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REPORT TO CONGRESS

BLENDING RETIREMENT SYSTEM IMPLEMENTATION STUDY



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REPORT TO CONGRESS

Blended Retirement System Implementation Study

Executive Summary

The implementation of the Blended Retirement System (BRS), following passage of the National Defense Authorization Act (NDAA) for Fiscal Year 2016 (FY16)¹, is a success story that will provide a significant financial benefit to the over 800,000 members of the Uniformed Services who are now covered by the system, and to millions more who will benefit in the future. BRS expanded Government-provided retirement benefits to a much-larger percentage of the Force while also serving as the catalyst for launching a comprehensive financial readiness program for members of the Armed Forces. This ongoing program will enhance financial literacy while preparing our members for lifelong financial well-being. BRS was the largest change to military retirement since World War II; as such, implementing this change was no small undertaking. The Department of Defense (DoD) is proud of the success of BRS implementation, which was possible only after completing a rigorous training program for over 1.6 million people, conducting an award-winning strategic communications outreach effort, implementing major technical system changes, and with the cooperation, support, and extraordinary efforts of many agencies across the whole of government as well as numerous military and veterans service organizations and community partners.

As of the writing of this report, individual Service members have already contributed \$2.6B of their own pay to their Thrift Savings Plan (TSP) accounts and have received \$1.2B in automatic and matching contributions from DoD as a result of their participation in BRS.² In total, BRS has generated over \$3.8B in contributions to TSP in under three years. DoD has already made \$33.5M in Continuation Pay bonus payments to mid-career Service members who opted into BRS and have already met the qualifications and agreed to additional service. Through the first three years, DoD has seen no negative impacts on retention or recruitment as a result of the shift to BRS. Conversely, BRS has increased the financial readiness of our Service members and has ushered in a new career-long focus on financial literacy across the Force. In short, the implementation of BRS was a model of effective change management that is fulfilling its promise of expanding Government-provided retirement benefits to a wider segment of the Force, increasing financial literacy, and saving taxpayer money.

Members of the Uniformed Services who serve a full career, normally at least 20 years of service, enjoy a robust defined benefit military retirement plan that provides lifetime annuity payments to those members who qualify to retire. Because of the length of service requirement to vest in these defined benefit plans, only a small minority of all Service members ever qualify for retired pay. Approximately 19 percent of active duty Service members and just 14 percent of Reserve and National Guard members earn the defined benefit plan. There are several legacy

¹ Public Law 114-92, enacted November 25, 2015

² As of July 31, 2020, as reported by the DoD Comptroller

retired pay plans that utilize different formulas for computing this defined benefit, but in each case these legacy retirement plans are exclusively defined benefit plans.

In 2015, Congress created a new retirement system for members of the Uniformed Services that blended elements of the existing defined benefit “pension-style” plan with a defined contribution plan, now known as BRS. The goal of BRS was to ensure a much-wider portion of all Service members earn Government-provided retirement benefits. It is estimated that as many as 85 percent of all Service members will complete their service to their nation with Government-provided retirement benefits under BRS, as opposed to the approximately 19 percent under legacy retirement plans. The defined contribution aspect of BRS allows covered members to earn Government-provided automatic and matching contributions to their TSP accounts similar to those earned by Federal civilian employees. Unlike the legacy retirement plans, BRS combines the features of the previous defined benefit plan (which remains exclusively paid only to those members who meet minimum service requirements) with TSP. Government-provided TSP benefits are earned (or “vested”) much earlier in a Service member’s career. This early vesting ensures that regardless of any member’s ultimate length of service, he or she leaves the service with Government-provided retirement benefits.

BRS was implemented as required by law on January 1, 2018. All members entering service for the first time on or after this date are automatically enrolled in BRS. In addition to automatically enrolling all newly accessed Service members, the NDAA for FY16 authorized an enrollment period for certain already-serving members to “opt into” BRS, giving them the choice of remaining in the legacy retirement plan or switching to BRS. The BRS opt-in process was designed to provide eligible Service members a choice for their own futures. DoD provided training on the differences between the two retirement plans, encouraged Service members to seek personal financial counseling, consult with family, and make a personal decision on whether or not to opt-in. DoD did NOT set a target or goal for opt-in, nor try to persuade members to opt into BRS. When the initial opt-in period concluded on December 31, 2018, over 400,000 DoD Service members had opted to make this switch to BRS. Management of the BRS opt-in period was an enormous achievement indicative of the success of the BRS financial training and the eagerness of Service members to plan for their own financial futures.

The Senate Committee on Armed Services’ directed in S. Rpt. 116-48 (p. 200) that the Secretary of Defense review the implementation of BRS, provide an assessment of the BRS transition period including an enumeration of demographic data on members who opted-in, an analysis of TSP contributions, an explanation of Continuation Pay policy, an analysis of BRS impacts, and a discussion of potential necessary statutory changes. This report responds to that requirement.

Purpose

The Senate Committee on Armed Services directed the Secretary of Defense, in S. Rpt. 116-48 (p. 200), to review the implementation of BRS and provide details regarding ongoing decisions associated with the new retirement system. Specifically, the committee asked for:

- (1) An assessment of the BRS transition period, to include:
 - a. An enumeration of members who elected to transition into the BRS broken out by service, grade, gender, race, marital status, occupation, duty location, and other pertinent demographics;
 - b. The proportion of members who elected to transition by demographic; and
 - c. Whether the differences in choice structure (e.g., Marines were required to elect to either remain in the legacy retirement system or switch to BRS) contributed to disparities in enrollment rates between the Services.
- (2) An analysis of TSP matching contributions, to include:
 - a. The TSP contribution level of Service members enrolled in the BRS broken out by demographic information;
 - b. Whether Service members who receive special pay or incentives are more inclined to contribute and receive matching contributions;
 - c. The extent to which the Services are supporting Service members in making sound financial decisions regarding matching contributions; and
 - d. Whether actual TSP contribution rates and investment choices are creating a wealth disparity in retirement among Service members.
- (3) An explanation of planned continuation pay policy, to include:
 - a. The method the Services will use to determine Continuation Pay levels, to include details on how the Services will determine when a member will receive notification of the continuation pay offer, the amount of the multiplier, the timing of payment, whether the pay will vary by occupation, skill, or other factors, and the duration of the required service obligation; and
 - b. An econometric analysis of possible methods to increase the effectiveness and efficiency of continuation pay.
- (4) An analysis of BRS impacts, including:
 - a. Whether the BRS has affected or is likely to affect historic recruitment and retention trends; and
 - b. An assessment of the tools inherent in DoD BRS policy that will allow the Services to achieve necessary recruitment and retention levels; and
- (5) Recommendations for statutory change necessary to address issues of fairness and equity identified by the review.

Background

The NDAA for FY16 enacted substantial changes to the military retirement system applying not just to the Armed Forces, but to all of the Uniformed Services³. For decades prior to BRS, members of the Uniformed Services had to serve 20 years before becoming eligible for any longevity retirement benefits provided by the government. Since roughly 80 percent of military personnel exit their service before 20 years, most separate without any retirement benefits, leaving these separating Veterans at a competitive disadvantage as compared to their peers who chose not to serve. Under BRS, all separating members who complete at least 24 months (approximately 85 percent of the Force) will have a portable TSP retirement benefit that can be taken with them to a new employer, transferred into another retirement savings vehicle, or kept in TSP until retirement.

In the primary legacy military retirement system, known as the “High-3 System,” the monetary retirement benefit consists entirely of monthly retired pay, which is a defined benefit based upon a formula of 2.5 percent times the number of years and months served times the average of the member’s highest 36 months of basic pay. For Reserve Component (RC) members, the eligible retirement points accrued during a career convert to years and months of service for a similar calculation.

In BRS, the retirement benefit consists of a reduced monthly retired pay benefit supplemented by government contributions to a portable retirement-savings account through TSP. Under BRS, nearly all members who separate before becoming eligible for retirement now have a portable, government-provided retirement benefit. Those members who continue to serve for a full career and become eligible to receive monthly retired pay after serving for 20 years will also receive monthly retired pay, just as they would have under the legacy programs although the method of calculating that retired pay changes. BRS has several components, which include:

- A defined benefit of monthly retired pay calculated using a 2.0 percent per year multiplier in lieu of the 2.5 percent multiplier from the legacy systems – the defined benefit is only payable to those members who serve a full career, normally requiring 20 years of creditable service,
- An automatic 1 percent of basic pay or inactive duty pay contributed by the government to a member’s TSP account beginning 60 days following entry,

³ There are eight Uniformed Services: the Army, Navy, Marine Corps, Air Force, Space Force, Coast Guard, Commissioned Corps of the U.S. Public Health Service (USPHS), and Commissioned Corps of the National Oceanic and Atmospheric Administration (NOAA). DoD is responsible only for members of the Army, Navy, Marine Corps, Air Force, and Space Force. The Department of Homeland Security is responsible for compensation for members of the Coast Guard, the Department of Health and Human Services is responsible for compensation for commissioned officers of USPHS, and Department of Commerce is responsible for compensation for commissioned officers of NOAA. All references to Service members and data used in this report refer to members of the five branches of the military, not to the Coast Guard, USPHS, or NOAA.

- Government matching contributions up to 4 percent to a member’s TSP account using the same matching plan as is used for government civilians under the Federal Employee Retirement System (FERS)⁴, and
- A choice to receive full monthly retired pay upon retirement or to elect to receive reduced retired pay plus a partial lump-sum payment. This lump-sum payment is calculated as either 50 percent or 25 percent of the discounted retired pay that would be due a member from the date of retirement until the date the member would reach full Social Security retirement age. At full Social Security retirement age all members will receive their full defined benefit retired pay, regardless of their lump-sum payment election.

In addition, the legislation enacting BRS included a provision for a continuation bonus (Continuation Pay) paid during the midpoint of a member’s career in exchange for a commitment for additional service. Similar to retention bonuses, Continuation Pay enables the Military Services to vary the amount and timing of the payment to ensure they are able to retain sufficient numbers of Service members for force management purposes.

Members who joined a Uniformed Service for the first time on or after January 1, 2018, are automatically covered by BRS and automatically enrolled in TSP. All members who were already serving, or had previously served, as of December 31, 2017, were grandfathered under the legacy retirement system automatically. Many of these previously-serving members were given the opportunity to choose to switch to BRS. Known as “opting-in,” the legislation creating BRS specified a one-year period for opt-in that began on January 1, 2018, and ended on December 31, 2018. The statute delineated those Service members who were eligible to make the opt-in decision.

Active Component (AC) members serving as of December 31, 2017, who had fewer than 12 years of service as of that date were opt-in eligible. Determining opt-in eligibility was a two-step process. First, the AC member must have had a Date of Initial Entry into Military Service (DIEMS) on or prior to December 31, 2017, and, secondly, must have had fewer than 12 years of accumulated service following their Pay Entry Base Date (PEBD) to be eligible to opt into BRS.⁵ Members in the Delayed Entry Program (DEP), or cadets/midshipmen at a Service Academy or enrolled in a Reserve Officer Training Corps (ROTC) program, who had signed an agreement to serve following attendance, were also eligible to opt into BRS as long as their DIEMS (i.e., when they signed the agreement) was on or prior to December 31, 2017. Members of the DEP would only be able to opt-in upon accession into active service following reporting for initial entry training, and cadets/midshipmen would only be able to opt in upon entry onto active service following commissioning. Accordingly, many of these members were eligible to opt into BRS even though they did not come into active service until after January 1, 2018. In fact, most

⁴ Members who opted into BRS receive government matching contributions beginning with the first pay period that starts on or after the day the member opted in, but members automatically enrolled have to serve for 24 months before becoming eligible for matching contributions.

