



Blended Retirement System: Quick notes version

BRS Opt-In Basics

Making Your Decision

Opt-in Timeline

BRS Eligibility

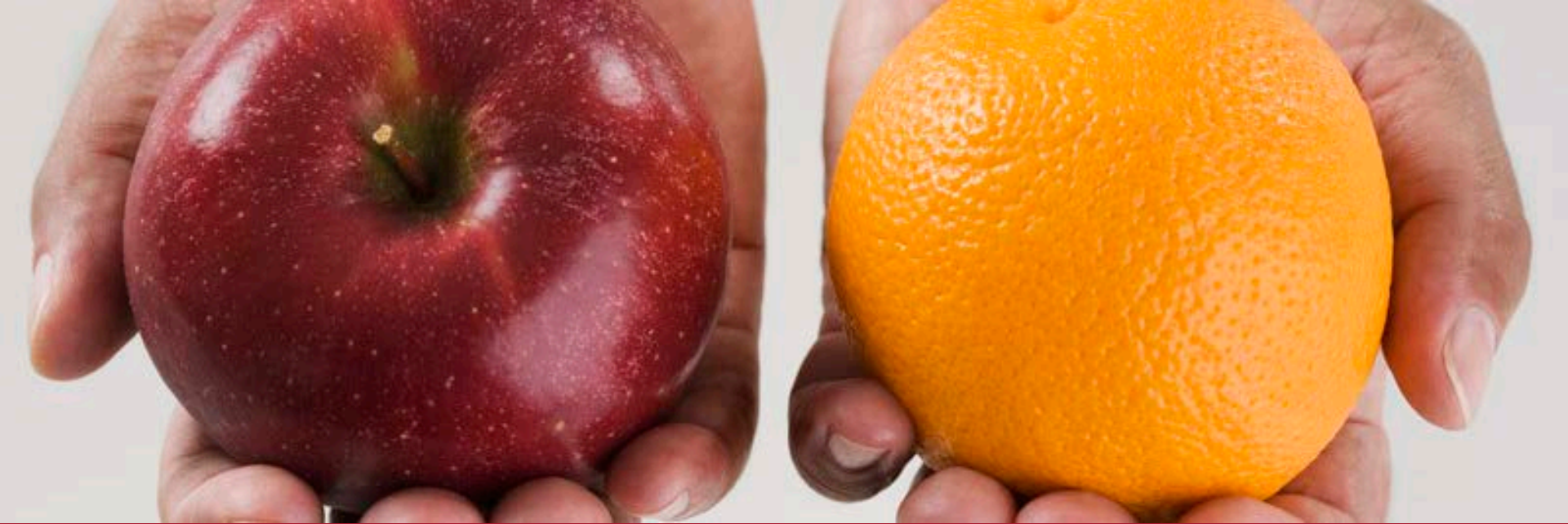
Opt-In Basics

- Effective 1 January 2018
- Service members who entered service prior to 1 January 2018 are grandfathered in the current system
- Service members who entered service prior to 1 January 2018 and who have < 12 years of service or 4,320 retirement points may opt-in to the new system
- The opt-in decision is irrevocable

Opt-In Period

1 January 2018 to 31 December 2018





High-3 vs BRS

Current System (High-3)

- **Defined benefit**
 - 20 year cliff vested annuity
 - 2.5% x YOS x High 36

$$2.5\% \times \text{Years Served} \times \text{Retired Pay Base}$$


- **Defined contribution**
 - Member may contribute to TSP up to annual IRS limits

