



military retirees in  
hampton roads

# Military Retirees In Hampton Roads: Who, How Many And Their Impact

*"[Military] Retirees are increasingly being viewed  
as a growth industry."*

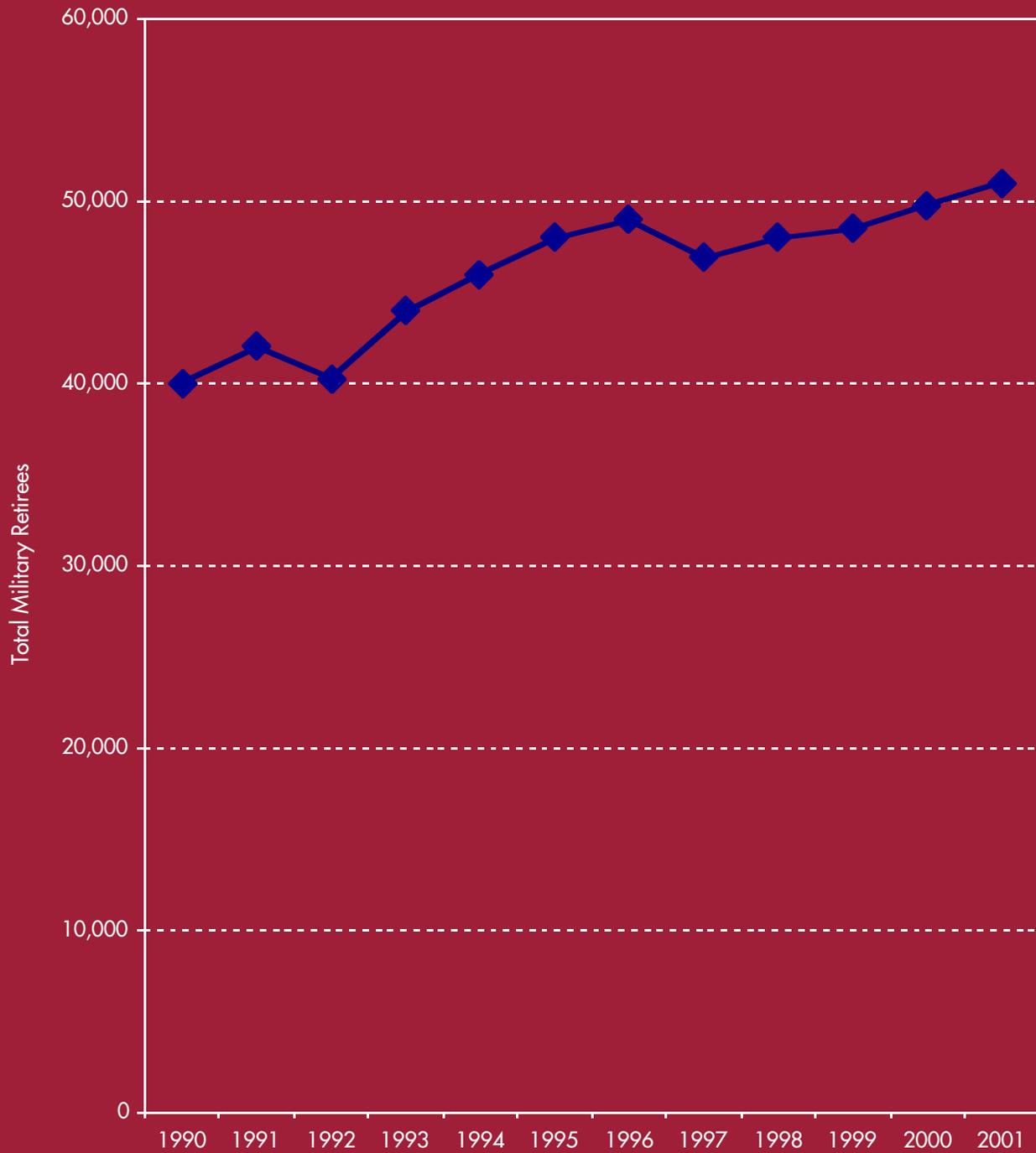
*– Frank Hefner (Armed Forces and Society, spring 1992)*

The Hampton Roads area boasts a rich military history involving all four branches of the services. Much has been written about the active duty and reserve personnel and families assigned to the area. We see their ships leaving and returning and we see their planes flying overhead. But what happens to these military personnel and their families once they retire from service?

The Department of Defense doesn't track military retirees' activities closely, nor does it collect much statistical information about them. It does acquire some data in order to ensure that retirement pay is accurately budgeted and distributed, and still other data to project usage rates for military hospitals, clinics and related services. Beyond those needs, however, relatively little is known about the large and growing military retiree community nationally, or in Hampton Roads.