⁵ All Service members have a DIEMS and a PEBD. DIEMS never changes. It is the date an individual was initially enlisted, inducted, or appointed in a regular or reserve component of a Uniformed Service regardless of whether the member is in a paid status. PEBD is the date that denotes how much of an individual’s service is creditable towards longevity for pay purposes. This date can be adjusted based on breaks in service, and is sometimes referred to as the “pay entry basic date” or simply the “pay date.”

recent Service Academy and ROTC graduates were eligible to make the BRS opt-in election because they signed an agreement to serve prior to December 31, 2017.

RC members were eligible to opt-in if they had the equivalent of fewer than 12 years of total service, regardless of how many actual years the members had been in uniform. Section 631 of the NDAA for FY16 stipulated eligibility for RC members was to be based on computation of years of service in accordance with 10 U.S.C. § 12733. This requires converting retirement points into equivalent years of service. As such, those RC members who had fewer than 4,320 retirement points (4,320 points divided by 360 equates to 12 years of service) as of December 31, 2017, were eligible to opt into BRS regardless of their original PEBD. This provision meant many RC members were eligible to opt-in later in their careers relative to AC members. In fact, some RC members had already attained enough qualifying years of creditable service for retirement but still had fewer than 4,320 retirement points. For this reason, the eligibility criteria for RC members was much more broad and, consequently, the ultimate “take-rate,” or percentage of members who decided to opt-in, was lower relatively compared to the AC. This is discussed later in this report.

All eligible Service members (active, Reserve and National Guard) were required to complete mandatory training on BRS, which addressed the differences between the legacy retirement system and BRS, as well as the steps required to opt-in. Known as “BRS Opt-In Training,” the course had to be completed prior to December 31, 2017. These educational materials and additional informational resources were made available via open-source websites, to ensure that both Service members and their family members had full access to the appropriate information and resources.

In addition to financial literacy education resources, the DoD also greatly expanded the number of nationally-accredited financial counselors available, without charge, to Service members and their families on CONUS and OCONUS installations, doubling the number of Personal Financial Managers and Counselors to over 700. This capability was augmented with financial readiness specialists who maintain awareness and support for financial readiness within their units and commands, and with telephonic and virtual financial counseling via Military OneSource.

In order to ensure that Service members were fully informed of the choice, DoD also created a robust communications strategy. This program connected with Service members and military families through a variety of mediums. The bedrock of the strategy was 30 short videos designed for digital media use. These videos were featured throughout social media, the Armed Forces Network (AFN), and a variety of websites and other online platforms. Overall, the campaign reached over 7 million views online in one year.

Eligible members (both AC and RC), received several notifications throughout 2017 and 2018, reminding them of their eligibility and encouraging them to make an informed choice before the opt-in deadline. These notifications included command announcements, direct emails and SmartDoc notifications from the Defense Finance and Accounting Service (DFAS), and reminders in their monthly Leave and Earnings Statements (LES).

The BRS opt-in enrollment ended at midnight on December 31, 2018, capping off a successful roll-out of the new retirement system for members of the Uniformed Services. Over 400,000 BRS participants chose to opt-in, and another 151,381 were automatically enrolled in the first year. Since 2018, all newly-access members are automatically enrolled in BRS, while many Service members returning from a break-in-service or who are being commissioned as officers through Service Academies or ROTC have continued to have the opportunity to opt into BRS. As of July 31, 2020, 884,595 members are currently enrolled in BRS – 647,358 in the AC and another 237,237 in the RC. This represents 59 percent of the AC, and 30 percent of the Reserve and National Guard.

Section 1: Assessment of the BRS Transition Period

The legislation authorizing BRS was enacted on November 25, 2015. The DoD, in partnership with the other Uniformed Services, began implementation immediately. Implementation was organized into three key phases:

Phase 1: Awareness

Phase 2: Education

Phase 3: Call to Action

The first phase of BRS implementation, “Awareness,” ran throughout 2016. It focused on developing and releasing preparatory training courses geared toward leaders and financial counselors, promoting strategic communications intended to alert the Force to the upcoming change, developing DoD and Service-levels policies, and notifying currently-serving members who would be eligible to opt into BRS. The second phase, “Education,” ran throughout 2017 in the lead up to the opening of the BRS opt-in period on January 1, 2018. This phase focused primarily on ensuring the 1.6 million BRS opt-in eligible members completed the “BRS Opt-In Course” and had access to the official DoD BRS Comparison Calculator, and completing payroll and personnel system changes. The third phase, “Call to Action,” kicked off at 12:00 am on January 1, 2018, with the opening of the BRS opt-in period. Phase 3 lasted throughout 2018 as all BRS opt-in eligible members had the entirety of that year to make a decision on whether they wanted to opt into BRS or remain automatically grandfathered in the legacy retirement system. The Call to Action phase was also the initiation of the switch from the legacy retirement system to BRS for all new entrants who first joined the service on or after January 1, 2018.

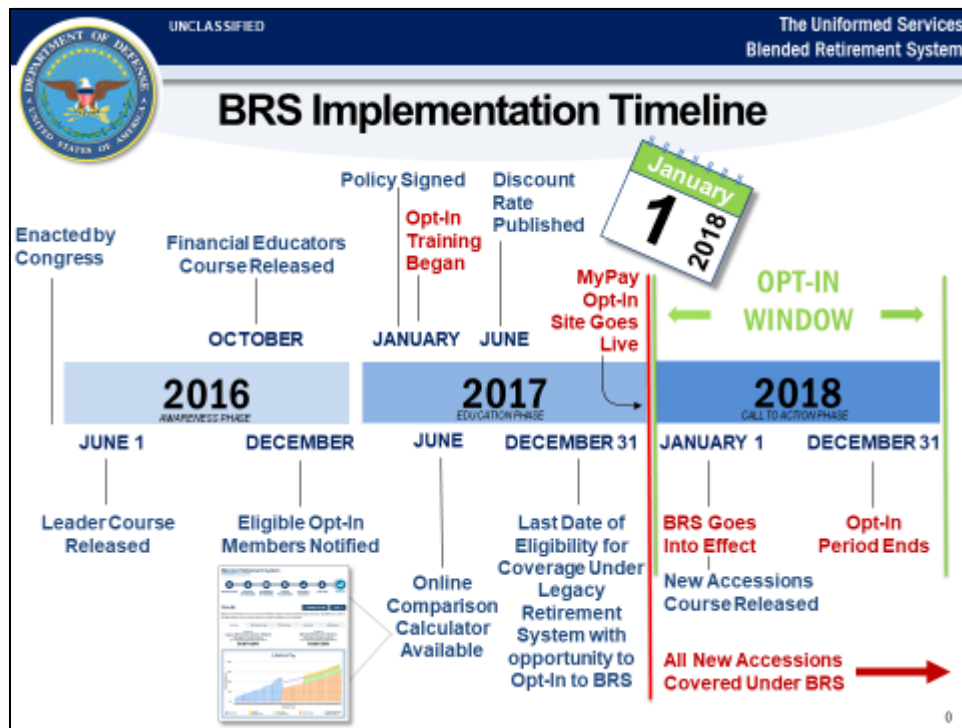


Figure 1: Basic Timeline for BRS Implementation

While there were numerous lines of effort and separate tasks to complete in order to prepare for and execute the transition to BRS, the primary lines of effort can be summarized as:

- (1) Policy Development
- (2) Training and Education
- (3) Strategic Communications
- (4) Systems Upgrades

(1) Policy Development

Immediately after passage of the NDAA for FY16, DoD established a BRS Work Group comprised of pay and personnel policy leads, financial training and education subject matter experts, systems programmers, and budget managers from across the Military Services, DFAS, Department of Veterans Affairs, the Federal Retirement Thrift Investment Board (FRTIB), and numerous other agencies and organizations. This work group focused initially on developing policies for implementing BRS.⁶ While numerous issuances and policy updates are required to implement and continuously manage any program of this scale, the primary policy document, “Implementation of the Blended Retirement System,” was signed by the Deputy Secretary of Defense on January 27, 2017. This policy memorandum established policy not otherwise detailed in statute, assigned responsibilities for carrying out the program, and provided procedures for implementing all of the elements of BRS. This document and the supplements that have subsequently been issued to expand on BRS policy are available on the BRS webpage [<https://militarypay.defense.gov/blendedretirement>] under [“Policy”](#).

(2) Training and Education

At the same time that Congress enacted BRS, the NDAA for FY16 also amended 10 U.S.C. § 992 to enhance the delivery of financial literacy training and education for members of the Armed Forces. The concurrent implementation of BRS was, in many ways, the initial effort to greatly expand DoD’s financial readiness program. Beginning in June 2016, DoD deployed a robust education strategy to provide Service members factual, unbiased, consistent content and to develop a foundation of knowledge to prepare for the transition to BRS. There were ultimately six formal courses developed to educate Service members, financial educators and counselors, and even spouses on BRS:

- The BRS Leaders Course provided leaders an overview of BRS so that they could have conversations with their subordinates about the upcoming change.
- The BRS Personal Financial Educator/Counselor course gave financial readiness professionals the knowledge to counsel members about BRS and the opt-in process.
- The BRS Opt-In Course was required training for all 1.6M opt-in eligible members to prepare them for the opt-in decision.

⁶ Because BRS applies to the members of all Uniformed Services, including the non-DoD Service Members serving with the Coast Guard, NOAA, and the U.S. Public Health Service, by agreement all BRS policy documents apply equally to and are followed by those agencies. Policy memorandums and issuances signed by DoD leaders are considered applicable to all Uniformed Services.

- The BRS New Accessions course, titled “The Uniformed Services Blended Retirement System: Your Retirement System,” is mandatory training for all Service members who first joined after January 1, 2018, and who are automatically enrolled in BRS. This course focuses on their benefits under BRS and prepares those new members for saving and investing through TSP.
- DoD also developed a course to support the release of the BRS Comparison Calculator, as a tutorial to assist opt-in eligible Service members understand how to use this tool.
- Most recently, DoD developed a training course on the lump sum option available to members retiring under BRS.

The BRS Opt-In Course was developed by workgroups that included experts in the fields of finance, financial education, military pay policy, and training and curriculum development. Training development work groups developed two courses, which were reviewed by focus groups and an executive-level oversight panel (known as the BRS Executive Work Group). Prior to final approval, two different versions of the BRS Opt-In Course were developed and tested using Service member focus groups. The results of this testing ensured the most effective format of the course was ultimately chosen by the BRS Executive Work Group and fielded. DoD assessed effectiveness through metrics captured by the CAC-enabled version of the course, to include pre- and post-testing results, course evaluations with multiple choice and narrative responses completed by students, and metrics regarding student interactions. Evaluations submitted by students indicated the course was generally well-received and was effective in delivery content. Nearly three-fourths of respondents (73 percent) agreed or strongly agreed that the course provided a better understanding of the BRS. Understanding the important role of spouses and families in financial decisions, the BRS Opt-In Course was made widely-available on open websites so that anybody could complete the training.

