Opportunities + Implications of the Blended Retirement System
The Department of Defense did an exceptional job of bringing the Blended Retirement System (BRS) to fruition and changing the retirement system to benefit the Services and service members. More work remains in order to best capitalize on the opportunities the BRS presents and to better market the benefits and value of the BRS and military service.

August 2023

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The sentiment captured in this report reflects the symposium discussions and do not reflect the official policy or position of the Department of Defense or the US Government.

This report does not intend to provide all details regarding the Department of Defense's Blended Retirement System, thus readers should visit: militarypay.defense.gov/blendedretirement/ for more information.
This Blended Retirement System (BRS) symposium is the second of three 2023 Marine Corps-sponsored symposia evaluating the health and future viability of the modern all-volunteer, all-recruited US military, now in its fiftieth year. Together, these symposia seek to contribute partial answers to one overarching question: How can the US maintain an All-Volunteer Force (AVF) in 2040 and beyond that is at once dominant on 21st-century battlefields, affordable, and consistent with American national values and way of life?

The BRS combines elements of the legacy retirement system with benefits similar to those offered in many civilian 401(k) plans. The BRS was developed with two goals: first, to ameliorate the perceived injustice of previous cliff-vesting systems in which more than 80% of all service members departed active-duty service with no retirement benefit, aside from any personal Thrift Savings Plan (TSP) contributions; and second, by lowering the cost of military retirement funds.

The BRS is the fifth military retirement construct since the inception of the modern, post-Vietnam AVF era.

The BRS “blended” an element of the defined benefit of previous retirement schemes with a defined contribution to a service member's TSP who honorably serves more than 24 months.

As of June 2023, approximately 65% service members have BRS retirement plans, including all entering service since January 1, 2018, and a significant number of members who opted into the BRS from the previous “High-36” plan.

The BRS is highly competitive when compared to civilian alternatives, providing a defined contribution of 1% after 60 days of honorable service, and up to an additional 4% matching contribution after 24 months of honorable service. Service members are also eligible for a one-time, lump-sum “continuation pay” bonus in return for additional obligated service, usually paid between eight and twelve years of service. Additionally, BRS retains a defined benefit in which service members are guaranteed a specific monthly retirement amount, with a lump sum option.

Marketing and awareness of the BRS – and military compensation and benefits overall – is insufficient within the force and among the American public. We should be comparing the BRS to civilian alternatives, NOT its predecessor, and we do not sufficiently leverage the value of other benefits of military service, such as Tricare health coverage.

We can tailor elements of the BRS to be highly adaptive and agile to market conditions. However, we need more data – including on long-term impacts and application to the Reserve Component – to fully understand its opportunities and implications.

It’s not all about money. The military retirement system alone will not ever inspire the “irrational call to service” upon which the AVF depends. Non-monetary incentives, living and work environments, and sense of purpose must also meet or exceed expectations if the AVF is to remain viable in the years to come.
INTRODUCTION

On June 28, 2023, the Marine Corps hosted a select group of scholars, civilian defense leaders and policymakers, and leaders from all six uniformed services for a symposium on the opportunities and implications of the Blended Retirement System (BRS). Participants were also asked to make recommendations to improve BRS awareness, effectiveness, and messaging to the force, potential recruits, and the American public.

This BRS symposium is the second of three 2023 Marine Corps-sponsored symposia evaluating the health and future viability of the modern all-volunteer, all-recruited US military in this fiftieth year since its establishment. Together, these symposia seek to contribute partial answers to one overarching question: How can the US maintain an All-Volunteer Force in 2040 and beyond that is at once dominant on 21st-century battlefields, affordable, and consistent with American national values and way of life?

This BRS Symposium focused narrowly on the military retirement system which began full implementation in January 2018. As the BRS is a significant departure from previous military retirement constructs, it is imperative to fully leverage the advantages and improvements of the BRS through proactive and aggressive messaging.

A third symposium in fall 2023 will frame the strategic competition for and talent management from a Total Force perspective: active and reserve military and civilian personnel. The symposium will be a forward-looking and holistic assessment of opportunities, gaps, and initiatives associated with a more permeable and flexible way to harness the talent within the Services and across the Department of Defense (DoD).

This report summarizes the key observations, findings, and recommendations of the participating experts and practitioners regarding the opportunities and implications of the BRS for the AVF of 2040 and beyond.
DISCUSSION

The BRS is the fifth distinct military retirement scheme since the inception of the modern, post-Vietnam AVF era.