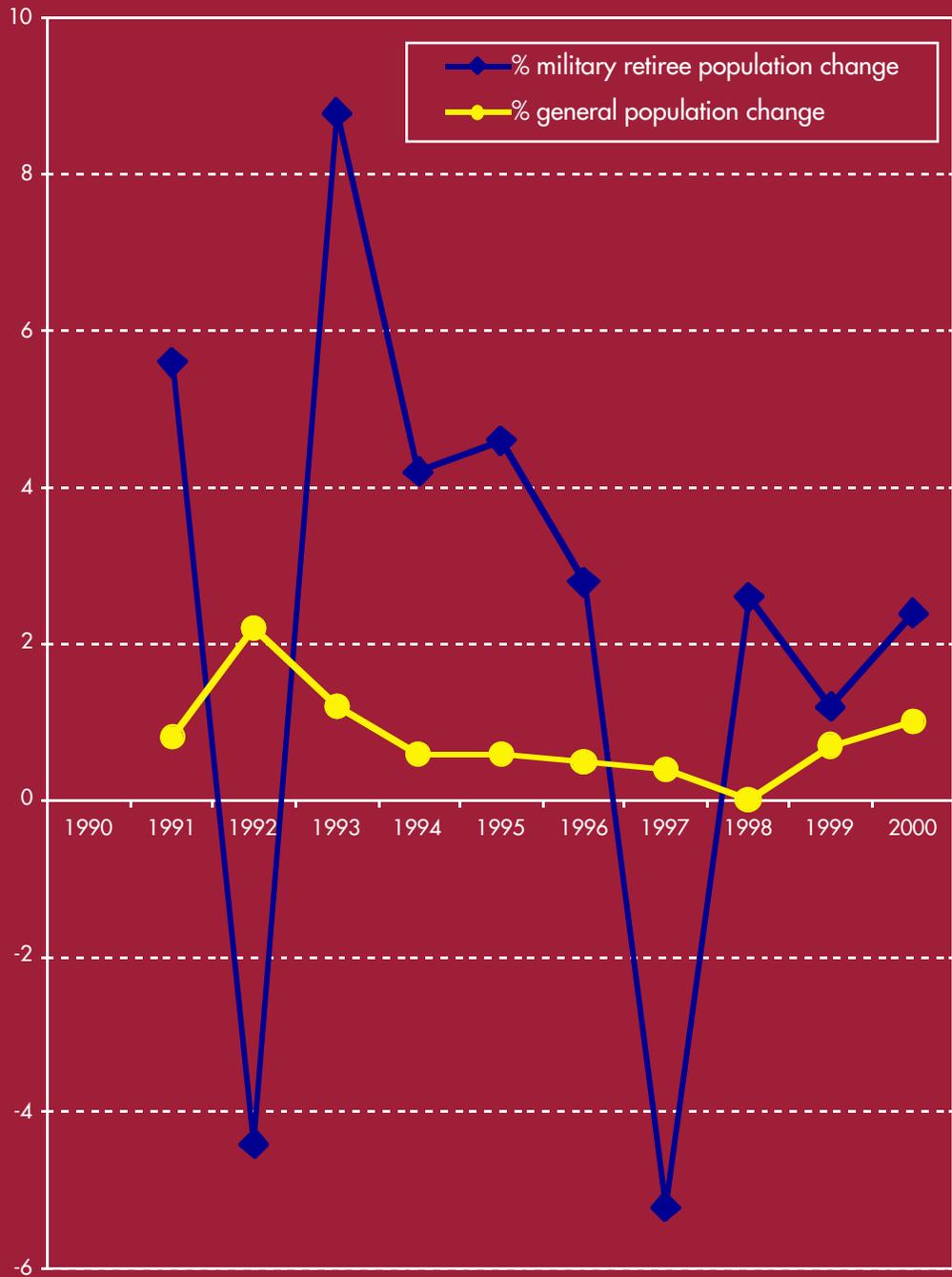
Nonetheless, as Graphs 1 and 2 illustrate, **approximately 53,000 retired military personnel reside in Hampton Roads and that number has grown by 24.5 percent since 1990, a pace far greater than the 8.5 percent growth in the overall population of the region.** These military retirees provide a continual influx of new residents and a skilled labor pool.

**GRAPH 1**  
**NUMBER OF MILITARY RETIREES IN HAMPTON ROADS: 1990-2001**



Sources: U.S. Department of Defense, DoD Statistical Reports on the Military Retirement System, Fiscal 1990-2001, ADA402804

**GRAPH 2**  
**CHANGES IN THE POPULATION OF HAMPTON ROADS AND**  
**THE NUMBER OF MILITARY RETIREES IN THE REGION**



Sources: DoD Statistical Reports on the Military Retirement System, Fiscal 1990-2001, and the 2000 U.S. Census

# The Demographics Of Military Retirees

The 53,000 military retirees living in Hampton Roads in 2001 accounted for nearly 10 percent of all households in the region. Who are these retirees?

- 54 percent of military personnel retire after they have served 20 years.
- The mean number of years of service is 20.9 for enlisted members and 23.4 for officers.
- There are eight times as many retired enlisted military members than there are retired officers.
- The mean age of a military retiree is 43.
- As Table 1 demonstrates, the majority of retirees work full time after retiring and 78 percent either work or go to school.

