

Questions and Answers about Opting into the Blended Retirement System (BRS)

If you're a member of the uniformed services who will have served for fewer than 12 years¹ on December 31, 2017, you will have an important decision to make between January 1 and December 31, 2018: You must choose whether to stay with your current retirement system or move to the new Blended Retirement System (BRS). Once you make your choice, you won't be able to take it back, even if you change your mind before the 12/31/18 deadline.

No one but you can make this decision for you. This fact sheet is intended to provide you with basic information about your options. See the information under "Resources" for more details.

What is the Thrift Savings Plan (TSP)?

The Thrift Savings Plan (TSP) is the federal government's "defined contribution" plan; it works like a 401(k). Federal civilians and uniformed services members can contribute a portion of their salaries to their TSP accounts and decide how that money should be invested. When they reach retirement age, these TSP participants decide how best to use the money that's accumulated in their accounts through contributions and earnings. As a member of the uniformed services, you are eligible for a TSP account no matter what choice you make on the Blended Retirement System (BRS). The vested balance in your account is yours to keep when you leave your service. (See "Are contributions from my service also mine to keep if I separate from service?" on page 2 for more information about vesting.) After you separate, you can keep your money in the TSP. You can also choose from one of several withdrawal options.

What is High-3 or Military Retired Pay?

The current retirement system for members of the uniformed services is sometimes called "High-3" or "military retired pay," or various other nicknames. It's a "defined benefit" plan: If you serve 20 years or more you will receive a lifetime monthly annuity determined by your years of service and the average of your highest 36 months of basic pay. You must serve at least 20 years to receive any benefit from this plan.

¹ Members of the Reserve Component (RC) must have fewer than 4,320 retirement points to be eligible for BRS.

What is the Blended Retirement System (BRS)?

BRS is a new retirement system for some members of the uniformed services. In exchange for a 20% reduction in their military retirement annuity, which they still get if they serve 20 years or more, members covered by BRS receive TSP contributions from their employing service in addition to other benefits.

Which uniformed services members are covered by BRS?

Everyone who joins the uniformed services on January 1, 2018, or later is automatically enrolled in BRS. In addition, members who have fewer than 12 years of service on December 31, 2017, may opt into BRS; if they do not, they remain in the High-3 system. Those with more than 12 years of service are not eligible for BRS.

How much will my monthly retirement annuity be reduced if I opt into BRS?

Your annuity under the existing system is calculated by multiplying the number of years you served by the average of your highest 36 months of basic pay by 2.5%: (Years x High 36 x .025). The result is that a member with exactly 20 years of service will receive a lifetime monthly annuity of 50% of the average of his or her highest 36 months of basic pay. Say you serve 20 years and your highest 36 months of basic pay average \$6,500. Your monthly pay in retirement would be half of that, or \$3,250: $20 \times \$6,500 \times .025 = \$3,250$. If you serve more than 20 years, of course, you'll be making more than 50% of your high-36 average.



Under BRS, the percentage used in the formula is reduced from 2.5% to 2.0%. So with 20 years of service and a high-36 average of \$6,500, you'll receive a lifetime monthly annuity of 40% of your high-36 average, or \$2,600: $20 \times \$6,500 \times .02 = \$2,600$.

How do service contributions work?

If you choose BRS, your service will begin contributing an amount equal to 1% of your basic pay into your TSP account each pay period. This does not come out of your pay. It's called a Service Automatic (1%) Contribution. In addition, if you elect to contribute a portion of your own pay into your TSP account, your service will match a portion of it. This is called a Service Matching Contribution. For every dollar you contribute up to 3% of your basic pay, your service will also contribute a dollar. For every dollar you contribute beyond that up to 5% of your pay, your service will contribute 50 cents. So if you contribute 5% of your basic pay in a pay period, your service will contribute an amount equal to 4% of your basic pay (1 for 1 on the first 3% and .50 to 1 on the next 2%). Because you get the Service Automatic (1%) Contribution² no matter how much you contribute of your own pay, you can receive a maximum contribution from your service of an amount equal to 5% of your basic pay.

Remember, you're eligible for a TSP account whether or not you join BRS. The ability to receive service contributions is the added benefit of BRS.

² Service Matching Contributions are discontinued once you have 26 years of service.

Important Note: If you ultimately choose BRS, service contributions—both matching and automatic—will begin in the first pay period after you declare that choice. So if you think you might choose BRS, it would be in your best interest to make your decision early in 2018. But remember, you won't be allowed to change your decision after you make it.

Are contributions from my service also mine to keep if I separate from service?

This is where the word "vested" comes in. Being vested means having ownership. To be fully vested in your account means you are entitled to all of the funds in it.

Like any uniformed services member with a TSP account, BRS members are always vested in their own contributions and their earnings. They're also immediately vested in Service Matching Contributions and their earnings. To become vested in Service Automatic (1%) Contributions, however, you must have completed at least two years of service. If you've completed two years of service before you opt in, you're immediately vested in your entire account.

Important Note: Federal civilian service does not count toward vesting in a uniformed services TSP account, and uniformed service does not count toward vesting in a civilian TSP account.

Service Contributions to Your Account (Service Employees Only)

You put in:	Your service puts in:		And the total contribution is:
	Automatic (1%) Contribution	Service Matching Contribution	
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
More than 5%	1%	4%	Your Contribution + 5%

What are the other elements of BRS that I would not have if I stay with the current system?

- **Continuation Pay.** BRS members 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.
- **Lump Sum Option.** BRS members may be eligible to elect to receive a discounted portion of their retired pay as a lump sum.

How can I figure out which system will work better for me?

One of the most important things you'll need to do in making this decision is to assess the likelihood that you will serve for at least 20 years, bearing in mind that if you do not serve that long and do not join BRS, you will get neither a lifetime monthly annuity nor service contributions to your TSP account.

If you think it's likely that you will make it to 20 years, then you have other factors to consider:

- How many years of making contributions and receiving service contributions will I have before retirement?
- Is it likely that these contributions and their earnings—along with any benefit I might get from continuation pay or the lump sum option—will ultimately outweigh the amount I'd be giving up as a result of the reduced monthly annuity?
- What is my tolerance for risk? Will I be willing to follow a long-term strategy with potential for substantial earnings?

If I decide to opt into BRS, how do I do it?

The procedures for opting in may vary from service to service. See your military personnel office for information specific to you.

Resources

Fortunately there are resources available to you as you try to make your decision. Free financial counseling is available through your installation or office. Joint Knowledge Online (JKO) has also put together a comprehensive online course for those eligible to opt in. For additional information about the TSP, visit tsp.gov.

If you have other questions, the appropriate person to contact depends on the topic:

- For questions about your current **military retirement plan**, see your military personnel office.
- For questions specifically about the **Thrift Savings Plan**, most answers can be found online. But if you can't find the answer you need, call the ThriftLine. (See below for details.)
- For questions about **investing**, ask your service about free financial counseling.
- For questions about **continuation pay** or the **lump sum option**, see your military personnel office.



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THRIFTLINE

1-877-968-3778

Outside the U.S. and Canada
404-233-4400

TDD (for hearing-impaired participants)

1-877-847-4385