The BRS was developed with two primary balanced goals. First, the BRS sought to ameliorate the perceived injustice of previous cliff-vesting systems in which more than 80% of all service members departed active-duty service with no retirement benefit.\(^1\) Second, the BRS sought to deliver better value to the government by lowering the cost of military retirement funds which, under previous military retirement constructs, based solely upon defined benefit, were becoming unsustainable.

The BRS thus “blended” an element of the defined benefit of previous retirement constructs with a defined contribution to TSPs for all service members who honorably serve more than 60 days. When fully implemented, the BRS is intended to be more affordable to the nation and more equitable to all service members.

Potential recruits may treat the question "does this employer offer retirement benefits" as a binary yes/no, which seemingly makes the retirement benefits look equal to other employers who also offer retirement benefits.

However, the entire military retirement benefit is much more generous than civilian options, which gets lost in the “yes/no” binary response.

As of June 2023, approximately 65% of service members are enrolled in BRS retirement plans. This includes all service members who entered service on or after January 1, 2018, as well as a significant number of members who chose to opt into the BRS from the previous “High-36” plan.\(^2\)

**THE BRS IS HIGHLY COMPETITIVE WHEN COMPARED TO CIVILIAN ALTERNATIVES.**

The BRS's defined 1% contribution, and up to an additional 4% matching contribution, available at 59 1/2 years of age, makes it highly competitive with civilian employee retirement plans. BRS members are also eligible for a one-time “continuation pay” bonus in return for additional obligated service payable at a date set by each service between eight and twelve years of service. Additionally, the BRS retains the traditional military retirement defined benefit in which the DoD guarantees a specific monthly dollar amount. While the amount of the defined benefit is reduced from the previous “High-36” plans, it is still significant. Service members may also elect to receive a lump sum at retirement, in exchange for a decreased monthly payment until the age of 67.

<table>
<thead>
<tr>
<th>MILITARY</th>
<th>RETIREMENT COMPARISON</th>
<th>CIVILIAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediate payment after 20 YOS</td>
<td>DEFINED BENEFIT</td>
<td>not applicable</td>
</tr>
<tr>
<td>[approximately 36 years old (enlisted) + 42 years old (officer)]</td>
<td>MATCHING CONTRIBUTION</td>
<td>varies</td>
</tr>
<tr>
<td>up to 5%</td>
<td>CONTINUATION PAY</td>
<td>not applicable</td>
</tr>
<tr>
<td>at 12 years of service</td>
<td>(cash incentive of 2.5 to 13 times regular monthly basic pay)</td>
<td></td>
</tr>
</tbody>
</table>

2 Members with fewer than 10 years of service as of December 31, 2017, were given the option to opt into the BRS. The consensus among symposium participants was that the number of those who opted into the BRS significantly exceeded expectations. The working hypothesis is that those members who opted in were preserving their option to separate prior to the 20-year full vesting mark required for immediate receipt of the lifelong defined benefit.
The defined benefit is available immediately upon retirement for members who accrue 20 years of active service and continues until death with guaranteed increases to keep pace with inflation. Service members often become eligible to retire with lifelong benefits at 38 years old for enlisted, and 42 years old for officers.

**POSITIVE MESSAGING AND AWARENESS OF BRS IS INSUFFICIENT WITHIN THE FORCE.**

For those who serve from 2 to 19 years, BRS 5% matching TSP contributions within low-cost TSP managed funds are highly competitive with civilian alternatives. This is particularly true when considered within the overall military compensation package which also includes: competitive pay, tax-free housing allowances for married members and free housing for single enlisted members, tax-free subsistence allowances, special and incentive pays, bonuses, subsidized groceries, subsidized child care, tuition assistance grants, 30-days of paid annual leave, government-provided healthcare and dental care for the member and all dependents, and a generous post-9/11 GI Bill.

The BRS is even more generous for those who serve until full retirement vesting. At that point, service members who retire begin immediately receiving 40% to 60% of active-duty base pay for life annually increased for inflation, extremely low-cost lifelong healthcare for the member and dependents, and lifelong access to subsidized groceries. At age 59 ½ years of age, retired members gain access to their TSP funds as well.

