

**NOT FOR PUBLICATION  
UNTIL RELEASED BY THE  
HOUSE ARMED SERVICES  
COMMITTEE**

**STATEMENT OF  
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AND  
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(MANPOWER, PERSONNEL, TRAINING & EDUCATION)  
BEFORE THE  
SUBCOMMITTEE ON MILITARY PERSONNEL  
OF THE  
HOUSE ARMED SERVICES COMMITTEE  
ON  
MILITARY PERSONNEL OVERVIEW**

**MARCH 6, 2012**

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## **I. INTRODUCTION**

Chairman Wilson, Ranking Member Davis, and distinguished members of the House Armed Services Committee, thank you for the opportunity to review Navy's fiscal year 2013 manpower, personnel, training and education budget request. I am honored to be here to represent the outstanding men and women of the United States Navy, and their families, in this my inaugural appearance before the committee as the 56<sup>th</sup> Chief of Naval Personnel.

In developing our budget request, we recognized that our Nation is at an historic inflection point, that we are shaping a Navy that will be more agile, flexible, ready and technologically advanced. As we continue our presence in the Middle East, maintain our commitments in Europe, add emphasis and focus in the Asia-Pacific region, Navy has continued to prove itself in providing a truly adaptive force capability and capacity, at sea, on land and in the air. While Navy's operations in Iraq and Afghanistan have been both sea and land based, the shift in focus toward the Asia-Pacific region will likely increase demands upon Navy's maritime role, even as the Nation works to address the national security imperative of deficit reduction through a lower level of defense spending.

As we move into this new era, Navy is well positioned to recruit, develop, retain and provide the American people the best and most capable maritime fighting force in history. Navy has worked to become a "Top 50" organization, an employer of choice, providing world-class benefits and opportunities. Moreover, as an All Volunteer Force, we must adapt to changing economic times, while continuing to implement force management policies focused on incentivizing, encouraging and rewarding high performance. We will continue to strive for a

Navy that attracts and retains top-performing Sailors who possess the critical skills necessary for our mission. Further, we are making hard choices on Sailor retention as Navy continues to transition, but we are committed to doing so in a fair, transparent and compassionate manner using performance as our benchmark.

Our FY13 budget request enables us to continue to meet the operational demands of the Fleet and the Joint Force while optimizing personnel readiness. As we look to the future, Navy is mindful that:

- The all-volunteer Force is the foundation of our Navy and vital to the security of our nation.
- Navy life involves unique challenges and stresses as a global, full spectrum sea service.
- War related deployments since 9/11 have placed extraordinary demands on many Sailors and their families.

We believe our request appropriately balances risk in supporting the readiness requirements of the Fleet and Joint Force, changing strategic mission focus, and essential programs that provide for the care of our Sailors and their families.

## II. A READY AND CAPABLE GLOBAL NAVY

Shortly after assuming office as the Nation's 30<sup>th</sup> Chief of Naval Operations last September, Admiral Greenert issued his inaugural guidance to the Fleet, the CNO's *Sailing Directions*. Coupled with our *Navy Total Force Strategy for the 21<sup>st</sup> Century*, it charts a course for Navy to deter aggression, and, when necessary, decisively win our Nation's wars. We will employ global reach and persistent presence through forward-stationed and rotational Forces to protect our Nation against direct attack, assure Joint Operational Access, and retain global freedom of action. With our global partners, we will protect the maritime freedom that is the basis for global prosperity. We will foster and sustain cooperative relationships with our allies and international partners as we enhance global security in a constantly changing environment.

Informed by the *Sailing Directions* and our *Navy Total Force Strategy for the 21<sup>st</sup> Century*, we have crafted our focus areas...

**Warfighting First:** We will manage military personnel strength to deliver an affordable, sustainable and resilient Force that meets mission needs. We will deliver a Force that is operationally ready—assignable and deployable. To remain operationally effective, we will deliver a career-continuum of technical training and advanced education.

**Operate Forward:** We will deliver “fit” and balance to the Fleet—not only the right *number* of Sailors, but also the right skills and experience for the job. We must also anticipate

Fleet and Combatant Commander priorities to meet operational needs and provide the regional skills required for theater security and cooperation of our Joint and coalition partners.

**Be Ready:** We will attract, recruit, and retain a high-quality Force through recruiting and outreach efforts—we must be competitive for the best talent in the nation. Most importantly, we will continue to care for Sailors and their families...the foundation upon which our Navy is built.

### **III. END STRENGTH**

Our FY13 Navy budget request appropriately balances risk, preserves capabilities to meet current Fleet and Joint requirements, fosters growth in emerging mission areas, and provides vital support to Sailors and Navy families. The request supports active end strength of 322,700, and selected reserve end strength of 62,500. These levels will allow us to meet Fleet and the Joint Force operational demands while optimizing personnel readiness as articulated in the recently released *Sustaining U.S. Global Leadership: Priorities for 21<sup>st</sup> Century Defense*. The President's \$28.9 billion request for Active Navy Manpower, Personnel, Training and Education seeks \$27.1 billion in Military Personnel, Navy (MPN) appropriations and \$1.8 billion in related Operation and Maintenance, Navy (O&MN). The reserve request includes \$1.9 billion for Reserve Personnel, Navy (RPN) and \$24.7 million in related Operation and Maintenance, Navy Reserve (O&MNR).

In FY13, there is no OCO funding requested for active component end strength in support of non-core Individual Augmentee (IA) mission. Following an assessment of the reserve

component's funding, and ability to cover previous active component-sourced non-core IA requirements, 5,900 man-years of OCO funding was requested to support 4,500 reserve IA billets throughout the fiscal year. We will continue to fill IA requirements, when possible, with reserve component personnel funded through OCO appropriations.

