

UNIFORMED SERVICES BLENDED RETIREMENT SYSTEM POLICY

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DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

JAN 27 2017

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Implementation of the Blended Retirement System

This memorandum implements guidance for the Blended Retirement System for the Uniformed Services, which was authorized in sections 631 through 635 of Public Law 114-92, the National Defense Authorization Act for FY 2016, as modified by sections 631 through 633 of Public Law 114-328, the National Defense Authorization Act for FY 2017. This policy supplements existing issuances and regulations pertaining to military retirement and annuity programs to provide guidance specifically for the Blended Retirement System. The policy outlined in the attachments will be incorporated into all applicable issuances and regulations to ensure an effective and efficient transition to this new retirement system when the Blended Retirement System becomes effective on January 1, 2018. The implementation of a new retirement system is a monumental change for the Department, requiring significant involvement from the leadership of our Uniformed Services. I ask that you pay close attention to this program and remain committed to ensuring our Service members are fully-informed, educated, and prepared for this transition.



Attachments:

1. Guidance for Implementation of the Blended Retirement System for the Uniformed Services
2. Procedures for Determining and Publishing the Lump Sum Discount Rate



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Attachment

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ATTACHMENT 1 – GUIDANCE FOR IMPLEMENTATION OF THE BLENDED RETIREMENT SYSTEM FOR THE UNIFORMED SERVICES

1. GENERAL.

a. Background. This document provides guidance for the implementation of the Uniformed Services' Blended Retirement System (BRS). The BRS blends a 20-year cliff-vested defined benefit annuity, similar to the existing Uniformed Services' legacy retirement systems, with a defined contribution plan that allows Service members to contribute to a Thrift Savings Plan (TSP) account with government automatic and matching contributions. The BRS is expected to provide retirement savings benefits for the majority of Service members, including those who serve fewer than 20 years.

b. Purpose. This memorandum establishes policy, assigns responsibilities, and provides procedures for implementing all elements of the BRS, as enacted in Sections 631 through 635 of Public Law (P.L.) 114-92, the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016, and as modified by Sections 631 through 633 of P.L. 114-328, the NDAA for FY 2017. Unless specifically stated in P.L. 114-92, P.L. 114-328, or this document, all existing provisions in statute, regulation, and policy related to retirement, retired pay, retainer pay, and survivor benefits remain in effect under the BRS. Policies and procedures established in this memorandum supplement existing guidance for military retirement in all applicable Departmental issuances, including Department of Defense (DoD) 7000.14-R, the "DoD Financial Management Regulation," and DoD instructions related to military compensation and survivor benefits. Those issuances will be updated to incorporate the policy outlined in this memorandum as applicable.

2. APPLICABILITY. This memorandum applies to:

a. The Office of the Secretary of Defense, the Military Departments (including the Coast Guard at all times, including when it is a Service in the Department of Homeland Security by agreement with that Department), the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the DoD, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this memorandum as the "DoD Components").

b. The Commissioned Corps of the Public Health Service, by agreement with the Department of Health and Human Services, and the Commissioned Corps of the National Oceanic and Atmospheric Administration, by agreement with the Department of Commerce, except where specifically indicated in this document.

3. POLICY. It is DoD policy that:

a. DoD Components will implement and manage the BRS in accordance with Sections 631 through 635 of P.L. 114-92 and Sections 631 through 633 of P.L. 114-328 and procedures

contained in this memorandum, while remaining compliant with all other existing statutes, regulations, and issuances regarding retirement compensation and benefits.

b. The BRS goes into effect on January 1, 2018.

c. All members of the Uniformed Services who initially entered military or uniformed service on or before December 31, 2017, are grandfathered under their legacy retirement plan and will not be automatically switched to the BRS.

d. Any member of a Uniformed Service determined to be eligible for enrollment in the BRS by virtue of eligibility criteria contained in paragraphs 6.b.(2) through 6.b.(6) of this memorandum will complete mandatory training on the BRS, to be provided by the Assistant Secretary of Defense for Readiness (ASD(R)), in accordance with guidance prescribed by the Secretary concerned.

e. The decision by a member eligible to elect to enroll in the BRS is irrevocable.

4. RESPONSIBILITIES.

a. Under Secretary of Defense (Personnel and Readiness) (USD(P&R)). The USD(P&R) will:

(1) Develop and maintain DoD guidance governing retirement compensation in accordance with DoD Directive 5124.02.

(2) Develop, publish, and maintain DoD issuances and memoranda that provide additional policy to implement aspects of this memorandum, as required.

(3) Ensure the DoD Components effectively administer the provisions of the BRS in accordance with this memorandum.

(4) Adjudicate exception to policy requests.

b. Assistant Secretary of Defense for Manpower and Reserve Affairs (ASD(M&RA)). Under the authority, direction, and control of the USD(P&R), the ASD(M&RA) will:

(1) Oversee implementation of the guidance contained in this memorandum and manage the BRS program.

(2) Develop policies and establish procedures to adjudicate requests for extensions of the enrollment period in hardship cases.

c. ASD(R). Under the authority, direction, and control of the USD(P&R), the ASD(R) will:

(1) Develop standardized training courses to educate members of the Uniformed Services on the BRS in accordance with sections 3.d., 9.b.(1), and 9.f. of this issuance.

(2) Distribute training courses, educational products, guidance, and strategic communications materials related to training to enable the Secretaries concerned to fulfill their responsibilities outlined in section 4.f.(4).

d. Deputy Assistant Secretary of Defense for Military Personnel Policy (DASD(MPP)). Under the authority, direction, and control of the ASD(M&RA), the DASD(MPP) will annually publish the discount rate to be applied to lump sum elections of members' retired pay, as discussed in Attachment 2 of this memorandum.

e. Chief Actuary, DoD Office of the Actuary (OACT). The Chief Actuary, OACT, under the authority, direction, and control of the Director, Defense Human Resources Activity, will:

(1) Annually determine the discount rate for lump sum distributions of retired pay in accordance with procedures in Attachment 2, and recommend to the DASD(MPP) the rate to be promulgated.

(2) Provide analysis and consultation to the Director, Defense Finance and Accounting Service (DFAS) on projected lump sum distributions of retired pay for future years.

f. Secretaries Concerned. Secretaries of the Military Departments and the Secretaries concerned, as that term is defined in Section 101 of Title 37, United States Code (U.S.C.), in the case of the Coast Guard, Commissioned Corps of the Public Health Service (USPHS), and Commissioned Corps of the National Oceanic and Atmospheric Administration (NOAA), hereafter referred to as "Secretary concerned" (or as "Service Secretary" for ease of construction) in accordance with Section 101 of Title 37, U.S.C., will:

(1) Develop and maintain guidance establishing policies and procedures in their respective departments to ensure compliance with this memorandum and associated regulations.

(2) Determine the members of their respective departments who are eligible to elect to enroll in the BRS and provide to DFAS, if applicable, required data to allow such elections to occur in accordance with procedures established by the Director, DFAS, 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 paragraphs 6.b.(2) through 6.b.(6), of their eligibility and the process for making that election.

(4) Train members of their respective departments 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 ASD(R), and report completion in accordance with separate guidance to be issued by the ASD(R).

(5) Adjudicate requests and/or determine eligibility for extensions of the enrollment period, in the case of a hardship, for electing to enroll in the BRS.

(6) Establish procedures, determine eligibility, determine the timing of payments between 8 and 12 years of service, and set amounts of continuation pay due to eligible members covered by the BRS.

(7) Update personnel and pay systems as necessary to implement procedures outlined in this memorandum.

(8) Notify the Director, DFAS of a Service member's election to receive a lump sum of retired pay, in accordance with section 7.a.(3)(b), no less than 30 days prior to that member's date of eligibility for retired pay.

(9) Establish a TSP 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 provisions contained in section 7.b. Annually re-enroll those members subject to automatic re-enrollment provisions contained in section 7.b.(4)(d).

g. Director, DFAS. The Director, DFAS, will:

(1) Establish and/or maintain a website that will allow eligible members of the Army, Navy, and Air Force to enroll in the BRS and to manage TSP contributions. Maintain an auditable record of enrollments in the BRS made through this website. Notify the Secretary concerned of enrollments by members of their respective departments.

(2) Issue and maintain guidance incorporating policy established in this memorandum to carry-out all aspects of the BRS.

(3) Ensure pay systems are updated as necessary to implement procedures outlined in this memorandum.

(4) Determine the lump sum amounts payable in accordance with this guidance and make lump sum payments of retired pay to members who elect such distributions not later than 60 days after the date of retirement, in the case of a member eligible for a regular retirement, or not later than 60 days after the date upon which the member first becomes entitled to retired pay, in the case of a member eligible for a non-regular retirement.

5. EFFECTIVE DATE. This memorandum is effective as of January 27, 2017. Unless otherwise stated, the policies contained herein that implement the BRS shall be effective simultaneous with the effective date of the BRS—January 1, 2018.

6. ELIGIBILITY.

a. Grandfathering Under Legacy Retirement Plan.

(1) All members of the Uniformed Services who have a Date of Initial Entry into Military Service (DIEMS) or Date of Initial Entry into Uniformed Services (DIEUS) on or before December 31, 2017, remain covered by their previous retirement plan until such time as they elect to enroll in the BRS, if eligible to do so in accordance with paragraphs 6.b.(2) through 6.b.(6).

(2) Any retiree who is recalled to active duty is ineligible to elect to enroll in the BRS regardless of any other eligibility criteria. However a member placed on the Temporary Disability Retired List (TDRL) who is later determined fit for duty and reenters active service in accordance with Section 1211 of Title 10, U.S.C., is not considered to be a recalled retiree and may enroll in the BRS if otherwise eligible under criteria outlined in paragraph 6.b.(6).

(3) Any member of a Uniformed Service who is ineligible to elect to enroll in the BRS under provisions outlined in paragraphs 6.b.(2) through 6.b.(6), will remain covered under his or her legacy retirement plan.

b. Covered Members. The following members of the Uniformed Services are covered under the provisions of the BRS:

(1) Any member of a Uniformed Service with a DIEMS or DIEUS on or after January 1, 2018.