**TABLE 1  
THE ACTIVITIES OF RECENTLY RETIRED MILITARY PERSONNEL**

	<b>Percent selecting category</b>
Working full time (including self-employed)	52
Working part time (including self-employed)	4
Working part time but looking for full-time work	7
Not working, but looking for work	18
Not working and not looking for work	7
Going to school full time	11
Going to school part time	4

Source: DoD Statistical Reports on the Military Retirement System, Fiscal 1990-2001

What occupations do the retirees fill? The data presented in Table 2 show that the most common position taken by a military retiree is managerial or administrative in character.

**TABLE 2  
THE OCCUPATIONS OF MILITARY RETIREES**

	<b>Percent in category</b>
Executive, administrative and managerial occupations	18
Professional specialty occupations	12
Precision production, craft and repair occupations	16
Technical and related support occupations	6
Sales occupations	12
Administrative support occupations including clerical	11
Service occupations	12
Farm, forestry and fishing occupations	1
Machine operators, assemblers and inspectors	4
Transportation and material-moving occupations	5
Handlers, equipment cleaners, helpers and laborers	3

Source: DoD Statistical Reports on the Military Retirement System, Fiscal 1990-2001

Are the jobs of retirees related to their military training and service? Table 3 indicates that 46 percent of retirees feel that more than half of their military skills and training were useful in their jobs.

**TABLE 3**

	Percent in category				
	None or zero %	1-25%	26-50%	51-75%	76-100%
For that first full-time job, please estimate the percent of the training skills and education acquired during your military service that was useful or applicable on this job	19	20	15	17	29

Source: DoD Statistical Report on the Military Retirement System, Fiscal 1996

Table 4 discloses that when military retirees do take a job after retiring, typically they intend to work until a normal retirement age (60-69 years old).

**TABLE 4**

**PLANNED RETIREMENT AGES FROM CIVILIAN EMPLOYMENT FOR MILITARY RETIREES**

	Percent in category
0 - 49 years old	2
50 - 59 years old	19
60 - 69 years old	73
70 - 79 years old	4
80+ years old	1

Source: DoD Statistical Report on the Military Retirement System, Fiscal 1996

What levels of education have military retirees attained? As Table 5 reveals, a much higher percentage of military retirees has completed high school than is true for the U.S. population, but a much lower percentage has earned baccalaureate or graduate degrees.

**TABLE 5**

**EDUCATION LEVELS: COMPARING MILITARY RETIREES TO THE GENERAL POPULATION**

Highest Education Attained	Military Retirees	General Population (>25 years old)
High school diploma/GED	85%	61%
BS/BA degree	9%	15%
Postgraduate degree	4%	8%

Sources: Extracts from the databases of the Defense Manpower Center and the 2000 U.S. Census

However, there is a significant dichotomy between enlisted and officer retirees in terms of their education, as Table 6 demonstrates.

**TABLE 6**  
**ENLISTED VS. OFFICER RETIREES: EDUCATIONAL LEVELS**

Highest Education Attained	Officer	Enlisted
High school diploma/GED	14%	94%
BS/BA degree	49%	3%
Postgraduate degree	37%	<1%

Sources: Extracts from the databases of the Defense Manpower Center and the 2000 U.S. Census

One last item should be considered when discussing the labor impact of military retirees in the Hampton Roads area – that of military retirees’ spouses. U.S. Department of Labor data reveal that the labor force participation rate of women has risen sharply since 1970. The spouses of military retirees reflect this trend. Fifty-three percent of military retiree spouses work either full or part time (see Table 7).

**TABLE 7**  
**MILITARY SPOUSES’ EMPLOYMENT AND ACTIVITY**

	Percent selecting category
Working full time (include self-employed)	41
Working part time (include self-employed)	12
Working part time, but looking for full-time work	3
Not working but looking for work	1
Not working and not looking for work	6
Going to school full time	1
Going to school part time	1
Taking care of home or family	31
Other	4

Source: DoD Statistical Report on the Military Retirement System, Fiscal 1996

There is an additional characteristic of military retirees and spouses that is highly valued by employers. Military retirees are, in general, recognized as more mature and disciplined, have a better work ethic and possess better interpersonal skills than many of their peers. “They show up for work on time and they don’t shy away from taking responsibility,” a representative regional employer commented. “They know how to work in teams and take orders,” said another employer. Hence, as the CEO of one large firm put it, “We tend to exhibit preference in our hiring in favor of military retirees because that’s what our experience tells us.” These are among the reasons why regional economic development authorities often tout the military retiree component of the region’s labor force when they talk to firms that might locate here. It is a distinct plus for the region.

