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Background

- **2011: DoD began serious study of reforming the military retirement system**
- **2013: Military Compensation and Retirement Modernization Commission (MCRMC) established to recommend compensation reforms**
- **2015: MCRMC recommended DoD move to a Blended Retirement System**
- **2016 National Defense Authorization Act creates the Blended Retirement System and mandates expansion to concepts of financial literacy education**



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Overview

- BRS goes into effect on 1 Jan 2018
- If serving as of 31 Dec 2017:
 - GRANDFATHERED in current retirement system
 - **NO ONE will be automatically moved to BRS**
- Approximately 94 percent of Reserve Marines serving on 31 December 2017 will be eligible to opt into BRS
 - Active: Fewer than 12 years of total service as of 31 Dec 2017 (~94K)
 - Reserve: Fewer than 4,320 retirement points as of 31 Dec 2017 (~38K)
 - Eligible Marines have from 1 Jan to 31 Dec 2018 to make their decision
- New accessions on or after 1 Jan 2018 covered by BRS

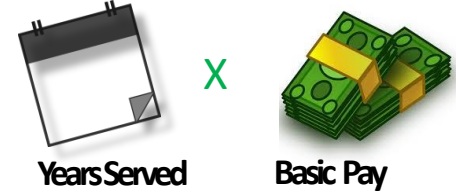


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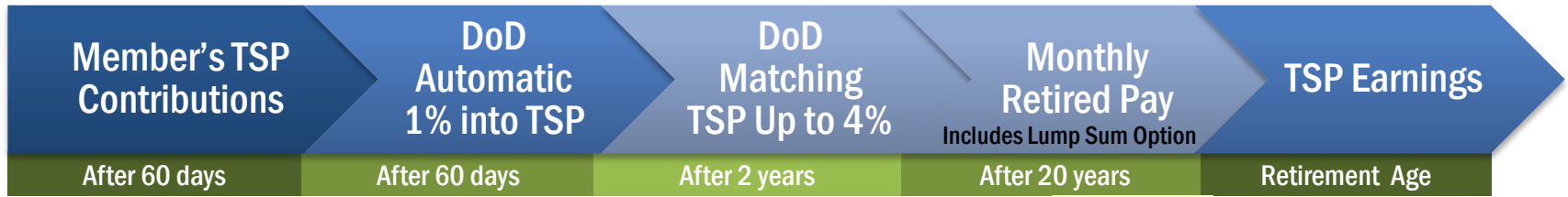
The Military Retirement Benefit

- Legacy Retirement System

- Defined annuity benefit computed as $2.5\% \times \text{Years Served} \times \text{Basic Pay}$
- Must serve at least 20 years → Only 19% Qualify



- Blended Retirement System, *blends*:



- Defined annuity becomes $2.0\% \times \text{Years Served} \times \text{Basic Pay}$



85%

of all members will get retirement benefits

Members who leave after just 2 years will keep TSP savings + DoD Contributions + Any Earnings



Blended Retirement System Basics

Defined Benefit

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

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


Defined Contribution



Individual Contribution	Agency Automatic Contribution	Agency Matching Contribution	Total TSP Monthly Contribution
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%

NOTE: Currently serving members who opt-in will see matching contributions immediately

Continuation Pay

- Mid-career incentive designed to maintain force retention
- Payable after 12 years of service
- Minimum is 2.5 x monthly basic pay (0.5 x for RC)

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



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BRS Training



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



Financial Counselor / Educator Course : Counseling scenarios to equip financial professionals and retirement experts. Available in Fall 2017.



Opt-In Course: Provides “opt in” population a comparison of current and new retirement systems; including scenarios and retirement comparison calculators. Computer-based course will be available in early 2017. Course will be MANDATORY for all identified as “eligible to opt-in.”