The BRS New Accession Training, which was launched in January 2018 for the very first cohort of new entrants who were automatically enrolled in BRS, is intended to be delivered in a classroom setting by a facilitator. This course is administered primarily during entry level training (e.g., “boot camp”), which is different than the individualized format of the BRS Opt-In Course. Because of this, the primary course assessment was done through site visits to directly observe the delivery of the course following its release. In late spring and summer of 2018, DoD financial readiness experts visited five recruit training sites to observe training delivery. Observations indicated that the course is successful in getting students to engage in discussion regarding the basics of BRS and financial readiness.

Supplemental resources beyond these courses include fact sheets, guides, FAQs, and posters to share information and resources about BRS. Additionally, DoD developed and fielded a comprehensive BRS Comparison Calculator that enabled opt-in eligible members to make a side-by-side comparison of their lifetime benefits under the legacy retirement system and under BRS, to help them understand which system was likely more beneficial based on their own circumstances.

As important as formal courses and the comparison calculator, DoD and the Military Services also expanded the system of financial education and counseling support to facilitate the

transition to BRS while also laying the foundation for a new, more robust career-long continuum of financial literacy. Those resources include:

- Approximately 700 nationally-accredited Personal Financial Managers and Counselors located at active duty installations and Reserve and National Guard locations around the world who provide free, factual, unbiased personal support to Service members and their families.
- Military financial readiness specialists who maintain awareness and support for financial readiness within their units and commands.
- Telephonic and virtual financial counseling via Military OneSource.

Since the completion of the BRS enrollment period, DoD has continued to provide additional financial literacy programs and resources to support retirement planning and overall financial readiness needs of Service members and families. These include:

- Policy for financial readiness common military training requirements published in August 2019 to ensure Service members understand and can respond to financial changes as they progress through their military career, including retirement planning under BRS, in accordance with 10 U.S.C. § 992.
- A dedicated financial readiness website that provides information and resources on a variety of personal finance and benefits topics, launched in July 2019.
- Sen\$, a financial literacy mobile learning application first available in March 2020, that provides easily accessible financial education that individuals can access when and where they need it.
- MilSpouse Money Mission, a financial education resource designed specifically to engage, educate, and empower military spouses by providing relatable and trusted information, launched in May 2020.

(3) Strategic Communications

In order to inform and educate all eligible Service members about their choice, DoD launched an innovative strategic communications campaign, combining various types of media outreach. With the overall objective to capture Service members' attention, point them to appropriate support resources, and inform them of how to opt into BRS, DoD designed the outreach campaign to run on digital media platforms and on social media (Facebook, Twitter, and YouTube) where the target population of younger Service members receive most of their information.

DoD designed, filmed, and produced a series of social media videos that served as the benchmark of the BRS digital media campaigns. In total, the 30 videos garnered over 7 million online views, and were featured on AFN, in on-base movie theaters, on many installation’s digital billboards, and on numerous websites. The final phase of the 2018 social media “Call to Action” campaign featured numerous Facebook and Twitter posts and several live social media Q&A and Facebook Live events.



Pictured: The “Ask Robyn” character used in various videos and print products as face of BRS implementation

To create a memorable and iconic campaign, the strategy featured a central character, #AskRobyn, modeled after a real-life Personal Financial Counselor. In her character role, Robyn poses as a call-center resource, answering Service members’ questions about their retirement choice, supplying appropriate resources and providing information on the different aspects of BRS, all while serving as a reminder of the approaching BRS opt-in period, and eventually, the opt-in deadline. The #AskRobyn campaign was honored by the National Association of Government Communicators, winning first prize in the Social Media category at the 2018 Blue Pencil and Gold Screen Awards for all Federal and State social media campaigns.

This campaign was never designed to sway a Service member’s decision about whether or not to opt into the BRS. Rather, it informed eligible Service members of their options and directed them to resources enabling them to make an educated decision. In fact, all of the digital and print media products pointed Service members to the central [BRS webpage](https://militarypay.defense.gov/blendedretirement), which was the repository of key information about BRS.



Pictured: BRS Resource Webpage located at <https://militarypay.defense.gov/blendedretirement>

The [BRS webpage](https://militarypay.defense.gov/blendedretirement) hosts videos, print products, policy documents, and messaging tool kits for Service members and their families. In 2018 alone, during the opt-in period, the BRS webpage reached over 1M unique visitors and 1.5M page views. The webpage continues to be the primary location for official BRS policy, information, and communication tools. It is updated with the latest policy modifications, announcements about Continuation Pay rates, and continues to host all

training resources, including videos, the facilitator guide, hand-outs, and forms to be used for training new entrants on BRS.

(4) Systems Upgrades

This report does not discuss the myriad necessary systems changes and upgrades required to implement a new retirement system, including the design and fielding of a secure portal for Service members to make an opt-in election, changes to pay systems including enabling transactions for government-provided automatic and matching TSP contributions, and the ability for personnel systems to automate the identification of and communication to members eligible for BRS. These very significant systems changes, led primarily by the DFAS and by the personnel headquarters of each of the Military Services, were conducted with unprecedented speed and collaboration. These systems all performed well above expectations. The BRS Opt-In module on “myPay” went live as planned moments after midnight on January 1, 2018, to enable those members who were opt-in eligible to make their decision through a secure and simple-to-use online system, rather than traditional paper forms. Additionally, TSP automatic and matching contributions began transacting between DFAS and the FRTIB as planned, beginning with the first pay period that started after members began enrolling in BRS. There have been no significant reports of systems issues related to BRS that prevented Service members from taking advantage of the program. The technical achievements of this transition will serve as model for future major change management of pay and personnel systems.

Section 1a: Enumeration of Members Who Elected to Transition into the BRS

As established in Section 631 of the NDAA for FY16, the primary BRS opt-in period occurred between January 1, 2018, and December 31, 2018, although there are members who have been able to opt into BRS subsequent to this primary opt-in period.⁷ While 401,455 Service members across DoD opted into BRS during the primary opt-in period that occurred in 2018, by December 31, 2019, the number of opt-in members remaining in service had reduced to 397,138, as shown in Table 1. An additional 362,299 members had been auto-enrolled upon entry by that point, bringing the total number of BRS participants to 760,077 as of December 31, 2019.⁸

⁷ There are several reasons why Service members may be eligible to opt into BRS after the primary opt-in period. Cadets and midshipmen with a DIEMS on or before December 31, 2017, who did not enter into commissioned service until after 2018 are eligible to opt-in within 30 days of their first day of duty following commissioning. Additionally, members of the Individual Ready Reserve (IRR) who were not serving in a pay status during 2018 but who were otherwise eligible to opt-in, are able to do so within 30 days of their first day of paid duty. Also, members who left service prior to December 31, 2017, who return to service that begins after December 1, 2018, are eligible to opt-in within 30 days of reentry. Lastly, the Services have the discretion to grant an extension of the opt-in period for certain qualifying reasons as outlined in the Deputy Secretary of Defense’s memorandum, “Implementation of the Blended Retirement System,” dated January 27, 2017. As such, the number of opt-in members continues to fluctuate.

⁸ For purposes of consistency, all tables in the remainder of this report refer to opt-in and auto enrollment statistics as of December 31, 2019.

Prior to and through-out the opt-in period, the Department consistently emphasized opting into BRS was a personal decision to be made by each individual member, in consultation with family, without influence, targets, or goals. It is extremely important to emphasize that DoD did not encourage, attempt to influence, or sway any Service members toward opting-in; expressly choosing a neutral stance on whether either the legacy retirement systems or BRS were more advantageous. DoD provided resources, including accredited financial counselors, an online comparison calculator, and several training courses to aid members in making this decision. At no point was there a goal or quota that DoD was seeking to reach in order to deem BRS or the opt-in period a “success.” In fact, as stated earlier in the report, the Department is immensely proud of the effective and efficient implementation of BRS and encouraged by the significant number of Service members who voluntarily chose to switch retirement systems based on their own personal preferences.

The Department of Defense did not encourage, attempt to influence, or sway any Service members toward opting-in; expressly choosing a neutral stance on whether either the legacy retirement systems or BRS were more advantageous

Active Component	Opted-In	Automatically Enrolled	Total BRS Participation (Opt In + Auto)
Army Active	88,897	103,858	192,755
Air Force Active	67,560	54,627	122,187
Navy Active	76,648	65,753	142,401
Marine Corps Active	70,712	43,518	114,230
Total Active Duty	303,817	267,756	571,573
Reserve Component			
	Opted-In	Automatically Enrolled	Total BRS Participation (Opt In + Auto)
Army Reserve	17,735	31,136	48,871
Army National Guard	26,798	36,717	63,515
Air Force Reserve	6,166	3,677	9,843
Air National Guard	9,438	5,171	14,609
Navy Reserve	5,578	2,853	8,431
Marine Corps Reserve	27,606	15,629	43,235
Total Reserve Component	93,321	95,183	188,504
Total Force			
	Opted-In	Automatically Enrolled	Total BRS Participation (Opt In + Auto)
Total Active Duty	303,817	267,756	571,573
Total Reserve Component	93,321	95,183	188,504
Total	397,138	362,939	760,077

Table 1: BRS Participation as of December 31, 2019

The following tables provide demographic information on BRS opt-in participants as of December 31, 2019, broken out by Military Service, grade, gender, race, marital status, occupation, and age. In each case, the percentage of the total BRS opt-in population is compared to a similar percentage (a) within the BRS opt-in eligible population as a whole (all those who

were eligible to opt into BRS regardless of whether they did or did not opt-in), and (b) within the Force as a total population for that particular demographic.

Percentage of BRS Opt-Ins by Military Service

Service/Component Distribution Comparison			
	Opt-Ins	Opt-In Eligibles	Total Force
Army Active	23.0%	19.8%	22.3%
Army Reserve	3.8%	10.2%	9.0%
Army Guard	6.6%	17.1%	15.7%
Air Force Active	18.3%	14.7%	15.5%
Air Force Reserve	1.5%	3.5%	3.3%
Air Force Guard	2.6%	5.6%	5.1%
Navy Active	20.0%	15.1%	15.8%
Navy Reserve	1.6%	3.6%	2.8%
Marine Corps Active	20.9%	8.5%	8.8%
Marine Corps Reserve	1.8%	2.0%	1.8%
TOTAL DoD	100.0%	100.0%	100.0%

Table 2: Percentage of BRS Opt-Ins by Service

National Guard members in their opt-in decisions, but it is impossible to make a generalized conclusion about the individual choices made by each eligible member. The most significant impact was that the criteria to opt-in was much broader for RC members. Because RC members could have any length of service as long as they had fewer than the equivalent of 12 active years (i.e., fewer than 4,320 retirement points), many RC members, though technically eligible to opt-in, were actually far along in their careers, and in many cases, already retirement eligible under the legacy system. As a percentage, those for whom BRS would have been an attractive option was lessened by this larger pool.

