



The Uniformed Services Blended Retirement System



Introduction to the Blended Retirement System

June 26, 2017



Disclaimer



This is an informational policy briefing **ONLY** and is not intended to provide service members with the financial knowledge necessary to make an opt-in decision.

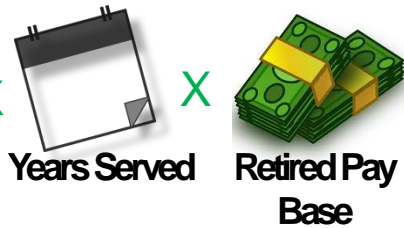
This briefing **DOES NOT** replace the mandatory Blended Retirement System Opt-In Training Course that **MUST** be completed by all eligible service members.



The Military Retirement Benefit



Legacy Retirement System

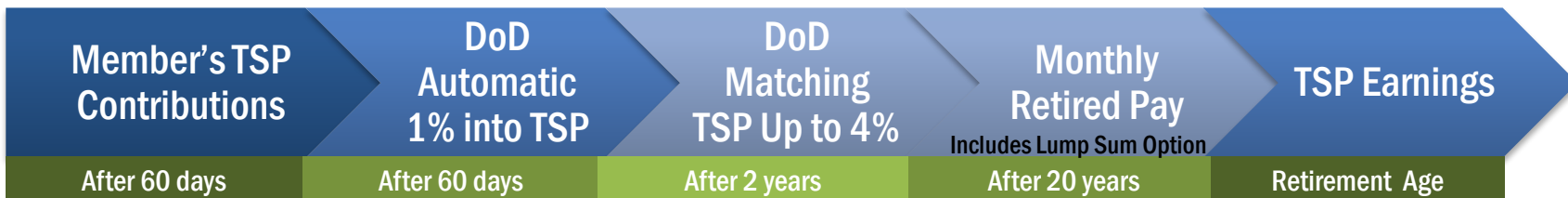
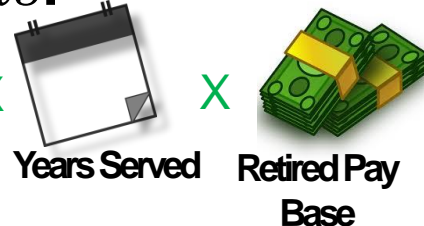
- Defined annuity benefit computed as **2.5%** ×  × 
- Must serve at least 20 years



Only **19%** Active and **14%** Reserve Qualify

Blended Retirement System, *blends*:

- Defined annuity becomes **2.0%** ×  × 
- Automatic & matching TSP



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

$$2.0\% \times \text{Years of Service} \times \text{High-36 Month Average of Base Pay} = \text{Monthly Retired Pay}$$


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 at 8, but not more than 12 years of service
- AC*: 2.5x to 13x monthly basic pay (RC: 0.5x to 6x)

* Active Guard Reserve (AGR)/Full Time Support (FTS) receive AC continuation pay rates