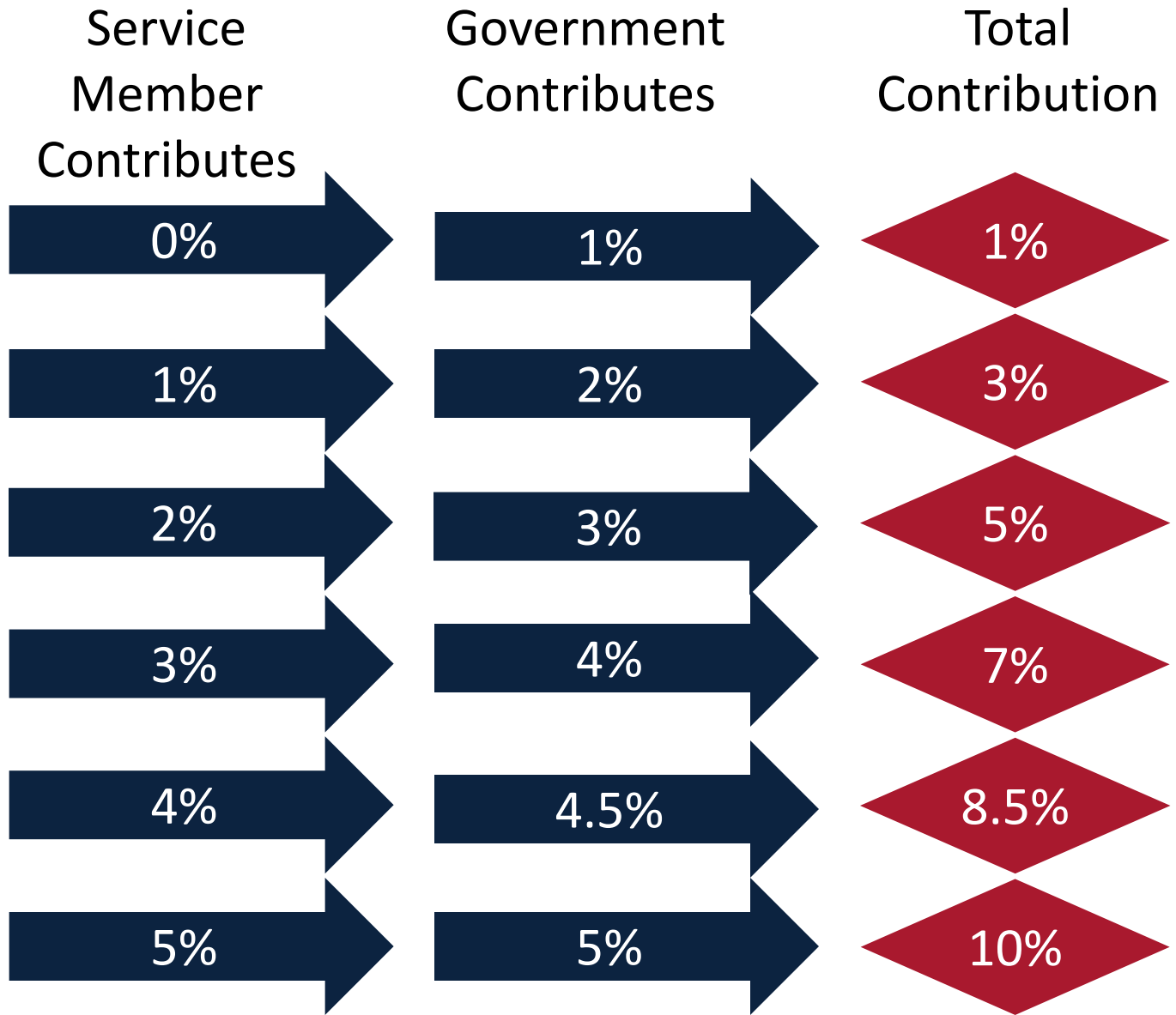
New System (BRS)

- **Defined benefit**
 - 20 year cliff vested annuity
 - 2.0% x YOS x High 36
 - Lump sum option

$$2.0\% \times \text{Years Served} \times \text{Retired Pay Base}$$


- **Defined contribution**
 - Auto enroll in TSP – 3% contribution (with opt-out option)
 - 1% government contribution after 60 days service
 - Government match at PEBD +2 years
 - Vesting at PEBD +2 years

Matching in BRS





Continuation Pay

Cash pay out at 12 years of service (PEBD + 12 Years)

Must agree to complete four additional years of service

Active component = **2.5 x Base pay (min) up to 13 X Base pay**

Reserve component = **.5 x Base pay (min) up to 6 X Base pay**

Continuation Pay for RC

Some RC members are:

- BRS eligible
 - If fewer than 4,320 retirement points
- Continuation Pay ineligible
 - If 12 or more YOS from PEBD



