



THE ASSISTANT SECRETARY OF THE NAVY  
(MANPOWER AND RESERVE AFFAIRS)  
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WASHINGTON, D.C. 20350-1000

APR 26 2017

MEMORANDUM FOR DEPUTY CHIEF OF NAVAL OPERATIONS (MANPOWER,  
PERSONNEL, TRAINING & EDUCATION)(N1)/  
CHIEF OF NAVAL PERSONNEL  
DEPUTY COMMANDANT OF THE MARINE CORPS  
(MANPOWER AND RESERVE AFFAIRS)

SUBJECT: Implementation of the Blended Retirement System

References: (a) Public Law 114-92, Fiscal Year 2016 National Defense Authorization Act  
(b) Public Law 114-328, Fiscal Year 2017 National Defense Authorization Act  
(c) Deputy Secretary of Defense Memorandum, *Implementation of the Blended Retirement System*, January 27, 2017  
(d) Department of Defense Instruction 1340.25, *Combat Zone Tax Exclusion*  
(e) Department of Defense Financial Management Regulation

Enclosures: (1) Continuation Pay Guidance  
(2) Hardship Extension of Enrollment Guidance

The Blended Retirement System (BRS) for the Unformed Services is one of the most significant changes to military pay and benefits of the last 70 years. Sections 631 through 635 of reference (a) authorized the BRS, and sections 631 through 633 of reference (b) subsequently modified it. Reference (c) establishes policy, assigns responsibilities, and provides procedures for implementing all elements of the BRS, which becomes effective on January 1, 2018. Reference (d) establishes policy, assigns responsibilities, and provides procedures governing the designation of areas in which members of the U.S. Armed Forces are eligible for the Combat Zone Tax Exclusion and the periodic review of such designations. Reference (e) outlines financial procedures for various aspects of the BRS.

The Department of the Navy shall implement the BRS in strict accordance with the references and any subsequent policy updates. In addition to the requirements in the references, the following guidance is issued to further define responsibilities in the Navy and Marine Corps, maximizing the delegation of authorities to the greatest extent possible while maintaining an appropriate level of oversight. Accordingly, the Navy and Marine Corps are directed to:

(1) Develop and maintain guidance establishing policies and procedures in their respective Services to ensure compliance with all BRS guidance and associated regulations.

(2) Determine the members of their respective Services who are eligible to elect to enroll in the BRS and provide to the Defense Finance and Accounting Service (DFAS), if applicable, required data to allow such elections to occur in accordance with DFAS procedures, to be issued separately.

(3) Implement procedures to notify members, who are eligible to elect to enroll in the BRS, in accordance with criteria contained in reference (c), of their eligibility and the process for making their elections.

(4) Train members of their respective Services who are eligible to elect to enroll in the BRS, as well as all members who enter service on or after January 1, 2018, on all aspects of the BRS using standardized training developed by the Assistant Secretary of Defense (Readiness), and report completion, via this office, in accordance with Department of Defense guidance to be issued separately.

(5) Establish a Thrift Savings Plan account, if one does not already exist, for any member covered by the BRS and make the government's contributions to those members' accounts in accordance with reference (c). Annually re-enroll those members subject to automatic re-enrollment provisions per reference (c).

(6) Establish procedures, determine eligibility, and set amounts for continuation pay due to eligible members covered by the BRS in accordance with enclosure (1).

(7) Establish procedures for BRS retirement eligible members to elect to receive portions of retired pay as lump sums.

(8) Notify the Director, DFAS, of a member's election to receive a lump sum of retired pay, in accordance with reference (c), no less than 30 days prior to that member's date of eligibility for retired pay.

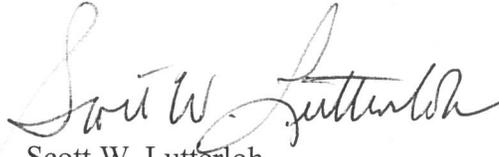
(9) Update personnel and pay systems as necessary to implement procedures outlined in reference (c).

(10) Adjudicate requests and/or determine eligibility for extensions of the BRS enrollment period in the case of automatic or discretionary hardships in accordance with enclosure (2).

(11) Take all necessary actions to correct erroneous enrollments in the BRS as outlined in reference (c).

The Navy and Marine Corps shall provide a report to this office documenting the total number of BRS opt-in eligible Sailors and Marines and the number of actual BRS enrollees, broken out by Active and Reserve Component and officer and enlisted personnel, no later than January 31, 2019. Additionally, the Navy and Marine Corps shall provide a separate report on the number of discretionary hardship extensions granted in total and by hardship category for the Active and Reserve Components along with the number of actual BRS enrollees as a result of these extensions, broken out by officer and enlisted personnel, no later than January 31, 2020.

The delegated authorities in this memorandum will remain in effect unless and until rescinded by the Secretary of the Navy or the Assistant Secretary of the Navy (Manpower and Reserve Affairs). Any exceptions to policies shall be routed to this office for further disposition.

