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**MILITARY
PERSONNEL**

**Options to Implement
Officer Reductions**



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National Security and
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The Honorable Sam Nunn
Chairman, Senate Armed Services Committee
United States Senate

The Honorable Les Aspin
Chairman, House Armed Services Committee
House of Representatives

In January 1987, you asked that we examine the adequacy of current officer-separation policies in light of the congressionally mandated 6-percent cut in active-duty officers, 1 percent of which must be achieved in fiscal year 1987, 2 percent in fiscal year 1988, and 3 percent in fiscal year 1989. The Congress imposed the 6-percent reduction because of concern about the overall size of the officer corps and its disproportionate growth relative to the enlisted force in the past 5 years. In fiscal year 1986, active-duty officers numbered about 309,000. To achieve the cuts, the services would have to reduce this number by about 3,000 in fiscal year 1987, 6,000 in fiscal year 1988, and 9,000 in fiscal year 1989—a total of about 18,000 over the 3-year period.

We concentrated our work on policies affecting company and field grade officers—lieutenant through colonel in the Army, Air Force, and Marine Corps and ensign through captain in the Navy (hereafter referred to as “Navy equivalents”). These officers comprise over 99 percent of the total active-duty officer force. We did not include general or flag officer ranks, which are managed under separate legislation.

The services have adequate discretionary authority to involuntarily separate officers with 1 to 11 years of service. Beyond the 11th year of service, current legislation and policies limit the services’ authority to separate officers.

For example, the Defense Officer Personnel Management Act (DOPMA) of 1980 (Public Law 96-513) allows officers with 18 years of service to continue until retirement eligibility at 20 years. Although voluntary separations do occur and there are also some involuntary separations for cause, DOPMA protects virtually all officers with more than 11 years of service from reduction-in-force (RIF) authority. As a result, these officers are effectively protected from involuntary separation. The Department of Defense’s (DOD’s) overall continuation policy is consistent with the expressed desire of the House Armed Services Committee, as

reflected in its report on DOPMA, that DOD retain majors until they are retirement eligible, i.e., majors who would otherwise be separated because they were twice nonselected for promotion to lieutenant colonel or Navy equivalent, based on their performance. Thus, since the inception of DOPMA, the opportunity for DOD to RIF or otherwise separate officers after their 11th year of service has diminished significantly.

Unless these constraints are changed, that part of the 6-percent reduction that cannot be achieved by normal attrition and reduced recruitment will come from forced separations primarily among company grade officers (lieutenants and captains and Navy equivalents), many of whom serve in combat units.

The House report on DOPMA also provided guidance to DOD on when officers should progress in rank, thus introducing a career management concept of how the officer corps should be distributed in terms of years of experience. Year groups that have too many officers are said to be overstrength, and those groups that have too few officers are said to be understrength. Each service offsets overstrength year groups with understrength year groups so that its total staffing level and grades remain within authorized ceilings. At the present time, there are significant overstrengths in the number of officers with 16 to 20 years of service.

Service officials told us that a major cause of overstrengths among officers with 16 to 20 years of service was the services' desire to retain high-quality, combat-experienced officers in larger than required numbers as U.S. involvement in Vietnam drew to a close. The effects of this action have been exacerbated in recent years because of high retention rates and, according to DOD comments on a draft of this report, the lack of RIF authority for officers with more than 11 years of service after DOPMA was enacted in 1980.

DOD Options for Reducing the Number of Officers

The Office of the Secretary of Defense (OSD) is considering various options that would allow the services to separate officers with more than 11 years of service. One option—changing DOD's continuation policy—would affect only about 2 percent of the overstrengths in protected year groups. According to an OSD official, this option would involve separating majors and Navy equivalents who were nonselected for promotion twice, which occurs at about their 17th year of service. If this option were exercised, the short-term outlays for separation pay

would be far less than the long-term retirement costs. In 1985, the Secretary of the Air Force estimated that separating an officer with 17 years of service would cost a maximum of \$30,000 in separation pay, while retaining the officer until retirement would cost about \$500,000 (present value) in retirement pay.