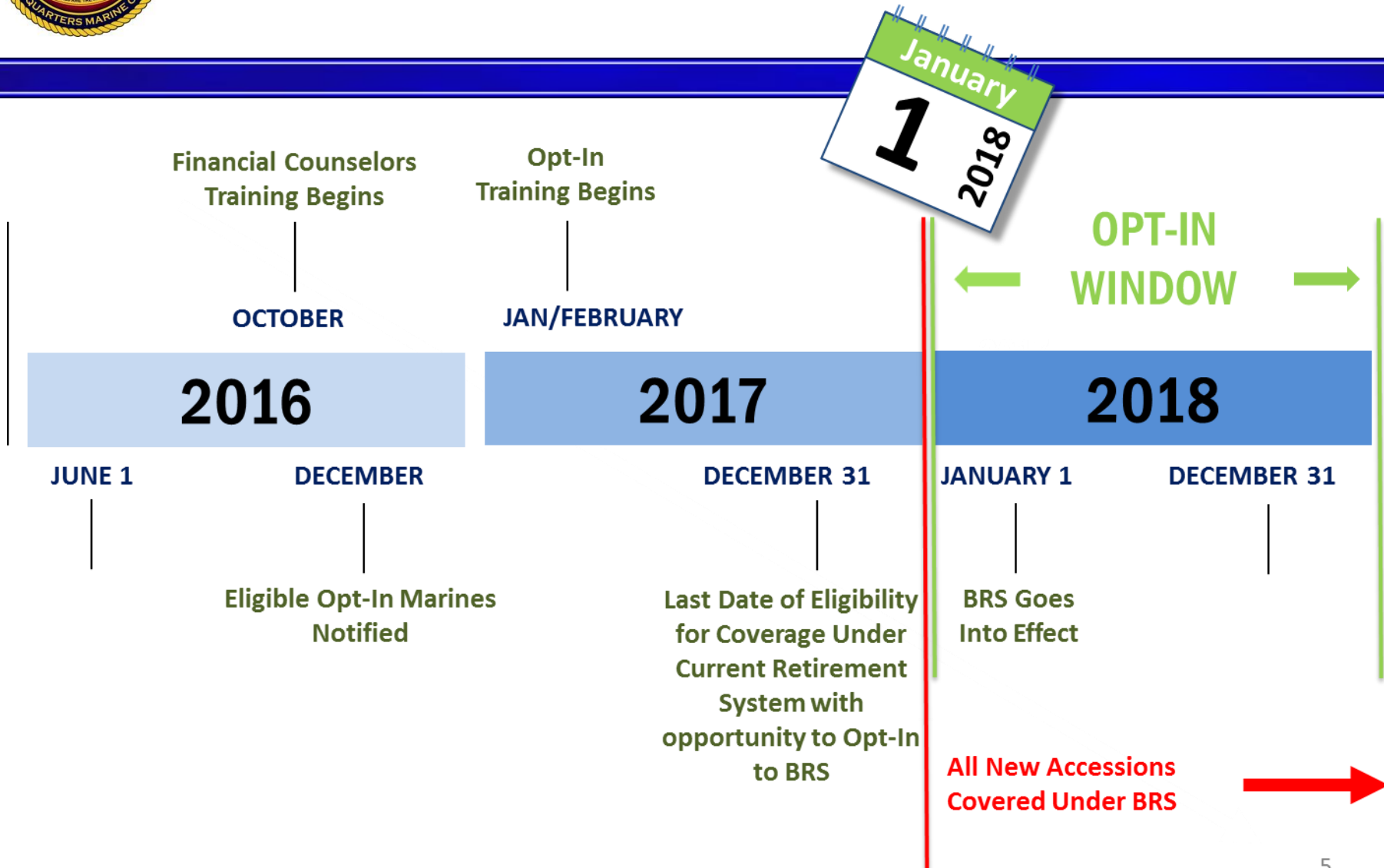


New Accession Course: Specialized course for members who joined the service after January 1, 2018; highlights the new components of the BRS and includes retirement planning calculators.



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Implementation Timeline





Continuation Pay Examples

- **Amounts**

- **2016 monthly basic pay rates**
- **Active component = 2.5 x monthly basic pay**
- **Reserve component = 0.5 x monthly basic pay**
- **Military Services can pay above the minimum amounts for force shaping**
- **Four year service obligation**

Rank	12 Year Pay	AC CP	RC CP
O4	\$ 7,081	\$ 17,703	\$3,540
O3	\$ 6,293	\$15,733	\$3,146
O3E	\$6,293	\$15,733	\$3,146
O2E	\$ 5,341	\$13,353	\$2,670
O1E	\$ 4,440	\$ 11,100	\$2,220
W4	\$5,620	\$ 14,050	\$2,810
W3	\$ 5,110	\$ 12,775	\$2,555
W2	\$ 4,661	\$11,653	\$2,330
W1	\$ 4,346	\$10,865	\$2,173
E7	\$ 4,004	\$10,010	\$2,002
E6	\$ 3,612	\$ 9,030	\$1,806
E5	\$ 3,166	\$7,915	\$1,583



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Lump Sum Annuity Under BRS

- **A Marine entitled to retired pay may elect to receive a lump sum payment of the retired pay from the beginning date of retirement to age 67**
 - **50% in lump sum plus 50% of the entitled retired pay or**
 - **25% in lump sum plus 75% of the entitled retired pay**
- **Lump sum is the discounted present value using discount rate**
 - **The proposed discount rate is 7.3 percent (currently being staffed)**
 - **Retired pay returns to the full value at age 67**



