

VIRGINIA IS FOR VETERANS

*...To care for him who shall have borne the
battle and for his widow, and his orphan...*

– President Abraham Lincoln, 1865



Virginia has long occupied a distinctive role in the national security of the country. The Commonwealth is home to the largest naval base in the United States, numerous military installations, and, of course, to many who work in the halls of the Pentagon. Virginia's contributions to the armed services of the nation are more than just a place where ships are built and repaired and where the business of defense happens. The Commonwealth is also home to many veterans after they have finished their service to our country.

In 2021, according to the United States Census Bureau, 671,519 Virginians identified themselves as veterans of military service. With approximately 1 in 10 Virginian adults ages 18 years and older being a veteran of military service, the Commonwealth only ranked behind Alaska in the proportion of the adult population that identify as veterans. In 2021, Virginia ranked first for the share of veterans in the adult population among states with populations greater than 1 million. According to the Defense Manpower Data Center (DMDC), there were 156,698 military retirees in Virginia in 2021, behind only Florida (210,073) and Texas (222,909).¹ These retirees received, on average, almost \$500 million monthly in payments from the Department of Defense (DoD).

¹ We note the DMDC data captures DOD-administrated retirees. Retirees for the Coast Guard are administered by the Department of Homeland Security.

Thousands of active-duty service members separate annually from the armed services in Virginia. Recruiting and retaining these separating veterans is a priority for many area employers. Russell Czack, a retired Navy commander who currently heads the Commonwealth’s digital shipbuilding effort, noted in 2022 that veterans bring experience and discipline to the workforce, skills that are in high demand by local employers. “You can train somebody to do the actual work that you want them to do,” Czack says. “It’s a little harder to instill within them the importance of being on time, to work as a team, to be a leader, to take care of other people. These are traits that the military is very good at instilling and training their people.”²

Why is attracting more veterans a winning proposition for Virginia? Military veterans in Virginia, on average, are more educated than their civilian counterparts and have higher household incomes. Military veterans between the ages of 18 and 54 are more likely to be actively engaged in the labor force. The presence of military veterans and retirees not only provides talent to employers, but also generates billions of dollars of payment transfers and expenditures by the federal government throughout Virginia.

In this chapter, we explore the role of military veterans and retirees in the Virginia economy. We first ask what a military veteran is and what the differences are between veterans and retirees. We recognize these characteristics can be perplexing and provide a primer to familiarize the reader with the topic. We then ask who the military veterans and retirees are nationally and in Virginia and how veterans are distributed across the state. We delve into retiree and disability compensation payments and highlight how much money flows into Virginia due to the presence of these individuals. The last section of the chapter offers final thoughts on the role of military veterans and retirees in the Commonwealth and actions to increase the retention of separating service members who decide to call Virginia home.

A Brief Primer on Veterans

Who is a veteran? The answer can be simple or complex, depending on whether the individual in question was on active duty, activated from the Reserve or National Guard, or injured while on active duty for training. The term “veteran” is defined by Title 38 U.S.C. § 101 (2) which states: “The term ‘veteran’ means a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable.”³

Title 38 U.S.C. § 101 (21) notes that active-duty service includes: (1) full-time duty in the Armed Forces, other than active duty for training; (2) full-time duty (other than for training purposes) as a commissioned officer of the Regular or Reserve Corps of the Public Health Service; (3) full-time duty as a commissioned officer of the National Oceanic and Atmospheric Administration or its predecessor organization the Coast and Geodetic Survey service as a cadet at the United States Military, Air Force, or Coast Guard Academy, or as a midshipman at the United States Naval Academy; and (4) authorized travel to or from such duty or service. Title 38 U.S.C. § 101 (24) defines “active military, naval, or air service” to include: (1) active duty, (2) any period of active duty for training during which the individual concerned was disabled or died from a disease or injury incurred or aggravated in line of duty; and (3) any period of inactive-duty training during which the individual concerned was disabled or died.

According to the Defense Manpower Data Center, the military retirement system applies to members of the Air Force, Army, Navy, Marine Corps, and Space Force. Most of the provisions also apply to retirement systems for members of the Coast Guard (administered by the Department of Homeland Security), officers of the Public Health Service (administered by the Department of Health and Human Services), and officers of the National Oceanic and Atmospheric Administration (administered by the Department of Commerce). The United States Census Bureau also asks whether an individual has ever served on active duty in the U.S. Armed Forces to identify veterans

² Courtney Mabeus-Brown, “Next stop – civilian life.” *Virginia Business* (April 28, 2022).

³ For more information and the complete U.S. code, see <https://www.law.cornell.edu/uscode/text/38/101>.

in the population.⁴ Understanding these differences in perspective is important in gauging the impact of veterans on the economies of Virginia and the nation.

The Shrinking U.S. Veteran Population

The size of the veteran population in the United States is directly tied to the size of the armed forces. In 2000, there were approximately 24.7 million veterans in the United States, and that declined to 18.4 million in 2022 (Graph 1). The decreased veteran population is not surprising given the increasing age of veterans from World War II as well as the wars in Korea and Vietnam. With the transition to an all-volunteer force in the aftermath of the Vietnam War and the drawdown in forces following the end of the Cold War, the overall size of the active-duty force today is significantly smaller than it was in the past.

Furthermore, the first Gulf War (1990 - 1991), the war in Iraq (2003 - 2011), the war in Afghanistan (2001 - 2021) and other recent diplomatic conflicts did not result in an appreciable increase in the size of the active-duty force like World War II, the Korean War, or the Vietnam War. From 2000 to 2022, the number of active-duty military service members has hovered between 1.3 and 1.4 million, down from the post-Vietnam peak of 2.2 million in 1987.⁵ While reservists and members of the National Guard were activated during these conflicts, these activations did not increase the number of veterans on the same scale as, for example, the Vietnam War. One of the inferences of the downsizing active-duty force is that the veteran population in the United States will dwindle over the coming decades. Specifically, by 2050, the number of veterans is projected to cut down to approximately 11.9 million.

Graph 2 illustrates the distribution of the veteran population by the period of armed conflict for 2000 and 2021. In 2000, more than 1 in 5 veterans (21.7%) had served in World War II. By 2021, World War II veterans only comprised 2.2% of the entire veteran population. Likewise, the proportion of Korean War veterans of the total veteran population dropped from 15.3% in 2000 to 6.6% in 2021. Over two decades, Vietnam-era veterans consistently comprised the largest slice of the veteran population, 34.9% in 2021, an increase from 31.7% in 2000. However, this share will decline in the coming years due to the aging of the veteran population. In 2021, 1 in 5 veterans had served in the Gulf War period, up from 1 in 10 in 2000. Finally, veterans of the Iraq and Afghanistan eras accounted for 22.4% of the veteran population in 2021.

Nationally, the veteran population is aging (Graph 3). In 2000, about 1 in 4 veterans were between the ages of 17 and 44, about 4 in 10 veterans were between the ages of 45 and 64, and 3.6 in 10 veterans were 65 years and older. By 2021, 1 in 5 veterans were between the ages of 17 and 44, 1 in 3 veterans were between the ages of 45 and 64, and almost 1 in 2 veterans were 65 years and older. When compared to the civilian population, the aging of the veteran population becomes more apparent. In 2021, roughly 1 in 5 adults (21.6%) were 65 years or older, while almost 1 in 2 veterans (46.0%) were 65 years or older.

The gender composition of the veteran population is also changing. As illustrated in Graph 4, the proportion of women in the veteran population has increased over the last two decades and is projected to increase over the coming years. Nearly 1 in 10 veterans was a woman in 2021, and that rate is projected to increase to as close as 1 woman in 5 veterans by 2050. The changing composition of the veteran population requires a shift in how services are provided to these individuals. A “one-size-fits-all” model will no longer work as the proportion of veterans who are women (and who are older) grows over time. The challenge for the nation is to adapt its veteran services to meet the needs of this changing population.

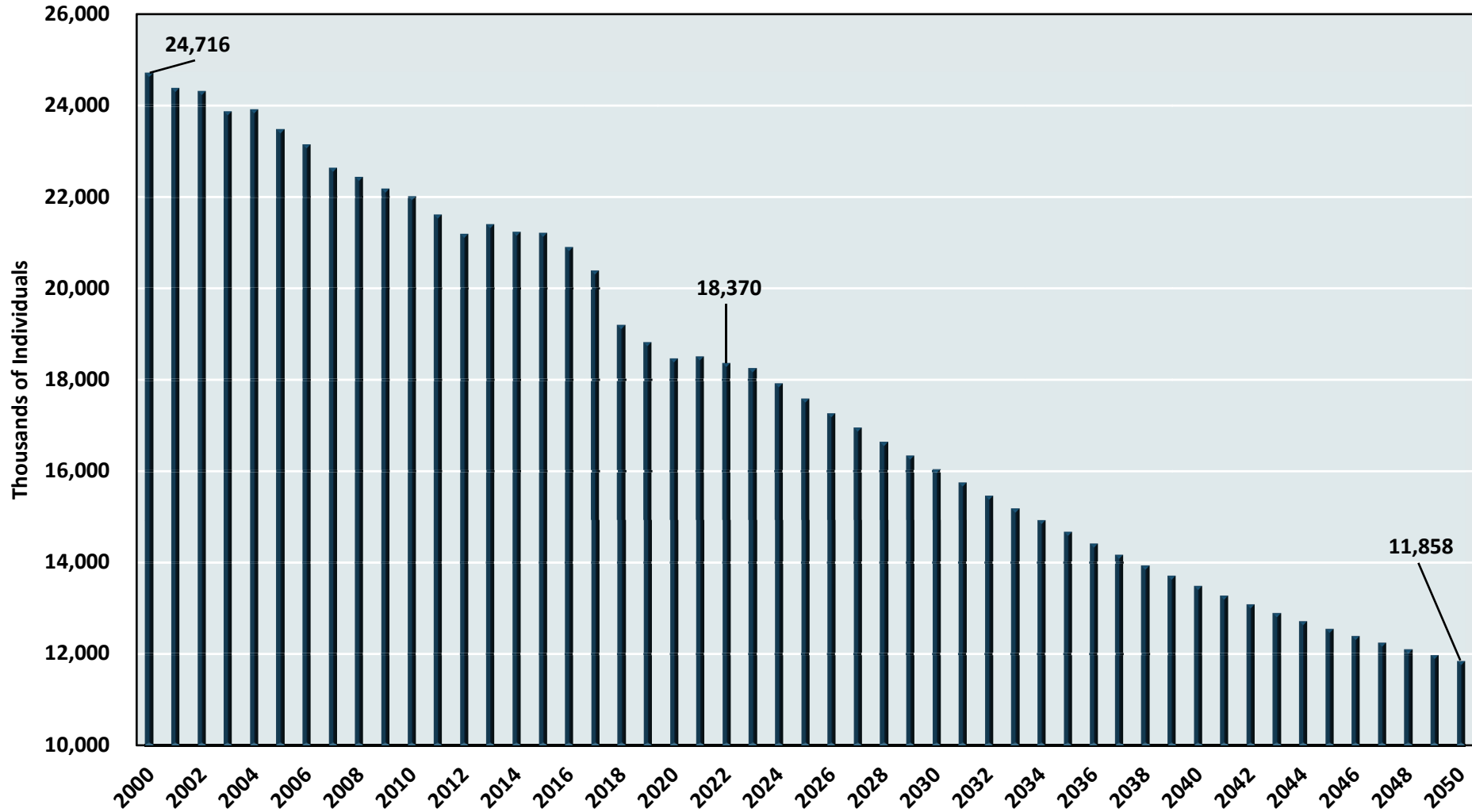
⁴ <https://www.census.gov/topics/population/veterans/about/faq.html>

⁵ Defense Manpower Data Center (DMDC), retrieved from: <https://usafacts.org/state-of-the-union/defense/>
Estimate of total active-duty military excludes Coast Guard.

As the veteran population shrinks relative to the total population of the nation, the connections between those who serve and those who are served have grown more tenuous. In 1980, according to the U.S. Census Bureau, 37% of the male population and less than 1% of the female population age 18 and older made up the veteran population nationally. By 2021, the proportion of male veterans had fallen to 13.4% while the proportion of female veterans remained relatively the same at 1.2%. In Congress, the number of individuals who served in the armed forces has declined as well, raising questions about whether decision-makers have enough perspective on the lives of armed service members when making decisions about compensation, benefits, and other related concerns.



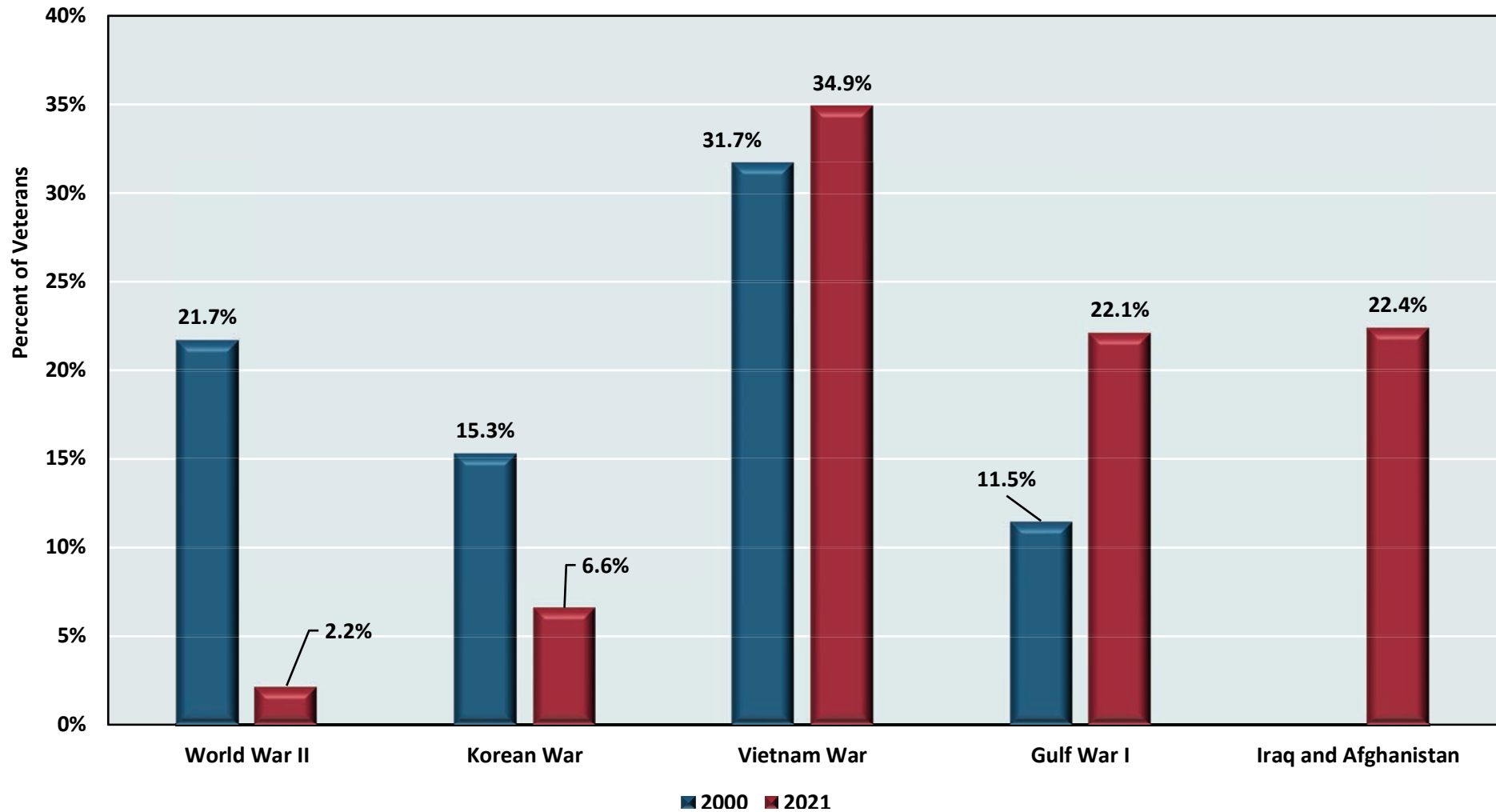
GRAPH 1
HISTORICAL AND PROJECTED VETERAN POPULATION
UNITED STATES, 2000-2050



Sources: FRED Population Level - Total Veterans, 18 Years and over, Thousands of Persons, Annual, Not Seasonally Adjusted (LNU00049526), Veterans Affairs VetPop 2020 Model.