As we work to stabilize Navy end strength with emphasis on achieving warfighting wholeness, we continue to shift billets from shore duty to sea duty while preserving nearly 600 critical shore billets in sea-centric ratings, including regional maintenance centers, afloat training groups, Fleet electronic warfare training and Ballistic Missile Defense AEGIS billets. We expect last year's sea/shore-flow requirements changes to result in reduced at-sea gaps this year and in FY13. We continue to apply Sea Duty Incentive Pay to encourage and reward Sailors for extended or repeat sea duty service to help further mitigate our gaps at sea.

Navy will continue to size, shape, and stabilize the Force while carefully monitoring personnel and Fleet readiness. As required, we will apply, evaluate and adjust existing and new force-shaping tools designed to retain the right skills, pay grade, and experience-mix necessary to provide mission-ready Naval Forces, as required.

#### **IV. FORCE MANAGEMENT: ACHIEVING BALANCE, MAXIMIZING INVESTMENTS**

We must always remember that the men and women of the All Volunteer Force in our Navy have remained versatile, adaptable and committed to the Nation during a time of

unprecedented, sustained combat operations, and at tremendous personal sacrifice. As we take the necessary steps to properly size and shape the Navy to meet current and emerging requirements, we must be vigilant to ensure the readiness of the All Volunteer Force, while maintaining trust with those who serve in our Navy.

We expect to finish FY12 below end strength controls, largely due to effective force management policies within the enlisted force. At the same time, we are over-executing our officer strength. To remedy this imbalance, we plan to stabilize enlisted strength while gradually reducing officer strength. Our strategy focuses on rebalancing the Force to achieve the right mix of officers and enlisted personnel by increasing enlisted accessions over time, reducing officer accessions in a controlled manner through judicious application of force management tools to address officer overages in specific skills. We will achieve proper force balance while respecting the sacrifices of Sailors and their families by using voluntary measures to the extent possible before resorting to involuntary actions. Through careful combination of both, we will meet dynamic force management challenges and maximize investments in our people.

Our use of force management tools will be continuously evaluated as end strength and Force structure is reduced. We will keep a watchful eye on indicators of shifting behavior and on economic trends and act quickly to preserve our ability to attract and retain the highest-quality Sailors while achieving and then maintaining the right balance of seniority, skills, performance, and experience to deliver optimum military personnel readiness to the Fleet.

Perform-to-Serve (PTS) remains our primary, and most effective, enlisted force-balancing tool, allowing us to manage enlisted continuation behavior by rating. Based on performance ranking, PTS identifies Sailors at career decision points, up to 14 years of service, who are best qualified for in-rate reenlistment, conversion from overmanned to undermanned specialties, or separation from the Navy. In FY11, we converted 1,052 Sailors, narrowing critical manning gaps, while 6,765 Sailors identified by PTS separated at their End of Active Obligated Service (EAOS). We plan to separate another 6,650 Sailors through PTS in FY12, and fewer in FY13. PTS has significantly improved enlisted manning balance permitting us to offer in-rate reenlistment to significantly more Sailors while returning advancement opportunity to historic norms.

To further assist in rebalancing the Force and relieve pressure on Sailors in a PTS reenlistment window, Enlisted Retention Boards (ERB) were implemented as an additional force management tool. The ERB was necessary to ensure we could reduce inventory within overmanned ratings in cases in which converting Sailors to undermanned ratings was not a viable option. Unlike PTS, the ERB looked at *all* eligible Sailors in 31 overmanned ratings, not just the ones in a PTS window. This past summer, ERB examined the records of approximately 16,000 Sailors in pay grades E4-E8, with at least 7 and less than 15 years of service, who are serving in overmanned ratings, and identified 2,947 for separation in FY12. Approximately 300 of these Sailors, who will have at least 15 years of service by September 1, 2012, are being offered the opportunity to apply for early retirement under Temporary Early Retirement Authority (TERA) enacted in the National Defense Authorization Act for Fiscal Year 2012. We do not intend to use ERB authority in FY13.

We have used, and continue to use, a host of other tools to contribute to ongoing force management efforts for both officer and enlisted Sailors, including:

- High-Year Tenure separations in select pay grades and years of service. We separated 912 Sailors in FY11, and plan an additional 909 in FY12, and slightly more in FY13, through recent changes to High Year Tenure policy.
- Early Transition. In FY11, we allowed 1,541 Sailors to separate up to 24 months before the end of their enlistments, and anticipate authorizing a similar number of separations in FY12, but fewer in FY13.
- Annual performance-based continuation boards. We reduced the number of active duty Sailors in pay grades E7–E9 with over 20 years of service by 187 and expect an additional 50 losses in FY12 and FY13.
- One-year time-in-grade (TIG) retirement waivers for select senior enlisted and officers. We executed 37 officer TIG waivers in FY11 and expect approximately 45 for FY12 and FY13.
- Monthly probationary officer continuation and redesignation boards. These boards authorize release or redesignation of probationary officers (with < 6 years commissioned service). We separated 242 officers in FY11 and anticipate separating 270 in FY12.
- Permitting voluntary retirement of officers with prior enlisted service after eight, vice 10, years commissioned service. Enacted in the FY11 NDAA, we expect to authorize approximately 60 retirements in FY12 and FY13.
- Selective Early Retirement (SER). SER Boards selected 124 unrestricted line captains and commanders for early retirement in FY12. In FY13, we may select approximately 40 Restricted Line and Staff Corps officers for early retirement.

- Voluntary Retirement Incentive (VRI). An authority that allows Navy to precisely target specific commanders (O-5) and captains (O-6) with between 20 -29 years of service in certain specialties and warfare areas to separate and retire voluntarily.
- Temporary Early Retirement Authority (TERA). In FY12, we are offering early retirement to approximately 300 Sailors as an alternative to early separation required by Enlisted Retention Boards. We are evaluating options for further targeted use of TERA in FY13.