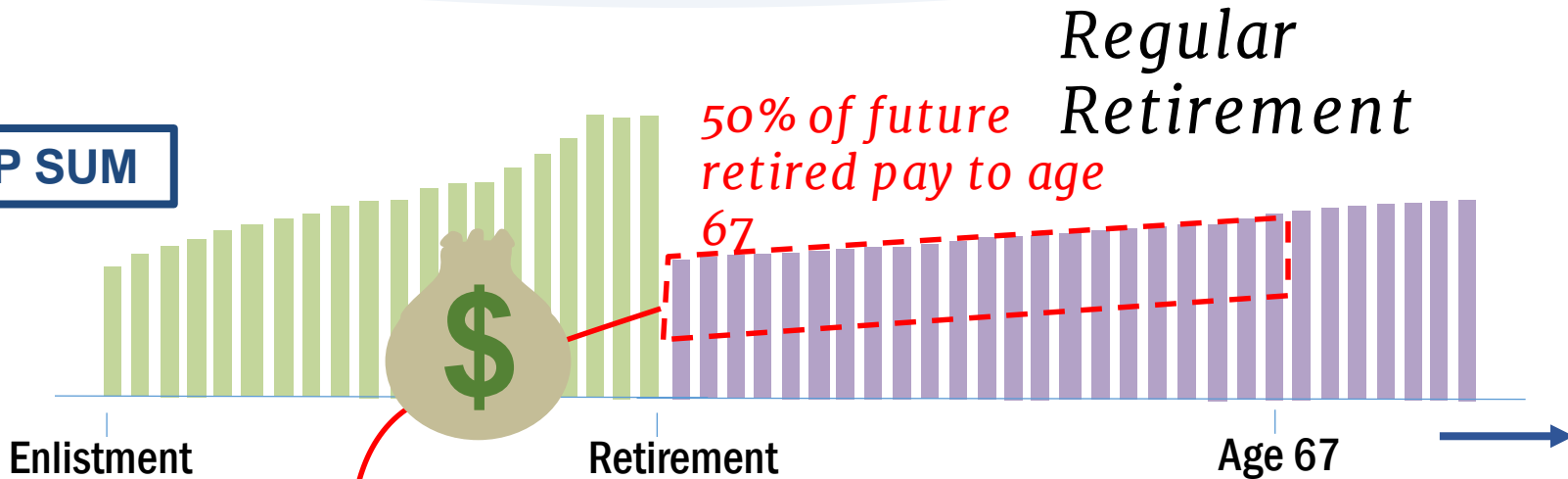
Lump Sum

- 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

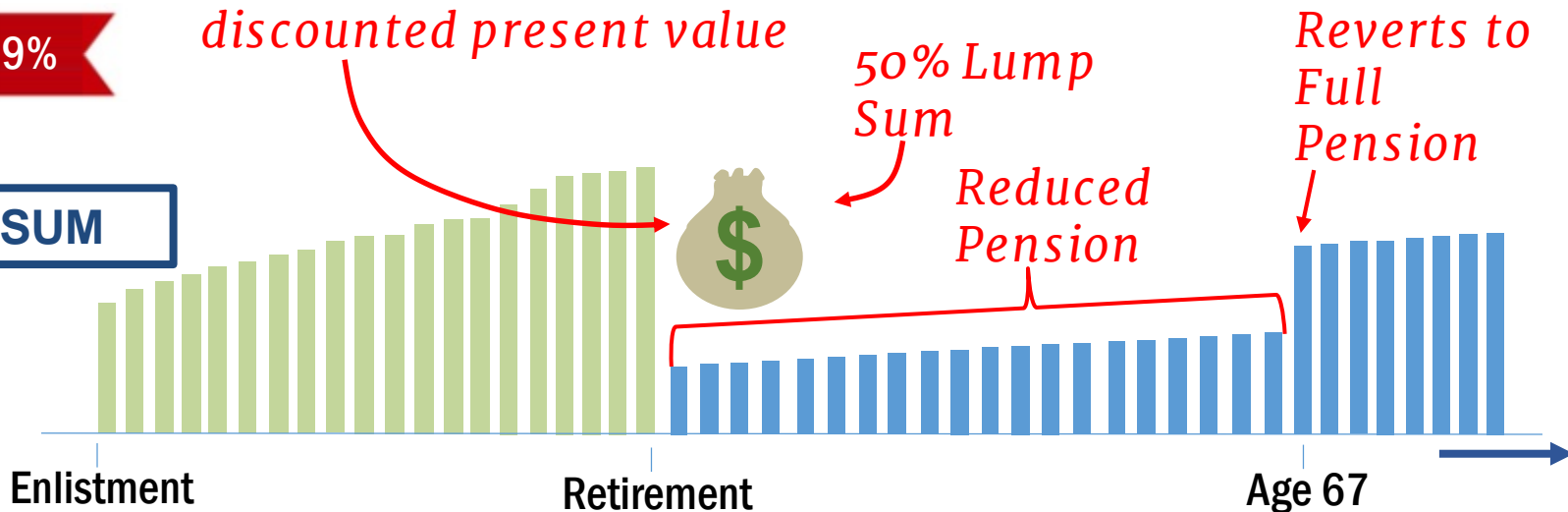
NO LUMP SUM



2018 Discount Rate is: **6.99%**

discounted present value

LUMP SUM





Implementation Timeline

Enacted by Congress

Financial Educators Course Released

Policy Signed

Opt-In Training Began

Discount Rate Published



OPT-IN WINDOW

2016

2017

2018

JUNE 1

DECEMBER

JUNE

DECEMBER 31

JANUARY 1

DECEMBER 31

Leader Course Released

Eligible Opt-In Members Notified

Online Comparison Calculator Available

Last Date of Eligibility for Coverage Under Legacy Retirement System with opportunity to Opt-In to BRS

BRS Goes Into Effect

New Accessions Course Released

All New Accessions Covered Under BRS

Opt-In Period Ends





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 Educator Course : Counseling scenarios to equip financial professionals and retirement experts. Available as of October 2016.



Opt-In Course: Provides “opt in” population a comparison of current and new retirement systems as well as training on the importance of lifelong saving for retirement. Computer-based course was released January 31, 2017. Course is MANDATORY for all identified as “eligible to opt-in”



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



Mandatory Opt-In Training

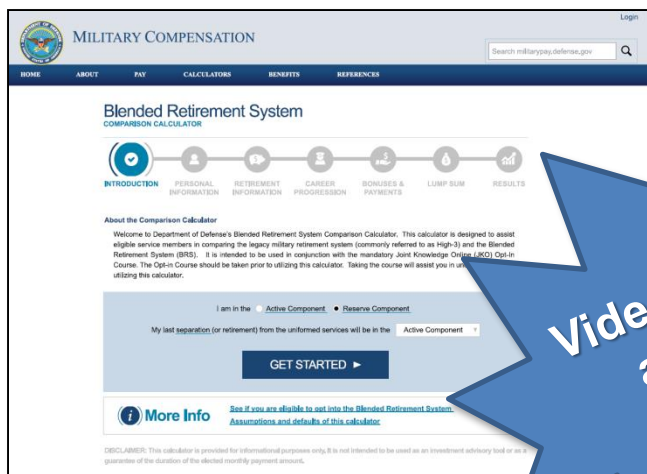
- This policy briefing does NOT count for your mandatory BRS opt-in training.
- Mandatory training can be completed via:
 - Joint Knowledge Online (CAC required)
