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The Honorable J. Dennis Hastert
Speaker of the House
U. S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

Enclosed is a report to Congress that covers two areas involving the Armed Services' aviation programs. Section 301a(f), title 37, United States Code (USC), requires information annually on the number of waivers granted to aviators who fail to meet the operational flying duty requirements ("gates") in title 37, USC, § 301a(b). The waivers allow aviators unable to complete the required gates to receive continuous Aviation Career Incentive Pay. Additionally, § 301b(i), title 37, USC, requires the Department to submit information annually to the Committees on Armed Services of the House and Senate analyzing the effects of Aviation Continuation Pay and its impact on retention in the past fiscal year. I have synopsized information for fiscal year 2003 at the executive summary; more detailed data from each of the Armed Services are also enclosed.

A similar letter was prepared for the President of the Senate, and to the Chairman and Ranking Member of each of the Armed Services Committees.

Sincerely,

Charles S. Abell
Principal Deputy

Enclosures:
As stated

EXECUTIVE SUMMARY

ACIP

In Fiscal Year 2003 (FY 03), 159 aviators missed their gates, 39 waivers were granted, and 10 are pending. All Marine Corps and Coast Guard aviators met their gates in FY 03. In the Air Force, 87 officers missed their gates. Thirty-six waiver requests were submitted; 13 were granted and, as of this date, 1 is pending. Of the 13 waivers granted, all failed to meet their gate requirements due to reasons beyond their control. Three were granted to air battle managers, whose career field was not rated until October 1999, and who were assigned to non-flying ground duties, which are now covered in Air Force Instruction 11-401 as eligible for waivers. Five were due to the requirement for follow-on joint assignments after Joint Professional Military Education attendance in compliance with the Goldwater-Nichols Act. Two navigators were approved for waiver due to the non-availability of flying assignments. Two navigators were approved for lack of support due to airframe drawdown (C-141 and B-52). One pilot was approved due to a humanitarian assignment. In FY 03, 70 Army aviators missed their gates and 25 waivers were granted. Army rationale for waiver approvals were due to the Army Educational Requirements System wherein the individual is unable to perform flight duty because they have to finish a graduate degree to qualify for a duty position. The Navy had two personnel miss their gates. One waiver has been approved and one is pending decision. In the instance of the approved waiver, the individual was required to serve a Disassociated Sea tour after completion of the Naval Post Graduate School. The Services' attached reports provide details about the gates missed and waivers granted.

ACP – Air Force

In FY 03, the Air Force significantly modified its Aviation Continuation Pay program over the previous year. For the first time since program inception in 1989, navigators and air battle managers were included. Results have been impressive for both navigators and air battle managers, especially noteworthy though, take rates for pilots reached an all-time high.

Pilots: The program for pilots continued the provisions of FY 02, which offered $25K a year for 5-year or long-term agreements (through 20 or 25 years of aviation service (YAS)) as well as $15K per year for 3-year agreements. Initial eligibles, i.e., pilots completing their active duty service commitment for pilot training in FY 03, continued to have the option of receiving annual installments or taking 50 percent of the agreement value in a lump-sum payment with the remainder in annual installments. Pilots already under a FY 02 or earlier ACP agreement could opt to convert their agreement to the new program structure. These pilots could accept a 5-year, 20-year, or 25-year service agreement, and receive annual installments. Other pilots in the grade of colonel or below not receiving a bonus and past their initial Active Duty Service Commitment could accept an ACP agreement in FY 03 provided they were otherwise eligible. In FY 03, there were 450 initial eligibles; 316 (70.2

percent) took an agreement. Of the 316, a total of 294 took a long-term agreement of 5 or more years, resulting in a 65.3 percent long-term take rate. The overall take-rate was 21.4 percent (1,221 of the 5,687 eligible accepted a new bonus or converted a previous bonus to the new structure). Air Force pilot losses versus production improved from FY 02 (301 FY 02 losses/1,083 gains versus 289 FY 03 losses/1,081 gains).

Navigators: Until the Air Force instituted its bonus program for navigators, 30 percent of the navigator force was eligible to retire in the next 2 years and nearly half within 4 years. At FY 03 year-end, over half of those navigators accepted bonus agreements cut the retirement-eligible pool in half. As a result, navigator bonuses have provided relief for the pilot shortfalls in the staffs. As the pilot shortage diminishes over the next several years, the navigator bonus program may no longer be needed. Navigator bonuses consist of an annual payment of $10,000 for agreements equal to or less than 3 years and $15,000 for agreements of over 3 years. Initial eligibles are defined as completing 18 years of total active federal military service or 15 years of aviation service in FY 03 (meeting both by the end of FY 03). Other eligibles have a minimum of 18 years of total federal military service and a minimum of 15 years of aviation service prior to FY 03. Colonels and colonel-selectees must have less than 24 years of aviation service. There were 1,625 eligibles in FY 03 and 973 contract takers (59.88 percent). Of that number, there were 215 initial eligibles and 158 takers (73.49 percent). Not-Retirement-Eligible separations for navigators in FY 03 totaled 77 out of a possible 1,305 (no active duty service commitment) (6 percent).

Air Battle Managers (ABMs): The Air Force extended the ACP bonus program to ABMs for the first time in FY 03 as well. Like the navigator community, the Air Force ABM manning shows a "bathtub" effect in the mid-year groups. To ensure needed retention, Air Force offered bonuses of $10,000 per year for contracts of 3 years or less and $15,000 per year for contracts greater than 3 years. Initial eligibles were defined as those completing their active duty service commitment in FY 03. Other eligibles included those with less than 24 years of aviation service, including colonels/colonel-selectees with less than 24 years of service. In FY 03, the Air Force had a take-rate of 96 out of a possible 129 initial eligibles (74.4 percent) and an overall take-rate of 567 out of 707 (80.2 percent). Not-Retirement-Eligible separations for ABMs in FY 03 totaled 44 out of a possible 464 (no active duty service commitment) (9 percent).

ACP - Navy

The Navy's FY 03 ACP program mirrored the FY 02 program without exception. Navy's ACP consists of a tiered bonus system tied directly to force structure and targeted to initially eligible aviators, those on sea duty, and command billets ashore or afloat. Rates were either $15K or $25K annually and payments were offered as 50 percent lump sum for long-term (5-year) contracts and annual payments for all others (2-year, 30- month, or 3-year contracts). The program is structured to offer the greatest incentives to aviators approaching the completion of their initial service obligation incurred for initial flight training. At this point, Navy offered a 5-year bonus of $25K per year to pilots and $15K per year to Naval Flight Officers (NFOs). The Navy's FY 03 program resulted in an 17 percent increase (from

31 to 48 percent) in aggregate aviator retention over pre-ACP program levels. Although retention met aggregate requirements, required retention will grow to 65 percent by FY 05. This requirement is due to the impact of the "T-Notch" (under accessed Year Groups 93-95) as these Year Groups move into Department Head billets. Many platform-specific communities will require more than 100 percent retention, reflecting first tour accessions, which were already less than Department Head requirements. Therefore, it will be necessary to achieve retention rates greater than historic levels over the next 5 years. The FY 03 ACP program was targeted to all pilots and Naval Flight Officers with an active duty service obligation, but less than 24 years of aviation service and assigned to sea duty and/or command. The long-term contract goal of 235 first-time bonus eligible aviators represents 45 percent of the 521 eligibles. Additionally, 207 other aviators with an active duty service obligation in FY 03 opted for a long-term contract in FY 02 under the 1-year early option. The total take-rate for FY 03 was 351 long- and mid-term contracts of the 728 eligibles for a rate of 48 percent. The goal for short-term contracts reflects the number of targeted sea duty and command billets plus a rollover factor to account for aviators moving into or out of those eligible billets throughout the year. The 1-year early option for the FY 04 active duty service obligation cohort was successful in contracting 389 initial eligibles (49 percent of the 800 total).

ACP- Marine Corps

The Marine Corps FY 03 ACP plan, too, was a continuation of the previous year's program. Contract amounts varied based on community. Fixed wing pilots were offered $18K for short-term (36 mos.) and $25K for long-term (to complete 16 years of commissioned service) in annual installments, rotary wing pilots $9K (short-term) and $12K (long-term) per year, while the naval flight officers were offered $6K (short-term) and $12K (long-term) per year. For lieutenant colonels, only the short-term option was available. Obligations and contracts were written out to the beginning of 22 years of commissioned service. The FY 03 plan allowed eligible officers to continue receiving ACP contracts until 22 Years of Commissioned Service. The Marine Corps approved 413 ACP new/converted contracts in FY 03 (an overall take rate of 89 percent for majors and 91 percent for lieutenant colonels). The Marine Corps has been successful in shoring up rotary wing and NFO officer inventories in the past few years, but has a continuing challenge in meeting requirements for fixed wing pilots. Fortunately, rotary wing and NFO officers have been able to fill an additional percentage of staff billets, which alleviates the burden on fixed wing assets. The shortage of fixed wing pilots is partially a result of prior years' losses resulting in an eligible population less than the goal. The Marine Corps' objective force profile outlines measures taken to improve the imbalance among aviation communities.

ACP- Army

Due to budget constraints, the Army did not offer new ACP contracts in FY 03. Under previous years' programs, however, the Army had 1,595 officers under bonus contracts. Due to the implementation of STOPLOSS, it is not possible to assess the effect of not offering new contracts. As outlined in the Army's report, though, its aviator loss history demonstrates the effectiveness of the ACP program. Inventories will be artificially high

again in FY 04 due to continued STOPLOSS (albeit applied on a deployed unit, rather than an individual basis). Beginning in FY 02, Army expanded its ACP program to include all aviation warrant officer military occupational specialties. ACP was offered at two critical windows: warrant officers with seven YAS, but less than 11 years ($12K per year contracts through 11 years service) and warrant officers with 11 YAS, but less than 15 years ($12K per year through 15 YAS). Shortages of special operations aviators were highlighted by combat operations in the Afghan theater. Warrant officers in all special operations aviation specialties who have more than 6 years, but less than 24 years, were offered contracts in a maximum of 4-year increments through their 25th YAS. Army again resumed offering ACP bonuses in FY 04

The Coast Guard offered ACP for the first time in FY 00, but did not offer any additional ACP payments in FY 01, FY 02, or FY 03.

Conclusion

ACIP and ACP remain proven, highly effective tools to retain aviator experience and ensure the readiness of the future force. The ACP "take rate" for the Services (except Coast Guard and Army) in FY 03 was robust; however a comparison with recent fiscal years cannot be made since STOPLOSS impacts available data. ACIP and ACP have proven to be flexible, targetable tools in the Services' retention efforts.

Report to Congress

Aviation Career Incentive Pay and Aviation Continuation Pay Programs for Fiscal Year 2003

March 2004

PART I: FY03 Aviation Career Incentive Pay Flying Gate Waivers

In FY03, 87 Air Force officers missed a flying gate: 29 failed to meet their first gate, 11 missed their second gate, and 47 missed their third gate. Of the 87, 36 were pilots, 34 were navigators, and 17 were air battle managers. The Air Force Personnel Center received 36 flying gate waiver requests during FY03. Of these, 13 were recommended for approval, 22 for disapproval, and 1 is pending. Additionally, 5 waivers were processed through the Air Force Senior Leader Management Office.

Of the 36 gate waivers received, 13 were processed and approved; 2 officers failed to meet the first gate requirement of 96 months within their first 12 years of aviation service, 2 officers failed to meet their second gate requirement of 120 months within their first 18 years of aviation service and 9 failed to meet their third gate requirement of 144 months within their first 18 years of aviation service. The following chart depicts the months completed and periods waived:

Months completed	Waiver for additional months	Crew position	Reason for waiver
1. 79	17	ABM	Eligible under AFI 11-401 criteria*
2. 83	13	ABM	Eligible under AFI 11-401 criteria*
3. 116	4	Nav	Involuntary assignment to nonflying
4. 116	4	Nav	Lack of support due to C-141 drawdown
5. 108	36	ABM	Eligible under AFI 11-401 criteria*
6. 132	12	Pilot	Goldwater-Nichols Act**
7. 133	11	Pilot	Goldwater-Nichols Act**
8. 134	10	Nav	Non-availability of flying assignments
9. 134	10	Nav	Lack of support due to B-1 Grounding
10. 136	8	Nav	Lack of support due to B-52 drawdown
11. 137	7	Nav	Involuntary assignment to nonflying
12. 138	6	Pilot	Assignments due to humanitarian reasons
13. 142	2	Pilot	Goldwater-Nichols Act**

* ABM career field was not rated until 1 Oct 1999. These ABMs were assigned to non-flying ground jobs now covered under AFI 11-401 as grounds for granting a waiver.

** The Goldwater-Nichols Act requires officers to have served in a Joint assignment in order to be considered for promotion to the rank of General Officer. As such, attendance at Joint Service Schools normally requires a follow-on assignment to a Joint position, which is typically a non-flying position.

PART II: FY03 Aviator Continuation Pay Program

Aviator Continuation Pay History

After peaking at a record high 6-11 year cumulative continuation rate of 78% in 1983, Air Force pilot retention began a steady decline through the remainder of the decade. Based on this trend and aviator retention difficulties throughout the Department of Defense, Congress enacted the Aviator Continuation Pay program. The Air Force implemented Aviator Continuation Pay on January 1, 1989 and continues to use the authority.

Air Force methodology has evolved to meet retention needs since the program's inception in 1989. The Air Force initially offered $12K per year for agreements to 14 years of commissioned service. In FY91, the Air Force began offering eligible pilots the option of electing equal annual installments or choosing a new option, receiving 50% of their total Aviator Continuation Pay amount in an up-front lump sum payment. This change dramatically improved the monetary incentive value of the bonus and consequently generated a greater retention effect. In 1996, in addition to eligible fixed-wing pilots, rotary-wing pilots were offered Aviator Continuation Pay for the first time due to the decline in helicopter pilot cumulative continuation rates.

A significant change in Aviator Continuation Pay policy occurred in FY98 with passage of the National Defense Authorization Act that increased the maximum annual Aviator Continuation Pay payment to $25K per year. The Air Force increased agreement values from $12,000 to a maximum annual rate of $22,000 for agreements through 14 years of commissioned service. Additionally, the FY98 National Defense Authorization Act gave authority to offer the amended program retroactively to the FY97 year group. After closing out FY97 with an Aviator Continuation Pay take rate of just 29.5% (220 accepting out of 747 eligible), the Air Force offered the amended FY98 program to the FY97 year group with agreement options of $22,000 for long-term agreements. Sixty-six additional pilots who had previously declined Aviator Continuation Pay under the old provisions agreed to accept Aviator Continuation Pay commitments as a result of the retroactive amendment policy. In FY98 the Air Force also, for the first time, offered the option of discrete agreement lengths of one, two, or three years at $6K, $9K, and $12K per year, respectively.

As the Air Force transitioned into the FY99 program, the overall program objective was to retain the 1,290 new FY99 eligibles and renegotiate the FY97/FY98 aviators currently under variable length agreements (one, two, or three years) by offering them longer-term agreements through 14 years of commissioned service. Payment methods remained unchanged. First time eligibles were offered the option to take 50% up-front lump-sum payments while remaining eligibles were restricted to equal annual installments. Aviator Continuation Pay take rates did improve somewhat in FY99, though some of that was attributed to the FY99 National Defense Authorization Act that changed eligibility from more than six but less than 13 years of active duty to more than six but less than 13 years of aviation service. This change made Aviator Continuation Pay bonuses available to a larger population of pilots with prior enlisted service.

FY00 saw a major restructuring of the Air Force Aviator Continuation Pay program, primarily the result of outcomes from the Office of the Secretary of Defense cross-Service Aviator Compensation Working Group. In response, Congress amended Title 37 United States Code, via the FY00 National Defense Authorization Act to permit Aviator Continuation Pay

payments out to 25 years of aviation service and extending eligibility to colonels. The Air Force fully capitalized on the new bonus authority, offering agreements to 20 and 25 years of aviation service along with eligibility for colonels. Agreements were valued at $15K for 3-year agreements and $25K for 5-year, to 20, or to 25 years of aviation service. Initial eligibles, those pilots completing their active duty service commitment for pilot training in FY00, continued to have the option of receiving annual installments or taking 50% of the agreement value in a lump-sum payment with the remainder paid in annual installments. Pilots already under a FY99 or earlier Aviator Continuation Pay agreement were given the opportunity to convert their agreement to the new program structure by amending their agreements. These pilots could accept a 5-year, 20 years of aviation service or 25 years of aviation service agreement and receive annual installments. Other pilots in the grade of colonel or below who were not receiving a bonus and past their initial active duty service commitment for pilot training could also accept an agreement in FY00 provided they were otherwise eligible. As a result of program restructuring, over 8,000 Air Force pilots were eligible for a bonus in FY00--roughly an eight-fold increase over FY99. The overall bonus take rate was 62% with over 5,000 of all eligible pilots either accepting a new bonus or converting their existing bonus to the new structure.

The FY01 Aviator Continuation Pay program carried forward the same basic framework of the FY00 program with two enhancements for initial eligible pilots. The up-front lump sum payment cap was raised from $100K to $150K and the up-front payment options were expanded to allow those eligible to accept either 50%, 40%, 30%, or 20% of the total value of the agreement up front for agreements 5 years or longer in length with the remainder paid in annual installments. This allowed each individual to tailor their agreement to best suit their personal needs. The overall objective of this program was to encourage a higher percentage of longer-term agreements to 20 and 25 YAS by raising the lump sum payment ceiling allowing pilots to receive an average of $137K up to $150K.