(2) Any member of the Active Component (AC) of a Uniformed Service who is serving on December 31, 2017, who:

(a) Has a DIEMS/DIEUS date that is on or before December 31, 2017; and,

(b) Has served in a Uniformed Service for fewer than 12 years as calculated from their Pay Entry Base Date (PEBD) (for Army this date is referred to as “pay entry basic date,” for Air Force it is referred to as the “pay date” and for Navy and Marine Corps it is referred to as the “pay entry base date.” Hereafter, it is referred to as PEBD in this memorandum); and,

(c) Elects to enroll in the BRS under provisions outlined in section 9.b.

(3) Any member of the Reserve Component (RC) of a Uniformed Service who is performing reserve component service as a member of the Ready Reserve or on the Active Status List of the Standby Reserve on December 31, 2017, who:

(a) Has a DIEMS/DIEUS date that is on or before December 31, 2017; and,

(b) Is in receipt of basic pay or inactive duty pay under Sections 204 or 206, respectively, of Title 37, U.S.C., on or after December 31, 2017; and,

(c) Has accumulated fewer than 4,320 retirement points, in accordance with the provisions of Section 12733 of Title 10, U.S.C., as of that date; and,

(d) Elects to enroll in the BRS under provisions outlined in section 9.b.

(4) Any member who has signed an agreement to enlist in a Uniformed Service in the Delayed Entry Program, in accordance with Section 513 of Title 10, U.S.C., who:

(a) Has a DIEMS/DIEUS date that is on or before December 31, 2017; and,

(b) Is in receipt of basic pay or inactive duty pay under Sections 204 or 206, respectively, of Title 37, U.S.C., on or after December 31, 2017; and,

(c) Elects to enroll in the BRS under provisions outlined in section 9.b.

(5) Any midshipman or cadet attending an academy of one of the Uniformed Services or the U.S. Merchant Marine Academy, or enrolled in the Senior Reserve Officer Training Corps of one of the Uniformed Services as of December 31, 2017, who has signed an agreement to serve as a commissioned officer in a Uniformed Service upon graduation, who:

(a) Has a DIEMS/DIEUS on or before December 31, 2017; and,

(b) Is in receipt of basic pay or inactive duty pay under Sections 204 or 206, respectively, of Title 37, U.S.C., on or after December 31, 2017; and,

(c) Elects to enroll, following commissioning, in the BRS under provisions outlined in section 9.b.

(6) Any member of a Uniformed Service who was placed on the TDRL on or before December 31, 2017, who:

(a) Is later determined to be physically fit to perform his or her duties; and,

(b) Is reappointed or reenlisted in a component of the Uniformed Services in accordance with Section 1211 of Title 10, U.S.C.; and,

(c) Otherwise meets the criteria to enroll as specified under paragraph 6.b.(2)(b) or 6.b.(3)(c); and,

(d) Elects to enroll in the BRS under provisions outlined in section 9.b.

7. PROCEDURES FOR IMPLEMENTING COMPONENTS OF THE BLENDED RETIREMENT SYSTEM

The BRS consists of two primary components: a defined benefit annuity and defined contributions to TSP. The following paragraphs discuss the components of the BRS.

a. Defined Benefit Annuity.

(1) **Annuitized Retired Pay.** Members of the Uniformed Services covered under the BRS are eligible to receive retired or retainer pay in accordance with all existing provisions of DoD Financial Management Regulation (FMR), Volume 7B, Chapter 1, with the exception that their monthly retired or retainer pay will be calculated using a different formula than under the legacy retirement systems. Monthly retired or retainer pay is the product of multiplying the retired pay base by the years of service multiplier.

(a) **Determining Retired Pay Base.** Retired Pay Base will be calculated under provisions as currently outlined in DoD FMR, Volume 7B, Chapter 3.

(b) Determining Years of Service Multiplier.

1. For a regular retirement, the years of service multiplier is determined by multiplying two percent times the member's years of creditable service, as computed in accordance with Sections 1208 and 1405 of Title 10, U.S.C. The term "years of creditable service" means the number of years of service that are creditable to a member in computing the member's retired or retainer pay, including credit for each full month of service in addition to full years of service.

2. For a non-regular retirement, the years of service multiplier is determined by multiplying two percent times the years of service credited for percentage purposes. In accordance with Department of Defense Instruction (DoDI) 1215.07, as determined under Section 12733 of Title 10, U.S.C., the formula for converting retirement points into years of service credited for percentage purposes is total number of retirement points divided by 360.

3. For a disability retirement under the provisions of Chapter 61 of Title 10, U.S.C., the years of service multiplier is determined by multiplying two percent times the member's years of creditable service, as computed in accordance with Sections 1208 and 1405 of Title 10, U.S.C. However, a member may elect to receive retired pay equal to their retired base pay multiplied by the member's rated percent of disability in accordance with Section 1401 of Title 10, U.S.C. All other provisions of Chapter 61 of Title 10, U.S.C. apply.

(2) Commencement of Retired Annuity Payments.

(a) Regular Retirement. A member of a Uniformed Service who is covered under the BRS and who qualifies for a regular retirement is eligible to begin receiving retired pay on the first day of the month after the month in which service requirements are fully met, in accordance with DoD FMR, Volume 7B, Chapter 1.

(b) Non-Regular Retirement. A member of the Uniformed Services who is covered under the BRS and who qualifies for a non-regular retirement is entitled to pay effective on the first day of the month upon which the member both attains non-regular retirement age and meets the minimum number of years of creditable service, or on the first day of any later month the retiree may elect, in accordance with DoD FMR, Volume 7B, Chapter 1. Retirement age is normally 60 but may be reduced in accordance with criteria for service credit pursuant to DoDI 1215.07.

(3) Lump Sum Payment of Retirement Annuity.

(a) Eligibility. Section 633 of P.L. 114-92 enacts Section 1415 of Title 10, U.S.C., affording a member of a Uniformed Service the option to elect to receive a discounted portion of his or her retired pay as a lump sum. To be eligible to elect the lump sum a member must be covered under the BRS, and qualify for a regular retirement or a non-regular retirement. Members who are retired for a physical disability under provisions of Chapter 61 of Title 10, U.S.C., are not eligible for the lump sum option. A member who is not eligible for BRS or who does not elect to enroll in BRS is not eligible to elect a lump sum payment of his or her retirement annuity.

(b) Election. A member, covered by BRS, who elects to receive a portion of his or her retired pay as a lump sum must make this election, in accordance with procedures prescribed by the Secretary concerned, not later than 90 days before:

1. The date upon which the member retires and receives a regular retirement;
or,

2. The date upon which the member first becomes eligible to receive retired pay under the non-regular retirement program, in accordance with DoDI 1215.07.

(c) Amount. A member who elects to receive a portion of his or her retired pay as a lump sum may elect to receive the discounted present value of either 25 percent or 50 percent of the gross estimated retired pay, taking into account projected cost of living adjustments, for the period from:

1. The day that member is eligible to begin receiving retired pay; until,

2. The first day of the month following the month during which the retiree attains the age that was the full retirement age, in accordance with Section 416 of Title 42, U.S.C., (the Social Security Act), applicable to that member on the day that member elected the lump sum option.

(d) Discount Rate. The discount rate applied in computing the amount of the lump sum described in 7.a.(3)(c) will be determined and published in accordance with procedures specified in Attachment 2 of this memorandum.

(e) Installment Payments. A member who elects to receive a lump sum payment of his or her retired pay may elect to receive this payment in up to four annual installments over no more than 4 years.

(f) Timing of Payments. A member who elects installment payments in accordance with section 7.a.(3)(e) will receive equal lump sum distributions payable each year on the anniversary of the first installment; the first installment of which will be paid no later than 60 days after:

1. The date on which that member retires if eligible for a regular retirement;
or,

2. The date on which the member first becomes eligible to begin receiving retired pay if eligible for a non-regular retirement.

(g) Restoration of Full Annuity Payment. The retired pay of a member who elects to receive a lump sum payment of their retired pay in accordance with 7.a.(3)(b) will be restored to its full, monthly annuitized amount as of the first day of the month following the month in which the member attains the full retirement age that was applicable to that member on the day that member elected the lump sum option, in accordance with Section 416 of Title 42, U.S.C.

(h) Relationship to Disability Compensation. Section 633 of P.L. 114-92, modified Section 5304 of Title 38, U.S.C. (“Prohibition against duplication of benefits”), to establish that a member electing to receive a portion of his or her retired pay as a lump sum may not concurrently receive Department of Veteran Affairs (VA) disability compensation, except under specified circumstances. Accordingly:

1. Per Section 633 of P.L. 114-92, which amended Section 5304 of Title 38, U.S.C., the VA will withhold disability payments to any retiree who elects to receive a portion of their retired pay as a lump sum until the amount withheld (i.e., not paid to the retiree on a monthly basis) equals the gross amount of the lump sum payment received by that retiree.

2. Once the amount of VA disability compensation withheld, in accordance with paragraph 7.a.(3)(h).1., equals the amount previously received as a lump sum, the retiree is considered to have fully offset the lump sum distribution. The retiree must then agree to waive a portion of each month’s future retired pay, equal to the amount of the VA disability compensation to which he or she is now entitled, to begin receiving that VA disability compensation in accordance with Sections 5304 and 5305 of Title 38, U.S.C.

3. A retiree who is eligible for Concurrent Retirement and Disability Payment (CRDP) in accordance with Section 1414 of Title 10, U.S.C., due to a service-connected disability rating of 50 percent or more, is entitled to be paid both his or her VA disability compensation and his or her retired pay without regard to the required offsets described in Section 5304 of Title 38, U.S.C., and paragraph 7.a.(3)(h).1. of this memorandum. Accordingly retirees who qualify for CRDP and who elect to receive a portion of their retired pay as a lump sum are not subject to withholding of VA disability compensation upon receipt of a lump sum payment.