Despite significant progress, additional force management actions are necessary to maintain mandated end strength and officer levels with the right mix of skills and experience due to high retention and low attrition. For example, we will soon implement two new policies to facilitate further enlisted force management:

- In FY12 and FY13, we will apply Initial Training Separation Authority to separate fewer than 500 Sailors per year who do not satisfactorily complete their training pipeline, but for whom no suitable vacancy exists.
- We will adjust High Year Tenure thresholds to separate fewer than 1,000 Sailors in pay grades E2-E3 in FY13.

We are contemplating whether additional authorities may be necessary to enhance our ability to properly shape and balance the Force. A range of broad, flexible, options to properly size and shape the Force remains vital to Navy military personnel readiness. We appreciate Congress enacting flexible authorities that provide voluntary means to effectively manage the Force in a way that preserves a positive tone across the Navy.

## **V. SAILOR AND FAMILY SUPPORT**

Our FY13 budget request of \$131.7 million for Sailor and family care coupled with the items in the Secretary of Defense and Defense Health Care budgets sustains or enhances our comprehensive continuum of care. The health care proposals in the President's budget are consistent with our efforts in identifying processes that are more efficient, incentivizing positive health behaviors, promoting overall wellness and keeping our Sailors fit and ready to deploy on a moment's notice. This budget keeps faith with those who serve and those who have served, and responsibly meets the demands dictated by the federal budget crisis. With continued congressional support, Navy is committed to retaining funding levels necessary to address the medical, physical, psychological, and family readiness needs of Sailors and their families. I hope you will agree, and support our efforts.

### **Comprehensive Continuum of Care**

Through a comprehensive continuum of care, we place the highest priority on the medical, physical, psychological, spiritual and family readiness needs of Sailors and families. Navy's Operational Stress Control Program, Navy Reserve Psychological Health Outreach Program, Warrior Transition Program, Returning Warrior Workshop, Navy Safe Harbor, and our Medical Home Port Program are critical continuum of care elements.

- The Operational Stress Control (OSC) program is our proactive approach to address the personal readiness of our Sailors and their families. OSC is comprised of training, assessment, policy, and tools to support and build Sailor, family, and unit resilience. It enables leaders to foster a climate in which Sailors use available resources to stay fit and ready without stigma. OSC, with complementary and integrated support from the Navy Chaplain Corps, provides assistance for stress reactions before they become stress problems. A 2011 Behavioral Health Quick Poll found most Sailors reported using positive methods to cope with stress.
- The Navy Reserve Psychological Health Outreach program improves the psychological health and resiliency of Reserve Component (RC) Sailors and families. Teams of psychological health outreach coordinators and outreach team members, located at the five regional reserve commands, provide psychological health assessments, education, and referrals to mental health specialists.
- The Warrior Transition program provides Individual Augmentees the opportunity to decompress and transition to life back home. Through small group discussions, chaplains and medical personnel prepare Sailors to resume family and social obligations, return to civilian places of employment, and reintegrate into the community.
- Returning Warrior Workshops help remove stigma that may prevent Sailors from seeking support during demobilization and reintegration.

- Navy Safe Harbor supports the non-medical needs of wounded, ill, and injured Sailors, Coast Guardsmen, and their families. This network of recovery care coordinators and non-medical care managers, at 18 locations across the country, provides individually tailored assistance to 748 enrolled Sailors, 43 enrolled Coast Guardsmen and an additional 777 Sailors considered assist cases. The FY13 budget request supports our enduring goal to provide the highest quality care to our wounded, ill, and injured.
- Medical Home Port program is a team-based primary care model focused on optimizing relationships between patients, primary care providers and other health care professionals to enhance health and readiness. Beginning this year, mental health providers will be embedded within Medical Home Ports alongside the rest of the care team, and will facilitate regular assessment and early behavioral intervention for Sailors and families. This will enable treatment in settings in which patients feel most comfortable and will reduce stigma associated with seeking care. Early detection and intervention in the primary care setting reduces the demand for time-intensive intervention in behavioral health specialty clinics. The presence of behavioral health within the Medical Home Port promotes increased comfort among primary care providers in treatment of behavioral health issues within their scope of practice in collaboration with the embedded specialists.

### **Behavioral Health**

The Navy Behavioral Health program goal is to develop an organizational climate that encourages psychologically healthy, resilient and mission-effective Sailors. It provides Navy-wide resources for suicide awareness and prevention, intervention skills, and risk mitigation

procedures. We track and analyze data on suicide-related behaviors and deaths to identify trends and develop additional policy, training and outreach to prevent suicide risk. A 2011 Behavioral Health Quick Poll reflects positive trends in the percentage of Sailors attending Suicide Prevention Training and who recognize proactive suicide-prevention efforts occurring at their commands.

### **Suicide Prevention: All Hands, All of the Time**

Every Navy suicide represents a tragedy that affects command cohesiveness and the loss of a valued shipmate; a loss the Navy is determined not to accept. Our comprehensive strategy to combat suicide incorporates four pillars: Education and awareness; Operational Stress Control; Intervention; and Post-intervention support; a leadership-led effort with a foundation built on a comprehensive array of education and outreach.

Navy's Suicide prevention approach builds combined Sailor, family and command resilience with a goal of changing behavior through personal resilience; peer to peer support; leadership intervention throughout the chain of command; enhancing family support; and fostering a command climate where help-seeking behaviors, when required, are expected in order to restore personal readiness.

We have implemented a year-round strategic communication plan focused on Navy's "Ask - Care - Treat" model, or ACT, which emphasizes the value of peer-to-peer support. Additionally, targeted suicide assessment training is provided for primary care providers at large Medical Treatment Facilities as another viable means to identify at-risk Sailors.

