

# The Uniformed Services Blended Retirement System

## YOUR RETIREMENT SYSTEM

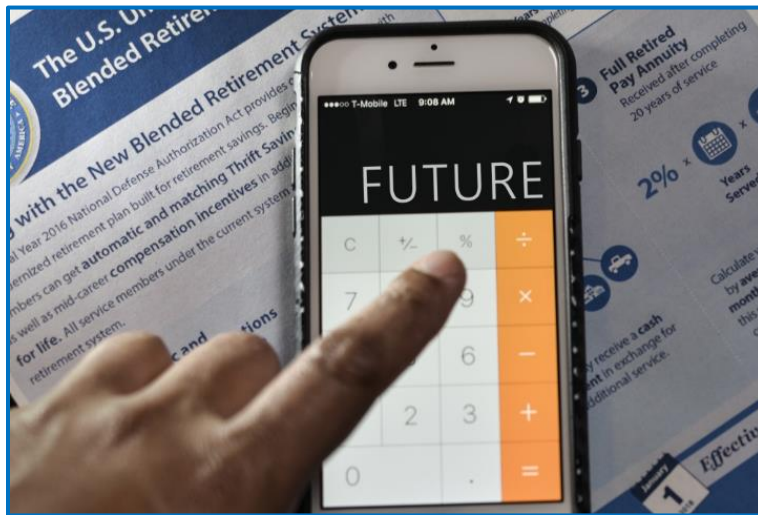


Photo by Staff Sgt. Alex Montes, U.S. Air Force

## BLENDED RETIREMENT SYSTEM TRAINING FOR NEW ACCESSIONS FACILITATOR'S GUIDE

SECOND EDITION, SEPTEMBER 2020



## Your Retirement System

### OVERALL COURSE OBJECTIVES:

- Introduce the service member to their retirement system: The Blended Retirement System
- Understand the tools and resources available to help financial growth
- Encourage active participation in money management

### TRAINING TECHNIQUES:

The session will utilize audio-visual materials, interactive discussion, and supplementary reading and handouts to meet course objectives. The facilitator's guide is separated into two columns. The left column provides instruction, concepts and presentation notes. The right side includes required and supplementary supporting training materials. The facilitator may determine how best to conduct the periodic group knowledge checks to recap key learning points.

### TARGET AUDIENCE:

This training is intended for all active duty, National Guard and Reserve accessions with a Date of Initial Entry to Military Service (DIEMS) or after January 1, 2018.

### AUTHORITY:

- Public Law 114-92, National Defense Authorization Act for Fiscal Year 2016, sections 631-635
- Public Law 114-328, National Defense Authorization Act for Fiscal Year 2017, sections 631-634
- Deputy Secretary of Defense Memorandum, Implementation of the Blended Retirement System, January 27, 2017

### MATERIALS/SKILLS NEEDED:

- Facilitator's Guide and supplementary materials
- "Your Retirement System" videos
  - *Required: Your Retirement System (4:35)*
  - *Optional: Your TSP Investment Options: The Lifecycle Funds (1:52)*
  - *Required: TSP: What it's all about (4:55)*
  - *Required: Navigate your way to a secure financial future (2:22)*
- TSP Form U1: TSP Election Form, <https://www.tsp.gov/PDF/formspubs/tsp-u-1.pdf>
- Audio visual equipment, such as a DVD player and television or computer and projector
- Classroom space to accommodate all participants
- Flipchart, whiteboard or piece of paper for recording comments

### COURSE TIME REQUIREMENT:

Depending on the number of participants and dialogue, 30 minutes. Section one is approximately 10-13 minutes, section two is 13-15 minutes and section three is 5-6 minutes.

## Section 1 – Your Uniformed Services Blended Retirement System

### OBJECTIVE

Identify the key components of the Uniformed Services Blended Retirement System (BRS).

### KEY POINTS

- The retirement system is composed of two key components; a defined benefit and a defined contribution.
- Under BRS there is also a continuation pay provision and a lump sum option at retirement.

