SEC. 503. FORCE MANAGEMENT ENHANCEMENTS.

(a) REINSTATEMENT OF AUTHORITY FOR ENHANCED SELECTIVE EARLY RETIREMENT BOARDS AND EARLY DISCHARGES.—Section 638a of title 10, United States Code, is amended—

(1) in subsection (a)—

(A) by striking ", during the period beginning on October 1, 1990," and all that follows through "December 31, 2012,"; and

(B) by inserting at the end the following new sentence: "Any such authority provided the Secretary of a military department under the preceding sentence shall expire as specified by the Secretary of Defense, but not later than December 31, 2018."; and

(2) in subsection (d)(2), by striking "except that during the period beginning on October 1, 2006, and ending on December 31, 2012," in subparagraphs (A) and (B) and inserting "except that through December 31, 2018,".

(b) EXTENSION OF VOLUNTARY SEPARATION PAY.—Section 1175a(k)(1) of title 10, United States Code, is amended by striking "December 31, 2012" and inserting "December 31, 2018".

(c) VOLUNTARY RETIREMENT INCENTIVE.—

(1) IN GENERAL.—Chapter 36 of title 10, United States Code, is amended by inserting after section 638a the following new section:

"§ 638b. Voluntary retirement incentive

"(a) INCENTIVE FOR VOLUNTARY RETIREMENT FOR CERTAIN OFFICERS.—The Secretary of Defense may authorize the Secretary of a military department to provide a voluntary retirement incentive payment in accordance with this section to an officer of the armed forces under that

Secretary's jurisdiction who is specified in subsection (b) as being eligible for such a payment. Any such authority provided the Secretary of a military department under the preceding sentence shall expire as specified by the Secretary of Defense, but not later than December 31, 2018.

"(b) ELIGIBLE OFFICERS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), an officer of the armed force is eligible for a voluntary retirement incentive payment under this section if the officer—

"(A) has served on active duty for more than 20 years but no more than 29 years on the approved date of retirement;

"(B) meets the minimum length of commissioned service requirement for voluntary retirement as a commissioned officer in accordance with section 3911, 6323, or 8911 of this title 10, as applicable to that officer;

"(C) on the approved date of retirement has 12 months or more remaining on active-duty service before reaching the maximum retirement years of active service for the member's grade as specified in section 633 or 634 of this title;

"(D) on the approved date of retirement has 12 months or more remaining on active-duty service before reaching the maximum retirement age under any other provision of law; and

"(E) meets any additional requirements for such eligibility as is specified by the Secretary concerned, including any requirement relating to years of service, skill rating, military specialty or competitive category, grade, any remaining period of obligated service, or any combination thereof.

"(2) OFFICERS NOT ELIGIBLE.—The following officers are not eligible for a voluntary retirement incentive payment under this section:

"(A) An officer being evaluated for disability under chapter 61 of this title.

"(B) An officer projected to be retired under section 1201 or 1204 of this title.

"(C) An officer projected to be discharged with disability severance pay under section 1212 of this title.

"(D) A member transferred to the temporary disability retired list under section 1202 or 1205 of this title.

"(E) An officer subject to pending disciplinary action or subject to administrative separation or mandatory discharge under any other provision of law or regulation.

"(c) AMOUNT OF VOLUNTARY RETIREMENT INCENTIVE PAYMENT.—A voluntary retirement incentive payment paid to an officer under this section may be paid in a lump sum at the time of retirement and may be in an amount determined by the Secretary concerned not to exceed 12 times the amount of the officer's monthly basic pay at the time of the officer's retirement.

"(d) REPAYMENT FOR MEMBERS WHO RETURN TO ACTIVE DUTY. —

"(1) Except as provided in paragraph (2) a member of the armed forces who, after having received all or part of voluntary retirement incentive under this section, returns to active duty shall have deducted from each payment of basic pay, in such schedule of monthly installments as the Secretary concerned shall specify, until the total amount deducted from such basic pay equals the total amount of voluntary retirement incentive received.

"(2) Members who are involuntarily recalled to active duty or full-time National Guard duty under any provision of law shall not be subject to this subsection.

"(3) The Secretary of Defense may waive, in whole or in part, repayment required under paragraph (1) if the Secretary determines that recovery would be against equity and good conscience or would be contrary to the best interest of the United States. The authority in this paragraph may be delegated only to the Undersecretary of Defense for Personnel and Readiness and the Principal Deputy Undersecretary of Defense of Personnel and Readiness.".

(2) CLERICAL AMENDMENT.—The table of sections at the beginning of subchapter IV of such chapter is amended by inserting after the item relating to section 638a the following new item:

"638b. Voluntary retirement incentive.".

