Blended Retirement System

Mr. Jeffrey Krusling, Pay and Compensation Policy
September 2017
jeffrey.krusling@navy.mil
sean.foster@navy.mil
Why is it important to understand the BRS?

- The choice to enroll in the BRS or remain in the Legacy retirement system is likely the most important financial decision of an “Opt-in” Eligible members career.

- Over 216,000 Active members and 45,000 Reserve members are Opt-in eligible.

- The decision to Opt-in is a personal choice for the member, Navy has no preference.

Every Navy Member has a roll to play during the transition to BRS transition.
The Military Retirement Benefit

- **Legacy Retirement System**
  - Defined annuity benefit computed as
  - Must serve at least 20 years

- **Blended Retirement System, blends:**

<table>
<thead>
<tr>
<th>Member’s TSP Contributions</th>
<th>DoD Automatic 1% into TSP</th>
<th>DoD Matching TSP Up to 4%</th>
<th>Monthly Retired Pay</th>
<th>TSP Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>After 60 days</td>
<td>After 60 days</td>
<td>After 2 years</td>
<td>After 20 years</td>
<td>Retirement Age</td>
</tr>
</tbody>
</table>

- Defined annuity becomes **2.0%**

- Only 19% Active and 14% Reserve Qualify

- **85%** of all service members will get retirement benefits

- Service members who leave after just 2 years will keep TSP savings + DoD Contributions + Any Earnings
Who is Affected?

- If serving as of December 31, 2017:
  - GRANDFATHERED in current retirement system
  - NO ONE will be automatically moved to BRS

- Many currently-serving members eligible to opt into BRS
  - Active: Fewer than 12 years of total service as of Dec. 31, 2017
  - Reserve: Fewer than 4,320 retirement points as of Dec. 31, 2017

- Eligible members have all of CY 2018 to make their decision
  - Member wants to stay covered under current system – do nothing
  - Member decides BRS is better – can opt in

- New accessions on or after January 1, 2018 covered by BRS
**Blended Retirement System Basics**

**Defined Benefit**

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

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

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

**Defined Contribution**

<table>
<thead>
<tr>
<th>Individual Contribution</th>
<th>Agency Automatic Contribution</th>
<th>Agency Matching Contribution</th>
<th>Total TSP Monthly Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>1%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>2%</td>
<td>1%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>3%</td>
<td>1%</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>4%</td>
<td>1%</td>
<td>3.5%</td>
<td>8.5%</td>
</tr>
<tr>
<td>5%</td>
<td>1%</td>
<td>4%</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Note: Currently serving members who opt-in will see matching contributions immediately.*

**Continuation Pay**

- Mid-career incentive designed to maintain force retention
- Payable between 8 and 12 years of service
- Range is 0.5 to 6 months of active pay for RC members

**Lump Sum**

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

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

- **1% Automatic**
  - Begins: immediately
  - Vested: 2 years
  - next pay period after opt-in
  - beginning of 25th month of service

- **Matching**
  - Begins: immediately
  - Vested: immediately
  - vested upon receipt

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

- **1% Automatic**
  - Begins: 60 days
  - Vested: 2 years
  - 60 days after entering service
  - beginning of 25th month of service

- **Matching**
  - Begins: 2 years
  - Vested: 2 years
  - beginning of 25th month of service
  - beginning of 25th month of service

...vested means it’s yours to keep even after you leave the service.
Lump Sum Option

Regular Retirement

**NO LUMP SUM**
- 50% of future retired pay to age 67

**LUMP SUM**
- 50% Lump Sum
- Reduced Pension
- Reverts to Full Pension

discounted present value
Lump Sum Option

Non-Regular Retirement

50% of future retired pay to age 67

Gray Area

Discounted present value

Reduced Pension

Reverts to Full Pension

Lump Sum Option

No Lump Sum

Lump Sum

Service Start

Retires

Age 60

Age 67

Age 60

Age 67
**Leader Course:** Provides leaders a basic familiarity with BRS and an understanding of “opt-in” and major milestones for implementation. Available as of June 1, 2016.

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

**Opt-In Course:** Provides “opt in” population a comparison of current and new retirement systems; including scenarios and retirement comparison calculators. Computer-based course was released January 31, 2017. Course is **MANDATORY** for all identified as “eligible to opt-in”

**New Accession Course:** Specialized course for members who join the service after January 1, 2018; highlights the new components BRS and includes retirement planning calculators.
Online BRS Comparison Calculator allows Service members to compare estimated benefits under both plans prior to making a decision.

- Walks Service members through key information needed to make an effective comparison.
- Users can adjust data to see how changes to their career and savings will impact retirement benefits.
Navy Specific

- OPT IN Course is Required for OPT IN eligible members
  - Ensure training is documented in FLTMPS
- OPT IN period starts 1 JAN 18
  - Via MyPay
- OPT IN ends 31 DEC 18
  - Hardship extensions only after that
- Continuation Pay election must be made before 12 YOS
  - Via NSIPS
- Members that pass 12 YOS in 2018 must OPT IN and must elect CP before 12 YOS
- Lump Sum election 90 days before retirement
- Career Status Bonus ends 31 DEC 17

OSD Policy is published, Navy Policy is in work
BRS Tools

- [http://militarypay.defense.gov/blendedretirement](http://militarypay.defense.gov/blendedretirement)
- **Training:** JKO, Navy E-Learning, DVD
- Navy APP store
- **Calculator:** [http://militarypay.defense.gov/calculators/brs/](http://militarypay.defense.gov/calculators/brs/)
- Military ONESOURCE
- NavyFinMgmt@navy.mil
- Personal Financial Counselor
Blended Retirement System Wrap-up

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

BRS offers flexibility to members that enroll. The decision to opt-in is up to the member – Navy has no preference.
Order DVDs

- http://www.dimoc.mil/customer/contact.html

Requestor's Name:
Requestor's Email:
Requestor's Phone:
Comments:
- Course Title: J3OP-US1332 Blended Retirement System (BRS) Opt-In (2hrs)
- Pin Number: 505679
- Quantity: (If requesting over 50 copies, please provide justification)
- Service Branch:
- Shipping Address: (include the name of the individual receiving the package)
Serving as of December 31, 2017

As of December 31, 2017:
- ACTIVE COMPONENT: Fewer than 12 Years Service
- RESERVE COMPONENT: Fewer than 4,320 points

If

Then

Can

In CY18

Take Mandatory BRS Opt-In Training in CY17

Why 4,320 points?

- Do Nothing and Stayed Covered by Legacy System
- Choose Blended Retirement System

myPay

17
Why 4,320 Points?

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

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

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

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

Example: 0-5 retires after 22 years of service in the Reserve Component

1. Total Retirement Points: 4,860 points
2. Divide by 360 to get equivalent Years of Service:
   \[
   \frac{4,860}{360} = 13.5 \text{ YOS}
   \]
3. Multiply Equivalent YOS by Retirement Multiplier:
   \[
   13.5 \times 2.0\% = 27\%
   \]
4. Multiply Percentage by Retired Pay Base:
   \[
   27\% \times $8,900.50 = $2,403.14 \text{ monthly retired pay}
   \]

- Non-Regular Retired Pay begins at age 60, although this may be reduced as low as age 50 with certain creditable active service performed after the beginning of 2008.

- Retired Pay Base is the average of the highest 36 months of basic pay a member with equivalent grade and years of service (based on PEBD) would receive on active duty.

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

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