



Coast Guard Flag Voice 64

PAY TABLE REFORM

The National Defense Authorization Act (NDAA) of FY 2000 contains a package of many compensation improvements, including successes on some issues the military services have advocated for years. [Flag Voice 61](#) briefly describes the major changes; specifically, the NDAA contains these provisions, among others:

1. REDUX repeal, the top compensation issue with Armed Forces members.
2. A 4.8% pay increase and increases .5% above the Employment Cost Index (ECI) for the next six years to address the pay gap many perceive has grown to more than 13% compared to private-sector compensation in the last two decades.
3. First Duty Station TLE, to provide our newest enlisted members a substantial compensation item.
4. Pay Table Reform, a positive step for everyone when viewed from a "whole career" perspective.

Unfortunately, calling this pay table reform a "targeted pay raise" has confused and created expectations among our people this change never intended. Various sources have provided much contradictory information. Misleading newspaper articles often have misused the words "pay package," "pay raise," and "pay table reform." The most commonly-asked question is about the pay table reform's "apparent" inequity. For instance, members want to know why the officer pay table received most of the maximum increases of 4 to 5.5%.

-- Pay Table Reform - What it really is and is not.

First, this is a comprehensive pay package, a coordinated plan with three main parts that must be considered in context of the "whole."

The pay increase is the biggest in 18 years. The Department of Defense asked Congress for a 4.4% increase starting 1 January 2000. To help make our military pay package more competitive in the face of a strong civilian economy, Congress gave us 4.8% and also guaranteed a 0.5% increase above and beyond our normal January raise for the next six years.

Members who joined the services beginning in 1986 were most dissatisfied with the 40% basic pay retirement system (REDUX). "Basic pay" with REDUX and the earlier "High-Three" option is defined in both systems as the average of the highest 36 months of basic pay. Since the 20-year retirement system was established to provide an incentive for members to "stay for a career," restoring this "delayed compensation" was seen as critical to ensuring future service readiness. The retirement system revisions now offer you two choices: if you entered the service on or after 1 August 1986, your options

are High-Three and REDUX. If you choose the High-Three option, you can retire after 20 years of service and get 50% of your basic pay. If you choose the REDUX option, you will get a \$30,000 lump sum payment at 15 years of service, can retire after 20 years, and will get 40% of your basic pay. Even better, if you choose to stay in the service for 30 years, both High-Three and REDUX will give you 75% of your basic pay.

Finally, Congress approved a new pay table that starts 1 July 2000. Designed in 1949, the current pay table replaced a complicated pay system different for each of the services. Since then, many adjustments have been made, especially when we moved from the draft to an all-volunteer force. Then, the biggest incentive to keep people on active duty was to give them more at the beginning of their career. Therefore, pay table adjustments were targeted only at certain groups, resulting in a pay table that does not always reward you for reaching your significant career milestones.

-- What exactly is pay table reform?

The challenge for those reforming the current pay table was to restore a fair system for paying our members over the course of an entire career. The new table is a first step in an attempt to meet that challenge. This proposal, the first systematic change to the pay table in nearly 50 years, was based on studies performed during the 7th Quadrennial Review of Military Compensation (QRMC), validated by the 8th QRMC, analyzed and approved by the services.

The goals of pay table reform are:

1. Promotion increases are larger than longevity increases.
2. Successive promotions generally are worth more.
3. Longevity increases are uniform and meaningful.

The pay table adjustments provide career members progressively higher pay increases for each promotion. Promotion increases are generally greater than longevity increases, and longevity increases are more uniform over the course of a military career. Emphasizing pay increases associated with promotion better recognizes career petty officers' and commissioned officers' performance. These actions were necessary because previous pay table changes weighted longevity more heavily than promotion in determining pay increases.

-- Some examples:

As noted above, first and foremost, pay table reform rewards performance over longevity. Let's look at an E-4 at 3 years of service. Over the next 6 years, that person should get promoted to E-5 and may very well be promoted to E-6. Pay table reform recognizes those promotions and will result in that person earning significantly more money over that time period than under the old pay table. Reviewing the Monthly Basic Pay Difference Table combining 4.8% pay increase with the pay table reform changes, you'll notice the largest increases in that area. Let's use an actual example. Calculating from the new

pay tables, assume you are an E-5 nearing 8 years of service. If you go over 8 as an E-5, you get a \$70 raise and that's it for the next two years if you remain an E-5. However, if you subsequently make E-6, your pay goes up \$172. Actually your pay would jump \$241 dollars a month if you went over 8 years at the same time you were advanced.

