



The Uniformed Services Blended Retirement System



Introduction to the Blended Retirement System DoD Financial Readiness Roundtable

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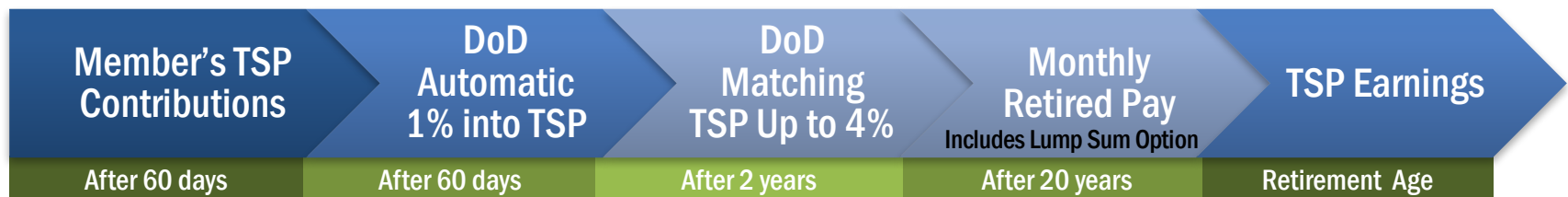


The Military Retirement Benefit

- **Legacy Retirement System**

- Defined annuity benefit computed as $2.5\% \times \text{Years Served} \times \text{Retired Pay Base}$
 - Must serve at least 20 years
- Only **19%** Qualify

- **Blended Retirement System, *blends*:**



- Defined annuity becomes $2.0\% \times \text{Years Served} \times \text{Retired Pay Base}$

85%

of all service members will get retirement benefits

Service members who leave after just 2 years will keep TSP savings + DoD Contributions + Any Earnings



Who is Affected?

- **If serving as of December 31, 2017:**
 - GRANDFATHERED in current retirement system
 - **NO ONE will be automatically moved to BRS**
- **Many currently-serving members eligible to opt into BRS**
 - Active: Fewer than 12 years of total service as of Dec. 31, 2017
 - Reserve: Fewer than 4,320 retirement points as of Dec. 31, 2017
- **Eligible members have all of CY 2018 to make their decision**
 - Member wants to stay covered under current system – do nothing
 - Member decides BRS is better – can opt in
- **New accessions on or after January 1, 2018 covered by BRS**



Blended Retirement System Basics

Defined Benefit

For non-regular retirement, at age 60 or earlier with creditable active service

- Basic qualifications for retirement do not change
- The pension is still the primary component of military retirement

2.0% x

Years of
Service

x

High-36
Month
Average of
Base Pay

=

Monthly
Retired Pay



Defined Contribution



Individual Contribution	Agency Automatic Contribution	Agency Matching Contribution	Total TSP Monthly Contribution
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%

NOTE: Currently serving members who opt-in will see matching contributions immediately

Continuation Pay

- Mid-career incentive designed to maintain force retention
- Payable after 12 years of service
- Minimum is 2.5 x monthly basic pay (0.5 x for RC)

