

# HJ674 Study

Requesting the Department of Veterans Services (DVS) and the Department of Taxation (TAX) to study the feasibility of exempting military retirement income from taxation

October 11, 2019

- ▶ In 2017, a study by The Matrix Group and The Roosevelt Group, concluded that:
  - ▶ “By exempting all military retiree pensions from state income tax, the Commonwealth would incur nearly \$145 million in foregone tax revenue during the first year... – almost twice as much as the Secretary of Veterans and Defense Affairs FY 2017 budget.”
  - ▶ Additionally, the study found that “implementing a tax exemption on military pensions as a means of attracting military retirees has not proven to be effective in states with large populations.
- ▶ In 2019, Delegate Luke Torian introduced HJ674, which requested a joint DVS-TAX study in response to a request by the JLC to reexamine and build upon the 2017 work.
- ▶ In this study:
  - ▶ DVS has compared costs and benefits across states affecting veterans and retirees.
  - ▶ TAX has estimated the fiscal impact on Virginia’s tax revenue of a range of options for an income tax exemption.

## DVS's state comparisons:

- ▶ Consider all tax types (e.g., income, sales, and property taxes) across all states (& Washington DC)
- ▶ Consider tax exemptions specific to military retirees across all states—plus services and programs offered
- ▶ Focus on 12 states with the most military retirees
- ▶ Show a slightly rising population of military retirees in Virginia, which suggest the state remains an attractive destination for retirees
- ▶ DVS developed two case studies (see Appendix A) of a “typical” Virginia military retiree and how the various tax exemptions and structures would affect him or her in: Alexandria, VA; Houston, TX; Raleigh-Durham, NC; or Jacksonville, FL.

## TAX's fiscal impact:

- ▶ Accounts for Virginia-specific conditions—notably the exemption available to all retirees age 65 and older that may be means-tested (despite no exemption for military retirees specifically)
- ▶ Relies heavily on data/forecasts from the U.S. Departments of Defense and Veterans Affairs
- ▶ Outlines five potential courses of action the General Assembly could take (a full exemption + four other options)

- ▶ Five policy options for an exemption were estimated for the House Appropriations and Senate Finance Committees to consider. Our research does not include a cost-benefit analysis of each of these options to consider. What this study did find is that:
  - ▶ Although Virginia offers no income tax exemption specific to military retirees, the state is “tax friendly” to retirees in part because it offers an exemption to those age 65 and older that may be means-tested for certain taxpayers.
  - ▶ Virginia is attractive to military retirees because it has built many unique assets through the strong support from the General Assembly and several Governors, including the V3 program, world-class educational institutions, wrap-around supportive services led by the DVS Virginia Veteran and Family Support service line and a commonwealth-wide appreciation for our military and the valuable leadership skills and abilities they bring to our communities.
- ▶ The following slides show in detail how DVS and TAX conducted the research and reached their conclusions.