Also, some RC members may have been less inclined to opt into BRS because they already have defined contribution plans (i.e., 401k-style plans) through their civilian employers and were less incentivized by the potential for matching contributions and portability of the TSP. AC members, on the other hand, did not previously have any option for contributing to a 401k-style retirement plan that offered matching contributions, so were likely more inclined to see this as an attractive incentive, both for its flexibility and portability.

AC and RC members tend to view retirement as an incentive differently. AC members tend to have more clarity about their personal preferences for long-term service, meaning the portable benefits of BRS would have been more appealing to those active members who are confident they will leave service prior to serving a full 20 years. Receipt of military retired pay for RC members is often more distant and can be perceived less significantly as part of an individual’s total retirement plan when compared to the view held by AC members. As such, RC members may have felt there was less risk from choosing to stay in the legacy plan even if they are not certain they will ultimately serve for 20 years. Given these differences, it is not

As shown in Table 2, for each of the AC services, the percentage of opt-ins exceeded that component’s percentage of the eligible population as well as that component’s percentage of the Force as a whole. Conversely, all of the RC components saw smaller opt-in numbers as a percentage of the eligible population and percentage of the Force as a whole.

The lower opt-in rate among RC members can be explained by several possibilities that may have influenced those Reserve and

surprising that greater percentages of AC members than RC members made the decision to opt into BRS.

Percentage of BRS Opt-Ins by Grade

Grade Distribution Comparison			
	Opt-Ins	Opt-In Eligibles	Total Force
E-1	0.1%	0.2%	4.0%
E-2	0.5%	0.8%	5.0%
E-3	12.5%	8.8%	12.9%
E-4	30.8%	29.2%	20.6%
E-5	24.4%	25.5%	17.5%
E-6	7.4%	14.4%	12.4%
E-7	0.6%	3.8%	7.2%
E-8	0.0%	0.7%	2.3%
E-9	0.0%	0.2%	0.8%
O-1	3.7%	1.9%	1.7%
O-2	6.8%	3.1%	2.2%
O-3	11.0%	6.4%	5.0%
O-4	1.6%	3.1%	3.6%
O-5	0.1%	0.8%	2.3%
O-6	0.0%	0.2%	0.8%
O-7	0.0%	0.0%	0.0%
O-8	0.0%	0.0%	0.0%
O-9	0.0%	0.0%	0.0%
O-10	0.0%	0.0%	0.0%
W-1	0.1%	0.1%	0.2%
W-2	0.2%	0.4%	0.5%
W-3	0.0%	0.2%	0.4%
W-4	0.0%	0.1%	0.2%
W-5	0.0%	0.0%	0.1%
TOTAL DoD	100.0%	100.0%	100.0%

Table 3: Percentage of BRS Opt-Ins by Grade

eligible to opt-in were more incentivized to opt into BRS. This is explained by two reasons: (1) because they are more junior these members have less clarity about the likelihood of serving for a full career and would have been more incentivized to take the assuredness of receiving some government retirement benefits through BRS, and (2) because they were more junior, these members knew they had longer to serve to maximize the government contributions to TSP, making this aspect of BRS more attractive than it would have been to more senior members.

Table 3 shows the percentage of BRS opt-ins by paygrade relative to the percentage of all BRS eligible members in those grades and the proportion of each grade within the total Force. A very important caveat to Table 3 is that it shows the paygrade of each member as of December 31, 2019, when all data for this report was compiled. The paygrade of a member who opted into BRS is likely different at that point in time than their paygrade was at the time he or she opted-in. This is why the bulk of members who opted-in are now E-3 through E-5 (67.7 percent of all opt-ins), with significantly fewer remaining E-1 and E-2 members who opted-in relative to the proportion of those paygrades among the Force as a whole.

In total, grades E-3 through E-5 and O-1 through O-3 represent 89.2 percent of all opt-ins, whereas those paygrades only represented 74.9 percent of opt-in eligible members and just 59.9 percent of the Force as a whole. This indicates that members in relatively junior ranks were more likely to opt-in than those in more senior ranks. This is rather intuitive because members in junior paygrades usually have less accumulated service than members in more senior paygrades. Those members with less accumulated service at the point that they were

Percentage of BRS Opt-Ins by Gender

Gender Distribution Comparison			
	Opt-Ins	Opt-In Eligibles	Total Force
Male	80.2%	81.4%	81.6%
Female	19.8%	18.6%	18.4%
TOTAL DoD	100.0%	100.0%	100.0%

Table 4: Percentage of BRS Opt-Ins by Gender

in eligible members. There is a noticeable difference in the actual opt-in rates between male and females, though, with only 80.2 percent of opt-ins being male and 19.8 percent female, as shown in the first column of Table 4. There is not enough evidence to draw a definitive conclusion as to why females were slightly more likely to opt-in compared to males. It may indicate that cohorts of new accessions into service in the last few years leading up to BRS implementation included slightly larger percentages of female Service members, meaning females make up a greater proportion of the Force at junior ranks than they do at mid-grade ranks. It may also indicate that females tend to have slightly less confidence that they will serve a full 20 year career, making the benefits of switching to BRS more obvious.

Percentage of BRS Opt-Ins by Race

Table 5 shows the percentage of BRS opt-ins by race compared to the entire opt-in

Race Distribution Comparison			
	Opt-Ins	Opt-In Eligibles	Total Force
American Indian/Alaskan Native	0.9%	1.0%	1.0%
Asian, Native Hawaiian or Pacific Islander	6.6%	5.7%	5.6%
Black or African American	14.1%	16.3%	16.9%
White	72.1%	71.1%	70.5%
Other	5.5%	5.2%	5.0%
Unknown	0.8%	0.7%	1.0%
TOTAL DoD	100.0%	100.0%	100.0%

Table 5: Percentage of BRS Opt-Ins by Race

population and among the entire Force. Notably, Service members who identify as “Black or African American” were less likely to opt-in relative to the population of black or African Americans within the entire opt-in eligible population or even compared to the percentage of black or African Americans who make up the Force as a whole. Black or African American Service members represent 16.9 percent of the Force and 16.3 percent of the opt-in eligible population, but made up only 14.1 percent of those who actually opted-in. While causation cannot be determined from the data alone, the disparity between eligibility and opting-in is concerning. This is notable and worth further analysis as the Department continues to implement a comprehensive, career-long continuum of financial literacy education to ensure all members have equal access to financial literacy and financial resources.

As of December 31, 2019, males were 81.6 percent of the Force while females were 18.4 percent, as shown in the third column of Table 4. Similarly, as would be expected, the ratio of male to female were nearly identical within the total opt-in eligible population – males were 81.4 percent of all opt-in eligible members and females were 18.6 percent of opt-

Percentage of BRS Opt-Ins by Marital Status

Table 6 shows the percentage of opt-ins who are single and the percentage who are

Marital Status Distribution Comparison			
	Opt-Ins	Opt-In Eligibles	Total Force
Single	56.8%	51.6%	52.0%
Married	43.2%	48.4%	47.9%
TOTAL DoD	100.0%	100.0%	100.0%

Table 6: Percentage of BRS Opt-Ins by Marital Status

married, as compared to the percentage among the entire opt-in population and among the entire Force. Most noticeably, single members were considerably more likely to opt-in than married members. This can likely be explained by two primary reasons in general terms: (1) as shown in Table 3, junior members were more likely to

opt-in than senior members, as would be expected, and those junior members are more likely to be single based on age compared to senior members, and (2) married members are likely more career-oriented than single members because of the associated longer-term benefits of military service, meaning they are also more likely to have clarity about their willingness and ability to serve a full 20 year career. Those career-oriented members who perceived they were more likely to serve a full 20 year career were less likely to see an advantage in switching to BRS.

Percentage of BRS Opt-Ins by Occupation

Table 7 displays the general occupation grouping of BRS opt-in members based on relatively large occupational descriptions. Codes beginning in the number “1” represent enlisted occupations, while codes beginning in the number “2” represent officers. Among enlisted opt-ins, it is worth noting that skills requiring generally higher levels of education or training, such as electronic equipment repair, communications, and intelligence specialists demonstrated higher rates of opt-in relative to those career fields as a proportion of the total Force. In other words, members in these technical skills were slightly more likely to opt-in compared to enlisted members in infantry, gun crews, seamanship, craftwork, or service and supply handlers. This suggests, although the data does not prove any conclusions, that members in these career fields have higher levels of financial literacy or greater clarity about career aspirations. Officers of all occupation codes make up a greater proportion of the total opt-in pool relative to their share of the total Force. Again, this suggests that levels of overall education, as a potential proxy for

financial literacy, contributed to the likelihood of opt-in eligible members making the decision to opt into BRS.

Occupation Distribution Comparison			
	Opt-Ins	Opt-In Eligibles	Total Force
10 - Infantry, Gun Crews, Seamanship Specialists	12.0%	13.1%	12.3%
11 - Electronic Equipment Repairers	8.4%	6.9%	6.5%
12 - Communications and Intelligence Specialists	8.9%	7.9%	7.6%
13 - Health Care Specialists	5.7%	6.2%	5.7%
14 - Other Technical and Allied Specialists	2.4%	2.6%	2.5%
15 - Functional Support and Administration	10.8%	12.6%	12.3%
16 - Electrical/Mechanical Equipment Repairers	15.3%	16.0%	15.4%
17 - Craftworkers	3.0%	4.0%	3.7%
18 - Service and Supply Handlers	7.6%	11.5%	10.8%
19 - Non-Occupational	1.1%	1.8%	6.1%
10 - Unspecified	1.2%	1.1%	0.0%
21 - General Officers and Executives	0.1%	0.1%	0.2%
22 - Tactical Operations Officers (Pilots/Crews/Ops)	7.8%	4.6%	5.3%
23 - Intelligence Officers	1.6%	1.3%	1.5%
24 - Engineering and Maintenance Officers	2.7%	1.9%	2.2%
25 - Scientists and Professionals	1.2%	1.1%	1.1%
26 - Health Care Officers	3.9%	2.6%	2.8%
27 - Administrators	1.3%	1.2%	1.4%
28 - Supply, Procurement, and Allied Officers	1.6%	1.4%	1.5%
29 - Non-Occupational	1.9%	1.6%	1.0%
20 - Unspecified	1.6%	0.7%	0.2%
TOTAL DoD	100.0%	100.0%	100.0%

Table 7: Percentage of BRS Opt-Ins by Occupation

Percentage of BRS Opt-Ins by Duty Location

Limitations in the data used to compile this report prevent a useful enumeration of the duty location of members who opted into BRS, for varying reasons. This data was compiled as of December 31, 2019, although the location of a Service member at the time he or she opted into BRS, as much as almost two years earlier, is not clear in this dataset. Further, the duty location of a member in pay records (e.g., assigned to Fort Eustis, Virginia or Naval Station Mayport, Florida) is often different than the member’s duty location at the time he or she made the opt-in election (e.g., temporarily deployed to Camp Lemmonier, Djibouti, or temporarily assigned to Naval Legal Justice School in Newport, Rhode Island) due to deployments, temporary assignments, schools, and other deviations. As such, drawing conclusions about where a member was at the time he or she made the opt-in decision would be difficult as so many other factors would be involved.