(d) AUTHORITY TO REDUCE YEARS OF SERVICE FOR MANDATORY RETIREMENT FOR CERTAIN OFFICERS IN PAY GRADES O-5 AND O-6.—

(1) LIEUTENANT COLONELS AND NAVY COMMANDERS.—Section 633 of title 10, United States Code, is amended by adding at the end the following new subsection:

"(c) AUTHORITY FOR EARLIER MANDATORY RETIREMENT.—Under regulations prescribed by the Secretary of Defense, during the period beginning on January 1, 2013, and ending on December 31, 2018, the Secretary concerned may reduce the amount of service specified in subsection (a) from 28 years to a period (determined by the Secretary concerned) of not less than 25 years of active commissioned service. Any such reduction under this subsection may not become effective before the first day of the twelfth calendar month beginning after the month in which the Secretary concerned approves and announces the reduction.".

(2) COLONELS AND NAVY CAPTAINS.—Section 634 of title 10, United States Code, is amended by adding at the end the following new subsection:

"(c) AUTHORITY FOR EARLIER MANDATORY RETIREMENT.—Under regulations prescribed by the Secretary of Defense, during the period beginning on January 1, 2013, and ending on December 31, 2018, the Secretary concerned may reduce the amount of service specified in subsection (a) from 30 years to a period (determined by the Secretary concerned) of not less than 27 years of active commissioned service. Any such reduction under this subsection may not become effective before the first day of the twelfth calendar month beginning after the month in which the Secretary concerned approves and announces the reduction.".

Section-by-Section Analysis

The Department of Defense is proposing the use of these exit strategies to achieve the necessary force drawdown to realize the Secretary's and the Services' agreed upon budget reductions, while doing so with the full appreciation for the sacrifices of the Soldiers, Sailors, Airmen and Marines on behalf of our nation. Maintaining readiness while responsibly reducing our force structure will be the major challenge in the years ahead.

The Department has proven itself adept at maintaining the all volunteer force through two major conflicts. There are significant incentives to bring in and retain the right force mix of personnel. The area where we could use your help is in creating a system of force management tools focused on a means to compassionately reduce the force as operations subside. These tools, some of which have previously expired in law, provide the necessary flexibilities to transition the Department from a fully engaged footing to one of more routine engagement around the globe. Drawdown programs and strategies provide targets to create a more balanced force and ensure we retain the right skills and talent to be a more productive and agile force able to meet emerging needs.

Although DoD has a limited number of current authorities, they do not provide the level of fidelity required to target career fields for early retirement or early discharge boards. These authorities will be necessary to address future force shaping needs to meet dynamic changes in missions resulting from an ever-changing environment. Having a range of options to grow or reduce the force in specific skill areas is vital to the full spectrum of missions.

Subsection (a) of this proposal, Reinstatement of Authority for Enhanced Selective Early Retirement Boards and Early Discharges, would expand the retirement eligible pool of officers the Department needs to target to shape the force. 10 U.S.C. § 638a removes the restriction prohibiting service members from being considered for early retirement more than once in any

five-year period. Additionally, proposal allows O-5s who have failed to be promoted one time (rather than two or more times) be eligible for a SERB. Lastly, this authority allows O-6s with greater than 2 years time in grade to be eligible for selective early retirement. The enhanced selective early retirement authority offers the Services more flexibility to widen the pool of SERB eligible officers. This authority is required during the FY 2012 cycle to ensure the program is available for use at the start of 2013.

By amending 10 U.S.C. § 638a, this proposal will provide the Service Secretaries the temporary statutory authority to convene early discharge boards through December 31, 2018. This authority is required during the FY 2012 cycle to ensure the program is available for use at the start of 2013.

Subsection (b) of this proposal, Extension of Voluntary Separation Pay, would extend the termination date of 10 U.S.C. § 1175a, Voluntary Separation Pay and Benefits, will provide the Service Secretaries the temporary statutory authority to continue using voluntary separation pay and benefits through December 31, 2018. This authority is required during the FY 2012 cycle to ensure the program is available for use at the start of 2013.

Subsection (c) of this proposal, Voluntary Retirement Incentive (VRI) would be a new temporary statutory proposal that would giving the Secretary of Defense the authority to authorize the Military Department Secretaries to offer a VRI to service members with 20, but less than 29 years of active service through December 31, 2018. This authority is required during the FY 2012 cycle to ensure the program is available for use at the start of 2013.

Subsection (d)(1) of this proposal, Authority to Reduce Years of Service for Mandatory Retirement for certain Officers in the Grade of O-5, would provide the Military Department Secretaries the flexibility to reduce the maximum years of active commissioned service for officers in the regular grade of lieutenant colonel, or commander in the Navy. 10 U.S.C. § 633 specifies the maximum active commission service to be served by a regular lieutenant colonel is 28 years, while the proposed legislative changes gives the Service Secretaries the flexibility to reduce the maximum years of active commissioned service from 28 to no less than 25 years.