A handwritten signature in cursive script, reading "Scott W. Lutterloh". The signature is written in black ink and is positioned above the printed name.

Scott W. Lutterloh  
Acting

## **Continuation Pay Guidance**

1. The Navy and Marine Corps are authorized to establish procedures, determine eligibility, set amounts of continuation pay (CP) due to eligible members covered by the BRS, and establish service obligations in strict adherence to reference (c) and the parameters set forth in this enclosure.
2. CP will be enacted under Section 356 of Title 37, United States Code (U.S.C.), effective on January 1, 2018, which was further modified by reference (b). A member of the Navy or Marine Corps who is covered by the BRS may be eligible to receive a one-time, mid-career CP in exchange for an agreement to perform additional obligated service. This one-time CP is in addition to any other career field-specific pay, incentives, or retention bonuses.
3. The Navy and Marine Corps will pay CP to eligible members no earlier than upon completion of 8 years of service (YOS) and no later than upon completion of 12 YOS, as calculated from that member's Pay Entry Base Date (PEBD), and upon acceptance of the member's agreement to obligate for no less than 3 years of additional obligated service. Members shall serve the additional obligated service in the component in which they were serving at the time of the agreement. This additional obligated service will commence on the CP date, defined as that date, between 8 YOS and 12 YOS from PEBD inclusive, established by the Navy or Marine Corps and deemed by that Service to be the point at which the member has met all eligibility requirements for CP. For example, for CP paid at 12 YOS, the CP date would be 12 YOS from PEBD, and the additional obligated service would commence on the 12th anniversary of the member's PEBD regardless of when the member's election of CP is completed.
4. The Navy and Marine Corps will be considered in compliance with the requirement to pay CP no later than 12 YOS even in cases when the actual disbursement of CP occurs past the member's 12th anniversary of PEBD, provided the CP agreement was submitted in advance of this date.
5. Reserve Component (RC) members will perform obligated service in the Selected Reserve (which includes Full Time Support (FTS) and Active Reserve (AR)), subject to the conditions and requirements prescribed by the Navy or Marine Corps. A member who incurs a period of extended absence, subject to the approval of the Navy or Marine Corps, which precludes meeting the terms of obligated service, shall have any CP installment payments suspended during this period. If subsequently re-assigned to the member's previous status, or a new status at the discretion of the Navy or Marine Corps, CP installment payments may resume and the term of service extended accordingly to ensure fulfillment of the original agreement period. The date of completion of the obligated service shall be adjusted for periods of authorized absence. Failure to meet reinstatement criteria shall result in termination of CP and repayment, as appropriate.
6. A service obligation incurred as a result of CP shall run concurrently with any other service obligations, unless other service obligations incurred specifically preclude concurrent obligations.
7. The Navy and Marine Corps shall set the amount of CP. For the Active Component (AC), the amount payable shall fall within the range of not less than 2.5 times and not more than 13 times

the monthly basic pay of the member based on the member's current paygrade and YOS. For the RC, the amount payable shall be the equivalent amount, as if the member was on active duty, which is not less than 0.5 times and not more than 6 times the monthly basic pay of a member of the same grade and YOS on active duty. A FTS or AR member will be paid CP at the rate of an AC member.

8. In the case of service programs to pay CP no later than completion of 12 YOS, the Navy and Marine Corps shall use over 10 YOS monthly basic pay vice over 12 YOS monthly basic pay.

9. A member who qualifies for CP may elect to receive CP in a single payment or elect a series of installment payments, not to exceed 4 annual payments over 4 consecutive years.

10. Provided members meet the eligibility requirements in reference (c) and agree to additional obligated service of no less than 3 years, the Navy and Marine Corps shall pay CP except in the case of members with separation orders. Neither Section 356 of Title 37, U.S.C., nor reference (c) authorizes conditions, such as possible high year tenure, medical or legal issues, which the Services can cite as bases to deny CP.

11. A member is able to reverse his/her decision to elect CP provided this reversal occurs before the member's CP date.

12. The Navy and Marine Corps shall apply Combat Zone Tax Exclusion (CZTE) withholding rules to CP for those members whose gross compensation qualifies for CZTE under the provisions of reference (d) and Volume 7a, Chapter 44 of reference (e). CZTE withholding rules will apply to all payments proceeding from a CP agreement based upon the member's qualification for CZTE at his/her CP date. For example, a member with a CP date of 12 YOS from PEBD who reaches that milestone in a qualified combat zone and elects 4 equal CP installment payments across 4 years would be eligible for CZTE for all of those payments.

13. A member who received CP but who fails to complete the period of obligated service, or who fails to maintain the skills for which an amount greater than the minimum amount described in reference (c) was paid, is subject to full or partial repayment provisions in accordance with Section 373 of Title 37, U.S.C., and Volume 7A, Chapter 2 of reference (e). The Navy and Marine Corps shall pursue repayment or recoupment of unearned portions to the maximum extent possible. Remission requests shall be adjudicated in accordance with all existing authorities and policies.

