SEC. ___. EXTENSION OF AUTHORITY FOR REDUCTION DURING FORCE DRAWDOWN PERIOD IN AMOUNT OF ACTIVE COMMISSIONED SERVICE REQUIRED FOR OFFICERS TO RETIRE IN A COMMISSIONED GRADE.

(a) ARMY.—Section 3911(b) of title 10, United States Code, is amended—

(1) in paragraph (1), by striking "eight years" and inserting "six years"; and

(2) in paragraph (2), by striking "September 30, 2018" and inserting September 30, 2019".

(b) NAVY AND MARINE CORPS.—Section 6323(a)(2) of such title is amended—

(1) in subparagraph (A), by striking "eight years" and inserting "six years"; and

(2) in subparagraph (B), by striking "September 30, 2018" and inserting September 30, 2019".

(c) AIR FORCE.—Section 8911(b) of such title is amended—

(1) in paragraph (1), by striking "eight years" and inserting "six years"; and

(2) in paragraph (2), by striking "September 30, 2018" and inserting September 30, 2019".

(d) EFFECTIVE DATE.—The amendments made by subsections (a)(1), (b)(1), and (c)(1) shall apply only with respect to a member of the Army, Navy, Air Force, or Marine Corps who is retired on or after the date of the enactment of this Act.

[Please note: The "Changes to Existing Law" section below sets out in red-line format how the legislative text above would amend existing law.]

Section-by-Section Analysis

This proposal would amend sections 3911(b), 6323(a)(2), and 8911(b) of title 10, United States Code, to provide the Secretaries of the military departments continuing authority to

approve the voluntary retirement at 20 years of service for officers, but with a reduction to six years active commissioned service, instead of 10 years, until September 30, 2019.

Revision of this authority, through 30 September 2019, will provide continued access to an invaluable force shaping tool. In a budget-constrained environment, with declining manpower requirements and high officer retention rates, the Services must be equipped with robust and flexible tools to retain officers with the required skill sets. This authority provides the Secretary concerned with the flexibility to size and shape the force with the proper balance of skill sets and providing viable career paths to the officer corps.

Budget Implications: If the Army were to exercise the waiver authority for all 755 eligible personnel, separation costs for Military Personnel, Army (MPA), are estimated to increase by $13.05 million in fiscal years 2017-2021. This is a result of the higher Temporary Early Retirement Authority (TERA) payments expected for a Soldier that retires as a Captain or Major (O-3/O-4) as opposed to a Sergeant (E-5). This increased cost is projected to be offset by voluntary retirements for officers who are retirement eligible, but are deferring retirement until they meet the minimum commissioned service criteria and retire as officers vice enlisted. The Army G-1 estimates that there are 755 officers that would meet these criteria in the fiscal years 2017-2021. The early retirements of these 755 officers would result in a reduction in the pay and allowance requirements of -$94.2 million. Therefore, the Army estimates a net reduction in MPA requirements of -$81.1 million if this proposal is adopted. The resources reflected in the table below are funded within the FY 2017 President's Budget.

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**Appropriation From**	**Budget Activity**	**Dash- 1 Line Item**	**Program Element**
Army	(12.41)	(33.48)	(25.80)	(7.73)	(1.69)	Military Personnel, Army	1	50	0904901A
TERA	4.22	4.49	4.34	0	0				
P&A	(16.63)	(37.97)	(30.14)	(7.73)	(1.69)				
Navy does not intend to use this authority, which would have been funded in the following account: Military Personnel, Navy.									
Air Force does not intend to use this authority, which would have been funded in the following account: Military Personnel, Air Force.									
Marine Corps does not intend to use this authority, which would have been funded in the following account: Military Personnel, Marine Corps.									
Total	(12.41)	(33.48)	(25.80)	(7.73)	(1.69)				

The proposal will also have an impact on the Mandatory Treasury outlays from the Department of Defense (DoD) Military Retirement Fund (MRF). If the proposal is enacted, all 755 eligible Soldiers would be eligible to draw retirement from the MRF up to two years earlier than under the current law but with a reduced rate for lower Years of Service. The DoD Office of the Actuary estimates that this proposal will increase Mandatory Treasury outlays $37 million over the fiscal years 2017-2021, but will continue to accrue long term savings to the treasury due to the lower retirement payments beyond FY 2021.