The symposium consensus was that service members – especially junior ones in their initial years – tend to underestimate the generosity of military pay and benefits generally and BRS benefits specifically. From an economic perspective, junior service members have a “very high discount rate” when valuing retirement benefits. Any successful effort to better explain the relative generosity of the BRS and other retirement benefits is likely to cause a greater proportion of service members (and their spouses) to seek to remain in service until full retirement vesting.

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**WHILE SERVING**
- Free Housing/Tax-Free Housing Allowance
- Tax-Free Subsistence Allowance
- Personal Growth + Development
- Low-Cost Dependent Dental
- 5% TSP Matching
- Subsidized Groceries
- Tuition Assistance
- Health Care
- Competitive Pay
- Purpose

**UPON SEPARATION**
- Thrift Savings Plan
- Post-9/11 GI Bill (Valued up to $291,540*)
- Opportunity for Continued BRS, TRICARE, and Other Benefits in Reserve Component

**RETIREMENT**
- Immediate Defined Benefit Contributions for Life
  - $40,071/YR Enlisted at Approximately 38*
  - $69,501/YR Officer at Approximately 42*
- TSP Retirement as Early as 59 1/2 Years of Age

*See endnotes page for details.
MARKETING AND AWARENESS OF THE BRS – AND MILITARY COMPENSATION AND BENEFITS OVERALL – IS INSUFFICIENT AMONG THE AMERICAN PUBLIC.

The BRS also has an underutilized productive role to play in recruiting new members into the AVF. Adult authority figures in the lives of prospective Soldiers, Sailors, Airmen, Marines, Guardians, and Coast Guardsmen have tremendous influence on their service decisions. Symposium members opine that such influencers (parents, guidance counselors, teachers, ministers, coaches, etc.) significantly underestimate the value of military pay, allowances, entitlements, and retirement programs as compared to civilian sector employment alternatives. While influencers are educating potential recruits to seek employment opportunities that offer retirement benefits, potential recruits may not realize the significant difference in the value of a military retirement as compared to civilian options. The BRS should be aggressively marketed as a key component in the context of a modernized military compensation package. Such marketing should emphasize the BRS’s unique combination of generous matching TSP contributions, and the generosity and immediacy of the defined benefit once fully vested for retirement.

WE DO NOT SUFFICIENTLY LEVERAGE THE VALUE OF TRICARE HEALTH COVERAGE.

As an ancillary observation, a clear theme emerged throughout the symposium that the Department and Services can more effectively emphasize the value of Tricare health coverage as an incentive for continued service from mid-career through retirement. As civilian health care coverage costs continue to climb, the relative value of active-duty and retiree Tricare coverage should be increasingly emphasized in both recruiting and retention marketing.

COMPARE THE BRS TO CIVILIAN ALTERNATIVES, NOT ITS PREDECESSOR.

Discussion throughout the symposium immediately and repeatedly illustrated that internal DoD and Service messaging within the force has been excessively focused on contrasting the BRS to the previous "High-36" military retirement scheme. Such behavior has been pervasive spanning from Department and Service web sites to senior members who are under the "High-36" plan advising junior members who entered service compulsorily under the BRS. Messaging tends to focus on the reduced defined benefit retirement annual multiple (2% rather than 2.5% resulting in a ten-percentage-point difference in initial retirement pay) and to disregard the future value of matching TSP contributions. This simply erodes morale among the BRS-pure cohort who have no choice in the matter and is thus counterproductive and self-defeating. Instead, Service messaging and senior-leader advice should relentlessly focus on contrasting the generosity and immediacy of the BRS to civilian alternatives.
WE NEED MORE DATA - WE DO NOT YET FULLY UNDERSTAND OPPORTUNITIES AND IMPLICATIONS OF THE BRS.

We must keep an eye on early trends and be poised to act decisively when necessary. Data and analysis matter and we need better and more data to inform policy decisions going forward. Current BRS behavioral projections are based upon theory and rest upon informed assumptions and predictions. We will soon begin to quickly amass empirical observations to test those foundational assumptions. Currently, all available BRS behavioral observations are from the mixed cohort of those who began service under the “High-36” retirement scheme and then opted into the BRS. This group may not be representative of the first BRS-pure cohort that follows them. That cohort will reach their 8-year mark of service in 2026 which is the first year that services can offer them continuation pay in return for additional obligated service. The first BRS-pure cohort service members will reach 20-year retirement vesting in 2038. At that point, the BRS will be the common retirement plan for all service members below the general and flag officer ranks.