4. A retiree who would otherwise be eligible for Combat-Related Special Compensation (CRSC) in accordance with Section 1413a of Title 10, U.S.C., remains subject to the provisions of Sections 5304 and 5305 of Title 38, U.S.C., requiring a waiver of retired pay before a retiree can receive VA disability compensation, as discussed in paragraph 7.a.(3)(h).1. Specific policies and procedures for payment of CRSC to members who elect a lump sum of retired pay will be addressed in a subsequent memorandum to be issued by the USD(P&R).

(i) Effect on Survivor Benefit Premium. A member who elects to receive a lump sum payment of his or her retired pay also remains eligible to elect to cover their spouse or other dependents, or qualified insurable interests through the Survivor Benefit Plan. The manner in which premiums are collected in the event a member elects to receive a lump sum distribution of their retired pay, and the consequent payment of benefits in the event of that member’s death, will be addressed in forthcoming guidance including the next update to DoDI 1332.42, “Survivor Annuity Program Administration.”

(j) Disputes. Members who accept the lump sum distribution, as determined, may not seek review of, or otherwise retrospectively challenge, the amount of the lump sum, particularly in regard to deviations from the cost-of-living adjustments, actuarial assumptions, or other factors used in computing this amount.

(k) Division of Retired Pay. Any lump sum payment of retired pay remains subject to the conditions of Section 1408 of Title 10, U.S.C., with consideration to court orders.

b. Thrift Savings Plan.

(1) **General.** Members of the Uniformed Services participating in TSP will be governed by the laws applicable to TSP, the Internal Revenue Code, and regulations as set forth by the Federal Retirement Thrift Investment Board (FRTIB) and the Internal Revenue Service (IRS). This memorandum provides interim guidance related to changes enacted under BRS and will be incorporated into future FRTIB regulations.

(2) **Prior Participation in TSP.** A member of a Uniformed Service who previously contributed to TSP prior to the implementation of the BRS, and who elects to enroll in the BRS in accordance with paragraph 9.b. of this memorandum, will maintain his or her existing account in the TSP but must re-affirm his or her individual contribution percentage upon electing to enroll in the BRS. No prior contributions will be matched although the balance of the TSP account will carry over following enrollment in the BRS.

(3) **Establishing a TSP Account.** The Secretary concerned will establish a TSP account, if one does not already exist, for all members of the Uniformed Services who are enrolled in BRS by virtue of their accession into the Uniformed Services on or after January 1, 2018, and all members who elect to enroll in the BRS in accordance with procedures outlined in paragraph 9.b. The initial individual and government contributions to TSP will occur no later than:

(a) The beginning of the pay period following the member's 60th day of service as calculated from PEBD, for those members who are enrolled in BRS by virtue of their accession into the Uniformed Services on or after January 1, 2018; or,

(b) The beginning of the pay period following the election to enroll in the BRS for those members who elect to enroll in accordance with procedures outlined in paragraph 9.b.

(4) **Individual Contribution.**

(a) A member enrolled in BRS by virtue of his or her accession into a Uniformed Service on or after January 1, 2018, and on or before September 30, 2020, will be automatically enrolled in TSP at the level of a 3 percent individual contribution from his or her monthly basic pay or inactive duty pay. A member enrolled in BRS by virtue of his or her accession into a Uniformed Service on or after October 1, 2020, will be automatically enrolled in TSP at the level of a 5 percent individual contribution from his or her monthly basic pay or inactive duty pay. This amount will be contributed to his or her TSP account beginning with the first pay period following the member's 60th day of service as calculated from PEBD.

(b) A member of a Uniformed Service who elects to enroll in BRS in accordance with procedures outlined in paragraph 9.b. will contribute to TSP at the individual contribution percentage that the member elects at the time of enrollment in the BRS. This amount will be contributed to his or her TSP account beginning with the first pay period following election.

(c) A member automatically enrolled in accordance with paragraph 7.b.(4)(a) may adjust the individual contribution amount at any time before or after the initial deduction. There is no minimum mandatory contribution amount. Members of the Uniformed Services will follow all regulations prescribed by the IRS and the FRTIB when requesting a refund of, or adjusting the amount of, individual contributions.

(d) If a member subject to the automatic enrollment described in paragraph 7.b.(4)(a) declines this automatic enrollment and the member's contribution from his or her pay in the final full pay period of the year is 0 percent, that member will be re-enrolled January 1 of the following calendar year at a 5 percent individual contribution rate from the member's basic pay, in accordance with Section 632 of P.L. 114-92. The automatic individual contribution will be deducted in the first full pay period of that year. Note that this provision does not apply if the member otherwise remains enrolled to contribute from his or her pay at a percentage other than zero, but stopped contributing during the previous year because the member reached the maximum annual contribution threshold allowed under IRS regulation.

(e) A member who declines automatic enrollment is one who:

1. Is subject to automatic enrollment as described in paragraph 7.b.(4)(a);
2. Stops automatic contributions by reducing the individual contribution to 0 percent; and,
3. Remains at 0 percent individual contribution rate for the final full pay period of the calendar year unless by reason of reaching the maximum annual contribution threshold.

(f) Automatic re-enrollment per paragraph 7.b.(4)(d) will occur each year of a member's career in which the criteria in paragraph 7.b.(4)(e) are met.

(g) A member may decline the annual automatic re-enrollment described in paragraph 7.b.(4)(d) for the following year no earlier than December 1 of the year in which they are determined to be subject to automatic re-enrollment in accordance with paragraph 7.b.(4)(e).

(h) A member's individual contribution to TSP is treated, by default, as a "traditional" tax-deferred contribution, not Roth, unless the member elects to designate all or part of his or her contribution as Roth.

(5) Service Secretary Contributions for Members Whose DIEMS or DIEUS is ON or AFTER January 1, 2018

(a) Commencing with the pay period that follows a Uniformed Service member's 60th day of service, as calculated from PEBD, the Secretary concerned will automatically contribute to that Service member's TSP account, at no cost to the member and without regard to the amount the Service member contributes, an amount equal to:

1. One percent of basic pay earned by that member during that pay period for active service; and/or,

2. One percent of inactive duty pay earned by that member during that pay period for inactive duty training (IDT).

(b) The 1 percent automatic contribution by the Secretary concerned will continue for each pay period in which a member receives either basic pay or inactive duty pay, or both, through the end of the pay period during which the member completes 26 years of service, as calculated from his or her PEBD.

(c) Commencing with the pay period that follows a Uniformed Service member's completion of 24 months of service, as calculated from his or her PEBD, the Secretary concerned will contribute an amount that matches the Service member's individual contribution from basic pay and/or inactive duty pay to TSP in accordance with Table 1.

Table 1: Automatic and Matching Contributions

Individual Contribution Rate of Basic Pay or Inactive Duty Pay	Government Automatic Contribution Rate of Basic Pay or Inactive Duty Pay	Government Matching Contribution Rate of Basic Pay or Inactive Duty Pay	Total Rate of TSP Monthly Contribution of Basic Pay or Inactive Duty Pay
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%

(d) No matching contribution, as described in paragraph 7.b.(5)(c), will be made to a Service member's TSP account after the pay period during which the member completes 26 years of service, as calculated from his or her PEBD.

(6) Service Secretary Contributions for Members Whose DIEMS or DIEUS is BEFORE January 1, 2018.

(a) Commencing with the pay period that follows a Uniformed Service member's election to enroll in the BRS, in accordance with procedures in paragraph 9.b., the Secretary concerned will automatically contribute to that Service member's TSP account, at no cost to the member and without regard to the amount the Service member contributes, an amount equal to:

1. One percent of basic pay earned by that member during that pay period for active service; and/or,

2. One percent of inactive duty pay earned by that member during that pay period for IDT.

(b) This 1 percent automatic contribution by the Secretary concerned will continue for each pay period in which a member receives either basic pay or inactive duty pay, or both, through the end of the pay period during which the member completes 26 years of service, as calculated from his or her PEBD.

(c) Commencing with the pay period that follows a Uniformed Service member's election to enroll in the BRS, in accordance with procedures in paragraph 9.b., the Secretary concerned will contribute an amount that matches the individual Service member's individual contribution of basic pay and/or inactive duty pay to TSP in accordance with Table 1.

(d) No matching contribution, as described in paragraph 7.b.(6)(c), will be made to a Service member's TSP account after the pay period during which the member completes 26 years of service, as calculated from his or her PEBD.

(7) **Vesting of Individual Contributions.** A member's individual contributions are immediately vested upon payment to TSP. Subsequent earnings on those contributions are also immediately vested when the earnings accrue.

(8) **Vesting of Service Secretary Contributions.** The two forms of government contributions to TSP are subject to different vesting rules:

(a) The government's 1 percent automatic contributions described in paragraphs 7.b.(5)(a) or 7.b.(6)(a) become fully-vested on the first day of the 25th month of service, as calculated from a Service member's PEBD, in accordance with Section 8432(g)(2) of Title 5, U.S.C. Members who separate from a Uniformed Service before this date forfeit the government's 1 percent automatic contributions and any earnings on those contributions.

(b) Any government matching contribution, as described in paragraphs 7.b.(5)(c) or 7.b.(6)(c), is fully-vested upon receipt in the member's TSP account in accordance with Section 8432(g)(1) of Title 5 of U.S.C., regardless of accrued service. Any earnings on government contributions are immediately vested when they accrue.

(9) **Carry-over of Individual TSP Elections.**

(a) A member covered under the BRS who separates from a component of the Uniformed Services, as defined by Section 211 of Title 37, U.S.C., and later re-affiliates with any component of a Uniformed Service, will be re-enrolled in TSP at an individual contribution of 3 5 percent of his or her monthly basic pay or 5 percent of inactive duty pay regardless of any previous contribution elections made prior to separation.

(b) This auto enrollment of a re-entrant at a 5 percent individual contribution rate will occur no later than the first pay period following re-entry.