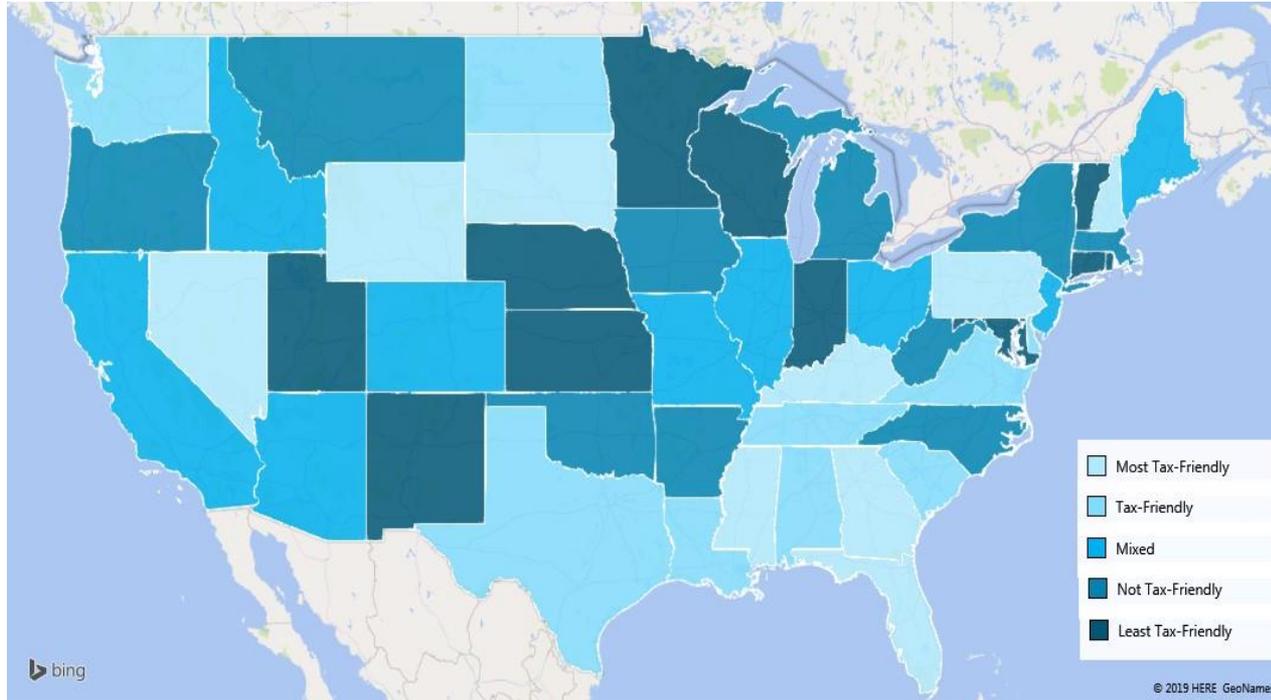
- ▶ Congressional Research Service (CRS) Report “Military Retirement: Background and Recent Developments” July 12, 2019 <https://fas.org/sgp/crs/misc/RL34751.pdf>
- ▶ The military retirement system is a government-funded, noncontributory, defined benefit system...currently includes monthly compensation for qualified active and reserve retirees, disability benefits for those deemed medically unfit to serve, and a survivor annuity program for the eligible survivors of deceased retirees. Military retirees are also entitled to nonmonetary benefits including exchange and commissary privileges, medical care through TRICARE, and access to Morale, Welfare and Recreation (MWR) facilities and programs.
- ▶ Currently, there are three general categories of military retiree –
  - ▶ active component,
  - ▶ reserve component, and
  - ▶ disability retiree.

Active component personnel are eligible for retirement (i.e., vested) after completing 20 years of service (YOS). Reserve personnel are eligible after 20 years of creditable service based on a points system, but do not typically begin to draw retirement pay until age 60. Finally, those with a disability retirement do not need to have served 20 years to be eligible for retired pay; however, they must have been found unqualified for further service due to a permanent, stable disability.

- ▶ **Code of Virginia § 2.2-2000.1. Definitions.**
- ▶ "Active military, naval, or air service members" means military service members who perform full-time duty in the Armed Forces of the United States, or a reserve component thereof, including the National Guard.
- ▶ "Veteran" means any person who has received an honorable discharge and (i) has provided more than 180 consecutive days of full-time, active-duty service in the armed forces of the United States or reserve components thereof, including the National Guard, or (ii) has a service-connected disability rating fixed by the United States Department of Veterans Affairs.
- ▶ "Service-connected" means, with respect to disability, that such disability was incurred or aggravated in the line of duty in the active military, naval, or air service.
- ▶ "Service disabled veteran" means a veteran who (i) served in the active military, naval, or air service, (ii) was discharged or released under conditions other than dishonorable, and (iii) has a service-connected disability rating fixed by the U.S. Department of Veterans Affairs.

Comparing Virginia to other states, Kiplinger rates Virginia as tax-friendly for retirees.