The FY02 Aviator Continuation Pay program had one modification from the FY01 program--those who accepted an FY01 agreement were allowed to execute a new agreement if it resulted in an increase of at least three years to their current Aviator Continuation Pay active duty service commitment.

The FY03 Aviator Continuation Pay program was significantly modified from the FY02 program--FY03 agreement eligible aviator population expanded to include navigators and air battle managers for the first time since the program's inception in 1989. The results were impressive, and while the response from navigators and air battle managers was as expected, take rates for pilots reached all-time highs. The details of the FY03 program are discussed in the following sections.

Current Environment - Pilot

Pilot retention in the Air Force continues to be a challenge. Even though the major airlines have stopped most new hires (discussed in detail below) long-term shortages of rated officers, and pilots in particular, will continue for the next eight years. Of particular concern, the pilot shortage will vary from at least 300 to over 900 pilots per year through FY11.

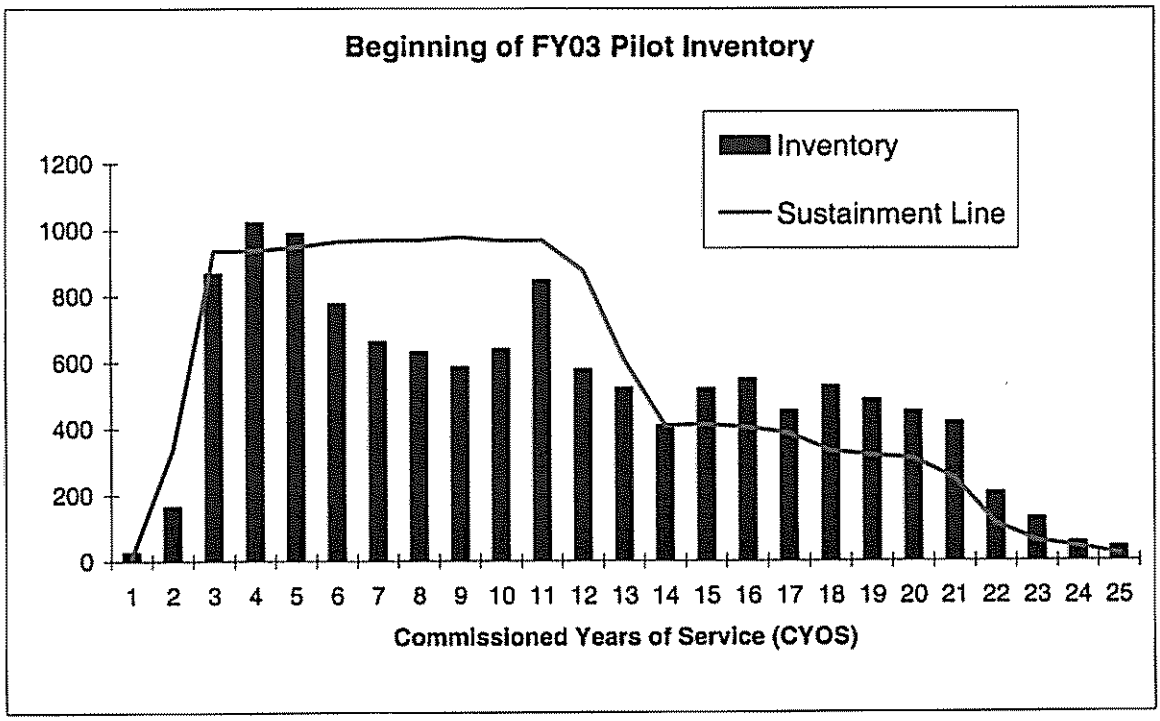
The airline industry remains in a state of turmoil more than two years after the events of September 11, 2001. Net operating losses (of the major airlines) continue to mount: over $7.7 billion in FY01 and over $8 billion in FY03, with no firm recovery forecast for FY04. In response, the airlines have streamlined business practices, reduced capacity, furloughed employees, and lobbied the Federal Government for assistance in funding new security requirements and loan guarantees to thwart Chapter 11 bankruptcy. Most major airlines plan to further reduce capacity (i.e. by flying aircraft fewer hours per day, cutting routes both domestically and overseas, grounding airplanes, etc).

Total airline layoffs since September 11th have exceeded 100,000 employees, with over 9,005 pilots currently on furlough from the major airlines. This downsizing will likely continue until airline revenues begin to keep pace with expenses, which will take several years. This industry-wide downsizing will have a significant effect on future hiring by the major airlines. Based on the total number of pilots furloughed to date, it will take 2-4 years to recall pilots currently furloughed, before any new pilot hiring starts. As a result, it will be approximately 4 years before airline hiring will again exert significant pressure on Air Force pilot retention.

During this lull in airline hiring, the Air Force's intent is to place as many pilots on a long-term service commitment as possible. This action, coupled with increased pilot production and a higher pilot training service commitment to 10 years will assist us in attaining our ultimate goal of stabilizing the pilot inventory. Aviator Continuation Pay continues to play a vital part in helping us achieve our overall objective and hold the line on pilot retention. Although the downturn in the economy and reduction in airline hiring rates have aided our pilot retention efforts, rated manning is, and will continue to be, a major concern, and not only about our pilot force, but about our navigator and air battle manager (ABM) forces as well (discussed in detail beginning on page 13).

We expect pilot shortages of up to 9% over the course of this decade. Taken as a whole, the "total rated" picture is bleak throughout the next 5 to 7 years, necessitating the continued need for the Aviator Continuation Pay program.

The two charts below depict the pilot force profile at the beginning of FY03 and the end of FY03. The low inventory rates prior to 11 commissioned years of service are due to reducing active duty pilot production from 1,528 in FY91 to an all-time low of 481 in FY95. After FY95, active duty pilot production increased to 525 in FY96, 682 in FY97, 869 in FY98 1,011 in FY99, 1,085 in FY00, 1,068 in FY01, 1,083 in FY02, and 1,081 in FY03. These production fluctuations created a "bathtub" seen in the charts between commissioned years of service 6 and 13. The graphs clearly illustrate the continuing pilot retention challenge and highlight the target group for Aviator Continuation Pay. 100% retention of these small year groups is still not enough to overcome the pilot shortage.


Beginning of FY03 Pilot Inventory
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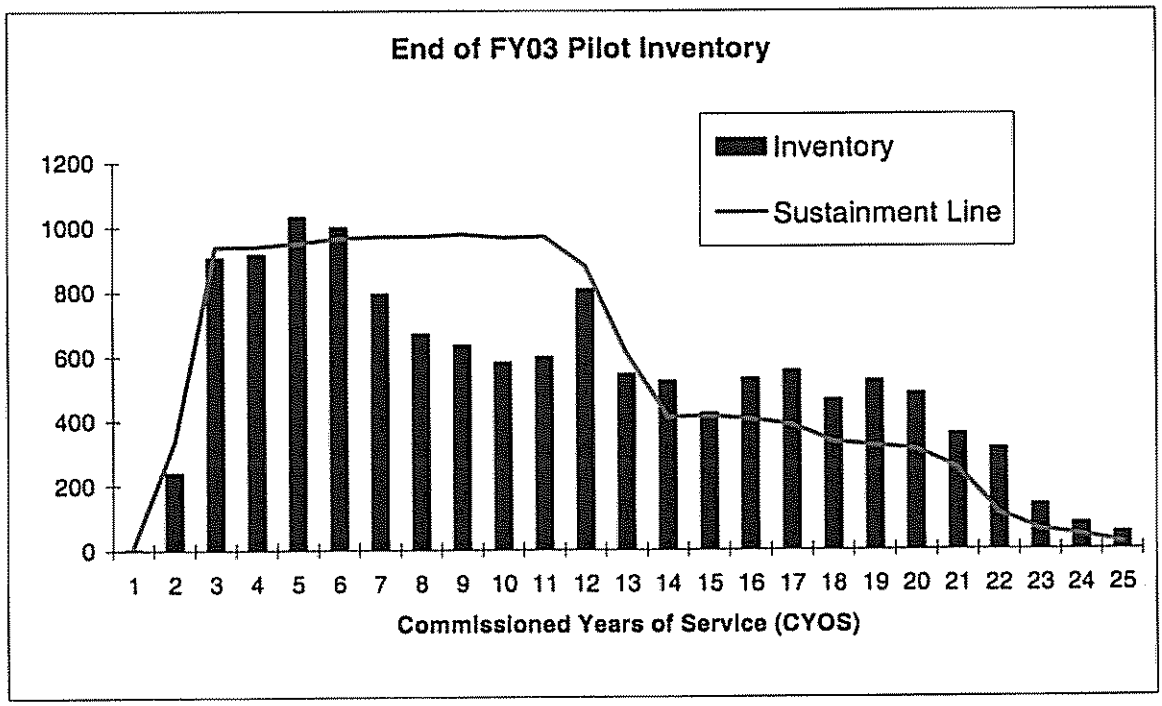
Commissioned Years of Service (CYOS)


End of FY03 Pilot Inventory
Inventory
Sustainment Line
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Commissioned Years of Service (CYOS)

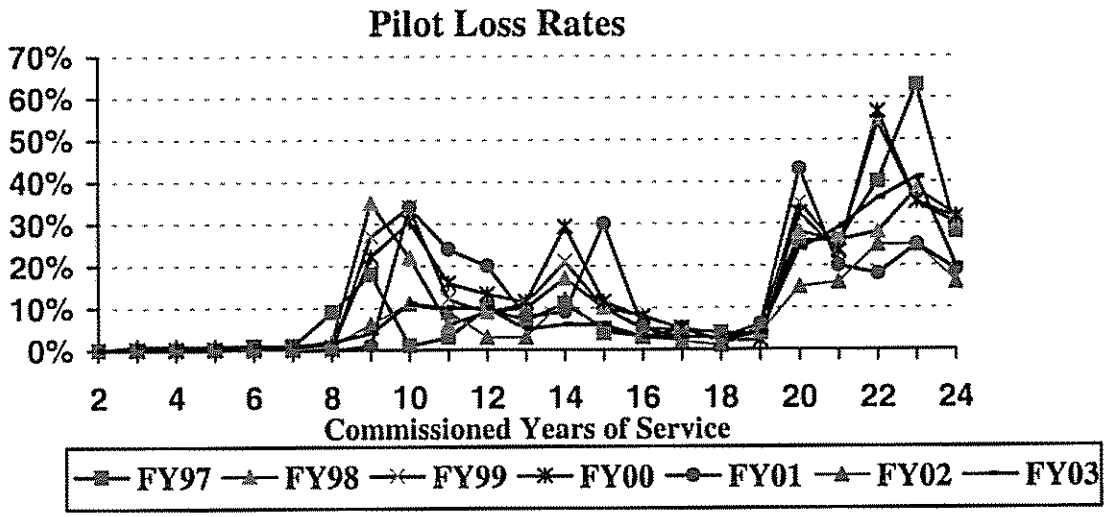
Air Force pilot losses, not including retirements, were 1,117 in FY99, 1,087 in FY00, 862 in FY01, 301 in FY02 and 289 in FY03 (slightly over 5% of the pilot force). During the years FY99, FY00, and FY01 approximately 15% of the pilot force separated each year. The table below shows the number of pilots (not retirement eligible) who separated, compared to the total population (not retirement eligible) who were eligible to separate (no active duty service commitments). The percentage is high for FY01 because the number of total eligibles was smaller. (This is a result of a successful Aviator Continuation Pay program, since only those who do not accept an extended active duty service commitment are eligible to separate.)

Air Force Pilot Separations (not including retirements)

NRE = Not retirement eligible

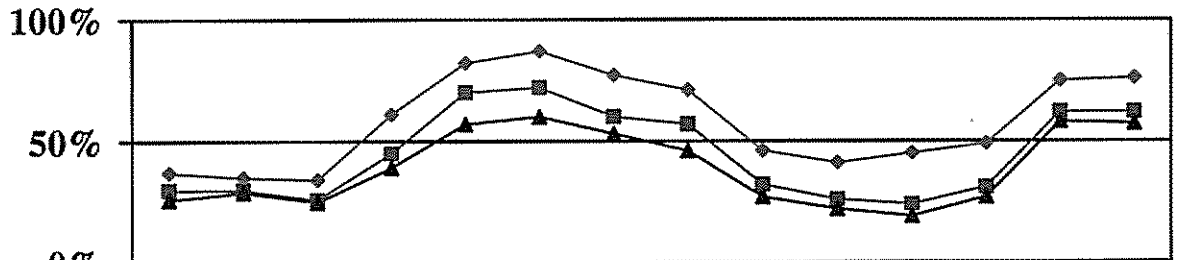
Pilots	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
NRE Separations	1,353	1,507	1,479	751	341	304	499	629	1,030	1,117	1,087	862	301	289
Total NRE (no ADSC)	4519	4376	3775	2724	2258	1601	1780	1703	2233	2286	2176	1106	780	608
Percent	30%	34%	39%	28%	15%	19%	28%	37%	46%	49%	50%	78%	39%	48%

The chart below shows the pilot loss rate over the last seven years and the points at which pilots separate. Inventory loss trends continue to demonstrate that the points at which pilots are most likely to leave the Air Force are: 1) when their undergraduate pilot training commitment expires, 2) between the 10th and 14th year of commissioned service, and 3) after 20 years of service (retirements and promotion to Colonel).



The following graph shows the historic 6-11, 6-14, and 6-16 year pilot cumulative continuation rates. Cumulative continuation rates represent the percentage of officers entering their 6th year of service that will complete 11, 14, or 16 years of service given existing retention trends. A 27 % cumulative continuation rate for pilots in the 6-16 year group means for every 100 pilots entering the 6th year of commissioned service, 27 would complete the 16th year, if current rates persist. FY02 data is skewed because of stop loss effects. However, if the economy and airline hiring remain depressed we expect retention to remain above historical averages in the short term.

Pilot Cumulative Continuation Rate



	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03
6-11 CCR	37	35	34	61	82	87	77	71	46	41	45	49	75	76
6-14 CCR	30	30	26	45	70	72	60	57	32	26	24	31	62	62
6-16 CCR	26	29	25	39	57	60	53	46	27	22	19	27	58	57

The table below (next page) is the current projection of Air Force pilot requirements and inventory. It reflects the combined rated management and retention dynamics previously discussed. The Aviator Continuation Pay program, coupled with pilot production increases and other initiatives, have helped to arrest inventory declines, and the pilot shortage remained steady at approximately 9% of the requirement over fiscal years 00 and 01. High operations tempo contributed to an end of FY01 shortage of 1,239 pilots. By mid-2002 Air Force pilot inventory forecasts estimated the pilot shortfall would be reduced to 915. By the end of FY03 the pilot shortfall dropped to 323, 2% short of the requirement (fighter pilots are still 8% short of the requirement with a get well point of FY13). We attribute this inventory increase to the temporary decline in airline pilot hiring combined with the positive retention effects of Air Force initiatives such as Aviator Continuation Pay and the Permanent Rated Recall and Rated Retired Recall programs. The effects of the 10-year active duty service commitment (instituted in FY00) are expected to take hold and have a positive influence on pilot inventory projections beginning in FY09. However, Air Force inventory forecasts estimate pilot shortfalls of 300-900 pilots continuing through FY11.

Air Force Pilot Requirements vs. Inventory Projections

Pilots	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Requirements	13,423	13,306	13,338	13,531	13,565	13.548	13,546	13,746
Inventory	12,245	12,067	12,648	13,208	13,225	13,103	13,083	12,984
Delta	-1,178	-1,239	-690	-323	-341	-445	-463	-732
Percent	-9%	-9%	-5%	-2%	-3%	-3%	-3%	-6%

Pilots	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Requirements	13,755	13,724	13,694	13,664	13,633	13,602	13,571	13,540
Inventory	12,855	12,815	13,020	13,514	13,811	13,928	14,049	14,161
Delta	-900	-909	-674	-150	178	326	478	621
Percent	-7%	-7%	-5%	-1%	1%	2%	4%	5%

FY03 Aviator Continuation Pay Program - Pilot

The events of September 11, 2001 had a significant effect on Aviator Continuation Pay take rates. Airline hiring freezes and furloughs, along with declining economic prospects resulted in an increase in the take rate among initially eligible pilots from 47% in FY02 to 70% in FY03. Unfortunately, the number of pilots initially eligible to take an Aviator Continuation Pay agreement in FY03 numbered only 450 as compared to 521 in FY02. This is because of the small numbers of pilots trained during the mid-1990s. Although the *percentage* of pilots who accepted an Aviator Continuation Pay agreement increased in FY03, the *actual number* of pilots who signed up was, in fact, only marginally larger than in FY02. In FY02, 224 pilots accepted a long-term agreement as compared to 294 during FY03. The small class sizes from the mid-1990s will continue to create challenges for the next several years. As a result, even if 100% of the initially eligible pilots signed an Aviator Continuation Pay agreement, it still would not eliminate the Air Force pilot shortage. Thus, our retention objective, for now and the foreseeable future, is to retain as many pilots from the lean production years as possible.

