

PREPARED STATEMENT
OF
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UNITED STATES COAST GUARD
BEFORE THE
SENATE ARMED SERVICES COMMITTEE

4 DECEMBER 1985

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM PLEASED TO HAVE THE OPPORTUNITY TO TESTIFY TODAY ON THE SUBJECT OF THE MILITARY RETIREMENT SYSTEM AND THE POTENTIAL IMPACT OF CHANGES TO THAT SYSTEM ON THE COAST GUARD.

THE COAST GUARD HAS HAD THE OPPORTUNITY TO EXAMINE THE TWO PROPOSALS FOR CHANGING THE MILITARY RETIREMENT SYSTEM THAT WERE PROVIDED TO THE CONGRESS BY THE SECRETARY OF DEFENSE. IT IS OUR OPINION THAT THESE PROPOSED CHANGES MIGHT PRODUCE RESULTS THE COSTS OF WHICH COULD OUTWEIGH ANY EXPECTED SAVINGS RESULTING FROM A REDUCTION IN LONG-TERM RETIREMENT EXPENDITURES. IN GENERAL, THE CHANGES PROPOSED MIGHT RESULT IN A YOUNGER, LESS EXPERIENCED FORCE; INCREASED ACCESSION NEEDS; INCREASED APPRENTICE AND SPECIALTY TRAINING COSTS; AND A SIGNIFICANT CHANGE IN THE WAY THE COAST GUARD PERFORMS ITS MISSIONS. ON A LARGER SCALE, THE PROPOSED REFORM COULD IMPACT ON NATIONAL SECURITY.

THE COAST GUARD BELIEVES THAT ANY CONSIDERATION OF CHANGES TO THE MILITARY RETIREMENT SYSTEM, SUCH AS THOSE UNDER CONSIDERATION, MUST INCLUDE AN UNDERSTANDING OF THE IMPACT OF THESE CHANGES ON THE ABILITY OF THE COAST GUARD TO CONTINUE TO PERFORM ITS MISSIONS. IF THESE PROPOSALS BECOME LAW, IT COULD BE NECESSARY FOR THE COAST GUARD TO MAKE CHANGES IN OUR ORGANIZATIONAL STRUCTURE.

OUR ANALYSIS, BASED ON METHODOLOGIES SIMILAR TO THOSE USED BY DOD AND BY THE FIFTH QUADRENNIAL REVIEW OF MILITARY COMPENSATION, INDICATE THAT THE GREATEST EFFECT ON THE FUTURE FORCE WILL BE ON THOSE ENLISTED PEOPLE WHO REACH A "CROSSOVER" POINT ABOUT YEAR 12 OF MILITARY SERVICE. AT THIS POINT, THE "PULL" OF RETIREMENT TAKES OVER FROM THE "PUSH" OF BONUS AND INCENTIVE PROGRAMS. THIS PULL CAUSES MANY PEOPLE WHO ORIGINALLY REENLISTED FOR A BONUS TO CONSIDER A CAREER. THE FACT THAT THERE IS NO VESTING OF RETIREMENT BENEFITS PRIOR TO

THE 20TH YEAR OF SERVICE ADDS TO THIS PULL. IN EFFECT, ANYTHING THAT DECREASES THE PERCEIVED VALUE OF RETIREMENT DECREASES THE PULL TO THE 20-YEAR POINT.

THIS "RESTRUCTURING" OF OUR MILITARY WORK FORCE COULD EVENTUALLY RESULT IN A YOUNGER, LESS EXPERIENCED FORCE, REQUIRING A GREATER NUMBER OF ANNUAL ACCESSIONS. THIS POTENTIAL LOSS OF MID-GRADE PERSONNEL COULD ALSO REQUIRE US TO RETHINK OUR MANAGEMENT PHILOSOPHY OF PUSHING RESPONSIBILITY AND ACCOUNTABILITY TO THE LOWEST ORGANIZATIONAL LEVEL PRACTICABLE. MORE DECISIONS MIGHT HAVE TO BE MADE AT HIGHER LEVELS. BECAUSE OF THE NATURE OF COAST GUARD MISSIONS, AND THE TREMENDOUS DECENTRALIZATION AND GEOGRAPHIC DISTRIBUTION OF OUR MANY SMALL, INDEPENDENT UNITS, THE COAST GUARD DEPENDS VERY HEAVILY ON SENIOR ENLISTED PEOPLE TO MAKE REAL-TIME LIFE-AND-DEATH DECISIONS THAT SIMPLY CANNOT BE REFERRED TO HIGHER AUTHORITY. BECAUSE OF THESE POSSIBILITIES, THE CHANGES PROPOSED COULD HAVE A DISPROPORTIONATELY GREATER NEGATIVE IMPACT ON THE COAST GUARD, VIS-A-VIS THE DOD SERVICES.

IN SUMMARY, THE COAST GUARD, WITH ONLY 38,700 ACTIVE DUTY MEMBERS, IS A RELATIVELY SMALL ARMED SERVICE. WE DO NOT HAVE THE RESOURCES IN PLACE, NOR THE CAPABILITY TO PUT RESOURCES IN PLACE IN THE SHORT-TERM, TO RESPOND TO THE POTENTIAL ADVERSE EFFECTS OF CHANGES AS PROPOSED. THE CURRENT RETIREMENT SYSTEM CONSTITUTES AN IMPORTANT FORM OF MILITARY COMPENSATION. WE ARE CONCERNED ABOUT THE POSSIBLE NEGATIVE IMPACT OF THESE CHANGES ON OUR ABILITY TO RETAIN U. S. COAST GUARD MILITARY PERSONNEL.

THANK YOU, MR. CHAIRMAN. I WILL BE PLEASED TO RESPOND TO ANY QUESTIONS YOU OR THE COMMITTEE MAY HAVE ABOUT THIS ISSUE.