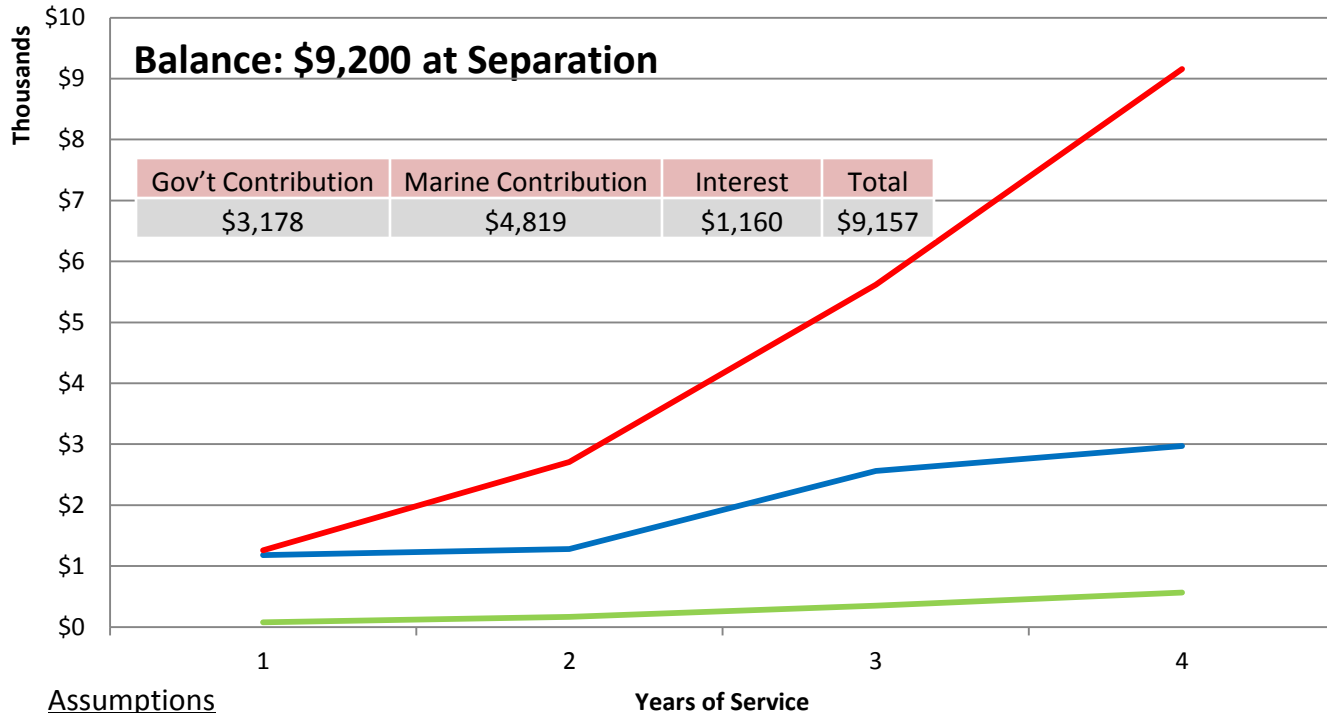
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Blended Retirement System Thrift Savings Plan, E-4, 4 YoS

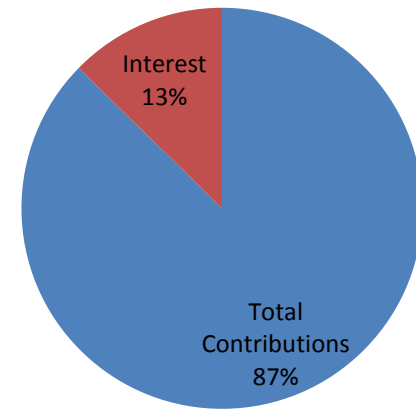
E-4 Contributes 5% and DoD 1% auto + 4% Matching at 3 YoS

Balance: \$110K at Age 60

total Contributions Balance Interest



Breakdown



Assumptions

- 6.6% nominal annual return, compounded annually through age 60
- Income based on 2015 pay table, yearly pay raise of 1.3%, longevity increases, and normal rank progression
- Cpl begins 5% TSP contribution at entry in CY 2015 and separates at completion of 4 YoS in CY2018 (age 21)
- Contributions are pre-tax dollar (i.e., Traditional)
- TSP balance of \$9,200 at end of 4YoS (separation)
- No contributions made after 2018