A second option OSD is considering would require legislation to enable the services to RIF officers who are currently RIF-exempt. However, the services are particularly reluctant to separate officers who have 16 to 20 years of service and are close to retirement because they would lose all benefits and receive only a maximum of \$30,000 separation pay. The services say that such forced separations would lead to lower morale and lower retention among follow-on year groups.

Higher separation pay provided temporarily during such forced reduction periods might soften the impact of lost retirement pay and still result in reduced retirement costs. Temporarily raising the cap on separation pay might also give the services an incentive to consider involuntarily separating officers particularly with 16 to 20 years of service, as part of the force reduction within the 3 years mandated by the Congress. For example, the cap on separation pay could increase two- to fivefold and still be less than long-term retirement costs. If officers are involuntarily separated and the separation pay disbursed early in a given fiscal year, the government can offset a large portion of the expense in the form of pay and benefits not paid to that officer in the first year alone. Currently, pay and benefits for a major (or Navy equivalent) with about 17 years of service are about \$50,000 per year.

Another use of the RIF authority, which the Army is advocating, is to seek legislation allowing the services to retire officers who, within the limits of current law, cannot be forced to retire, primarily lieutenant colonels and Navy equivalents who have 20 to 22 years of service and who are already eligible for retirement. Thus, these officers could be retired in the year after they qualify for retirement, which would be the end of fiscal year 1990 for those officers currently in their 16th year of service.

OSD is also considering changes to retirement policies, all of which would require new or revised legislation. One option would allow retirement-eligible officers above major and below lieutenant general (and Navy equivalents) to voluntarily retire at their current grade without having completed the required 3 years in that grade. A second option would raise the 30-percent cap on the number of eligible lieutenant colonels

and colonels (and Navy equivalents) with enough time in grade to qualify for consideration for selective early retirement under current legislation.

Air Force officials told us that they will submit a proposal to OSD to amend current legislation requiring an individual to serve 10 years as an officer in order to retire as one. The purpose of the proposal is to allow the Air Force to offer retirement to a limited number of overstrength captains who have, or will have, less than 10 years of service as officers but over 20 cumulative years of service as officers and enlisted members, having spent over 10 years in the enlisted ranks. The Air Force officials believe that, if given the option, these captains will voluntarily retire upon reaching 20 years of service, or immediately if they already have 20 years, rather than wait until they have 10 years of service as an officer.

Conclusions

The specific provisions in DOPMA and absence of RIF authority, along with DOD's continuation policy, make it difficult to execute the 6-percent reduction without impairing combat capability because compliance with current law and policy would cause the cuts to be primarily among company grade officers, many of whom serve in combat units. If this occurred, the services would reduce their investment in a youthful and vigorous force, create future understrengths, and retain officers they will lose in a few years through retirement. OSD and the services are exploring ways to mitigate such impacts through changes to current separation and retirement laws and policies.

The changes being explored do not include the option of temporarily raising the cap on separation pay in conjunction with proposed RIF authority and targeting that pay to the overstrength officers in the 16 to 20 year groups—groups (1) that DOD has no authority to RIF under current law and (2) whose members the services are reluctant to separate even if they had the authority because to do so would represent a breach of faith.

In addition to the proposals and options it is already considering, we believe that DOD should consider the feasibility of temporarily increasing separation pay and also consider the benefits of extending the period in which the reductions have to be made by 2 years. Extending these proposals and options through the end of fiscal year 1990 would allow the services to then reduce the number of officers that now have 16 to 17

years of service through retirement rather than through involuntary separation before the completion of 20 years of service.

The services will not achieve all of the 18,000 officer reduction mandated by the Congress by only (1) reducing overstrengths in officers with more than 11 years of service through use of temporarily higher separation pay in conjunction with DOD's proposed temporary RIF authority or (2) extending the time frame for the reduction to allow the overstrengths in the 16 to 20 year groups to attain retirement eligibility. However these options, along with current force management practices, will result in a more even distribution of cuts across a greater number of officer grades and may help lessen the negative impacts on combat readiness and morale resulting from concentrating the cuts primarily on company grade officers.