The Suicide Prevention Coordinator network is growing with the addition of webinar training that has trained more than 500 new suicide prevention coordinators in 18 webinars since December 2011 and additional webinar training is planned for members of the Public Affairs community. We are also continuing to make progress in implementing recommendations of the DOD Task Force on Prevention of Suicides Among Members of the Armed Forces. Moreover, in FY13, we will provide targeted chaplain training, guidance and tools for leaders, to facilitate successful reintegration of Sailors into their units following behavioral health or other medical treatment. We will improve integration of suicide prevention into the broader array of resilience and prevention efforts to provide a coherent approach to comprehensive wellness, resilience and prevention.

### **Sexual Assault: Not in my Navy**

There is no place for sexual assault in the United States Navy. We are committed to eliminating sexual assault completely; to ensuring compassionate support for sexual assault victims; to investigating all cases thoroughly; and to holding perpetrators accountable within the full extent of the law. Since 2005, we have worked to build a robust Sexual Assault Prevention and Response (SAPR) program, and we are already engaged in a number of new initiatives to combat sexual assault. These collectively are critical investments in both individual Sailors and in Force readiness. In addition to other direct measures, we will use a proven process of tiered training for sexual assault prevention and response and provide Navy's SAPR-Leadership training to all E-7 and above leaders and every Sailor through SAPR-Fleet training. This process

served us well in the repeal of Don't Ask Don't Tell and we anticipate this will resonate in our campaign to eliminate sexual assault from our Navy.

Our immediate goal is to measurably reduce the frequency of sexual assaults involving Sailors. Our first and perhaps most important tool has been a strong, consistent, top-down leadership message of intolerance for sexual assault. We are pleased to already be seeing Department-level leadership forums translating into special workshops and other sessions conducted by regional commanders and commanding officers. Our second core strategy involves updated training tools for Navy-wide use. We have already worked with civilian experts to review relevant content in a broad range of Navy training curricula spanning the full continuum of leadership development. We are developing special new video programs for all Sailors to emphasize the criticality of sexual assault issues, and the responsibility of every Sailor to actively intervene in protecting shipmates in vulnerable situations. In addition, we have undertaken special initiatives focused on those most at risk – our youngest Sailors just out of recruit training. Our “Bystander Intervention” program uses locally trained instructors in small-group sessions to educate and mentor Sailors at “A-Schools” Navy-wide. At TSC Great Lakes, we have combined this effort with a number of simultaneous other initiatives – and we have developed a process of periodic anonymous surveys to assess our impact. After a year of progressive effort, it is still too early to speak of definitive outcomes, but the initial signs are encouraging. In 2011, over 67,000 Sailors participated in an anonymous, web-based sexual assault survey conducted by the Navy Secretariat. We plan to repeat that process every 2-3 years worldwide to help us understand issues and trends in the underlying incidence of sexual assault. If it is necessary along the way, we will use our best accumulated data and insight to adjust

course in combating sexual assault. Civilian experts, including researchers at the Centers for Disease Control, tell us this kind of approach is cutting-edge and breaking new ground.

However, that is not all we are doing.

In just the past two years, we have conducted site visits and special training at Navy sites worldwide. We have talked to stakeholders including senior commanders, SAPR program managers, Sailor focus groups, and even individual sexual assault victims. We have brought Sexual Assault Response Coordinators and installation commanders together from across the Navy for programs civilian experts on sexual assault prevention summits. We have given special training to NCIS agents and JAG lawyers on the unique aspects of sexual assault cases. NCIS recently hired new criminal investigators with extensive civilian backgrounds in sexual assault cases for every major Navy (and Marine Corps) installation. We are working on tool kits for commanding officers to help them make the right decisions in complex cases.

In summary, there is no place for sexual assault in the United States Navy. We take the challenge seriously, we are engaged on numerous fronts, and we are committed to a sustained effort.

## **VI. RECRUITING**

Navy has worked hard to achieve strong recruiting success over the past four years by projecting the Navy as an employer of choice and attracting the nation's very best men and women for America's Navy. Our brand, "America's Navy - A global force for good", captures the diversity of our Navy missions while also appealing to our target recruiting market. In FY11 and through FY12 to date, Navy's "total force" recruiting achieved accession recruiting goals for

officers in the active component (AC) and enlisted recruiting goals in both the active and reserve components (RC). Additionally, we attained the best quality future Sailors in history with 98.7% of accessions entering as high school diploma graduates (HSDG) and 88.2% of accessions scoring in the upper 50th percentile on the Armed Services Vocational Aptitude Battery (ASVAB).

Adapting to the current challenges of the recruiting environment and in anticipation of an improving economy, Navy recruiting is investing in the future with improvement of its Information Technology (IT) systems and streamlining its processes as part of its innovative Recruiting Force 2020 strategy. This strategy will provide an agile, mobile and highly responsive capable recruiting force.

Looking ahead, we will continue to aggressively attack specific recruiting areas, particularly in the healthcare profession where all military services have had difficulty in attaining specialized medical professionals. An additional challenge is RC General Officer recruiting where we achieved nearly 80% of our FY11 goal primarily due to the high retention of active duty officers in the unrestricted line communities. We continue to work closely with the Office Chief of Naval Reserve (OCNR) and BUMED on several aggressive initiatives to address both challenges as we keep Medical and RC General Officer recruiting as our top officer recruiting priorities.

The FY13 budget requests \$276.0 million for recruiting programs including accession incentives, advertising, and support for our active and reserve recruiters. This represents a reduction of \$34.1 million from FY12 mainly due to adjustments in marketing and advertising.

Our budget request ensures that the recruiting force remains appropriately sized and resourced for success.