MRF RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**Appropriation From**	**Budget Activity**	**Dash 1 Line Item**	**Program Element**

MRF (Army)	20.6	16.8	4.3	(1.1)	(3.6)	MERHCF, Army			
Navy does not intend to use this authority, which would have been funded in the following account: MERHCF, Navy.									
Air Force does not intend to use this authority, which would have been funded in the following account: MERHCF, Air Force.									
Marine Corps does not intend to use this authority, which would have been funded in the following account: MERHCF, Marine Corps.									
Total	**20.6**	**16.8**	**4.3**	**(1.1)**	**(3.6)**				

PERSONNEL AFFECTED									
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**Appropriation From**	**Budget Activity**	**Dash 1 Line Item**	**Program Element**
Army	458	313	267	0	0	Military Personnel, Army	1	50	0904901A
Service members retiring at the higher officer rate	248	260	247	0	0				
Soldiers Eligible for Immediate Retirement	210	53	20	0	0				
Navy does not intend to use this authority, which would have been funded in the following account: Military Personnel, Navy.									
Air Force does not intend to use this authority, which would have been funded in the following account: Military Personnel, Air Force.									
Marine Corps does not intend to use this authority, which would have been funded in the following account: Military Personnel, Marine Corps.									
Total	458	313	267	0	0				

Changes to Existing Law: This proposal would make the following changes to title 10, United States Code:

§ 3911. Twenty years or more: regular or reserve commissioned officers

(a)(1) The Secretary of the Army may, upon the officer's request, retire a regular or reserve commissioned officer of the Army who has at least 20 years of service computed under section 3926 of this title, at least 10 years of which have been active service as a commissioned officer.

(b) (1) The Secretary of Defense may authorize the Secretary of the Army, during the period specified in paragraph (2), to reduce the requirement under subsection (a) for at least 10 years of active service as a commissioned officer to a period (determined by the Secretary of the Army) of not less than ~~eight~~ <u>six</u> years.

(2) The period specified in this subparagraph is the period beginning on January 7, 2011, and ending on ~~September 30, 2018~~ <u>September 30, 2019</u>.

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§ 6323. Officers: 20 years

(a)(1) An officer of the Navy or the Marine Corps who applies for retirement after completing more than 20 years of active service, of which at least 10 years was service as a commissioned officer, may, in the discretion of the President be retired on the first day of any month designated by the President.

(2)(A) The Secretary of Defense may authorize the Secretary of the Navy, during the period specified in subparagraph (B), to reduce the requirement under paragraph (1) for at least 10 years of active service as a commissioned officer to a period (determined by the Secretary) of not less than ~~eight~~ six years.

(B) The period specified in this subparagraph is the period beginning on January 7, 2011, and ending on ~~September 30, 2018~~ September 30, 2019.

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§ 8911. Twenty years or more: regular or reserve commissioned officers

(a)(1) The Secretary of the Air Force may, upon the officer's request, retire a regular or reserve commissioned officer of the Air Force who has at least 20 years of service computed under section 3926 of this title, at least 10 years of which have been active service as a commissioned officer.

(b)(1) The Secretary of Defense may authorize the Secretary of the Air Force, during the period specified in paragraph (2), to reduce the requirement under subsection (a) for at least 10 years of active service as a commissioned officer to a period (determined by the Secretary of the Air Force) of not less than ~~eight~~ six years.

(2) The period specified in this subparagraph is the period beginning on January 7, 2011, and ending on ~~September 30, 2018~~ September 30, 2019.