## Kiplinger's State Tax-Friendliness Ratings for Retirees



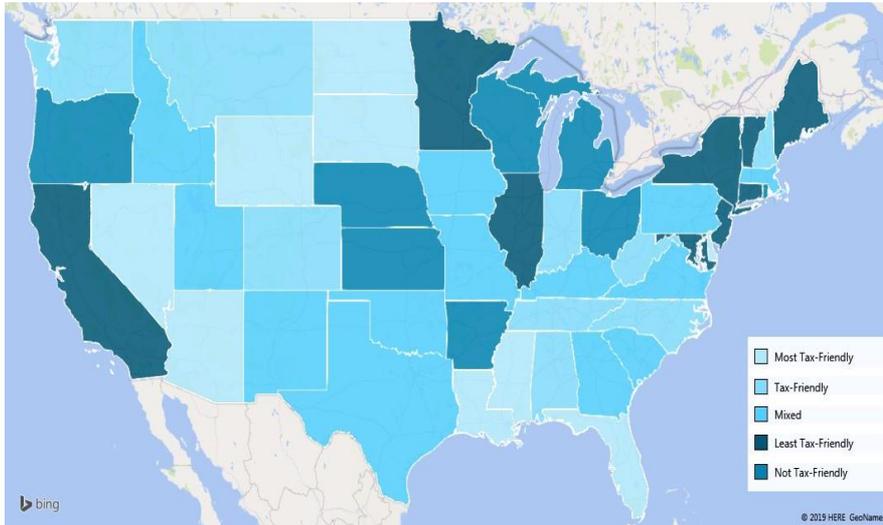
Note: Alaska is rated as Most Tax-Friendly and Hawaii is rated as Tax-Friendly.

Source: Kiplinger and Microsoft Excel 3D Maps



For all residents (not just retirees), Kiplinger rates Virginia's tax-friendliness as mixed.

## Kiplinger's State Tax-Friendliness



- ▶ For retirees, Virginia earns a tax-friendly rating due to several tax breaks for residents age 65 and older, including income tax deductions, property tax breaks for seniors, and a low sales tax.
- ▶ For all residents, Virginia's overall tax rating is mixed, with generally low property taxes and a low sales tax but a levy on grocery purchases.

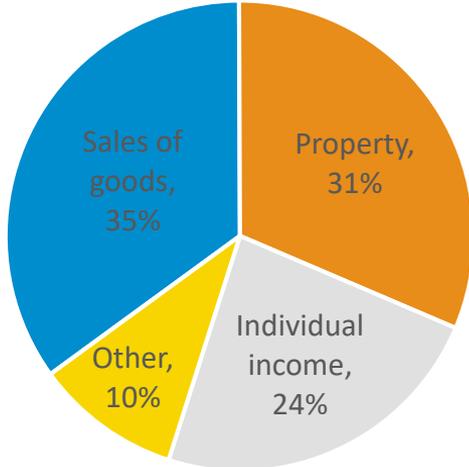
Note: Alaska is rated as Most Tax-Friendly and Hawaii is rated as Least Tax-Friendly.

Source: Kiplinger and Microsoft Excel 3D Maps

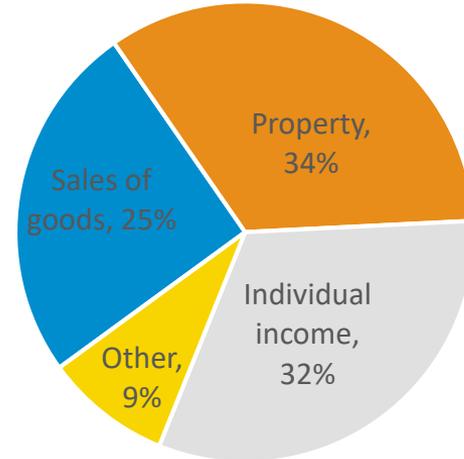
# A focus on sales, property and income taxes

Compared to other states, Virginia collects a higher share of revenue through individual income taxes but a lower share of revenue through sales taxes.

### What Average State Taxes



### What Virginia Taxes



Note: Sales of goods Includes both the General Sales and Selective Sales categories of the U.S. Census Bureau. Property includes whole, real and personal, and tangible or intangible. Figures include revenues collected by both state and local governments.

Source: U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances

The states listed below have the highest numbers of retired veterans and the highest monthly payments by DOD. The following slides compare Virginia to these states.