Percentage of BRS Opt-Ins by Age

The Senate Report requested an enumeration of BRS opt-in by “other pertinent demographics.” Table 8 and Figure 2 show the breakdown of the ages of BRS opt-in members at the time they opted-in, compared to the share of those age groups as a portion of the opt-in eligible population and as a share of the total Force. As would be expected, BRS opt-ins exceed their share of the opt-in eligible population and their share of the total Force for every age from age 17 to age 28. Beginning at age 29 and continuing through age 59, opt-in eligible members were less likely to opt-in. This result is both encouraging and anticipated. Younger members in ages 17 through 28 have (a) less accrued service meaning they are further from retirement and, thus, more inclined to have seen the advantage of switching to BRS, and (b) have longer for investments in TSP to grow before they reach full retirement in their 60s or later. The fact that the share of opt-ins in ages 17 through 28 is so much larger than the share of the total Force at those ages is encouraging and may indicate these members, despite their younger age and lesser financial experience, understood the potential benefits of BRS for their long-term financial and retirement goals.

Age Distribution Comparison							
	Opt-Ins	Opt-In Eligibles	Total Force		Opt-Ins	Opt-In Eligibles	Total Force
17 years	1.4%	1.2%	0.3%	41 years	0.2%	0.6%	1.5%
18 years	5.8%	4.0%	2.4%	42 years	0.2%	0.5%	1.3%
19 years	8.9%	6.1%	4.4%	43 years	0.2%	0.5%	1.2%
20 years	9.4%	6.9%	5.3%	44 years	0.1%	0.4%	1.1%
21 years	9.1%	7.0%	5.7%	45 years	0.1%	0.4%	1.0%
22 years	8.6%	6.8%	5.9%	46 years	0.1%	0.4%	1.0%
23 years	8.4%	6.6%	5.8%	47 years	0.1%	0.4%	0.9%
24 years	7.7%	6.2%	5.4%	48 years	0.1%	0.4%	0.8%
25 years	6.9%	5.8%	5.0%	49 years	0.1%	0.3%	0.7%
26 years	6.1%	5.6%	4.7%	50 years	0.0%	0.3%	0.6%
27 years	5.6%	5.5%	4.5%	51 years	0.0%	0.2%	0.5%
28 years	4.5%	5.1%	4.1%	52 years	0.0%	0.2%	0.4%
29 years	3.7%	4.7%	3.8%	53 years	0.0%	0.2%	0.4%
30 years	2.9%	4.2%	3.5%	54 years	0.0%	0.1%	0.3%
31 years	2.3%	3.5%	3.3%	55 years	0.0%	0.1%	0.3%
32 years	1.8%	3.1%	3.2%	56 years	0.0%	0.1%	0.2%
33 years	1.4%	2.6%	3.1%	57 years	0.0%	0.1%	0.2%
34 years	1.1%	2.2%	3.0%	58 years	0.0%	0.0%	0.1%
35 years	0.9%	1.9%	2.9%	59 years	0.0%	0.0%	0.1%
36 years	0.7%	1.6%	2.7%	60 years	0.0%	0.0%	0.0%
37 years	0.5%	1.3%	2.5%	61 years	0.0%	0.0%	0.0%
38 years	0.4%	1.1%	2.3%	62 years	0.0%	0.0%	0.0%
39 years	0.3%	0.9%	1.9%	63 years	0.0%	0.0%	0.0%
40 years	0.2%	0.7%	1.7%	64 years	0.0%	0.0%	0.0%

Table 8: Percentage of BRS Opt-Ins by Age

Figure 2 demonstrates graphically how much the population of BRS opt-in members skews younger than the age of the total Force and even the age of the opt-in eligible population. This suggests that DoD’s financial literacy and strategic communications efforts were effective in conveying to younger members the value of lifelong savings and the advantages of switching to BRS for members who were earlier in their careers.

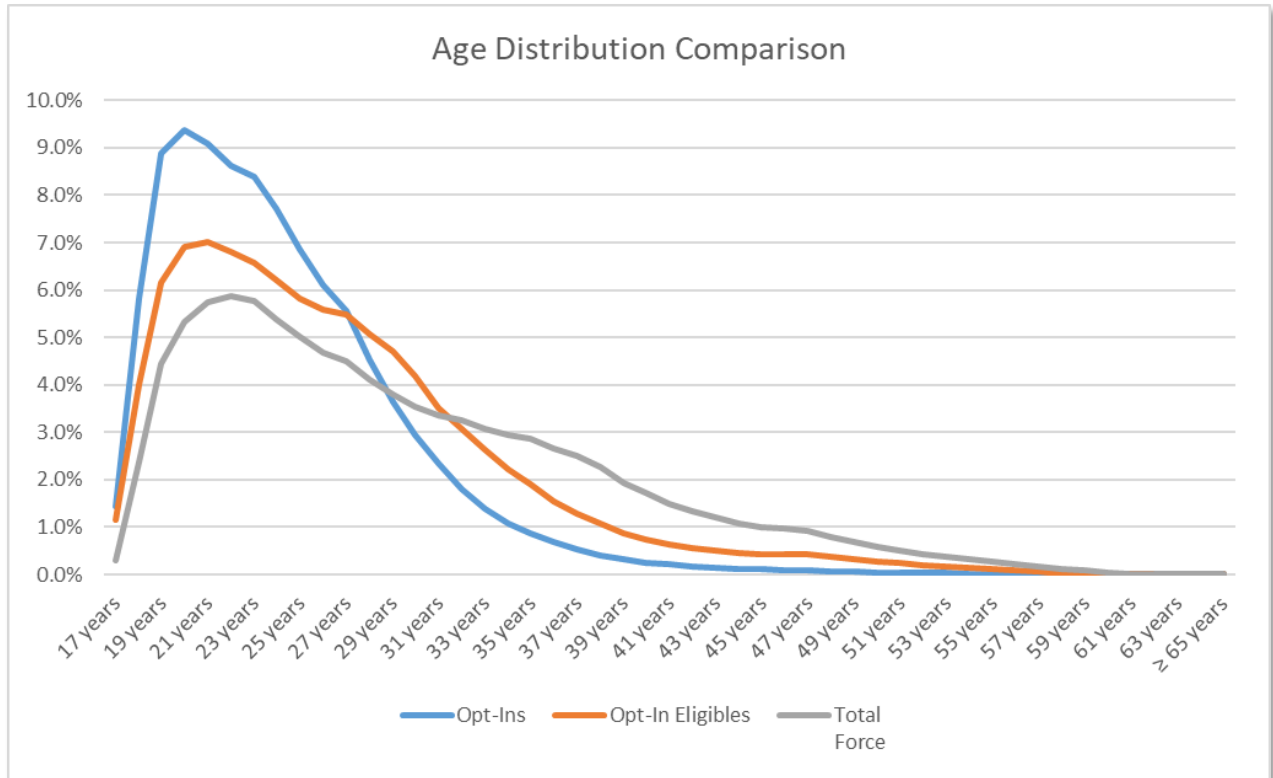


Figure 2: BRS Opt-In Age Distribution Compared to Eligible Population and Total Force

Differences in Choice Structure

When enacting BRS, Congress ensured that members already serving prior to the date of implementation would be grandfathered under their legacy retirement system. Grandfathering was done to ensure no member would be forced or would feel compelled to change retirement systems unless he or she wanted to change. Taking no action during the course of the BRS opt-in period was, in effect, making a choice to stay. Staying put was perceived by many Service members to be the better course of action for their circumstances, which was and is a decision respected by DoD. In their report, the Senate asked, “Whether the differences in choice structure (e.g., Marines were required to elect either to remain in the legacy retirement system or switch to BRS) contributed to disparities in enrollment rates between the Services.”

To answer this, it must first be made clear that the Marine Corps enacted their own internal policy that required every Marine to record an election, either to remain in the legacy retirement system or to switch to BRS. But, as the law provides, failure by any Marine to take that action was still a passive decision to remain enrolled in the legacy retirement system.

Marines who did not follow through in making that affirmative election to remain in the legacy retirement system still, nevertheless, remained grandfathered. None of the other Military Services chose to enact an internal policy requiring each Service member to take action.

At the end of the opt-in period on December 31, 2018, 84,067 active duty Marines had opted into BRS. This represented roughly 60 percent of the number of opt-in eligible active duty Marines. This ratio is certainly far higher than the other services, which all saw between 25 percent and 33 percent of opt-in eligible AC members choose to opt-in. There were also 13,681 Reserve Marines who opted into BRS, or about 41 percent of opt-in eligible Reserve Marines, as of December 31, 2018. This ratio was also considerably higher than the percentage of RC members in any other component.

It could be argued, and certainly has been, that the Marine Corps' requirement that all Marines make an affirmative election caused that Service's opt-in numbers to be considerably higher as a proportion of the Force. It is also likely that strong Service leadership as a whole contributed to greater numbers of Marines recognizing the inherent benefits of BRS. The Marine Corps has the youngest force, on average, than the other Services and has a much lower retention rate after the first enlistment. For both of these reasons, it would be expected that the Marine Corps would outpace the other Services with BRS opt-in because the Marine Corps has the highest percentage of Service members for whom BRS was an obvious advantage.

While the Marine Corps' policy of requiring an affirmative election likely contributed to higher opt-in rates, such a policy was not deemed effective or necessary across DoD as a whole. The senior-level BRS Executive Work Group considered such a policy across all Uniformed Services, but determined it was unnecessary. Collectively, the Executive Work Group felt that requiring all Service members to make an affirmative election to stay in the legacy retirement system, when the statute specifically grandfathered such members, would be contradictory, and potentially misleading. Further, enforcing such a mandate is problematic as failure to comply with the requirement to make an election would still result in the Service member defaulting to staying in the legacy system. It was feared that requiring all Service members to make an affirmative election, in spite of the statute's explicit grandfathering, would send the message to the Force that their Service's leadership was encouraging them to opt-in. This would have violated one of DoD's most important precepts of BRS implementation, which was not to attempt to sway or influence any eligible member from making the individual choice that was best for him or her.

Section 2: Analysis of Thrift Savings Plan (TSP) Matching Contributions

TSP allows eligible participants to contribute from their own basic pay or inactive duty pay (for members of the Reserves and National Guard) to TSP, up to annual limits set by the Internal Revenue Service, either through pre-tax contribution or after-tax “Roth” contributions. In addition, full participants are eligible for an automatic, Government-provided 1 percent contribution to TSP and up to an additional 4 percent matching contribution. The automatic and matching TSP benefits for BRS are the same as those for Federal employees participating in FERS, with the exception of the timing of vesting, automatic re-enrollment rules, and the start of automatic contributions for new members.