### FACILITATOR OVERVIEW

This first section of the training establishes that the Blended Retirement System is the retirement system for all new accessions on or after January 1, 2018. The facilitator will start this section with class discussion. Ask participants their thoughts about retirement. You will then play the video “*Your Retirement System*,” in which a service member sets the stage and introduces the Blended Retirement System. After the video is completed, the facilitator will follow up with an instructor presentation recapping the video and close out this section with a group knowledge check. Questions for discussion and knowledge check questions are included below.

### CLASS DISCUSSION-SUGGESTED QUESTIONS FOR PARTICIPANTS

- Ask participants what things need to be considered for retirement.
- Ask participants if they think they will have enough money for retirement.
- What are different ways to save for retirement?

### INSTRUCTOR PRESENTATION (READ)

Today's course includes three sections. Section one is an introduction to your retirement system. In section two I'll focus specifically on the defined contribution aspect of your retirement system, commonly referred to as the Thrift Savings Plan or TSP. Finally, in section three, I will talk about managing your finances.

Supplementary material: A Blended Retirement System infographic handout is available for the active duty and National Guard/Reserve with this guide to support classroom discussion regarding BRS.

To begin, I'll play a video that establishes the Blended Retirement System, also known as BRS, as 'your' retirement system—it's for all new entrants into the Uniformed Services **on or after January 1, 2018**. This video sets the stage for today's training, and highlights four aspects of the BRS, all of which I will discuss in varying detail following this video presentation.

## **VIDEO PRESENTATION – Your Retirement System**

### **INSTRUCTOR PRESENTATION (READ)**

First, let me start by recapping the defined benefit that was discussed in the video.

- **Explanation of a defined benefit**
  1. For those of you that serve for at least 20 years in the Uniformed Services (or 20 qualifying years in the National Guard or Reserve) you are eligible for a **defined benefit**.
  2. A defined benefit is also known as monthly retired pay or a pension. This is a benefit where your Service provides monthly retired pay to you based on at least 20 years of service and your salary history.
  3. For active duty, the formula for a defined benefit under the BRS is 2% times your Years of Service (YOS), times the average of your highest 36 (high-36) months of basic pay.
  4. Remember, if you serve 20 or more years, retired pay is calculated based on your highest 36 months of basic pay, which is generally your last three years of service.
  5. (For the National Guard and Reserve): This is the last three years prior to actually receiving your retired pay.
  6. You receive an additional 2% for each additional year over 20 years of service.
  7. (For the National Guard and Reserve): The formula for converting retirement points and determining equivalent active years of service is: Total retirement points ÷ 360 = Qualifying years of service. Then the formula is the same for calculating your defined benefit.

Play video –  
*Your Retirement System*  
(4:35)

TIP: Visually illustrate  
point three:  
 $2\% \times \text{YOS} \times \text{High 36}$

Now, let me highlight a few key points from the video in regard to your defined contribution.

- **Explanation of a defined contribution**
  1. Your retirement plan includes a **defined-contribution** benefit, known as the Thrift Savings Plan or TSP.
  2. With this benefit, **after 60 days of service**, your Service will begin contributing an amount equal to 1% of your basic pay into a retirement account in your name each month. This does not come out of your pay. It's called a **Service Automatic (1%) Contribution**.
  3. On the pay period following your two year service anniversary, if you elect to contribute a portion of your basic pay, your Service will begin matching contributions in addition to the Service Automatic (1%) Contribution.
  4. To take full advantage of the Service Matching Contribution you'll need to contribute to the TSP from your basic pay.
  5. As with any investment there is risk and it's important to note, the TSP is not guaranteed income. It is based on how much you and your Service contribute, and how well your investment choices perform over time.

We will spend more time discussing this benefit in section 2.

## CLASS DISCUSSION-SUGGESTED QUESTIONS FOR PARTICIPANTS

- Ask participants to explain the difference between a defined contribution and a defined benefit  
*A: Defined benefit: Your Service provides you a set payout when you retire. Defined contribution: You and your Service contribute to your retirement.*

## INSTRUCTOR PRESENTATION (READ)

There are two additional provisions under the BRS, Continuation Pay and the Lump Sum option at retirement. It will be some time before you are impacted by either of these provisions, but you need to be familiar with these benefits.