(c) A member covered under BRS who re-enters service after a break in service and who previously qualified for the government 1 percent automatic contribution, under provisions outlined in paragraph 7.b.(5)(a) or 7.b.(6)(a), will resume receiving the government 1 percent automatic contribution into his or her TSP account no later than the first pay period after re-entry.

(d) A member covered under BRS who re-enters service after a break in service and who previously qualified for government matching contributions under provisions outlined in paragraph 7.b.(5)(c) or 7.b.(6)(c), will resume receiving agency matching contributions into his or her TSP account concurrent with re-enrollment.

(10) TSP Elections for Transitioning RC Members. Members of the RC covered under BRS are considered continuous participants in BRS while they remain in a paid status. Such members will not be re-enrolled at the automatic 5 percent individual contribution level each time they transition from a paid status in the Selected Reserve to active service or from active service back to a paid status in the Selected Reserve. Their previously-elected TSP contribution levels will carry-over through transitions related to activation and deactivation, unless and until the member elects to modify his or her own contribution level.

(11) Default Fund. Unless a specific investment election is made by a Service member, a member's individual contribution and the government's contributions to TSP will be invested, on behalf of the member, in an age-appropriate, target date asset allocation investment fund, commonly known as a "Lifecycle" fund.

(12) Default Type of Individual Contribution. An individual's contributions to TSP, as described in paragraph 7.b.(4) are treated, by default, as "traditional" tax-deferred contributions, not as Roth, after-tax contributions. A member may elect to designate all or part of his or her individual contributions as Roth. The Service Secretary contributions described in paragraphs 7.b.(5) and 7.b.(6) are always tax-deferred "traditional" contributions.

8. CONTINUATION PAY.

a. Background. In addition to provisions related to retirement compensation and TSP, P.L. 114-92 enacted a continuation pay to ensure sufficient retention at critical longevity points in the force structure. Continuation pay will be enacted under Section 356 of Title 37, U.S.C., effective on January 1, 2018, which was further modified by P.L. 114-328. Members of the Uniformed Services who are covered by the BRS are eligible to receive a one-time, mid-career bonus payment in exchange for an agreement to perform additional obligated service. This one-time bonus payment is in addition to any other career field-specific incentives or retention bonuses.

b. Eligibility. The following members are eligible to receive continuation pay:

- (1) **AC.** Any member who:
- (a) Is covered under the BRS; and,
 - (b) Has completed not less than 8 and not more than 12 years of service, as computed from that member's PEBD; and,
 - (c) Is eligible to enter into an agreement to serve not less than an additional 3 years in the AC.

- (2) **RC.** Any member who:

(a) Is covered under the BRS; and,

(b) Has completed not less than 8 and not more than 12 years of service as computed from that member's PEBD; and,

(c) If elected to enroll in the BRS in accordance with section 6.b.(3), as calculated under provisions of Section 12733 of Title 10, U.S.C., did not complete more than 12 years of service as calculated from PEBD prior to enrollment in the BRS.

(d) Is a member of the Selected Reserve, or otherwise a member of the Ready Reserve in a status in which the member is eligible to receive basic pay or inactive duty pay, when otherwise eligible in accordance with criteria published by the Secretary concerned as specified in paragraph 8.f.; and,

(e) Is eligible to enter into an agreement to serve not less than an additional 3 years in the Selected Reserve.

c. Amount. The Secretary concerned is responsible for determining the continuation pay amount offered to members of his or her department covered by the BRS, the timing of when continuation pay is offered, and the duration of the associated additional obligated service. The amount payable will fall within the range of:

(1) **AC.** Not less than 2.5 times and not more than 13 times the monthly basic pay of that member based on the member's current paygrade and years of service.

(2) **RC.** 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 years of service on active duty. An RC member performing active Guard and Reserve service (as defined in Section 101(d)(6) of Title 10, U.S.C.), will be paid continuation pay at the rate of an AC member subject to agreement to continue serving not less than an additional 3 years in active service (as defined in Section 101(d)(3) of Title 10, U.S.C.

d. Obligated Service.

(1) A member who accepts continuation pay and enters into an agreement will serve not less than 3 years of additional service in the component in which they were serving at the time of agreement, commencing upon acceptance by the Secretary concerned of the agreement to continue serving.

(2) This obligated service will run concurrently with any other service obligation, unless other service obligations incurred specifically preclude concurrent obligations.

(3) RC members will perform obligated service in the Selected Reserve, subject to conditions and requirements prescribed by the Secretary concerned.

e. Payment. A member who qualifies for continuation pay may elect to receive the payment in a single lump sum or elect a series of equal installment payments, not to exceed four annual payments over 4 consecutive years.

f. Timing. The Secretary concerned will pay continuation pay to eligible members, in accordance with section 8.b., no earlier than upon completion of 8 years of service and no later than upon completion of 12 years of service, as calculated from that member's PEBD, and upon acceptance by the Secretary concerned of the member's agreement to obligate for no less than 3 additional years of obligated service. The Secretary concerned will publish criteria for determining when members are eligible for continuation pay.

g. Non-availability. Members who incur a period of extended absence, subject to the approval of the Secretary concerned, which precludes meeting the terms of obligated service shall have 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 Secretary concerned, installment payments of the continuation pay 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 the continuation pay and repayment, as appropriate.

h. Repayment. A member who received continuation pay but who fails to complete the period of obligated service described in paragraph 8.d., or who fails to maintain the skills for which an amount greater than the minimum amount described in paragraph 8.c. was paid, is subject to full or partial repayment provisions in accordance with Section 373 of Title 37, U.S.C., and the DoD FMR, Volume 7A, Chapter 2.

i. Authority. The Secretary concerned is authorized to establish procedures, determine eligibility, determine timing of payments between 8 and 12 years of service, and set amounts of continuation pay due to eligible members covered by the BRS.

9. ENROLLMENT.

a. Enrollment Period.

(1) A member of a Uniformed Service who qualifies to enroll in the BRS under any of the provisions outlined in paragraphs 6.b.(2) through 6.b.(6) may make the election to enroll on or after January 1, 2018, through December 31, 2018.

(2) A member who, but for a break in service, would otherwise be eligible to elect to enroll in BRS under any of the provisions of paragraphs 6.b.(2) through 6.b.(6) who returns to service with a Uniformed Service on or after December 2, 2018, following a break in service that commenced prior to December 1, 2018, may make an election to enroll in the BRS:

a. For members returning to the AC or affiliating in a paid status with the RC after separating from the AC, within 30 days of reentry; or,

b. For members returning to a paid status in the RC following a break in service in the RC, no later than December 31, 2018, or 30 days from the date of reentry, whichever is later.

(3) The terminal date of the election period may be extended, by approval of the Secretary concerned, in certain situations as outlined in section 9.d.

b. Procedures for Enrollment.

(1) A member of a Uniformed Service who is eligible to enroll in the BRS under any of the provisions outlined in 6.b.(2) through 6.b.(6), must complete the mandatory training on opting into the BRS provided by the ASD(R), in accordance with procedures prescribed by the Secretary concerned, prior to making an election to enroll.

(2) For members of the Army, Navy, and Air Force, enrollment in the BRS shall be completed on the “myPay” website (<https://mypay.dfas.mil/>) in accordance with procedures separately promulgated by DFAS. For members of the Marine Corps, enrollment in the BRS shall be accomplished in accordance with procedures to be promulgated by the Secretary of the Navy. Members of the Uniformed Services of the Coast Guard, USPHS, and NOAA will follow enrollment procedures separately established by the Secretary concerned.

(3) The decision to elect to enroll in the BRS is irrevocable.

(4) Prior to making the election to enroll in the BRS, members of the Uniformed Services who are eligible under provisions outlined in paragraphs 6.b.(2) through 6.b.(6), and who choose to enroll in the BRS, must affirm on the myPay website, or through procedures specified by the Secretary concerned as detailed in paragraph 9.b.(2), that they have completed the mandatory training referred to in paragraph 9.b.(1), and that they acknowledge the decision to enroll in the BRS is irrevocable.

c. Approval Authority.

(1) The Secretary concerned is the approval authority for determining eligibility to enroll in BRS under provisions outlined in paragraphs 6.b.(2) through 6.b.(6) and for granting hardship extensions of the enrollment period under section 9.d.

(2) Authority to approve discretionary hardship extensions of the enrollment period outlined in section 9.d. may be delegated by the Secretary concerned:

(a) For specified discretionary reasons 9.d.(2)(a) through 9.d.(2)(f), the commander of the Uniformed Services’ headquarters-level personnel or human resources command. This authority may be further delegated no lower than the level of a general officer, flag officer, or senior executive within that same command.

(b) For non-specified discretionary situations that meet the requirements of paragraph 9.d.(2)(g), no lower than the level of the assistant secretary of the department responsible for manpower and reserve affairs.

(3) The ASD(M&RA), under the authority, direction, and control of the USD(P&R), has the authority to grant additional automatic hardship extensions or to grant discretionary hardship extensions in situations involving members of more than one Military Department within the DoD.

d. Hardship Extensions of Enrollment Period. In accordance with Section 631 of P.L. 114-92, the Secretary concerned may 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 paragraphs 6.b.(2) through 6.b.(6), 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 TSP contributions. Specified hardships are classified as either automatic or discretionary, and may be executed in accordance with the following procedures:

(1) **Automatic Extensions.** An automatic hardship extension of 30 days may be granted and executed by any command upon determination by the local commander (O-6 or above or civilian equivalent) that the member of the Uniformed Service was:

(a) A member of the Individual Ready Reserve (IRR) or the Active Status List of the Standby Reserve who was performing reserve component service as of December 31, 2017, and is qualified under paragraph 6.b.(3), but who did not perform duty in a paid status during the enrollment period and has not previously been afforded the opportunity to elect to enroll in the BRS, upon the first instance the member is:

1. 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,

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

(b) A member of a Uniformed Service who signed an agreement to enlist under provisions of the Delayed Entry Program; and who,

1. Is eligible to elect to enroll in the BRS under provisions of paragraph 6.b.(4); and,

2. Has a PEBD on or after September 1, 2018.

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

1. Is eligible to make the election to enroll in the BRS under the provisions outlined in paragraph 6.b.(5); and,

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

(d) A member of a Uniformed Service who otherwise would have been eligible to enroll in the BRS during calendar year 2018, under the provisions outlined in paragraphs 6.b.(2) or 6.b.(3), 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.