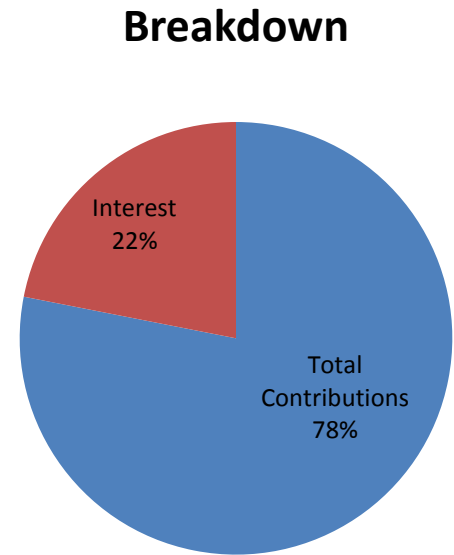
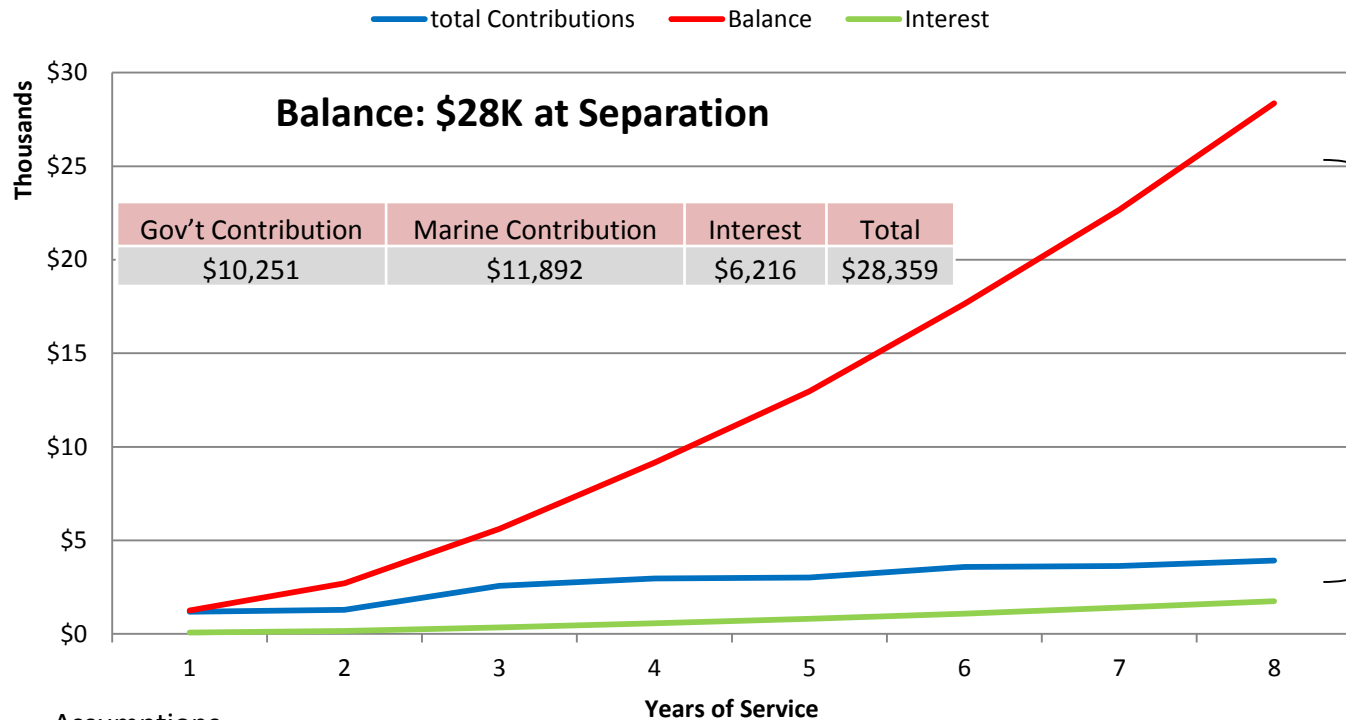


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Blended Retirement System Thrift Savings Plan, E-5, 8 YoS

E-5 Contributes 5% and DoD 1% auto + 4% matching at 3 YoS

Balance: \$266K at Age 60



Assumptions

- 6.6% nominal annual return, compounded annually through age 60
- Income based on 2015 pay table, yearly pay raise of 1.3%, longevity increases, and normal rank progression
- Sgt begins 5% TSP contribution at entry in CY 2015 and separates at completion of 8 YoS in CY2022 (age 25)
- TSP balance of \$28,000 at end of 8YoS (separation)
- Contributions are pre-tax dollar (i.e., Traditional)
- No contributions made after 2022