### To Verify Retirement Points:

**Army National Guard:** Retirement Points Account Management (RPAM) System report through iPERMs.

**Air Force Reserve/Air National Guard:** Access the Air Force Portal, Virtual Military Personnel Flight (vMPF), ANG/USAFR Point Credit Summary Inquiry (PCARS)

**Army Reserve:** Chronicle Retirement Point Statement DA 5016 at [www.hrc.army.mil](http://www.hrc.army.mil). Select "My Record" tab to review.

**Marine Corps Reserve:** Career Retirement Credit Report on Marine Online (MOL)

**Navy Reserve:** Sailors should review their records at My Navy Portal (MNP)

**Coast Guard Reserve:** Reservists should view "My Reserve Points Statement" in Direct Access under the "Employee View" menu.

- **Explanation of Continuation Pay**
  1. Under BRS, you may be eligible to receive a one-time, mid-career bonus payment in exchange for an agreement to perform additional obligated service.
  2. As decided by your branch of Service, it is payable between completion of eight years of service, but before completion of your 12th year of service.
  3. Each Service publishes guidance related to continuation pay rates. Rates for continuation pay depend on a number of factors, including specific needs of the Service (e.g. retention rates, hard to recruit career fields).
  4. This one-time bonus is in addition to any career field-specific incentives or retention bonuses you may receive during your career.
  
- **Explanation of Lump Sum**
  1. Service members who retire from the military with at least 20 years (or 20 qualifying years in the National Guard and Reserve) will have the opportunity to get a portion of their defined benefit as a lump sum upon retirement. That is, you can receive money up front as an advance on your own retired pay.
  2. The amount of the lump sum is **discounted**, which means the lump sum may not be as much as it would have been had you opted to receive monthly retired pay.
  3. You will learn more about the lump sum option closer to your retirement years.

We will finish this section with a group knowledge check.

## KNOWLEDGE CHECK (GROUP ANSWERS)

- Q. How many years must you serve in order to receive a defined benefit/pension?  
*A. 20 years in the Active Component or 20 qualifying years in the National Guard or Reserve.*
- Q. What are the four major aspects of the Blended Retirement System?  
*A. 1. Defined Benefit (monthly retired pay or pension), 2. Defined Contribution (also known as the TSP), 3. Lump Sum, 4. Continuation Pay*

- Q. (Active Duty) Monthly retired pay for 20 years of active duty service is what % of the average of your highest 36 months of basic pay.  
A. 40%
- Q. (National Guard & Reserve): What is the formula used to determine equivalent years of service for members of the National Guard and Reserve?  
A. *Total retirement points ÷ by 360 = Equivalent years of active service*

## **INSTRUCTOR PRESENTATION (READ)**

This concludes the presentation in section one: “Your Uniformed Services Blended Retirement System.” Now let’s explore in more detail your defined contribution benefit, also known as the Thrift Savings Plan.

## Section 2 – Thrift Savings Plan (TSP) Essentials

### OBJECTIVE

- Understand the fundamentals of the TSP and your TSP account
- Recognize how TSP contributions are made
- Recognize how TSP affects your future retirement savings
- Understand the portability of your TSP savings account

### KEY POINTS

- After 60 days of service your TSP account is created and you are automatically enrolled in the TSP with a default contribution of 5% of your basic pay. You will also begin receiving Automatic Service Contributions of 1% of your basic pay (or drill pay for the National Guard and Reserve).
- After completing two years of service you are eligible for [Service Matching Contributions](#) to your TSP.
- After two years you are entirely [vested](#) in your TSP account.
- Getting into the saving habit early gives your money time to grow and is key to a secure financial retirement.
- Your TSP account is a [portable retirement benefit](#) and can be taken with you if you separate/leave service.

### FACILITATOR OVERVIEW

In this section, the facilitator will provide an overview of the Thrift Savings Plan (TSP), a key component of a service member's retirement. It's important that service members understand how the TSP works and how to manage their account. After presentation, follow by playing the video "*TSP, what it's all about.*" Complete this section with class discussion. Questions for discussion and knowledge check questions are included below.