(2) **Discretionary Hardship Extensions.** A discretionary hardship extension of the enrollment period may be granted, in accordance with procedures outlined by the Secretary concerned, upon determination by the Secretary concerned that a member of a Uniformed Service experienced a hardship due to:

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

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

(c) Illness or injury that substantially impacts, in the determination of the Secretary concerned, a member's ability to make financial or retirement decisions during the enrollment period.

(d) Failure of the Secretary concerned 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.

(e) Inability to complete the mandatory "Opt-In" training, described in paragraph 9.b.(1), due to circumstances beyond the control of the member.

(f) Inability to access the website or follow the designated procedures for making the election, described in paragraph 9.b.(2), during the election period due to circumstances beyond the reasonable control of the member.

(g) Other extraordinary or exceptional circumstances as determined by the Secretary concerned.

e. Erroneous Enrollment. If it is later discovered by the Secretary concerned that a member, who should not have been eligible to be enrolled or to elect to enroll in the BRS under any of the provisions outlined in paragraphs 6.b.(1) through 6.b.(6), was erroneously enrolled in the BRS, their enrollment will be voided. Such members will be placed under the correct retirement system upon discovery of the error. Any agency TSP contributions to that member's account will be handled in accordance with FRTIB regulations. The Secretary concerned shall also initiate action to obtain repayment, in accordance with Section 373 of Title 37, U.S.C., and the DoD FMR, Volume 7A, Chapter 2, of any continuation pay bonus paid in accordance with Section 8 of this memorandum to a member erroneously enrolled in the BRS.

f. Training on BRS for New Accessions with DIEMS/DIEUS on or after January 1, 2018. A member of the Uniformed Services who is enrolled in the BRS by virtue of their eligibility under paragraph 6.b.(1) must complete mandatory training on the BRS, to be provided by the ASD(R), in accordance with procedures prescribed by the Secretary concerned, within that member's first 365 days of service following PEBD.

10. DISCONTINUATION OF CAREER STATUS BONUS.

a. General. In accordance with Section 631 of P.L. 114-92, Section 354 of Title 37, U.S.C., was amended to discontinue authorization of any new payments of the Career Status Bonus (CSB) as of January 1, 2018. The one-time \$30,000 CSB payment is currently offered to active duty members upon completion of 15 years of creditable service in exchange for both an agreement to continue serving to at least 20 years and a subsequent reduction in that member's retired pay multiplier for each year less than 30 years that the member serves, in accordance with Section 1409 of Title 10, U.S.C. The election of the CSB places that member under the "REDUX" retirement plan rather than the "High-3" system.

b. Timing. No new CSB agreement may be entered into after December 31, 2017 and, accordingly, no member may elect a reduction in that member's retirement multiplier (i.e., convert to the REDUX retirement plan) as a consequence of electing a CSB after such date. An agreement to elect a reduced retirement multiplier in exchange for a CSB made on or prior to December 31, 2017, remains in effect. Payments pursuant to a CSB agreement entered into on or before December 31, 2017, may continue to be made on or after January 1, 2018. Letters to notify currently-serving active duty members of their eligibility to make a CSB election will be discontinued as of July 1, 2017.

11. GLOSSARY

AC	active component
ASD(M&RA)	Assistant Secretary of Defense for Manpower and Reserve Affairs
ASD(R)	Assistant Secretary of Defense for Readiness
BRS	Blended Retirement System
CPI	Consumer Price Index
CRDP	Concurrent Retirement and Disability Payment
CRSC	Combat-Related Special Compensation
CSB	Career Status Bonus
DASD(MPP)	Deputy Assistant Secretary of Defense for Military Personnel Policy
DFAS	Defense Finance and Accounting Service
DIEMS	date of initial entry into military service
DIEUS	date of initial entry into uniformed service
DoD	Department of Defense
DoDI	Department of Defense Instruction
FMR	Financial Management Regulation
FRTIB	Federal Retirement Thrift Investment Board
FY	Fiscal Year
IDT	inactive duty training
IRR	Individual Ready Reserve
IRS	Internal Revenue Service
NDAA	National Defense Authorization Act
NOAA	National Oceanic and Atmospheric Administration
OACT	Office of the Actuary
PEBD	pay entry base date
P.L.	public law
RC	reserve component
TDRL	Temporary Disability Retired List
TSP	Thrift Savings Plan
U.S.C.	United States Code
USD(P&R)	Under Secretary of Defense (Personnel and Readiness)
USPHS	United States Public Health Service
VA	Department of Veteran Affairs

12. DEFINITIONS. Unless otherwise noted, these terms and their definitions are for the purpose of this memorandum only.

Active service: Service on active duty or full-time National Guard duty as defined in Section 101(d)(3) of Title 10, U.S.C.

Active Status List of the Standby Reserve: Defined in DoDI 1235.09, “Management of the Standby Reserve.”

Break in service: A period of time during which a Service member is transferred to the inactive status list or the inactive National Guard, or is discharged upon completion of all service obligations and returns to a civilian status for longer than 24 hours.

Cliff-vested: A vesting system in which the recipient becomes fully vested at a specified time rather than becoming partially vested in increasing amounts over an extended period of time.

DIEMS or DIEUS: Date an individual was initially enlisted, inducted, or appointed in a regular or reserve component of a Uniformed Service as a commissioned officer, warrant officer, or enlisted member. For cadets/midshipmen at one of the Military Service Academies, it is the date of entry into the academy; for ROTC cadets/midshipmen it is the date of scholarship contract or date the cadet/midshipman began the advanced ROTC course, whichever is earlier; and for members of the delayed entry program it is the date an enlistment contract is signed, regardless of when the member actually enters active duty. Breaks in service do not affect a DIEMS/DIEUS date.

Defined benefit annuity: A pension plan in which an employer/sponsor provides a specified monthly benefit upon retirement that is predetermined by a formula based on the individual’s earnings history and tenure of service.

Disability Compensation: Compensation paid to a veteran by the VA as a recompense for loss, injury, or suffering from uniformed service duty.

Discount rate: Economic rate used to discount a stream of future cash flows to their present (i.e., “current”) value.

Full Retirement Age: Age upon which a person is considered eligible for full retirement under Section 416(I) of Title 42, U.S.C., the “Social Security Act.” It is currently age 67 for most members of the Uniformed Service with the exception of those born before 1960.

Grandfathering: A provision in which an old law or regulation continues to apply to some existing individuals even after the enactment of a new law or regulation.

IRR: Defined in DoDI 1235.13.

Legacy retirement systems: Those military retirement systems in effect prior to implementation of the BRS, including the “Final Pay,” “High-3” (also known as the “High-36”), and CSB/REDUX systems.

Non-Regular Retirement: As defined in Chapter 1223 of Title 10, U.S.C., a non-regular retirement is earned based on achieving a minimum threshold of creditable years of service as a RC member. A member who qualifies for a non-regular retirement is not eligible to begin receiving retired pay until attaining the age of 60, or in some cases a lesser age depending on performance of qualifying creditable service in accordance with DoDI 1215.07.

Paid status: Receipt of basic pay or inactive duty pay under Sections 204 or 206, respectively, of Title 37, U.S.C.

Pay period: Defined in the DoD FMR, Volume 5; a pay period is monthly for military personnel serving on active duty and is periodic, based on completion of inactive duty, for Reserve Component military personnel serving on inactive duty.

Pay Entry Base Date: Date that denotes how much of an individual’s service is creditable towards longevity for pay purposes. This date can be adjusted based on breaks in service. It is referred to by the Army as the “pay entry basic date” and by the Air Force as the “pay date.”

Ready Reserve: Military members of the Reserve and National Guard, organized in units, or as individuals, liable for recall of active duty to augment the active components in time of war or national emergency in accordance with Sections 12301(a) and 12302 of Title 10, U.S.C.

REDUX: Members who entered the AC after July 31, 1986, but before January 1, 2018, have the option, upon completing their 15th year of service, to elect a reduction in their retirement multiplier in exchange for receiving the Career Status Bonus. This retirement plan is known as “REDUX.” The reduction in the retirement multiplier is 1 percent for each full year of creditable service less than 30, and 1/12th of 1 percent for each full month of creditable service less than a full year. Additionally, retirees covered by REDUX receive a decreased annual cost of living increase compared to other military retirement plans. That cost of living increase is equal to 1 percentage point less than the Consumer Price Index (CPI), when the CPI exceeds 1 percent.

Regular Retirement: A retirement earned based on performing a minimum number of creditable years of active duty service in accordance with Chapter 71 of Title 10, U.S.C. Members who earn a regular retirement begin receiving retired pay on the 1st of the month that follows the month of their retirement.

Retired Reserve: Defined in Joint Publication 1-02.

Secretary concerned: Defined in Section 101 of Title 37, U.S.C.

Senior Reserve Officer Training Corps: College scholarship program leading to a commission in one of the Uniformed Services.

Separation: Defined in Section 211 of Title 37, U.S.C.

Uniformed Services: In accordance with Section 101 of Title 37, U.S.C.; the Army, Navy, Air Force, Marine Corps, Coast Guard, NOAA, and USPHS.

Vesting: Process by which an individual accrues non-forfeitable rights over employer-provided incentives or employer contributions made to the individual's qualified retirement account.