Members of the Uniformed Services who first entered service on or after January 1, 2018, and who were automatically enrolled in BRS are, consequently, also automatically enrolled in TSP into an “age-appropriate” Lifecycle Fund. Members who were serving on or before December 31, 2017, and who elected to opt into BRS were not automatically enrolled with a minimum TSP contribution from their own pay. This is because 5 U.S.C. § 8432(b)(2)(D) does not allow automatic enrollment of any employee who was previously eligible to contribute to TSP. Because members who opted-in had previously been eligible to voluntarily contribute to TSP prior to enrolling in BRS, they were, by law, exempted from being automatically enrolled at a certain contribution percentage.

Beginning on January 1, 2018, newly-accessed members of the Uniformed Services were automatically enrolled in TSP at a 3 percent contribution rate beginning in the pay period that followed the member’s 60th day of paid service (see the footnote regarding an upcoming change to automatic enrollment for all Federal employees).⁹ Throughout the training and education for BRS, the Department has encouraged BRS participants to maximize their TSP contributions to ensure they receive the full value of the government’s match. Members who opted into BRS were eligible to receive Government-provided matching contributions almost immediately. Conversely, members who were automatically enrolled were not eligible to receive Government-provided matching contributions until they have served for 2 years.

As of December 31, 2019, fully 2 years into the implementation of BRS, overall TSP participation numbers are strong for both members who opted-in and those who were auto-enrolled. As Table 9 indicates, 80 percent of all BRS participants are contributing 3 percent or more to their TSP account. Among all BRS participants, 6 percent contribute 1 or 2 percent of basic pay or inactive duty pay, 22 percent contribute 3 percent of their pay, 3 percent contribute 4 percent of their pay, 14 percent contribute 5 percent of their pay, and 42 percent contribute more than 5 percent. Just 10 percent do not contribute to TSP from their own pay. An additional 4 percent of auto-enrolled members remained “in-process” as of December 31, 2019.¹⁰ This means that these members had only recently been accessed into Service and their TSP default

⁹ The automatic enrollment contribution will increase from 3 percent to 5 percent for all new Federal employees, including members of the Uniformed Services, on October 1, 2020, in accordance with regulations governed by the Executive Director, Federal Retirement Thrift Investment Board (85 Fed. Reg. 8767-68, published for review on February 18, 2020).

¹⁰ Due to rounding these percentages add up to more than 100 percent.

contributions, which do not begin until the pay period that starts after the members 60th day of service following their PEBD, had not yet been started.

Percent Contribution within Service & Component (All BRS Participants)								
	>=6% Contrib	5% Contrib	4% Contrib	3% Contrib	2% Contrib	1% Contrib	0% Contrib	In- Process
Army Active	39%	7%	3%	32%	5%	1%	10%	4%
Army Reserve	26%	17%	2%	43%	2%	1%	9%	1%
Army Guard	24%	16%	1%	43%	1%	1%	9%	5%
Air Force Active	55%	9%	2%	19%	3%	1%	7%	5%
Air Force Reserve	34%	21%	2%	27%	2%	2%	10%	2%
Air Force Guard	39%	20%	1%	25%	1%	1%	9%	2%
Navy Active	54%	10%	4%	8%	7%	5%	6%	5%
Navy Reserve	40%	16%	3%	19%	4%	4%	10%	4%
Marine Corps Active	35%	28%	3%	10%	3%	3%	14%	4%
Marine Corps Reserve	26%	21%	2%	18%	2%	1%	30%	0%
TOTAL DoD	42%	14%	3%	22%	4%	2%	10%	4%

Table 9: TSP Contribution Percentages; all BRS members as of December 31, 2019

Comparatively more members who opted into BRS are tending to contribute at least 5 percent or more of their own pay to maximize the Government’s matching contribution, when compared to those members who were auto-enrolled. Table 10 below shows TSP contribution rates for just those members who were auto-enrolled. There are several reasons why members who opted-in are more likely, as of December 31, 2019, to contribute at 5 percent. First, members who chose to opt into BRS were voluntarily choosing to forgo the higher defined benefit option of the legacy retirement systems in exchange for the ability to earn automatic and Government matching contributions through TSP, indicating a desire among these individuals to take advantage of TSP. Secondly, and likely more importantly, members who opted into BRS were eligible for immediate Government-provided matching TSP benefits beginning with the next pay period that started after the day they opted-in, as opposed to those who were auto-enrolled who have to wait 2 years from their PEBD to begin receiving matching benefits. As of the December 31, 2019, the date that the data contained in this report was compiled, none of the auto-enrolled members had yet become eligible for Government matching contributions to TSP.

As shown in Table 10, 33 percent of BRS auto-enrolled members are contributing 5 percent or more of their own pay. This compares to 75 percent of BRS opt-in members who are contributing 5 percent or more of their own pay. Conversely, because of auto-enrollment in TSP, which only applies to members auto-enrolled in BRS but not to those who opted-in, overall participation in TSP is higher among auto-enrollees. As shown in Table 10, 98 percent of auto-enrolled BRS members are contributing any amount of their own pay to TSP. Just 2 percent of auto-enrolled members do not contribute to TSP from their own pay.

Percent Contribution within Service & Component (Auto)								
	>=6% Contrib	5% Contrib	4% Contrib	3% Contrib	2% Contrib	1% Contrib	0% Contrib	In- Process
Army Active	9%	12%	1%	60%	7%	1%	3%	7%
Army Reserve	6%	10%	1%	78%	1%	1%	1%	2%
Army Guard	6%	8%	1%	75%	0%	1%	1%	9%
Air Force Active	19%	19%	2%	42%	4%	1%	3%	10%
Air Force Reserve	11%	13%	1%	65%	1%	1%	1%	6%
Air Force Guard	12%	10%	1%	68%	1%	1%	1%	6%
Navy Active	18%	22%	5%	19%	11%	10%	3%	12%
Navy Reserve	9%	13%	2%	50%	6%	7%	2%	10%
Marine Corps Active	36%	25%	2%	22%	2%	1%	2%	10%
Marine Corps Reserve	28%	27%	2%	36%	2%	2%	2%	0%
TOTAL DoD	16%	17%	2%	46%	5%	3%	2%	9%

Table 10: TSP Contribution Percentages; Auto-Enrolled BRS members as of December 31, 2019

It can be inferred from Table 10 that members who are auto-enrolled in TSP are more likely to either leave their contributions alone (accepting the default contribution rate) or to raise their contributions. Only 10 percent of auto-enrollees adjusted their TSP contributions downward, and just 2 percent turned off those contributions entirely. It would be natural to deduce that members who were auto-enrolled have less incentive to increase their individual TSP contribution from 3 percent to 5 percent until such time as they become eligible for the Government’s matching contributions. For the population considered for this study, none of the automatic enrollees were yet eligible for matching contributions as of December 31, 2019. Additionally, as an added factor to consider, the average age of an auto-enrollee is 21.9 years compared to an average age of 26.9 years for members who opted into BRS. The younger age of auto-enrollees further reinforces that those members have slightly less incentive to contribute 5 percent to maximize savings compared to members who opted-in, explaining why 75 percent of opt-in participants are contributing 5 percent or more while only 33 percent of auto-enrolled members contribute 5 percent or more.

Overall, TSP participation rates are strong and compare favorably to contribution rates among Federal civilian employees. As indicated in Table 9, only 10 percent of BRS members do not contribute to TSP. This compares favorably to FERS civilian employees across the Federal Government, of whom about 7 percent do not contribute to TSP.¹¹ In fact, new Federal civilian employees have been subject to automatic enrollment in TSP since 2010, which has boosted TSP participation to its current level of about 93 percent. As recently as 2014 – 4 years after automatic enrollment was instituted – FERS civilian employee participation was 87 percent; lower than BRS participation after only 2 years. This suggests that TSP participation among Service members will likewise continue increasing as the number of automatic enrollees

¹¹ TSP Annual Report for 2018, accessed at https://www.frtib.gov/ReadingRoom/Congress/TSP-Annual-Report_2018.pdf, on May 20, 2020.

continues to increase and the number of opt-in members declines as a percentage of the BRS population.

Tables 11 through 15 provide TSP contribution levels of Service members enrolled in BRS broken out by demographics, to include paygrade, gender, race, marital status, and occupation. Of note, Service members listed as “in-process” (roughly 4 percent of all BRS participants) represent those members who have recently accessed into service and have not yet been enrolled in TSP. As would be expected, members “in-process” are heavily weighted toward E-1 and E-2, which means these members have only recently joined the service and are likely still in entry level training. Automatic enrollment into TSP does not occur until the member has completed at least 60 days following his or her PEBD. As such, these members have not yet contributed to TSP and are classified as “in-process.”

Percent Contribution within Grade								
Paygrade	>=6% Contrib	5% Contrib	4% Contrib	3% Contrib	2% Contrib	1% Contrib	0% Contrib	In- Process
E-1	8%	7%	2%	42%	10%	3%	1%	27%
E-2	18%	17%	2%	47%	5%	3%	2%	5%
E-3	25%	20%	3%	35%	3%	3%	9%	2%
E-4	50%	13%	4%	9%	4%	2%	19%	1%
E-5	65%	10%	4%	2%	3%	1%	14%	0%
E-6	71%	9%	4%	2%	3%	1%	10%	0%
E-7	70%	12%	4%	1%	4%	1%	10%	0%
E-8	63%	16%	1%	4%	4%	1%	10%	0%
E-9	86%	0%	0%	0%	0%	0%	14%	0%
O-1	65%	15%	1%	10%	1%	0%	8%	0%
O-2	80%	9%	1%	2%	1%	0%	7%	0%
O-3	83%	7%	1%	1%	1%	0%	7%	0%
O-4	77%	8%	2%	1%	1%	0%	11%	0%
O-5	60%	16%	2%	2%	1%	0%	18%	0%
O-6	59%	23%	0%	0%	0%	3%	15%	0%
W-1	59%	31%	1%	2%	1%	0%	6%	0%
W-2	80%	9%	2%	0%	2%	0%	7%	0%
W-3	72%	12%	5%	2%	0%	1%	7%	0%
W-4	100%	0%	0%	0%	0%	0%	0%	0%
TOTAL DoD	42%	14%	3%	22%	4%	2%	10%	4%

Table 11: TSP Individual Contributions Within Each Paygrade

Percent Contribution within Gender								
Gender	>=6% Contrib	5% Contrib	4% Contrib	3% Contrib	2% Contrib	1% Contrib	0% Contrib	In- Process
Male	42%	14%	3%	21%	4%	2%	10%	4%
Female	41%	11%	3%	25%	5%	3%	8%	4%
TOTAL DoD	42%	14%	3%	22%	4%	2%	10%	4%

Table 12: TSP Individual Contributions By Gender

Percent Contribution By Race								
Race	>=6% Contrib	5% Contrib	4% Contrib	3% Contrib	2% Contrib	1% Contrib	0% Contrib	In- Process
American Indian/Alaskan Native	41%	12%	3%	21%	5%	2%	11%	4%
Asian	52%	13%	2%	17%	3%	2%	9%	4%
Black or African American	33%	11%	4%	29%	5%	3%	11%	5%
Native Hawaiian or other Pacific Islander	37%	13%	3%	25%	4%	3%	10%	4%
White	43%	14%	3%	22%	4%	2%	9%	4%
Other	52%	13%	4%	13%	5%	3%	8%	2%
Unknown/Not Applicable	70%	3%	3%	8%	3%	0%	12%	1%
TOTAL DoD	42%	14%	3%	22%	4%	2%	10%	4%