The FY03 program retained the major provisions of the FY02 Aviator Continuation Pay program, including payments to 25 years of aviation service and eligibility for colonels. Initial eligible pilots, those completing their active duty service commitment for pilot training in FY03, continued to have the option to receive annual installments or take 50% of their total bonus in a lump-sum payment up front (capped at $150,000) with the remainder paid in annual installments. Pilots already under an earlier Aviator Continuation Pay agreement were given the opportunity to amend their agreement to the new program structure. These pilots could accept a 5-year, 20 years of aviation service or 25 years of aviation service agreement and receive annual installments. Other pilots in the grade of colonel or below not receiving a bonus and past their initial active duty service commitment for pilot training could also accept an agreement in FY03, provided they were otherwise eligible. The following two tables (next page) summarize the agreement options for FY03 and the respective payment amounts.

FY03 Aviator Continuation Pay Agreement Options

Category	3-year	5-year	20 YAS	25 YAS	Remarks
Initial Eligible	X	X	X	X	- Initial eligible defined as completing Undergraduate Pilot Training service commitment in current fiscal year - Annual installments 50% up-front lump sum option (capped at $150K) w/ remainder in annual installments
Currently under an earlier agreement		X	X	X	- Minimum 5-year agreement - Must incur an additional 3-year commitment beyond current commitment - Annual installments
Not under an agreement (and not initially eligible)	X	X	X	X	- Less than 24 years of aviation service (YAS) - If less than 22 YAS, minimum agreement length is 3 years - Annual installments
Colonel/colonel selects		X		X	- Less than 24 YAS - Annual installments

FY03 Aviator Continuation Pay Payment Values

Length of Agreement	Annual Payment Value**
≤ 3 years*	$15,000
> 3 years	$25,000

* Some agreements to 25 YAS may require less than 3-year agreements. Minimum length of any agreement is one year.

** Actual annual installment payment rate is reduced if up-front lump sum payments are taken.

FY03 Aviator Continuation Pay Program Analysis - Pilot

In FY03 there were 450 initial eligibles, 316 (70.2%) took an agreement. Of the 316, 294 (65.3%) took a long-term agreement of 5 or more years.

FY03 Aviator Continuation Pay Take Rates (Fixed Wing)

	All Eligibles*	Initial Eligibles**	Amendment Eligibles	Others***
ACP Eligible	5687	423	4021	1243
Total Takers	1221	296	565	360
Overall Take Rate	21.47%	69.98%	14.05%	28.96%
Long-Term Take Rate ****	N/A*****	64.78%	N/A*****	N/A*****
25 YAS	6.05%	2.13%	6.96%	4.42%
20 YAS	7.75%	33.10%	4.60%	9.33%
5-Year	6.31%	29.55%	2.49%	10.78%
3-Year	1.35%	5.20%	0.00%	4.42%

FY03 Aviator Continuation Pay Take Rates (Rotary Wing)

	All Eligibles*	Initial Eligibles**	Amendment Eligibles	Others***
ACP Eligible	345	27	285	33
Total Takers	71	20	43	8
Overall Take Rate	20.58%	74.07%	15.09%	24.24%
Long-Term Take Rate ****	N/A*****	74.07%	N/A*****	N/A*****
25 YAS	9.28%	0.00%	107.41%	1.05%
20 YAS	6.96%	3.77%	29.63%	1.05%
5-Year	4.06%	2.03%	22.22%	0.35%
3-Year	0.29%	0.00%	0.00%	0.35%

FY03 Aviator Continuation Pay Take Rates (Total)

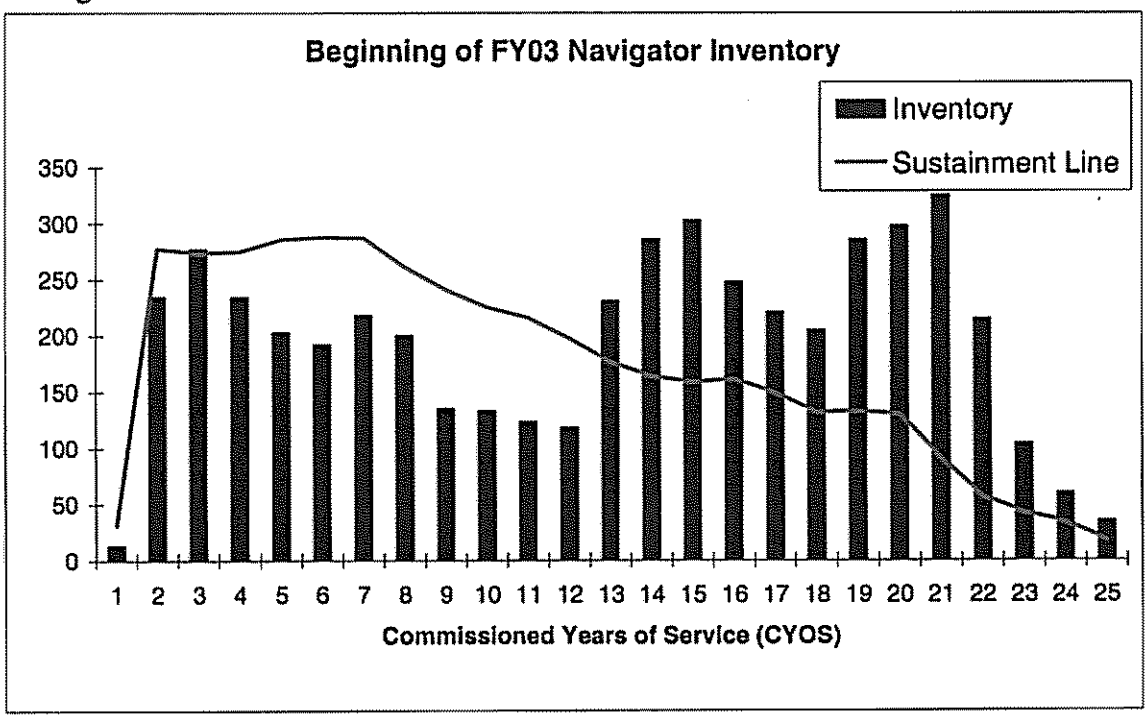
	All Eligibles*	Initial Eligibles**	Amendment Eligibles	Others***
ACP Eligible	6032	450	4306	1276
Total Takers	1292	316	608	368
Overall Take Rate	21.42%	70.22%	14.12%	28.84%
Long-Term Take Rate ****	N/A*****	65.33%	N/A*****	N/A*****
25 YAS	6.23%	2.00%	7.18%	4.55%
20 YAS	7.71%	34.00%	4.48%	9.33%
5-Year	6.18%	29.33%	2.46%	10.58%
3-Year	1.29%	4.89%	0.00%	4.39%

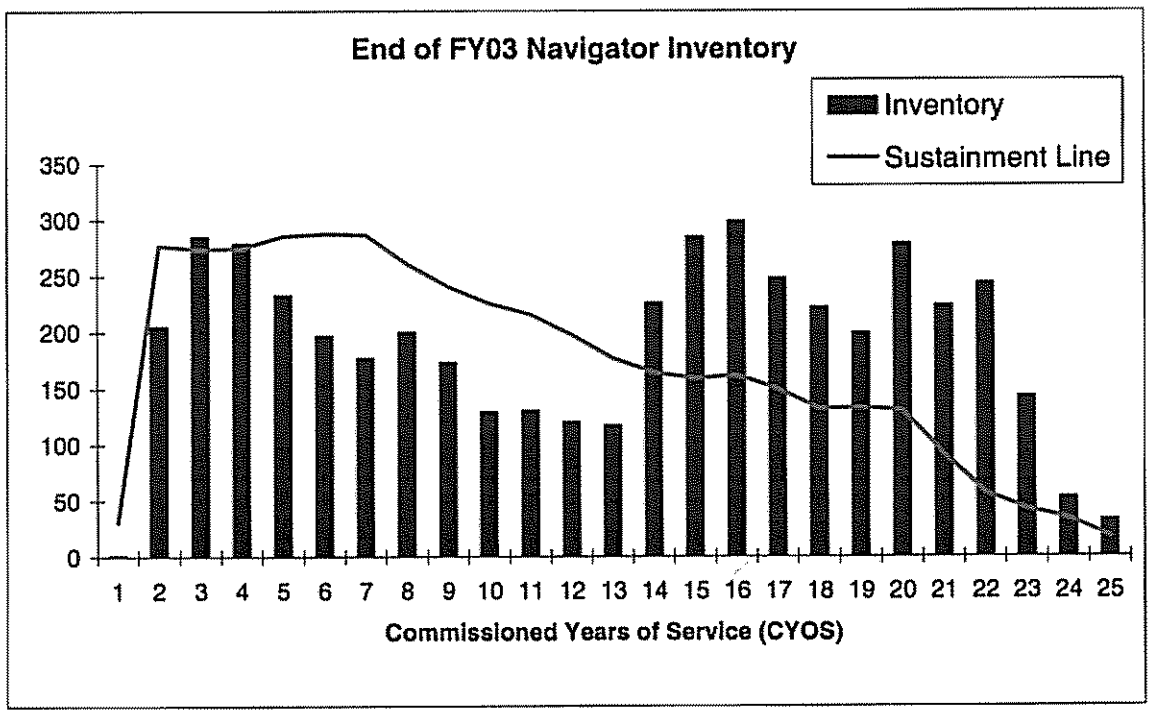
* Reflects FY03 total take rates for all eligibles, i.e., initial eligibles, amendment eligibles, and others
** Initial eligibles defined as those completing their ADSC for pilot training in FY03
*** Others encompasses those not under agreements who were initial eligible in previous years and members whose agreements expired and have not made a new agreement, commonly know as fence-sitters and those planning on separating or retiring
**** Includes 5-year, 20 YAS and 25 YAS agreements only
***** Long-term agreements do not carry the same meaning for more senior pilots, hence, only initial eligibles are tracked on long-term take rate
******Amendment eligibles were not able to amend to a 3-year agreement (5-year, 20 YAS, and 25 YAS only)

The Air Force's May 2000 pilot retention study underscored the direct retention value of the Air Force Aviator Continuation Pay program. The study validated that using Aviator Continuation Pay is a fiscally sound strategy. This study involved statistical regressions of several variables, their statistical significance, impact on retention, as well as the fiscal benefits of Aviator Continuation Pay to the Air Force. It concluded that "from [both] an operational and fiscal perspective, [Aviator Continuation Pay] has been successful at retaining experienced Air Force pilots and saving millions of taxpayer dollars." Specifically, the original (pre-FY00) Aviator Continuation Pay program is estimated to have retained a minimum of an additional 5% but likely closer to a high of 15%, of Air Force pilots facing their initial separation decision; this equated to saving an additional 75-225 experienced pilots per year, representing between $440M and $1.3B in 9-year cumulative pilot training replacement costs. This 5-15% impact is a reasonable factor to apply to the FY03 Aviator Continuation Pay program's impact on 450 initial eligible pilots last year although the actual savings may be higher due to the lingering effects of September 11, 2001. The likely savings of approximately 68 experienced initial eligible pilots, representing approximately $352M in saved cumulative training costs, is actually closer to FY02 levels.

Current Environment - Navigator

Until the bonus was offered, 30% of the navigator force was eligible to retire in the next 2 years and nearly half could have retired within 4 years. At year end, over half of those navigators accepted bonus agreements cutting the retirement-eligible pool in half. The navigator bonus has influenced them to stay longer and provide relief for the pilot shortfalls in the staffs. As the pilot shortage diminishes over the next several years, the navigator bonus program may no longer be needed.



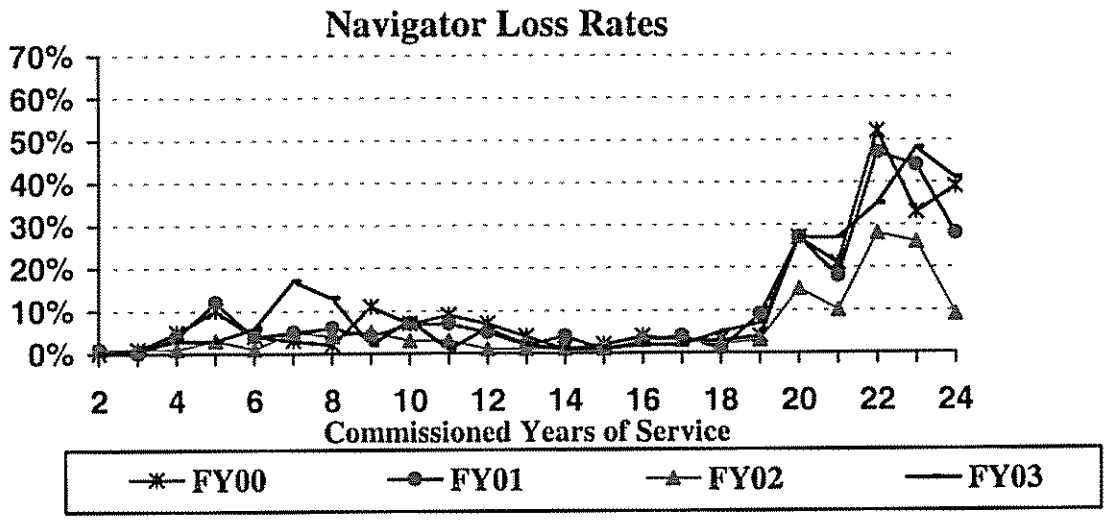


Air Force Navigator Separations (not including retirements)

NRE = Not retirement eligible

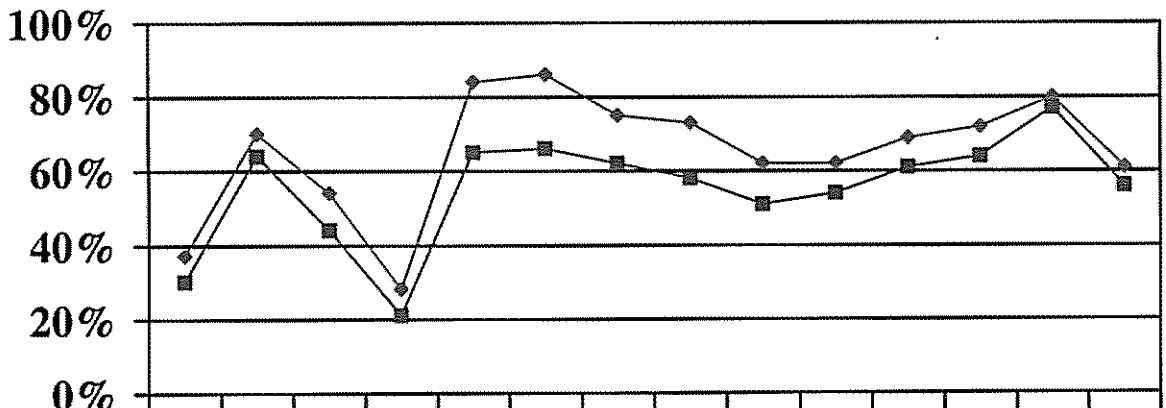
Navigators	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
NRE Separations	324	242	402	603	151	161	155	161	172	141	105	120	38	77
Total NRE (no ADSC)	3368	3700	3728	2779	2401	1868	2018	1828	1905	1542	1353	1165	1262	1305
Percent	10%	7%	11%	22%	6%	9%	8%	9%	9%	9%	8%	10%	3%	6%

The chart below shows the navigator loss rate over the last four years and the points at which navigators separate. Inventory loss trends continue to demonstrate that the points at which navigators are most likely to leave the Air Force are: 1) when their undergraduate navigator training commitment expires, 2) between the 6th and 14th year of commissioned service, and 3) after 20 years of service (retirements and promotion to Colonel).



The following graph shows the historic 6-11, and 6-14 year navigator cumulative continuation rates (CCR). Cumulative continuation rates represent the percentage of officers entering their 6th year of service that will complete 11, or 14, years of service given existing retention trends. A 56 % cumulative continuation rate for navigators in the 6-14 year group means for every 100 navigators entering the 6th year of commissioned service, 56 would complete the 14th year, if current rates persist. Similar to the pilots, the navigator 6-11 & 6-14 CCR dropped to more normal retention levels. The 6-11 CCR dropped from 79.7% to 60.7% and the 6-14 CCR slipped from 76.8% to 55.5%. FY02 data is skewed because of stop loss effects. However, if the economy remains depressed we expect retention to remain above

Navigator Cumulative Continuation Rate



	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03
6-11 CCR	37	70	54	28	84	86	75	73	62	62	69	72	80	61
6-14 CCR	30	64	44	21	65	66	62	58	51	54	61	64	77	56

historical averages.

The table below is the current projection of Air Force navigator requirements and inventory. It reflects the combined rated management and retention dynamics previously discussed.

Air Force Navigator Requirements vs. Inventory Projections

Navigator	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Requirements	4578	4502	4425	4362	4309	4244	4235	4257
Inventory	4929	4867	4960	4762	4791	4746	4619	4535
Delta	351	365	535	400	482	502	384	278
Percent	8%	8%	12%	9%	11%	12%	9%	7%

Navigator	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Requirements	4269	4271	4271	4284	4294	4305	4315	4327
Inventory	4475	4429	4386	4404	4437	4492	4558	4627
Delta	206	158	115	120	143	187	243	300
Percent	5%	4%	3%	3%	3%	4%	6%	7%

FY03 Aviator Continuation Pay Program - Navigator

FY03 is the first year the Aviator Continuation Pay program was offered to selected navigators. Eligible navigators were grouped into two categories: Initial and Other. Initial eligible navigators were those who attained at least one of the following requirements during the current fiscal year, but meet both by the end of FY03. The requirements were to have a minimum of 18 years of total active federal military service and a minimum of 15 years of aviation service. Other eligible navigators were those with a minimum of 18 years of total active federal military service and a minimum of 15 years of aviation service prior to FY03. Navigators were offered agreements for a length of 3-years, 5-years, or to 25 years of aviation service. Any agreement three years or less in length, regardless of type, was valued at $10,000 per year. Any agreement greater than three years in length was valued at $15,000 per year. The 50% up-front option was not available to navigators.