13. REFERENCES.

DoD 7000-R, Volume 7B, "DoD Financial Management Regulations," November 2015
DoD Instruction 1215.07, "Service Credit for Non-Regular Retirement," January 24, 2013
Incorporating Change 2, May 24, 2016
DoD Directive 1235.09, "Management of the Standby Reserve," February 12, 2014
DoD Directive 5124.02, "Under Secretary of Defense (Personnel and Readiness)," June 23, 2008
Public Law 114-92, "The National Defense Authorization Act for Fiscal Year 2016," November
25, 2015
United States Code, Title 5, Section 8432
United States Code, Title 10
United States Code, Title 37
United States Code, Title 42, Section 416

Attachment

2

ATTACHMENT 2 – PROCEDURES FOR DETERMINING AND PUBLISHING THE LUMP SUM DISCOUNT RATE

1. GENERAL. A member of a Uniformed Service who elects to receive either 25 percent or 50 percent of that member’s retired pay as a lump sum in accordance with paragraph 7.a.(3) of Attachment 1, will receive the discounted present value of that portion of his or her retired pay as specified in Section 1415 of Title 10, United States Code (U.S.C.).

2. DETERMINING THE DISCOUNT RATE.

a. Discount Rate.

(1) In computing the amount of the lump sum described in 7.a.(3)(c) of Attachment 1, the discounted present value will be determined in accordance with the rate that is an inflation-adjusted, 7-year average of the Department of Treasury High-Quality Market (HQM) Corporate Bond Spot Rate Yield Curve at a 23-year maturity plus an adjustment factor of 4.28 percentage points. The inflation-adjustment applied is the Department of Treasury “Breakeven Inflation Spot Rate Yield Curve.”

(2) The rate defined in paragraph 2.a.(1) will be calculated by the Chief Actuary, Department of Defense Office of the Actuary and promulgated annually by the Deputy Assistant Secretary of Defense for Military Personnel Policy (DASD(MPP)) no later than June 1 of each year to be effective as of January 1 of the succeeding year. The rate promulgated on June 1 of each year will be the Department of Treasury’s published yield curves as of March of that year averaged with the preceding 83 months plus the adjustment factor of 4.28 percentage points. Accordingly, the initial discount rate to be used for 2018, as described in paragraph 2.a.(1), will be published on June 1, 2017.

(3) The 4.28 percentage point adjustment factor added to the HQM market-based benchmark is intended to account for:

(a) Observed military personal discount rates as specified in Section 1415(b)(2)(B)(i) of Title 10, U.S.C.; and,

(b) Unique aspects of military retirement programs in comparison to civilian pension programs, such as the need to retain a certain percentage of members beyond when those members first become eligible to receive retired pay.

(4) The discount rate formula is not adjusted based on a mortality assumption and no provision for adverse selection will be applied in computing the amount of the lump sum.

b. Applicability. The promulgated rate in effect on the day a member is eligible and approved to begin receiving retired pay will be the rate applied to that member’s lump sum election.

3. REVISING THE DISCOUNT RATE FORMULA.

a. Periodic Review of the Formula. The formula described in paragraph 2.a.(1), including both the HQM market-based benchmark and the adjustment factor, will be reviewed on the following basis:

- (1) In 2017, if required;
- (2) In 2019 following completion of the election period for members eligible to opt into the BRS;
- (3) At least every 4 years following 2019, never exceeding more than 4 years between reviews; and,
- (4) At the request of a Secretary concerned.

b. Automatic Review of the Formula. The formula described in paragraph 2.a.(1), including both the HQM market-based benchmark and the adjustment factor, will be reviewed when the inflation-adjusted Department of Treasury-published HQM Corporate Bond Spot Rate Yield Curve at the 23-year maturity fluctuates greater than (plus or minus) 1 percentage point from one year to the next. The DASD(MPP) will convene this review, and, if necessary, publish an update to Attachment 2 of this memorandum.



MANPOWER AND
RESERVE AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
1500 DEFENSE PENTAGON
WASHINGTON, D.C. 20301- 1500

MAY 28 2020

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR
MILITARY PERSONNEL AND QUALITY OF LIFE
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
MILITARY MANPOWER AND PERSONNEL
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE FOR
FORCE MANAGEMENT AND PERSONNEL
ASSISTANT COMMANDANT FOR HUMAN RESOURCES,
U.S. COAST GUARD
DIRECTOR, DIVISION OF COMMISSIONED PERSONNEL,
U.S. PUBLIC HEALTH SERVICE
DIRECTOR, NATIONAL OCEANIC AND ATMOSPHERIC
ADMINISTRATION CORPS OPERATIONS-NC
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Blended Retirement System Lump Sum Discount Rate for 2021

Members of the Uniformed Services enrolled in the Blended Retirement System may elect to receive a lump sum of a portion of their retired pay upon retirement or reaching the age of eligibility for retired pay. In accordance with Section 1415 of Title 10, United States Code, the amount of the lump sum is to be determined using a discount rate. The formula for determining that discount rate is published in Attachment 2 to the Deputy Secretary of Defense memo "Implementation of the Blended Retirement System" dated January 27, 2017.

According to the published formula, the Lump Sum Discount Rate (LSDR) for lump-sum elections occurring in calendar year 2021 is **6.73%**, as calculated by the Department of Defense Office of the Actuary. This rate is in effect for any retirement for which a member is eligible to begin receiving retired pay during the period from January 1, 2021, through December 31, 2021.

The next update to the LSDR will be published in June 2021 to be applied to lump-sum elections occurring in calendar year 2022.

A handwritten signature in black ink, appearing to read "Lemes J. Hebert".

Lemes J. Hebert
Deputy Assistant Secretary
(Military Personnel Policy)



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

DEC 15 2017

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Paying Combat-Related Special Compensation Following a Lump Sum Election

Deputy Secretary of Defense memorandum, "Implementation of the Blended Retirement System," dated January 27, 2017, directed that the Under Secretary of Defense for Personnel and Readiness promulgate supplementary policy and procedures for payment of Combat Related Special Compensation (CRSC) for Uniformed Service members who elect a lump sum of a portion of retired pay under the Blended Retirement System (BRS). The attachment provides supplementary guidance to the Deputy Secretary of Defense memorandum. The policy and procedures outlined in this attachment supplement existing guidance for CRSC and BRS only to the extent specified in the memorandum. These supplementary policies and procedures have been agreed upon by the Department of Veterans Affairs and will become effective on January 1, 2018.

A handwritten signature in black ink that reads "Robert L. Wilkie".

Robert L. Wilkie

Attachment:
As stated

DISTRIBUTION:

Secretaries of the Military Departments
Chairman of the Joint Chiefs of Staff
Under Secretaries of Defense
Deputy Chief Management Officer
Chiefs of the Military Services
Chief, National Guard Bureau
Commandant of the Coast Guard
Commanders of the Combatant Commands
General Counsel of the Department of Defense
Director of Cost Assessment and Program Evaluation
Inspector General of the Department of Defense
Director of Operational Test and Evaluation
Chief Information Officer of the Department of Defense
Assistant Secretary of Defense for Health Affairs
Assistant Secretary of Defense for Legislative Affairs
Assistant Secretary of Defense for Manpower and Reserve Affairs
Assistant Secretary of Defense for Readiness
Assistant to the Secretary of Defense for Public Affairs
Director of Net Assessment
Director, Strategic Capabilities Office
Directors of Defense Agencies
Directors of DoD Field Activities

cc:

Secretary of Commerce
Secretary of Health and Human Services
Secretary of Veterans Affairs
Secretary of Homeland Security
Director, Office of Management and Budget
Director, Office of Personnel Management
Executive Director, Federal Retirement Thrift Investment Board

PROCEDURES FOR DETERMINING AND PAYING COMBAT-RELATED SPECIAL COMPENSATION WHEN A MEMBER ELECTS A LUMP SUM OF RETIRED PAY

1. GENERAL. As directed in paragraph 7.a.(3)(h).4. of Deputy Secretary of Defense memorandum, "Implementation of the Blended Retirement System," dated January 27, 2017, this attachment provides specific policies and procedures for paying Combat Related Special Compensation (CRSC), in accordance with section 1413a of title 10, United States Code (U.S.C.), for a member of a Uniformed Service who elects a lump sum of retired pay under the Blended Retirement System (BRS).

2. APPLICABILITY. In addition to the applicability statement in Attachment 1 of the Deputy Secretary of Defense memorandum dated January 27, 2017, the policy and procedures outlined in this attachment apply only to a member who:

- a. Is enrolled or who enrolls in the BRS;
- b. Elects to receive a lump sum of retired pay in accordance with Attachment 1 of the Deputy Secretary of Defense memo dated January 27, 2017;
- c. Is eligible for disability compensation from the Department of Veterans Affairs (VA) that is subject to withholding due to receipt of a lump sum of retired pay; and,
- d. Has a CRSC qualifying disability.

3. POLICY. It is DoD policy that:

- a. A member of a Uniformed Service who elects a lump sum of retired pay in accordance with section 1415 of title 10, U.S.C., shall receive CRSC if he or she would otherwise be entitled to such compensation due to combat-related disabilities, but for his or her election of a lump sum payment of retired pay.
- b. The Uniformed Services will report, to the appropriate office, CRSC determinations for members described in paragraph 2 in accordance with this guidance, while remaining compliant with all other existing statutes, regulations, and issuances regarding CRSC and disability compensation.

4. RESPONSIBILITIES. In addition to the responsibilities specified in the Deputy Secretary of Defense memorandum of January 27, 2017:

a. Assistant Secretary of Defense for Manpower and Reserve Affairs (ASD(M&RA)). The ASD(M&RA) will oversee implementation of this guidance.

b. Secretaries Concerned. Secretaries of the Military Departments and the Secretaries concerned, as that term is defined in section 101 of title 37, U.S.C., in the case of the Coast Guard, Commissioned Corps of the Public Health Service, and Commissioned Corps of the

National Oceanic and Atmospheric Administration (NOAA), hereafter referred to as “Secretaries concerned” in accordance with section 101 of title 37, U.S.C., will:

(1) In accordance with existing guidance, maintain a process for receiving CRSC applications submitted by members retired from that department or organization and make eligibility determinations regarding combat-related disabilities.