 - Military One Source (non-CAC enabled)
 - Via some Service's learning management systems
- Pre and Post test, plus checks on learning, ensures knowledge transfer
- Course is approximately 2 hours.
- Turn in your certificate of completion to your training manager.

The image shows two screenshots of a training interface for the Blended Retirement System (BRS) Opt-In. The top screenshot displays a video conference with five participants in a grid layout. The bottom screenshot shows a slide titled "Blended Retirement System (BRS) Opt-In" with the text: "You are young, and retirement probably seems too far in the future for you to think about. Statistics show that many people just now reaching retirement age put off their planning for too long, and are NOT financially prepared to retire." Below the text is an image of a soldier in full combat gear. Both screenshots include a "Retirement Planning Worksheet" icon in the bottom left corner and a video player control bar at the bottom.

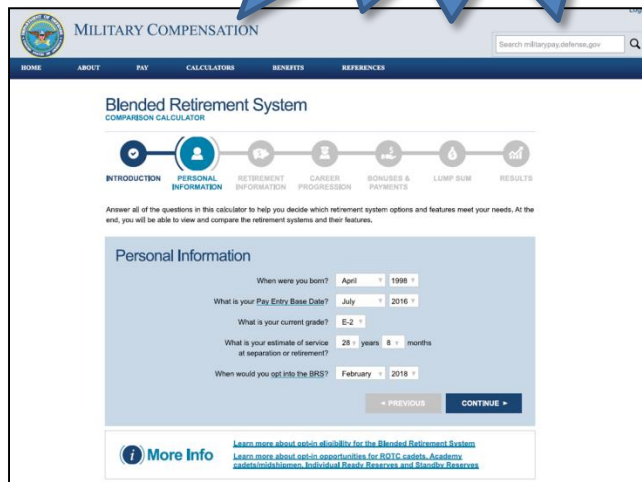


Comparison Calculator

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



Video eTutorial will accompany calculator



- Online BRS Comparison Calculator will allow service members to compare estimated benefits under both plans prior to making a decision
- Walks service members through key information needed to make an effective comparison
- Users can adjust data to see how changes to their career and savings will impact retirement benefits
- Available Spring 2017