GRAPH 2

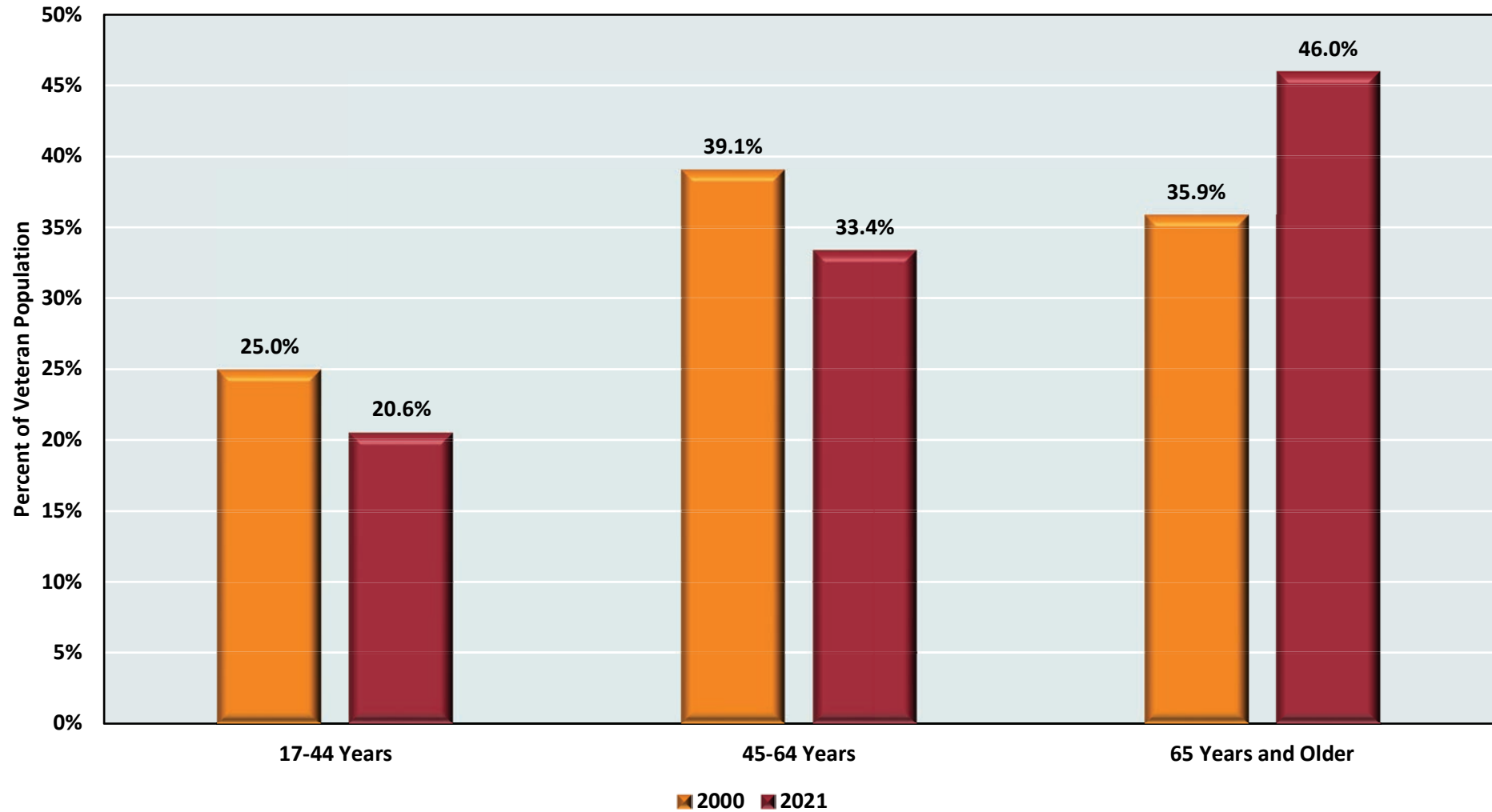
**VETERAN POPULATION BY PERIOD OF SERVICE
UNITED STATES, 2000 AND 2021**



Source: U.S. Census Bureau. 2000 reflects 2000 Decennial Census and estimates for 2021 reflect the American Community Survey 5-year estimates, 2017-2021. The total percent of veterans exceeds 100% as service members can serve in more than one armed conflict period.

GRAPH 3

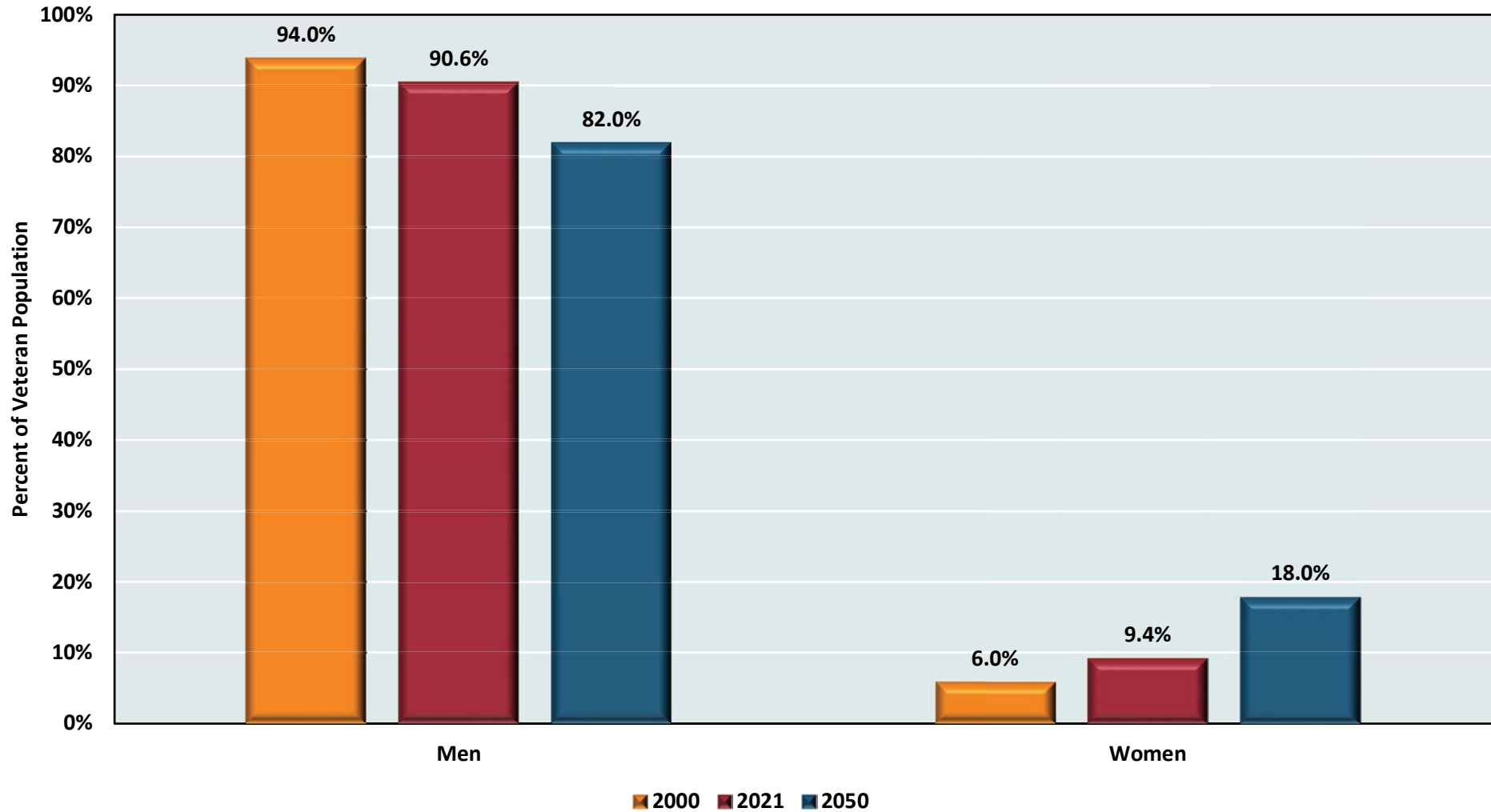
**AGE DISTRIBUTION OF THE VETERAN POPULATION
UNITED STATES, 2000 AND 2021**



Sources: U.S. Census Bureau and Veteran Affairs VetPop Model 2020. 2000 reflects 2000 Decennial Census and estimates for 2021 reflect the American Community Survey 5-year estimates, 2017-2021.

GRAPH 4

DISTRIBUTION AND PROJECTION OF THE VETERAN POPULATION BY GENDER
UNITED STATES, 2000 AND 2050



Sources: U.S. Census Bureau and Veteran Affairs VetPop Model 2020. 2000 reflects 2000 Decennial Census and estimates for 2021 reflect the American Community Survey 5-year estimates, 2017-2021.

Post-Service Employment: Veterans in the Workforce

Post-separation veterans often find their skills and experience in demand in the civilian workplace. While some military skill sets may not directly translate to civilian life, the rigors of military life often produce individuals who are adaptable, disciplined, and willing to work. A 2019 Pew Research Center survey found that the majority of post-9/11 veterans said the skills and training gained from their prior military experience were useful in transitioning to civilian employment.⁶ There were, however, significant differences between commissioned officers and non-commissioned officers or the enlisted. While 78% of commissioned officers responded that military service experience was useful in finding a civilian job, only 59% of non-commissioned officers and 54% of enlisted veterans had a similar response. Only about 1 in 10 respondents to the survey stated that serving in the armed forces hindered their ability to find gainful employment.

When we examine the unemployment rates of the veteran and the non-veteran populations, evidence supports the argument that military service experience provides a competitive advantage in the workforce. Graph 5 illustrates a simple fact that the annual unemployment rate for veterans is below that of the non-veteran population from 2000 to 2022. Even during periods of economic distress, such as the Great Recession of 2007-2009 or the COVID-19 economic shock of 2020, veterans' unemployment rate remained below that of the non-veteran population.

We must first recall that the unemployment rate is equal to the ratio of the number of unemployed to the number of individuals in the labor force. If there are fewer people participating in the labor force because those who are unemployed exit the labor force, then the unemployment rate may fall if employment remains relatively constant. Likewise, if there are fewer unemployed and the labor force is the same or growing, the unemployment rate will fall. Understanding whether the

unemployment rate is driven by fewer unemployed in the labor force or a smaller labor force is crucial for our discussion.

There are two distinct possibilities for why the veteran unemployment rate is lower than the non-veteran population. First, veterans participate in the labor force at similar rates as the non-veteran population, and veterans have distinct advantages that render them more employable. Second, veterans participate in the labor force at lower rates than the non-veteran population; however, for those who participate, unemployment rates are lower.

In Graph 6, at first glance, it might seem that veterans' participation in the labor force is lower than non-veterans'. In 2000, 69.3% of the non-veteran population age 18 and older and 59.0% of the veteran population participated in the labor force. By 2022, non-veteran participation had fallen to 64.7% while veteran labor force participation had declined to 48.0%. One might conclude that the veteran population's unemployment rate was lower because fewer veterans were working or actively engaged in looking for work.

In Graph 7, we explore labor force participation among veterans by gender. Women veterans have a much higher labor force participation rate than their male counterparts. In 2000, women veterans' labor force participation was 8.1 percentage points higher than male veterans. By 2022, the difference between women and men veteran labor force participation rates had climbed to 12.1%. Why? There are more male veterans than female veterans, and the male veterans are relatively older than the female veterans. As the male veterans have aged relative to the female veterans, their labor force participation rates have declined at a faster rate than those of women veterans.

When we compare the age distribution of the veteran and non-veteran population, we can observe how the age composition of the veteran population drives down overall labor force participation rates. In 2021, approximately 49.2% of veterans were 65 years and older as opposed to just 18.7% of the non-veteran adult population in the United States. Approximately half of the veteran population (50.8%) was between

⁶ Ruth Igielnik, "Key Findings about America's military veterans," Pew Research Center (November 7, 2019). Available at: <https://www.pewresearch.org/short-reads/2019/11/07/key-findings-about-americas-military-veterans/>

the ages of 18 and 64, far below the 81.3% of the non-veteran adult population of this working age group. Proportionally speaking, there are fewer veterans of working age, and thus labor force participation rates are lower for the veteran population.

When we examine the labor force participation rates for the working age population (18 to 64), a different story emerges from the data. In 2022, the estimated labor force participation rates for veterans and non-veterans ages 18 to 64 were roughly the same, with 76.2% of non-veterans in the labor force compared to 76.3% of veterans. When we draw back to examine the entire data series from 2009 to 2022, the veteran labor force participation was 0.2-percentage points higher than that of the non-veteran.

To further illustrate our point that an aging veteran population drives aggregate labor force participation lower, we examine labor force participation for the veteran and non-veteran population ages 65 and older (Graph 10). While non-veteran labor force participation rates have climbed from 2009 to 2022, veteran labor force participation rates for this group have fallen over the same period. In 2022, in the age group of 65 and older, non-veteran labor force participation was 19.9%, which is 4.6 percentage points higher than the veteran labor force participation rate of 15.3%. Further, labor force participation rates for those who are 65 years or older, veterans or non-veterans, are much lower (less than 21%) compared to those who are between the ages of 18 and 64. Their participation rates are higher than 73.9%. Given that about one-half of veterans are 65 and older, it becomes readily apparent that this group is driving the overall labor force participation rate lower for the overall veteran population and that younger veterans participate in the labor force at the same (or higher) rate when compared to the non-veteran population.

Another factor contributing to the disparities in labor force participation rates is that veterans are more likely to have a disability compared to non-veterans. Data from the U.S. Census Bureau American Community Survey (ACS) 5-year estimates for 2017 to 2021 show that approximately 29.5% of veterans reported having a disability,

compared to 14.1% of non-veterans. The higher share of disabled veterans over that of non-veterans means fewer veterans are able to participate in the labor force.

