SEC. 507. 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.";

(2) in subsection (b), by striking paragraph (3);

(3) by adding at the end of subsection (c) the following new paragraph:

"(4) In the case of an action authorized under subsection (b)(2), the Secretary of Defense may also authorize the Secretary of the military department concerned to waive the five-year period specified in section 638(c) of this title if the Secretary of Defense determines that it is necessary for the Secretary of that military department to have such authority in order to meet mission needs."; and

(4) 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) 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 such title 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 such title 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 (DoD) proposes the use of these force management 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. What the Department presently needs is a system of force management tools 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 are 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. However, the removal of this restriction requires a Secretary of Defense waiver. Additionally, the proposal allows O-5s who have failed to be promoted one time (rather than two or more times) be eligible for a Selective Early Retirement Board (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. By amending 10 U.S.C. 638a, this proposal will provide the Secretaries of the military departments the temporary statutory authority to convene early discharge boards through December 31, 2018. This authority is required during the FY 2013 cycle to ensure the program is available for use at the start of 2013.

Subsection (b)(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 Secretaries of military departments the flexibility to reduce the maximum years of active commissioned service for officers in the 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 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 (b)(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 Secretaries of military department the flexibility to reduce the maximum years of active commissioned service for officers in the grade of colonel, or captain in the Navy. 10 U.S.C. 634 specifies the maximum active commission service to be served by a 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: Discretionary savings from end strength reductions are already included in the FY 2013 Budget. However, the mandatory costs shown below resulting from proposing these provisions are not.

Based on promotion opportunity and statutory retirement laws, DoD estimates the following costs:

5-year cost (FY 2013-FY 2018) of $576.2 million
10-year cost (FY 2013-FY 2022) of $624.5 million

FISCAL YEARS ($MILLION)										
(Mandatory)	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
SERB	3.9	31.3	70.2	90.2	102.5	79.4	29.2	5.2	-15.3	-31.8
Early Discharge	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0-5	0	12.7	31.2	26.5	16.6	13.2	1.6	-6.0	-6.2	-6.4
0-6	0	26.6	66.7	60.6	37.2	22.1	-0.5	-11.8	-12.1	-12.5
Total	**3.9**	**70.6**	**168.1**	**177.3**	**156.3**	**117.7**	**30.3**	**-12.5**	**-33.6**	**-50.7**

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.

(b) Actions which the Secretary of a military department may take with respect to officers of an armed force when authorized to do so under subsection (a) are the following:

(1) Shortening the period of the continuation on active duty established under section 637 of this title for a regular officer who is serving on active duty pursuant to a selection under that section for continuation on active duty.

(2) Providing that regular officers on the active-duty list may be considered for early retirement by a selection board convened under section 611(b) of this title in the case of officers described in any of subparagraphs (A) through (C) as follows:

(A) Officers in the regular grade of lieutenant colonel or commander who would be subject to consideration for selection for early retirement under section 638(a)(1)(A) of this title except that they have failed of selection for promotion only one time (rather than two or more times).

(B) Officers in the regular grade of colonel or, in the case of the Navy, captain who would be subject to consideration for selection for early retirement under section 638(a)(1)(B) of this title except that they have served on active duty in that grade less than four years (but not less than two years).

(C) Officers, other than those described in subparagraphs (A) and (B), holding a regular grade below the grade of colonel, or in the case of the Navy, captain, who are eligible for retirement under section 3911, 6323, or 8911 of this title, or who after two additional years or less of active service would be eligible for retirement under one of those sections and whose names are not on a list of officers recommended for promotion.

~~(3) Suspending section 638 (c) of this title.~~

(4) Convening selection boards under section 611(b) of this title to consider for discharge regular officers on the active-duty list in a grade below lieutenant colonel or commander—

(A) who have served at least one year of active duty in the grade currently held;

(B) whose names are not on a list of officers recommended for promotion; and

(C) who are not eligible to be retired under any provision of law (other than by reason of eligibility pursuant to section 4403 of the National Defense Authorization Act for Fiscal Year 1993) and are not within two years of becoming so eligible.

(c)(1) In the case of an action under subsection (b)(2), the Secretary of the military department concerned shall specify the number of officers described in that subsection which a selection board convened under section 611(b) of this title pursuant to the authority of that subsection may recommend for early retirement. Such number may not be more than 30 percent of the number of officers considered in each grade in each competitive category.

(2) In the case of an action authorized under subsection (b)(2), the Secretary of Defense may also authorize the Secretary of the military department concerned when convening a selection board under section 611(b) of this title to consider regular officers on the active-duty list for early retirement to include within the officers to be considered by the board reserve officers on the active-duty list on the same basis as regular officers.

(3) In the case of an action under subsection (b)(2), the Secretary of the military department concerned may submit to a selection board convened pursuant to that subsection—

(A) the names of all eligible officers described in that subsection in a particular grade and competitive category; or

(B) the names of all eligible officers described in that subsection in a particular grade and competitive category who are also in particular year groups, specialties, or retirement categories, or any combination thereof, within that competitive category.

(4) In the case of an action authorized under subsection (b)(2), the Secretary of Defense may also authorize the Secretary of the military department concerned to waive the five-year period specified in section 638(c) of this title if the Secretary of Defense determines that it is necessary for the Secretary of that military department to have such authority in order to meet mission needs.

(d)(1) In the case of an action under subsection (b)(4), the Secretary of the military department concerned may submit to a selection board convened pursuant to that subsection—

(A) the names of all officers described in that subsection in a particular grade and competitive category; or

(B) the names of all officers described in that subsection in a particular grade and competitive category who also are in particular year groups or specialties, or both, within that competitive category.

(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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