Lump Sum Option

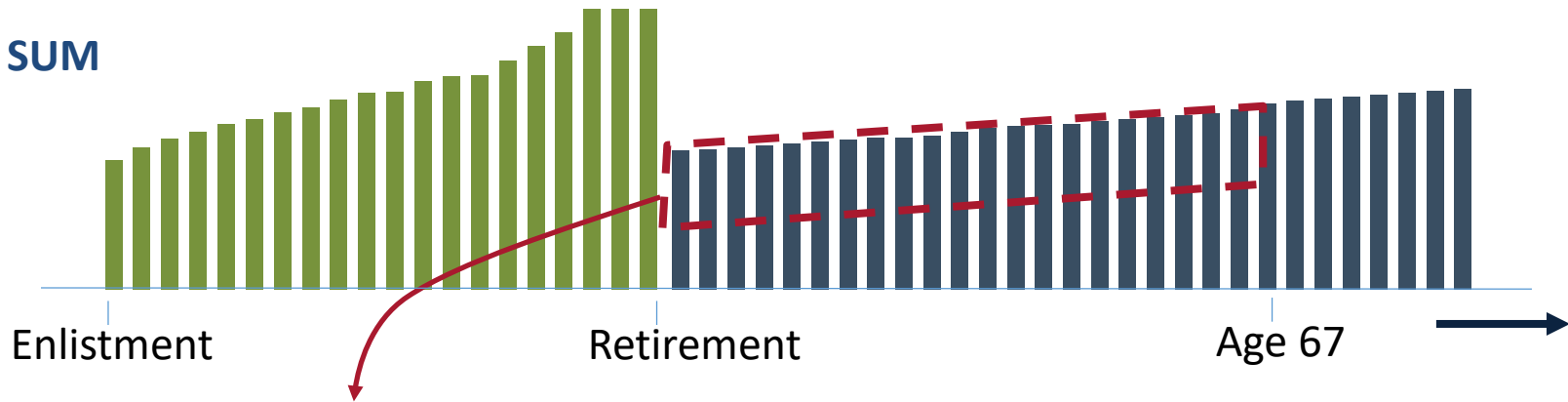
Present value of 25% or 50% of retirement pay from age of military retirement to full social security retirement age (currently age 67) in return for reduced monthly retirement until reaching full social security retirement age.