### INSTRUCTOR PRESENTATION (READ)

In this section we will focus specifically on your defined contribution. It is the retirement benefit you will encounter first.



- **Explanation of the Thrift Savings Plan**
  1. The TSP savings can add to your monthly retired pay benefit even if you do not serve at least 20 years in the Uniformed Services.
  2. You may begin contributing to the TSP **now** by filling out and turning in TSP Form U1: *TSP Election*, at this event (for bootcamp). After bootcamp, changes in contribution level can be accomplished on the MyPay website.
  3. Otherwise, after 60 days of service, you will be **automatically enrolled** in the Thrift Savings Plan (TSP) with a default contribution of 5% of your basic pay into a Traditional (pre-tax) TSP account.
  4. Additionally, after 60 days of service, your Service will begin contributing an amount equal to 1% of your basic pay into your TSP. This does not come out of your pay.
  5. The money from your pay will automatically go into a TSP **Lifecycle** retirement fund, also known as the L Fund, which is appropriate for your projected age of retirement, unless you choose other TSP Fund options.
  6. Once your TSP account has been set up for you by your Service (generally 60 days), you'll be able to access it online at TSP.gov.
  7. You go to TSP.gov to move your money across fund choices. You go to your Service's online payroll center (such as MyPay, Marine Online, or Direct Access) if you want to make contribution percentage changes (for example, change your 5% contribution rate to a 8% contribution rate) or to change from a **Traditional (pre-tax) TSP** account or a **Roth (after-tax) TSP** account.
  8. You should note, if you zero out your TSP contributions, you will be automatically enrolled at 5% of your basic pay each calendar year.
  9. At the completion of two years of service you will receive Service Matching Contributions.
  10. You will receive automatic and matching contributions on the first 5% of basic pay that you contribute each pay period. Contributions above 5% of your pay will not be matched.

Optional video: *Your TSP Investment Options: The Lifecycle Funds* (1:52)  
<https://www.youtube.com/watch?v=r6rRMcgBNCc>

11. No matter how much you contribute of your basic pay, you can only receive the maximum contribution from your Service of an amount equal to 5% of your basic pay.
12. If you stop making regular basic pay contributions, your Service Matching Contributions will also stop.
13. Your contributions to your TSP account, along with the automatic and matching contributions that are available from your Service, will be the fuel for securing your financial future.
14. A specific note for the National Guard/Reserve: The TSP and similar civilian retirement plans (such as a 401(k)) share the same annual contribution limit (refer to IRS for annual contribution limits), under IRS regulations. This means, National Guard and Reserve members who have more than one 401(k)-type retirement savings account, **cannot contribute more than the IRS limit across all of their accounts** in any given calendar year.
15. Periodically, you should login to TSP.gov to see how your investments are doing and watch your savings grow. Remember, your TSP account is **your responsibility to manage** and you should check on its status regularly.
16. In the next video, service members will highlight aspects of the Thrift Savings Plan.

## VIDEO PRESENTATION – TSP: What it's all about

## CLASS DISCUSSION-SUGGESTED QUESTIONS FOR PARTICIPANTS

- Capture the comments (on a flip chart or whiteboard) from the question below.
- Ask participants what might be barriers to saving for retirement. Refer to the suggested answers below for addressing participants' barriers. Pick a few to address before moving on with the instructor presentation.
  1. Not enough money
  2. Credit card debt, student loans, bills
  3. Not important
  4. Don't know what I'm doing
  5. Afraid of losing money

Play Video –  
*TSP: What it's all about*  
(4:55)

- Suggested answers:
  - Not enough money (consider skipping a weekly cup of coffee or brewing your coffee at home; stay in once a month and invest that pizza and beer money, are there other ways to find savings?)
- 6. Credit card debt, student loans, bills  
(Although all of these things can put a strain on your budget, they don't necessarily make it impossible to save for retirement, work with your installation's [personal financial manager](#) or [counselor](#) to devise a debt reduction plan)
- 7. Not important (Did you know 1 in 3 Americans don't have retirement savings and 3 in 4 Americans over 40 are behind on saving for retirement—as the video shows, the power compounding can exponentially increase your retirement. As famous boxer George Foreman once said, "*The question isn't at what age I want to retire, it's at what income*")
- 8. Don't know what I'm doing (you have resources that can support your financial readiness—including your installation's Personal Financial Manager or Counselor, your unit leadership and financial assistance through Military OneSource)
- 9. Afraid of losing money (there is risk in investing and you can lose money, but over the long term, investments have been a successful way for Americans to save for retirement, if you start early).