Lump Sum

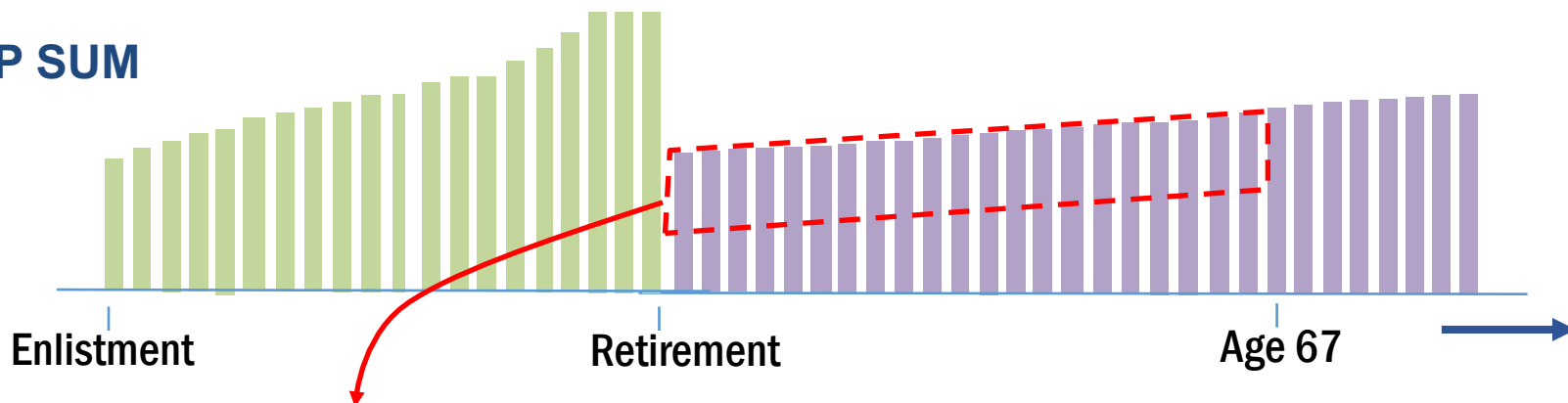
- May elect lump sum of 25% or 50% at retirement
- Discounted present value from retirement to age 67
- At age 67, reverts back to full annuity