Accession bonuses remain critical to meeting our goals for recruiting health professionals, nuclear operators, and special warfare/special operations personnel. We maintained bonus levels for nuclear officers and health professionals, and continue to offer enlisted accession bonuses to special warfare/special operations and other critical ratings to meet increased demand. A favorable recruiting environment has enabled us to reduce the number of ratings eligible for an accession bonus from 67 in 2008 to six in 2012. The FY13 active budget request for bonuses, special pays, and incentives, represents a \$22.1 million reduction from FY12.

An integral component of achieving our force management goals include competing for the best talent in our nation's colleges and universities. Our Naval Reserve Officers Training Corps (NROTC) program has 61 units located at 75 host institutions with 87 cross-town institution agreements. While the NROTC program has more than sufficient capacity for our current requirements, Navy recognizes the value of engagement and presence on the campuses of America's elite colleges and universities and appreciates the high quality educational experience provided to future military leaders at these institutions. The highest quality applicants ever for our NROTC program in FY11 further reflected Navy's recruiting success.

To broaden outreach efforts and generate recruiting leads, and to offset reductions in paid media advertising, we are expanding our use of social media and other technologies. Navy

Recruiting Command has over 100,000 active followers across 19 prominent social media sites, including 15 Facebook communities of interest. However, face-to-face contact with recruits in the field remains the cornerstone of our sustained success in attracting high quality, diverse individuals.

## **VII. RETENTION**

We continue to closely monitor retention behavior across the Force and project we will meet our FY12 overall officer and enlisted retention goals. While we have been able to make selected reductions in retention bonuses, Sailor retention behavior indicates we must continue to apply bonus programs to critical skill areas that are less responsive to changes in the economic environment and which require significant investments in training and education.

### **Enlisted Retention**

Despite a decade at war, Navy continues to experience high levels of retention among enlisted personnel across the force, due in large part to Navy's efforts to provide a quality life-work experience, increases in basic pay and housing allowances, and contributing economic conditions. Additionally, we experienced higher retention among female Service members, especially within critical technical and warfighting skilled areas. FY11 aggregate enlisted retention was 63.9%, which is elevated relative to historical norms, even though we utilized several force management tools to suppress reenlistments.

<b>Active Navy Retention</b>	<b>FY11 Achievement</b>	
	<b>Reenlisted</b>	<b>Expected</b>
<b>Zone A (0-6 yrs)</b>	66.0%	59.0%
<b>Zone B (6-10 yrs)</b>	67.0%	66.0%
<b>Zone C (10-14 yrs)</b>	72.7%	72.0%

Our new and existing policies encourage longer-term career behavior as Sailors commit sooner to stay for longer periods. While affording increased predictability of future personnel readiness, higher retention also contributes to increased competition for reenlistment.

This past year, 14,544 Sailors were discharged before the end of their contracts, slightly above the projected attrition of 14,300; we project similar attrition in FY12. Misconduct-related discharges this year are within one percent of misconduct discharges in FY11. Reserve enlisted attrition rates continue to trend lower than the historical average, evidence of the high quality Force we have recruited.

Demand in civilian industry for highly trained nuclear-qualified Sailors challenges our ability to meet nuclear retention goals. We are committed to retaining Sailors with critical skills in high demand in the civilian sector, as well as Sailors in specialties that continue to experience high operational tempo in support of OCO, such as special warfare/special operations and independent duty corpsmen. Selective Reenlistment Bonus (SRB) remains the most important tool in our efforts to retain these highly skilled Sailors.

By our close monitoring of retention behavior, we apply adjustments to SRB levels on a semi-annual basis, or as required. We have adjusted SRB levels five times in the past 18 months, reducing the number of eligible skill areas by 26% compared to FY11. In FY12, 33 of 84 ratings will receive SRB; the pool of eligible Sailors is 2.3% of our active enlisted Force, representing a 60% reduction compared to FY11. Our SRB plan targets high-demand skill sets unaffected by slowing or down economy, to include special warfare/special operations, information technology, medical, cryptology, and nuclear ratings. The FY13 budget request includes \$107.3 million for new SRB contracts for active duty Sailors, a slight reduction from FY12. The FY13 SRB budget for selected reserve Sailors is 13% less than FY12, a reduction achieved by realignment of resources within the Navy Reserve Comprehensive Bonus Strategy to target the most critical specialties.

### **Officer Retention**

Active and reserve officer retention rates remain high due, in large part, to targeted incentive pays, improved mentoring, flexible career options, and increased emphasis on life-work integration initiatives and current economic conditions. Retention of female unrestricted line (URL) officers beyond initial minimum service requirement (MSR) has increased in the last four years in both the surface warfare community (19% for Year Group 2001 to 33% for Year Group 2004) and aviation community (14% for Year Group 1998 to 27% for Year Group 2001)<sup>1</sup>.

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<sup>1</sup> Because Minimum Service Requirement (MSR) is different for Surface Warfare (five years) and Aviation (seven years), two comparable year groups (i.e., includes women who are past their initial service obligation) were examined to more accurately capture overall URL female retention. YGs 98 and 01 which both had only 7 year MSRs for prop/helo and 8 years for jets (10 USC 653).

Initiatives to improve retention of Selected Reserve (SELRES) officer communities by 2014 include targeted officer affiliation and retention bonuses, increased accession goals, and Continuum of Service programs.

Although the overall loss rate for junior officers increased slightly from FY09 to FY10, economic conditions have contributed to surface and submarine communities meeting retention goals for the third consecutive year. With signs of an improving economy, we are closely watching junior officer retention since retention through the operational department head tour is a critical metric for monitoring the health of these communities.