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**



Questions



**VISIT OUR
WEBSITE**

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



JOIN THE CONVERSATION
ON **twitter**
&
facebook

#blendedretirement

The Twitter and Facebook social media icons are displayed side-by-side. The Twitter icon is a blue bird, and the Facebook icon is a blue square with a white 'f'. There are also smaller, faint versions of these icons around the main ones.



The Uniformed Services Blended Retirement System



BACKUP



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?

or

Do Nothing and
Stayed Covered by
Legacy System

Choose Blended
Retirement System





RC Eligible for BRS?

- Army National Guard
- Army Reserve
- Air National Guard
- Air Force Reserve
- Navy Reserve
- Marine Corps Reserve
- Coast Guard Reserve
- Ready Reserve Corps of the Public Health Service
- Commissioned Corps

- Follow RC rules for Opt-In Eligibility
- Follow AC rules for Continuation Pay

 **Active Guard / Reserve
Full-Time Support
(AGR/FTS)***

- Drilling Unit Reservists
- Individual Mobilization Augmentees (IMA)
- “drilling reservists”
- “traditional Guardsmen”
- “M-days”

Selected Reserve

 **Individual Ready Reserve (IRR)**

- Can only opt-in if return to “paid status”

Active Status List of the Standby Reserve 

- Can only opt-in if return to “paid status”

* NOTE: AGR/FTS are actually part of the Selected Reserve, but some conditions for AGR/FTS differ under BRS, so they are listed separately.



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**

$$\begin{array}{r} 12 \text{ years} \\ \times 360 \\ \hline 4,320 \end{array}$$



Retirement Types

- National Guard and Reserve members may qualify for a Regular or a Non-Regular Retirement

Regular Retirement



- Requires 20 active service years
- Retired pay begins on the 1st day of the 1st month following retirement



Non-Regular Retirement



- Requires 20 “qualifying years” of service
- Qualifying year means 50 or more points of any type (active duty, AT, ADT, IDT, Funeral Honors, membership points, etc.)
- Retired pay does not begin until age 60, although some members may qualify for reduced age retirement*



Non-Regular Retirement

Example: O-5 retires after 22 years of service in the Reserve Component

1

Total Retirement Points

4,860 points

2

Divide by 360 to get equivalent Years of Service

$$\begin{array}{r} 4,860 \text{ points} \\ \div 360 \\ \hline = 13.5 \text{ YOS} \end{array}$$

3

Multiply Equivalent YOS by Retirement Multiplier

$$\begin{array}{r} 13.5 \text{ YOS} \\ \times 2.0\% \\ \hline = 27\% \end{array}$$

4

Multiply Percentage by Retired Pay Base

$$\begin{array}{r} 27\% \\ \times \$8,900.50 \\ \hline = \$2,403.14 \\ \text{monthly retired pay} \end{array}$$

- **Non-Regular Retired Pay begins at age 60, although this may be reduced as low as age 50 with certain creditable active service performed after the beginning of 2008**
- **Retired Pay Base is the average of the highest 36 months of basic pay a member with equivalent grade and years of service (based on PEBD) would receive on active duty**

Notes:

- **Assumes the member serves until YOS 30 in the Retired Reserve**
- **Based on pay charts in place when member becomes eligible for retired pay**

2015 – O-5 over 28
 2016 – O-5 over 28
 2017 – O-5 over 30



TSP Vesting

1% Automatic

begins

immediately

next pay
period after
opt-in

vested

2 years

beginning of
25th month of
service

Matching

begins

immediately

next pay
period after
opt-in

vested

immediately

vested upon
receipt

***Opt-In Members
Serving as of
December 31, 2017***

1% Automatic

begins

60 days

60 days after
entering
service

vested

2 years

beginning of
25th month of
service

Matching

begins

2 years

beginning of
25th month of
service

vested

2 years

beginning of
25th month of
service

***New Accessions Who
Join on or after
January 1, 2018***

...vested means it's yours to keep even after you leave the service.