# The Military Retirement Pay Of Residents Of Hampton Roads

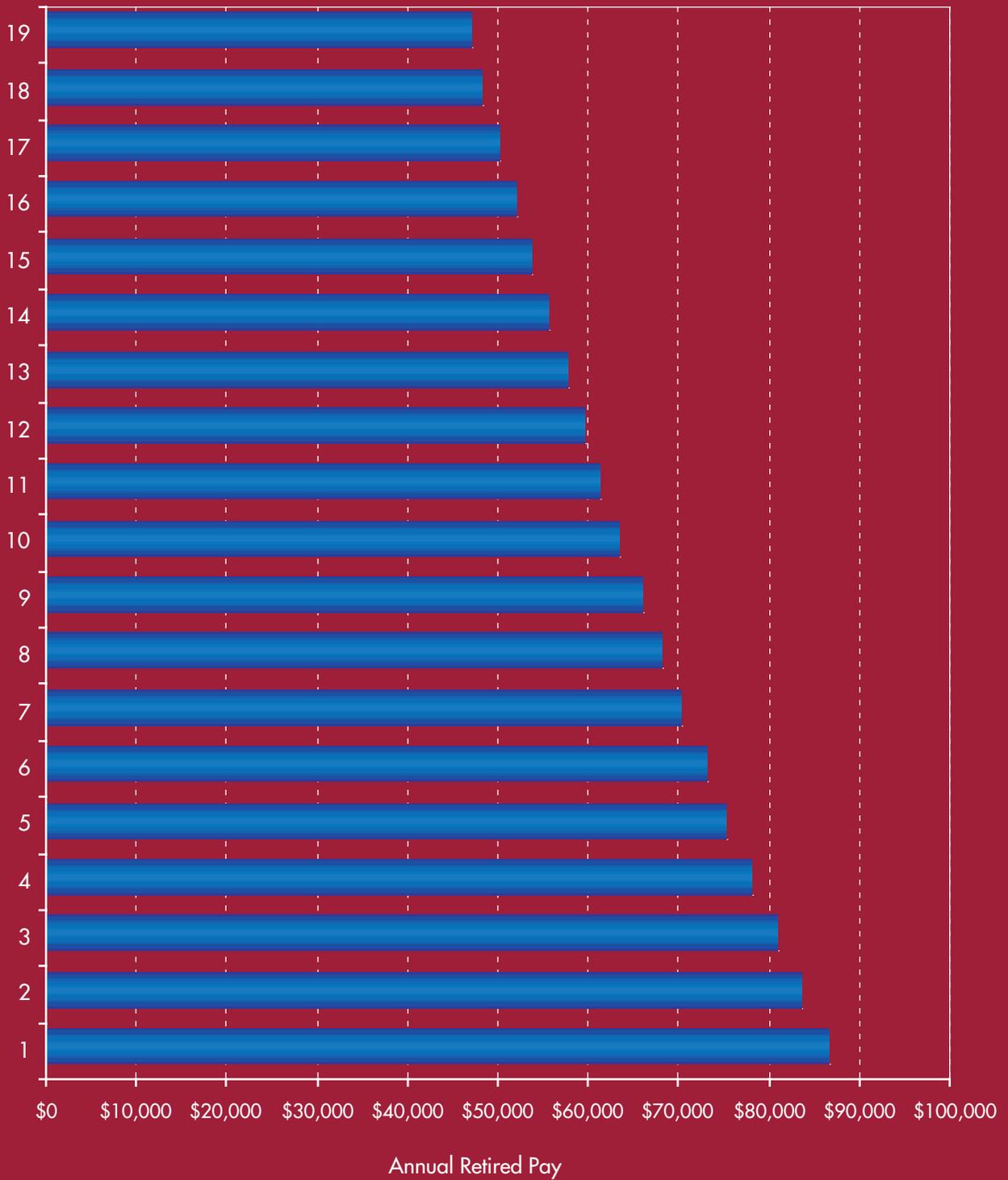
How do veterans fare economically when they retire? A 2003 study by the U.S. Census Bureau disclosed that the poverty rate for veterans is about one-half that of all Americans (6 percent vs. 11 percent). **The Department of Defense reports that it pays military retirees in the Hampton Roads region \$83.9 million monthly, or more than \$1.05 billion annually. This is an economic engine of impressive size for Hampton Roads.** However, even this sum does not include the income received as disability compensation from the Department of Veterans Affairs (VA), or income received by surviving spouses as part of the Survivor's Benefit Plan, an optional income insurance program available to retiring military members. Together, VA disability and Survivor's Benefit payments annually add \$45.5 million more to the spending power of military retirees in the region, making the total \$1.053 billion annually. These payments are not subject to the business cycle and thus provide a great deal of economic stability to the region.

In addition, retirement stipends are adjusted for inflation via a formula keyed to the Consumer Price Index (CPI). Thus, the real purchasing power of military retirees is unlikely to decline significantly in the future.

To illustrate this, consider the examples provided by typical enlisted and officer retirees. A typical enlisted person might retire as an E-7 after 21 years of service. His initial before-tax, annual compensation will be \$19,866. Assuming the annual compounded increase in the CPI is a bit more than 3.3 percent annually, then his before-tax annual military retired pay at age 65 will have increased to \$46,948. If he lives to age 80, his annual retirement stipend will have grown to \$76,738.

A typical officer might retire as an O-5 after 24 years of service. Her initial before-tax annual compensation will be \$46,484. At age 65, her annual retirement income will be \$86,343 (see Graph 3). If she lives to 80, her annual retirement paycheck will rise to \$141,131.