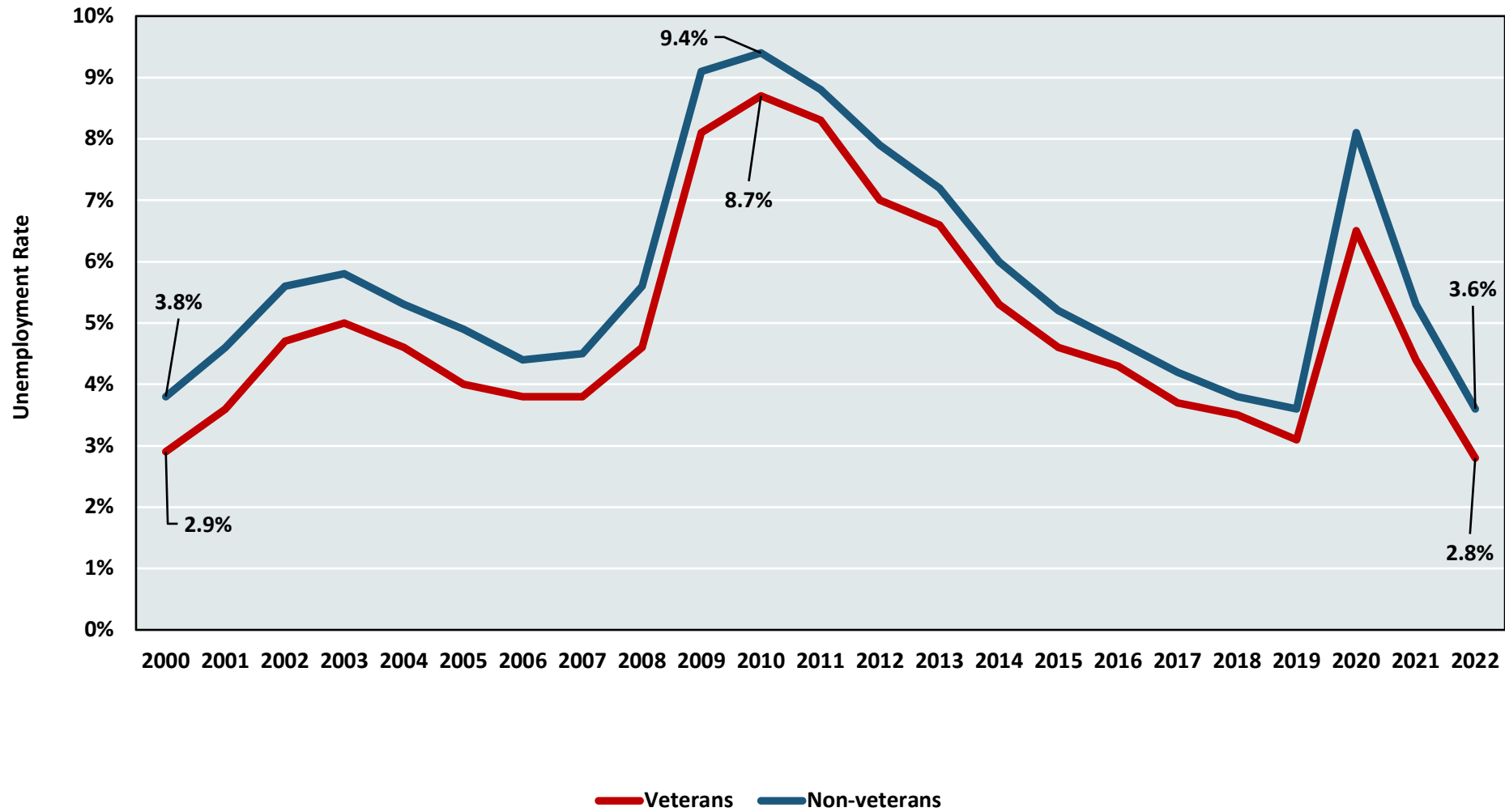
Finally, veterans are more likely to enroll in school during their prime working age years compared with the non-veterans.⁷ This phenomenon is explained by the fact that these veterans were often still in military service when the average non-veteran had already graduated. The education benefits available to veterans, such as the GI Bill, are also likely to be a factor as they are more generous than most education benefit programs available to the non-veteran population.



⁷ <https://www.brookings.edu/blog/up-front/2019/10/31/veterans-are-engaged-in-the-labor-force-and-in-the-classroom/>

GRAPH 5

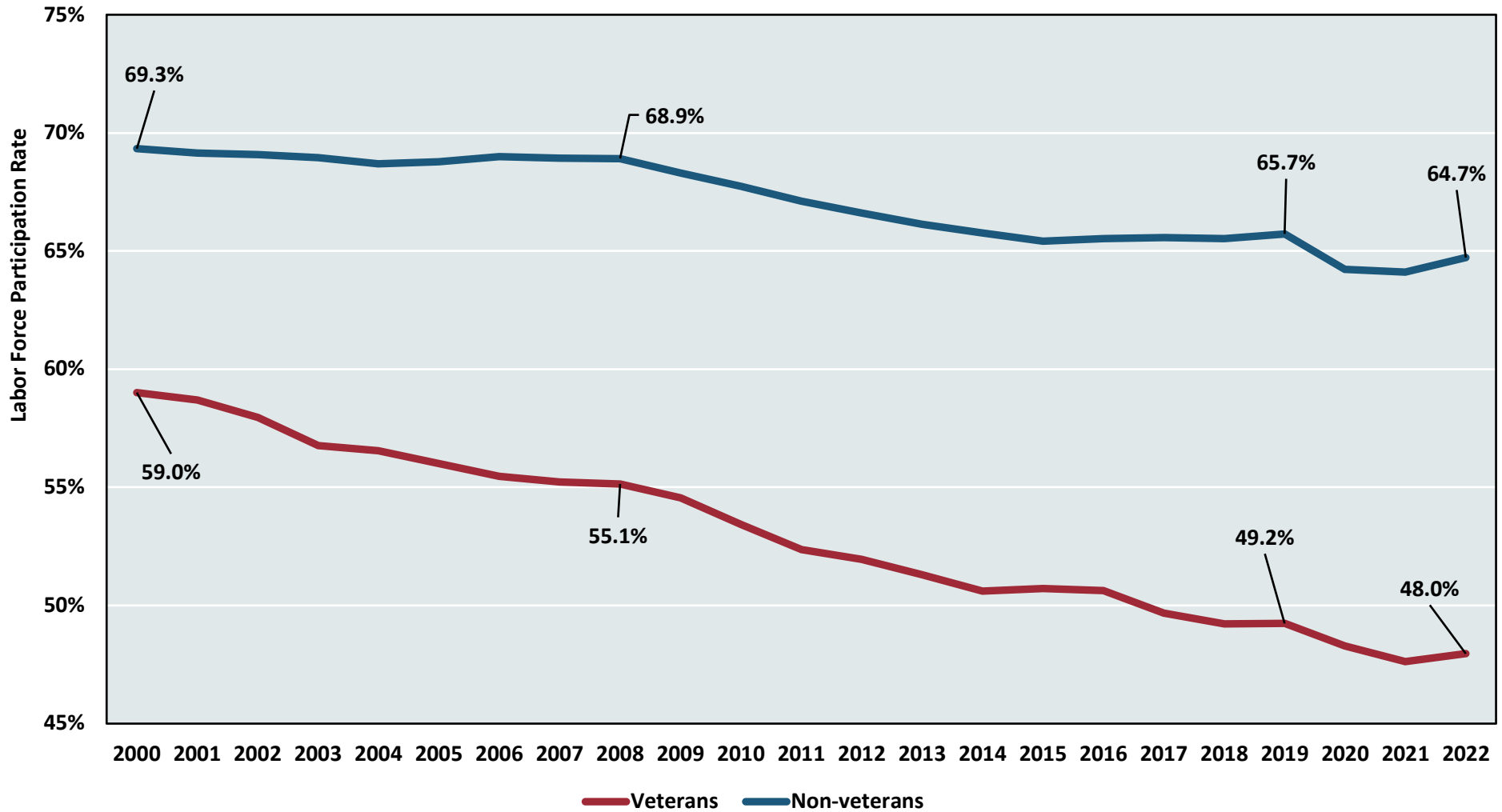
**ANNUAL UNEMPLOYMENT RATE BY VETERAN STATUS
UNITED STATES, 2000 - 2022**



Source: Bureau of Labor Statistics, Employment Situation of Veterans Summary, various years.

GRAPH 6

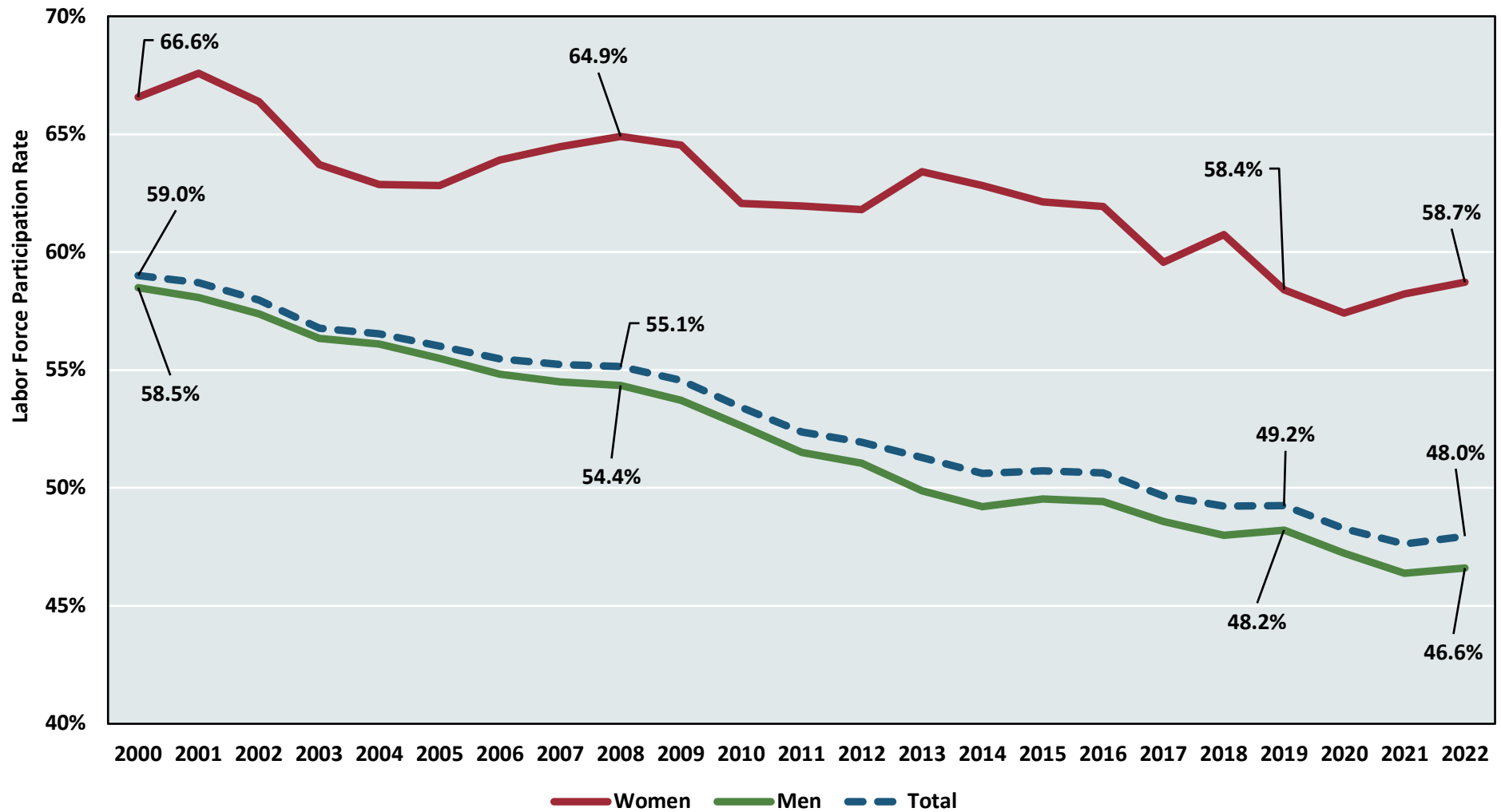
**LABOR FORCE PARTICIPATION RATE BY VETERAN STATUS
UNITED STATES, 2000-2022**



Sources: Labor Force Participation Rate - Total Veterans, 18 Years and Older. Bureau of Labor Statistics, Current Population Survey (CPS). Retrieved from FRED (LNU01349526).

GRAPH 7

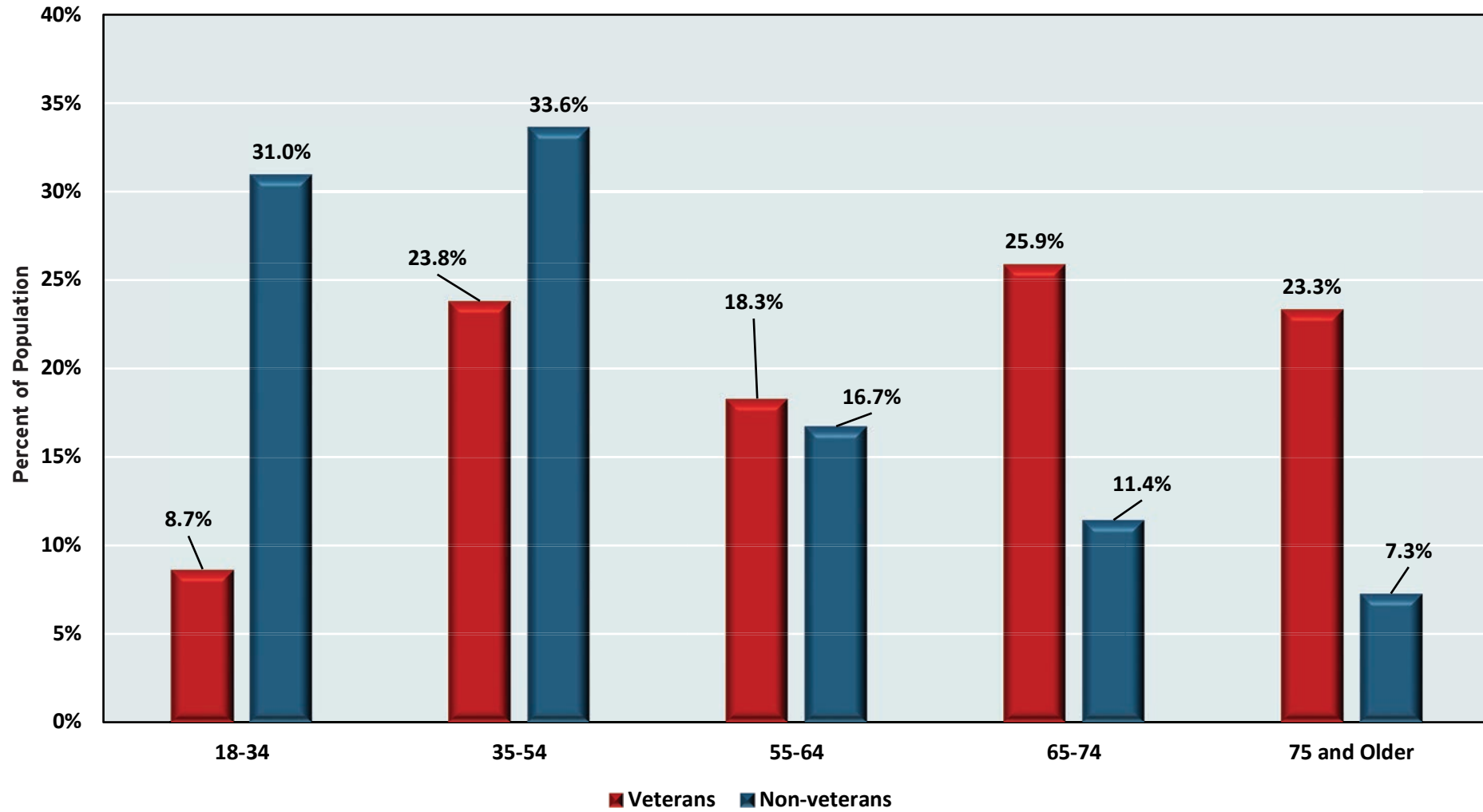
**VETERAN LABOR FORCE PARTICIPATION RATE BY GENDER
UNITED STATES, 2000-2022**



Source: Labor Force Participation Rates, 18 Years and Older. Bureau of Labor Statistics, Current Population Survey (CPS). Retrieved from FRED (LNU01349526, LNU01349527, LNU01349528).