TSP Considerations

To maximize the advantage of government and civilian employer contributions, National Guard and Reserve members will have to be aware of IRS contribution limits.

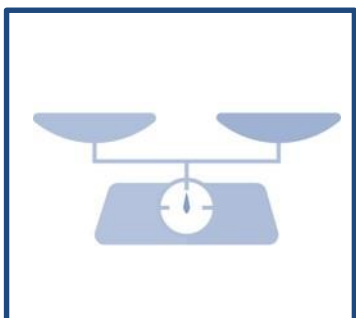
Contribution Limits

BRS allows National Guard and Reserve members to save for retirement + receive government automatic and matching contributions



1% Automatic + Up to 4% Match

But... National Guard and Reserve members with civilian retirement plans need to track their own contributions (“elective deferrals”) to their 401(k), Uniformed Service TSP, and Individual Retirement Accounts (IRA)



Elective deferrals from all sources of income are subject to a combined annual limit set by the IRS

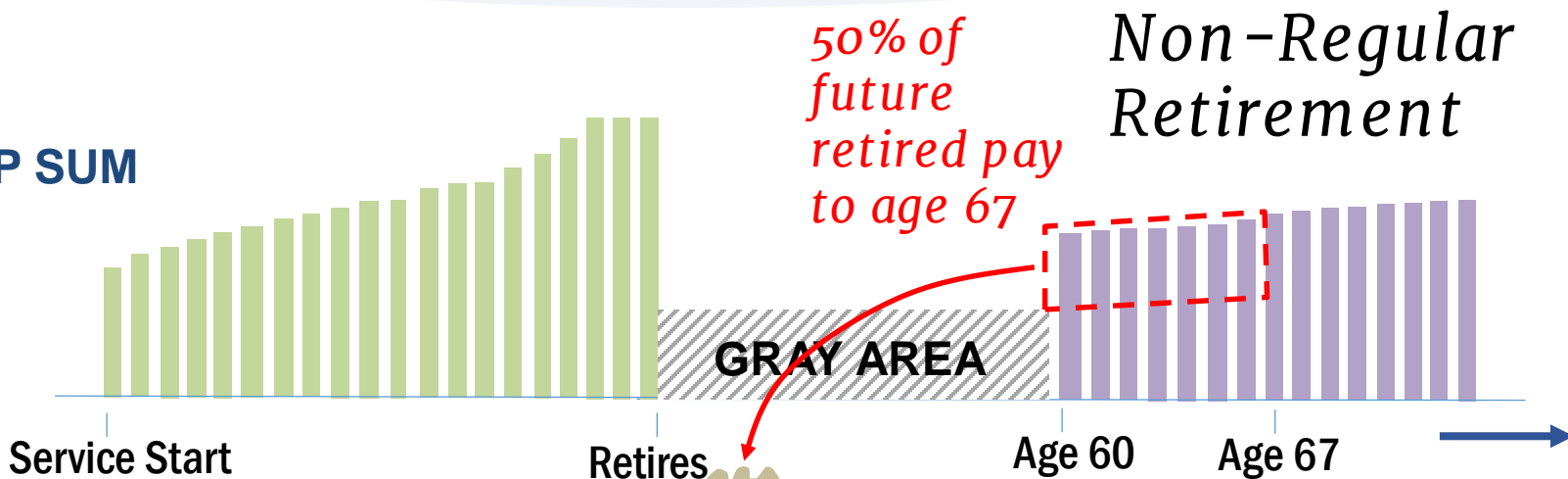
\$18,000 for 2017





Lump Sum Option

NO LUMP SUM



LUMP SUM