**GRAPH 3**  
**ILLUSTRATION FOR AN O-5 RETIRING AFTER 24 YEARS SERVICE**  
**(Projection to Age 65)**

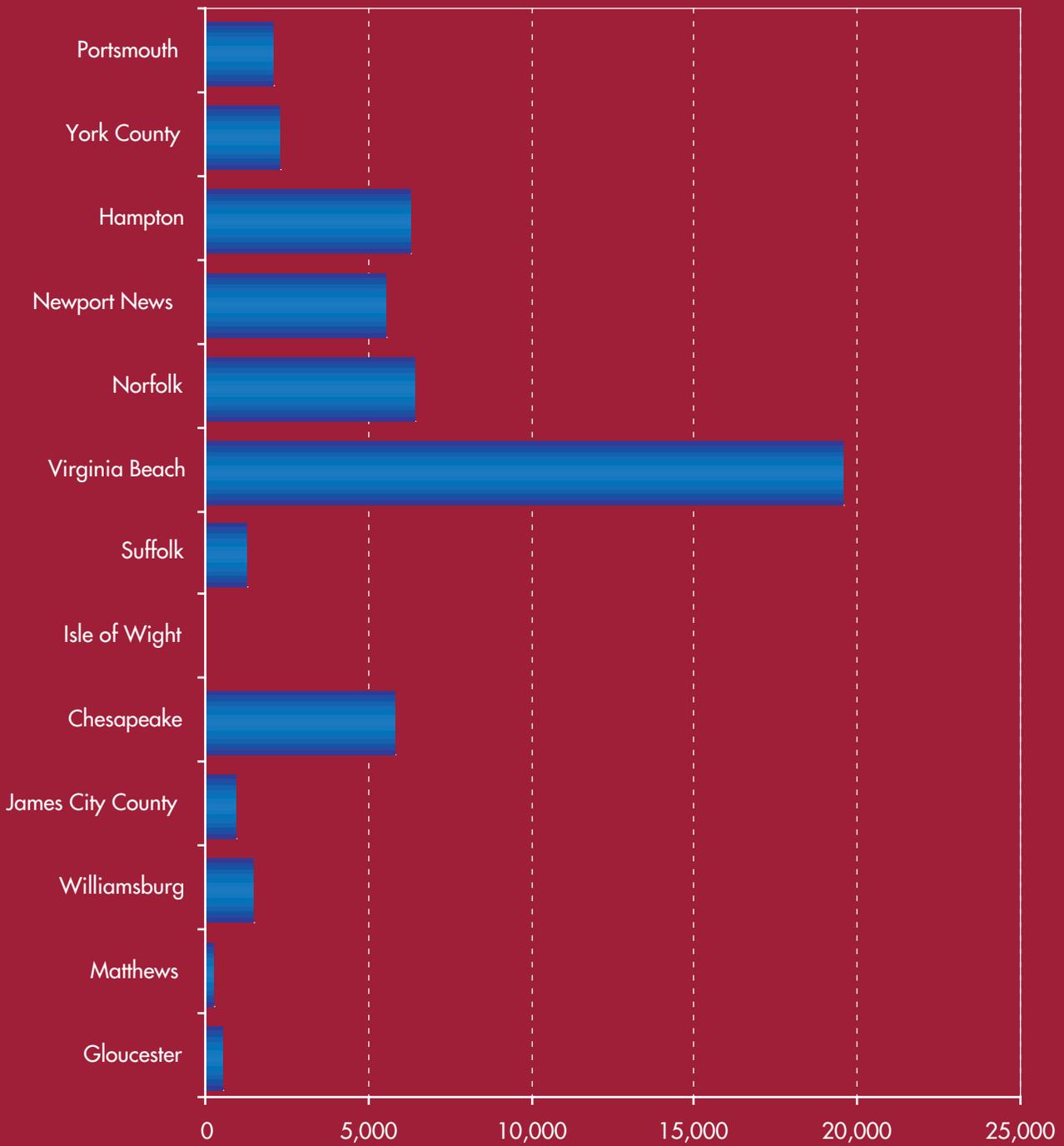


# Where Do Military Retirees Reside In Hampton Roads?

As Graph 4 indicates, far more military retirees (approximately 20,000) live in Virginia Beach than in any other city in the region. In fact, **Virginia Beach has more military retirees living within its borders than the second-, third- and fourth-place cities (Norfolk, Hampton and Chesapeake) combined.**

This relative picture of where military retirees reside within the Hampton Roads region has been consistent over several years. The number of military retirees in Norfolk, Hampton and Newport News is related to their proximity to major military installations. But why do a relatively large number of military retirees live in Virginia Beach and Chesapeake? The answer depends upon a variety of factors that we examine in the next section.

**GRAPH 4**  
**THE RESIDENCES OF MILITARY RETIREES IN HAMPTON ROADS**



Source: DoD Statistical Report on the Military Retirement System, 1999

# What Factors Affect The Decisions Of Military Retirees In Terms Of Where They Live?

The only systematic data on military retirees are those collected in the 1966 Department of Defense (DoD) Survey of Military Retirees (which, unfortunately, was lost by the DoD), the 1977 DoD Retiree Survey (DRS) and the 1996 Retired Military Personnel Survey (RMPS). The 1996 RMPS target population consisted of retirees from active duty who had 20 or more years of creditable service, who retired between 1971 and 1994, who lived in the United States and who did not have severe disabilities. Approximately 80 percent (19,484) of the 25,000 surveys sent out were returned and considered usable. One of the key questions was, "How important is each of the following in your decision to live at your current location?" It listed 20 reasons for choosing one city over another and provided the retirees with the possibility of indicating one of five different levels of importance for each reason.

