

# ***Blended Retirement System***

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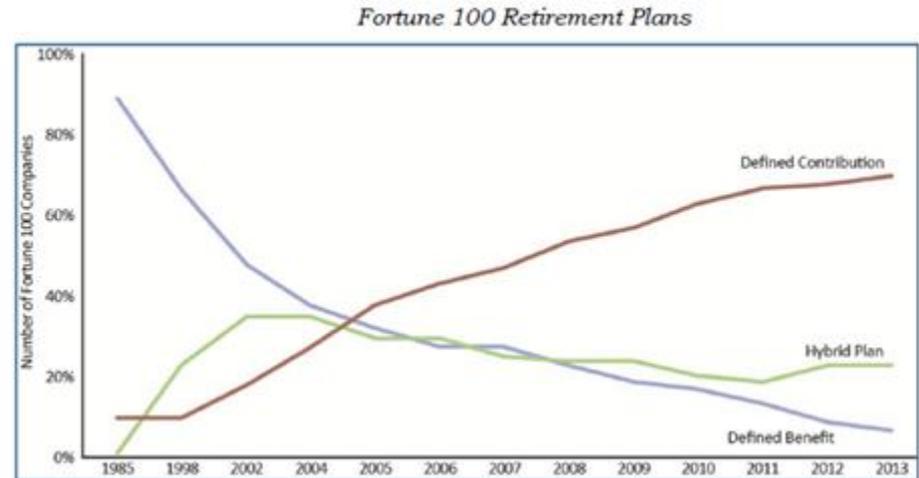


**Mr. Jeffrey Krusling, Pay and Compensation Policy**  
**August 2016**



# History of Military Retirement

- 1973 - All Volunteer Force
- 1980 - “Hi Three” retirement
- 1986 - REDUX
- 1999 - REDUX Repealed
- 2000 - Thrift Savings Plan
- 2018 - Blended Retirement System



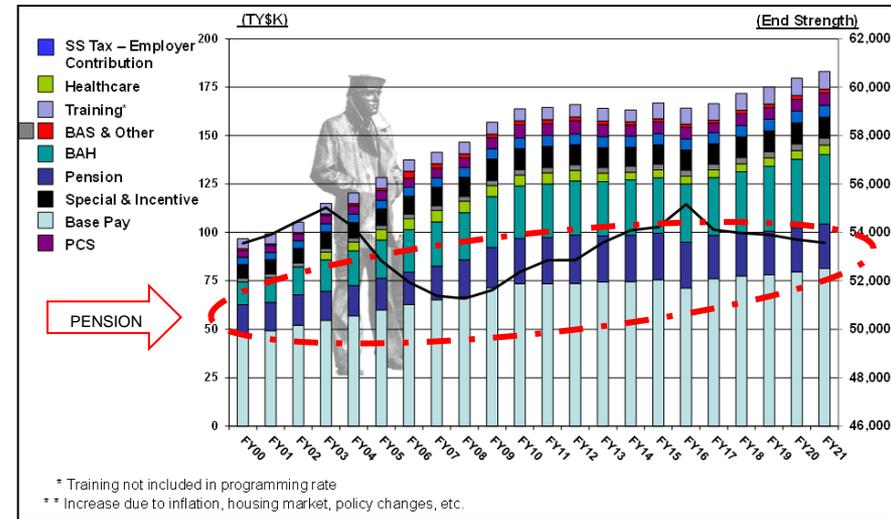
**Military retirement remained a “cliff-vested” (all or nothing), Defined Benefit (pension) based retirement while civilian world has transitioned to a Defined Contribution (401k) based retirement**