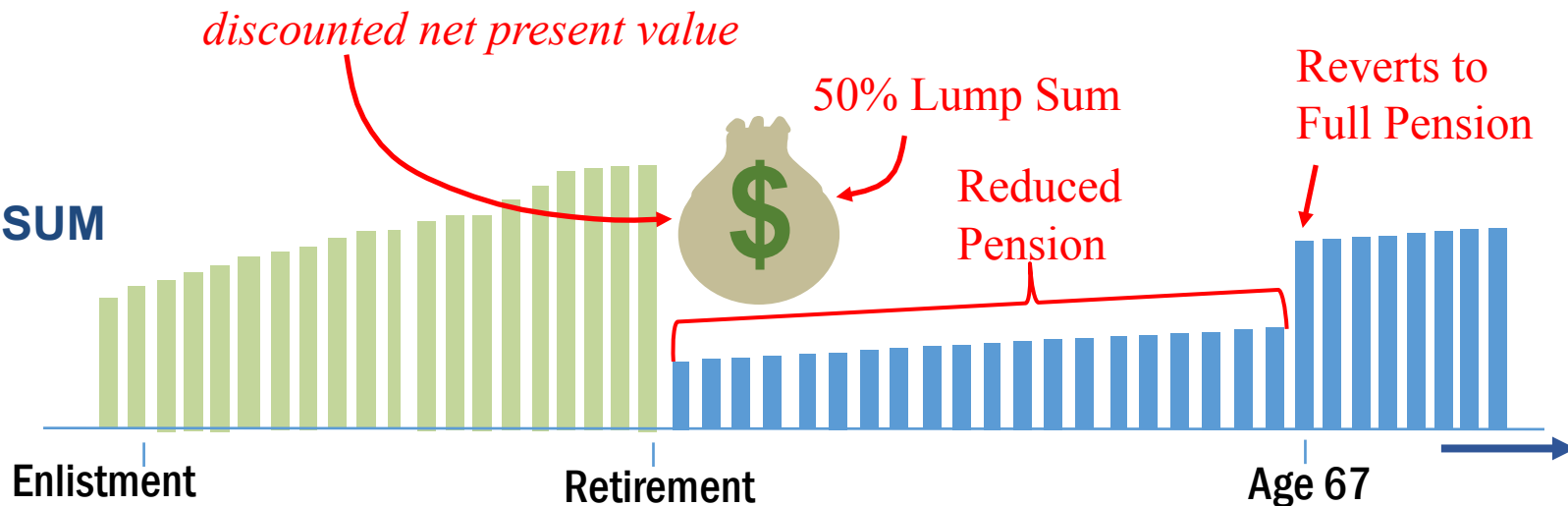
Lump Sum Option

Regular Retirement

NO LUMP SUM

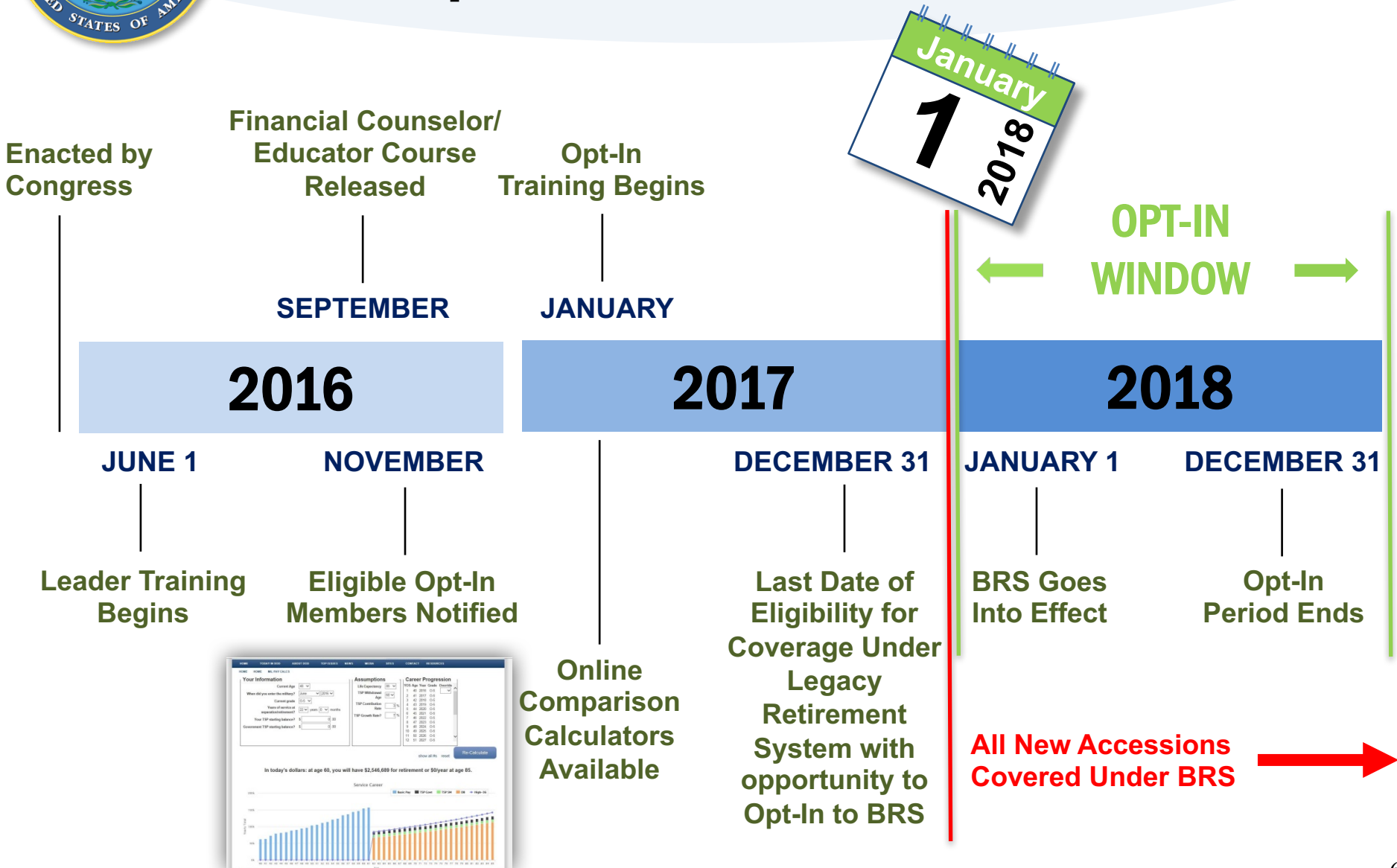


LUMP SUM





Implementation Timeline





BRS Training



Leader Course: Provides leaders a basic familiarity of BRS and an understanding of “opt-in” and major milestones for implementation. Available as of June 1, 2016.