## Rank by Retirees and Payments

Rank		State	Number Retired	Paid By DOD	Monthly Payment*	Share	
Retired	Payments					Retired	Payments
1	1	Texas	215,818	197,473	\$472,762	10%	10%
2	2	Florida	202,840	189,804	\$463,534	9%	10%
<b>3</b>	<b>3</b>	<b>Virginia</b>	<b>157,821</b>	<b>150,426</b>	<b>\$452,105</b>	<b>7%</b>	<b>10%</b>
4	4	California	154,736	141,711	\$328,349	7%	7%
5	6	Georgia	99,645	91,262	\$204,596	5%	4%
6	5	North Carolina	99,354	91,711	\$217,133	5%	5%
7	7	Washington	74,910	69,754	\$163,636	3%	4%
8	8	Alabama	61,866	57,850	\$130,667	3%	3%
9	9	South Carolina	61,196	57,257	\$126,858	3%	3%
10	10	Arizona	57,457	53,494	\$123,200	3%	3%
11	11	Tennessee	57,089	52,729	\$113,474	3%	2%
12	12	Maryland	55,680	51,724	\$132,773	3%	3%

\*Monthly payment in thousands.

Source: U.S. Department of Defense, Statistical Report on the Military Retirement System

Virginia ranks low among the states in terms of tax collections as a percentage of personal income.

## State and Local Tax Revenue as a Percentage of Personal Income

<u>State</u>	<u>State and Local Tax Revenue per Capita</u>	<u>Personal Income per Capita</u>	<u>Percent of Personal Income</u>
California	\$6,091 (8)	\$57,625 (6)	10.6% (11)
Maryland	\$6,047 (9)	\$58,934 (5)	10.3% (14)
North Carolina	\$3,919 (32)	\$42,707 (37)	9.2% (29)
Washington	\$5,041 (17)	\$55,415 (10)	9.1% (32)
Arizona	\$3,563 (44)	\$40,456 (42)	8.8% (36)
Texas	\$4,015 (29)	\$46,092 (28)	8.7% (37)
Georgia	\$3,663 (42)	\$42,657 (38)	8.6% (40)
<b>Virginia</b>	<b>\$4,562 (23)</b>	<b>\$53,345 (11)</b>	<b>8.6% (41)</b>
South Carolina	\$3,436 (48)	\$40,325 (44)	8.5% (42)
Alabama	\$3,204 (50)	\$39,260 (47)	8.2% (46)
Tennessee	\$3,324 (49)	\$43,961 (33)	7.6% (48)
Florida	\$3,483 (46)	\$46,208 (27)	7.5% (49)
<i>United States</i>	<i>\$4,951</i>	<i>\$49,883</i>	<i>9.9%</i>

Note: Rank among all states in parentheses.

Sources: U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances and Annual Estimates of the Resident Population; and Bureau of Economic Analysis

Compared to the average state, Virginia collects more revenue per capita from the individual income tax but less revenue per capita from state and local sales taxes.

## State and Local Tax Revenue per Capita

State	Sales Tax Revenue per Capita*		Property Tax Revenue per Capita**		Individual Income Tax Revenue per Capita	
	Amount	Rank	Amount	Rank	Amount	Rank
<b>Virginia</b>	<b>\$1,156</b>	<b>(44)</b>	<b>\$1,546</b>	<b>(19)</b>	<b>\$1,455</b>	<b>(10)</b>
Alabama	\$1,572	(29)	\$548	(50)	\$743	(36)
Arizona	\$1,716	(20)	\$1,056	(34)	\$571	(40)
California	\$1,841	(15)	\$1,563	(17)	\$2,060	(5)
Florida	\$1,767	(18)	\$1,265	(29)	\$0	(44)
Georgia	\$1,284	(43)	\$1,160	(32)	\$1,013	(27)
Maryland	\$1,626	(26)	\$1,552	(18)	\$2,283	(2)
North Carolina	\$1,417	(36)	\$975	(38)	\$1,186	(15)
South Carolina	\$1,096	(45)	\$1,164	(31)	\$780	(33)
Tennessee	\$1,876	(14)	\$837	(45)	\$49	(44)
Texas	\$2,011	(8)	\$1,760	(13)	\$0	(44)
Washington	\$3,107	(2)	\$1,434	(24)	\$0	(44)
<i>United States</i>	<i>\$1,730</i>		<i>\$1,558</i>		<i>\$1,165</i>	

Note: Rank among all states in parentheses.

\*Includes both the General Sales and Selective Sales categories of the U.S. Census Bureau.

\*\*Includes whole, real and personal, and tangible or intangible property.