GRAPH 8

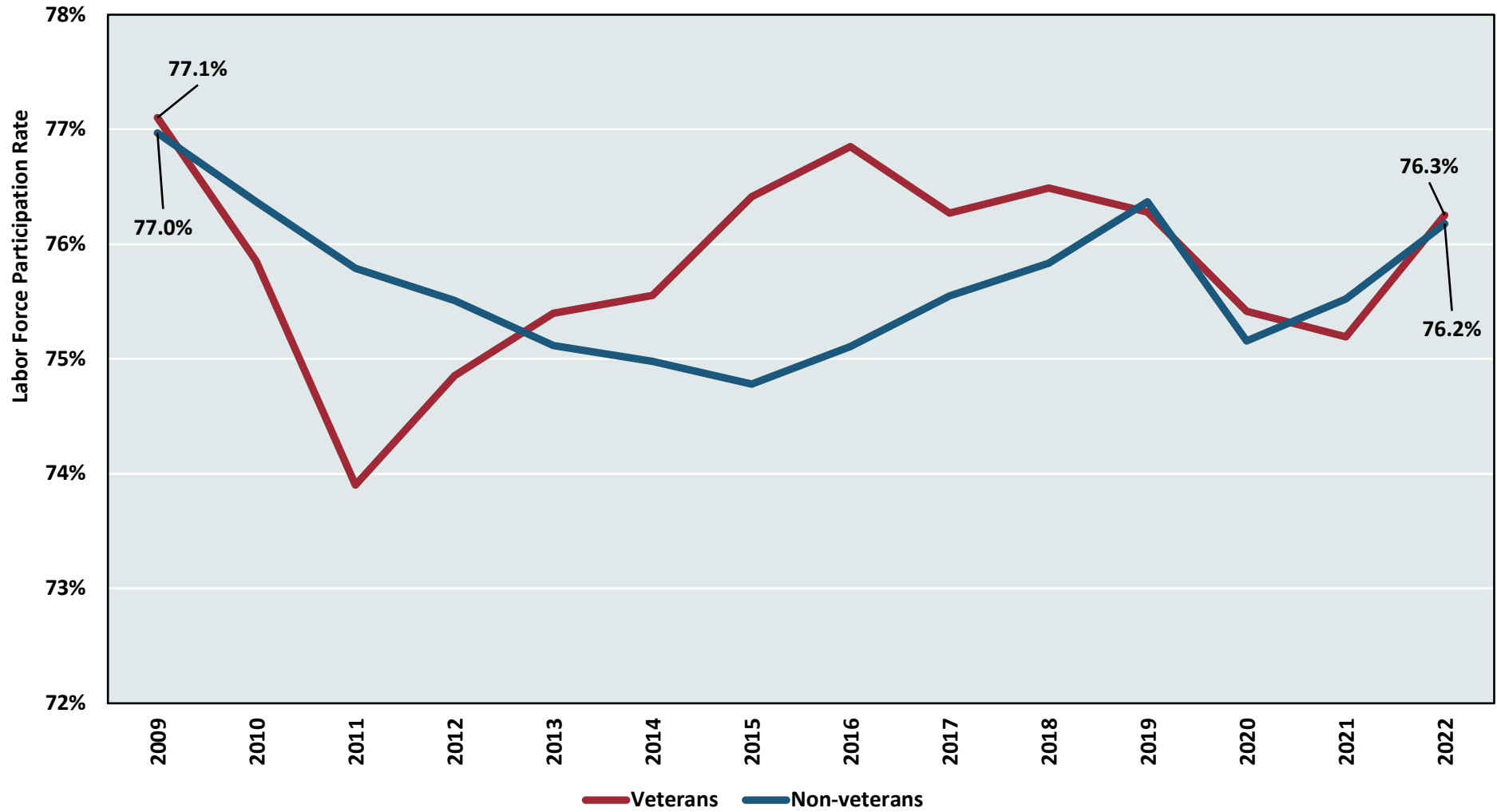
PERCENT OF POPULATION BY AGE GROUP AND VETERAN STATUS
UNITED STATES, 2021



Source: U.S. Census Bureau American Community Survey 5-year estimates, 2017-2021.

GRAPH 9

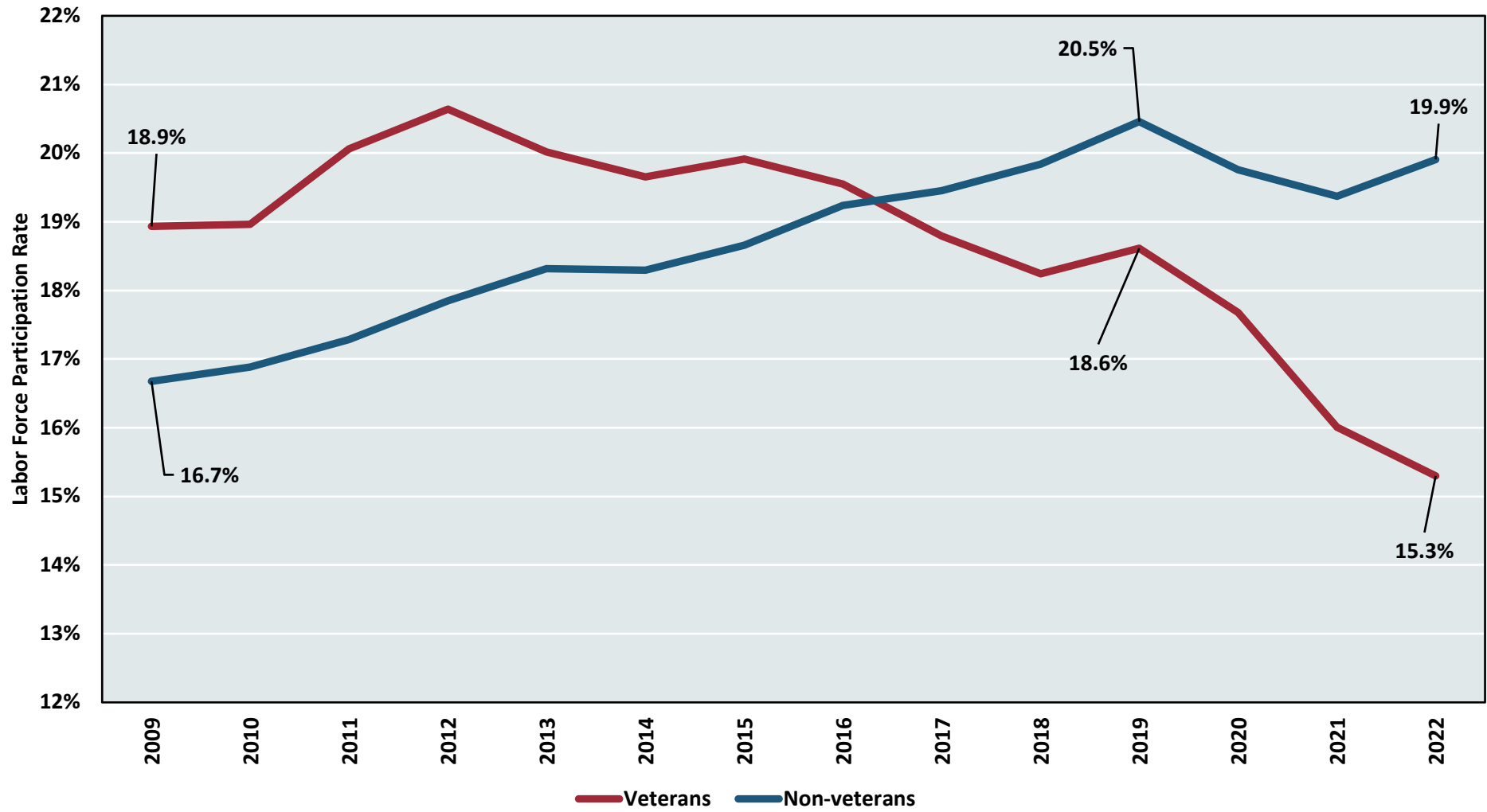
**LABOR FORCE PARTICIPATION RATES BY VETERAN STATUS, AGES 18 TO 64
UNITED STATES, 2009-2022**



Source: Bureau of Labor Statistics, Current Population Survey (CPS).

GRAPH 10

**LABOR FORCE PARTICIPATION RATE (AGES 65 AND OVER) BY VETERAN STATUS
UNITED STATES, 2009-2022**



Sources: Bureau of Labor Statistics, Current Population Survey (CPS).

Veterans Benefits: Rising Budgets Despite a Shrinking Number of Recipients

Once separated from active-duty service, veterans and their families may be eligible for healthcare services and a variety of benefit programs administered by the U.S. Department of Veterans Affairs. Veterans Affairs includes the Veterans Health Administration, which is the largest integrated healthcare system in the nation providing healthcare services to service members, veterans, and their dependents, and the Veterans Benefits Administration (VBA), which provides financial and other forms of assistance to veterans and their families. Program eligibility is often determined by type and length of service. Table 1 summarizes the total of recipients and expenditures in fiscal year 2022 for each of the benefit programs available to veterans under the Veterans Benefits Administration.

In Fiscal Year (FY) 2022, Veterans Benefits Administration (VBA) expenditures totaled \$153.64 billion, with disability compensation accounting for \$135.3 billion (88.1%) of the total expenditures. Disability compensation provides a monthly benefit to eligible veterans with a service-connected disability. The monthly benefit amount is determined by the veteran's service-connected disability rating and the number of dependents. In Table 2, as of December 2022, for example, the monthly benefit for a veteran with no dependents and a service-connected disability rating of 30% is \$508.⁸ A veteran with no dependents and a service-connected disability rating of 100% would receive an estimated monthly benefit of \$3,622.

While the veteran population has declined over the past two decades, the same cannot be said for the Department of Veteran Affairs (VA) expenditures. As illustrated in Table 3, from 2010 to 2022, the veteran population decreased by 17.9% while VA inflation-adjusted expenditures rose by approximately 83%. Expanded eligibility for

the Disability Compensation program, coupled with the wounds and trauma of Iraq and Afghanistan veterans, likely drove the program cost higher. In FY 2018, nominal Disability Compensation program expenditures were \$77 billion, more than federal government spending on either the Supplemental Nutrition Assistance Program (SNAP) or the Earned Income Tax Credit (EITC) and more than half as much the spending on Social Security Disability Insurance (SSDI).⁹ Given that the United States has sent these veterans in harm's way, there is an explicit obligation to care for them when they return home.

One reason for the surge in expenditures is that the service-connected disability ratings have risen over time (Graph 11). In FY 2000, of the 2.3 million veterans with a service-connected disability rating, approximately 1.2 million (53.2%) had a rating of 0 to 20%. In the same year, there were 333,700 veterans with a 70 to 100% disability rating (14.5%). By FY 2020, the number of veterans with a service-connected disability rating had increased to about 5.1 million, an increase of 120% from FY 2000. Veterans with a 0 to 20% rating in FY 2020 increased by only 8% compared to FY 2000.

The growth in veterans with service-connected disability ratings has been seen among the highest disability rating groups. The number of veterans with a 30 to 40% disability rating increased by 51% from FY 2000 (506,019) to FY 2020 (762,378). Veterans with a 50 to 60% disability rating have increased by 206%, from 241,260 in FY 2000 to 737,789 in FY 2020. The number of veterans with the highest rating, between 70 to 100% disability, has jumped from 333,700 in FY 2000 to 2,250,820 in FY 2020, an increase of 575%.

⁸ <https://www.va.gov/disability/compensation-rates/veteran-rates/>

⁹ Coile, C., Duggan, M. and Guo, A. (2021), To Work for Yourself, for Others, or Not at All? How Disability Benefits Affect the Employment Decisions of Older Veterans. *J. Pol. Anal. Manage.*, 40: 686-714.

TABLE 1

**VETERANS BENEFITS ADMINISTRATION BENEFIT PROGRAMS
NOMINAL EXPENDITURES AND TOTAL RECIPIENTS, FY 2022**

Benefit Program	Definition	Total Recipients	Total Expenditures (Millions)
Pension & Fiduciary	Needs-based pension plan available to eligible wartime veterans and their survivors. Fiduciary program provides oversight for those unable to manage benefits on their own.	407,782	\$4,436
Disability Compensation	Monthly tax-free payment for disabilities incurred or aggravated during active service. Payment is determined by the veteran's service-connected disability rating. Program includes payments to surviving spouses and dependents.	5,894,585	\$135,296
Insurance	Life insurance for service members, their families and veterans who are unable to purchase commercial insurance at the standard healthy rate.	5,586,174	\$135
Education	Educational resources for eligible veterans, their dependents, service members, and reservists. Includes monthly payments for tuition, educational costs, and a monthly housing allowance.	834,460	\$10,399
Veterans Readiness & Employment	Assists veterans with a service-connected disability in finding and maintaining stable employment and maximizing independence in their daily lives.	124,437	\$1,471
Home Loan Guaranty	VA home loans to buy, refinance, or adapt a home available to veterans, surviving spouses, reserves, and active-duty personnel.	746,091	\$1,905

Source: Veterans Benefits Administration Annual Benefits Report, Fiscal Year 2022. Home loan recipients reflect the number of loans guaranteed, and insurance recipients reflect the total number of lives insured.

TABLE 2**DISABILITY COMPENSATION RATES
VETERANS WITH NO DEPENDENTS, 2023**

Disability Rating	Monthly Base Payment
10%	\$166
20%	\$328
30%	\$508
40%	\$732
50%	\$1,042
60%	\$1,320
70%	\$1,663
80%	\$1,933
90%	\$2,172
100%	\$3,622

Source: U.S. Department of Veterans Affairs. Monthly Payment increases with dependents if the veteran's service-connected disability rating is 30% or above.

TABLE 3**DEPARTMENT OF VETERANS AFFAIRS TOTAL EXPENDITURES
UNITED STATES, FY 2010 AND FY 2022
THOUSANDS OF 2021 DOLLARS**

	2010	2022	Percentage Change 2010-2022
Veteran Population	22,568,578	18,522,638	-17.9%
Real Compensation & Pension Expenditures	\$59,374,974	\$124,653,083	109.9%
Real Total Expenditures	\$134,984,471	\$247,024,581	83.0%

Sources: The National Center for Veterans Analysis and Statistics, April 2023, and the Bureau of Labor Statistics Consumer Price Index (CPI-U). Inflation-adjusted 2021 dollars.

Why have we observed such a significant increase in the number of veterans within the severe service-connected disability group? One possible explanation is the expanded eligibility. Specifically, the Honoring our PACT Act of 2022, for example, increases disability compensation and health care services for veterans who were exposed to toxic substances.¹⁰ It also raises the number of veterans without service-connected disabilities who now can receive health care from the VA. Both provisions are likely to increase VA spending by \$300 billion between 2022 and 2031.¹¹

The second explanation is that many injuries that would have been fatal on the battlefield are no longer life-threatening due to advances in evacuation and medical care. The use of Improvised Explosive Devices on the modern battleground increased the prevalence of Traumatic Brain Injuries (TBIs) among veterans. The VA reported that more than 185,000 veterans have been diagnosed with at least one TBI. For those deployed to Afghanistan or Iraq, the estimated rates of probable TBIs ranged from 11 to 23%.¹² Compared to veterans of earlier conflicts, veterans of Afghanistan and Iraq have a higher likelihood of having a service-connected disability.