ACTIVE COMPONENT BRS PARTICIPATION BY SERVICE

- **Army**: 62%
- **Navy**: 64%
- **Marines**: 85%
- **Air Force**: 54%

Data provided by Defense Finance and Accounting Service for participation rates on June 30, 2023.

ISOLATING CAUSAL LINKS REMAIN DIFFICULT.

It is notoriously difficult to isolate causal factors in a system as complex and dynamic as the military labor market. Given the variety of non-BRS variables in play ranging from exogenous cultural and economic forces to endogenous factors such as tailored reenlistment bonuses, incentive pays, morale, war, peace – and many more – researchers will continue to be plagued by confounding variables. We are further limited by an inability to create an isolated full-scale experiment and the fact that results of formal studies tend to lag required decisions. Yet all is not lost. By carefully designing an integrated and coordinated research plan across the Department and all Services, federally-funded research enterprises, defense-oriented think tanks, and stakeholders can maximize the value of near-term research for future BRS refinement decisions.

IT’S NOT ALL ABOUT MONEY.

While certainly a significant factor in accession and retention decision making, money is not the only factor. Military service entails voluntary sacrifices of personal autonomy, control, spousal employment opportunities, and time with family and friends. In exchange, members of the AVF receive meaningful purpose, personal growth opportunity, quality of leadership and a positive climate, quality of life, current compensation, and future fiscal security (retirement) for individual
service members and families. A generous and appreciated retirement plan is a crucial part of the value proposition of an AVF career, but it is only one component part. The military retirement system alone will not ever inspire the “irrational call to service” upon which the AVF depends. Non-monetary rewards, living and work environments, and sense of purpose must also meet or exceed expectations if the AVF is to remain viable in years to come.

THE BRS HAS THE POTENTIAL TO BE HIGHLY ADAPTIVE AND AGILE TO MARKET CONDITIONS.

The BRS offers inherent flexibility for the Department of Defense and the Services to respond quickly to changing labor market conditions. There are six basic variables within the BRS which could all be manipulated to incentivize service member retention behaviors. These variables include: TSP matching contribution amount, TSP matching contribution timing, continuation pay amount, continuation pay timing, defined benefit annual percentage multiplier, and defined benefit vesting date. Thus, policymakers have broad, built-in options – provided sufficient funds are appropriated by Congress – to tailor the BRS to military labor market conditions as more detailed and refined analysis of the BRS member behavior becomes available.

FESTINA LENTE - "MAKE HASTE SLOWLY"

While the BRS can be tailored and refined to market conditions as the implications of future data come into focus, it should not be used as a targeted retention or force shaping tool. Symposium participants noted that the BRS is an inefficient force management tool as it focuses on a very distant reward and young people are particularly challenged at valuing distant rewards. Economists and senior policymakers present believed that BRS tools such as continuation pay, the rate of matching contributions, and the retirement vesting horizon should be changed infrequently and should be a source of stability and certainty within the force. The Services should continue to leverage proven, responsive tools such as selective reenlistment bonuses, skills pays, and assignment incentive pays for force shaping actions and other actions that differentiate between discreet skills and performance.

WE NEED TO THINK MORE ABOUT THE RESERVE COMPONENT.

Symposium participants noted that most of the discussion focused primarily on the Active Component and that this tendency was reflected in Department and Service messaging to date. There may be a significant gap in the perceived value of BRS benefits between components. As Services explore greater opportunities for career permeability across Active and Reserve components, we will need to devote more attention to the structure and content of Reserve BRS.
RECOMMENDATIONS

The following 3 recommendations are derived from symposium deliberations and discussion:

1. At the Department level, develop marketing products for the force and the American public, to clearly communicate the elements, benefits, and value of service in the AVF, including the full compensation offerings available for those who serve for short and career-long periods of time, inclusive of BRS, in comparison to civilian market offerings. Services must ensure service members and their spouses are informed of continuation pay rates, eligibility, and applicable deadlines.

2. Develop an integrated and coordinated research plan to track and predict near and long-term impacts of BRS implementation and effects on career decisions. The BRS offers potential levers for adjustment including the use of continuation pay, which when combined with other monetary incentives can provide a way to offer stability and flexibility needed over the course of time and career lifecycles. The Services should continue to explore how adjustments to incentive and retention levers can be used to optimize total force management - Active and Reserve Components - and increase retention.