Subsection (d)(2) of this proposal, Authority to Reduce Years of Service for Mandatory Retirement for certain Officers in the Grade of O-6, would provide the Military Department Secretaries the flexibility to reduce the maximum years of active commissioned service for officers in the regular grade of colonel, or captain in the Navy. 10 U.S.C. § 634 specifies the maximum active commission service to be served by a regular colonel is 30 years, while the proposed legislative changes gives the Service Secretaries the flexibility to reduce the maximum years of active commissioned service from 30, but no less than 27 years.

Budgetary and Personnel Impact: It is the Department's policy to offer voluntary programs prior to taking involuntary separation action. Several of these programs have costs associated with them. The Services are currently examining options for identifying offsets. Additionally, given the short timeframe to provide this data, we are providing "rolled-up" DoD numbers as opposed to numbers broken out by Service.

ENHANCED EARLY SELECTIVE RETIREMENT BOARD:

NUMBER OF PERSONNEL AFFECTED									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation To**	**Budget Activity**	**Line Item**
DoD Total	591	0	0	0	0	0	N/A	N/A	N/A

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation From**	**Budget Activity**	**Line Item**
DoD Total	$0	$0	$0	$0	$0	$0	N/A	N/A	N/A

EARLY DISCHARGE:

NUMBER OF PERSONNEL AFFECTED									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation To**	**Budget Activity**	**Line Item**
DoD Total	847	0	0	369	1,280	0	MILPERS	01	50

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation From**	**Budget Activity**	**Line Item**
DoD Total	$55.3	$0	$0	$9.0	$81.1	$0	MILPERS	01	50

VOLUNTARY SEPARATION PAY:

NUMBER OF PERSONNEL AFFECTED									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation To**	**Budget Activity**	**Line Item**
DoD Total	397	1,750	840	4,451	1,186	245	MILPERS	01/02	50/100

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation From**	**Budget Activity**	**Line Item**
DoD Total	$44.3	$193.7	$100.9	$325.2	$86.7	$10.6	MILPERS	01/02	50/100

VOLUNTARY RETIREMENT INCENTIVE:

NUMBER OF PERSONNEL AFFECTED									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation To**	**Budget Activity**	**Line Item**
DoD Total	0	380	132	132	132	132	MILPERS	01	40

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation From**	**Budget Activity**	**Line Item**

DoD Total	0	$16.1	$5.7	$5.9	$6.0	$6.2	MILPERS	01	40

REDUCED YEARS OF SERVICE FOR MANDATORY RETIREMENT (O-5s):

NUMBER OF PERSONNEL AFFECTED									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation To**	**Budget Activity**	**Line Item**
DoD Total	0	0	294	109	120	135	N/A	N/A	N/A

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation From**	**Budget Activity**	**Line Item**
DoD Total	$0	$0	$0	$0	$0	$0	N/A	N/A	N/A

REDUCED YEARS OF SERVICE FOR MANDATORY RETIREMENT (O-6s):

NUMBER OF PERSONNEL AFFECTED									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation To**	**Budget Activity**	**Line Item**
DoD Total	0	0	369	165	174	147	N/A	N/A	N/A

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation From**	**Budget Activity**	**Line Item**
DoD Total	$0	$0	$0	$0	$0	$0	N/A	N/A	N/A

Changes to Existing Laws: This proposal would make the following changes to current law.

TITLE 10, UNITED STATES CODE

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§ 633. Retirement for years of service: regular lieutenant colonels and commanders

(a) ***

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(c) AUTHORITY FOR EARLIER MANDATORY RETIREMENT.— Under regulations prescribed by the Secretary of Defense, during the period beginning on January 1, 2013, and ending on December 31, 2018, the Secretary concerned may reduce the amount of service specified in subsection (a) from 28 years to a period (determined by the Secretary concerned) of not less than 25 years of active commissioned service. Any such reduction under this subsection may not become effective before the first day of the twelfth calendar month beginning after the month in which the Secretary concerned approves and announces the reduction.

§ 634. Retirement for years of service: regular colonels and captains

(a) ***

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(c) AUTHORITY FOR EARLIER MANDATORY RETIREMENT.— Under regulations prescribed by the Secretary of Defense, during the period beginning on January 1, 2013, and ending on December 31, 2018, the Secretary concerned may reduce the amount of service specified in subsection (a) from 30 years to a period (determined by the Secretary concerned) of not less than 27 years of active commissioned service. Any such reduction under this subsection may not become effective before the first day of the twelfth calendar month beginning after the month in which the Secretary concerned approves and announces the reduction.