Sources: U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances and Annual Estimates of the Resident Population; and Bureau of Economic Analysis



## State Tax Rates

■ Lowest tax rates   
 □ Middle-tier of tax rates   
 ■ Highest tax rates

State	Sales Tax	Real Property Tax	Individual Income Tax
	Average Combined State and Local Tax Rates <sup>1</sup>	% of Owner-occupied Housing Value <sup>2</sup>	Highest Marginal Tax Rate <sup>3</sup>
<b>Virginia</b>	<b>5.65%</b>	<b>0.84%</b>	<b>5.75%</b>
Alabama	9.14%	0.37%	5.00%
Arizona	8.37%	0.64%	4.54%
California	8.56%	0.70%	13.30%
Florida	7.05%	0.89%	No state income tax
Georgia	7.29%	0.88%	5.75%
Maryland	6.00%	1.00%	5.75%
North Carolina	6.97%	0.81%	5.25%
South Carolina	7.43%	0.52%	7.00%
Tennessee	9.47%	0.68%	No state income tax
Texas	8.19%	1.62%	No state income tax
Washington	9.17%	0.85%	No state income tax

<sup>1</sup> Figures are based on tax rates and do not consider differences in tax bases; sales tax structures vary widely among states. For example, of the 12 states, Virginia (2.5%), Alabama (included in base), and Tennessee (4.0%) levy taxes on grocery purchases.

<sup>2</sup> Rates based on 2017 data.

<sup>3</sup> North Carolina imposes a 5.25% flat tax. Tennessee currently taxes dividends and interest only (2%). The income floors for the highest marginal tax rates vary by state; for example, the income floor for the highest tax bracket is \$17,000 in Virginia and \$1 million in California. As a result, "tax friendliness" depends on an individual's income level.



Three states offer no tax exemption to retirees age 65 and older.  
 Nineteen states, including Virginia, offer a partial exemption or special provision.  
 Twenty states offer a full exemption and nine state levy no state income tax.

## States by Type of Exemption for Retirees age 65 and older

★ = Military focused    \$ = Means-tested

<u>No Exemption (3)</u>	<u>Partial Exemption or Special Provision (19)</u>			<u>Full Exemption (20)</u>			<u>No State Income Tax (9)</u>	
California	Arizona	Kentucky	Oregon	Alabama ★	Louisiana	New Jersey ★	Alaska	Tennessee*
North Dakota	Colorado	Maryland ★	Rhode Island \$	Arkansas ★	Maine	New York ★	Florida	Texas
Washington DC	Delaware	Montana \$	South Carolina ★	Connecticut ★	Massachusetts	Ohio ★	Nevada	Washington
	Georgia	Nebraska ★	Utah \$	Hawaii	Michigan ★	Pennsylvania	New Hampshire*	Wyoming
	Idaho	New Mexico \$	Vermont \$	Illinois	Minnesota ★	West Virginia ★	South Dakota	
	Indiana	North Carolina	<u>VIRGINIA</u> \$	Iowa ★	Mississippi	Wisconsin ★		
		Oklahoma ★		Kansas	Missouri			

\* New Hampshire and Tennessee tax interest and dividends but not pension income or earned income.

Nine states, including Virginia, offer no tax exemption to retirees age 64 and younger.  
 Thirteen states offer a partial exemption or special provision.  
 Twenty states offer a full exemption and nine state levy no state income tax.

## States by Type of Exemption for Retirees age 64 and younger

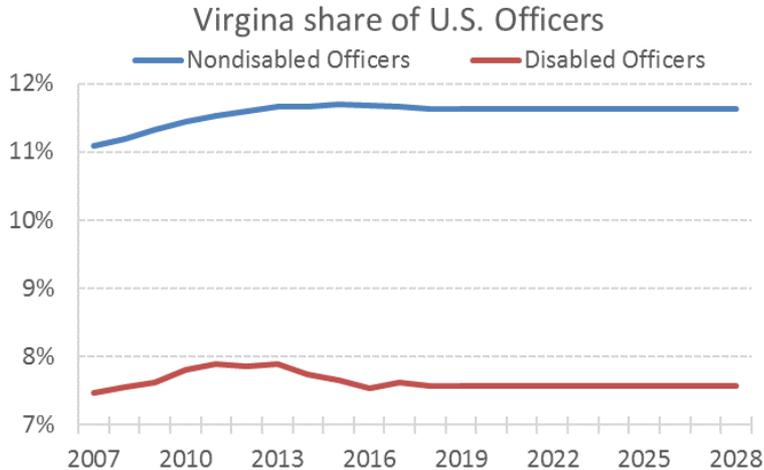
★ = Military focused    \$ = Means-tested