3. Develop messaging and assessment plans to fully leverage the value of monetary and non-monetary incentives for military service. The BRS is a competitive system compared to other options in the current job market. The services must do a better job of messaging to fully realize the intended effects and should focus messaging on the advantages of the BRS when compared with civilian alternatives within the current and future environment. Near-term focus could start with assessing how continuation pay is employed across the Services.

CONTINUATION PAY RATES - 2023

<table>
<thead>
<tr>
<th>Service</th>
<th>Rate</th>
<th>Years</th>
<th>Source: <a href="https://militarypay.defense.gov/BlendedRetirement/">https://militarypay.defense.gov/BlendedRetirement/</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>ARMY</td>
<td>2.5% AC / 4.0% RC @ 8-12 YOS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NAVY</td>
<td>2.5% AC / 0.5% RC @ 12 YOS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MARINES</td>
<td>5% AC / 1% RC @ 12 YOS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIR FORCE</td>
<td>2.5% AC / 0.5% RC @ 12 YOS</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
CONCLUSION

The Department of Defense did an exceptional job of bringing the BRS to fruition and changing the retirement system to benefit the Services and service members. More work remains in order to best capitalize on the opportunities the BRS presents and to better market the benefits and value of the BRS and military service.

In continuing to employ an AVF, the DoD is essentially another employer and must remain competitive with the broader job market and do a better job communicating the value and benefit of service.

Money matters but is not a cure-all. Non-monetary factors, such as quality of leadership, quality of life, career agency, the irrational call to service, and sense of belonging are critical incentives for recruiting and retention of the AVF.

The BRS is one part of the total package of monetary and non-monetary incentives that may affect the propensity for military service and retention.

The continued success and sustainment of our AVF, to include how it will continue to be dominant on future battlefields, affordable, and consistent with our national values and way of life, has clear strategic and national security implications. Success will require continued effort from each of the services, but also require continued support from other elements of government and the general public.

To succeed, the Services must more aggressively inform potential recruits and their influencers of the generosity of BRS within a competitive pay and benefits portfolio.
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The following were used to calculate the information in each graph:

**GRAPH 1 (PAGE 4)**

**Post 9/11 GI Bill Factors:**
- Rates for August 1, 2023 to July 31, 2024
  - Tuition: up to $27,120.05/year (4 year = $105,524) for a private or foreign school.
  - Book Stipend: $1,000/Year (4 years = $4,000)
  - Housing Stipend: $3,792/Month (48 Months = $182,016) for San Diego, CA 92101 (E5 with dependents.)
- Additional information regarding the Post-9/11 GI Bill rates may be found at the official website for the U.S. Department of Veterans Affairs: www.va.gov/education/benefit-rates/post-9-11-gi-bill-rates/

**Enlisted Pension Factors:**
- Retirement in 2028 after 20 years of honorable service at the grade of E8
- Pay entry base date of 1 January 2018 at the age of 18

**Officer Pension Factors:**
- Retirement in 2028 after 20 years of service at the grade of O5
- Pay entry base date of 1 January 2018 at the age of 22

**GRAPH 2 (PAGE 5)**

**Enlisted Retirement Factors:**
- Retirement from the active component at E8
- Born: January 2000
- Pay entry base date and entered service: January 2018
- 20 Years of honorable active-duty service
- Life expectancy: 85 years old
- TSP withdrawal age: 67 years, 0 months
- TSP contribution rate: 5%
- TSP rate of return: 10.05%
- TSP rate of return after withdrawal begins: 3%
- Promotions: E5 at 5 years, E6 at 8 years, E7 at 12 years, E8 at 17 years
- Continuation Pay of 2.5 times of E7 basic pay at completion of 12 years

**Officer Retirement Factors:**
- Retirement from the active component at O5
- Born: January 1996
- Pay entry base date and entered service: January 2018
- 20 Years of honorable active-duty service
- Life expectancy: 85 years old
- TSP withdrawal age: 67 years, 0 months
- TSP contribution rate: 5%
- TSP rate of return: 10.05%
- TSP rate of return after withdrawal begins: 3%
- Promotions: O3 at 5 years, O4 at 10 years, O5 at 16 years
- Continuation Pay of 2.5 times of O4 basic pay at completion of 12 years

Additional information regarding the BRS Calculator may be found at the official website for the U.S. Department of Defense Military Compensation: www.militarypay.defense.gov/Calculators/Blended-Retirement-System-Standalone-Calculator/