(2) Notify the Director, Defense Finance and Accounting Service (DFAS), or the appropriate finance office in the case of the Coast Guard, Commissioned Corps of the Public Health Service, and Commissioned Corps of NOAA (hereafter referred to as the “Secretary’s designee”), of the eligibility determination made on any CRSC application, in accordance with procedures in paragraph 6, for those members who elect a lump sum of retired pay.

c. Director, DFAS. The Director, DFAS, on behalf of the Secretaries of the Military Departments, will:

(1) Notify the Secretary of the VA of a member’s election of a lump sum, and the amount of that lump sum, for any member who makes a claim for service-connected disability compensation to the Secretary of the VA.

(2) In accordance with existing guidance, process CRSC eligibility determinations received from the Secretaries of the Military Departments.

(3) Notify the Secretary of the VA of CRSC determinations including the percentage of the Service member’s disability related to combat, the associated rating, and resulting value of the member’s CRSC entitlement.

(4) Pay CRSC in accordance with procedures in paragraph 6.

d. Secretary’s Designee. In the case of the Coast Guard, Commissioned Corps of the Public Health Service, and Commissioned Corps of NOAA, the Secretary concerned will designate an appropriate representative to carry out those responsibilities listed in paragraph 4.c.(1) through 4.c.(4).

5. CRSC.

a. CRSC is special compensation that mitigates the reduction in retired pay required under section 5304 of title 38, U.S.C. Guidance for processing CRSC applications is contained in the DoD Directive-type Memorandum, “Revised Guidance on Combat-Related Special Compensation (CRSC),” dated April 27, 2004, and the memorandum, “Supplemental Guidance on Combat-Related Special Compensation (CRSC),” dated June 3, 2008.

b. In accordance with section 633 of the National Defense Authorization Act for Fiscal Year 2016, Public Law (P.L.) 114-92, a member covered by the BRS who elects to receive a lump sum of retired pay in accordance with section 1415 of title 10, U.S.C., remains subject to the provisions of sections 5304 and 5305 of title 38, U.S.C., requiring a waiver of retired pay equal to the dollar amount of disability compensation received from the VA. Such a retiree is unable to receive disability compensation from the VA until the amount of disability compensation withheld (i.e., not paid to the retiree by the VA on a monthly basis) equals the gross amount of

the lump sum payment received by that retiree (the gross amount is the amount calculated after the discount rate is applied).

c. Subject to section 1413a of title 10, U.S.C., qualified Uniformed Services retirees are entitled, upon a determination of eligibility by the Secretary concerned, to special compensation for disabilities determined to be combat-related. The amount of that special compensation may not exceed the amount of retired pay waived in order to receive VA disability compensation.

d. Because a retiree who elects a lump sum is unable to waive retired pay that has already been received in the form of the lump sum in order to receive disability compensation from the VA, a new procedure is required to ensure such retirees are able to receive CRSC. This procedure is outlined in paragraph 6.

6. PROCEDURES FOR DETERMINING ELIGIBILITY FOR AND PAYING CRSC TO MEMBERS WHO ELECT A LUMP SUM OF RETIRED PAY.

a. Receipt of Lump Sum. In accordance with paragraph 7.a.(3)(c) of the Deputy Secretary of Defense memorandum of January 27, 2017, a retiree who elects to receive a lump sum payment will receive:

(1) A 25 percent or 50 percent lump sum that is a discounted portion of his or her retired pay; and,

(2) Reduced monthly retired pay that is 75 percent or 50 percent, depending on the percent lump sum elected, of what that member's retired pay would otherwise have been without regard to the lump sum.

b. Notification to VA for Lump Sum Election. The Director, DFAS, or the Secretary's designee, will report the amount of any lump sum election to the Secretary of the VA.

c. Determination of VA Disability Rating. In order to be eligible for CRSC, a retiree must first be determined to have a service-connected, compensable disability in accordance with regulations prescribed by the Secretary of the VA.

d. Withholding of Disability Compensation. In accordance with section 633 of P.L. 114-92, a member electing a lump sum is prohibited from receiving disability compensation from the VA until such time as the amount of disability compensation withheld (i.e., not paid to the retiree on a monthly basis) equals the gross amount of the lump sum payment received by that retiree.

e. Application to Secretary concerned. A retiree who is otherwise eligible for disability compensation from the VA but who is unable to receive such compensation due to receipt of a lump sum, as described in paragraph 6.d., may still apply to the Secretary concerned for CRSC in accordance with section 1413a of title 10, U.S.C. and applicable Service regulations.

f. Secretary Concerned Determination of CRSC Eligibility.

(1) The Secretary concerned will determine what, if any, portion of that member's service-connected, compensable disability meets the criteria for CRSC eligibility in accordance with existing guidance.

(2) The Secretary concerned will notify the Director, DFAS, or the Secretary's designee, of the percentage of the retiree's disability related to combat in accordance with existing CRSC guidance.

g. Reporting to VA.

(1) The Director, DFAS, or the Secretary's designee, will determine the resulting value of CRSC entitlement for which the member would otherwise have been eligible, but for the withholding of disability compensation as required by section 633 of P.L. 114-92, as described in paragraph 5.d., such that the member will receive VA disability compensation only for disabilities determined by the Secretary concerned to also be CRSC-eligible.

(2) The Director, DFAS, or the Secretary's designee, will report to the Secretary of the VA which disabilities have been determined to be CRSC-eligible, the associated rating, and the resulting value of the CRSC for which the member would otherwise have been eligible, but for receipt of the lump sum.

h. Waiver of Retired Pay and Receipt of Disability Compensation.

(1) Prior to receiving disability compensation from the VA, the retiree must agree to waive receipt of retired pay, equal to the amount of VA disability compensation payable as determined under paragraph 6.g.(1), from that retiree's actual monthly retired pay received, as described in paragraph 6.a.(2).

(2) By agreement, the Secretary of VA will pay disability compensation only for the disabilities determined by the Secretary concerned to be eligible for CRSC utilizing information provided by the Director, DFAS, or the Secretary's designee, for such determination.

i. Payment of CRSC. The Director, DFAS, or the Secretary's designee, will pay CRSC to the retiree in an amount equal to the amount of the retired pay waived in accordance with paragraph 6.h.

j. Withholding of Remaining Disability Compensation. By agreement, and in accordance with section 5304 of title 38, U.S.C., the Secretary of the VA will continue to withhold any amount of disability compensation to which the retiree is eligible in excess of the amount related to combat until such time as the amount withheld equals the gross amount of the lump sum payment received by that retiree.

7. AMOUNT OF CRSC. The monthly amount of CRSC payable to a retiree may not exceed the amount of monthly retired pay available to be waived in accordance with paragraph 6.h.(1).

8. EFFECTIVE DATE. The policies and procedures contained in this attachment are effective concurrent with the effective date of the BRS – January 1, 2018.



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

22 DEC 2017

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Administering Survivor Benefit Plan Following a Lump Sum Election of Retired Pay Under the Blended Retirement System.

Deputy Secretary of Defense memorandum "Implementation of the Blended Retirement System," dated January 27, 2017, directed that the Under Secretary of Defense for Personnel and Readiness promulgate supplementary policy and procedures for Survivor Benefit Plan (SBP) coverage for Uniformed Service members who elect a lump sum of retired pay under the Blended Retirement System (BRS). The attachment provides supplementary guidance to the Deputy Secretary of Defense memorandum. The policy and procedures outlined in this attachment supplement existing guidance for SBP and BRS only to the extent specified in the memorandum. These supplementary procedures become effective on January 1, 2018.

A handwritten signature in cursive script that reads "Robert L. Wilkie".

Robert L. Wilkie

Attachment:
As stated

DISTRIBUTION:

Secretaries of the Military Departments
Chairman of the Joint Chiefs of Staff
Under Secretaries of Defense
Deputy Chief Management Officer
Chiefs of the Military Services
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Commandant of the Coast Guard
Commanders of the Combatant Commands
General Counsel of the Department of Defense
Director of Cost Assessment and Program Evaluation
Inspector General of the Department of Defense
Director of Operational Test and Evaluation
Chief Information Officer of the Department of Defense
Assistant Secretary of Defense for Health Affairs
Assistant Secretary of Defense for Legislative Affairs
Assistant Secretary of Defense for Manpower and Reserve Affairs
Assistant Secretary of Defense for Readiness
Assistant to the Secretary of Defense for Public Affairs
Director of Net Assessment
Director, Strategic Capabilities Office
Directors of Defense Agencies
Directors of DoD Field Activities

cc:

Secretary of Commerce
Secretary of Health and Human Services
Secretary of Homeland Security
Director, Office of Management and Budget
Director, Office of Personnel Management
Executive Director, Federal Retirement Thrift Investment Board

PROCEDURES FOR ADMINISTERING SURVIVOR BENEFIT PLAN WHEN A MEMBER ELECTS A LUMP SUM OF RETIRED PAY UNDER THE BLENDED RETIREMENT SYSTEM

1. GENERAL.

a. As directed in paragraph 7.a.(3)(i) of the Deputy Secretary of Defense memorandum “Implementation of the Blended Retirement System,” dated January 27, 2017, this attachment provides specific policies for calculating Survivor Benefit Plan (SBP) premiums when a retiring Uniformed Service member elects a lump sum of retired or retainer pay (hereafter referred to as “retired pay”) under the Blended Retirement System (BRS), and the basis for calculating an annuity in the event of that same retiree’s death.

b. As defined in section 1447 of title 10, United States Code (U.S.C.), the term “full base amount” refers to the amount of monthly retired pay to which a member is entitled or later becomes entitled. A member may elect to reduce the base amount, with spousal concurrence if required. Both the SBP premium and the resulting annuity are calculated as a percentage of the base amount.

c. Election of a lump sum of retired pay under the BRS, in accordance with section 1415 of title 10, U.S.C., creates a situation in which the amount of monthly retired pay to which the member is entitled is reduced for a period of time as a result of the lump sum payment. This attachment implements statutory changes that define the “full base amount” when a member elects a lump sum of retired pay.

d. All references to spousal concurrence in this memorandum refer to the requirements for spousal consent for certain SBP elections, as specified in section 1448 of title 10, U.S.C., and do not refer to nor imply a requirement to consent to elect a lump sum of retired pay.