After a decade of war, we are seeing signs of increased operational stress on Naval Special Warfare (SEAL), Special Warfare Combatant-Craft Crewmen (SWCC), Combat Support and Combat Service Support personnel; increased operational tempo, decreased dwell time, and deployment unpredictability have contributed to a decrease in junior officer retention, particularly at the lieutenant commander (O-4) level. Mentorship and increased access to family support programs and operational stress control resources are primary tools to mitigate the effects of stress on these officers and their families. The FY13 budget request includes \$7.6 million for targeted incentive pays to retain these critical officers.

We have experienced slight improvement in medical community retention, largely due to competitive incentives and bonuses. Select subspecialties; including dentistry, psychiatry, clinical psychology, clinical social work, physician assistants, general surgery, preventive medicine, family medicine, mental health nurse practitioner, perioperative, and nurse

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anesthetists, continue to require attention. The FY13 budget request includes \$76.4 million for special and incentive pays to retain these critical medical professionals.

### **Retention and Compensation Going Forward**

The Budget Control Act of 2011 mandates reductions in federal spending at levels that require every area of the budget to be scrutinized for efficiencies to produce cost savings. With the current budget situation, the Navy believes that every area of the budget, to include personnel costs, should be examined for efficiencies that could lead to cost savings. However, before any changes are made, complete understanding of the impact those changes might have on the service member and the Navy should be understood. The current compensation system, to include incentive pay, retirement and other benefits, is a major factor in retention for service members. Any changes to this compensation package must be examined to ensure that Navy retention requirements are met.

We routinely review special and incentive pay and bonus programs, adjusting bonus levels and eligibility in response to manning levels, in addition to reducing enlisted accession bonuses, Assignment Incentive Pay (AIP) and SRB. Over the past year, we have reduced officer bonuses in the aviation, and intelligence communities. Additionally, we restructured the Submarine Support Incentive Pay program to efficiently address shortfalls at specific career points and reduced total program costs by over 58 percent since FY09. We will continue monitoring retention rates in FY12 to determine the need for further adjustments for select officer communities.

The current military compensation system, including retired pay and other monetary and non-monetary benefits, is a major factor in the success and quality of the All Volunteer Force. Navy strongly supports protecting the retirement benefits of those who currently serve by grandfathering their benefits; Navy is working closely with the Office of the Secretary of Defense (OSD) and other services on this effort. Any changes to compensation, especially the retirement system, must be fair to the Sailor and suitably reward the individual and their family for their service. As we examine the personnel budget, we must carefully consider, before imposing any cuts, the potential impact on Sailors and Navy military personnel readiness.

## **VIII. LEARNING AND DEVELOPMENT**

Education and training are strategic investments that enable our highly skilled force to meet the demands of CNO's *Sailing Directions* and the *Navy Total Force Strategy for the 21<sup>st</sup> Century*. In response to the demands of our increasingly diverse and technologically complex world, we have increased our focus on Science, Technology, Engineering and Math (STEM) in our accessions and education programs. The \$1.5 billion FY13 education and training budget invests in innovative training technologies and increases our investment in simulators, curricula, and instructors targeted at critical mission areas.

### **Accessions Training and Education**

We continue to invest in the Navy's ROTC program as an essential contributor to a diverse work force and diversity of thought and, in concert with appropriately-sized U.S. Naval

Academy and Officer Training Command accessions, we have the officer accessions capacity we need to meet USN and USMC requirements. New investments in cyber education at USNA will ensure our flagship institution produces officers with the technical education and core competencies necessary to excel in this area as 21<sup>st</sup> century warriors.

We have no plans to close Navy ROTC units, and in fact have recently restored the historic Navy ROTC presence at Harvard, Yale, and Columbia, and have opened host units at Arizona State University and Rutgers. Although the Navy's Junior ROTC program has included closures, they have occurred in accordance with federal guidelines, and the bulk of the affected units have substituted Navy National Defense Cadet Corps (NNDCC) units in their stead. We are evaluating re-opening some JROTC units previously closed under federal guidelines, but which have restored student enrollment above the statutory minimum enrollment threshold. Recruit Training Command (RTC) is appropriately sized to support current enlisted accession requirements and prepared to meet the increases associated with economic changes.

### **Technical Training and Skills Development**

The Navy continues to adjust staffing and student throughput of our accessions pipeline schools in response to the changing size, missions, and make-up of the Force. We have initiatives in progress to optimize the efficiency and responsiveness of the supply chain that takes a Sailor from "the street to the Fleet". For 2013 we made critical targeted investments in our technical training schoolhouses focused on improving readiness in key mission capabilities areas including Integrated Air & Missile Defense; Anti-Submarine & Surface Warfare; Command,

Control, Communications, Computers, Combat Systems, and Intelligence; and Ballistic Missile Defense.

The FY 13 budget request supports additional investments in simulators, trainers and new technologies that allow us to deliver Sailors to their commands with the skills needed to perform their missions faster and at reduced cost. Coupled with training aboard ships, simulators increase training opportunities and effectiveness across the Fleet while minimizing stress on equipment, operating costs and risk to our Sailors. Examples of our FY13 simulator investments include the Integrated Air & Missile Defense Advanced Warfare Trainer for our Ballistic Missile Defense platforms and the Aegis Ashore Team Trainer for shore based Ballistic Missile Defense. The Littoral Combat Ship (LCS) training program is based on the Virtual Ship Centric Training Strategy, which uses virtual simulators in the ashore LCS Training Facility to cover the full breadth and depth of ship operations and maintenance training.

We continue to invest in the development and application of innovative training technologies that offer tremendous potential to provide our Sailors the best technical training in less time with improved understanding and retention. The field of intelligent tutoring is a focus area for the Future Naval Capabilities Capable Manpower science and technology program, and our enlisted cyber-warriors are currently participating in a very promising Digital Tutor pilot course that combines classroom, instructor led training with advanced computer-based one-on-one tutoring to increase a student's motivation and problem solving skills.