FY03 Aviator Continuation Pay Agreement Options - Navigator

Category	3-year	5-year	20 YAS	25 YAS	Remarks
Initial Eligible	X	X		X	- Initial eligible is defined as completing 18 years of total active federal military service or 15 years of aviation service in FY03 (but meeting both by the end of FY03)
Other Eligible (not initially eligible)	X	X		X	- Other eligibles have a minimum of 18 years of total active federal military service and a minimum of 15 years of aviation service prior to FY03 - If less than 22 YAS, minimum agreement length is 3 years
Colonel/colonel selects		X		X	- Less than 24 YAS - Annual installments

FY03 Aviator Continuation Pay Payment Values - Navigator

Length of Agreement	Annual Payment Value
≤ 3 years*	$10,000
> 3 years	$15,000

* Some agreements to 25 YAS may require less than 3-year agreements. Minimum length of any agreement is one year.

FY03 Aviator Continuation Pay Program Analysis - Navigator

In FY03 there were 215 initial eligibles, 158 (73.5%) took an agreement. Of the 158, 123 (57.2%) took a long-term agreement of 5 or more years.

FY03 Aviator Continuation Pay Take Rates (Total)

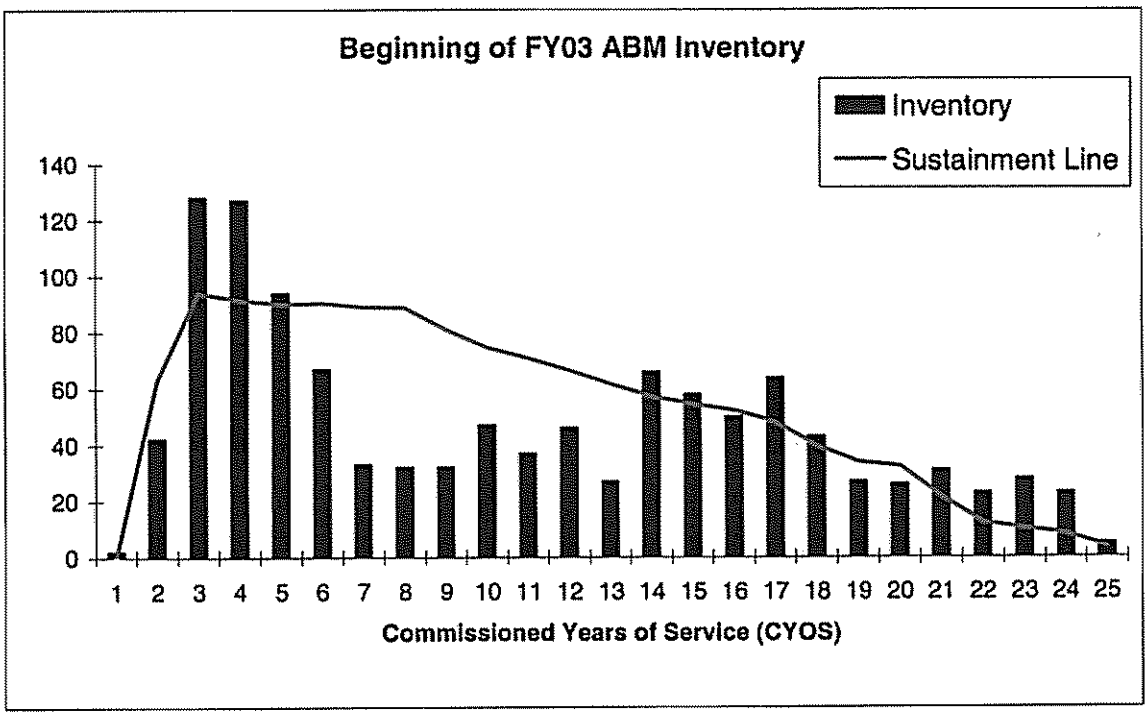
	All Eligibles*	Initial Eligibles**	Others***
ACP Eligible	1625	215	1410
Total Takers	973	158	815
Overall Take Rate	59.88%	73.49%	57.80%
Long-Term Take Rate ****	N/A*****	57.21%	N/A*****
25 YAS	38.89%	30.70%	40.14%
20 YAS	N/A	N/A	N/A
5-Year	10.65%	26.51%	8.23%
3-Year	10.34%	16.28%	9.43%

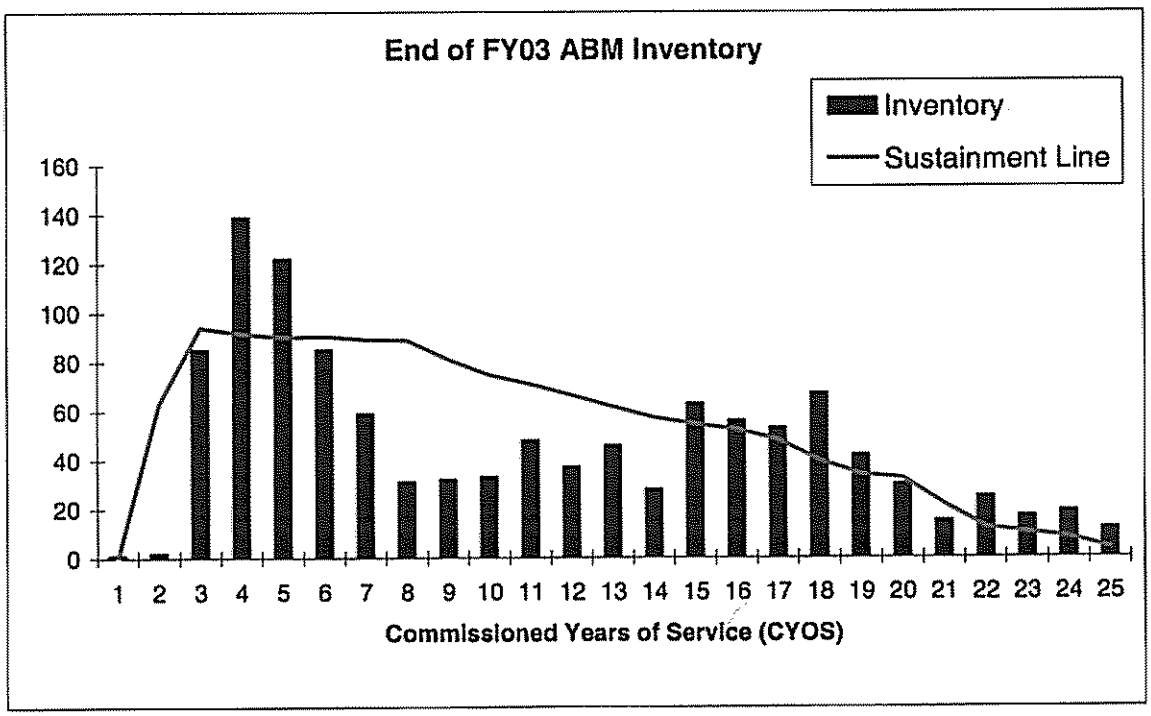
* Reflects FY03 total take rates for all eligibles, i.e., initial eligibles, amendment eligibles, and others
** Initial eligibles defined as those completing their ADSC for pilot training in FY03
*** Others encompasses those that are not initial eligible
**** Includes 5-year and 25 YAS agreements only
***** Long-term agreements do not carry the same meaning for more senior pilots, hence, only initial eligibles are tracked on long-term take rate

The navigator FY03 Aviator Continuation Pay program was very successful since it kept retirement eligible navigators in rated staff positions in accordance with the CSAF's rated prioritization plan. At the end of FY02, the Air Force was short 632 pilots (5%) of the rated staff requirement. By the end of FY03, by using navigators to offset these requirements, rated staff manning has improved. A bonus of $15K/year was determined by a RAND study to be the minimum amount required to alter the retention decision of an Air Force navigator.

Current Environment - Air Battle Manager

Air Battle Manager (ABM) retention in the Air Force continues to be a challenge. Similar to the navigators, the Air Force offered air battle managers ACP for the first time in FY03. ABMs took the bonus at an aggressive rate of 81%. The air battle manager bonus program has been a great success and is helping the Air Force preserve an essential war fighting capability.



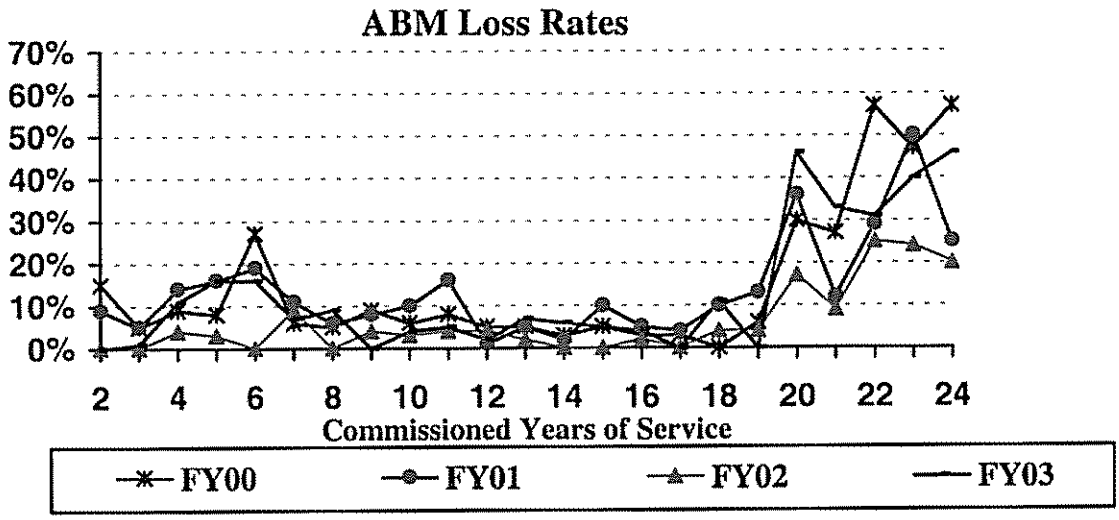


Air Force Air Battle Manager Separations (not including retirements)

NRE = Not retirement eligible

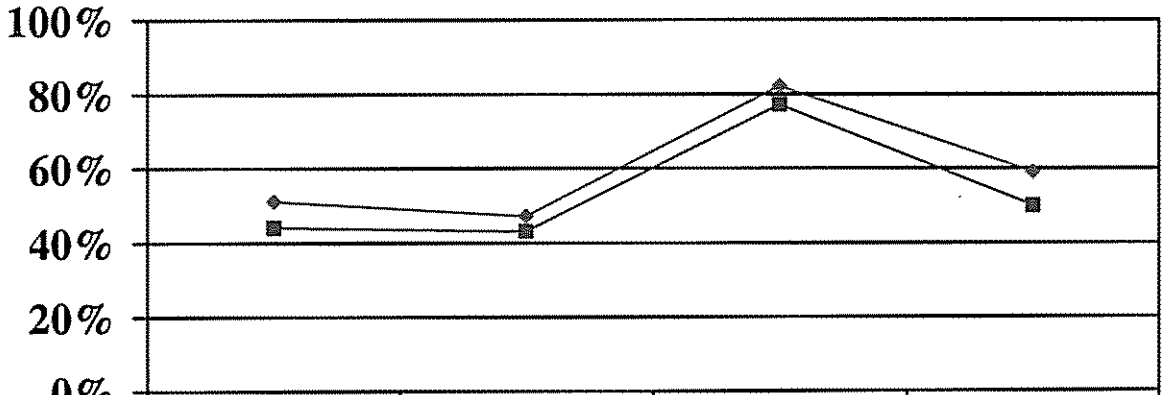
Air Battle Manager	FY00	FY01	FY02	FY03
NRE Separations	32	43	16	44
Total NRE (no ADSC)	294	315	366	464
Percent	11%	14%	4%	9%

The chart below shows the ABM loss rate over the last four years and the points at which air batter managers separate. Inventory loss trends continue to demonstrate that the points at which ABMs are most likely to leave the Air Force are when their undergraduate flying training commitment expires and after 20 years of service (retirements and promotion to Colonel).



The following graph shows the historic 6-11, and 6-14 year ABM cumulative continuation rates. Similar to the pilots and navigators, 6-11 & 6-14 CCR dropped to more normal retention levels. The 6-11 CCR dropped from 82% to 59% and the 6-14 CCR slipped from 77% to 50%. FY02 data is skewed because of stop loss. However, if the economy remains depressed we expect retention to remain slightly above historical averages.

ABM Cumulative Continuation Rate



	'00	'01	'02	'03
6-11 CCR	51%	47%	82%	59%
6-14 CCR	44%	43%	77%	50%

The table below is the current projection of Air Force ABM requirements and inventory.

Air Force Air Battle Manager Requirements vs. Inventory Projections

ABM	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Requirements	1,263	1,312	1,310	1,317	1,345	1,342	1,342	1,344
Inventory	971	1,007	1,169	1,156	1,198	1,215	1,236	1,267
Delta	-292	-305	-141	-161	-147	-127	-106	-77
Percent	-23%	-23%	-11%	-12%	-11%	-9%	-8%	-6%

ABM	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Requirements	1,341	1,341	1,341	1,341	1,341	1,341	1,341	1,341
Inventory	1,296	1,330	1,375	1,418	1,467	1,504	1,547	1,586
Delta	-45	-11	34	77	126	163	206	245
Percent	-3%	-1%	3%	6%	9%	12%	15%	18%

FY03 Aviator Continuation Pay Program - Air Battle Manager

FY03 is the first year the Aviator Continuation Pay program was offered to selected Air Battle Managers. Eligible Air Battle Managers were grouped into two categories: Initial and Other. Initial eligibles were those whose Active Duty Service Commitment for their initial aeronautical rating expired in FY03. Other Air Battle Managers in the grade of colonel or below and who were past their initial active duty service commitment for Air Battle Manager training could also accept an agreement in FY03, provided they were otherwise eligible. Colonels/ colonel-selects are limited to 5-year or to 25 years of aviation service agreements, all other eligible Air Battle Managers were offered agreements for a length of 3-years, 5-years, or to 25 years of aviation service. Any agreement three years or less in length, regardless of type, is valued at $10,000 per year. Any agreement greater than three years in length was valued at $15,000 per year. The 50 % up-front option was not available to Air Battle Managers.

FY03 Aviator Continuation Pay Agreement Options - Air Battle Manager

Category	3-year	5-year	20 YAS	25 YAS	Remarks
Initial Eligible	X	X		X	- Initial eligible is defined as completing the active duty service commitment for Air Battle Manager Initial Aero Rating in FY03
Other Eligible (not initially eligible)	X	X		X	- Less than 24 years of aviation service - If less than 22 years of aviation service, minimum agreement length is 3 years
Colonel/colonel selects		X		X	- Less than 24 years of aviation service

FY03 Aviator Continuation Pay Payment Values - Air Battle Manager

Length of Agreement	Annual Payment Value
≤ 3 years*	$10,000
> 3 years	$15,000

* Some agreements to 25 YAS may require less than 3-year agreements. Minimum length of any agreement is one year.

FY03 Aviator Continuation Pay Program Analysis - ABM

In FY03 there were 129 initial eligibles, 96 (74.4%) took an agreement. Of the 96, 87 (67.4%) took a long-term agreement of 5 or more years.

FY03 Aviator Continuation Pay Take Rates (Total)

	All Eligibles*	Initial Eligibles**	Others***
ACP Eligible	707	129	578
Total Takers	567	96	471
Overall Take Rate	80.20%	74.42%	81.49%
Long-Term Take Rate ****	N/A*****	67.44%	N/A*****
25 YAS	2.83%	0.78%	3.29%
20 YAS	N/A	N/A	N/A
5-Year	68.18%	66.67%	68.51%
3-Year	9.19%	6.98%	9.69%

* Reflects FY03 total take rates for all eligibles, i.e., initial eligibles, amendment eligibles, and others
** Initial eligibles defined as those completing their ADSC for pilot training in FY03
*** Others encompasses those that are not initial eligible
**** Includes 5-year and 25 YAS agreements only
***** Long-term agreements do not carry the same meaning for more senior pilots, hence, only initial eligibles are tracked on long-term take rate

Initial indications are that ABM ACP has accelerated ABM inventory wellness by a full 3 years. In addition, through a RAND study, a bonus of $15K/year was determined to be the minimum amount required for an air battle manager to alter a retention decision.

FY03 Aviator Continuation Pay Program Summary

Aviator Continuation Pay remains a key element in the Air Force's multi-faceted approach to cope with the ongoing pilot shortage. It remains a vital tool until the full benefits of sustained pilot production and increased active duty service commitments for pilot training, implemented in FY00, take effect. Moreover, the ability to retain experienced aviators is more important than the ability to train new aviators. The high cost to develop an experienced aviator, both in terms of years and dollars, amplifies the importance of retaining experienced personnel as opposed to training new personnel. Despite the downturn in airline hiring, now is the time to increase pilot retention efforts and capitalize on the benefits those efforts will have in the current climate.

Initiatives like allowing rated personnel to accrue operational flying duty accumulator (OFDA) credit while assigned to operate unmanned aerospace vehicles (UAVs) and increasing Aviation Career Incentive Pay (ACIP) are crucial to the long-term health of the rated force.

