



Insight

NDAA Veto Threat Endangers Major Defense Reforms

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Summary

- The National Defense Authorization Act (NDAA) includes some important defense reforms, including:
 - Overhauling the military retirement system, which is currently only available to the 17 percent of service members who serve 20+ years.
 - Reworking the Pentagon's dysfunctional acquisition system to improve efficiency and avoid cost overruns.
- The President has threatened to veto the NDAA, placing these reforms on the chopping block.

Introduction

For over 50 years, leaders from both parties in Congress and the White House have worked together to enact an annual defense policy bill. This week, House and Senate negotiators released the [conference report](#) of the Fiscal Year 2016 (FY16) NDAA and will vote on the final version in the coming days.

The bill includes a number of critical defense reform initiatives, especially in the areas of the military retirement system and Pentagon acquisition policy. When the bill goes to the White House, the president will have the opportunity to put his stamp of approval on these defense reforms. The White House has [announced](#), however, that President Obama would veto the NDAA, saying he will not support increased defense spending without more domestic spending as well – so for the first time in half a century, the important defense reforms and policies in the NDAA may be at risk.

Military Retirement Reform

In the FY13 NDAA, Congress established the [Military Compensation and Retirement Modernization Commission](#) (MCRMC) with the mission of reviewing and providing recommendations for reforming and improving military pay and benefits. Adopting some of the recommendations outlined in the MCRMC's 2015 [report](#), the FY16 NDAA offers a number of reforms aimed at modernizing the military retirement system.

One of the most significant reforms is allowing service members to contribute to a Thrift Savings Plan (TSP) with matching contributions from the Department of Defense (DOD). Mirroring the 401(k) retirement system, the defined contribution TSP will, for the first time, provide retirement benefits to the 83 percent of troops who serve less than 20 years in the military and are therefore ineligible for the current plan. According to a poll from Iraq and Afghanistan Veterans of America (IAVA), 67 percent of their members [favor](#) the 401(k) style retirement reform proposal.

In part to fund the new blended retirement plan, the NDAA would offer a less generous defined benefit, using a 2.0 percent multiplier as opposed to the current 2.5 percent multiplier. This makes a 20-year pension worth 40 percent of base pay, compared to 50 percent under the current plan. Despite the reduced multiplier, service members may actually [see](#) a higher rate of return with the TSP since it can be invested in a mix of stocks and bonds.

Addressing incentives to encourage troop reenlistment beyond 12 and 20 years of service, the legislation also allows service members to choose whether they would like to receive a portion of their retirement pay as an upfront lump sum payment. This option may [prove](#) beneficial for troops seeking to make significant investments upon completion of their military service.

All current and retired service members will be grandfathered into the current system but will also have the opportunity to opt into the new system if they think it will better meet their retirement needs. This is likely to be an attractive option for service members who plan to serve less than the 20 years currently required to be eligible for retirement benefits.

Defense Acquisition Reform

New leadership in the House and Senate Armed Services Committees placed acquisition reform as a top priority this year, and the NDAA [introduces](#) a number of measures aimed at streamlining and improving the way the DOD buys weapons. The reforms would allow the DOD to gather more relevant information for future decision-making and foster a better performing, more empowered workforce.

The major piece of reform is removing the undersecretary of defense for acquisition, technology, and logistics as the central acquisition official for DOD programs. The NDAA designates the acquisition executives of each service branch as the milestone decision authority for Major Defense Acquisition Programs (MDAPs). Doing so encourages service chiefs to be more accountable for the progress of their own programs – as well as cost overruns.

The legislation also creates a dual-track career path for uniformed personnel in acquisitions and provides a five-year extension of expedited hiring authority for acquisition recruitment. It contributes to improving operational contract support by making the Defense Acquisition Workforce Development Fund a permanent institution within DOD. Doing so allows DOD to improve overall program management and career development for the acquisition workforce.

The NDAA will consolidate at least six DOD reporting requirements into one collaborative document that will be made available to Congress. This allows both DOD and Congress to maintain a more comprehensive understanding of major defense programming requirements and budgetary concerns by streamlining the process for producing MDAP strategies.

Similarly, the legislation allows the DOD to avoid producing redundant reports by repealing the requirement for a stand-alone MDAP manpower estimate in addition to several other labor-intensive reports. Whereas current law [requires](#) DOD to issue estimates on information that has already been calculated in comprehensive MDAP assessments, the NDAA will now allow the Department to avoid tasking acquisition officers with staffing parallel reports.

Other Important Policies

The NDAA also includes several [other provisions](#) addressing critical aspects of defense policy. On Guantanamo, the bill places restrictions on transferring detainees and building detention facilities in the United States. It also requires all federal agencies to follow the Army Field Manual when interrogating detainees, which effectively bans enhanced interrogation techniques. Responding to recent shootings at military facilities around the country, the NDAA will require post commanders to develop individual policies for carrying firearms on domestic military bases and recruitment centers. With an eye to the threats from Russia and ISIS, the legislation authorizes sending lethal assistance to Ukraine, supplying arms to the Kurds, and training and equipping the moderate Syrian opposition.

One major point of contention during conference negotiations was increases to military health care (or [TRICARE](#)) fees. After much debate over the Administration's proposed 10-year fee increase, the compromise agreement was a one-year hike. The bill also endorses the 1.3 percent [pay raise](#) for troops requested by the President.

Conclusion

The FY16 NDAA is a serious reform bill that would bring some much-needed changes to the way the DOD does business. Of course, this is only the first step in what will be a long process of implementing Pentagon acquisition and military personnel reforms.

After many years of [threatening to veto](#) the NDAA, however, it appears that this may be the year President Obama actually does it – effectively killing or at least stalling these important defense reforms. The administration's main opposition to the bill is that it endorses the Republican budget plan to use \$38 billion in Overseas Contingency Operations funding to get around the Budget Control Act caps and increase defense spending. President Obama has said he will not support any plan to boost defense spending without increases in domestic spending as well. At this point, it is not clear if Congress has enough votes to override a presidential veto.

It is important to remember that the NDAA is an authorization bill and does not appropriate funding; it merely sets policy. The proper legislative vehicle to veto in order to block spending is an appropriations bill.

Vetoing the NDAA would not impact the appropriations process or the budget caps but would block important defense reforms as well as other policies to improve American national security.