## **Joint and Professional Military Education**

In the past year, the Navy has held education summits to examine the role of Joint education, professional education and technical education in the career paths of our unrestricted line, restricted line and staff officer communities. The results of these summits, combined with a thorough review of the education requirements coded to all Navy officer billets, are informing an ongoing review of the Navy's education strategy. A review of Naval Post Graduate School (NPS) curricula is underway to examine ways to reduce time required to complete in-residence degrees, which, in conjunction with expanded distance learning opportunities, will better align with our officer career tracks and allow greater flexibility in meeting the Navy's Joint, and professional education requirements. In the past year, we have also begun new masters degree programs at the NPS for cyber operations and for energy management.

A progressive continuum of professional military education, including degree opportunities, also exists for enlisted personnel. Junior enlisted pursue professional military education through distance learning hosted by the Naval War College, while senior enlisted personnel are afforded the opportunity to attend the Senior Enlisted Academy (SEA), which graduated 505 senior enlisted Sailors from its six-week resident course in FY11.

## **Voluntary Education**

The Navy's on-line Virtual Education Center (VEC) website and counseling service has proven very successful in providing centralized management of Tuition Assistance (TA)

requests, Sailors' academic transcripts and virtual counseling. The VEC has enabled the Navy to reduce operating costs by downsizing or eliminating local Navy College Offices at some bases while also reducing paperwork and processing time and increasing accessibility to educational opportunities for our Sailors.

Navy continues to maximize education opportunities through programs specifically tailored to meet the needs of our Sailors and their families. The Navy College Program for Afloat College Education (NCPACE) makes college courses available to Sailors assigned to ships and submarines deployed around the world. The Navy College Program Distance Learning Partners (NCPDLP) program offers both associate and bachelor degree programs through partnerships with accredited civilian institutions. These institutions provide maximum credit for military training and experience for every Navy rating and combine those credits with courses they offer to meet degree requirements. Sailors may use Tuition Assistance to offset their education costs in both NCPACE and NCPDLP.

The Tuition Assistance (TA) program is the primary means for Navy personnel to pursue their off-duty education goals. The TA program management controls we implemented in 2010 require Sailors to have a plan with clear educational goals to emphasize both professional development and academic success. These controls have helped us remain within our established funding limitations while providing a more equitable opportunity to use the program. Our management controls have improved academic success as evidenced by the reduction in the non-completion rate of TA-funded courses from 16% in FY09 to 7.5% in FY11.

## Credentialing

The demand for credentialing examinations continues to be very high, indicating the significant value Sailors place on gaining professional recognition for their training and experience. In FY11, we funded 19,762 certification exams, a 43 percent increase over FY10. The Navy Credentialing Opportunities Online (COOL) website experienced 497,002 visits, a 65 percent increase over FY10, and 30,460,627 hits, an 11 percent increase. Sailors in all 83 ratings have applied for funding, and 94.2 percent of those completing voluntary certification examinations via Navy COOL funding passed, far exceeding the national average pass rate of 75-85 percent, and represents a positive return on investment. In 2011, Navy COOL and Navy's Credentialing Program was awarded "Best Workforce Development Program" by *Human Capital Management Defense*, and the Navy COOL program was recognized through the Training Top 125 Award for the second consecutive year.

In 2012, work has already begun to implement several improvement recommendations from the President's Employment Initiatives DoD/VA Veterans Employment Task Force and to develop Navy COOL pages to display credentialing opportunities for Navy's 198,000+ civilian employees. In addition, we will waive the time-in-service prerequisites to make COOL available to all Sailors affected by the ERB to help posture them for success as they transition to the civilian workforce.

## **Navy Language, Regional Expertise, and Culture (LREC)**

Cultural, historical, and linguistic expertise remains essential to fostering strong relationships with global partners and to enhance our ability to execute missions in multinational environments. Over the past year, LREC efforts paid dividends in every geographic area of operations, including support for Operation TOMODACHI in the Far East, Operation ODYSSEY DAWN in the Mediterranean, and Operation CONTINUING PROMISE in Latin America. Navy's LREC program in FY11 provided language and cultural training and products to over 67,000 Sailors and Officers, 49 Flag Officers and 46 Senior Leaders heading to overseas assignments.

We recently expanded the Navy Reserve Language Culture and Pilot Program to include all selected reserve personnel. In FY12, we are increasing opportunities for overseas study, language and cultural immersion, as well as professional exchanges with foreign navies for U.S. Naval Academy midshipmen. We are also pursuing full implementation of in-country language immersion training for Foreign Area Officers (FAOs), and transitioning the Personnel Exchange Program (PEP) to redefine long-standing agreements with traditional allies and partners, while realigning towards nations in regions of increasing strategic importance. In anticipation of the shift in focus outlined in Secretary Panetta's *Sustaining U.S. Global Leadership: Priorities for 21<sup>st</sup> Century Defense*, LREC product development emphasis is transitioning from Central Command (CENTCOM) to the Asia-Pacific region, Indian Ocean perimeter, and West Africa.

This past year we participated in Maritime Security Cooperation activities and supported the Joint Force in Afghanistan and Pakistan with enhanced language and cultural capabilities through the Afghanistan – Pakistan (AFPAK) Hands Program. We also provided timely, tailored

language, and Afghanistan/Pakistan training and culture products to 3,695 Navy Individual Augmentees (IAs) and to Sailors assigned to units deploying to the CENTCOM Area of Responsibility.

## **IX. BUILDING FOR THE FUTURE**

As we navigate through a period of change, Navy must take action now to posture itself for success in the future. Evolving missions, shifting workforce demographics, and increased competition for skills will require new and innovative approaches to attracting, recruiting, and retaining the nation's best talent. Mission success starts and ends with a highly skilled, highly capable workforce. To build an effective future Force, we remain focused on developing and sustaining a diverse workforce, providing our Sailors with opportunities for greater work-life balance, and promoting open, frequent communication with families.