In April of FY02, the SecAF made the decision to grant eligibility for OFDA gate credit to rated officers (pilots and navigators) who are assigned to units that operate unmanned aerial vehicles (UAVs), provided all other criteria are met. This policy change removed the disincentive for being assigned to a UAV billet and ensured rated officers with the right qualifications to successfully lead and conduct this critical mission.

The initiative to modify ACIP is an effort to recover the eroding value of ACIP as a percentage of regular military compensation (RMC) and improve its use to attract and retain aircrew. The 1990 value of ACIP was 19.9% of RMC for personnel at their "stay or go" decision point--today it's only 12.4%. The FY06 ULB proposal would raise ACIP's RMC percentage value to 15%.

The plan seeks to modify Title 37 of the United States Code, section 301a, by altering ACIP in the following ways: 1) combining the "2 or less" and "over 2" categories into a single "less than or equal to 3 years" category, 2) increasing the "over 6" category by 10%, and 3) by deleting the ACIP ramp down after 22 years of aviation service. The average cost to produce an experienced pilot is approximately $3-6M. We would have only needed to influence 2-4 pilots per year to stay in the Air Force to recoup the dollars spent. We estimate a 1.5% increase in retention resulting from the ACIP increase. This proposal would cost the Air Force $12.5M in the first year, however, it would save $30M or more per year in training costs.

Aviation Career Incentive Pay and the Aviator Continuation Pay programs continue to maintain their value as a viable and cost-effective means to have a positive influence on the retention behavior of experienced Air Force aviators, ensuring better force predictability and ultimately, protecting inventory and combat capability.

Naval Post Graduate School (a waiverable tour) and was required to serve a Disassociated Sea tour at COMDESRON ONE that did not allow him to amass the required months of flying. A SECNAV waiver for the 11-month shortfall allowing the officer to receive continuous ACIP through his 18th year was approved.

b. The second officer accumulated 72 MOF towards his 12-year gate minimum of 96 MOF under the "new gate" system. A thorough review of the officer's record demonstrated a normal career progression in aviation. He earned a critical subspecialty rating through attendance at the Naval Post Graduate School (a waiverable tour), served as Flag Aide to COMPACFLT and was required to serve a Disassociated Sea tour as the Navigator aboard LHD-2 and LHA-3 which did not allow him to amass the required months of flying. A SECNAV waiver for the 24-month shortfall allowing the officer to receive continuous ACIP through his 18th year is pending approval.

2. The Secretary of the Navy generally only waives flight gate requirements for those officers whose continuous ACIP would be jeopardized prior to reaching 18 or 25 years of aviation service. Each of these requests fell within the parameters of SECNAV waiver authority. Both officers were required to fill critical non-flying billets to meet the needs of the Navy. Their assignment precluded them from meeting their respective flight gates and each of the requests met the criteria established by BUPERSINST 7220.29 for waiving MOF requirements. Both waivers cited, one approved and one pending approval by SECNAV, are in keeping with service policy.

AVIATION CONTINUATION PAY (ACP) PROGRAM

1. Brief history of the Navy's use of ACP.

During the late 1970's, retention of naval aviators fell to unacceptable levels. In order to increase retention and meet operational requirements, the Navy requested and received Congressional authorization to implement an aviator retention bonus program. The following is a brief overview of the

Navy's aviation retention bonus programs from FY-81 to the present:

a. FY-81: Aviation retention bonus (Aviation Officer Continuation Pay-AOCP) first authorized for Navy. All eligible aviators were offered a retention bonus. Agreement lengths: 1, 2, 3 or 4 years. Bonus amounts were based on percentage of base pay and higher amounts were awarded for junior aviators.

b. FY-82: Same as FY-81 program. Aviation Career Incentive Pay (ACIP-"Flight Pay") limited to 1981 rate for those who accepted 1982 AOCP bonus ($306/mo versus $400/mo new ACIP rate).

c. FY-83: Program not authorized.

d. FY-84: Original AOCP program revised. Agreement lengths: 3, 4, or 6 years. Fixed payment rates depended on length of agreement: 3 year agreements-$4,000/year; 4 and 6 year agreements-$6,000/year.

e. FY-85: Payment rates and agreement lengths same as FY-84 program; however, for the first time not all aviators were eligible. FY-85 AOCP targeted to specific shortfalls and eligibility restricted principally to carrier based communities. 100% lump sum payment option offered to carrier based tactical aviation communities.

f. FY-86: Same as FY-85 program.

g. FY-87: Same as FY-86 program.

h. FY-88: ACIP offset eliminated. Program was still targeted, however most pilot communities were eligible.

i. FY-89: First Quarter: Extension of FY-88 program.

j. FY-89: Second through Fourth Quarter: Introduced new aviation retention bonus program, Aviation Continuation Pay (ACP). Maximum annual payment rate doubled. Two categories of agreement authorized: 1) maximum payment for long-term

agreements (to completion of 14 years commissioned service) for $12,000 per year; 2) maximum payment for short-term agreements (1 or 2 years) at $6,000 per year. Strict targeting based on demonstrated shortage in each community. Payment rates were based on degree of aviator shortage. Using Center of Naval Analysis (CNA) recommendations, communities with greatest shortages received highest rates. 50% lump sum payment authorized.

k. FY-90: Same as FY-89 program except one year short term agreement option eliminated (determined not to be cost effective).

l. FY-91: Same as FY-90 program.

m. FY-92: Continued the FY-91 program with a few exceptions. HSL agreement reduced from $9K to $6K and NFO bonuses in the following communities; VAW, VAQ and VQ (Prop and TAC) were reduced from $6K to $3K.

n. FY-93: Initially offered only short-term contracts. NFO, helicopter, and Patrol (VP) pilot agreements eliminated. VA and VS pilot agreements reduced from $12K to $9K. VQ (prop & TAC) pilot agreements increased from $10K to $12K. A mid-year review procedure was established to allow for the adjustment of bonus amounts and eligibility during the fiscal year.

FY-93 mid-year review: Reserve officers became ineligible for the bonus due to the involuntary release of reserve officers. VA pilots eliminated from bonus eligibility due to the impending decommissioning of the VA community.

o. FY-94: VF pilot agreements reduced from $12K to $6K, VAW pilot agreements eliminated, HM pilot agreements reinstated at $9K and VS pilot agreements increased from $9K to $12K.

FY-94 Mid-year review: Pilots not serving under an ACP agreement and selected for transition to bonus eligible communities were allowed to apply for ACP.

p. FY-95: Program selected aviators whose Active Duty Service Obligation (ADSO) expired in FY-95. The ACP selections were based on Department Head (DH) requirement quotas. VF, VA and HM bonuses

discontinued. VS and VQ (Jet) were reduced from $12K to $9K. VAW bonus reinstated at $4K. Naval Flight Officers remained ineligible.

FY-95 mid-year review: Opened up program to pilots completing ADSO in FY-94 - 95 due to quotas not being met.

q. FY-96: The program selected pilots whose ADSO ended during FY-93 - 96. The HM and HS communities warranted the bonus but were not offered one due to budget constraints. VF reinstated bonus to $12K, VAW increased to $8K, and VS and VQ Jet increased to $12K. NFOs remained ineligible due to fiscal constraints.

FY-96 mid-year review: Program canceled due to fiscal constraints.

r. FY-97: The FY-97 program included four new eligible communities: VAQ NFO, VQ Prop Pilot, VQ Prop NFO, and HS Pilot. VQ jet pilot and VAW pilot, eligible under the FY-96 program, were not eligible for ACP in FY-97. All eligible communities were offered $12K annually, except HS pilot ($10K) and VQ Prop pilot ($9K).

FY-97 mid year review: No changes made.

s. FY-98: The FY-98 program targeted eligible aviators who were up for DH in FY-01. Fixed wing pilot communities and VAQ NFOs were offered between $10K and $20K per year to 14 years commissioned service. The decision to offer contracts to all eligible vice "only enough to meet goal" eliminated perception in the fleet that receiving an ACP award was effectively a pre-screen for DH. HSL pilot and VQ (prop) NFO retention rates warranted ACP in FY-98 but were not included due to fiscal constraints. FY-98 was the fourth consecutive year the Navy failed to meet its ACP take rate goal.

t. FY-99: A program in transition. The FY-99 program represented a new direction in aviation bonuses by targeting all eligible aviators, YG-87 and junior complete with MSR, to meet both 2nd Sea tour and DH requirements. The program offered $12K per year for two-year contracts to all eligible aviators regardless of community. The eligible population encompassed YG's 87-92 and represented those aviators

approaching either their 2nd Sea or Department Head tour. This program was designed in response to a need to both increase aggregate aviator retention and meet DH requirements. The FY-99 retention bonus also served as a transition program to Aviation Career Continuation Pay implemented in FY-00.

u. FY-00: Navy launches Aviation Career Continuation Pay (ACCP). A new and innovative ACP program was implemented in FY-00. The philosophy behind ACCP represented a significant departure from previous aviation bonus programs in that for the first time, Navy targeted aggregate aviator retention through 25 years of aviation service. With aggregate shortages exceeding 1000 pilots and NFOs, the Navy sought to entice highly qualified aviators to choose Navy as their primary career choice. The FY-00 program was designed to address the expressed retention concerns of aviators by compensating eligible aviators for assignment to sea duty and command by offering a series of short-term bonuses throughout a due course career.

In order to implement this program, the Navy led a multi-service initiative to expand ACP legislative authority in FY-00. The result of this effort was reflected in the FY-00 National Defense Authorization Act (NDAA), which adopted the Navy's proposed changes to Title 37, section 301b, of United States Code. The changes to Title 37 granted Service Secretaries discretion to pay a retention bonus of up to $25,000 per year for each year agreed to remain on active duty for aviators who have completed their minimum service requirement but have less than 25 years of aviation service. The Navy used this new authority to specifically target aviators assigned to sea duty and command billets to increase retention of both junior and senior aviators.

The original FY-00 ACCP program initially offered short-term (2-3 year) contracts for up to $15K per year for eligible pilots or Naval Flight Officers assigned to sea duty through Post Command Commander (O-5). However, to increase lower than desired take rates among junior first time bonus eligible officers and retain more senior aviators to fill critical leadership billets afloat, the FY-00 ACCP program was modified mid year.

The enhanced FY-00 program, implemented in July 2000, offered a five-year option to first time eligible aviators in YG-89 and junior. This long-term offer consisted of $25,000 per year for pilots and $15,000 per year for NFO with an option to collect 50% up front via a lump sum payment. Additionally, eligibility was extended to all aviators filling designated command billets ashore or afloat including Captains (O-6) with less than 24 years of aviation service.

v. FY-01: The FY-01 ACP program was a follow-on to the FY-00 modified program as described above and continued to consist of a tiered bonus system tied directly to force structure and targeted to initial eligible aviators, sea duty and command ashore or afloat. Rates were either $15,000 or $25,000 annually and payments were offered as 50% lump sum for long-term (five-year) contracts and annual payments for all others (two-year, 30 month or three-year contracts).

ACCP continued to be structured to offer the greatest incentives to aviators approaching the completion of their initial service obligation incurred for initial flight training. At this point, the Navy offered a five-year bonus of $25,000 per year to pilots and $15,000 per year to NFOs. Additionally, aviators in YG-90 and junior, previously under FY-99 ACP contracts, were offered a three-year bonus of $25,000 per year to pilots and $15,000 per year to NFOs. This three-year option was offered in order to allow an equitable transition to ACCP for those aviators approaching their DH tours.

Tied to operational flying and non-flying positions, there were five additional levels where ACCP was offered to eligible aviators (O-6 and below complete with initial service obligation and assigned to a designated billet) beginning at the second, or disassociated sea tour, and ending at Major O-6 Command ashore or afloat. The dollar amount for these contracts was $15,000 annually and obligated these aviators to remain on active duty for two to five-years depending on the billet assigned.

Payment rates and service agreement terms were derived as a result of fiscal constraints and CNA study via the FY-00 ACCP program, the year ACCP was first introduced.

w. The FY-02 ACCP program exactly mirrored the FY-01 program except for the addition of the one year early payment option for the initial eligible three and five year ACCP contracts. The FY-02 NDAA, Section 301b(b) 4 of Title 37, U.S. Code was amended to allow the services to pay aviation bonuses one year prior to the end of an Officer's ADSO from winging. The early payment option provided substantial additional financial incentives prior to or during the period when an aviator is making the critical stay-leave decision. With current 9-12 month advance notice requirement for resignations, the early payment option presented a significant retention opportunity prior to the resignation window and was incorporated in the FY-02 ACCP program.

x. Description of the FY-03 ACCP Program. The FY-03 ACCP program was an exact mirror image of the FY-02 Program with no exceptions. The one-year early payment option continued with even greater success than it's introductory year.

2. Retention objectives required and attained over the preceding three fiscal years (FY-00 through FY-02), including a description of the increased retention of qualified aviators as a result of the FY-02 ACCP program.

The Navy's aviator retention requirement is historically based on DH requirements in Fleet Training Command and Fleet Replacement Squadrons (FRS). DH billets require officers in the grade of Lieutenant Commander (11-13 years of commissioned service) who have acquired the breadth and depth of experience as officers and aviators necessary to function in a variety of roles in operational squadrons. For this reason, the Navy measures aviator retention from 7 to 12 years of service to ensure these requirements are met.

ACP programs prior to FY-99 were reactive in nature in that they were formulated on historic retention vice projected trends. The retention challenges of strong airline hiring, a strong economy and a force structure approaching steady state made it necessary to address aggregate aviator retention. This is particularly true over the next few years in order to mitigate the significant retention challenges associated with under

accessed YG 93-95. (These low accessed year groups, often referred to as the "T-Notch," are the result of mid-nineties "draw down" decisions where aviator accessions were reduced to help meet manpower ceilings).

The Navy historically paid bonuses only to meet DH requirements after it was determined that the required retention exceeded observed retention. However, the ACP program failed to meet quotas in many targeted communities over the previous four years and did not address the need to meet aggregate requirements. The FY-00 - 03 ACCP programs, with their unique approach, were well received by fleet aviators and were successful in meeting aggregate aviator requirements.

The FY-03 program resulted in a 17% increase (from 31% to 48%) in aggregate aviator retention over pre-ACCP levels. Although retention met aggregate requirements, required retention will grow to 65% by FY-05. This requirement is due to the impact of the "T-Notch" as these year groups move into DH billets. Many platform specific communities will require more than 100% retention, reflecting first tour accessions that were already less than DH requirements. It is therefore necessary to achieve retention rates greater than historic levels over the next five years.

Naval Aviator 7 to 12 year Cumulative Continuation Rates (CCRs) are compared in Table 1 to required retention to DH. As a measure of retention behavior, CCRs demonstrate the propensity of an officer in the seventh year of commissioned service to remain on active duty through the 12th year thereby fulfilling the applicable DH tour.

NAVAL AVIATOR CUMMULATIVE CONTINUATION RATES

Table 1

	FY01	YG90		FY02	YG91		FY03	YG92
FISCAL YEAR	2001	2001		2002	2002		2003	2003
CCR / CR*	Actual	Required		Actual	Required		Actual	Required
ALL AVIATORS	37%	38%		42%	45%		88%	85%
ALL PILOTS	33%	38%		38%	51%		85%	87%
JET PILOTS	29%	72%		35%	79%		83%	78%
PROP PILOTS	20%	22%		22%	57%		81%	125%
HELO PILOTS	46%	37%		49%	48%		89%	79%
ALL NFOS	45%	34%		47%	39%		96%	82%
JET NFOS	43%	34%		56%	40%		97%	65%
PROP NFOS	47%	35%		39%	38%		95%	117%
Pilots by Community								
VFA (F/A-18)	38%	98%		42%	75%		89%	79%
VF (F-14)	21%	38%		48%	62%		69%	57%
VS (S-3)	23%	93%		4%	57%		70%	24%
VAW (E-2C)	31%	25%		15%	50%		92%	118%
VAQ (EA-6B)	46%	81%		57%	155%		100%	79%
VP (P-3)	16%	16%		23%	31%		79%	44%
VQ PROP (EP-3)	31%	122%		33%	100%		75%	63%
VQ TAC (E-6A)	17%	45%		11%	42%		80%	125%
HS (H-3, H-60)	40%	41%		39%	49%		80%	68%
HM (H-53)	60%	29%		53%	54%		100%	166%
HSL (H-2, H-60)	45%	45%		51%	56%		88%	63%
HC (H-46, H-3, H-53)	53%	35%		27%	35%		96%	28%
NFO's by Community								
VF (F-14)	47%	22%		52%	29%		100%	64%
VS (S-3)	37%	33%		47%	33%		94%	53%
VP (P-3)	50%	36%		38%	18%		94%	61%
VAQ (EA-6B)	46%	44%		63%	66%		97%	68%
VAW (E-2C)	36%	26%		37%	32%		93%	56%
VQ PROP (EP-3)	72%	70%		37%	50%		100%	75%
VQ TAC (E-6A)	32%	50%		75%	46%		100%	66%

***Note:** Actual Cumulative Retention Rate (CCR) derived from computing retention over the preceding 12 months for Year Groups with 7-12 years of aviation service for each category. Required Continuation Rate (CR) derived by computing required inventory from the targeted year group of FY minus 11 years to meet Department Head requirements for that Fiscal Year.

