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General Accounting Office
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15094

Human Resources Division

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November 3, 1993

The Honorable G.V. (Sonny) Montgomery
Chairman, Committee on Veterans' Affairs
House of Representatives

Dear Mr. Chairman:

This letter responds to your request for information on the Department of Defense's (DOD) military disability retirement program. In August 1992, we reported to you that during fiscal years 1981 through 1990, 30 percent of all military officers who retired on disability retired at a point in their careers when they were eligible for normal retirement, which requires 20 or more years of service. We also reported that only 8.5 percent of all enlisted members who retired on disability were similarly eligible.¹ As a result, you asked us to determine whether officers eligible for normal retirement were more likely to retire on disability than enlisted members with similar lengths of service who retire on disability.

RESULTS IN BRIEF

During fiscal years 1981 through 1990, 9,015 military personnel (officers and enlisted members) retired on disability after 20 or more years of service. They were also eligible for normal retirement. We found that the cohort of officers with 20 or more years of service are less likely to retire on disability than enlisted members with similar service. The probability of either officers or enlisted members who are eligible for normal retirement retiring on disability is very small; about 1 percent of all service members eligible for normal retirement retired on disability during fiscal years 1981 through 1990.

BACKGROUND

Military personnel are eligible for normal retirement upon completion of 20 or more years of active-duty service.

¹Selected Data on Military and VA Recipients (GAO/HRD-92-106 Aug. 13, 1992).

Service members who become physically unfit to perform their military duties can retire on disability under certain conditions. For such retirement, the disability must not have been the result of misconduct or willful neglect or have been incurred during an unauthorized absence. The member must have (1) at least 20 years of creditable service and any level of disability, or (2) a physical disability of at least 30 percent and either 8 years of service, a disability resulting from active duty, or a disability incurred in the line of duty in time of war or national emergency. Service members who are physically unfit to perform their duties but who do not meet these conditions are generally separated with severance pay. Military disability retirement pay is based on military pay combined with a factor of either (1) percentage of disability or (2) length of service.

Generally, military disability retirement pay is taxable; however, there are exceptions. Disability retirement pay based on a percentage of disability is nontaxable (1) if the member was in service, or obligated to be, on September 25, 1975, or (2) the disability is for a combat-related injury. A combat-related injury is an illness or injury that results directly from armed conflict, is caused by an instrumentality of war, or takes place while a service member is engaged in extra hazardous service or under conditions simulating war, including training exercises. Disability retirement pay based on years of service is generally taxable except for any portion that is attributable to a combat-related injury. Military personnel who retire on disability may also receive VA disability compensation benefits, but the military benefit is reduced by any Department of Veterans Affairs (VA) disability compensation the retiree receives.

In fiscal year 1992, about 130,000 military personnel were receiving disability retirement at a cost of about \$1.52 billion.

SCOPE AND METHODOLOGY

To determine whether officers eligible for normal retirement were more likely to retire on disability than enlisted members with similar service who retire on disability, we calculated

- the percentage of active-duty officers and enlisted members who had 20 or more years of service and

-- the respective proportions of officer and enlisted members who had 20 or more years of service who had retired on disability.

To develop this information, we used data provided by the Office of the DOD Actuary and computer-based data from DOD's Retired Pay Master File provided by the Defense Manpower Data Center. These data covered fiscal years 1981 through 1990.

We reviewed the military services policies and procedures for awarding disability retirement and compensation. We also interviewed officials at the respective military services' organizations that administer the disability retirement programs.

Other than not independently verifying the DOD data, our work was conducted in accordance with generally accepted government auditing standards. We performed our work between November 1992 and September 1993.

MORE OFFICERS THAN ENLISTED MEMBERS
ATTAIN NORMAL RETIREMENT STATUS

A larger proportion of officers would be expected to retire than would enlisted members because a higher percentage of officers attain normal retirement status than do enlisted members. Tables 1 and 2 show, respectively, that for fiscal years 1981 to 1990, an average of about 12 percent of the active-duty officers had 20 or more years of service compared to an average of 3 percent for active-duty enlisted members. Thus, a larger proportion of officers would be expected to retire than would enlisted members.