Supplementary material:  
Handouts are available in with this guide to support classroom discussion regarding contributions to the TSP. Handouts include:

- Coffee Cup Contribution Plan
- Thrift Savings Plan Options: Making Your Retirement Dollars Work for You

## INSTRUCTOR PRESENTATION (READ)

- **Expectations about saving for retirement**
  1. Part of being mission ready is being financially sound—it's your Service's expectation that service members are financially ready--now and into retirement.
  2. You don't need to wait until a mandatory training class like this to take control of your retirement journey. You are in control of your financial future.

3. It is recommended you visit your installation's Personal Financial Manager or Counselor or seek financial guidance through Military OneSource (or CG SUPPORT for the U.S. Coast Guard), and craft your route to retirement when you reach your first duty location.

## KNOWLEDGE CHECK (GROUP ANSWERS)

- Q. When does your TSP account get created?  
*A. Within 60 days of service.*
- Q. After 60 days of service, how much of your basic pay is automatically contributed to the TSP?  
*A. 5% of your basic pay.*
- What two places do you go to make changes to your TSP account?  
*A. At TSP.gov and...*
  - Army/Navy/Air Force: MyPay*
  - Marine Corps: Marine Online (MOL)*
  - Coast Guard/NOAA: Direct Access*
- When are you eligible for Service Matching Contributions to your TSP?  
*A. After completion of two years of service.*
- Q. If you separate or leave, what is the benefit of the TSP?  
*A. Your account is portable. You can leave it in the TSP to grow or you transfer it to a qualifying retirement account with your new employer.*

## Section 3 – Take Control of Your Financial Future

### OBJECTIVE

- Understand you can manage your retirement and how to manage your retirement savings
- Recognize how retirement savings affects your military pay

### KEY POINTS

- This is your retirement and you need to be an active participant.
- Know how to access your TSP account once it has been created, and make regular visits to monitor your savings.
- Make an appointment with one of your Service-provided financial managers or counselors, and take full advantage of your opportunities for financial readiness education.

### FACILITATOR OVERVIEW

Facilitator will discuss taking control of your financial future. Discuss how the service member can manage their retirement savings and how retirement savings affects military pay. After the class instruction, show video #3 *Navigate your way to a secure financial future*. Follow with participant questions. Complete this section by discussing the various resources that a service member can explore to learn more about retirement and investing.

### CLASS DISCUSSION-SUGGESTED QUESTIONS FOR PARTICIPANTS

- Ask participants what they see their retirement years looking like?
  - What are they doing?
  - Where do they live?
  - What do they own?
- Ask participants how they plan to do these things or pay for these activities?

Supplementary material: Additional information is included to support classroom discussion regarding saving for retirement.

- 7 Small Steps to Jump-Start Your Savings

## FACILITATOR PRESENTATION (READ)

Think of where you want to be later in life. How are you going to get there? This is something you have control over. If you act now, pay yourself first when it comes to saving for retirement, you will have more options later. The penalty for not taking action now, will be measured in dollars later on. It's YOUR choice and YOUR responsibility!

**VIDEO PRESENTATION** – Navigate your way to a secure financial future

## CONCLUSION (READ)

Taking control of your retirement and your financial future is your responsibility. No one else is going to do it for you, but your Service is here to help with financial readiness education and financial counselors who will work with you. It's important for you to know that the earlier you get started with your retirement savings, the more savings you'll have for later in life.