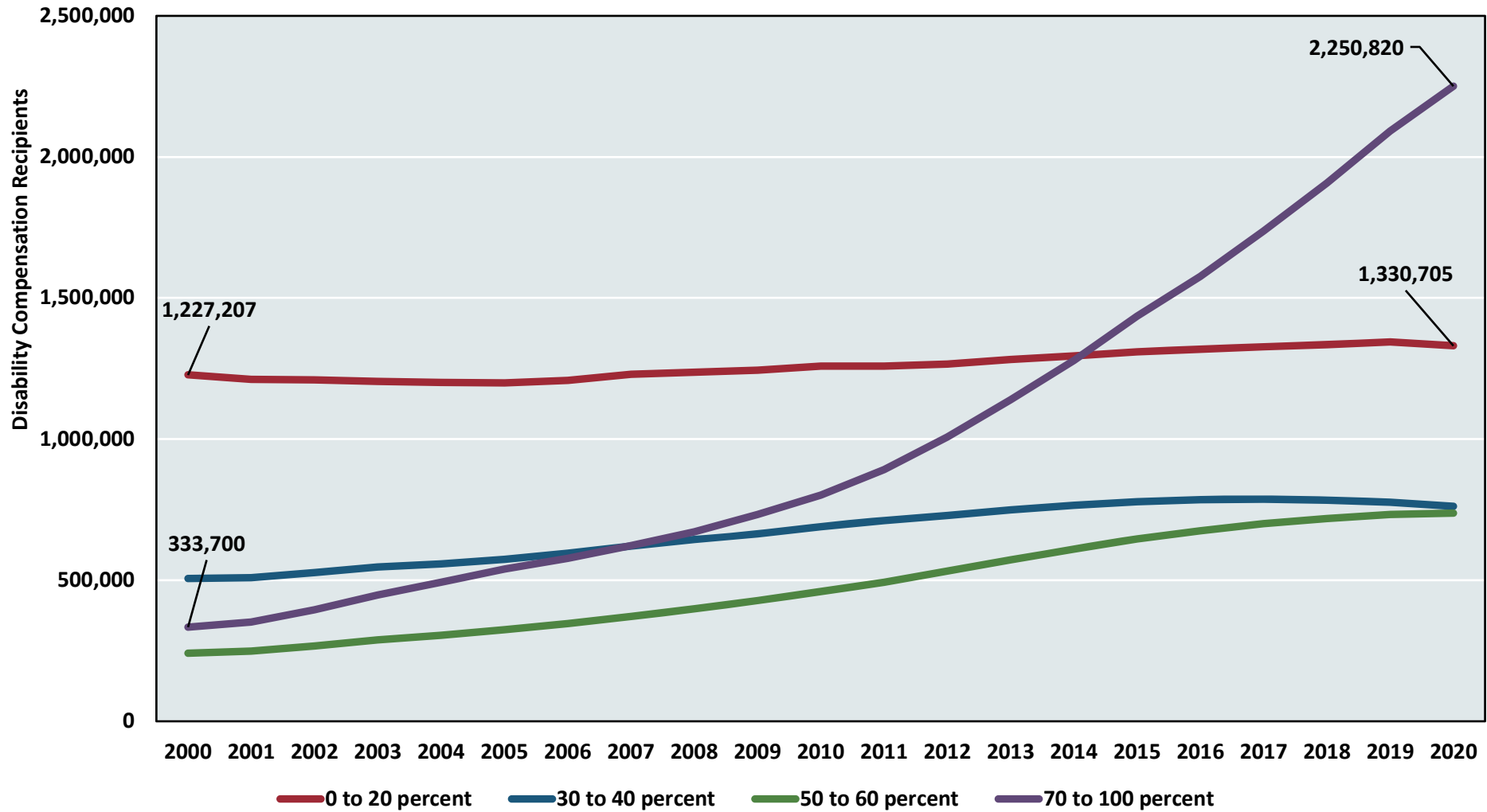
¹⁰ <https://www.va.gov/resources/the-pact-act-and-your-va-benefits/>

¹¹ https://www.cbo.gov/system/files/2022-06/hr3967_senate_version.pdf

¹² Lisa K. Lindquist, Holly C. Love, and Eric B. Elbogen (2018). Traumatic Brain Injury in Iraq and Afghanistan Veterans: New Results from a National Random Sample Study.

GRAPH 11

**DISABILITY COMPENSATION RECIPIENTS BY SERVICE-CONNECTED DISABILITY RATING
UNITED STATES, FY 2000 - FY 2020**



Source: Department of Veterans Affairs, Veterans Benefits Administration; 1985-1998: COIN CP-127 Reports; 1999-2020: Annual Benefits Reports. Prepared by the National Center for Veterans Analysis and Statistics.

Pension Benefits for Military Retirees

Veterans who have either served in active duty for at least 20 years or were found unfit for duty due to an eligible disability are considered military retirees.¹³ Military retirees receive a noncontributory defined benefit (pension) plan under the military retirement system administered by the Department of Defense. The military retirement system also includes a survivor annuity program. For retirees who elect coverage under this benefit plan, their beneficiaries will continue to receive up to 55% of the retiree’s pension payment upon their death.

In 2018, the armed services introduced the blended retirement system.¹⁴ This system differs from the traditional military pension benefit. The blended system retains a defined benefit where retirement pay is based on years of service. For instance, if you serve 20 years, you will receive a defined benefit equal to 40% of your final base pay. The blended system also introduces a defined contribution, where the military contributes 1% of base pay to the Thrift Savings Plan. Service members are automatically enrolled with a 3% contribution, and the military will match up to 5% of base pay after 2 years of service. Another benefit included in the blended system is a continuation pay incentive. Here, when a service member reaches 12 years of service and commits to 4 more years of service, they will receive a cash incentive between 2.5 to 13 times the regular monthly base pay (assuming active-duty service). Service members, upon retirement, can take a lump sum payment of either 25% or 50% of gross estimated retirement pay and receive smaller monthly retirement checks. When the service member reaches 67 years of age, their retirement pay goes back to the full amount if they have taken the lump sum option.

Of the 2.2 million military retirees in the United States in 2022, slightly over 2.0 million retirees received a pension under the military retirement system (Table 4). In the same year, the average inflation-adjusted monthly pension for a military retiree was \$2,430, and a total

of \$59.6 billion was distributed to retirees. The decline in the number of veterans has yet to be fully reflected in the number of retirees. From 2010 to 2022, the total number of veterans declined by 16.5%, but the number of retirees rose by 7.8% over the same period. As military service has become more of a selective experience, retirees have become a larger share of the veteran population. In 2010, approximately 9.4% of veterans were military retirees; by 2022, their share has risen to 12.2% of the veteran population.

	2010	2022	Percent Change: 2010-2022
Military Retirees	2,075,838	2,238,572	7.8%
Paid Retirees	1,955,289	2,043,658	4.5%
Veterans	22,010,917	18,369,583	-16.5%
Retirees as a Percent of Veterans	9.4%	12.2%	
Real Total Annual Pension Payments (Billions of \$)	\$58.0	\$59.6	2.8%
Real Average Monthly Pension Payment Per Retiree	\$2,470	\$2,430	-1.6%

Sources: Retirees data received from Department of Defense and Defense Manpower Data Center (DMDC) and the Bureau of Labor Statistics Consumer Price Index for all urban Consumers (CPI-U). Pension payments reflected in 2021 dollars. Monthly payment per retiree reflects payment from DoD. More than 90% of retirees receive a pension from the DoD, non-paid retirees have elected to waive their pension payment to receive benefits from other sources.

¹³ A veteran is entitled to disability retired pay if the disability is: permanent, not of negligence, and has a disability rating of at least 30%. Reservists generally must be at least 60 years old and have served at least 20 years to receive a pension.

¹⁴ <https://militarypay.defense.gov/blendedretirement/>

The Veteran Population in Virginia

The United States Census Bureau 2017 – 2021 American Community Survey (ACS) estimated that 671,519 veterans called Virginia home in 2021. With an adult (ages 18 years and older) population of 6,668,727, this meant that approximately 1 in 10 adult Virginians identified themselves to the U.S. Census as a veteran in 2021. Virginia ranked fifth among U.S. states for the number of veterans, behind only California (1,467,026), Texas (1,426,641), Florida (1,389,309), and Pennsylvania (703,580). If we examine the number of veterans in each state relative to the adult population, Virginia ranked second of 50 states in 2021 (Graph 12). Among states with populations greater than 1 million, Virginia ranks first for the share of the adult civilian population that identify as veterans of military service.

Graph 13 compares the distribution of the veteran population by period of service for Virginia and the United States. Proportionally, Virginia has fewer veterans from the World War II, Korea, and Vietnam eras of service (34.2%) when compared to the nation (43.7%). Of the veterans residing in Virginia, 34.6% were veterans of the first Gulf War era while 35.1% were veterans of the post-9/11 era.

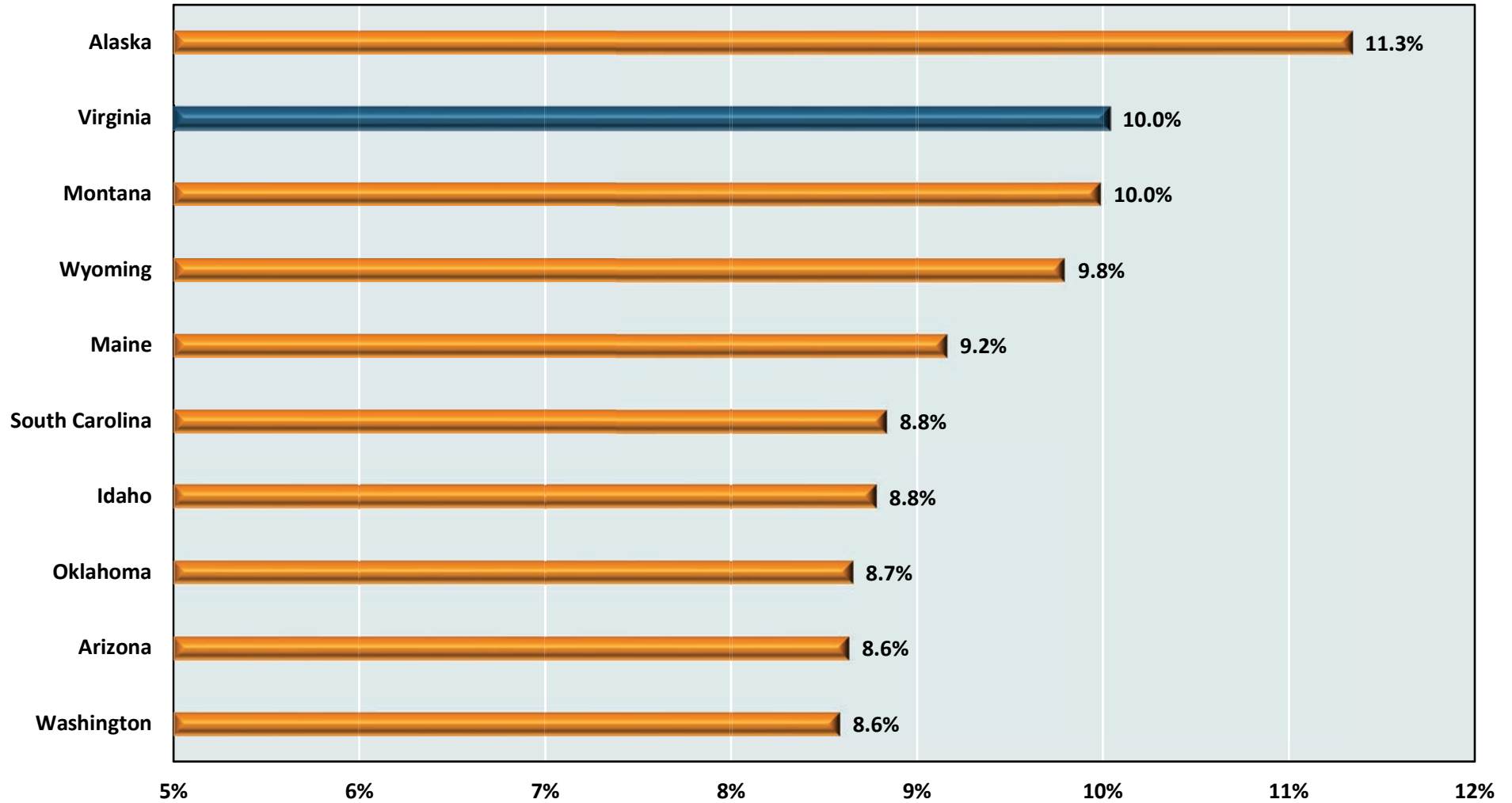
Graph 14 illustrates how the veteran populations in Virginia and the United States were distributed by age group in 2022. Approximately 1 in 4 Virginia veterans of military service in 2022 were between the ages of 17 to 44, compared to about 1 in 5 veterans in the United States. Virginia also had a higher proportion of veterans in the ages 45 to 64 age group (37.3%) relative to the nation (32.6%). While 37.4% of veterans in the Commonwealth were ages 65 and older, 46.0% of veterans across the nation were ages 65 and older. In other words, veterans, on average, were younger in Virginia in 2022 than across the United States.

Graph 15 presents estimates from the 2017 – 2021 American Community Survey (ACS) for the share of veterans in the adult population by Metropolitan Statistical Area (MSA) for Virginia. The Virginia Beach – Norfolk – Newport News MSA (Hampton Roads) stands out with approximately 15.0% of the population ages 18 and older identifying as a veteran of military service. Numerically, there were more veterans in the Washington-Arlington-Alexandria MSA (370,554) than that in Hampton Roads (208,703), but the adult population of the Washington-Arlington-Alexandria MSA is also larger (about 4.9 million) than Hampton Roads (approximately 1.4 million). There were also 84,946 veterans in the Richmond MSA (8.3% of the adult population) as well as 22,056 in the Kingsport-Bristol MSA (8.9% of the adult population). The Roanoke (21,296), Lynchburg (17,863), and Charlottesville (12,783) metro areas each had more than 10,000 veterans. Only the Harrisonburg (5.2%) and Blacksburg (5.8%) metros observed shares of veterans in the adult population below 7% in 2021.

If we look across the 392 MSAs in the United States, Hampton Roads ranks 11th in the percentage of adult population that are veterans of military service. Among the metro areas with substantial veteran populations, Hampton Roads is the only metro area among the top 20 with an adult population of more than 1 million residents (Table 5). If we ranked the share of adult identified veterans based on the size of the total adult population, Hampton Roads would be the winner.