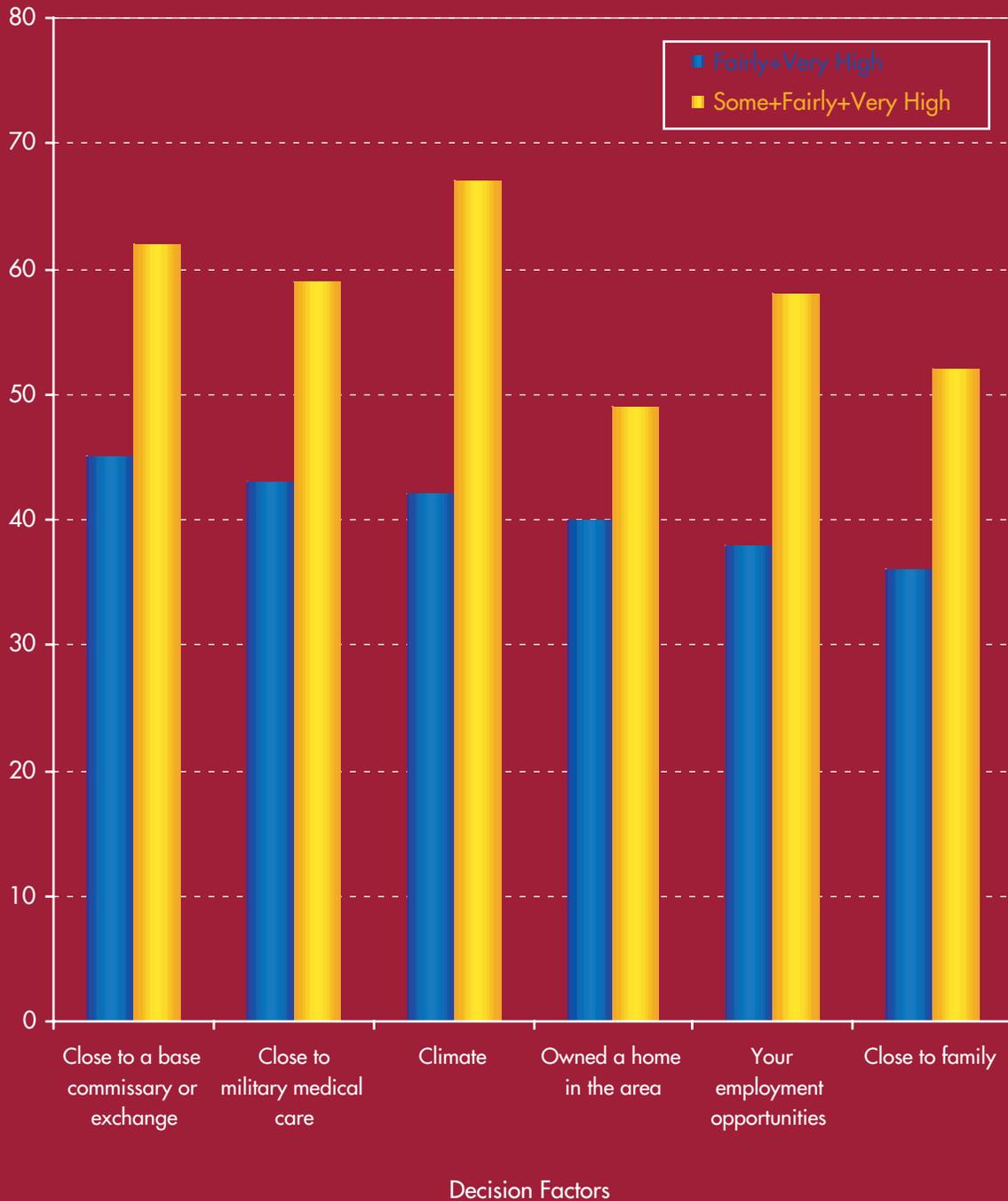
Graph 5 depicts the six most important factors, according to retirees, in determining where they would reside. Of note, while all six factors appear to play a significant role in this decision process, climate stands out when all three positive responses (some, fairly, high importance) are added. This finding would correlate to Jackson and Day's study (Professional Geographer, 1993) that found, "Military retiree concentrations are especially closely correlated with base location in the coastal states, the Ozark Plateau/Ouachita Mountains, the southern Appalachians and the desert Southwest," all areas of mild winters. In addition, they found many military retirees preferred to locate near a familiar military base (although this factor was not as strong for older retirees). The availability of higher education, lower population density, growing incomes and low tax rates also were important.