- Discount rate for 2018: 6.99%

How the Lump Sum Option Works

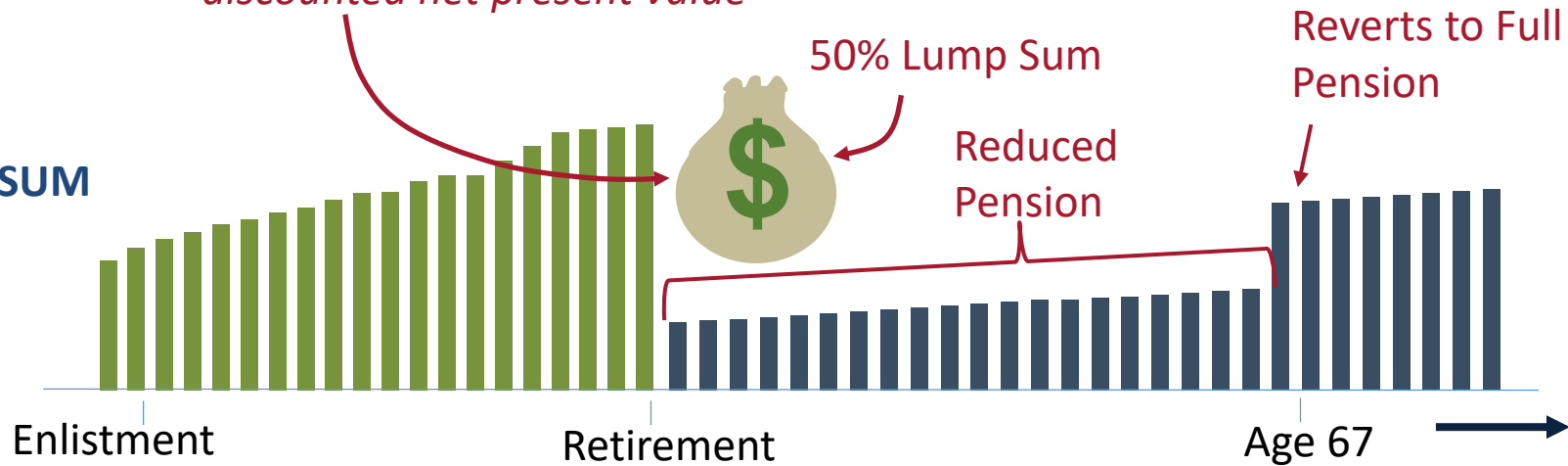
Regular Retirement

NO LUMP SUM



discounted net present value

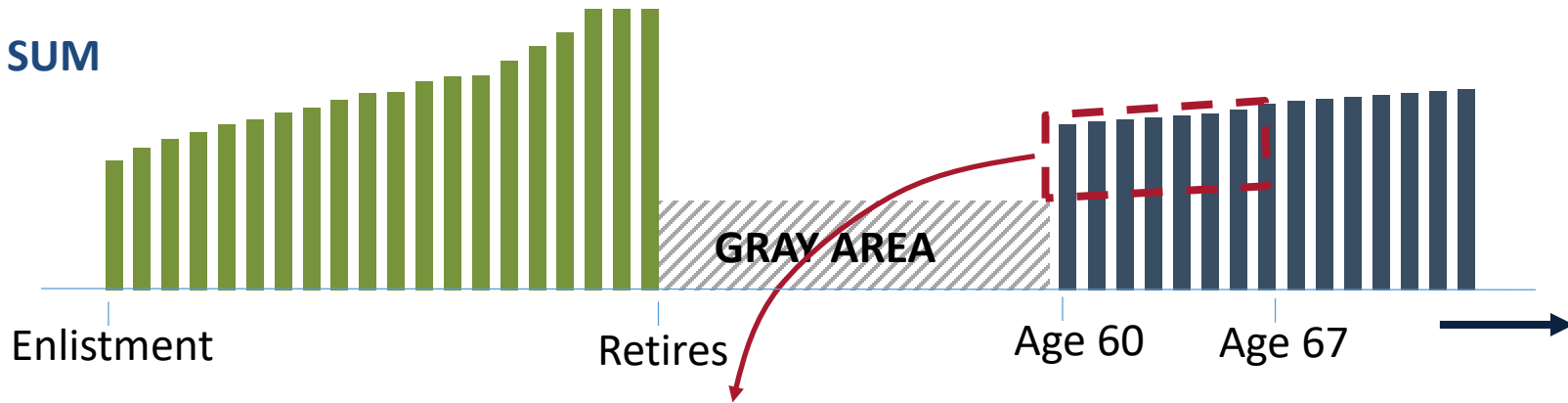
LUMP SUM



Lump Sum for RC

Non-Regular Retirement

NO LUMP SUM

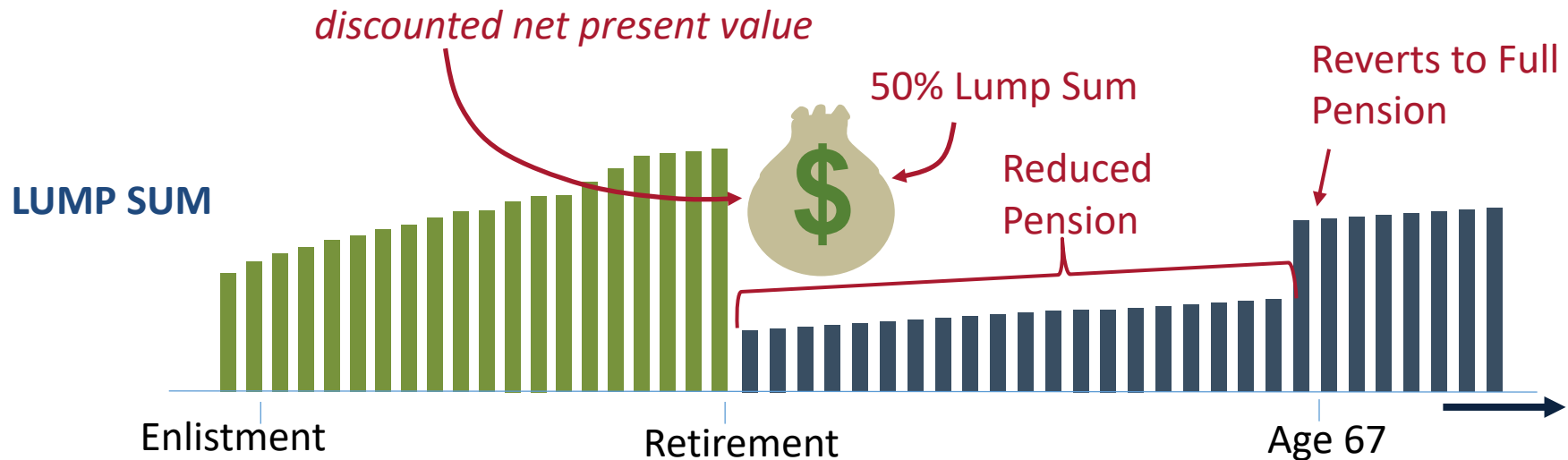


LUMP SUM



Other Important Lump Sum Considerations

- Discounted present value
- Lump sum payment is subject to tax
- VA Disability compensation could be impacted or delayed



Thrift Savings Plan (TSP)

- Purpose: To provide retirement income
- Similar to 401(k)
- Penalties for early withdrawals

Traditional TSP

- Contributions deducted from taxable income NOW
- Pay tax on contribution and earnings upon withdrawal
- TAX LATER

Roth TSP

- Contributions NOT deducted from taxable income now
- Do not pay tax on contributions or earnings upon withdrawal
- TAX NOW

TSP Advantages

- ✓ It's easy (use automatic payroll deductions)
- ✓ Diversified choice of investment options, including professionally designed lifecycle funds
- ✓ Choice of tax treatments for your contributions
- ✓ Low expenses (TSP management fee is .03% per year)
- ✓ If in BRS: Contributions from your service (automatic [1%] contributions and matching contributions up to 4% of your basic pay that you contribute)
- ✓ Access to your money while you are still a member of the Uniformed Services (under certain circumstances)
- ✓ A beneficiary participant account established for your spouse, or anyone you designate, in the event of your death

TSP Funds

G Fund

- Managed by Federal Retirement Thrift Investment Board
- G Fund buys nonmarketable U.S. Treasury security guaranteed by the U.S. Government

F, C, S, I Funds

- Index funds
- Replicate the risk & return characteristics of benchmark index
- Example: C Fund replicates S&P 500 Index

L Funds

- Lifecycle Funds
- Strategy: appropriate mix of G, F, C, S, & I Funds for a particular time horizon