<u>No Exemption (9)</u>	<u>Partial Exemption or Special Provision (13)</u>	<u>Full Exemption (20)</u>	<u>No State Income Tax (9)</u>
California	Arizona	Montana \$	Alabama ★ Louisiana New Jersey ★ Alaska Tennessee*
Idaho	Colorado	Nebraska ★	Arkansas ★ Maine New York ★ Florida Texas
New Mexico	Delaware	North Carolina	Connecticut ★ Massachusetts Ohio ★ Nevada Washington
North Dakota	Georgia	Oklahoma ★	Hawaii Michigan ★ Pennsylvania New Hampshire* Wyoming
Rhode Island	Indiana	Oregon	Illinois Minnesota ★ West Virginia ★ South Dakota
Utah	Kentucky	South Carolina ★	Iowa ★ Mississippi Wisconsin ★
Vermont	Maryland ★	Kansas	Missouri
<b><u>VIRGINIA</u></b>			
Washington DC			

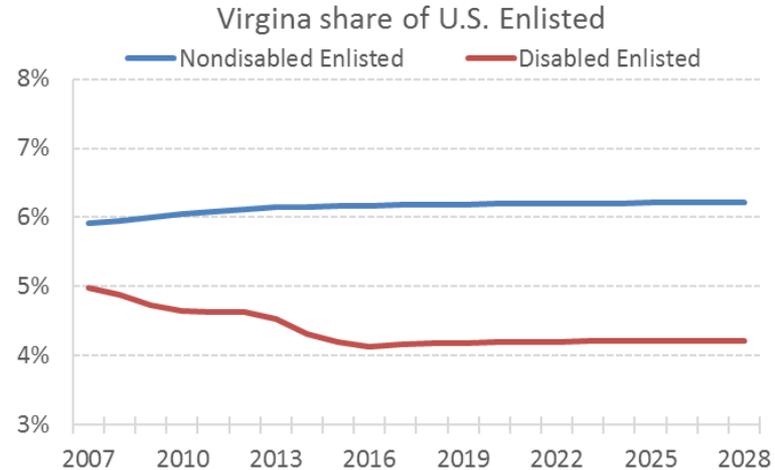
\* New Hampshire and Tennessee tax interest and dividends but not pension income or earned income.

## Virginia share of US:

- ▶ Officers remains constant.
  - ▶ Both nondisabled and disabled officers.



- ▶ Enlisted continues to grow slightly.
  - ▶ Both nondisabled and disabled enlisted.



Below are five options estimated by TAX from among a range of policy options that are available in other states or that have been brought up to DVS by retirees:

- ▶ A full military retirement income tax exemption in Virginia = -\$295 million revenue loss by 2027
- ▶ Other policy options include:
  - ▶ Refundable tax credit of \$5,000 = -\$783 million loss by 2027
  - ▶ Fixed subtraction of \$40,000 = -\$247 million
  - ▶ Full exemption for retirees age 65 and older only = -\$112 million
  - ▶ Phased-in fixed subtraction rising from \$10,000 to \$40,000 over four years for retirees age 65 and older only = - \$97 million

Other options range in cost from one-third or less to more than full-exemption cost

## Comparison of Policy Options for Exempting Military Retirement Pay

### Cost of other policy options as share of baseline full exemption

Virginia FY	Baseline Full Exemption Cost (\$M)*	Number of Retirees	Refundable tax credit <sup>1</sup>	Fixed subtraction <sup>2</sup>	Exemption for Age 65+ only <sup>3</sup>	Phased-in Fixed subtraction for Age 65+ only <sup>4</sup>
2020	-\$112.6	152,005	338%	85%	33%	15%
2021	-\$229.7	152,682	332%	85%	33%	21%
2022	-\$239.2	153,290	320%	85%	34%	28%
2023	-\$249.4	153,909	309%	85%	35%	30%
2024	-\$260.4	156,010	298%	84%	36%	32%
2025	-\$272.0	156,330	287%	84%	36%	32%
2026	-\$283.6	156,540	276%	84%	37%	32%
2027	-\$295.2	156,642	265%	84%	38%	33%