14. The Navy and Marine Corps shall inform BRS opt-in eligible members who reach 12 YOS in calendar year 2018 that their window to opt-in and elect CP will be abbreviated, (i.e., due to the requirements in Section 356 of Title 37, U.S.C., these members will not have all of calendar year 2018 to make an opt-in decision and elect CP).

15. The Navy and Marine Corps shall establish procedures to prevent more than one fulfillment of CP, (i.e., a member receives CP in the AC, transfers to the RC, and subsequently elects and receives CP in the RC.)

16. The Navy and Marine Corps shall provide annual CP plans to ASN(M&RA) no later than June 30 of each year indicating CP multiple(s), timing, and service obligations for the AC and

RC. The plans shall provide execution data for CP offered in the previous year (i.e., number of CP contracts broken out by AC and RC and officer and enlisted) and any quantitative and/or qualitative data that support the multiple(s), timing, and service obligations selected including justification for any changes from the previous year.

## Hardship Extension of Enrollment Guidance

1. The following guidance is issued to clarify the delegated authorities in the Navy and Marine Corps to adjudicate requests and/or determine eligibility for extensions of the BRS enrollment period in the case of automatic or discretionary hardships in accordance with reference (c).
2. Reference (a) allows the Secretary concerned to extend the election period for enrollment in the BRS for a member of a Uniformed Service who experiences a hardship. This authority is limited to extending the time period for enrollment in the BRS and does not provide authority to expand or change the categories of eligibility listed in reference (c), nor does it create the authority to enroll an otherwise eligible member who had the opportunity to elect to enroll in the BRS during 2018 but who chose not to do so, nor does it allow for retroactive Thrift Savings Plan contributions.
3. Specified hardships are classified as either automatic or discretionary, and may be delegated and executed in the Navy and Marine Corps in the following manner:

a. Automatic Hardship Extensions. An automatic hardship extension of 30 days may be granted and executed by the local commander (O-6 or above or civilian equivalent). The 30-day automatic extension time period begins after the member has completed the required BRS training and is able to execute the enrollment via DFAS' MyPay for the Navy or via Marine Online for the Marine Corps. The following categories of members are eligible for automatic hardship extensions:

(1) A member of the Individual Ready Reserve or the Active Status List of the Standby Reserve who was performing Reserve Component service as of December 31, 2017, and is qualified per reference (c), but who did not perform duty in a paid status during the BRS enrollment period and has not previously been afforded the opportunity to elect to enroll in the BRS, upon the first instance the member is:

a. Activated under any provision of Federal law (the extension of the enrollment period is 30 days regardless of the length of the activation period); and/or,

b. Affiliated in a paid status with the Selected Reserve.

(2) A member of the Navy or Marine Corps who signed an agreement to enlist under provisions of the Delayed Entry Program; and who,

a. Is eligible to elect to enroll in the BRS under provisions of reference (c); and,

b. Has a Pay Entry Base Date on or after September 1, 2018.

(3) An officer who is commissioned through the Naval Academy or Senior Reserve Officer Training Corps, may make the election to enroll in the BRS within 30 days of that officer's first day performing actual duty if that officer:

a. Is eligible to elect to enroll in the BRS under provisions of reference (c); and,

b. Has a commissioning date on or after December 1, 2018.

(4) A member of the Navy or Marine Corps who otherwise would have been eligible to enroll in the BRS during calendar year 2018, under provisions of reference (c), and who was participating in the Career Intermission Pilot Program but does not return to duty until December 1, 2018, or later, upon that member's return to active service.

b. Discretionary Hardship Extensions. A discretionary hardship extension of 30 days may be granted by the Deputy Chief of Naval Operations (Manpower, Personnel, Training and Education)/Chief of Naval Personnel or Deputy Commandant of the Marine Corps (Manpower and Reserve Affairs). This authority may be further delegated no lower than the level of a general officer, flag officer, or senior executive within the same chain of command of the member. Discretionary hardship extensions may be granted upon determination that a member of the Navy or Marine Corps experienced a hardship due to:

(1) Deployment for 30 days or more that is inclusive of December 31, 2018, which prevented the member from having access to all resources available to make financial or retirement decisions.

(2) Court proceedings or court orders that prevent a member from making financial or retirement decisions during the enrollment period.

(3) Illness or injury that substantially impacts a member's ability to make financial or retirement decisions during the enrollment period.

(4) Failure of the Navy or Marine Corps to notify a member of that member's eligibility to elect to opt into the BRS at least 60 days prior to the conclusion of the enrollment period.

(5) Inability to complete the mandatory opt-in training, described in reference (c), due to circumstances beyond the control of the member.

(6) Inability to access the website or follow the designated procedures for making the election, described in reference (c), during the election period due to circumstances beyond the reasonable control of the member.

4. The authority to grant discretionary hardship extensions on the basis of other extraordinary or exceptional circumstances shall be retained by the Assistant Secretary of the Navy (Manpower and Reserve Affairs).