3. Table depicting ACP required takers and the actual number of recipients arrayed as applicable.

The FY-03 ACCP program was targeted to all pilots and NFOs complete with ADSO but less than 24 years of aviation service and assigned to sea duty and/or command. The long-term contract goal of 235 first time bonus eligible aviators represents 45% of the 521 eligible aviators making their initial retention decision in FY-03. 207 additional aviators with an ADSO in FY-03 opted for a long-term contract in FY-02 under the one-year early option. Total

take rate for the FY-03 ADSO cohort was 351 long and mid-term contracts of the 728 eligible aviators for a rate of 48%. The goal for short-term contracts reflects the number of targeted sea duty and command billets plus a rollover factor to account for aviators moving into or out of those eligible billets throughout the year. The one-year early option for the FY-04 ADSO cohort was successful in contracting 389 initial eligible aviators (49% of the 800 eligible). This take rate is nearly double the previous introductory year as the one-year early option gained familiarity throughout aviation. Tables 2a-c depicts FY-03 ACCP agreements and eligible populations by contract type.

FY-03 ACCP AGREEMENTS AND ELIGIBLE POPULATIONS BY CONTRACT TYPE

Table 2a

PILOTS

Contract Type	Pilot Takers	Required	Eligible	% Attained	% of Req'd
Long-Term (5yrs)					
Junior Officers Complete w/ Min Service Requirement	81	171	357	23%	47%
JET	27	51	104	26%	53%
PROP	25	53	153	16%	47%
HELO	29	67	100	29%	43%
Mid-Term (3yrs)					
Aviators Complete w/Min Service Requirement, Not Opting for 5 Year	27	171	357	8%	16%
JET	13	51	104	13%	25%
PROP	8	53	153	5%	15%
HELO	6	67	100	6%	9%
Early Option (5 & 3 yrs)					
Aviators 1 year prior to Min Service Requirement	257	401	519	50%	64%
JET	88	120	193	46%	73%
PROP	62	122	159	39%	51%
HELO	107	159	167	64%	67%
Short-Term (1-3 yrs)					
Sea duty and Command billets	258	450	450	57%	57%
TOTAL	**623**	**1022**	1326	47%	61%

Table 2b

NAVAL FLIGHT OFFICERS

Contract Type	NFO Takers	Required	Eligible	% Attained	% of Req'd
Long-Term (5yrs)					
Junior Officers Complete w/ Min Service Requirement	63	64	164	38%	98%
JET	38	40	102	37%	95%
PROP	25	24	62	40%	104%
HELO	0	0	0	0%	0%
Mid-Term (3yrs)					
Aviators Complete w/Min Service Requirement, Not Opting for 5 Year	19	64	164	12%	30%
JET	13	40	102	13%	33%
PROP	6	24	62	10%	25%
HELO	0	0	0	0%	0%
Early Option (5 & 3 yrs)					
Aviators 1 year prior to Min Service Requirement	132	152	281	47%	87%
JET	77	83	174	44%	93%
PROP	55	69	107	51%	80%
HELO	0	0	0	0%	0%
Short-Term (1-3 yrs)					
Sea duty and Command billets	209	250	250	84%	84%
TOTAL	**423**	**466**	859	49%	91%

Table 2c

ALL AVIATORS

Contract Type	Tot Takers	Required	Eligible	% Attained	% of Req'd
Long-Term (5yrs)					
Junior Officers Complete w/ Min Service Requirement	144	235	521	28%	61%
JET	65	91	206	32%	71%
PROP	50	77	215	23%	65%
HELO	29	67	100	29%	43%
Mid-Term (3yrs)					
Aviators Complete w/Min Service Requirement, Not Opting for 5 Year	46	235	521	9%	20%
JET	26	91	206	13%	29%
PROP	14	77	215	7%	18%
HELO	6	67	100	6%	9%
Early Option (5 & 3 yrs)					
Aviators 1 year prior to Min Service Requirement	389	553	800	49%	70%
JET	165	203	367	45%	81%
PROP	117	191	266	44%	61%
HELO	107	159	167	64%	67%
Short-Term (1-3 yrs)					
Sea duty and Command billets	467	700	700	67%	67%
TOTAL	1046	**1488**	2185	**48%**	**70%**

Similar to the FY-98 through FY-02 ACP/ACCP programs, total ACCP agreements by community as depicted in Table 2 were not limited. The FY-03 ACCP program also attempted to address the negative impact of previous programs by approving all eligible aviators who applied within the specified application time period. This was in keeping with the new bonus philosophy to target aggregate retention in addition to specific DH requirements.

4. The number of aviator resignations and the loss rate for aviators in FY-03, to include retirements, displayed as years of commissioned service.

Tables 3a and 3b depict aviators eligible to resign or retire in FY-02 and FY-03 versus actual losses, resignations and retirements, by years of commissioned/aviation service (YCS/YAS).

FY-02 AVIATOR LOSSES (Resignations and Retirements)

Table 3a

YCS/YAS	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	Total
FY-02 Elig. Pilots	0	10	59	110	324	290	178	75	135	218	238	171	71	107	162	151	98	84	74	2555
FY-02 Pilot Resigs	0	3	28	70	125	25	5	10	8	3	1	0	0	0	0	0	0	0	0	278
FY-02 Pilot Ret.	0	0	0	0	5	0	0	3	1	2	2	0	17	120	0	20	4	10	7	191
FY-02 Total Pilot Seps	0	3	28	70	130	25	5	13	9	5	3	0	17	120	0	20	4	10	7	469
FY-02 Elig. NFO's	0	61	103	154	147	110	61	32	47	120	115	146	53	93	100	86	99	77	38	1642
FY-02 NFO Resigs	0	1	20	51	36	10	7	1	2	1	2	0	0	0	0	0	0	0	0	131
FY-02 NFO Ret.	0	0	1	1	0	0	0	0	0	0	0	0	0	56	15	7	8	10	2	100
FY-02 Total NFO Seps*	0	1	21	52	36	10	7	1	2	1	2	0	0	56	15	7	8	10	2	231

FY-03 AVIATOR LOSSES (Resignations and Retirements)

Table 3b

YCS/YAS	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	Total
FY-03 Elig. Pilots	0	75	92	115	60	194	215	249	182	205	220	209	120	129	124	128	83	75	59	2534
FY-03 Pilot Resigs *	1	0	3	39	76	33	4	1	2	1	1	0	0	0	0	0	0	0	0	161
FY-03 Pilot Ret.*	1	0	1	0	1	0	0	5	1	3	1	1	1	21	22	8	5	2	11	84
FY-03 Total Pilot Seps	2	0	4	39	77	33	4	6	3	4	2	1	1	21	22	8	5	2	11	245
FY-03 Elig. NFO's	70	163	65	123	132	165	131	140	113	122	109	162	82	106	82	85	82	50	27	2009
FY-03 NFO Resigs*	0	4	31	24	15	4	0	0	1	0	0	0	0	0	0	0	0	0	0	79
FY-03 NFO Ret.*	0	0	0	1	1	3	0	2	2	4	3	1	9	31	8	8	4	9	4	90
FY-03 Total NFO Seps*	0	4	31	25	16	7	0	2	3	4	3	1	9	31	8	8	4	9	4	169

5. Aviator OFP depicting beginning and ending FY-03 inventory against total requirements through 25 years of aviation service.

Aviator inventories, pilot and NFO, are measured as members of specific year group cohorts, which also correspond to the number of years of aviation service. Aviators in the first year of aviation service reflect the number of student pilots and NFOs accessed to begin aviation training. Annual Aviator accession requirements are based on the minimum number needed to meet first tour operational squadron requirements plus projected attrition during training. This equates to a steady-state accession goal of 1130 (800 pilot and 330 NFO) student aviators annually. Of the 1130 students accessed, approximately 865 (620 pilots and 245 NFOs) will successfully complete training and fulfill first sea and first shore tour aviator requirements (YCS/YAS 3-8). These Fleet requirements are driven by crew seat ratio and prescribed tour lengths.

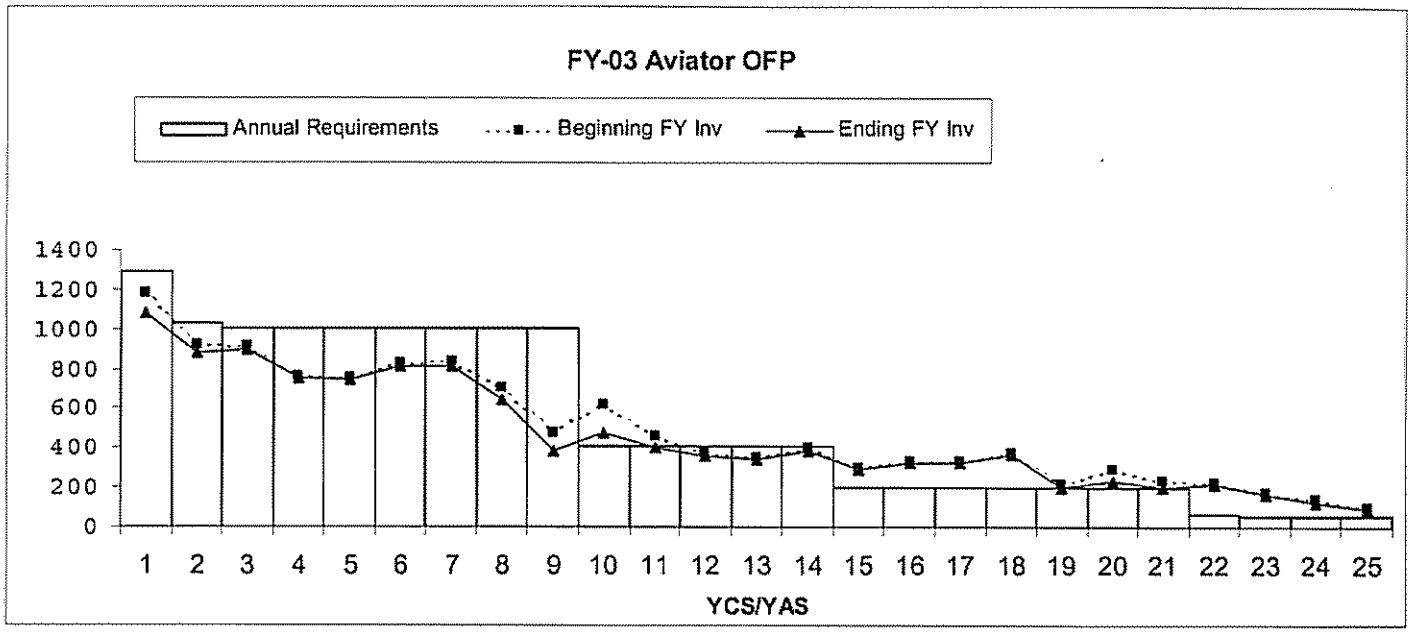
Pre-draw down year groups were accessed at numbers exceeding the current steady state requirements, while draw down and post draw down year groups were significantly under accessed. Low accessed YGs 93-95 comprise the "T-Notch" due to the resulting "T" shape in aviator manpower graphs. In FY-02, the Navy met the steady-state accession requirements for the first time since the force draw down of the early nineties.

With steady-state accessions, the Navy needs to retain up to 42% of year group cohort aviators through 14 years of service to meet annual mid-grade sea and shore requirements. At a minimum, the Navy must retain 38% of these aviators, in the aggregate, to meet annual steady-state operational DH requirements (YCS/YAS 11-13). By comparison, the "T-Notch" year groups will have to be retained at average rates up to 65% in the aggregate to meet DH requirements beginning in 2005. For this reason, the Navy is striving to retain more aviators in all year groups over the next few years.

The OFP for FY-03, Table 4, demonstrates both the impact of under accessions (T-Notch year groups/YAS 8-10) and low retention. The spike in YAS 10 represents the post September 11, 2001 Navy-wide increased retention trend. Even with this retention increase, aviation still needs to retain almost 100% of the previous YG at YAS nine to meet requirements. The FY-03 ACCP program demonstrates Navy's commitment to ensuring high quality aviators are available to fill operational sea billets and production oriented

flight training billets ashore as well as follow-on leadership positions. There is little change in three through seven years of aviation service when aviators are under ADSO for undergraduate flight training. After the seven-year point, resignations begin to impact year group inventories.

FY-03 AVIATOR OBJECTIVE FORCE PROFILE
TABLE 4



SUMMARY

The Navy's ACCP program remains a powerful and flexible targeted tool for the retention effort to ensure a sufficient inventory of aviators is available to meet operational, DH and other requirements. The increase in aggregate retention in FY-03 in comparison with pre-ACCP levels is encouraging, but Navy must continue efforts to improve retention and offset shortages associated with the "T-Notch."

The expanded ACP legislative authority enacted in the FY-00 NDAA and continued in FY-01 - FY-03 greatly improved the Navy's ability to target retention bonuses where required throughout an aviator's career. The FY-03 ACCP program answered the concerns of fleet aviators with

previous bonus programs and as a result, increased aggregate retention by 17% over pre-ACCP levels.

UNITED STATES MARINE CORPS

AVIATION CAREER INCENTIVE PAY (ACIP) GATE WAIVERS

During FY03, there were no flight gate waivers granted. Two individuals failed to meet their 12-year flight gate, but were in a flying status and therefore received the incentive pay under the conditional ACIP authority.

AVIATION CONTINUATION PAY (ACP) PROGRAM

1. Marine Corps ACP History

Marine Corps Aviation Continuation Pay (ACP) was first implemented in FY90, and has been used every year since to combat shortages in aviation specialties. From FY90 to FY96, we employed the short term ACP program ($6,000 per year for a two year service agreement). Although the long term option was available, we chose the shorter contracts for three main reasons. First, we believed that a two year contract would avoid obligating the Marine Corps to budget outlays which might prove to be unnecessary several years in the future if retention behavior changed. Second, we did not have current experience with the impact of large bonuses on force profile. We felt it was prudent to evaluate the effects of the short term program before committing to a long term bonus based on the recent $3,000 annual increase in Aviation Career Incentive Pay (ACIP). Third, we were concerned that the large pay disparity between aviation and ground military occupational specialties (MOS), that would result from the use of the long term bonus, would have a divisive influence on our officer corps. Our goal was to minimize divisiveness with a short term, more cautious plan. ACP was offered to 11 aircrew communities in FY90 and showed encouraging results, with approximately 82 percent of eligible officers participating in the program.

The FY97 ACP program represented a fundamental shift in philosophy for the Marine Corps. The long term bonus (commitment out to 14 years of commissioned service (YCS)) was instituted exclusively and approved by DoD, and six communities were offered ACP. Annual installments of

$12,000 were paid for their obligation. Two additional communities were added during the year due to significant changes in their retention. While concerns still existed about the potential divisive impact on our officer corps, the prospect of severe aviator shortages made this an essential change. Commercial aviation opportunities were still high, and the Marine Corps was the only Service not using long term ACP to 'lock-in' pilot inventory through the bulk of the flying years. The relatively small size of our pilot communities in relation to commercial hiring capacity made it even more advisable to take advantage of the longer service agreements to protect the pilot population to the greatest extent possible.

During FY98, the Marine Corps offered ACP to aviators similar to the previous year's program. All aviation specialties, with the exception of EA-6B pilots, were initially offered ACP based on the Marine Corps' definition of a balanced MOS; a balanced MOS is manned at between 95 and 105 percent of inventory requirements. During November 1997, EA-6B pilots were included as an eligible aviation specialty. The decision to include EA-6B pilots was due to fact that the EA-6B pilot resignation rate in FY97 was the highest among all the fixed wing communities, and if this trend continued, it could quickly become a problem given the small size of the community (69 officers). The FY99 ACP program remained similar to the FY98 ACP program with all aviation specialties designated short.

The intent of the Marine Corps FY00 ACP plan was to provide a proactive career incentive for Marine aviation officers that choose a career in aviation after achieving the grade of major (usually when the officer has completed 10 or 11 years commissioned service). The FY00 proposal applied several of the newly passed legislative changes allowing eligible officers the opportunity to apply for successive ACP contracts throughout the officer's career up to the promotion eligibility zone for colonel. Contract amounts varied based on community. Fixed wing pilots were offered $18,000 annual installments, rotary wing pilot's rate was $9,000 per year, while the naval flight officers were offered $6,000 annual installments. Officers currently on ACP were provided the opportunity to convert to the FY00 ACP program if they would extend their current contract obligation. No ACP contracts were approved for less than a 12 month period.

The FY01 ACP plan made some variations to the previous year's program. Major selects joined the eligible category once they completed their initial service obligation. Two ACP contract options were offered for majors and major (sel); a short term contract for three years, or a long-term contract where the aviator must commit to 16 YCS. For the lieutenant colonels only, the short term option was available. Obligations and contracts were written out to the beginning of 22 YCS.

The Marine Corps' FY02 ACP program was basically a continuation of the FY01 plan. The uncertainty in the economy and an attempt to provide stability into the ACP program were paramount in the decision. The only change occurred in August 2002, when funding became available to institute the early contract writing authority granted in the FY02 National Defense Authorization Act. This authority primarily impacts the fixed wing community who have the longest initial service obligations.

In an attempt to continue the succeses of the ACP program, the FY03 plan was a continuation of the previous year. The following information outlines the results of the FY03 program. Table 1 depicts the annual bonus amounts offered in FY03, by community.

Table 1. Marine Corps Aviation Specialties by Type Community.