Financial Counselor / Educator Course : Counseling scenarios to equip financial professionals and retirement experts. Available in Fall 2016.



Opt-In Course: Provides “opt in” population a comparison of current and new retirement systems; including scenarios and retirement comparison calculators. Computer-based course will be available in January 2017. Course will be MANDATORY for all identified as “eligible to opt-in”



New Accession Course: Specialized course for members who join the service after January 1, 2018; highlights the new components BRS and includes retirement planning calculators.



Opt-In Eligibility Choice

Serving as of December 31, 2017

if

As of December 31, 2017:

ACTIVE COMPONENT
Fewer than 12 Years Service

RESERVE COMPONENT
Fewer than 4,320 points

then

Take Mandatory BRS
Opt-In Training in CY17

can

In CY18

Why 4,320 points?

Do Nothing and
Stayed Covered by
Legacy System

or

Choose Blended
Retirement System

myPay 





Blended Retirement System Benefits

Decision to opt-in is the member's only – DoD has no preference

- ✓ **Greater portability of retirement benefits**
- ✓ **Earlier savings for retirement**
- ✓ **No longer ALL or NOTHING retirement plan**
- ✓ **Covers more people**
- ✓ **Recruiting incentive**
- ✓ **Continuation Pay adds incentive to stay for full career**
- ✓ **Lump Sum option gives choices at retirement**
- ✓ **Encourages saving for retirement**



Blended Retirement System

Questions?

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#blendedretirement

<http://militarypay.defense.gov/blendedretirement>



Blended Retirement System

Reserve Component Specific Slides



Which RC Members Are Eligible to Opt-In?

Anyone “performing reserve component service on December 31, 2017... who has performed fewer than 12 years of service” (fewer than [4,320](#) retirement points)

What does “performing reserve component service” mean?

All members of the:

- ❖ Active Guard/Reserve and Full-Time Support
- ❖ Selected Reserve
- ❖ Individual Ready Reserve
- ❖ Active Standby Reserve

For IRR and Active Standby Reserve:

- Eligible for BRS, but to enroll must be receiving pay
- If not in paid status during CY18, will be unable to enroll
- 30 day extension of enrollment window first time returning to paid status after CY18



Why 4,320 Points?

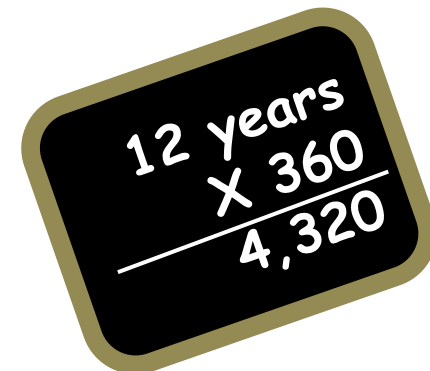


“(2) ELECTION TO PARTICIPATE IN MODERNIZED RETIREMENT SYSTEM.—
“(A) IN GENERAL.—Pursuant to subparagraph (B), a person performing reserve component service on December 31, 2017, who has performed fewer than 12 years of service (as computed in accordance with section 12733 of this title), may elect...

How do we interpret the statutory requirement to calculate YOS for reserve members?