Interestingly, a retiree's pre-service experiences and residences show little correlation with choice of retirement location. That is, if the military retiree grew up in Chicago, this fact had little impact on where he chose to retire. By contrast, the location of his military postings is quite important. If he served a portion of his military career in Hampton Roads, then Hampton Roads becomes an important retirement alternative. **Why, then, do so many retired military personnel choose to retire in Virginia Beach? It's the combination of the city's location near familiar military facilities, low tax rates, reduced population density, moderate climate, low crime rate for a city of its size, and the nearness of the oceanfront and other amenities.**

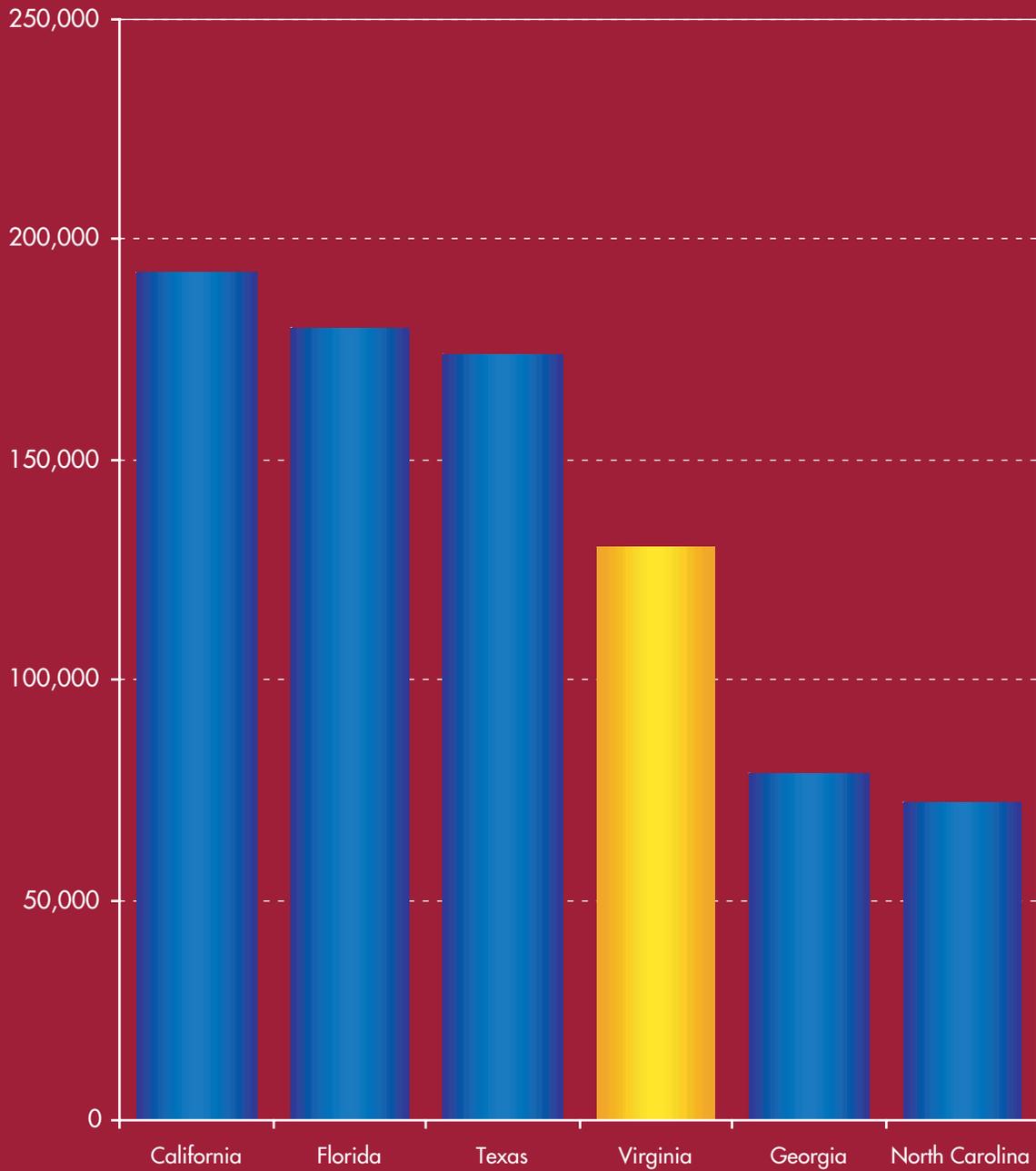
If these are the important factors in determining where retired military members and their families live, which states attract the most military retirees? William Snyder's study (Armed Forces and Society, 1994) determined that, "... retirees tend to settle in a relatively small number of states," and found "... considerable concentrations in the southern half of the country." California, Florida, Texas, Virginia, Georgia, Washington and North Carolina were the most popular states. These findings are consistent with 2001 data that are presented in Graph 6. The six states with the most military retirees account for nearly 44 percent of the 1.89 million retirees living in the United States. All six states have a large population of active duty personnel assigned and host large military infrastructures. However, Florida, Texas and Washington also do not have state income taxes and this is an important factor, according to many retirees.