AIRCRAFT	MILITARY OCCUPATIONAL SPECIALTIES (MOS)	SHORT-TERM CONTRACT AMOUNT (36 MONTHS)	LONG-TERM CONTRACT AMOUNT (TO COMPLETE 16 YCS)	PAYMENT METHOD
FW PILOT				
AV-8B	7509	$18,000	$25,000	ANNUAL INSTALLMENT
F/A-18	7523	$18,000	$25,000	ANNUAL INSTALLMENT
EA-6B	7543	$18,000	$25,000	ANNUAL INSTALLMENT
KC-130	7557	$18,000	$25,000	ANNUAL INSTALLMENT
RW PILOT				
MV-22	7532	$6,000	$12,000	ANNUAL INSTALLMENT
CH-46	7562	$6,000	$12,000	ANNUAL INSTALLMENT
UH-1	7563	$6,000	$12,000	ANNUAL INSTALLMENT
CH-53D	7564	$6,000	$12,000	ANNUAL INSTALLMENT
AH-1	7565	$6,000	$12,000	ANNUAL INSTALLMENT
CH-53E	7566	$6,000	$12,000	ANNUAL INSTALLMENT
NFO				
WSO F/A-18D	7525	$6,000	$12,000	ANNUAL INSTALLMENT
ECMO EA-6B	7588	$6,000	$12,000	ANNUAL INSTALLMENT

2. Retention Objectives FY01 to FY03.

The following tables depict the take rates for the past three fiscal years. Take rate percentages are given for those officers "On ACP" divided by those officers eligible (Inv Eligible) for an ACP contract at the end of the year. Due to changes in both the ACP program and the initial service obligation as a result of Title 10 changes, the eligible populations are not comparable across the FY, therefore just percentages are shown.

FY00 was the first year lieutenant colonels were offered ACP contracts. The fixed wing pilot community is still a major concern. Due to years of higher than planned attrition, the eligible populations in the fixed wing pilot (FWP) community are not sufficient to meet total requirements. However, this does not impact the Marine

Corps filling all required cockpit seats. The rotary wing pilot (RWP) and naval flight officer (NFO) communities make up the difference in the total requirements by filling an additional percentage of staff billets.

Table 2. Take Rates for Majors.

	FY01	FY02	FY03
ALL AVN	87%	87%	89%
FWP	72%	70%	87%
RWP	94%	95%	90%
NFO	87%	90%	88%

Table 3. Take Rates for Lieutenant Colonels.

	FY01	FY02	FY03
ALL AVN	87%	94%	91%
FWP	90%	91%	99%
RWP	87%	97%	90%
NFO	82%	96%	75%

The Marine Corps defines the retention objective as the total requirement for the particular grade and MOS. The ACP program in the aggregate has performed according to plan, however the fixed wing community still is challenged to meet its goals. This is partially a result of prior years' losses resulting in an eligible population less than the goal. The percentages are not necessarily comparable across FYs as the total requirement changes from year to year, while the eligible population is less responsive as they were accessed over a decade prior. The following two tables provide percentages of the population "On ACP" divided by the total requirement. The reduction in attainment rates in FY03, especially for the lieutenant colonels, is a combination of an increased requirement and a decreased eligible population.

Table 4. Attainment rate based on retention objective for Majors.

	FY01	FY02	FY03
ALL AVN	101%	101%	101%
FWP	68%	66%	74%
RWP	117%	118%	115%
NFO	132%	134%	130%

Table 5. Attainment rate based on retention objective for LtCols.

	FY01	FY02	FY03
ALL AVN	101%	95%	73%
FWP	68%	77%	59%
RWP	117%	97%	80%
NFO	132%	163%	104%

The Marine Corps approved 413 ACP new/converted contracts under the FY03 program. This represents $5.4M in initial payments of a total outlay of $20.6M for the year. Tables 6 and 7 below present take rates by aircraft community for FY03.

Table 6. FY03 ACP Statistics for Majors.

Category	Inv Eligible	Total Requirement	On ACP
ALL AVN	1206	1060	1068
FWP	342	402	296
RWP	726	564	650
NFO	138	94	122

Table 7. FY03 ACP Statistics for Lieutenant Colonels.

Category	Inv Eligible	Total Requirement	On ACP
ALL AVN	437	542	396
FWP	138	230	136
RWP	236	267	213
NFO	63	45	47

3. Aviation Officer Losses.

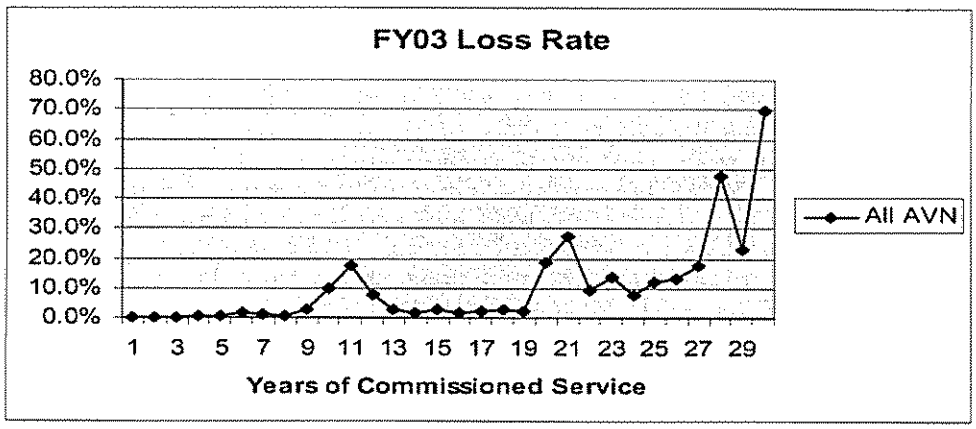
Table 8 below shows the FY03 losses due to resignations. Various events and policies in FY03 (GWOT, Stop-loss, etc.) make attrition data suspect when compared to previous years.

Table 8. FY03 Voluntary Resignations.

YCS	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Resignations	2	2	0	1	1	5	18	14	12	3	0	4	1	0	0

Figure 1 shows the aviator loss rate for FY03. The rates are determined based on total losses divided by eligible population. The increase in ACP "take rates" of course decrease the eligible population to separate. Therefore, rates over 50% may seem high however that is what should be expected for individuals who have not signed up for ACP.

Figure 1. FY03 Aviator Loss Rate.



4. Aviator Objective Force Profiles (OFP).

The Marine Corps has been successful shoring up rotary wing and NFO officer inventories in the past few years. The future outlook is guarded, as we strive to meet the challenge of sustaining our optimal career fixed wing pilot requirement. Additionally, the combination of various programs are helping to improve the imbalance, such as transitioning Marines from other aviation communities to fixed wing but also from the non-aviation military occupational specialites to an aviation specialty. The following two figures depict the Aviator Objective Force Profile for the beginning of FY03 and the end of FY03.

Figure 2. Aviator Objective Force Profile beginning FY03.

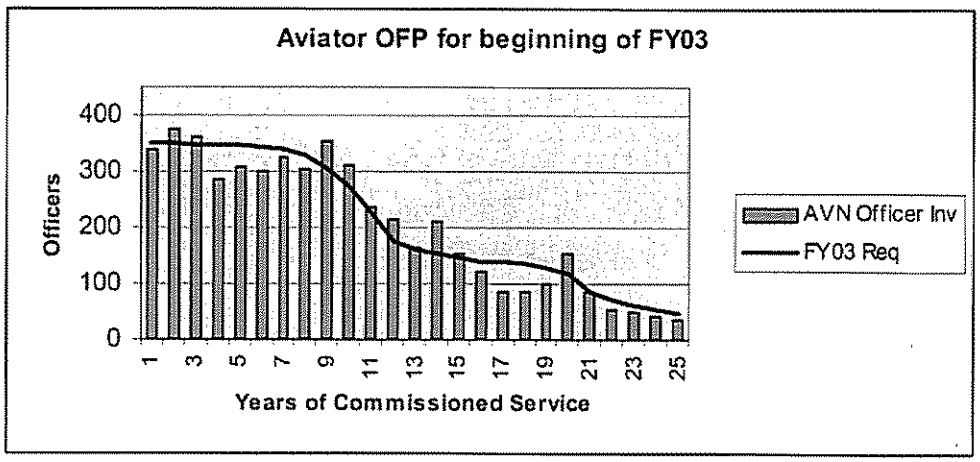
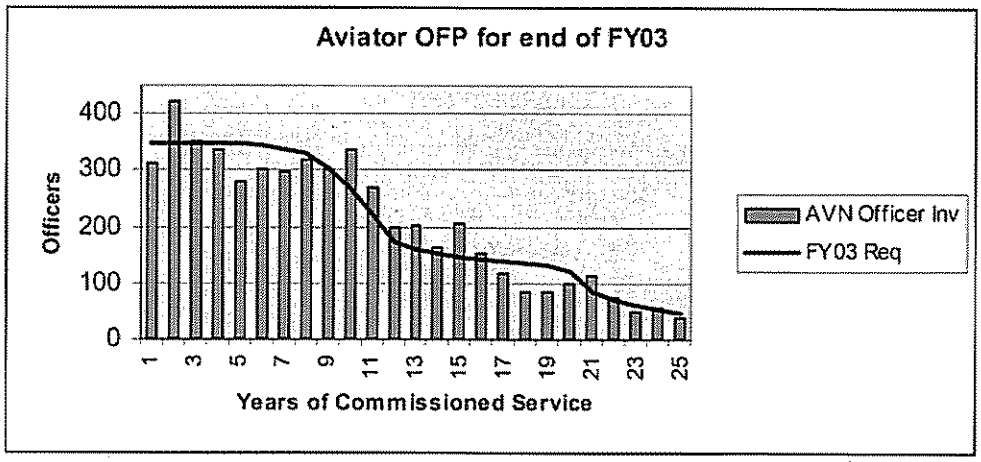


Figure 3. Aviator Objective Force Profile end of FY03.



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
MANPOWER AND RESERVE AFFAIRS
111 ARMY PENTAGON
WASHINGTON DC 20310-0111

REPLY TO
ATTENTION OF

04 MAR 2004

MEMORANDUM FOR PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (PERSONNEL AND READINESS)

SUBJECT: Annual Report to Congress on Aviation Career Incentive Pay (ACIP) and Aviation Continuation Pay (ACP)—ACTION MEMORANDUM

Reference memorandum, PDUSD (P&R), December 18, 2003, subject as above.

Under the provisions of 37 USC § 301a(f), the enclosed information is provided for the report to Congress on the number of aviators failing to meet their operational flying requirements and the disposition of their requests for a waiver. The Secretary of the Army may approve waivers based upon the needs of the Army to assign officers in other than documented aviation positions. Approved waivers allow the officers continued ACIP.

During fiscal year 2003 (FY03), 70 officers failed to meet their minimum operational flying duty requirements. The Army granted waivers for 13 of these aviators in FY03 and 12 officers, who requested advance waivers, received their approved waivers in FY02. Of the remaining officers, 29 officers did not request a waiver; 8 waiver requests were disapproved; and 8 waivers are still pending action. Additionally, the Secretary of the Army acted upon 15 waiver requests for aviators who failed to meet their operational flying requirements during FY02 by approving 11 and disapproving 4.

In FY02, ACP was expanded to include all modernized aviation warrant officers, including fixed wing qualified warrant officers (AH-64, OH-58D, UH-60, and CH-47). This decision was based on the high attrition rates and shortages within the Aviation Warrant Officer Corps. Due to budget restrictions, the Army did not offer new bonus contracts in FY03. Under previous years' programs, 1595 officers were under bonus contracts throughout FY03. The detailed ACP information, including pertinent retention objectives and the aviator objective force profile, is enclosed as part of the report.

LTC Edward Woody is the point of contact. He can be reached at (703) 693-7617 or DSN 223-7617 or e-mail: Edward.Woody@hqda.army.mil.

John P. McLaurin III
Deputy Assistant Secretary
(Human Resources)

Enclosure

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Data to be included in FY 2003 Annual Report to Congress on Utilization of Aviation Continuation Pay (ACP) Program

1. A brief history of the Service's use of ACP through FY 2002, followed by a detailed description of the Service's FY 2003 ACP plan, to include:

   (a) The annual dollar amount for each contract term offered.

   (b) Payment method (i.e., equal annual installments over contract period; 50% up-front, with remaining amount paid in equal annual installments; lump sum).

   (c) A short description of how that dollar amount and service agreement term was derived at as the most efficient means to effect the desired continuation in the eligible population.

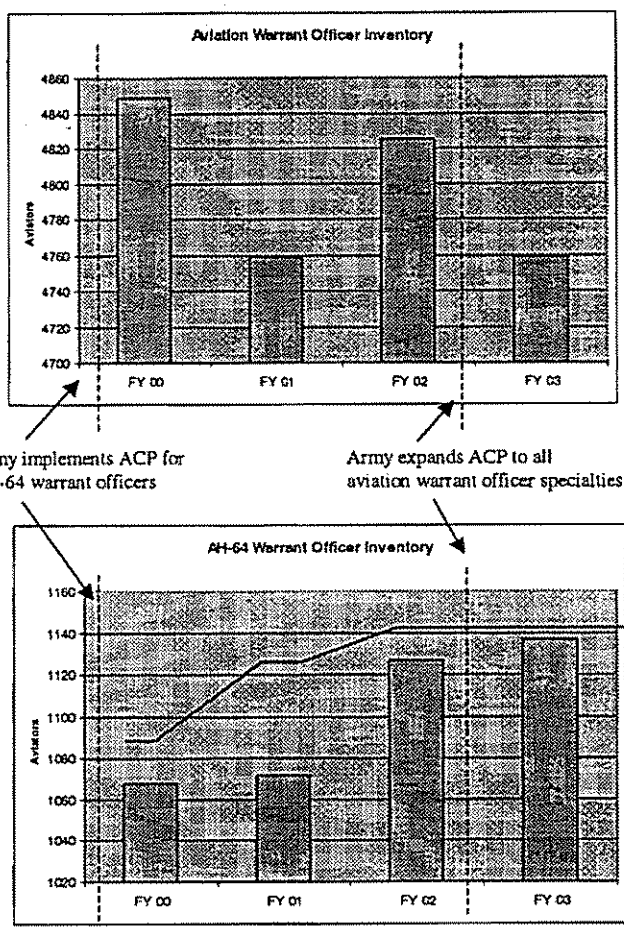
2. Retention objectives required and attained over the preceding 3 fiscal years (FY 2001, FY 2002, and FY 2003), including a description of the increased retention of aviators as a result of the ACP program.

3. A table showing the FY 2003 ACP eligible population, required number of takers, and actual takes. Array the data, as applicable, by fixed wing, rotary wing, and propeller.

4. A table showing the number of aviator resignations in FY 2003 (this is *not* to include retirements), and a chart showing Aviator Loss Rates in FY 2003 (pilot losses only for Air Force). The Loss Rate chart will reflect the following: of the aviators in the inventory in FY 2003 who were eligible to separate from the Service, how many left the Service (either separated or retired) in FY 2003? Inventory losses should be displayed by years of commissioned service, except Army's chart for warrant officers should be displayed by years of aviation service. If available, for comparative purposes, prior year loss rates, and a short discussion on the inventory loss trends would be appropriate to include.

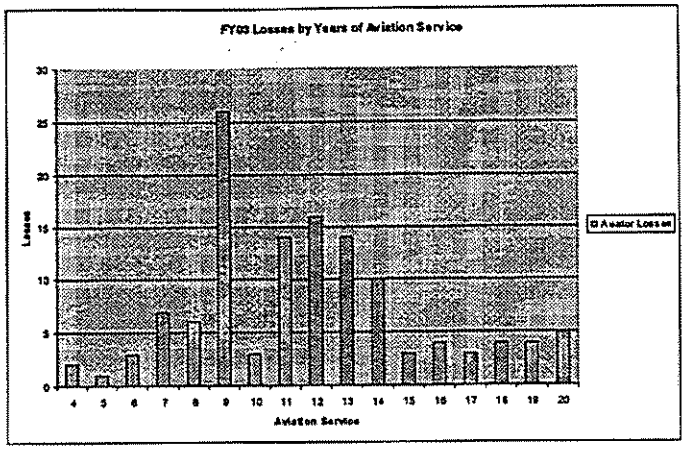
5. Aviator Objective Force Profile (OFP) at the beginning of FY 2003 and at the end of FY 2003, to include inventory through 25 years of service. Aviator requirements line is to be shown on the OFP (the number of non-flying (staff) billets should be included in the total requirements line). Air Force OFP to include pilots only; Army to include one OFP for AH-64 Warrant Officer pilots; and a separate OFP for SO MH-47 WO pilots. A narrative addressing aviator inventory shortages, if applicable, should accompany the OFPs.