10 U.S.C. §12733 mandates use of retirement points to determine the number of “years of service” for determining eligibility to opt into BRS

- 10 U.S.C. §12733 governs how YOS calculated for non-regular retirement
- YOS derived by dividing total retirement points by 360
 - 12 YOS = 4,320 points under this provision
- Many RC members will be eligible based on points but have many more actual years of service for seniority

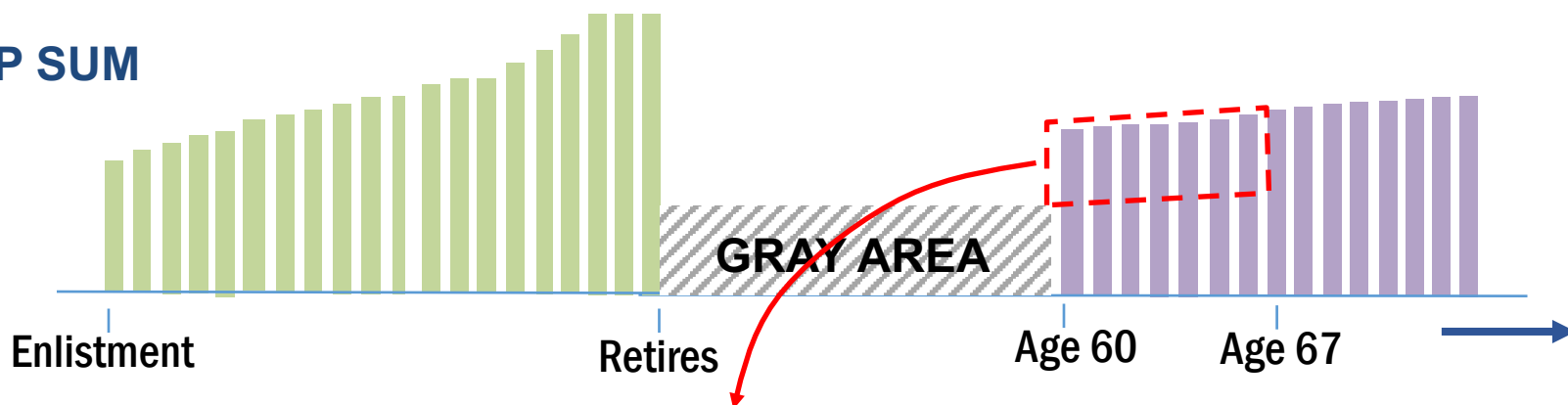




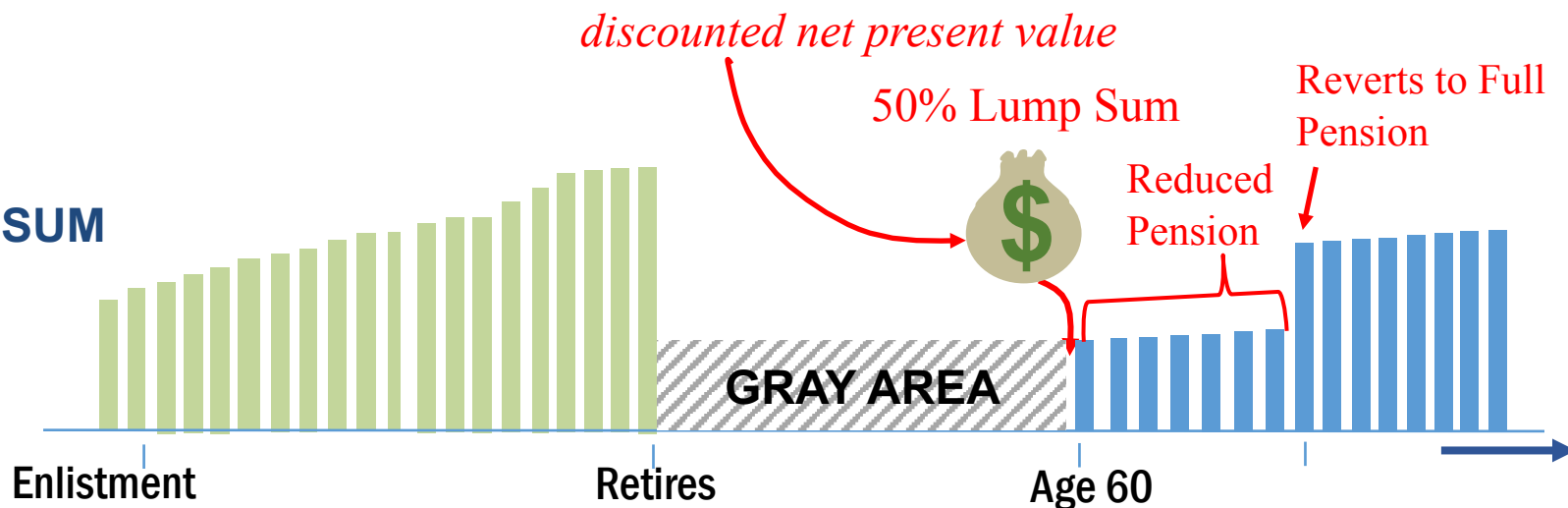
Lump Sum Option

Non-Regular Retirement

NO LUMP SUM



LUMP SUM





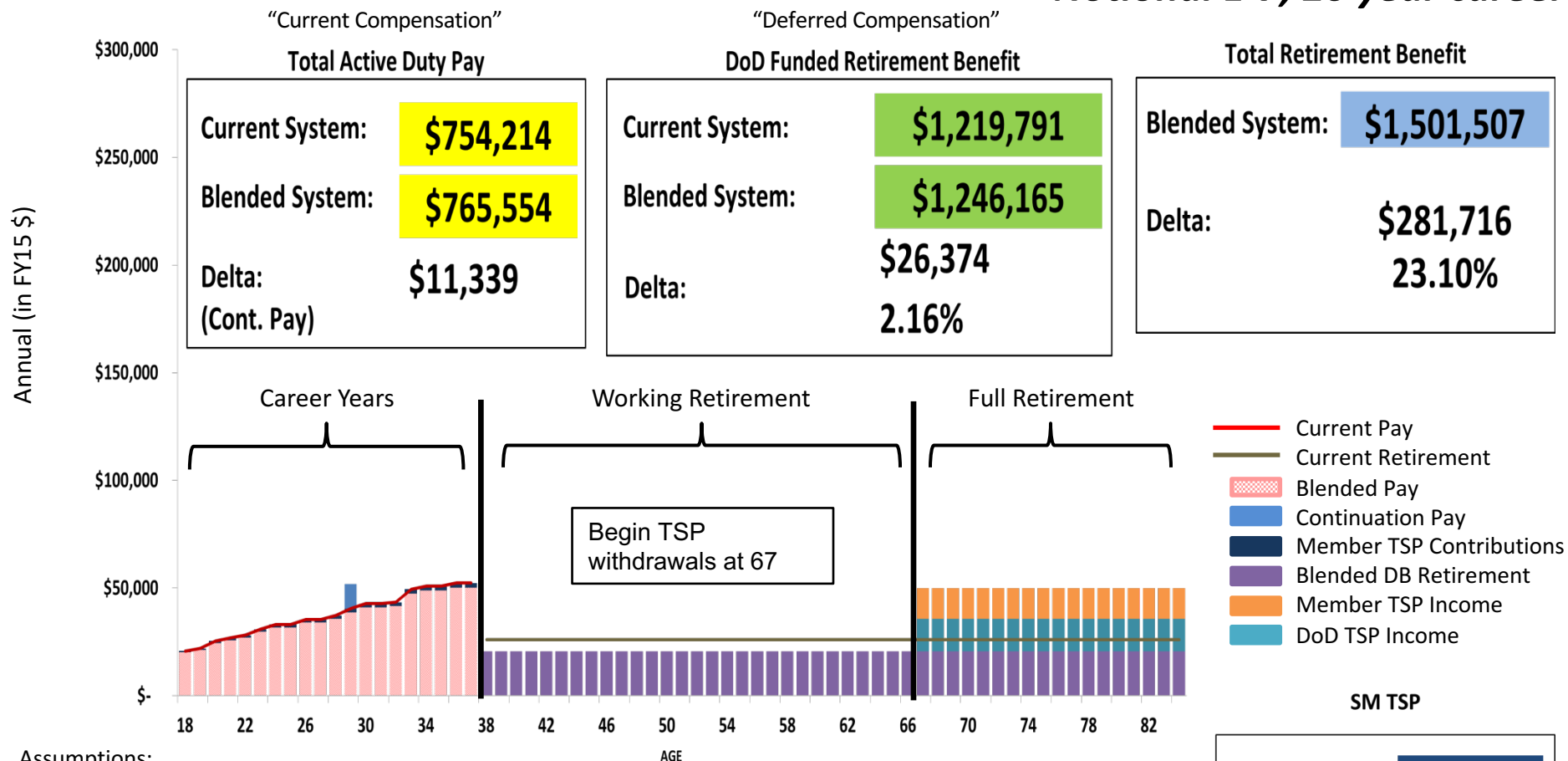
Other RC-Specific Issues

- Timing of “non-regular retirement” annuity does not change – eligible to begin receiving annuity at age 60, or earlier with creditable service
- RC members may only receive lump sum (25% of 50%) when eligible to receive retired pay at approximately age 60
- TSP contribution elections carry over when activating and de-activating
- JKO BRS courses will also be available through Military One Source; easier for RC members without CAC access

RC-specific issues are addressed by a Reserve Component Sub-Working Group comprised of representatives from all Reserve / National Guard components and DASD(Reserve Integration)

At Enlistment: Service Member Auto-Enrolled in TSP at 3%, After 60 Days: 1% DoD Automatic Contribution Begins After 2 years through end of career: SM Contributes 4% and DoD Matches 3.5%, Withdrawal Begins at 67