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§ 638a. Modification to rules for continuation on active duty; enhanced authority for selective early retirement and early discharges

(a) The Secretary of Defense may authorize the Secretary of a military department~~, during the period beginning on October 1, 1990 and ending on December 31, 2001 and for the purpose of subsection (b)(4) during the period beginning on October 1, 2006, and ending on December 31, 2012,~~ to take any of the actions set forth in subsection (b) with respect to officers of an armed force under the jurisdiction of that Secretary. Any such authority provided the Secretary of a military department under the preceding sentence shall expire as specified by the Secretary of Defense, but not later than December 31, 2018.

* * * * * * *

(d)(1) ***

(2) The Secretary concerned shall specify the total number of officers to be recommended for discharge by a selection board convened pursuant to subsection (b)(4). That number may not be more than 30 percent of the number of officers considered—

(A) in each grade in each competitive category, ~~except that during the period beginning on October 1, 2006, and ending on December 31, 2012,~~ except that through December 31, 2018, such a number may be more than 30 percent of the number of the officers considered in each competitive category, but may not be more than 30 percent of the number of officers considered in each grade: or

(B) in each grade, year group, or specialty (or combination thereof) in each competitive category, ~~except that during the period beginning on October 1, 2006, and ending on December 31, 2012,~~ except that through December 31, 2018, such a number may be more than 30 percent of the number of the officers considered in each competitive category, but may not be more than 30 percent of the number of officers considered in each grade.

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§ 638b. Voluntary retirement incentive

(a) INCENTIVE FOR VOLUNTARY RETIREMENT FOR CERTAIN OFFICERS.—The Secretary of Defense may authorize the Secretary of a military department to provide a voluntary retirement incentive payment in accordance with this section to an officer of the armed forces under that Secretary's jurisdiction who is specified in subsection (b) as being eligible for such a payment. Any such authority provided the Secretary of a military department under the preceding sentence shall expire as specified by the Secretary of Defense, but not later than December 31, 2018.

(b) ELIGIBLE OFFICERS.—

(1) IN GENERAL.—Except as provided in paragraph (2), an officer of the armed force is eligible for a voluntary retirement incentive payment under this section if the officer—

(A) has served on active duty for more than 20 years but no more than 29 years on the approved date of retirement;

(B) meets the minimum length of commissioned service requirement for voluntary retirement as a commissioned officer in accordance with section 3911, 6323, or 8911 of this title 10, as applicable to that officer;

(C) on the approved date of retirement has 12 months or more remaining on active-duty service before reaching the maximum retirement years of active service for the member's grade as specified in section 633 or 634 of this title;

(D) on the approved date of retirement has 12 months or more remaining on active-duty service before reaching the maximum retirement age under any other provision of law; and

(E) meets any additional requirements for such eligibility as is specified by the Secretary concerned, including any requirement relating to years of service, skill rating, military specialty or competitive category, grade, any remaining period of obligated service, or any combination thereof.

(2) OFFICERS NOT ELIGIBLE.—The following officers are not eligible for a voluntary retirement incentive payment under this section:

(A) An officer being evaluated for disability under chapter 61 of this title.

(B) An officer projected to be retired under section 1201 or 1204 of this title.

(C) An officer projected to be discharged with disability severance pay under section 1212 of this title.

(D) A member transferred to the temporary disability retired list under section 1202 or 1205 of this title.

(E) An officer subject to pending disciplinary action or subject to administrative separation or mandatory discharge under any other provision of law or regulation.

(c) AMOUNT OF VOLUNTARY RETIREMENT INCENTIVE PAYMENT.—A voluntary retirement incentive payment paid to an officer under this section may be paid in a lump sum at the time of retirement and may be in an amount determined by the Secretary concerned not to exceed 12 times the amount of the officer's monthly basic pay at the time of the officer's retirement.

(d) REPAYMENT FOR MEMBERS WHO RETURN TO ACTIVE DUTY. —

(1) Except as provided in paragraph (2) a member of the armed forces who, after having received all or part of voluntary retirement incentive under this section, returns to

active duty shall have deducted from each payment of basic pay, in such schedule of monthly installments as the Secretary concerned shall specify, until the total amount deducted from such basic pay equals the total amount of voluntary retirement incentive received.

(2) Members who are involuntarily recalled to active duty or full-time National Guard duty under any provision of law shall not be subject to this subsection.

(3) The Secretary of Defense may waive, in whole or in part, repayment required under paragraph (1) if the Secretary determines that recovery would be against equity and good conscience or would be contrary to the best interest of the United States. The authority in this paragraph may be delegated only to the Undersecretary of Defense for Personnel and Readiness and the Principal Deputy Undersecretary of Defense of Personnel and Readiness.

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§ 1175a. Voluntary separation pay and benefits

(a) ***

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(k) TERMINATION OF AUTHORITY.—(1) The authority to separate a member of the armed forces from active duty under subsection (c) shall terminate on ~~December 31, 2012~~ December 31, 2018.

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