DOD officials told us that the 1-percent cut required for fiscal year 1987 would be implemented. However, DOD stated in its comments on a draft of this report that it is seeking repeal of the remaining 5 percent of the officer reduction.

Recommendations

Under current force management policies, existing requirements for officer reductions are likely to have an adverse impact on junior officer strengths. Because the Congress may not repeal or reduce the mandated reductions, we make the following recommendations to the Secretary of Defense:

- Estimate how much the cap on separation pay could be raised temporarily to equitably compensate officers currently protected but who might be subjected to a RIF before they reach retirement eligibility, and include that temporary separation pay increase among the legislative proposals DOD is considering for non-retirement eligibles.
- Assess the benefits of extending the time frame to implement the remaining 5-percent reduction by 2 years so that the reduction can include overstrengths in officers with 16 to 20 years of service when they become eligible for retirement, and report DOD's findings to the Congress with its legislative proposals.

Agency Comments and Our Evaluation

DOD provided written comments on a draft of this report which included detailed information about the services' objective force profiles. We decided that the information on objective force profiles was not pertinent to the principal thrust of this report and therefore deleted it. Since a substantial part of DOD's comments pertained to information no longer in the report, we have not included DOD's comments in the report.

However, regarding our recommendations, DOD did not concur with a proposal in our draft report that it consider raising the cap on separation pay. It said that separation pay is designed for officers who are involuntarily separated to assist them during a transition phase from military to civilian life and is not intended to be a reward and should not be used in any other context concerning officer reductions. While we agree that separation pay is compensation to assist officers who are involuntarily separated, we believe that it could also be used on a temporary basis to ease DOD through the 6-percent congressionally mandated reduction period. We have clarified the language of our recommendation.

Furthermore, DOD did not concur with our second recommendation to extend the implementation time frame by 2 years. DOD stated that its present position is to seek repeal of the remaining 5-percent reduction. It is our view, however, that DOD should explore all reasonable options for implementing the reduction since the Congress may not repeal its decision. In addition, spreading the reduction over a longer period would minimize the impact on combat capability.

The detailed results of our work are contained in the appendixes to this report. Appendix I identifies the principal legislation and DOD policies we examined. Appendix II states our objectives, scope, and methodology.

Copies of this report are being sent to the Chairmen, House and Senate Committees on Appropriations; the Director, Office of Management and Budget; the Secretaries of Defense, the Army, the Navy, and the Air Force; and other interested parties.



Frank C. Conahan
Assistant Comptroller General

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Abbreviations

DOD	Department of Defense
DOPMA	Defense Officer Personnel Management Act
OSD	Office of the Secretary of Defense
RIF	reduction-in-force

Principal Force-Shaping Retention and Separation Policies

The recruitment of new officers into the military and their retention and eventual separation are to a large degree shaped by appropriate provisions contained in 10 U.S.C. (1982), enactment of DOPMA, expressions of congressional interest in the House Armed Services Committee report on DOPMA (H.R. 96-1462), and DOD and service policies. Below is a list of the principal policies we reviewed. All of these policies contribute to shaping the profile of the officer corps.

Grade Table Limitations

The grade tables are based on the total strengths of officers on active duty less specific exemptions, and prescribe for each service the limits on the number of majors, lieutenant colonels, and colonels (and Navy equivalents).

Up-Or-Out Policy

The up-or-out policy prescribes as one element of the promotion system the discharge of lieutenants, captains, and majors (and Navy equivalents) who are twice nonselected for promotion. The policy does not apply to officers who are eligible for retirement or are within 2 years of being eligible.

Sanctuary Provision

The sanctuary provision permits officers who would otherwise be separated because they were not promoted and who are within 2 years of retirement to remain until they can retire after 20 years of service.

High-Tenure Policy

The high-tenure policy provides for the involuntary retirement of majors, lieutenant colonels, and colonels and their Navy equivalents at 20, 28, and 30 years of service, respectively.