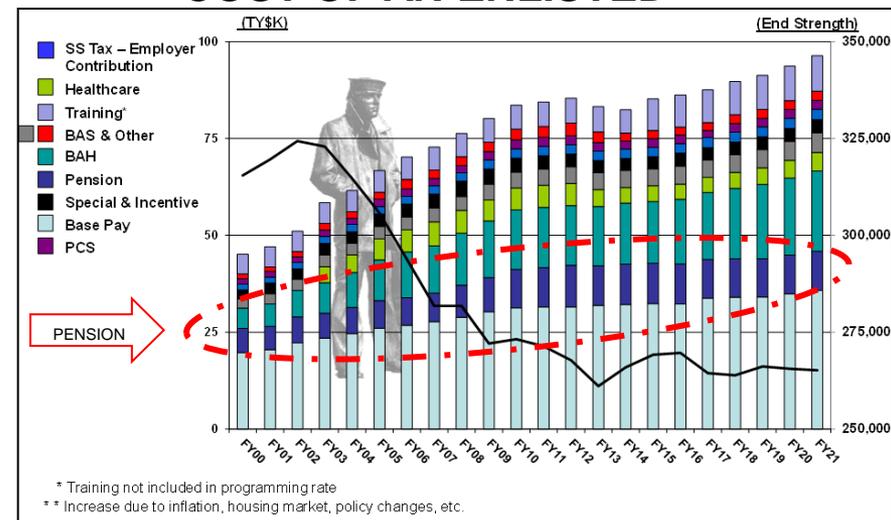
# The Case for Change

- **Current system is expensive**
  - Personnel costs increasing as numbers are decreasing
- **Current system is not fair**
  - 83% of enlisted members do not reach retirement
- **Current system is outdated**
  - Most retirement plans have moved to 401k type
- **Current system is not flexible**
  - Member has no control over retirement

## COST OF AN OFFICER

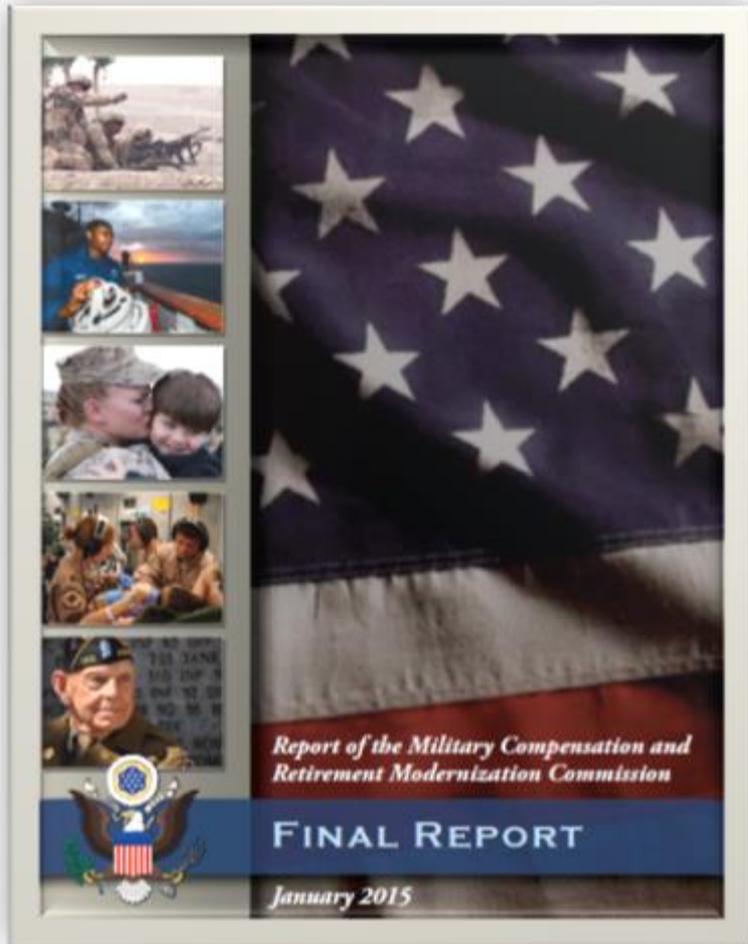


## COST OF AN ENLISTED





# Military Compensation and Retirement Modernization Commission (MCRMC)



## 15 Recommendations (3 categories)

- ➔ 1. **PAY and REQUIREMENTS**
- 2. **HEALTH**
- 3. **QUALITY of LIFE**

### PAY and REQUIREMENTS

- 1. **Help more members save for retirement, leverage retention power of retirement, give Services greater flexibility to retain quality people**
- 2. **Provide more options for members to protect pay for their survivors**
- ➔ 3. **Promote members' financial literacy**
- 4. **Increase efficiency within RC status system**

**“Thus, reforms to the current compensation package should be judicious, targeted improvements that “do no harm” to the bulk of the system...”**



# Blended Retirement System



## The U.S. Uniformed Services Blended Retirement System

*Active Component*

**Effective January 1, 2018**

### Saving with the New Blended Retirement System

The Fiscal Year 2016 National Defense Authorization Act provides our military force with a modernized retirement plan built for retirement savings. Beginning in 2018, service members can get **automatic and matching Thrift Savings Plan contributions**, as well as a mid-career compensation incentive, in addition to **monthly retired pay for life**. All service members under the current system are grandfathered into today's retirement system, but may choose to opt-in to the new Blended Retirement System.

**Pre-2018 Retirement System:**

**Annuity**

$2.5\% \times \text{Years Served} \times \text{Retired Pay Base}$   
after completing 20 years of service

### Blended Retirement System Components

**1 Automatic and Matching Contributions**

Automatic contributions are seen immediately

You Contribute	DoD Auto Contribution	DoD Matches	Total
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%

The DoD automatically contributes 1% of your basic pay to your **Thrift Savings Plan** after 60 days of service.