- Becomes more conservative over time



What is Portability?

Tools & Resources

- Installation Personal Financial Manager (PFM)
- Command Financial Specialist (CFS)
- Military OneSource



- Thrift Savings Plan
- Military Pay
- Military OneSource
- BRS calculator



BRS Calculator

Blended Retirement System Comparison Calculator

Personal Information

When were you born? April 1998

What is your Pay Entry Base Date? July 2016

What is your current grade? E-2

What is your estimate of service at separation or retirement? 28 years

When would you opt into the BRS? February 2016

Results

Legacy Retirement System (High-3)
 Under the Legacy Retirement System (High-3) at 28 years, 8 months of service, your estimated retirement benefit will be **\$4,674,594**

Blended Retirement System
 Under the Blended Retirement System at 28 years, 8 months of service, your estimated retirement benefit will be **\$4,667,995**

Lifetime Pay

Summary of Payments

Legacy Retirement (High-3)		% Diff	Blended Retirement System	
Total Retirement Benefit	\$4,674,594	-0.1%	Total Retirement Benefit	\$4,667,995
Pension (2.5%)	\$4,674,594		Pension (2%)	\$3,739,875
			Service Member TSP	\$476,515
			Gov TSP Contributions	\$451,805

DISCLAIMER: This calculator is provided for informational purposes only. It is not intended to be used as an investment advisory tool or as a guarantee of the duration of the elected monthly payment amount.

- Online BRS Comparison Calculator will allow 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

Conclusion



Last Thoughts

- The decision is irrevocable, so be sure
- Do your research
 - Consider your situation, goals, and family circumstances
 - Run the numbers
 - Consult your PFM
- IF you choose BRS, it is to your advantage to maximize the government match
 - Start as soon as possible
 - Contribute at least up to the match (5%)

Questions