### **Diversity Initiatives**

Diversity is a Navy strategic imperative. By 2020, demographic projections indicate that minorities will comprise nearly 40 percent of the Navy's recruitable market, with minority representation continuing to increase over time. Navy's ability to access and retain the talents of varied sectors in our society has a direct impact on mission success at home and abroad.

We recognize the value of diverse ideas, perspectives, and experiences to remaining competitive in an increasingly global environment; our Navy draws strength and innovation from

this diversity. Navy continues to effectively execute our accession strategy of “moving the needles,” maintaining a high number of diverse applicants and enrollments in both NROTC and U.S. Naval Academy class of 2015. In recognition of our efforts, Navy received the 2011 *Diversity MBA Magazine*’s Best Places for Diverse Managers to Work, ranking number 26 on the list of the top 50 organizations for Diversity Leadership, and the only government organization included on the list of Fortune 500 companies. Additionally, the Association of Diversity Councils recognized the Navy’s Strategic Diversity Working Group (SDWG) as the nation’s number one diversity council for 2011.

### **Expanding Opportunities for Women**

Gender diversity remains an important focus area for Navy, 23% of our enlisted accessions were women in FY10 and FY11, and we are on-track to bring in a similar number of women in FY12. We are exploring ways to further increase the number of women in the Navy in the future. With few exceptions in which the combat exclusion applies, the vast majority of billets (93%) are available to women, including ship, aviation squadron, afloat staff, naval construction force units and most recently, specific submarine platform billets.

In FY11, Navy began the integration of female officers into the submarine force. Five of the eight crews being integrated during the first round are successfully integrated and the remaining three will be by the end of March 2012. Our second round will include one additional SSGN and SSBN (i.e., four additional crews); women are currently in the training pipeline for integration in November 2012. We will continue to integrate women on submarines in a brisk

yet responsible manner, while leveraging the insights from the studies and the lessons learned from initial integration efforts.

### **Life-Work Integration**

In an All-Volunteer Force, life-work integration and flexible career options are key to attracting, recruiting, and retaining the talent of a new generation just entering the workplace. With 75 percent of Fortune 500 companies reporting a chronic "talent shortage" among mid-level employers, Navy continues to address the imperative to retain talent and provide a work environment that is personally and professionally rewarding. Navy's ability to recruit and retain the talents of varied demographics has a direct impact on mission success. We are actively creating programs to enhance personal and professional development while providing life-work balance.

Sailors and their families continue to benefit from comprehensive parental support programs including paternity and adoption leave, extended operational deferment for new mothers, and expanded childcare. We continue to support life-work integration while meeting mission requirements through initiatives such as Career Intermission, telework, and other flexible work options.

## **Communication with Navy Families**

Navy recognizes that social networking and the Internet can greatly facilitate communication efforts with Sailors and their families. We continue to promote open, frequent communication with our Sailors and their families and encourage development of social networking accounts, mobile applications, public websites, and publishing newsletters to Sailors and their families via email.

The Navy Recruiting Command “Navy for Moms” website received a 2011 *Workforce Management Magazine* Optimas Award for “Service.” Through this award-winning website, families of current Sailors can share information with families of future Sailors and answer many questions about Navy life. Since its establishment in March 2008, more than 36,000 members have used the website to discuss issues with others who share common concerns.

"Military One Source" provides information on many topics, including parenting and childcare, educational services, financial information and counseling, civilian legal advice, crisis support, and relocation information. This free, 24/7 information and referral service offers practical solutions, background information and advice via the telephone, email, or the web to all active duty and reserve Sailors, and their families.

Social media venues such as Facebook have quickly become a primary and effective means of communicating with a wide audience, including family members. Additionally, in cooperation with Navy’s Chief of Information’s social media team, we are able to connect to a much broader audience by taking advantage of the U.S. Navy official Facebook page, which currently has more than 400,000 fans.

## **Recognized for Results**

Our efforts have culminated in Navy's recognition as a Top 50 organization. Top 50 organizations encourage innovation and focus on performance, while taking care of their people through programs and policies that support a culture of trust, respect, and collaboration. In October 2011, Navy received several awards for Business Excellence in Workplace Flexibility from the Alfred P. Sloan Foundation. These awards recognize initiatives introduced at six different organizations across the Navy that promote flexible work options while still achieving business goals. For the third year in a row, Navy received the prestigious *Workforce Management Magazine's* Optimas Award. This marked the first time in the award's 21 year history an organization has won three consecutive years.

Navy continues to earn recognition for its high quality training and development programs. In the three years since Navy began participating in the American Society for Training and Development (ASTD) awards program, no other organization has won more awards for "Excellence in Practice." Most recently, Navy was honored with an ASTD BEST Award, ranking third out of 32 best training organizations from a prestigious list of recipients from six nations. For the second year, *Training Magazine* recognized Navy as one of the premier training organizations in the country, ranking seventh out of 125 organizations recognized. We remain committed to seeking out best practices across industry and benchmarking our programs against the best in the nation.

## X. CONCLUSION

The President's FY13 budget request supports critical programs that will ensure Navy's continued success in delivering the personal component of CNO's *Sailing Directions*, the *Navy Total Force Strategy for the 21<sup>st</sup> Century*, and key capabilities in support of *Sustaining U.S. Global Leadership: Priorities for 21<sup>st</sup> Century Defense*. I look forward to working with you as we continue to shape the Navy to meet current and emerging requirements, while confronting the challenges the future that lie ahead. On behalf of the men and women of the United States Navy, and their families, I extend our sincere appreciation for your leadership, commitment and unwavering support. Thank you.