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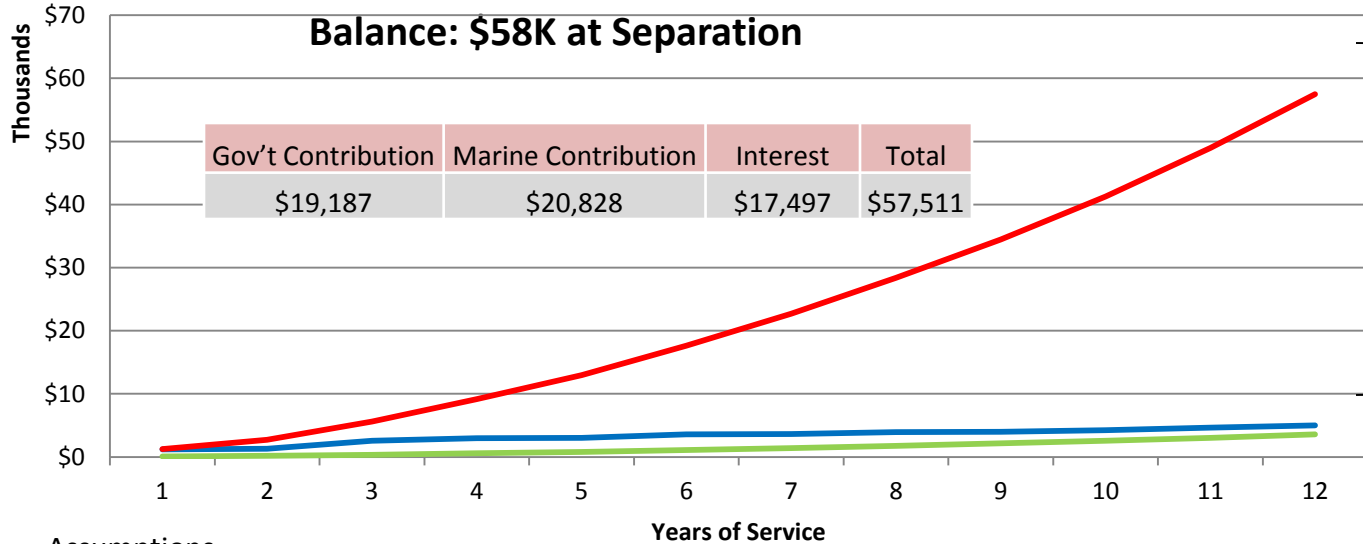
Blended Retirement System Thrift Savings Plan, E-6, 12 YoS

E-6 Contributes 5% and DoD 1% auto + 4% Matching at 3 YoS

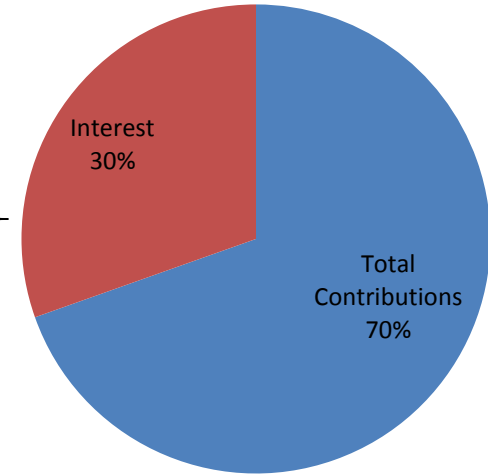
Balance: \$417K at Age 60

— total Contributions — Balance — Interest

Balance: \$58K at Separation



Breakdown



Assumptions

- 6.6% nominal annual return, compounded annually through age 60
- Income based on 2015 pay table, yearly pay raise of 1.3%, longevity increases, and normal rank progression
- SSgt begins 5% TSP contribution at entry in CY 2015 and separates at completion of 12 YoS in CY2026 (age 29)
- TSP balance of \$58,000 at end of 12YoS (separation)
- Contributions are pre-tax dollar (i.e., Traditional)
- No contributions made after 2026



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Communications

- Dec 2016: IMA Program Manager notified as to which IMA Marines are eligible to opt-in to the BRS.
- OpSponsors will have access to notification and training statistics through Command Profile
- Social media posting across variety of platforms on a bi-weekly/Monthly Schedule (with increasing occurrence during FY17)
- MARADMINS will be released as appropriate to provide guidance
- <http://militarypay.defense.gov/BlendedRetirement/>