Notional E-7, 20 year career



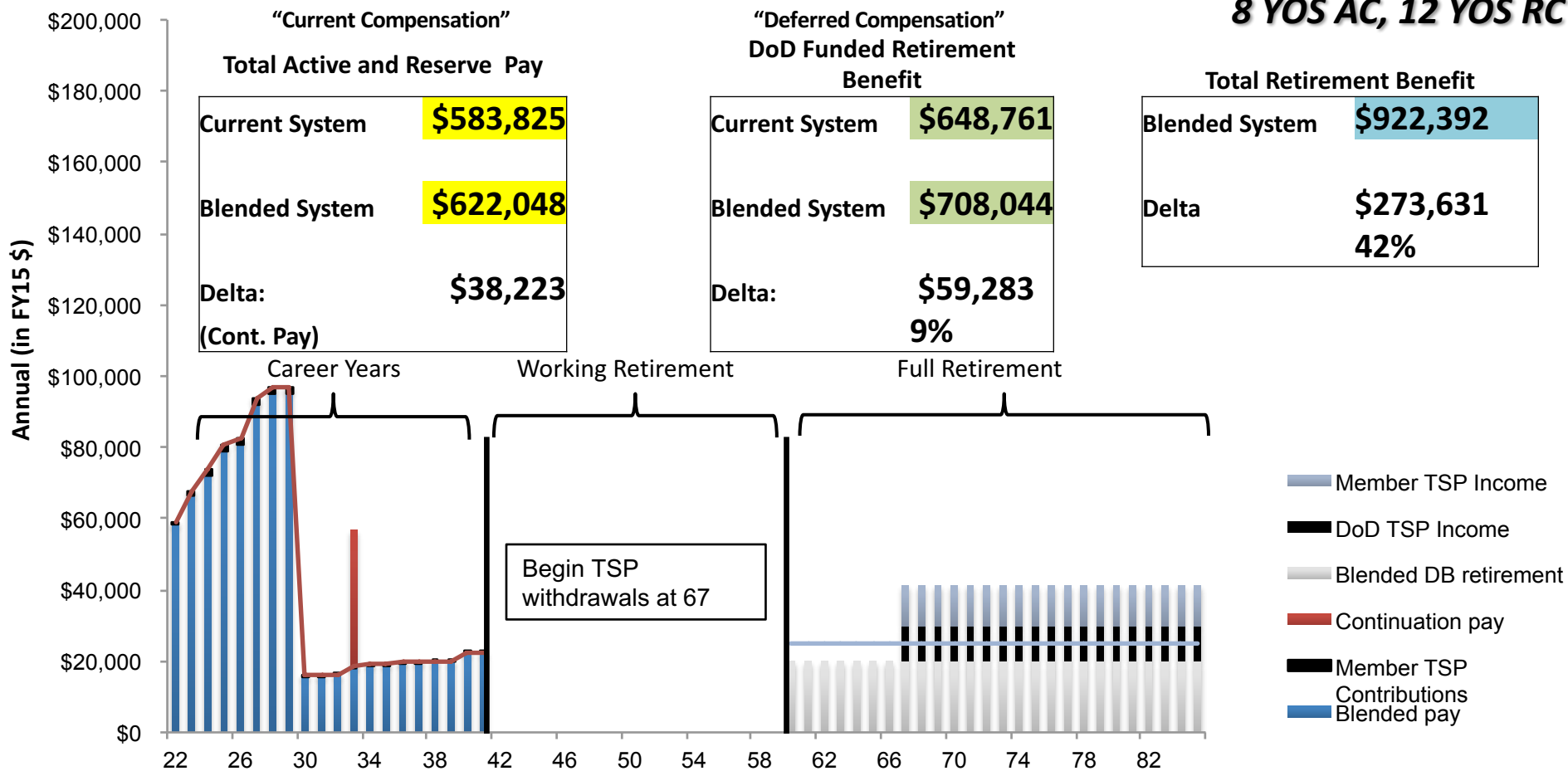
Assumptions:

- Income is adjusted for inflation (constant FY15 \$)
- SM retires after 20 years of Service as an E7 and lives until age 85
- Continuation pay (3.37x monthly basic pay) added to active duty pay but not counted in retirement benefit
- At Entry: SM auto-enrolled in TSP at 3% of basic pay
- Entry + 60 Days: DoD automatically contributes 1% through End of Service (EOS)
- Starting Year of Service (YOS) 3 – EOS: SM contributes 4% to TSP and DoD matches 3.5%
- TSP account annuitized at age 67
- TSP has 4.95% real annual returns

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At Entry: Officer Auto-Enrolled in TSP at 3%, After 60 Days: 1% DoD Automatic Contribution Begins
After 2 years through end of career: SM Contributes 3% and DoD Matches 3%, Withdrawal Begins at 67

Officer with both Active and Reserve career, O-5 retires at 20 years
8 YOS AC, 12 YOS RC



Assumptions:

- Income is adjusted for inflation (constant FY15 \$)
- SM retires after 20 years of Service as an O-5 and lives until age 85
- Continuation pay (5.74 X monthly basic pay) added to active duty blended pay but not counted in retirement benefit
- **At Entry: SM auto-enrolled in TSP at 3% of basic pay – member contributes 3% of inactive duty pay until EOS**
- **Entry + 60 Days: DoD automatically contributes 1% through End of Service (EOS)**
- **Starting End Year of Service (YOS) 2 – 26: SM contributes 3% to TSP and DoD matches 3%**
- **TSP account annuitized at age 67**
- TSP has 4.95% real annual returns

SM TSP

Member TSP Contributions	\$17,515
Resulting Member TSP Income	\$214,348

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