Continuation of Regular Commissioned Officers on Active Duty

The continuation policy permits captains to be continued on a case-by-case basis up to 20 years of service and majors up to 24 years of service. Also, it permits majors who are twice nonselected for promotion and who would be separated under the up-or-out policy to be retained until they qualify for retirement, provided they are within 6 years of qualifying for retirement (14 years of service). This policy also applies to Navy equivalents.

**Appendix I
Principal Force-Shaping Retention and
Separation Policies**

**RIF Authority for Reserve
Commissioned Officers**

Reserve commissioned officers may be discharged anytime at the pleasure of the President. According to DOD officials, such authority has been delegated to the service secretaries.

**Time-In-Grade
Requirement**

The time-in-grade policy requires that lieutenant colonels and colonels (and Navy equivalents) serve 3 years in a grade in order to voluntarily retire in that grade.

Career Progression

The following career progression policy provides the average promotion timing and opportunity for lieutenants, captains, majors, lieutenant colonels, and colonels (and Navy equivalents):

- promotion of second lieutenant to first lieutenant and Navy ensign to lieutenant (junior grade): 100-percent opportunity if fully qualified after 1.5 to 2.0 years of service;
- promotion of first lieutenant to captain and Navy lieutenant (junior grade) to lieutenant: 95-percent opportunity after about 3.5 to 4 years of service;
- promotion of captain to major and Navy lieutenant to lieutenant commander: 80-percent minimum opportunity after 10 years of service plus or minus 1 year;
- promotion of major to lieutenant colonel and Navy lieutenant commander to commander: 70-percent minimum opportunity after 16 years of service plus or minus 1 year;
- promotion of lieutenant colonel to colonel and Navy commander to captain: 50-percent minimum opportunity after 22 years of service plus or minus 1 year.

Career progression, however, can occur more quickly when performance is greater than fully qualified. Conversely, performance that is less than fully qualified could lead to an individual's being twice non-selected for promotion and dismissed from military service.

All-Regular Career Force

The all-regular career force policy advocates that all reserve commissioned officers be integrated or augmented into the regular career force by their 11th year of service. Regular officers are exempt from RIF authority.

**Appendix I
Principal Force-Shaping Retention and
Separation Policies**

**Separation-For-Show-
Cause Policy**

The separation-for-show-cause policy provides for the separation of officers who cannot meet the standards of duty, performance, and discipline.

Selective Early Retirement

The selective early retirement policy provides for involuntary retirement of a maximum of 30 percent by competitive category of both lieutenant colonels twice nonselected for promotion to colonel and colonels with 4 years in grade who are not on the brigadier general promotion list. This policy also applies to Navy equivalents.

Objectives, Scope, and Methodology

The purpose of our review was to determine the adequacy of current separation policies for managing officer distribution in light of the 6-percent reduction in officer strength recently mandated by the Congress. We performed our work at OSD and service headquarters in Washington, D.C.

In conducting our review, we obtained and analyzed studies and reports on force management and obtained and reviewed current separation and retention policies. We also obtained and reviewed OSD's proposed policies to separate officers not covered under current policies, which will help the services better achieve the 6-percent cut. We interviewed OSD and service officials regarding the implementation of current and proposed policies and also to determine the year-of-service groups affected by such policies. We currently have underway a separate review of OSD and service plans for implementing the cuts.

We concentrated our work on policies affecting company and field grade officers—lieutenants through colonels (and Navy equivalents)—who comprise over 99 percent of the total active-duty officer force. We also obtained each service's line officer staffing levels by years of service as of September 30, 1986, and, with the exception of the Air Force, its force profile for line officers. We relied on each service to provide us with its latest force profile.

We compared the latest staffing levels with the profiles to identify overstrengths and understrengths in year-of-service groups, as well as areas where separation policies may need to be reexamined. According to Air Force officials, the Air Force did not provide us its profile because its profile does not reflect current policies. Finally, we discussed with each service's personnel officials the causes of these overstrengths.

Our audit work, which was already underway at the time of the Committees' inquiry, was conducted between January 1986 and April 1987 in accordance with generally accepted government auditing standards.

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