Table 1: Percent of Active-Duty Officers With 20 or More Years' Service, Fiscal Years 1981-1990

Fiscal year	Number of active-duty officers	Officers with 20 or more years' service	Percent of officers with 20 or more years' service
1981	288,432	33,638	12
1982	295,603	34,554	12
1983	305,142	35,037	11
1984	310,757	33,979	11
1985	317,895	33,294	10
1986	321,390	35,671	11
1987	318,511	37,303	12
1988	316,378	38,697	12
1989	315,029	39,002	12
1990	311,594	39,059	13
Average	310,073	36,023	12

Table 2: Percent of Active-Duty Enlisted Members With 20 or More Years' Service, Fiscal Years 1981-1990

Fiscal year	Number of active-duty enlisted service members	Enlisted members with 20 or more years' service	Percent of enlisted members with 20 or more years' service
1981	1,799,260	59,569	3
1982	1,821,121	61,381	3
1983	1,843,140	62,432	3
1984	1,859,222	60,149	3
1985	1,874,373	56,560	3
1986	1,897,521	55,384	3
1987	1,910,967	55,936	3
1988	1,879,177	58,726	3
1989	1,873,346	57,589	3
1990	1,818,007	54,918	3
Average	1,857,613	58,264	3

**OFFICERS WITH 20 OR MORE YEARS OF SERVICE
LESS LIKELY TO RETIRE ON DISABILITY**

An average of about 36,000 active-duty officers during fiscal years 1981 through 1990 were eligible for normal retirement, and an average of about 216--.60 percent--retired on disability each year. The number of active-duty enlisted members eligible for normal retirement during the same period averaged about 58,300, and an average of about 686--1.18 percent--retired on disability each year. (See tables 3 and 4.)

Table 3: Percent of Officers with 20 or More Years' Service Who Retired on Disability, Fiscal Years 1981-1990

Fiscal year	Number of active-duty officers eligible for normal retirement (20 or more years' service)	Number of officer disability retirees with 20 or more years' service	Percent of officers with 20 or more years' service who retired on disability
1981	33,638	196	0.58
1982	34,554	195	0.56
1983	35,037	163	0.47
1984	33,979	200	0.59
1985	33,294	233	0.70
1986	35,671	221	0.62
1987	37,303	237	0.64
1988	38,697	244	0.63
1989	39,002	271	0.69
1990	39,059	196	0.50
Average	36,023	216	0.60

Table 4: Percent of Enlisted Members with 20 or More Years' Service Who Retired on Disability, Fiscal Years 1981-1990

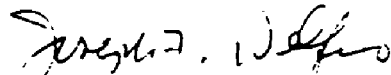
Fiscal year	Number of active-duty enlisted members eligible for normal retirement (20 or more years' service)	Number of enlisted disability retirees with 20 or more years' service	Percent of enlisted members with 20 or more years' service who retired on disability
1981	59,569	541	0.91
1982	61,381	563	0.92
1983	62,432	509	0.82
1984	60,149	582	0.97
1985	56,560	772	1.36
1986	55,384	753	1.36
1987	55,936	724	1.29
1988	58,726	719	1.22
1989	57,589	933	1.62
1990	54,918	763	1.39
Average	58,264	686	1.18

Collectively, less than 1 percent of all service members (officers and enlisted members) with 20 or more years of service retired on disability during fiscal years 1981 through 1990. An average of 94,287 active-duty service members during fiscal years 1981 through 1990 with 20 or more years of service and an average of 902 (.96 percent) service members with 20 or more years of service retired on disability each year.

DOD officials told us that the relatively low number of service members retiring on disability who were also eligible for normal retirement was attributable to DOD's presumption of fitness rule. This rule generally states that a service member who has been performing active duty with a disability may not use this impairment as a basis for disability retirement. The rule can be overcome by evidence showing the onset of an acute, grave illness or injury immediately before, or coincident with, normal retirement or separation actions.

DOD officials agreed with our findings. Their comments have been incorporated where appropriate. If you have any questions about this letter, please contact me on (202) 512-7215.

Sincerely yours,



Joseph F. Delfico
Director, Income Security Issues

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