However, as that example shows, the pay table still recognizes longevity. Let's look at an O-2 at 3 years of service. Over the next 6 years, that person can be promoted only once, to O-3. Comparing the old and new tables shows that person making \$3,800 more at the 9-year point than under the old table. So, if you remain on active duty, at points during your career between promotions, you'll still receive consistent, uniform pay raises.

-- What about officers receiving the lion's share of the 4 to 5.5% increases?

If you look closely at the Monthly Basic Pay Difference Table, you'll see the largest increases in the pay cells for O-4 at 6-14 years, O-5 at 6-16 years, and O-6 at 8-14 years of service. Under our officer personnel system, the Coast Guard's current promotion points (time to get promoted) are 10.7 years to O-4, 16.2 years to O-5, and 22.6 years to O-6. To retain skilled mid-grade officers, this reform targets them to provide the higher pay raises they would receive if they stayed in to make both O-4 and later O-5 and ideally serve 20 years. It doesn't target O-6s because we don't have any with only 8-14 years of service. The generally "larger" percent increases for officers were necessary to correct a larger imbalance between pay increases for longevity vs. promotion than existed with the enlisted pay table.

-- Take the package as a whole.

The pay raises, pay table changes, and REDUX repeal are meant to promote retention. We need to retain mid-level enlisted and officers both to maintain our military force. The new pay table targets a significant portion of the \$4.5 billion provided for pay table reform to these pay grades to encourage these members to stay in the service.

Pay table reform is not a pay increase, nor was it intended to equalize enlisted and officer pay. To understand what pay table reform is and what it does for you, you must look at all the points along your career path to get the whole story. A quick look at individual points or comparing one point against another tells you very little. This is where most of the confusion surrounding pay table reform arises. Those who stay in the service and advance on or ahead of time will reap the benefits of this new pay table throughout their career. By rewarding performance and promoting retention, the new pay table is an improvement over the old. It puts more dollars in all our people's pockets over time. This glass is more than half full; the new pay package produces only winners.

-- Additional points:

Pay table reform is not intended to favor officers over enlisted. Officer pay cells are the most unbalanced: currently, 37% of officer increases accrue from promotions and 63% from longevity

"fogies," e.g., O-2s achieving 3 years of service longevity enjoy their largest single pay increase until they make O-6. Some officers will get the largest percentage increase because, except for enlisted promotions to E-3, they now receive the smallest promotion increase of anywhere on the pay table. Pay table reform adjusts increases for officer promotion to 53% and longevity to 47%. This significant re-emphasis makes the reformed pay tables appear to favor officers.

Enlisted pay was better balanced under the old pay table; 54% of enlisted increases were due to promotions and 46% to longevity. To more strongly emphasize performance, pay reform adjusts enlisted promotion increases to 57% and longevity increases to 43%.

Pay reform was not intended to create parity between enlisted and officer pay levels. While certain officer pay cells show the greatest one-time gains, a higher percentage of enlisted members than officers will enjoy additional pay increases on 1 July 2000. Across DOD, 79% of the enlisted force and 53% of the officer corps will get an additional FY00 pay increase with pay table reform. When combining the 1 Jan 2000 pay increase with pay table reform, enlisted members will receive an average 6.28% pay increase during FY00 compared to an average 6.21% increase for officers. While roughly 2/3 of total military pay compensation goes to enlisted and 1/3 to officers (how across the board pay raises get distributed), money for pay table reform will go 3/4 to enlisted and 1/4 to officers.

About 20% of service members will get no targeted increase in July and, while the maximum increase is 5.5%, the average is only 1.4%. Some members may be left out initially, but all will benefit in the future as they progress in rank and move up through the pay table.

The Defense Department has posted a new site <http://pay2000.dtic.mil> that provides the new pay tables and explains the military pay and allowance changes. It provides details on the January pay raise and briefly covers new retirement options; the Thrift Savings Plan that would allow service members to build a retirement nest egg; special pay and incentive pay improvements; and new rules on housing allowances, temporary lodging expenses and leave sell-back. The site also offers a means to provide e-mail feedback.

Bottom line: the across-the-board 4.8% increase, pay table reform, future pay increase formula, and REDUX repeal combined will have a significant impact on your total compensation over the next 6 years and beyond. Everyone needs to better understand these pay compensation package issues. I ask all leaders to discuss them with their people. Thanks!

Regards, FL Ames

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