Table 13: TSP Individual Contributions by Race

Percent Contribution within Marital Status								
Marital Status	>=6% Contrib	5% Contrib	4% Contrib	3% Contrib	2% Contrib	1% Contrib	0% Contrib	In- Process
Never Married	36%	14%	2%	27%	4%	2%	8%	5%
Married	55%	12%	3%	11%	4%	2%	12%	1%
Divorced	59%	10%	4%	8%	3%	1%	14%	1%
Annulled	48%	11%	4%	21%	3%	3%	8%	1%
Legally Separated	32%	17%	4%	24%	5%	4%	13%	0%
Widowed	63%	6%	5%	6%	3%	3%	13%	2%
TOTAL DoD	42%	14%	3%	22%	4%	2%	10%	4%

Table 14: TSP Individual Contributions by Marital Status

Percent Contribution By Occupation								
Occupations (1X - Enlisted, 2X - Officer)	>=6% Contrib	5% Contrib	4% Contrib	3% Contrib	2% Contrib	1% Contrib	0% Contrib	In- Process
10 - Infantry, Gun Crews, Seamanship Specialists	29%	15%	3%	28%	5%	3%	12%	5%
11 - Electronic Equipment Repairers	53%	14%	3%	14%	4%	2%	10%	0%
12 - Communications and Intelligence Specialists	48%	13%	3%	20%	3%	2%	10%	0%
13 - Health Care Specialists	49%	10%	4%	21%	4%	2%	9%	1%
14 - Other Technical and Allied Specialists	47%	16%	3%	20%	2%	1%	10%	1%
15 - Functional Support and Administration	37%	16%	4%	24%	4%	3%	12%	1%
16 - Electrical/Mechanical Equipment Repairers	40%	15%	3%	20%	5%	3%	10%	3%
17 - Craftworkers	36%	15%	3%	27%	4%	2%	13%	1%
18 - Service and Supply Handlers	30%	15%	3%	32%	4%	3%	13%	1%
19 - Non-Occupational	18%	11%	2%	41%	5%	1%	4%	18%
10 - Unspecified	20%	12%	1%	34%	6%	1%	3%	22%
21 - General Officers and Executives	88%	4%	2%	0%	2%	0%	4%	0%
22 - Tactical Operations Officers (Pilots/Crews/Ops)	83%	7%	1%	2%	1%	0%	6%	0%
23 - Intelligence Officers	79%	10%	1%	2%	1%	0%	7%	0%
24 - Engineering and Maintenance Officers	78%	10%	1%	2%	1%	0%	8%	0%
25 - Scientists and Professionals	78%	9%	1%	3%	1%	0%	7%	0%
26 - Health Care Officers	76%	7%	1%	4%	1%	0%	10%	0%
27 - Administrators	73%	12%	2%	3%	1%	1%	9%	0%
28 - Supply, Procurement, and Allied Officers	74%	13%	2%	3%	1%	1%	7%	0%
29 - Non-Occupational	71%	11%	1%	8%	1%	0%	7%	0%
20 - Unspecified	71%	13%	1%	6%	1%	0%	8%	1%
TOTAL DoD	42%	14%	3%	22%	4%	2%	10%	4%

Table 15: TSP Individual Contributions by Occupation

Special, Bonus, and Incentive Pay

In accordance with 10 U.S.C. § 8440e(d)(2), a member of a Uniformed Service “making contributions to the Thrift Savings Fund out of basic pay, or out of compensation under section 206 of title 37, may also contribute any part of any special or incentive pay that such member receives under chapter 5 of title 37.” This means that Service members who are contributing to TSP from their basic pay (or inactive duty pay in the case of members of the RC) may also contribute any amount of Special, Bonus, or Incentive (SIB) pays they receive as part of their total compensation package. This includes many different SIB programs, such as Continuation Pay, retention bonuses, flight pay, etc.

The Senate Report requested analysis of whether Service members who receive “special pay or incentives are more inclined to contribute and receive matching contributions.” In answering, it is important to clarify that there is no matching contribution when SIB pays are contributed to TSP. Only individual contributions from basic pay or inactive duty pay are matched, up to 5 percent. Though there is no matching available for SIB pays, contributing such pays to TSP is still advantageous as it allows Service members to contribute some portion or all of a bonus to a tax-advantaged retirement account, either saving money on current year taxes or saving money on taxes in retirement (in the case of Roth contributions) while allowing those contributions to grow over time.

Percent Contribution within Special, Incentive, or Bonus Pay Indicator								
Receipt of Special, Incentive, or Bonus Pay (SIB)	>=6% Contrib	5% Contrib	4% Contrib	3% Contrib	2% Contrib	1% Contrib	0% Contrib	In- Process
No SIB Pay	36%	15%	2%	25%	4%	2%	10%	6%
Received SIB Pay	54%	11%	4%	15%	4%	2%	10%	0%
TOTAL DoD	42%	14%	3%	22%	4%	2%	10%	4%

Table 16: TSP Individual Contributions by Receipt of Special, Incentive, or Bonus Pay

The data in Tables 16 and 17 show that members receiving SIB pays are clearly inclined and able to contribute more money to TSP. 54 percent of members who received any SIB pay contributed 6 percent or more of their total pay to TSP, compared to 36 percent of those who did not receive an SIB. Among all BRS participants, Table 17 shows that members who received any SIB pay contributed, on average, \$297 per month compared to \$192 per month for those members who received no SIB pay. More specifically, opt-in members who received an SIB pay contributed, on average, \$417 per month to TSP compared to \$317 per month for those opt-in members who did not receive an SIB.

Average Monthly Amounts (for those contributing) (Auto and Opt-In)				
Special, Incentive, or Bonus Pay Indicator	Average Traditional Individual Contribution in Dollars	Average Roth Individual Contribution in Dollars	Total Individual Contribution in Dollars	Average Percentage Contribution of Basic Pay
No SIB Pay	\$ 58	\$ 134	\$ 192	7%
Auto	\$ 40	\$ 40	\$ 80	5%
Opt-In	\$ 78	\$ 239	\$ 317	11%
Received SIB Pay	\$ 78	\$ 219	\$ 297	9%
Auto	\$ 45	\$ 49	\$ 94	5%
Opt-In	\$ 97	\$ 320	\$ 417	12%
TOTAL DoD	\$ 65	\$ 163	\$ 228	8%
Auto	\$ 42	\$ 42	\$ 84	5%
Opt-In	\$ 86	\$ 272	\$ 357	11%

Table 17: Average Monthly Contributions Separated by Receipt of Special, Incentive, or Bonus Pay

Services Support for Sound Financial Decisions

The Military Services deliver financial literacy training in accordance with 10 U.S.C. § 992 and DoD policy on financial readiness common military training. This training provides regular opportunities for Service members to consider their financial situation and how changes in their personal and professional circumstances, such as relocation or marriage, impact their personal finances. This includes regular consideration of retirement planning and savings, beginning during initial entry training through separation or retirement. Service members and families also have access to free, unbiased financial counseling from more than 700 nationally-accredited Personal Financial Counselors and Personal Financial Managers, as well as telephonic and virtual counseling from Military OneSource. These diverse resources ensure Service members have available support to make sound financial decisions throughout their military career.

Data compiled for this report shows strong evidence that the Department’s efforts to educate the Force about the benefits of saving early for retirement have largely been successful. Members who opted into BRS or who were automatically enrolled in BRS are taking advantage

Opt-In	
Retirement Funds	Percentage
L Fund Only	42.64%
G & L Funds	31.68%
All Others	4.05%
C, S & I Funds	3.53%
G, F, C, S, I & L Funds	2.19%
C, S, I & L Funds	1.78%
C & S Funds	1.70%
G, F, C, S & I Funds	1.67%
G, C, S & I Funds	1.62%
G, C, S, I & L Funds	1.46%
C, S & L Funds	1.26%
C Fund Only	1.14%
C & L Funds	0.98%
G, C, S & L Funds	0.91%
G Fund Only	0.83%
G, C & S Funds	0.78%
G, C & L Funds	0.75%
G & C Funds	0.57%
F, C, S & I Funds	0.46%

Auto Enrolled	
Retirement Funds	Percentage
L Fund Only	97.60%
G & L Funds	0.20%
All Others	0.36%
C, S & I Funds	0.24%
G, F, C, S, I & L Funds	0.20%
C, S, I & L Funds	0.35%
C & S Funds	0.13%
G, F, C, S & I Funds	0.04%
G, C, S & I Funds	0.03%
G, C, S, I & L Funds	0.06%
C, S & L Funds	0.25%
C Fund Only	0.14%
C & L Funds	0.23%
G, C, S & L Funds	0.04%
G Fund Only	0.03%
G, C & S Funds	0.02%
G, C & L Funds	0.05%
G & C Funds	0.02%
F, C, S & I Funds	0.02%

Table 18: TSP Fund Allocation Percentages

of the value of TSP and are contributing from their own pay, with only a very small minority opting to reduce or decline to participate. DoD Service members are making sound financial decisions with their TSP contributions.

Table 18 shows the fund allocations of TSP contributions for BRS members. Among opt-ins, 42.6 percent of members have all of their TSP funds in an age-appropriate Lifecycle Fund (L-Fund). Another 31.7 percent have their funds in a combination of the L-Fund and the G-Fund, likely because those

members previously contributed to TSP prior to opting into BRS, when the G-Fund was the default. Just 0.8 percent of opt-in members keep their funds exclusively in the G-Fund. Among BRS members who were auto-enrolled, 97.6 percent have their funds exclusively invested in an L-Fund. Just 0.03 percent have their funds in the more conservative G-Fund. These statistics demonstrate that DoD Service members are wisely investing in Lifecycle Funds that do not require sophisticated knowledge of the market and are passively invested with appropriate levels of risk. An extremely small number of BRS Service members are invested exclusively in the G-Fund. The Department will continue to seek tools and messaging to reinforce financial literacy, but is confident that BRS and TSP are working for our Service members and they are making sound financial choices with their investments.

The Department has not seen any evidence that TSP contribution rates are creating a wealth disparity among military members and their families. While Table 9 shows that 90 percent of all active duty BRS members contribute to TSP, 51.4 percent of non-BRS members also participate in TSP voluntarily. This suggests that BRS and non-BRS members are both able to take advantage of the long-term wealth accumulation advantages of TSP, regardless of their retirement system. The overall TSP participation rate across all of DoD is 65.4 percent, which is considerably higher by nearly 20 percent from what it was prior to implementation of BRS. Further, because TSP is a retirement program intended to build wealth in traditional retirement

(nominally in an individual's 60s), any noticeable differences in wealth among BRS versus non-BRS will not be evident for many decades, as the current median age of BRS opt-in members is only 26.9 years old.