You'll see matching contributions at the start of 3 years through the completion of 26 years of service, and...

You're fully vested—it's yours to keep—after completing 2 years of service and it goes with you when you leave.

**2 Continuation Pay**

Received at the mid-career point



You may receive a **cash payment** in exchange for additional service.

**3 Full Retired Pay**

Received after completing 20 years of service

$2\% \times \text{Years Served} \times \text{Retired Pay Base}$



Calculate your **retired pay base** by averaging the **highest 36 months** of basic pay.

You'll gain this monthly annuity for life after completing 20 years of service.

### Your Retirement System

**Options for Collecting Your Retired Pay**

Full retired pay as a monthly annuity

**OR**

Lump sum + Reduced retired pay as a monthly annuity

50% or 25% of monthly retired pay annuity bumps back up to 100% at full retirement age (67 in most cases).

**If you joined the service or signed a contract to serve:**

**BEFORE January 1, 2006**

You'll be grandfathered into the pre-2018 retirement system.

**AFTER December 31, 2005 BUT BEFORE January 1, 2018**

You'll have the choice to enroll in the Blended Retirement System or remain in the pre-2018 retirement system.

**AFTER December 31, 2017**

You'll be automatically enrolled in the Blended Retirement System.

You can find additional information at <http://militarypay.defense.gov/BlendedRetirement>

Sources: Sections 631, 632, 633, 634, and 635 of the Fiscal Year 2016 National Defense Authorization Act. Revised 9/2016

## HIGHLIGHTS

### Current Retirement System:

- All or nothing defined benefit
  - $2.5\% \times \text{YOS}$  at 20 YOS

### Blended Retirement System:

- Hybrid System
  - $2.0\% \times \text{YOS}$  at 20 YOS
  - Automatic 1% TSP gov't contribution at 60 days
  - Additional 4% TSP gov't match vested after 2 YOS\*
  - Continuation Pay at 12 YOS
  - Lump sum option at retirement

All members with initial entry before 1 January 2018 are grandfathered

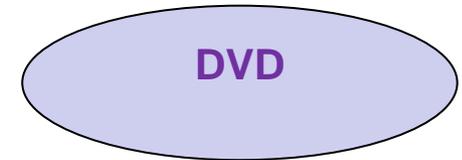
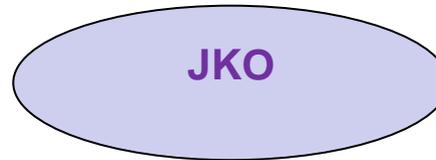
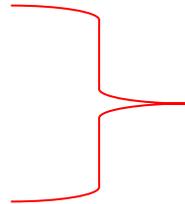
- Members with less than 12 YOS on 31 December 2017 may OPT-IN



# Education and Draft Timeline

## Education and Tools

- 4 Courses
  - Leadership
  - Financial Educators
  - OPT IN Eligible
  - New Accessions
- Calculators
- Financial Counselling



## Draft Timeline (subject to change as policy is developed)

- Nov 2016: OPT IN eligible notification
- NLT 1 Oct 2017: All Leadership complete training
- NLT 1 Oct 2017: All Financial Counselors complete training
- NLT 31 Dec 2017: All OPT IN Eligible complete training
- **1 Jan 2018 – 31 Dec 2018: OPT IN window**
- 1 Jan 2018: All new accessions automatically enrolled in BRS
- After 31 Dec 2018: OPT IN window for those with break in service, DIEMS before 1 Jan 2018



**BRS Training is a portion of Financial Literacy as described in NAVADMIN 161/16**



# Responsibilities

- **Notify**
  - OPT IN and CP eligible
- **Know the Resources**
  - Financial Counselling
  - Websites
  - Calculators
- **Educate and Train**
  - Ensure you are informed and trained
  - Ensure your personnel are informed and trained
- **Document**
  - Ensure Notification and Training is documented



- <http://militarypay.defense.gov/BlendedRetirement/>
- JKO
- Navy E-learning
- Military One Source

**Assist members in making an informed decision, but do not provide advice!!!**

**BRS requires significant thought and decision making by the member**



# Summary

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- **BRS is an option to those that enter prior to 1 JAN 2018**
- **Some training already available, more coming in next few months**
- **Commands will be instrumental in helping Sailors make the right choice for their own decision**
- **BRS starts 1 JAN 2018, but preparation starts NOW!!!!**



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# *Questions?*

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*Active Component*

EFFECTIVE JANUARY 1 2018

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