\* Assumes 1/1/2020 effective date and no adjustment for timing of passage; For a normal revenue impact, FY 2020 impact would be shifted to FY 2021

<sup>1</sup> Tax credit of \$5,000

<sup>2</sup> Fixed subtraction of \$40,000

<sup>3</sup> Full exemption only if age 65 & older; no exemption for younger age groups

<sup>4</sup> Fixed subtraction rising from \$10,000 to \$40,000 over four years for age 65 and older

Sources: U.S. Department of Defense, Statistical Report on the Military Retirement System, and Valuation of the Military Retirement System  
 US Department of Veterans Affairs, National Center for Veterans Analysis and Statistics (NCVAS),  
 Virginia Department of Taxation, Policy Development Division

Like full-exemption, most other options eclipse or approach \$200 million annual cost

## Comparison of Policy Options for Exempting Military Retirement Pay

Virginia FY	Cost of other policy options					
	Baseline Full Exemption Cost (\$M)*	Number of Retirees	Refundable tax credit <sup>1</sup>	Fixed subtraction <sup>2</sup>	Exemption for Age 65+ only <sup>3</sup>	Phased-in Fixed subtraction for Age 65+ only <sup>4</sup>
2020	-\$112.6	152,005	-\$380	-\$96	-\$37	-\$17
2021	-\$229.7	152,682	-\$763	-\$195	-\$77	-\$48
2022	-\$239.2	153,290	-\$766	-\$203	-\$82	-\$67
2023	-\$249.4	153,909	-\$770	-\$211	-\$88	-\$76
2024	-\$260.4	156,010	-\$776	-\$220	-\$93	-\$82
2025	-\$272.0	156,330	-\$781	-\$229	-\$99	-\$87
2026	-\$283.6	156,540	-\$782	-\$238	-\$106	-\$92
2027	-\$295.2	156,642	-\$783	-\$247	-\$112	-\$97

\* Assumes 1/1/2020 effective date and no adjustment for timing of passage; For a normal revenue impact, FY 2020 impact would be shifted to FY 2021

<sup>1</sup> Tax credit of \$5,000

<sup>2</sup> Fixed subtraction of \$40,000

<sup>3</sup> Full exemption only if age 65 & older; no exemption for younger age groups

<sup>4</sup> Fixed subtraction rising from \$10,000 to \$40,000 over four years for age 65 and older

Sources: U.S. Department of Defense, Statistical Report on the Military Retirement System, and Valuation of the Military Retirement System  
 US Department of Veterans Affairs, National Center for Veterans Analysis and Statistics (NCVAS),  
 Virginia Department of Taxation, Policy Development Division



Including impact of adjusting for time of passage

**Cost to Exempt Military Retirement Pay from Virginia Individual Income Tax\***

Year	Tax Year		Virginia FY	Fiscal Year		Revenue impact adjusting for time of passage***	
	Full Exemption Impact (\$M)	Phased-in Fixed Subtraction for Age 65+ impact (\$M)**		Full Exemption Impact (\$M)	Phased-in Fixed Subtraction for Age 65+ impact (\$M)**	Full Exemption Impact (\$M)	Phased-in Fixed Subtraction for Age 65+ impact (\$M)**
2020	-\$225	-\$33	2020	-\$113	-\$17		
2021	-\$234	-\$63	2021	-\$230	-\$48	-\$342	-\$65
2022	-\$244	-\$72	2022	-\$239	-\$67	-\$239	-\$67
2023	-\$255	-\$80	2023	-\$249	-\$76	-\$249	-\$76
2024	-\$266	-\$84	2024	-\$260	-\$82	-\$260	-\$82
2025	-\$278	-\$89	2025	-\$272	-\$87	-\$272	-\$87
2026	-\$289	-\$94	2026	-\$284	-\$92	-\$284	-\$92
2027	-\$301	-\$100	2027	-\$295	-\$97	-\$295	-\$97