A few closing comments:

- **Closing Comments**
  - Remember, after 60 days of service, your Service will automatically enroll you at 5% of your basic pay, and you'll begin to receive an automatic contribution from your Service to your TSP account equaling 1% of your basic pay.
  - You control your TSP account and contributions, and you can change your contribution percentage and choose your TSP Funds at any time online.
  - You can receive a defined benefit (monthly retired pay or pension) if you complete at least 20 years of service (or 20 qualifying years in the Guard and Reserve).
  - Saving money early in your career has a tremendous impact on your financial future.
  - Your Service has financial managers and counselors available to help you, and will provide you with financial education, including more on the Lump Sum option, at a variety of Financial Literacy Touchpoints throughout your career.

Play Video –  
*Navigate your way to a secure financial future*  
(2:22)

Supplementary material:  
Your Service will provide many opportunities to gain additional knowledge and skill for financial readiness, called Financial Literacy Touchpoints (FLT). A roadmap for your career FLT's is available with this guide.

This concludes the training on “Your Retirement System.”

- **Provide TSP Form U1: TSP Election**  
Provide service members an opportunity to create a TSP account and voluntarily contribute to the TSP, before the automatic enrollment date. Collect TSP Form U1 and process per your Service's guidance.
- **Optional: Question & Answer session**
- **Class Evaluation (This can be formal or informal)**

TSP Form U1: TSP Election  
<https://www.tsp.gov/PDF/formspubs/tsp-u-1.pdf>

Supplementary material:  
You may choose to locally download and reproduce the booklet “Building Retirement Savings with the Blended Retirement System,” for distribution at the end of the course.

## Key Terms and Definitions

**Automatic Service Contributions** – Once a Service member has served 60 days, the member's Service will contribute an amount equal to 1% of the member's basic pay each pay date to the member's Thrift Savings Plan account. The member does not need to be making contributions to receive the Automatic Service Contribution.

**Defined benefit** – A retirement account your service maintains to give you a fixed payout when you retire predetermined by a formula based on the Service member's tenure and average of the service member's highest three years of basic pay.

**Defined contribution** – A retirement plan under which the Service member and Service contribute to an individual account in the Thrift Savings Plan that invests in equities and bonds. Benefits are based solely on the amount contributed to the participant's account, plus investment earnings on the money in that account.

**Discounted rate** – The discounted rate is published by DoD each year for administration of the lump sum provision. It is based on the Department of Treasury published market rate, plus a factor that accounts for the unique aspects of military service.

**Lifecycle Fund** – Lifecycle or "L" funds are professionally determined investment mixes that are tailored to meet investment objectives based on various anticipated retirement year. The objective is to strike an optimal balance between the expected risk and return associated with the fund.

**Matching Service Contribution** – Contributions made by your Service to the Thrift Savings Plan accounts of members who contribute their own money to the TSP. After completion of two years of service, the first 5% of the service member's contribution is matched dollar for dollar by the Service and the next 2% is matched 50 cents on the dollar. This means that if a member contributes 5% of the member's basic pay to the TSP, the Service will contribute another four percent to the member's TSP account.



**Portable retirement benefit** – A transferable account when you retire or separate from the Uniformed Service.

**Personal Financial Manager/Counselor (PFM)/(PFC)** – Accredited managers or counselors who provide information on the Blended Retirement System, the Thrift Savings Plan and offer strategies to support positive financial choices. This service is free to active, National Guard and Reserve service members, their families, and survivors.

**TSP Traditional (pre-tax) account** – The service member defers paying taxes on their contributions and their earnings until they withdraw them. If they are making tax-exempt contributions in a Combat Zone Tax Exclusion (CZTE) area or a Direct Support Area (DSA), their contributions will be tax free at withdraw, but their earnings will be subject to tax.

**TSP ROTH (after-tax) account** – The service member pays taxes on their contributions as they make them (unless they are making tax-exempt contributions), and the earnings are tax-free at withdrawal as long as they meet certain IRS requirements. This option may be preferred if the service member is in a lower tax bracket now and expects to retire in a higher income bracket.

**Vesting** – Vesting is the right a service member has to keep the money and the interest earned on that money the Service contributed to their retirement account. Under the BRS, vesting is based on the length of time the service member is in the Uniformed Services. Once 'vested' that amount of money is the service member's retirement account is theirs to keep and the Service cannot take it back.