**GRAPH 5**  
**THE SIX MOST IMPORTANT FACTORS DETERMINING**  
**WHERE MILITARY RETIREES LIVE**

Retirees' percentage ratings of the importance  
of factors in deciding where to live



**GRAPH 6**  
**THE SIX STATES THAT HOST THE MOST MILITARY RETIREES: 2001**



Source: DoD, Atlas/Data Abstract for the U.S. and Selected Areas, (LO3) abstracts from 2001

As Table 8 demonstrates, the retired military population of California actually has decreased by 10 percent since 1990, while the other five states have increased their retired military population from 17 to 37 percent. Some of this is due to the fact that the number of military personnel stationed in California has declined and hence the number of personnel who retire while stationed there (an important factor, as noted above) has dropped significantly. Beyond this, however, even while California has experienced a significant influx of immigrants in recent decades, simultaneously it has experienced a steady outflow, sometimes almost a torrent, of people leaving the state. Tax rates, crime, employment and quality of life issues have been paramount.

By contrast, Virginia and Hampton Roads have fared very well. **More than 99 percent of military personnel who retire while serving in Virginia were stationed in Hampton Roads. They know the region; they like it and they often choose to retire here.**

**TABLE 8**  
**CHANGES IN THE POPULATION OF MILITARY RETIREES IN SELECTED STATES, 1990-2001**

State	1990 Retiree Population	2001 Retiree Population	Percent Change
California	213,821	192,535	-10
Florida	151,718	180,819	19
Texas	148,677	174,263	17
Virginia	94,255	125,595	33
Georgia	58,475	78,322	34
North Carolina	53,144	72,546	37

Source: DoD, Atlas/Data Abstract for the U.S. and Selected Areas, (L03) abstracts from 1990 and 2001

## Policy Implications

Military retirees form a group of significant and growing economic importance in Hampton Roads. The region's attractions to military retirees are self-evident – many retirees have familiarity with the area; the Hampton Roads population is “military friendly,” at least compared to certain other areas of the country; there is easy access to DoD medical facilities; tax rates are not high in a national context; and the climate and amenities are appealing. Nonetheless, attracting and maintaining a larger group of retirees would have an even greater impact on the region's economy. What policy options are available to draw more military retirees to the region?

Most of the meaningful public-policy options involve the expenditure of resources. Both Commonwealth and local taxing systems could be made more attractive to retirees, although Virginia's state income tax already provides significant tax relief to individuals age 62 and older. It's not clear that tax preferences directed only at military retirees would be constitutional, but the Commonwealth could opt to extend its general tax preference for the elderly.

**Most military retirees choose to retire between the ages of 38 and 46. Thus, they are potential candidates for postsecondary education and may well have family members who are interested in the same. Virginia is one of only eight states in the country that does not provide all military spouses and dependents with automatic in-state tuition benefits at its public colleges and universities.** Of course, for most states, the loss in revenue is relatively small to the states themselves or their public colleges and universities when they provide in-state tuition to military and spouses and dependents. In Virginia, however, it is estimated that the revenue loss would exceed \$10 million annually (at current rates of attendance and not counting veterans) and an institution such as Old Dominion University might lose one-third of that amount. For Old Dominion, that would be a bitter fiscal pill to swallow, given the financial reductions it recently has suffered. **Thus, to be equitable, the Virginia General Assembly would have to regard such a tuition benefit as an expenditure like any other and allocate increased funding to support it. That seems unlikely, due to Virginia's tight financial circumstances and the opposition of many legislators to providing such a benefit.** “Why should we provide in-state tuition to someone who is a resident of Florida, mostly because he doesn't pay any income tax there?”

opined one legislator. Hence, it seems probable that in order for this benefit to be established, it would have to be tied in some way to the actual establishment of formal residency. “But, that’s effectively the way it is now,” said the same legislator, who represents a district in southwestern Virginia.

**For most retirees, buying a house is one of the most important financial transactions of their lives. The Commonwealth might consider various financial incentives (perhaps in the form of income tax credits) to spur them to purchase their home in Virginia. Of course, cities and counties could do the same and rebate some portion of first-year property taxes to veterans who purchase a home in the region.**

Cities and counties within the region might also consider establishing a Military Transition Center to cultivate and service military retirees. Such a center might offer “one-stop shopping” for veterans who are considering where and how to live, how to connect with job markets, how to utilize recreational, cultural and social services, and how to connect with other veterans and families who might provide sage advice. Personnel from the center might move from base to base and actively engage potential retirees.

Each of the previous suggestions would cost money and in the current anti-tax climate might not be attractive, notably among current resident veterans who by reputation often are “anti-tax” in sentiment. Others may say, “Well, we’re already doing rather well in attracting retirees, so why do we need to do more?”

Nonetheless, the economic stakes are large. In 2001, military retirees in Hampton Roads received \$1.05 billion in retirement pay. Thus, each retiree brings an annually renewable \$20,000 as a type of dowry, even before he or she enters the job market or purchases a home. There are very few other groups so attractive in terms of their economic impact. **Might it not make sense for a city such as Virginia Beach, which has one of the highest concentrations of military veterans in the country, to consider spending \$1,000 per new military retiree (on a one-time-only basis) in order to acquire this \$20,000 per year income stream (plus any other income earned by retirees, most of whom enter the work force) for decades to come?** The numbers become even more attractive if one were to focus on veterans who were middle-grade officers and retired with 20 years of service. Currently, they are worth about \$46,000 per year in retirement income even before they take a job in the civilian sector. It would appear to be good business for Virginia Beach and other Hampton Roads cities to consider how and what incentives they can provide to increase their share of this tasty economic pie.