GRAPH 12

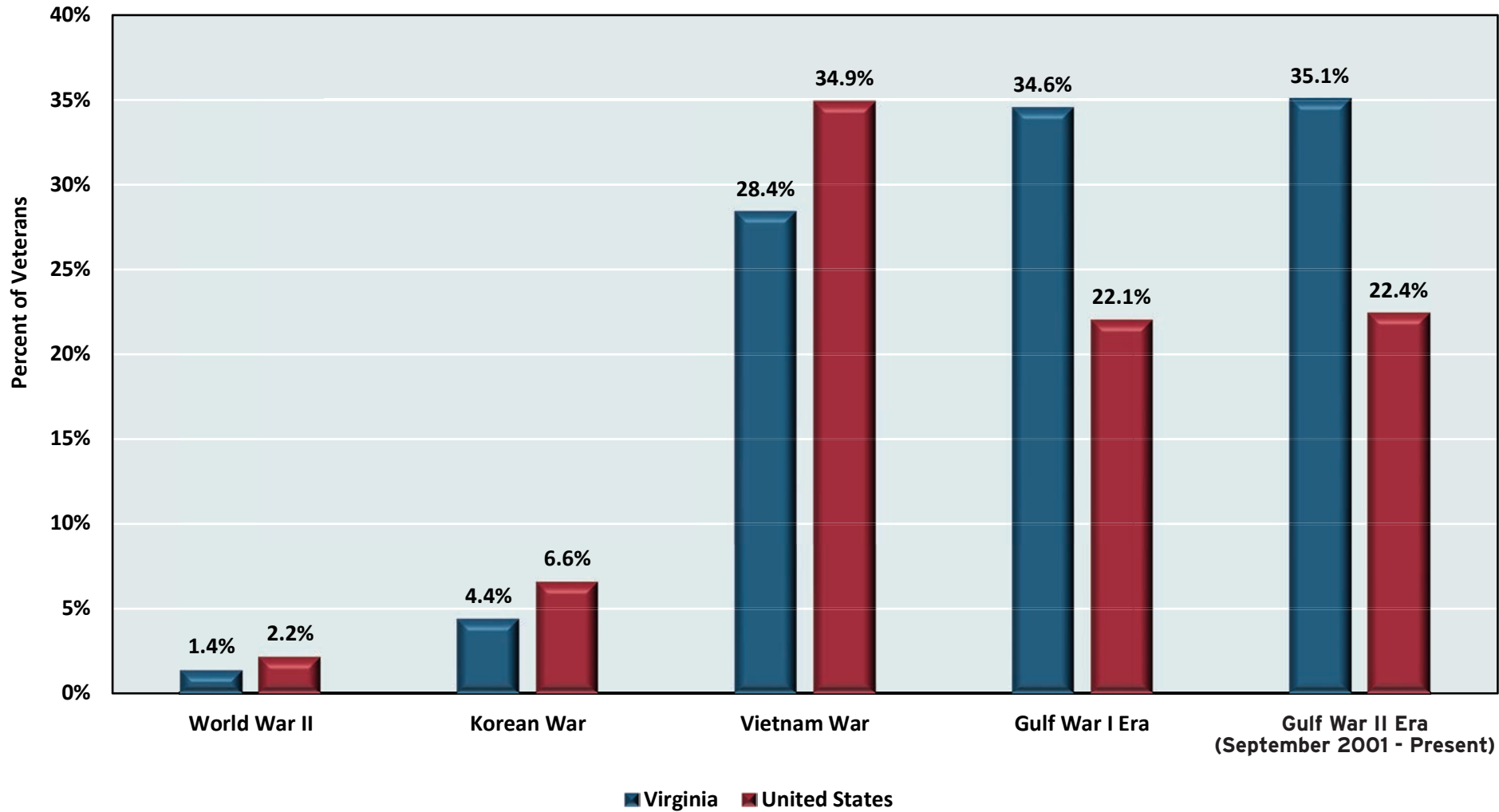
**VETERANS AS A SHARE OF THE ADULT CIVILIAN POPULATION
TOP 10 STATES, 2021**



Source: U.S. Census Bureau American Community Survey 5-year estimates, 2017-2021. Adult population consisted of residents ages 18 years and older.

GRAPH 13

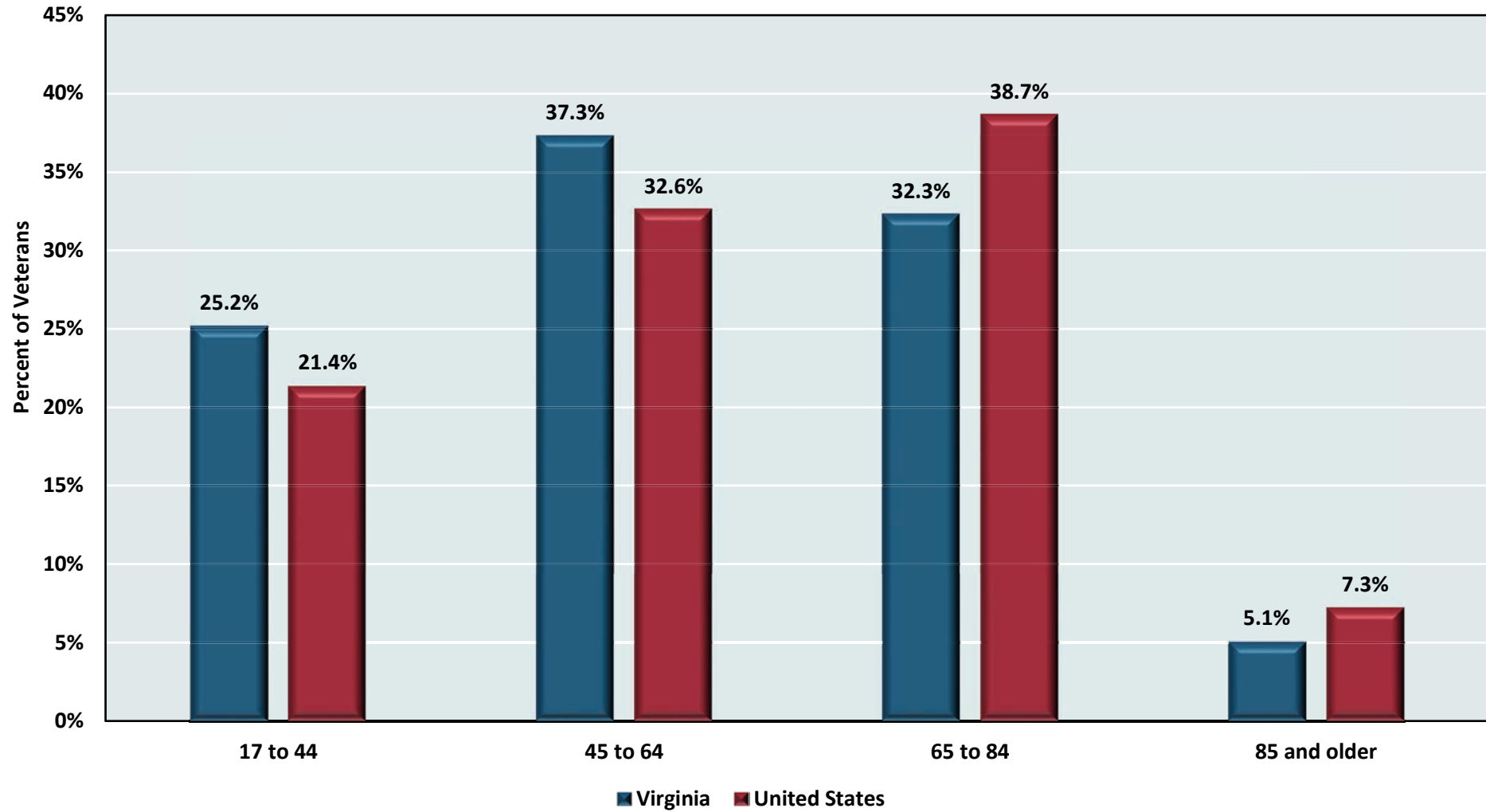
**VETERAN POPULATION BY PERIOD OF SERVICE
VIRGINIA AND THE UNITED STATES, 2021**



Source: U.S. Census Bureau. 2000 reflects 2000 Decennial Census and estimates for 2021 reflect the American Community Survey 5-year estimates, 2017-2021. The total percentage of veterans exceeds 100% as service members can serve in more than one armed conflict period.

GRAPH 14

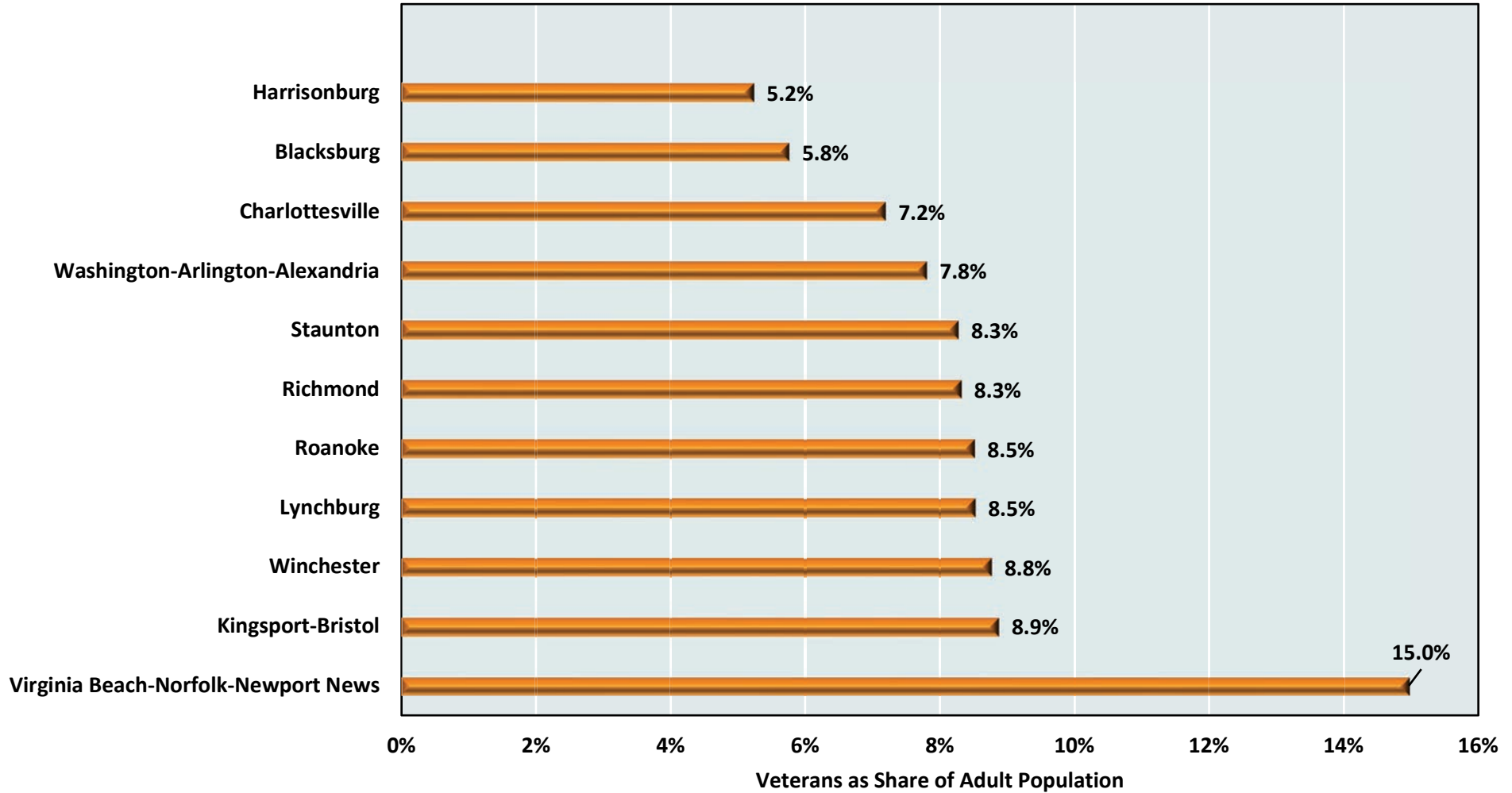
**VETERAN POPULATION BY AGE GROUP
VIRGINIA AND THE UNITED STATES, 2022**



Source: Veterans Affairs VetPop 2020 Model.

GRAPH 15

VETERANS AS SHARE OF ADULT POPULATION
VIRGINIA'S METROPOLITAN STATISTICAL AREAS, 2017 - 2021



Source: U.S. Census Bureau American Community Survey 5-year estimates, 2017-2021. Adult population consisted of residents ages 18 years and older.

TABLE 5**VETERAN SHARE OF ADULT POPULATION
TOP 20 METROPOLITAN AREAS, 2021**

Metropolitan Area	Veteran Population	Total Adult Population	Veterans Share of Adult Population	Ranking
Hinesville, GA	10,797	58,081	18.6%	1
Killeen-Temple, TX	63,641	343,256	18.5%	2
Sierra Vista-Douglas, AZ	18,058	98,244	18.4%	3
Crestview-Fort Walton Beach-Destin, FL	39,913	220,655	18.1%	4
Clarksville, TN-KY	37,406	231,942	16.1%	5
Jacksonville, NC	24,392	152,443	16.0%	6
The Villages, FL	18,659	118,206	15.8%	7
Colorado Springs, CO	89,373	569,783	15.7%	8
Lawton, OK	15,067	96,811	15.6%	9
Fayetteville, NC	58,687	386,454	15.2%	10
Virginia Beach-Norfolk-Newport News, VA-NC	208,703	1,394,369	15.0%	11
Pensacola-Ferry Pass-Brent, FL	57,720	395,069	14.6%	12
Bremerton-Silverdale-Port Orchard, WA	31,723	217,388	14.6%	13
Panama City, FL	20,560	143,083	14.4%	14
Warner Robins, GA	20,219	141,581	14.3%	15
Elizabethtown-Fort Knox, KY	16,660	117,462	14.2%	16
Great Falls, MT	9,179	65,010	14.1%	17
Lake Havasu City-Kingman, AZ	24,676	175,343	14.1%	18
Homosassa Springs, FL	17,976	129,077	13.9%	19
Cheyenne, WY	10,581	76,728	13.8%	20

Source: U.S. Census Bureau American Community Survey 5-year estimates, 2017-2021.

Veterans in the Workforce

Veterans of the more recent service periods are more educated than those of previous generations as well as their non-veteran counterparts. Specifically, in today's military, veterans can receive STEM training on active duty. The expansion of education benefits such as the G.I. Bill also allows veterans to enroll in post-secondary schooling. As illustrated in Graph 16, 33.3% of Virginia veterans have some college education, as opposed to 25.6% of non-veteran adults in the region. Another 42.0% of veterans have at least a bachelor's degree or higher, which is 2 percentage points higher than their non-veteran counterparts.

Virginia veterans between the ages of 18 and 64 participated in the labor force at higher rates than their national counterparts (Graph 17), which was 77.0% nationwide and 82.6% for the state. The largest disparity in labor force participation rates was seen in veterans aged 55 to 64, where only 64.4% of veterans were in the labor force across the country and 73.0% in the Commonwealth.