Section 3: Explanation of Planned Continuation Pay Policy

The Continuation Pay bonus provision was implemented by Congress as a way to ensure continuing retention and maintenance of sufficient force levels. DoD analysis and experience suggested that reduced monthly retired pay under BRS (i.e., the reduction of the retired pay multiplier from 2.5 percent per year of service to 2.0), and the introduction of a portable, government-provided TSP benefit, might result in fewer members staying for a full career. Historically, any reduction to the defined benefit would normally have negative retention impacts without another tool to counteract the decreased incentive to serve for a full, 20-year career. In order to provide a retention incentive at the critical mid-career point and fully-counteract this potential negative retention effect, BRS affords the Services the ability to set and implement a Continuation Pay bonus. Those Service members covered by BRS are eligible to receive a one-time, mid-career bonus payment in exchange for an agreement to perform additional obligated service. In order to be eligible, a member must have completed no less than 8 and not more than 12 years of service, in accordance with 37 U.S.C. §356, and be eligible to enter into an agreement to serve no less than an additional three years.

Per DoD policy¹² Military Services have the flexibility to set Continuation Pay rates, the timing of that payment, and the length of obligated service, as they deem necessary, in order to meet their retention and manpower needs, although statute requires a minimum payment for any Service member who is able to enter into an agreement for the additional obligated service. The minimum payments required in law are 2.5 months' pay for members of the AC and 0.5 months' active duty pay for members of the RC. The maximum amounts of Continuation Pay are 13 months' pay for members of the AC and 6 months' active duty pay for members of the RC, although it should be noted that 37 U.S.C. § 356(c) specifically authorizes the Military Department Secretaries to pay an additional discretionary amount of Continuation Pay beyond these limits. This means there is, in essence, no maximum amount of Continuation Pay that could be authorized.

It must be understood that Continuation Pay was not an incentive for opt-in eligible members to enroll in BRS nor was it designed as an enticement to get members to switch from the legacy retirement plan to BRS. Continuation Pay is not part of a Service member's retirement benefit, and is not retired pay. Because it is classified as a "bonus" under Title 37, and not as retired pay under Title 10, Continuation Pay can be contributed to TSP in accordance with 10 U.S.C. § 8440e.

As of July 31, 2020, the Military Services had already collectively paid \$33.5M in Continuation Pay bonuses to members enrolled in BRS. Table 19 shows the Continuation Pay rates in effect for each of the Military Services for 2020.

¹² Deputy Secretary of Defense memorandum, "Implementation of the Blended Retirement System," dated January 27, 2017.

Service	Multiplier	Timing	Obligation
Army	2.5 Months of Pay	11 Years of Service	4 Years
Army Reserve and Army National Guard	4.0 Months of Pay	12 Years of Service	4 Years
Navy	2.5 Months of Pay	12 Years of Service	4 Years
Navy Reserve	0.5 Months of Pay	12 Years of Service	4 Years
Air Force	2.5 Months of Pay	12 Years of Service	4 Years
Air Force Reserve and National Guard	0.5 Months of Pay	12 Years of Service	4 Years
Marine Corps	2.5 Months of Pay	12 Years of Service	4 Years
Marine Corps Reserve	0.5 Months of Pay	12 Years of Service	4 Years

Table 19: Continuation Pay Plans for 2020 by Service

Of note in Table 19 is that only the Army varies the amount of Continuation Pay or the timing of that pay. All other Services and components pay the minimum amounts at 12 years of service, in exchange for an agreement to continue serving another four years. Army Reserve and Army National Guard leadership varied the amount of Continuation Pay payable to Reserve and National Guard soldiers for the first time in 2019. This was done because Army leadership viewed this bonus as an effective recruiting tool. The Army Reserve and Army National Guard recruit a large number of prior serving members from the AC after those members complete one or two enlistments. Offering a higher mid-career bonus was viewed as an incentive to increase recruiting into the Army Reserve and Army National Guard.

All of the other Services have kept Continuation Pay rates at the minimum authorized levels because it has not yet been determined if BRS will have any impact on retention of midcareer Service members. Those Services will likely only adjust the rates if and when it is determined, based on multiple years of retention data, that there is any negative impact on retention or recruitment as a result of BRS. Further, all of the Military Services acknowledge that they may, in the future, adjust Continuation Pay rates to specifically target career fields or Military Occupational Specialties (MOS) as a separate tool to enhance retention. To date, none of the Military Services have varied Continuation Pay within their forces, choosing instead to apply the same rate to all eligible members of that component. Across all of the Services, eligible members are notified through official personnel channels approximately six months prior to reaching eligibility for Continuation Pay. Each Service has a differing process for requesting the Continuation Pay bonus and entering into the agreement to obligate for additional service, but all provide published guidance on how and when to request and receive the Continuation Pay bonus.

Collectively, DoD believes it is too early to make a full econometric assessment of methods to increase the effectiveness or efficiency of Continuation Pay. Similar to the “wait and see” approach on adjusting the rates, the Department will gather data over the coming years to determine what impacts BRS and Continuation Pay have on force management. The Department has already initiated a multi-year study that will gather multiple years of retention data across career fields to properly assess whether the bulk of BRS members are influenced in their career-mindedness by either a decreased defined benefit or the influence of the Continuation Pay retention bonus. It is otherwise too early to draw any conclusions about the effectiveness of Continuation Pay.

Section 4: Analysis of BRS Impacts

Implementation of BRS has had significantly positive impacts on the Force, as evidenced by the data presented in this report. BRS has thus far achieved its goals of expanding Government-provided retirement benefits to a much wider proportion of the Force, expanding financial literacy, encouraging Service members to begin planning early for their lifelong financial well-being, saving the government money through reduced contributions to the Military Retirement Fund, and providing the Military Services an additional tool to aid in recruiting and retention.

DoD does not believe and has no evidence to indicate that BRS will negatively impact recruitment or retention. As discussed, Congress provided the necessary tools to ensure sufficient Force levels through automatic and matching contributions to TSP and through the Continuation Pay bonus. There is no evidence to suggest members are leaving service earlier than planned or deciding against serving due to BRS. Nevertheless, DoD is already engaged in a multi-year study of retention and will continue to monitor the impacts of BRS on force levels.

BRS was the most significant change to military retired pay since the introduction of standardized career and retirement rules following World War II. It was also likely the most significant change to military pay in general since the advent of the All-Volunteer Force. In addition to enhancing pay for Service members, BRS also ushered in a bold change to career-long financial literacy training for members of the military. In many ways, BRS is changing the paradigm of financial literacy for the military and encouraging a more prepared and ready Force. Implementation of BRS was a monumental achievement and will serve as a model for major program change for the foreseeable future. DoD is immensely proud of this program and excited about the continuing growth of TSP participation and the accumulation of lifelong financial preparedness among the members of the Uniformed Services.

Section 5: Recommendation for Statutory Change Necessary to Address Issues of Fairness and Equity Identified by the Review

Because of Congress' willingness to work with the Department in modifying BRS legislation shortly after it was initially enacted, the statute was stable well in advance of implementation. This stability allowed the Uniformed Services to train consistently and execute on time without any uncertainty about how the program would be structured. For this reason, there are no major or pressing statutory changes necessary. This review identified just two areas for consideration of fairness and equity that the Department will continue to examine as we gather more data and as the program matures. Those are:

(1) The Military Services may need even greater flexibility in the timing and amount of Continuation Pay. Such flexibility may be needed both in when it can be offered and how much needs to be offered to maintain the force size. As currently enacted, the requirement that Continuation Pay must be paid no earlier than the 8th year and no later than the 12th year of service may be too rigid. The Military Services have already encountered situations in which non-traditional career paths or members with so-called "broken service" are disqualified from

receiving Continuation Pay even though the Military Service needs the tool to incentivize those members to continue serving. This could be particularly problematic for the Reserves and National Guard as they need incentives to encourage the recruitment of separated AC members into their components.

(2) As shown in Table 11, on page 26, there is a slight drop in TSP contributions at 5 percent or more among BRS members in senior paygrades. Going from E-7 to E-8 the rate contributing 5 percent or more decreases from 82 percent to 79 percent. Among officers, the rate drops even more from O-3, of whom 90 percent contribute 5 percent or more, to just 76 percent by the time they are O-5. While no specific conclusions can be drawn as to why members in higher paying grades are actually less likely to contribute 5 percent or more to TSP, it is worth continuing to monitor. This minor difference may suggest that these higher earners are in need of as many incentives to save as junior members. In fact, because they are on average older, members in these paygrades would presumably need to be saving more than junior members, who have longer to allow their contributions to grow over time.

Yet, 5 U.S.C. § 8440e(e)(3)(A)(ii) and § 8440e(e)(3)(B)(ii) specify that government-provided automatic and matching contributions end, “on the day such member completes 26 years of service as a member of the uniformed services.” Although the data in Table 11 does not specifically indicate how many of these senior enlisted and senior officers are over 26 years of service (very few are), the fact that they are less likely to contribute 5 percent or more now is initial evidence that senior members will face just as many barriers to savings as any other Service member and could benefit from incentives to save for retirement throughout their careers. This is not an immediate problem but one that the Department will continue to monitor for potential solutions in the future.

Now that the 2018 BRS opt-in period is complete and all new members entering service through the accession pipeline are automatically enrolled in BRS, the Department will revisit potential legislative changes and will submit those, if required, to Congress through the Administration’s legislative package.

Notes on Data Sources

The data for this report was compiled from multiple administrative data sources. The data is “as of” the end-of-month for December 2019 unless otherwise stated. In general, all Service members with a DIEMS on or after January 1, 2018, were categorized as automatic enrollees. AC members were deemed to be opt-in eligible if on December 31, 2017, they had a DIEMS on or before December 31, 2017, and a PEBD on or after January 1, 2005 (so that they had less than 12 years of service as of January 1, 2018). Reserve and National Guard members were deemed to be opt-in eligible if, as of December 31, 2017, they had a DIEMS on or before December 31, 2017, and had accumulated fewer than 4,320 retirement points as of that date.

The Defense Manpower Data Center (DMDC) provided Military Services’ Master Files for personnel records of Service members who met the eligibility conditions to opt-in to the BRS as of December 31, 2017, or were identified as automatic enrollees during 2018 or 2019. The data fields provided by the DMDC AC and RC Master Files describing career and demographic

information, to include Service branch, component, grade, occupation, gender, race and ethnicity, age, and marital status.

DMDC also provided DFAS and Marine Corps Pay Files for AC and RC pay records describing SIB pays, by amount and type. DFAS provided pay information describing TSP records of AC and RC Service members in the Army, Navy, and Air Force who participated in the TSP in calendar years 2018 and 2019. The data fields describe monthly dollar amounts of traditional elective contributions, Roth elective contributions, agency matching contributions, and agency automatic contributions.

Because the Marine Corps manages the pay records of Marines in a system separate from those managed by DFAS, the Marine Corps provided pay information describing TSP records of active and reserve Marines who participated in TSP in calendar years 2018 and 2019. The data fields describe the BRS enrollment and contribution decisions of personnel, including monthly dollar amounts of traditional elective contributions, Roth elective contributions, agency matching contributions, and agency automatic contributions.

These data sources were merged into a longitudinal database linking multiple administrative datasets from different sources by a unique identifier, removing duplicate records, and addressing any anomalous data.