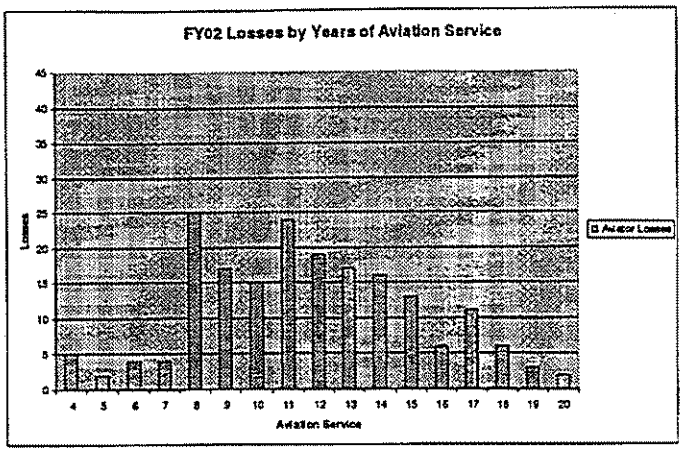
Aggregate WO inventory requirement
Is 5000 in order to fill authorized positions



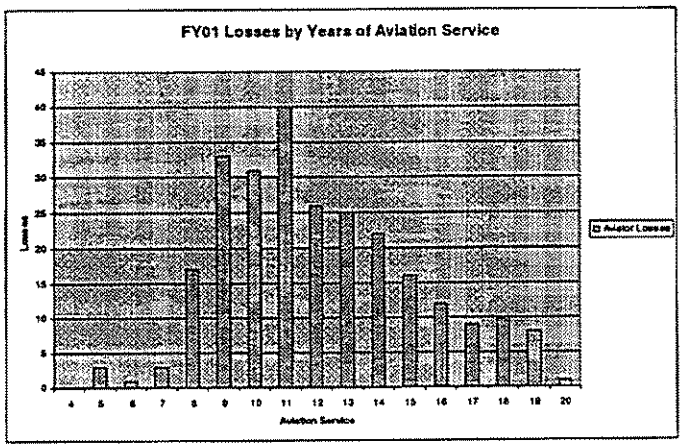
Retention Behavior

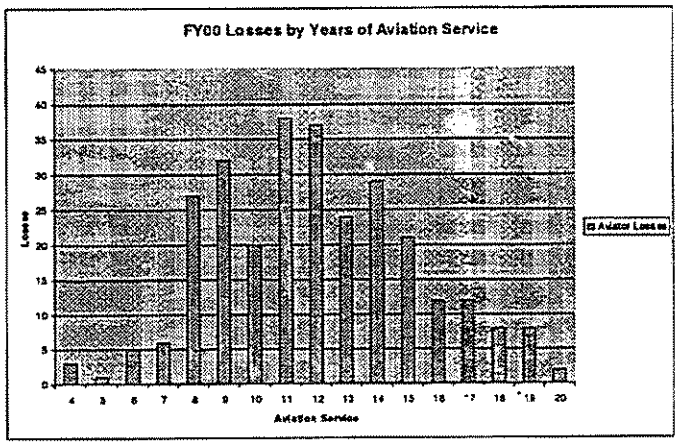
Prior to FY02, the Army ACP was offered exclusively to AH-64 warrant officers with a small number (<40) special operations MH-47 warrant officer pilots included. The charts at left show the effects of ACP on AH-64 inventory and aggregate aviation warrant officer inventory over the past four years. Due to budget constraints within service, the Army did not offer any new ACP contracts during FY03. As a result, aggregate inventories decreased slightly in FY02. Due to the implementation of Army STOPLOSS policies in FY02, it is not possible to accurately access the effect of not offering new contracts in FY03. Inventories will be artificially high in FY04 due to continued STOPLOSS.





Aviator loss history (excluding retirements) for previous four years demonstrates effectiveness of ACP program. FY03 separation rate was 12% (125 out of 1045 eligible to leave) as compared with 13% in FY02 (189 out of 1450 eligible to leave).





INFORMATION

SUBJECT: Army Aviation Continuation Pay (ACP) Program

BACKGROUND:

- The Army traditionally had a very stable pilot force. It first started experiencing a shortage -- specifically in Apache warrant officer (WO) pilots, in FY97, at which time they were manned at 91% of their 1,020 requirements. More pilots were leaving than were programmed to leave due to increased tempo and family separation caused largely by a CONUS imbalance of Apache units and increased post cold war deployments. Adding to the problem were an increase in Apache pilot authorizations in both FY98 and FY99, and the training needed to transition to the Longbow (from FY98-FY05). The Army took several initiatives to increase Apache WO pilot inventories, to include increasing accessions (from 90 to 140), instituting a voluntary recall, and offering selective continuation. They also started to correct the stationing imbalance, but it was recognized structural changes would take years to improve pilot on-station stability. As FY98 closed out, the Army was meeting only 87% of their Apache WO requirements (925 vs 1,059).
- To generate higher retention among experienced Apache WO pilots in the near term, the Army for the first time offered ACP in FY99, while resolving the structure and stationing problem over the long-term. Increasing the number of seasoned Apache pilots was critical for safety, as well as economic considerations. In economic terms, with more experienced pilots retained through payment of ACP to a projected 383 pilots at a cost of $4.6M in FY99, the Army could reduce the number of pilots being trained (at approximately $600k/pilot for Air Qualification Training (AQT)). This is a significant reduction in overall cost to the Army in comparison with the cost of ACP. Army anticipated they would need to offer ACP to Apache WO pilots for 3-4 years, by which time the inventory would again be adequate to meet requirements.
- In FY99, the Army offered $12k/year in ACP to Apache WO pilots who had completed their active duty service obligation (ADSO) but less than 13 years of aviation service (YAS), in equal annual installments through 14 years of commissioned service (YCS). The Army projected an 85% take rate (383 pilots) in FY99, but ended FY99 with a 91% take rate (470 takers of 517 eligible) at a cost of $5.56M.
- Even though the FY00 NDAA substantially increased ACP statutory authorities, the Army continued with the same ACP offer in FY00 -- $12k/year to eligible WO pilots in an aviation specialty with a critical pilot shortage (which Army defines as being manned at 95% or less of requirements), in equal annual installments. Two Army aviation communities were eligible for ACP in FY00: (1) Apache WO pilots (90% manned at FY00 start (1,017 pilot on-hand of a 1,124 requirement)), and (2) Special Operations (SO) MH-47 (Chinook) WO pilots (82% manned (78 pilots, 95 required)).
    - The shortage of SO MH-47 WO pilots was attributed to very high perstempo resulting from a combination of: (1) an inventory shortfall exacerbated by a 26% increase in requirements in FY96, (2) long (12-18 months) cycle to select and train a qualified SO MH-47 WO pilot, (3) decreasing available inventory due to conventional unit closures and 12% annual turnover, and (4) an increase in post cold-war deployments. Management initiatives used to address the problem (e.g., Chinook pilot recall, selective continuation, heightened recruiting) helped, but only maintained balance of gains to losses.
    - Organizational structural changes in FY01 and FY05 to support Army's Joint Forward Basing of MH-47s would place more stress on maintaining the strength of this specialty, as it would drive down CONUS time on station from 43 to 22 months. The Army viewed ACP would serve as a significant incentive for a CH-47 Chinook pilot to take on the added burdens of transitioning to a MH-47 pilot, and also serve to retain on active duty more MH-47 WO pilots incurring those burdens.
- The Army projected that 89 pilots would accept ACP contracts in FY00 at a projected cost of $6.6M (41 new Apache WO ACP contracts, anniversary payments for the FY99 Apache WO ACP

contracts, and 47 new MH-47 WO contracts). The Army is closing out their FY00 ACP program with 110 total ACP takes (65 Apache and 45 MH-47 WO pilot contracts).

- In FY01, the Army continued its program unchanged from the previous year. Apache and SO MH-47 WO pilot inventories made significant gains due to bonus stabilizations. Apache WO pilot inventory was sufficient to man 93% of requirements, and SO MH-47 pilot inventory was sufficient to man 89% of requirements by years end.
- The Army expended $7.0M in FY01 for ACP. This included the cost of the 28 new ACP contracts in FY01, plus anniversary payments for the FY99 and FY00 ACP contracts. Those costs were fully funded in the Army's FY01 budget and POM for the out years.
- By the end of FY01, aggregate aviation warrant officer inventories could only man 86% of Army requirements. MH-47 and AH-64 WO pilot inventories, although still short are now among the three healthiest. The Army elects to further expand ACP to all modernized warrant officer MOS in order to retain critical inventory in additional WO aviation specialties.
- The ACP program is authorized by Title 37 of the United States Code, and is intended to ensure that aviator inventories are sufficient to meet military operational requirements. The overall program is managed and controlled at DOD level. Typically, ACP is awarded only to aviators who fly aircraft with projected pilot inventory shortages. The Army's targeted ACP program for FY99 through FY03 was successful in decreasing loss rates and increasing aggregate warrant officer aviator inventory in all targeted MOSs, but all remain short of their required inventory strengths in specific year groups. Attrition rates for all aviation warrant officer MOS have remained low during FY03 as a result of Army continuation of STOPLOSS directives for many aviation warrant officer MOS. This artificial measure temporarily kept inventories stable, but continued use of ACP will be required to ensure sustained inventories once STOPLOSS is lifted. Noticeable inventory erosion continues to occur after pilots complete their active duty service obligation. Several factors contribute to the pilot loss trend including our continuing inventory shortfall exacerbated by changes in aviation authorization structure for Army transformation, and continuing high frequency of unit deployments in support of combat operations. These factors combined result in a very high operations tempo (OPTEMPO) and personnel tempo (PERSTEMPO). The Army continues its policies for a warrant officer pilot recall, sustained increases in promotion selection rates, and selective continuation for fully qualified officers twice non-selected for promotion. These efforts are insufficient to correct all year group shortages in the critical mid career grades. Potential organizational structural changes as part of aviation modernization will help stabilize inventory and ameliorate PERSTEMPO effects in their end state, but these changes are still several years away from full implementation. Continuation incentives such as ACP, combined with continuing efforts to increase capacity at the training base, are critical in retaining WO pilot inventories, supporting present readiness and enabling future transformation.

MAJOR POINTS OF ARMY'S APPROVED FY03/04 ACP PLAN:

- Shortages of special operations aviators are highlighted by combat operations in Afghan and Iraqi theaters of operations. Warrant officers in all special operations aviation specialties who have more than 6 but less than 24 years of aviation service are offered contracts in a maximum of 4 year increments through their 25th year of aviation service.
- Opened opportunity to 350 new WO applicants for a total FY4 cost of $21M. Potential second year costs in FY03 are $21.6M. Funds for the FY02 /03 programs were not in Army budget. Execution year reprogramming covered FY02. With budget adjustment for FY03 and POM submission for 04-09. Due to budget restrictions, the Army did not offer new bonus contracts in FY 03. Funding for the adjusted program is in the POM for 05-09 years.

CONCLUSION: ACP is a cost-effective compensation program for the Army to use to retain critical WO inventory for the transition years FY04 through FY07. Under the Army's revised program, the maximum that could be payable on any contract would be $48k over the life of the service agreement. By comparison, the Army spends on average about $600k to send a WO pilot through undergraduate and advanced pilot training, and an additional $1.6M in aviation experience through 6 years (to the end of their pilot commitment).

CW5 EGGERTON/695-6614/DAPE-MPO-D
APPROVED _____

Enclosure 1 - FY 03 ACIA Gate Failures

RANK	Gate	DASED	Waiver Requested	Approved/Disapproved/	Justification
LTC	18 Year Gate	12/04/1984	Yes	Approved / FY 03	USAREC
MAJ	18 Year Gate	03/13/1985	No		
MAJ	12 Year Gate	02/28/1991	Yes	Disapproved / FY 03	Out of Aviation
MAJ	12 Year Gate	1/15/1991	Yes	Approved / FY 02	AERS
LTC	12 Year Gate	7/23/1991	Yes	Pending Approval	USMA/AERS
MAJ	12 Year Gate	10/17/1990	No		
LTC	18 Year Gate	2/27/1985	No		
MAJ	12 Year Gate	11/15/1990	No		
LTC	12 Year Gate	10/2/1990	Yes	Disapproved / FY 03	Out of Aviation
MAJ	18 Year Gate	07/05/1985	No		
MAJ	12 Year Gate	8/20/1991	Yes	Disapproved / FY 03	Out of Aviation
LTC	18 Year Gate	03/27/1985	No		
LTC	12 Year Gate	10/2/1990	Yes	Approved / FY 02	AERS
LTC	18 Year Gate	10/4/2002	Yes	Approved / FY 03	AERS
MAJ	12 Year Gate	10/31/1990	Yes	Approved / FY 02	AERS
MAJ	12 Year Gate	7/3/1991	Yes	Pending Approval	AERS
MAJ	12 Year Gate	7/9/1991	Yes	Pending Approval	ROTC
LTC	18 Year Gate	10/19/1984	Yes	Disapproved / FY 03	Out of Aviation
MAJ	12 Year Gate	10/31/1990	Yes	Approved / FY 02	AERS
MAJ	12 Year Gate	6/1/1991	Yes	Disapproved / FY 03	Out of Aviation
LTC	18 Year Gate	02/12/1985	Yes	Approved / FY 03	AERS
MAJ	12 Year Gate	9/4/1991	No		
MAJ	12 Year Gate	12/14/1990	Yes	Approved / FY 02	ROTC
MAJ	12 Year Gate	10/17/1990	No		
MAJ	12 Year Gate	11/15/1990	Yes	Approved / FY 02	AERS
LTC	18 Year Gate	9/16/1985	No		
LTC	18 Year Gate	09/30/1985	Yes	Pending Approval	JOINT/USMA
MAJ	12 Year Gate	4/25/1991	No		
LTC	18 Year Gate	03/27/1985	No		
MAJ	12 Year Gate	5/10/1991	No		
MAJ	12 Year Gate	11/15/1990	Yes	Approved / FY 03	USMA
MAJ	18 Year Gate	12/4/1984	Yes	Approved / FY 03	AERS/JOINT
LTC	18 Year Gate	02/12/1985	Yes	Approved / FY 03	AERS/USMA
MAJ	18 Year Gate	03/27/1985	No		
MAJ	12 Year Gate	1/15/1991	No		
MAJ	12 Year Gate	11/15/1990	Yes	Approved / FY 02	USMA
MAJ	12 Year Gate	9/4/1991	No		
MAJ	12 Year Gate	9/4/1991	Yes	Approved / FY 03	AERS/USMA
MAJ	12 Year Gate	11/15/1990	Yes	Approved / FY 02	AERS
MAJ	12 Year Gate	9/4/1991	Yes	Pending Approval	AERS
MAJ	12 Year Gate	10/31/1990	Yes	Approved / FY 02	USMA
MAJ	12 Year Gate	10/31/1990	Yes	Approved / FY 02	USMA
MAJ	12 Year Gate	11/15/1990	Yes	Approved / FY 03	AERS
MAJ	12 Year Gate	11/15/1990	No		
LTC	18 Year Gate	02/27/1985	Yes	Disapproved / FY 03	Out of Aviation
MAJ	12 Year Gate	10/17/1990	No		
MAJ	12 Year Gate	11/15/1990	Yes	Disapproved / FY 03	AERS
MAJ	12 Year Gate	8/20/1991	Yes	Pending Approval	AERS/USMA
MAJ	12 Year Gate	10/31/1990	Yes	Approved / FY 03	AERS/USMA
LTC/F	18 Year Gate	03/27/1985	Yes	Approved / FY 03	ARSTAFF
LTC	18 Year Gate	04/24/1985	No		
LTC	12 Year Gate	4/26/1991	No		
MAJ	12 Year Gate	8/6/1991	No		
LTC	18 Year Gate	02/12/1985	Yes	Approved / FY 03	AERS/USMA
COL	18 Year Gate	10/19/1984	No		
LTC	18 Year Gate	02/11/1985	Yes	Disapproved / FY 03	Out of Aviation
CPT	12 Year Gate	2/12/1991	No		

Enclosure 1 - FY 03 ACIA Gate Failures

MAJ	12 Year Gate	10/2/1990	No		
MAJ	12 Year Gate	7/9/1991	No		
MAJ	12 Year Gate	11/30/1990	No		
MAJ	12 Year Gate	7/9/1991	Yes	Pending Approval	AERS/USMA
LTC	18 Year Gate	03/27/1985	No		
MAJ	12 Year Gate	8/20/1991	Yes	Approved / FY 03	USAREC
MAJ	12 Year Gate	09/04/1991	Yes	Pending Approval	JOINT/AERS
MAJ	12 Year Gate	01/09/1991	Yes	Approved / FY 02	AERS
LTC	18 Year Gate	04/24/1985	No		
MAJ	12 Year Gate	05/24/1991	No		
MAJ	12 Year Gate	10/17/1990	Yes	Approved / FY 03	ROTC
LTC	18 Year Gate	08/30/1985	No		
MAJ	12 Year Gate	10/31/1990	Yes	Approved / FY 02	AERS

U.S. Department of Homeland Security
United States Coast Guard

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7220

JAN - 7 2004

MEMORANDUM

From: J. L. BYCZEK
U. S. Coast Guard Headquarters (G-WPM-2)

Reply to Attn of: G-WPM-2
Mr. Samuel
202-267-2210

To: LtCol Robert Rennicker
ODUSD(MPP)/Comp
Room 2B279
The Pentagon
Washington, DC 20301-4000

Subj: ANNUAL REPORTS TO CONGRESS ON AVIATION CAREER INCENTIVE PAY (ACIP) AND AVIATION CONTINUATION PAY (ACP)

Ref: (a) ODUSD(MPP) memo of 18 DEC 2003; Subj: Annual Reports to Congress on Aviation Career Incentive Pay (ACIP) and Aviation Continuation Pay (ACP)

1. The Coast Guard had no officers fail to meet ACIP operational flying duty requirements in 2003 and thus granted no waivers to entitle members to continuous ACIP. Further, the Coast Guard made no use of ACP in 2003.

2. POC is Mr. Cliff Samuel at 202-267-2210, csamuel@comdt.uscg.mil.

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