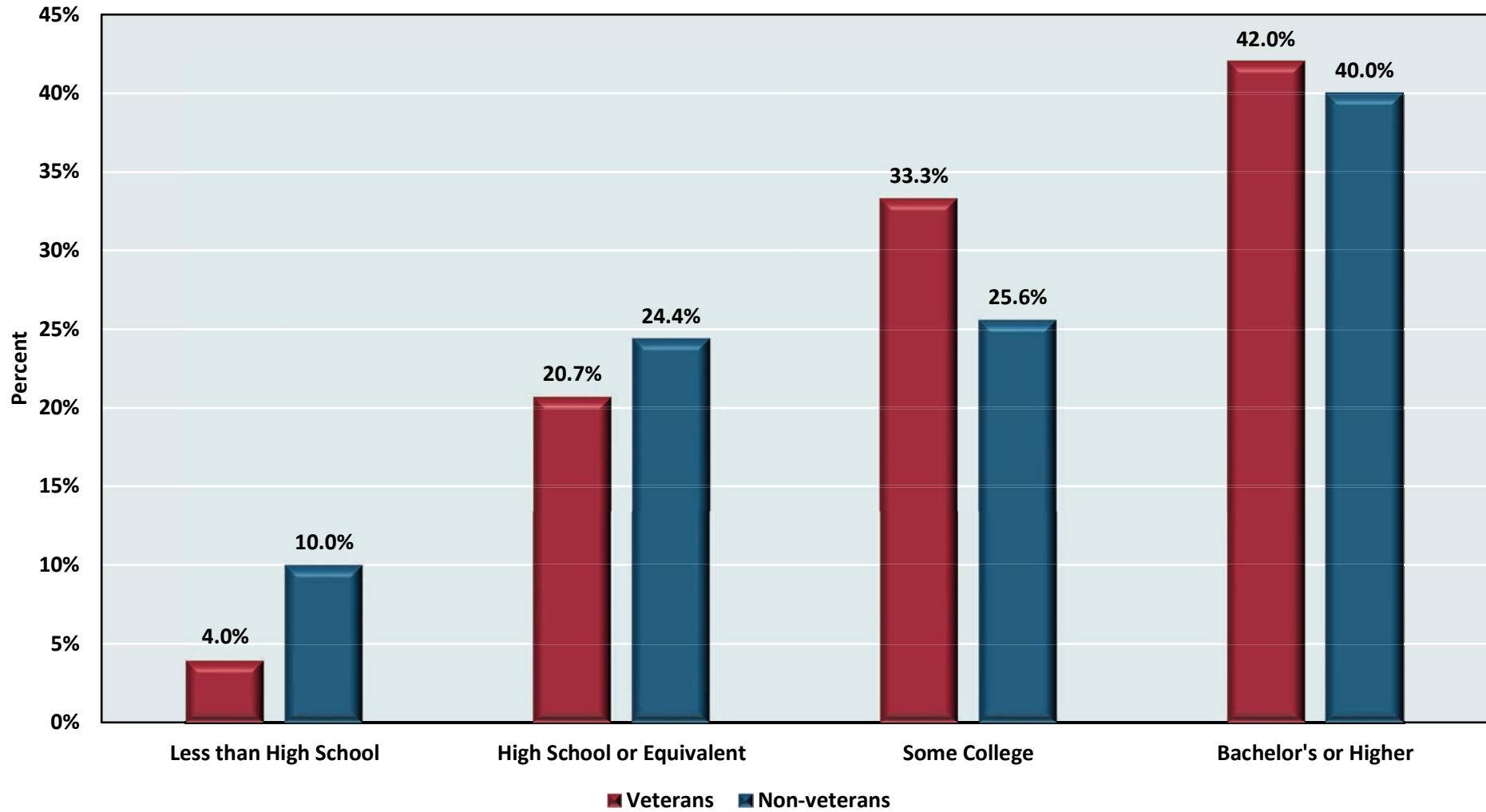
In addition to higher participation rates across age groups nationally, veterans also participated in the labor force overall at a greater rate than non-veteran Virginia residents (Graph 18). Approximately 82.7% of veterans and 77.8% of non-veterans between the ages of 18 to 64 were in the labor force in the Commonwealth in 2021. If we examine labor force participation rates for the youngest age group in Graph 18, we observe that labor force participation was 6.7 percentage points higher for veterans. This higher rate of participation carried over to the 35 to 54 age group, where labor force participation was 5.3 percentage points higher for veterans when compared to non-veterans.

Median household income in the last 12 months is also higher for veterans than non-veterans in Virginia. Graph 19 displays median household income in 2021 by veteran status and gender. In 2021, median household income for male veterans was approximately 39.2% higher than male non-veterans, and female veterans' median household income was 68.9% higher than female non-veterans.

When we examine median household income at the regional level, we see that veteran households earned more than their non-veteran counterparts. Given that veterans, on average, are more educated and more engaged in the workforce at higher rates than their non-veteran counterparts, the estimates in Table 6 should not be surprising. In the Blacksburg-Christiansburg MSA, for example, median household income for female veterans (\$47,969) is more than twice that of female non-veterans (\$22,289).

The evidence suggests that veterans in Virginia were more educated and participated in the labor force at higher rates than their national counterparts and the state's non-veteran population. While some veterans may accept lower wages to remain close to VA facilities, the evidence suggests that, on average, their incomes are higher, even in regions with large veteran populations. Given the need for talent across the state, investing in strategies to convince those separating from active-duty to remain in the state is an obvious choice to spur economic development.

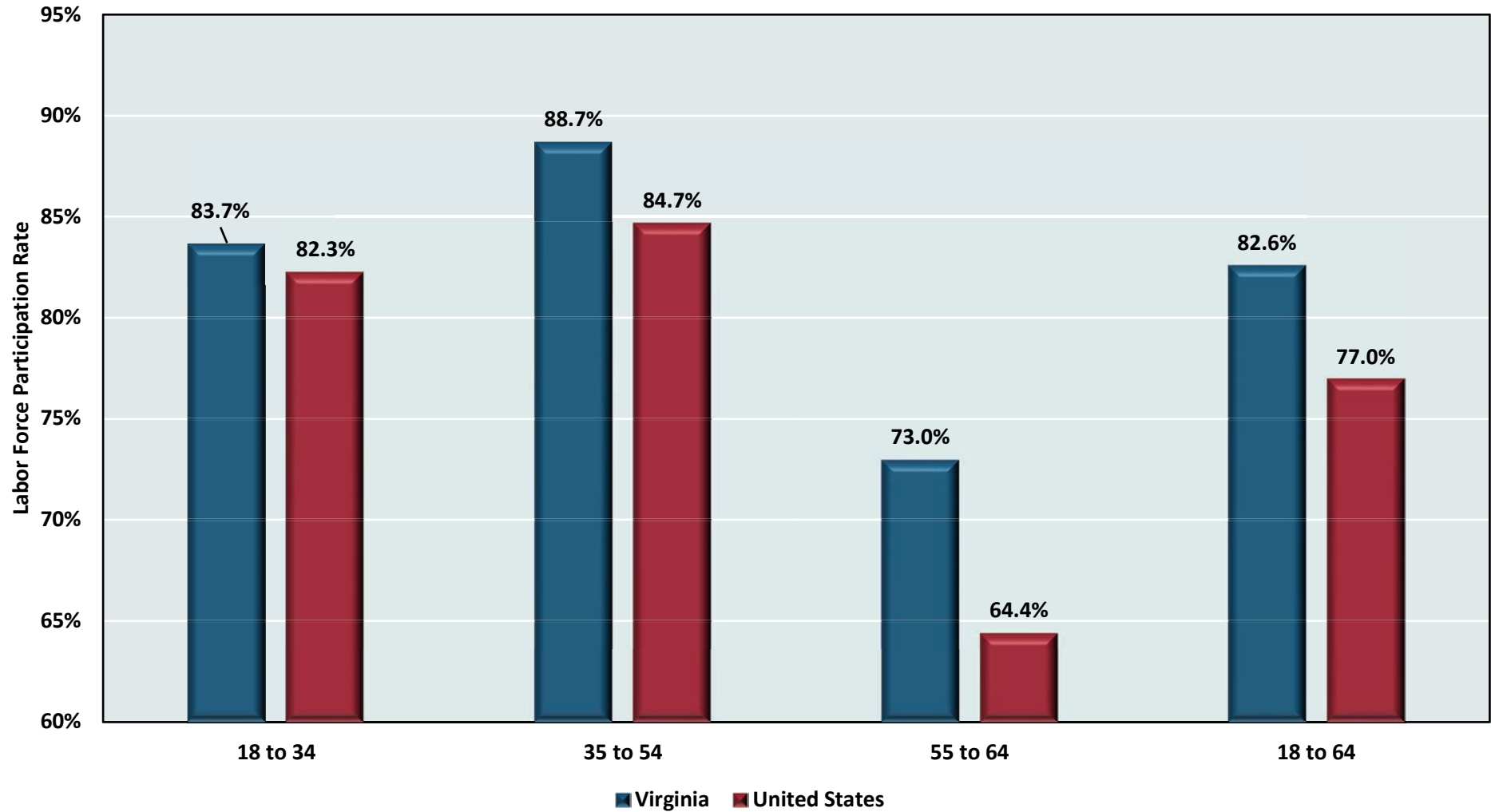
GRAPH 16
EDUCATIONAL ATTAINMENT BY VETERAN STATUS
VIRGINIA, 2021



Source: U.S. Census Bureau American Community Survey (ACS) 5-year estimates, 2017-2021.

GRAPH 17

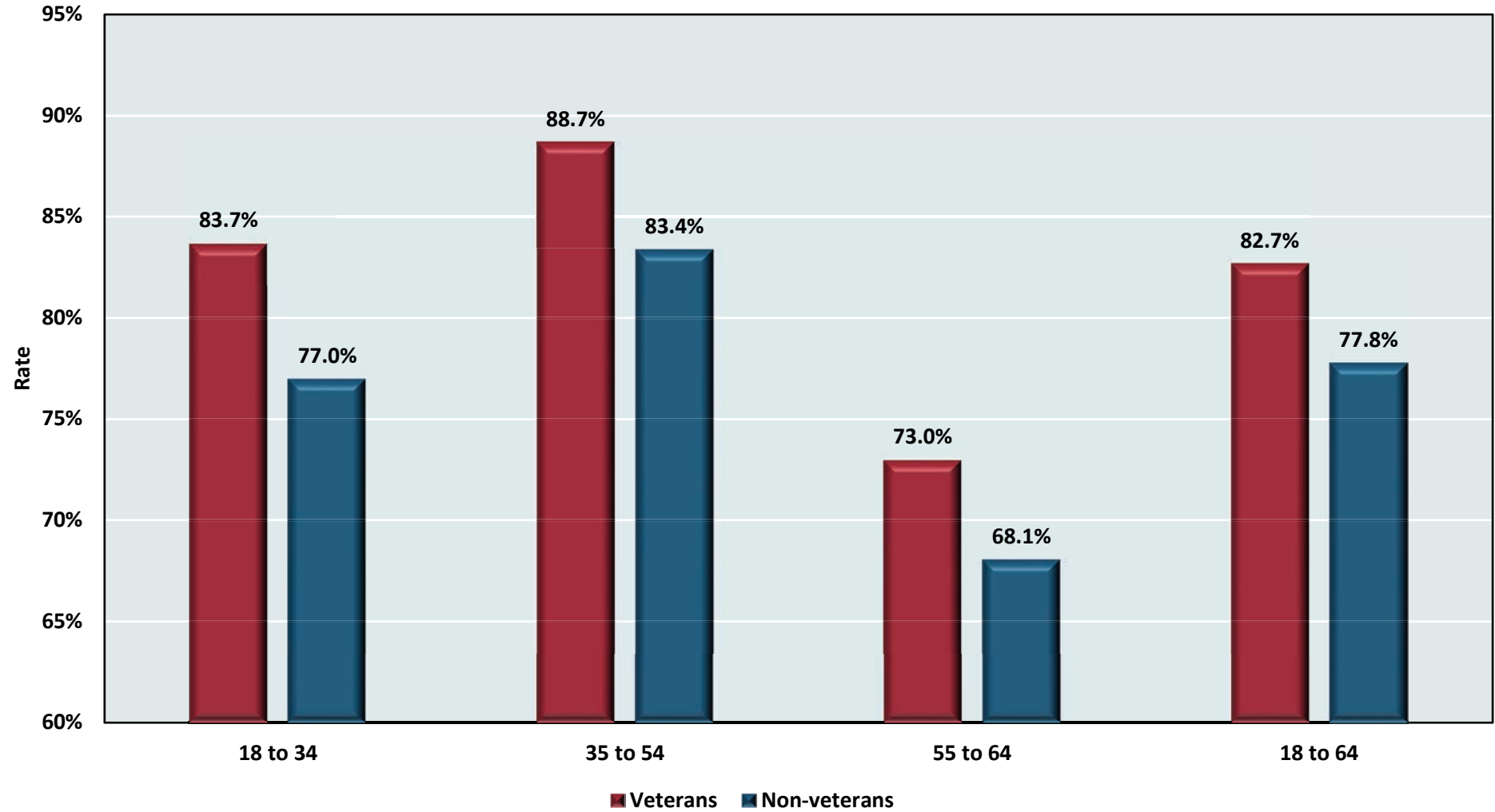
VETERAN LABOR FORCE PARTICIPATION RATE BY AGE GROUP
UNITED STATES AND VIRGINIA, 2021



Source: U.S. Census Bureau American Community Survey (ACS) 5-year estimates, 2017-2021.

GRAPH 18

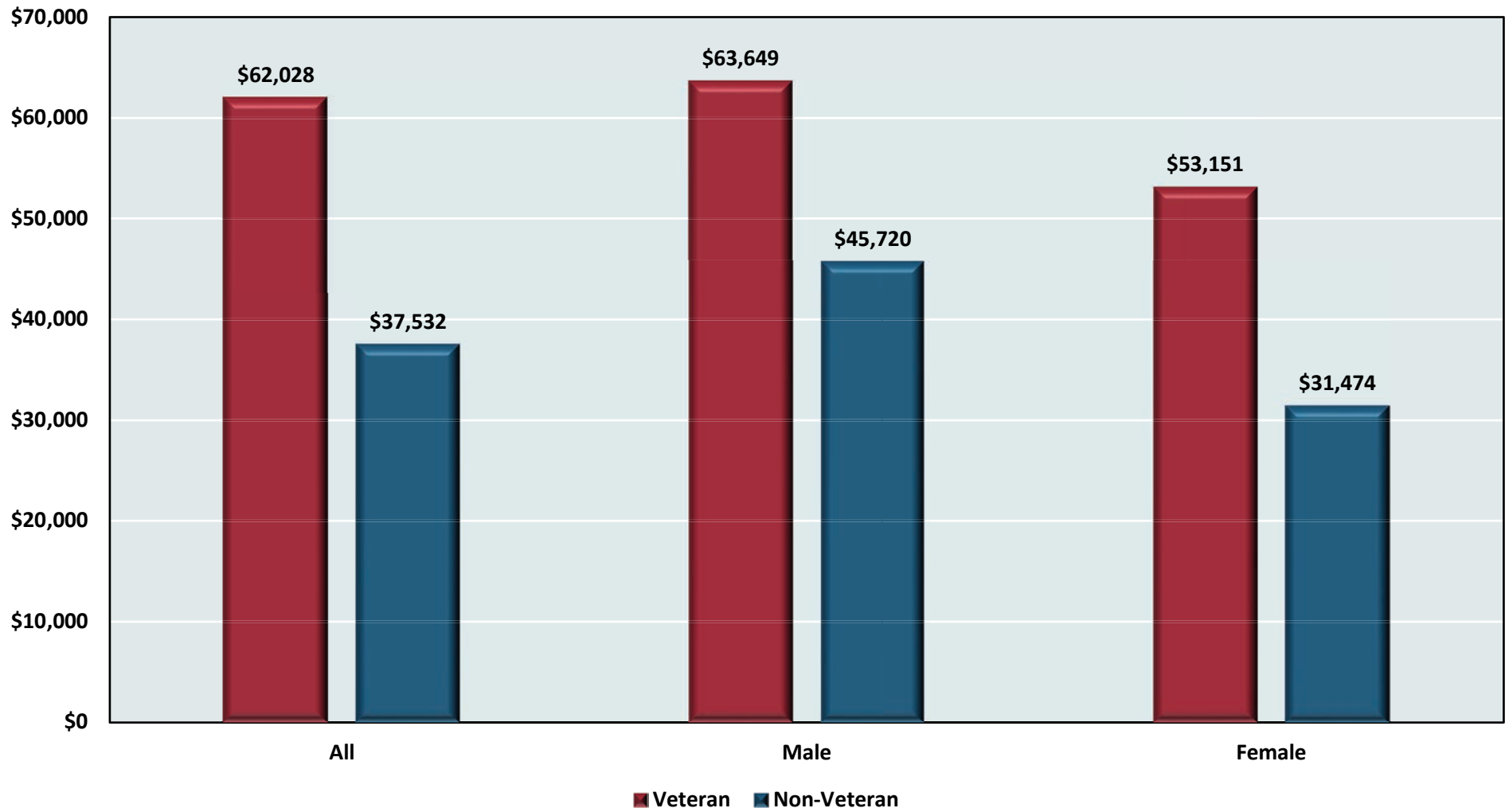
**LABOR FORCE PARTICIPATION RATE BY VETERAN STATUS AND AGE GROUP
VIRGINIA, 2021**



Source: U.S. Census Bureau American Community Survey (ACS) 5-year estimates, 2017-2021.