2. APPLICABILITY. In addition to the applicability statement in Attachment 1 of the Deputy Secretary of Defense memorandum dated January 27, 2017, the policy and procedures outlined in this attachment apply only to a member who:

a. Is enrolled or who enrolls in the BRS;

b. Elects to receive a lump sum of retired pay in accordance with Attachment 1 of the Deputy Secretary of Defense memorandum dated January 27, 2017;

c. Is otherwise eligible to participate in SBP and has not previously declined coverage in SBP or the Reserve Component SBP (RC-SBP) program; and,

d. Has an eligible SBP beneficiary upon retirement or upon reaching the age of eligibility to receive retired pay, or later acquires an eligible SBP beneficiary in accordance with existing regulations and policy.

3. POLICY. It is DoD policy that:

a. In accordance with sections 1447(6)(A) and 1452 of title 10, U.S.C., as amended by section 622 of Public Law 115-91, the National Defense Authorization Act for Fiscal Year 2018, a member of a Uniformed Service who elects a lump sum of retired pay in accordance with section 1415 of title 10, U.S.C., and is a participant in SBP or RC-SBP will have coverage at the full base amount, unless the member elects or previously elected, with spousal concurrence if required, to reduce the base amount. The full base amount for a retiree who elects to receive a lump sum of retired pay is the amount equal to the amount of his or her unreduced monthly retired pay, without regard to the required reduction in monthly retired pay pursuant to the lump sum.

b. If electing to reduce coverage less than the full base amount, the reduced base amount may be any whole dollar amount that is greater than \$300, but less than the amount of the unreduced retired pay.

c. All retiring Uniformed Service members, including those who elect a lump sum of retired pay, are considered full participants in SBP or RC-SBP having maximum coverage unless:

(1) For members retiring with a regular retirement, or members retiring with a non-regular retirement who previously declined to make an election until reaching the age of eligibility for retired pay, an election for less than full SBP coverage is made prior to the first day of entitlement to retired pay, with spousal concurrence if required; or,

(2) For members qualifying for a non-regular retirement, an election for less than full RC-SBP coverage is made, with spousal concurrence if required, prior to the completion of the 90 day period immediately following notification to the member that he or she has completed the years of service required to be eligible for a non-regular retirement pursuant to Chapter 1223 of title 10, U.S.C.

d. The requirements of section 1450(f)(3) of title 10, U.S.C., regarding former spouse elections remain applicable to members who elect a lump sum of retired pay.

4. RESPONSIBILITIES. In addition to the responsibilities specified in the Deputy Secretary of Defense memorandum of January 27, 2017, and existing issuances:

a. Assistant Secretary of Defense for Manpower and Reserve Affairs (ASD(M&RA)). The ASD(M&RA) will:

(1) Oversee implementation of this guidance; and,

(2) Incorporate this policy into a future update to DoD Instruction 1332.42, "Survivor Annuity Program."

b. Secretaries Concerned. Secretaries of the Military Departments and the Secretaries concerned, as that term is defined in section 101 of title 37, U.S.C., in the case of the Coast Guard, Commissioned Corps of the Public Health Service, and Commissioned Corps of the

National Oceanic and Atmospheric Administration (NOAA), hereafter referred to as “Secretaries concerned” in accordance with section 101 of title 37, U.S.C., will notify members electing a lump sum of retired pay of their options under the SBP and RC-SBP programs.

c. Director, Defense Finance and Accounting Service (DFAS). The Director, DFAS, on behalf of the Secretaries of the Military Departments, will administer SBP and RC-SBP premiums and benefits in accordance with this and all other applicable laws, policies, and regulations.

d. Secretary’s Designee. In the case of the Coast Guard, Commissioned Corps of the Public Health Service, and Commissioned Corps of NOAA, the Secretary concerned will designate an appropriate representative to carry out the responsibility requirement in paragraph 4.c.

5. EFFECTIVE DATE. The policies and procedures contained in this attachment are effective concurrently with the effective date of the BRS – January 1, 2018.



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

SEP 28 2020

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Thrift Savings Plan Automatic Enrollment and Re-enrollment Rate Increase from Three Percent to Five Percent, Effective October 1, 2020

On January 27, 2017, the Deputy Secretary of Defense issued the memorandum, "Implementation of the Blended Retirement System," establishing policies and procedures for enrolling Service members in the Blended Retirement System (BRS). Specifically, paragraph 7.b.(4)(a) states that members enrolled in BRS due to their accession into the Uniformed Service on or after January 1, 2018, will be automatically enrolled in the Thrift Savings Plan (TSP) at the default rate of 3 percent from monthly basic pay or inactive duty pay.

On February 18, 2020, the Executive Director, Federal Retirement Thrift Investment Board (FRTIB) announced an amendment to regulations increasing the automatic enrollment percentage from 3 percent to 5 percent of basic pay or inactive duty pay for all participants who are automatically enrolled in TSP on or after October 1, 2020, and for BRS participants, specifically, who are automatically re-enrolled in TSP on or after January 1, 2021. This change is applicable to all new Federal employees, including members of the Uniformed Services participating in BRS.

The Secretaries concerned will work directly with Defense Finance Accounting Service, or the appropriate pay agent, to ensure Service members with a Pay Entry Base Date (PEBD) on or after October 1, 2020, are automatically enrolled in TSP at a rate of 5 percent and that those members subject to automatic re-enrollment as of December 31, 2020, are re-enrolled in TSP at a rate of 5 percent. The Deputy Secretary of Defense memorandum, "Implementation of the Blended Retirement System," is amended in accordance with the attachment.

A handwritten signature in black ink, appearing to read "Matthew P. Donovan", is centered below the text.

Matthew P. Donovan

Attachment:
As stated

DISTRIBUTION:

Chief Management Officer of the Department of Defense
Secretaries of the Military Departments
Chairman of the Joint Chiefs of Staff
Under Secretaries of Defense
Chiefs of the Military Services
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Commanders of the Combatant Commands
General Counsel of the Department of Defense
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Assistant to the Secretary of Defense for Public Affairs
Director of Net Assessment
Directors of Defense Agencies
Directors of DoD Field Activities

cc:

Secretary of Commerce
Secretary of Health and Human Services
Secretary of Homeland Security
Executive Director, Federal Retirement Thrift Investment Board

**ATTACHMENT – UPDATED AUTOMATIC ENROLLMENT AND RE-
ENROLLMENT IN THRIFT SAVINGS PLAN FOR MEMBERS ENROLLED IN THE
BLENDED RETIREMENT SYSTEM**

1. GENERAL. The change to Thrift Savings Plan (TSP) enrollment addressed in this memorandum primarily impacts only those Uniformed Service members with a PEBD on or after October 1, 2020. It does not impact those members who were automatically enrolled in TSP on or before September 30, 2020, as long as those members continue to contribute to TSP from their own basic pay or inactive duty pay. Unlike members who were automatically enrolled, a member who elected to opt into the Blended Retirement System (BRS) will not be affected unless such member has a break in service.

2. POLICY. Pursuant to the Executive Director, FRTIB’s decision to increase the TSP auto-enrollment percentage from 3 percent to 5 percent for all new Federal employees, including members of the Uniformed Services, effective October 1, 2020, the following paragraphs of the Deputy Secretary of Defense Memorandum, “Implementation of the Blended Retirement System,” dated January 27, 2017, are amended as follows:

a. Paragraph 7.b.(4)(a) is amended to read, “A member enrolled in BRS by virtue of his or her accession into a Uniformed Service on or after January 1, 2018, and on or before September 30, 2020, will be automatically enrolled in TSP at the level of a 3 percent individual contribution from his or her monthly basic pay or inactive duty pay. A member enrolled in BRS by virtue of his or her accession into a Uniformed Service on or after October 1, 2020, will be automatically enrolled in TSP at the level of a 5 percent individual contribution from his or her monthly basic pay or inactive duty pay. This amount will be contributed to his or her TSP account beginning with the first pay period following the member’s 60th day of service as calculated from PEBD.”

b. Paragraph 7.b.(4)(d), is amended to read, “If a member subject to the automatic enrollment described in paragraph 7.b.(4)(a) declines this automatic enrollment and the member’s contribution from his or her pay in the final full pay period of the year is 0 percent, that member will be re-enrolled January 1 of the following calendar year at a 5 percent individual contribution rate from the member’s basic pay, in accordance with Section 632 of P.L. 114-92. The automatic individual contribution will be deducted in the first full pay period of that year. Note that this provision does not apply if the member otherwise remains enrolled to contribute from his or her pay at a percentage other than zero, but stopped contributing during the previous year because the member reached the maximum annual contribution threshold allowed under IRS regulation.”

c. Paragraph 7.b.(9)(a) is amended to read, “A member covered under the BRS who separates from a component of the Uniformed Services, as defined by Section 211 of Title 37, U.S.C., and later re-affiliates with any component of a Uniformed Service, will be re-enrolled in TSP at an individual contribution of 5 percent of his or her monthly basic pay or 5 percent of

inactive duty pay regardless of any previous contribution elections made prior to separation.”

d. Paragraph 7.b.(9)(b) is amended to read, “This auto enrollment of a re-entrant at a 5 percent individual contribution rate will occur no later than the first pay period following re-entry.”

e. Paragraph 7.b.(10) is amended to read, “Members of the [Reserve Component] RC covered under BRS are considered continuous participants in BRS while they remain in a paid status. Such members will not be re-enrolled at the automatic 5 percent individual contribution level each time they transition from a paid status in the Selected Reserve to active service or from active service back to a paid status in the Selected Reserve. Their previously-elected TSP contribution levels will carry-over through transitions related to activation and deactivation, unless and until the member elects to modify his or her own contribution level.”