Coast Guard Reserve
- **Represents about 38% of total active and Selected Reserve forces**
 - Largest share is Army, 53%



Introduction

- Reserve duties are typically part time—members support themselves/families through civilian jobs
- Selected Reserve has changed from a largely strategic reserve during the Cold War to an operational reserve today
 - Participation expectations are shifting from
 - » “One weekend per month, two weeks in the summer”, with mobilization and deployment rare
 - » Same training, but more frequent mobilizations and deployment
 - Shift was hastened by GWOT



Challenges

- **Changing participation demands may affect supply—recruiting and retention**
 - Effects members' civilian career and earnings
 - Overall demand for member's time
- **Geographic dimension of Selected Reserve complicates management**
 - With some exceptions, members are recruited for local units in the region where they live
- **Supply is linked to active forces**
 - Share non-prior service recruiting market
 - Active losses become reserve gains



Compensation System

- **Share same pay table as active duty**
- **Compensation depends on status**
 - **Inactive duty training**
 - » Paid 1/30th of monthly basic pay for each drill period—two four-hour drill periods per day
 - » No allowances or travel, but special and incentive pays are prorated
 - **Active duty training**
 - » Paid 1/30th of monthly basic pay for each day
 - **Called to active duty**
 - » Same as active, expect BAH II rather than BAH if less than 140 days



Compensation System

- **Retirement system**

- **Receive “points” for participation**
 - » 15 points for participation
 - » 1 point for each active duty day or drill period
- **50 points for a “good” year**
 - » 20 “good years” for vesting
- **Annuity begins at age 60**
 - » $\text{annuity} = (\text{points}/360) * .025 * \text{high three basic pay}$

- **Health benefit**

- **Eligible for TRICARE when on active duty more than 30 days**
- **TRICARE Reserve Select: may continue health benefit after demobilization for “earned” period**



Recruiting and Retention

- **Evidence of recruiting problems, particularly in Army Guard and Reserve**
 - Army Guard at 75% of goal, Army Reserve at 74%
 - Army Guard below goal for recruit quality
- **No evidence of retention problem at this time**
 - All components are meeting or exceeding attrition (retention) goals



Analysis

- **Reserve and Active force staffing and compensation are linked**
 - Interactions between active and reserve must be carefully considered in any proposals for change
- **Greater flexibility in compensation would support Selected Reserve future staffing demands and provide a hedge to mitigate problems as they emerge**
 - Payment of Inactive Duty Training is primary way of rewarding participation
 - Need flexibility to reward and provide incentives for various levels of participation in a “continuum of service”



Analysis

- **Staffing problems are likely to have a significant local or unit dimension**
 - **Need flexibility to structure compensation solutions at the unit or local geographic level**
- **Retirement system**
 - **Retirement system changes, specifically variations regarding earlier receipt of annuity, are not likely to be the best way to improve staffing incentives and provide flexibility**
 - » **Deferred benefit—highly discounted by recruits and mid-level members**
 - » **Does not target specific problem areas**
 - » **Reserve retirement pay does not have the rationale that it provides a transition to the civilian job market**



Analysis

- **Health Benefit**

- **TRICARE Reserve Select appears to be a solid way to add continuity of care to the reserve health benefit**
 - » However, many members retain their civilian health insurance when mobilized
- **A health benefit to the Selected Reserve that is independent of call to active duty, but is competitive with civilian employer insurance to the member is likely to be costly relative to the value to member**



Alternatives

- **Flexible deployment pay for active and reserve**
 - Amounts up to 100% of monthly basic pay
 - Contingencies determined by SECDEF
- **Target bonuses at the unit or geographic level**
 - Possibly through decentralization of bonus authority
- **Flexible reserve participation or retainer pay to support choice in participation and a continuum of service**
- **Elimination of compensation system differences that vary by reserve status, while ensuring competitive compensation at all levels**



Alternatives

- **Caution is suggested in certain areas:**
 - **Changes in retirement that entail earlier receipt of annuity**
 - » Not likely to improve force staffing
 - » Any earlier receipt should be actuarially reduced
 - **Permanent health benefit for Selected Reserve that is independent of call to active duty and is competitive to civilian employer's insurance**
 - » High cost if members switch, with marginal benefit to member
 - » Better approach to continuity of health care is to subsidize cost to member of maintaining civilian insurance when called



Framework for Compensation Improvement

- **System approach—active and reserve effects**
- **Increase flexibility, not impair it**
- **Choice and voluntarism—support preferences of member where possible**
- **Simplification—prefer simple to complex**
- **Force management—changes tied to improvements in force management and to actual or anticipated staffing issues**
- **Efficiency—of alternatives to accomplish end, prefer the efficient choice**
 - **In general, cash preferred to in-kind compensation; current to deferred benefits**