



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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MAY 9 1979

The Honorable James M. Hanley
Chairman, Committee on
Post Office and Civil Service
House of Representatives

File 02900

Dear Mr. Chairman:

Your letter of February 15, 1979, ~~requested~~ ^[Comments] our views on H.R. 145, ~~a bill~~ to provide that payments for military retired pay shall be made by the ~~Civil Service Commission~~, new Office of Personnel Management (OPM).

H.R. 145 proposes to: (1) remove retired pay from the Department of Defense (DOD) budget; (2) reflect military retired pay appropriations in the OPM budget; (3) authorize OPM to pay retired pay; and (4) identify military retired pay as Income Security in the Federal budget.

We cannot support the concept of removing retired pay costs from the DOD budget without adequately reflecting military retirement accrued liabilities in the respective service accounts. Properly recording and recognizing retirement costs in the services' accounts should improve force management decisions by making retirement costs, and changes in those costs that would result from proposed changes in the retirement system, more visible to decision makers.

H.R. 145 would make major changes in the method of appropriating and paying military retired pay by requiring that appropriations be made to OPM which would then make payments to military retirees. OPM does not presently have a system designed to execute the payment of military retired pay. (Transferring military retired pay from DOD to OPM could involve considerable time and expense, and it could create an unnecessary hardship upon the retirees concerned until the operation was functioning properly. However, there would be certain advantages to transferring military retired pay functions to the Veterans Administration (VA) since the military retired pay is inter-related with VA pay items.) Current laws and regulations require that a member who receives retirement, disability retirement, disability severance pay, or readjustment pay benefits from the services must offset, all or part of, disability compensation

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received from VA. Thus, DOD and the VA must coordinate closely on retirement related benefits.) Transferring these functions to OPM would require coordinating payments between OPM and VA.

Besides its familiarity with military retired pay, VA also has a system designed to make VA disability compensation payments, which could probably be expanded to include both the VA and DOD pay items. In our report "Veterans Administration and the Department of Defense's Administration of Interrelated Pay Items" FPCD-78-75, December 27, 1978 (enclosure 1), we suggested that a long range plan should be developed which considers consolidating the pay functions that are interrelated under a single coordinating point.

We have previously commented on several bills and have issued several reports emphasizing cost recognition of Federal retirement systems. We recommended that the true cost of accruing liabilities for future retirement benefits under all Federal retirement systems be reflected in the appropriate budget accounts for both military and civilian retirement systems. This concept of recognizing accruing retired pay liabilities generated by current military forces in the Defense budget was also endorsed by the Defense Manpower Commission in 1976 and by the Congressional Budget Office in 1978.

In fiscal year 1978, and again in fiscal year 1979, the DOD submitted legislation (H.R. 12392 and H.R. 3261, respectively) that would implement many of our recommendations and permit it to budget and account for the cost of military retired pay and survivor benefits on an accrual basis which we support (enclosure 2).

We oppose H.R. 145 as currently written. We continue to endorse the concept of recognizing accrued liabilities for military retirement. Also, we believe that administrative efficiencies can be achieved by consolidating the DOD and VA pay functions that are interrelated under a single coordinating point.

Sincerely yours,

R.F.KELLER

Deputy

Comptroller General
of the United States

bc: Director, FPCD
Director, OGC
Director, OCR
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