GRAPH 19

MEDIAN HOUSEHOLD INCOME IN THE PAST 12 MONTHS BY VETERAN STATUS AND GENDER
VIRGINIA, 2021



Source: U.S. Census Bureau American Community Survey (ACS) 5-year estimates, 2017-2021.

TABLE 6**MEDIAN HOUSEHOLD INCOME IN THE PAST 12 MONTHS
METROPOLITAN STATISTICAL AREAS IN VIRGINIA, 2021**

MSA	Male Veterans	Male Non-veterans	Female Veterans	Female Non-veterans
Blacksburg-Christiansburg	\$47,413	\$33,224	\$47,969	\$22,289
Charlottesville	\$60,632	\$45,276	\$44,974	\$33,471
Harrisonburg	\$45,674	\$35,891	\$38,661	\$22,610
Kingsport-Bristol	\$34,450	\$32,959	\$23,945	\$21,875
Lynchburg	\$42,242	\$36,801	\$33,730	\$24,742
Richmond	\$53,416	\$44,534	\$44,659	\$32,719
Roanoke	\$41,498	\$39,972	\$41,826	\$26,939
Staunton	\$45,580	\$39,558	\$29,073	\$27,058
Virginia Beach-Norfolk- Newport News	\$61,244	\$41,085	\$45,603	\$28,737
Washington-Arlington- Alexandria	\$88,871	\$59,244	\$80,386	\$44,138
Winchester	\$53,072	\$42,930	\$23,538	\$30,236
Charlottesville	\$60,632	\$45,276	\$44,974	\$33,471
Virginia	\$63,649	\$45,720	\$53,151	\$31,474

Source: U.S. Census Bureau American Community Survey (ACS) 5-year estimates, 2017-2021.

A Brief Look at Military Retirees in Virginia

According to the Defense Manpower Data Center (DMDC), there were 155,832 military retirees in Virginia in 2022, of which 146,987 were paid by the Department of Defense (DoD).¹⁵ These military retirees received approximately \$499.6 million in payments from the DoD. On average, these paid retirees received \$3,399 monthly, injecting almost \$6 billion in retirement payments annually into the state economy. Table 7 presents the information on DoD-administered military retirees and their payments for the United States and Virginia in FY 2022.

TABLE 7		
MILITARY RETIREES AND PENSION PAYMENTS FROM DOD UNITED STATES AND VIRGINIA, FISCAL YEAR 2022		
	United States	Virginia
Military Retirees	2,190,448	155,832
Paid Military Retirees	1,998,452	146,987
Total Monthly Payment (In Millions)	\$5,225	\$499.6
Per Capita Payment	\$2,614.5	\$3,987.0

Source: Retirees data received from DMDC. Per capita payment estimated the total monthly payment per paid retiree.

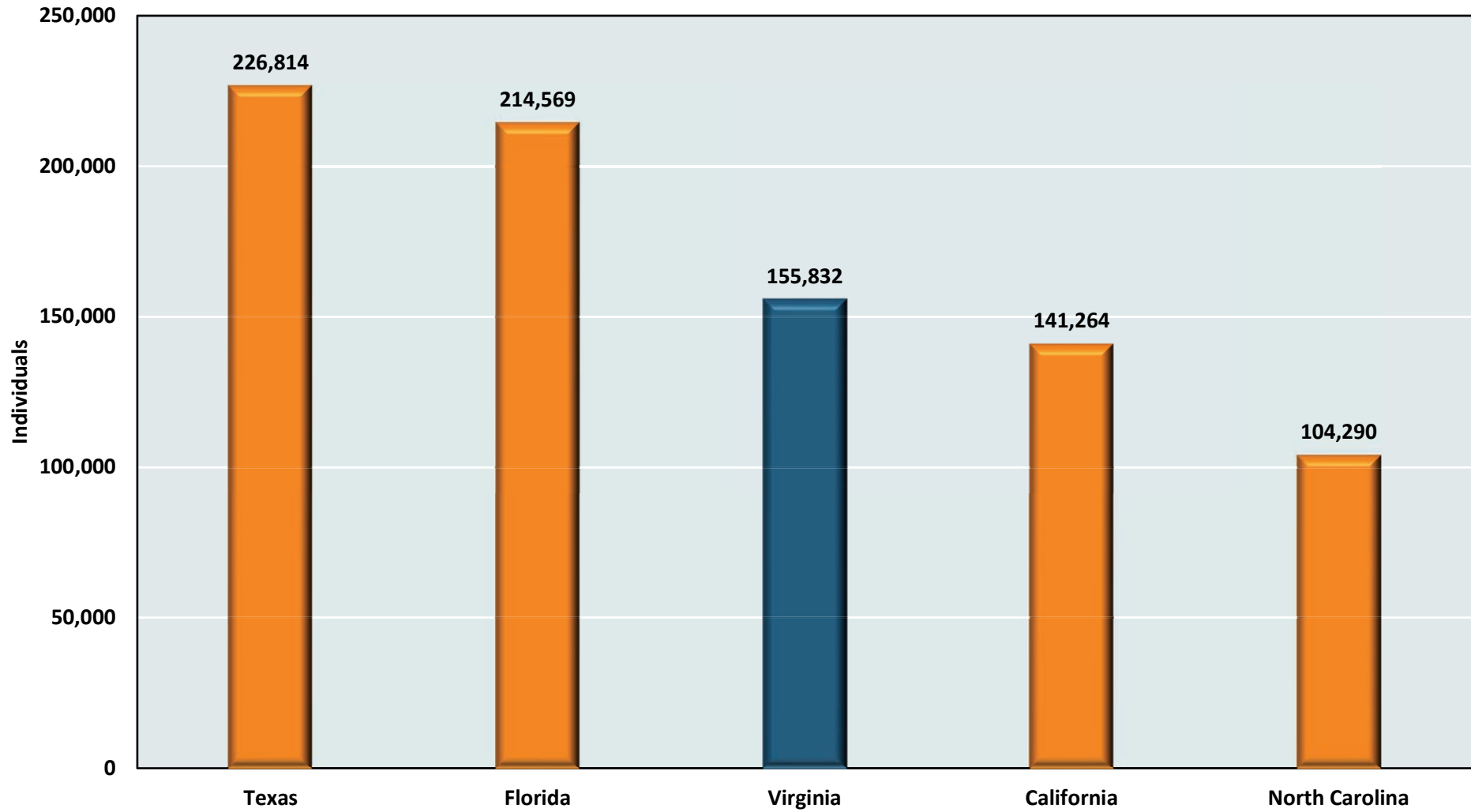
Graph 20 presents the top five states for the number of military retirees in 2022 as reported by the DMDC. In absolute terms, Virginia ranked third among U.S. states for the number of military retirees in 2022. Proportionally, Virginia also ranked among the top five states with respect to the population of military retirees in 2022.

Graph 21 summarizes the number of military retirees by service for Virginia in 2022. Not surprisingly, given the Navy’s perceptible military presence in the Hampton Roads region, there were 59,589 U.S. Navy retirees in the Commonwealth in 2022. Additionally, there were 51,028 U.S. Army retirees, 32,539 Air Force retirees and 12,676 Marine Corps retirees.

Hampton Roads has the second-largest military retiree population compared to all other metro areas in the nation. In 2022, there were 68,659 military retirees in Hampton Roads, nearly 5% of the region’s adult population (Table 8). By the same identifier, the only other metro area in the nation with more retirees than Hampton Roads is the Washington-Arlington-Alexandria MSA with 88,308 military retirees. However, in relative percentages, Hampton Roads ranks first among the largest MSAs with a population of 1 million or more and ranks 13th nationally.

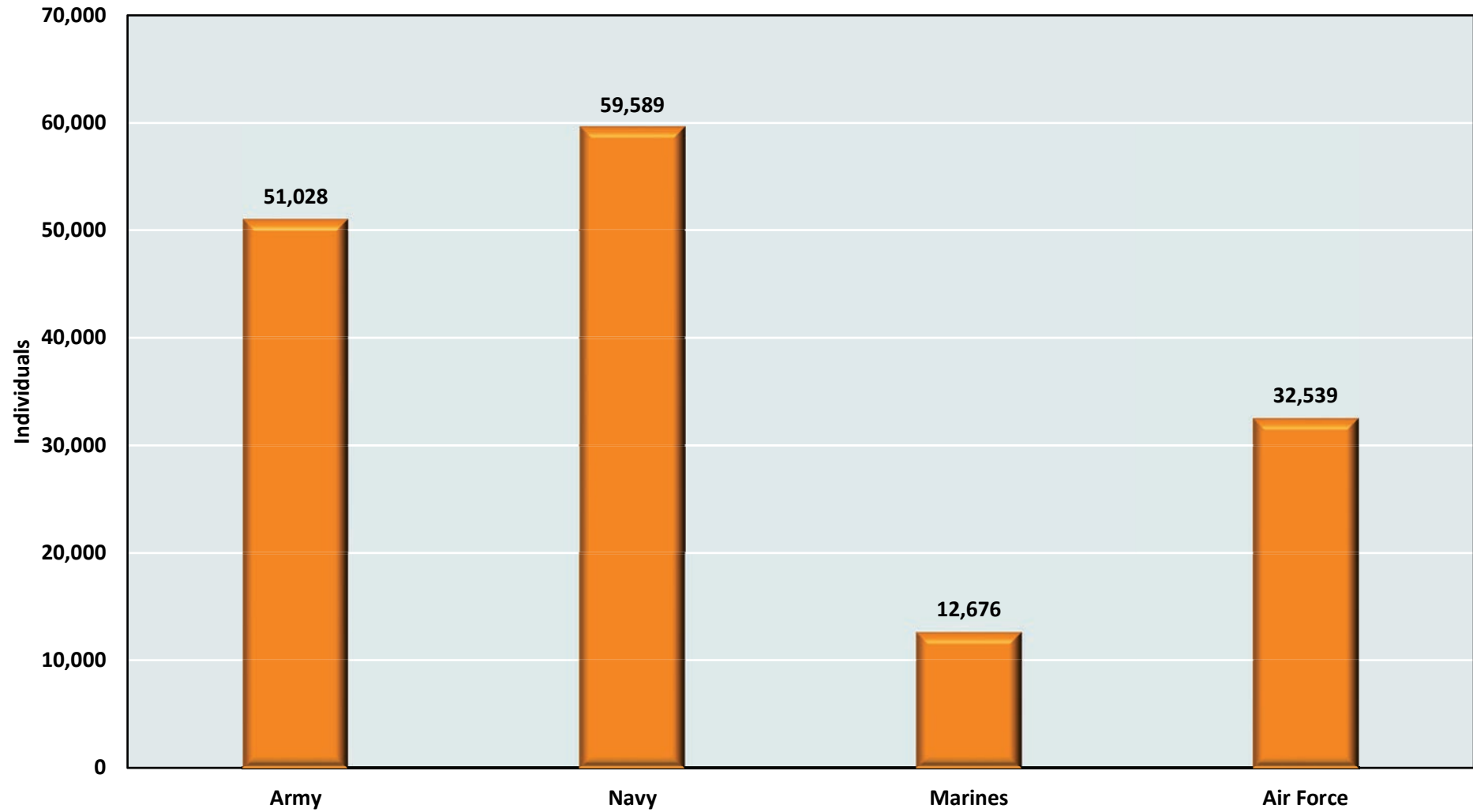
¹⁵ According to the DMDC, the military retirement system applies to members of the Army, Navy, Marine Corps, and Air Force. Most of the provisions also apply to retirement systems for members of the Coast Guard (administered by the Department of Homeland Security), officers of the Public Health Service (administered by the Department of Health and Human Services), and officers of the National Oceanic and Atmospheric Administration (administered by the Department of Commerce). We present the data for military retirees administered by the DoD in this report.

GRAPH 20
MILITARY RETIREES POPULATION
TOP 5 STATES, 2022



Source: Defense Manpower Data Center (2023).

GRAPH 21
MILITARY RETIREES BY SERVICE
VIRGINIA, 2022



Source: Defense Manpower Data Center (2023).

TABLE 8**MILITARY RETIREES SHARE OF ADULT POPULATION
TOP 20 METROPOLITAN AREAS, 2021**

Metropolitan Area	Military Retirees	Total Adult Population	Retiree Share of Adult Population	Ranking
Hinesville, GA	4,948	58,081	8.5%	1
Crestview-Fort Walton Beach-Destin, FL	17,096	220,655	7.7%	2
Killeen-Temple, TX	25,618	343,256	7.5%	3
Jacksonville, NC	10,159	152,443	6.7%	4
Fayetteville, NC	23,460	386,454	6.1%	5
Lawton, OK	5,795	96,811	6.0%	6
Clarksville, TN-KY	13,345	231,942	5.8%	7
Warner Robins, GA	8,035	141,581	5.7%	8
Elizabethtown-Fort Knox, KY	6,591	117,462	5.6%	9
Sierra Vista-Douglas, AZ	5,245	98,244	5.3%	10
Pensacola-Ferry Pass-Brent, FL	20,478	395,069	5.2%	11
Colorado Springs, CO	28,555	569,783	5.0%	12
Virginia Beach-Norfolk-Newport News, VA-NC	68,659	1,394,369	4.9%	13
California-Lexington Park, MD	3,910	85,729	4.6%	14
Panama City, FL	6,154	143,083	4.3%	15
Bremerton-Silverdale-Port Orchard, WA	9,347	217,388	4.3%	16
Columbus, GA-AL	10,163	248,129	4.1%	17
Sumter, SC	4,201	105,574	4.0%	18
New Bern, NC	3,752	97,391	3.9%	19
Cheyenne, WY	2,952	76,728	3.8%	20

Source: U.S. Census Bureau American Community Survey 5-year estimates, 2017-2021.



Final Thoughts

Military veterans are a foundational component of the Virginia economy. Working-age veterans are more likely to participate in the labor force than non-veterans. Military retirees in Virginia received more than \$6 billion in retirement payments from the DoD in 2022. This does not include disability payments from the Veterans Administration or expenditures for the care and support of veterans. When we combine the inflow of federal dollars with veterans' participation in the labor force, civic life, and service to the community, we can only draw the conclusion that attracting veterans to the Commonwealth and retaining them are worth the investment of public resources.

These simple facts are mainly the reasons why states are moving quickly to make their tax and expenditure policies “veteran friendly.” While rankings of state policies must always be taken with a grain of proverbial salt, there are often some kernels of truth that one can glean from these reports. In 2023, Wallethub ranked Virginia third, behind Florida and South Carolina, in its annual ranking of best states for military retirees.¹⁶ Virginia ranked fourth in economic environment, fifth in quality of life, and 17th for health care. Meanwhile, Smartasset ranked Virginia eighth for military veterans in an assessment focusing more on economic conditions than veteran-related state policies.¹⁷ If there is one takeaway, it is that Virginia is well-positioned to attract and retain veterans who are separating from service.

¹⁶ <https://wallethub.com/edu/best-states-for-military-retirees/3915>

¹⁷ <https://smartasset.com/mortgage/the-best-states-for-veterans>