\*Effective for TY beginning 1-1-2020

\*\* Fixed subtraction rising from \$10,000 to \$40,000 over four years for age 65 and older

\*\*\* Assumes passage in 2020 GA session with FY 2020 impact reflected in FY 2021 budget

Sources: U.S. Department of Defense, Statistical Report on the Military Retirement System, and Valuation of the Military Retirement System  
 US Department of Veterans Affairs, National Center for Veterans Analysis and Statistics (NCVAS),  
 Virginia Department of Taxation, Policy Development Division



## Key sources

- ▶ **History of US & Virginia retirees & pay:** U.S. Department of Defense (DOD), 2018 Statistical Report on the Military Retirement System
- ▶ **Forecast of US retirees & pay:** DOD, 2018 Valuation of the Military Retirement System
- ▶ **History of US retirees by age:** DOD 2018 Statistical Report on the Military Retirement System
- ▶ **History & forecast of US & Virginia veterans:** US Department of Veterans Affairs (VA), National Center for Veterans Analysis and Statistics (NCVAS)

## Key data points

	Virginia Retirees*	Avg. annual pay	Total pay (\$B)
2018	150,426	\$36,066	\$5.4 billion
2028F	156,550	\$47,685	\$7.4 billion
CAGR**	0.4%	2.8%	3.2%

### Age <65

2018	90,463	\$34,607	\$3.1 billion
2028F	86,645	\$45,756	\$3.9 billion
CAGR**	-0.4%	2.8%	2.4%

### Age 65 & older

2018	59,963	\$38,267	\$2.3 billion
2028F	69,905	\$50,595	\$3.5 billion
CAGR**	1.5%	2.8%	4.4%

\* Excludes Coast Guard retirees; includes disabled retirees; FFY

\*\* Compound Annual Growth Rate

- ▶ **Group-specific:** Each part of an estimate is based on taxable income calculations appropriate to the specific group (i.e., primarily related to age (<65 vs 65+) and income)
- ▶ **Taxable income:** Takes into account estimated asset income, age deduction, personal exemption, age exemption and standard deduction to derive a Taxable Percentage.
- ▶ **Taxable Benefits:** Derived by applying Taxable Percentage to retirement benefits.
- ▶ **Revenue Loss:** Derived by applying Virginia tax rate to Taxable Benefits.
- ▶ **Revenue Loss by policy option:** Generally, the approach is to calculate the revenue preserved by the policy—then add that to the baseline full exemption cost to derive the net revenue loss with the policy.

- ▶ **Expanding to five age brackets:** While the baseline estimate is based on two age splits (under age 65 vs. 65 and older), the age-based policy estimate requires further splitting the age breaks to five: (<45, 45-54, 55-64) and (65-74, 75 and older)
- ▶ **Further splits based on two sources:**
  - ▶ Historical US-level data on age splits of *retirees* from the DOD statistical report
  - ▶ Forecast of Virginia-level data on age splits of *veterans* from US Department of Veterans Affairs, National Center for Veterans Analysis and Statistics (NCVAS)
- ▶ **Retirement pay by age group.** Estimated relative to known pay for Under 65/65 and older by using data from the 2017 American Community Survey, PUMS microdata for Virginia (i.e., Index ratio from ACS data applied to DOD payment data)

- ▶ **US-level forecast:** Forecast of total US retirees and pay by officer or enlisted; nondisabled or disabled is pre-determined by DOD valuation report.
- ▶ **Virginia-level forecast:** Virginia retirees and pay by officer or enlisted; and disabled or nondisabled are forecast relative to US-level data (as a share or ratio).
  - ▶ **Virginia retirees:** Forecast as a share of US retirees by officers, enlisted, disabled officers, and disabled enlisted. Forecast makes assumptions about trends going forward.
  - ▶ **Virginia retiree split at age 65:** Forecast relative to distribution of Virginia *veterans* under age 65/65 & older (Historical *retiree* split based on actual data from DOD statistical report).
  - ▶ **Virginia retirement pay:** Forecast for all Virginia retirees aggregated from indices for groups (officers, enlisted, disabled officers, and disabled enlisted) relative to US-level groups. Policy estimates, however, assume pay for groups grows at same aggregate rate to simplify methodology.