

# New Blended Retirement System at a glance

By David Vergun, Army News Service WASHINGTON –

Beginning Jan. 1, 2018, blended retirement takes effect for all new uniformed service members. Also, beginning on that date, certain current service members will be able to opt into the new system.

The Blended Retirement System can be broken into three prongs, explained Col. Steven Hanson, Army G-1 Compensation and Entitlements, Allowances Branch Chief.

**Prong one consists of a defined pension benefit upon retirement, which is similar to the current system.** The current retirement system awards a pension of **2.5 percent of basic pay per year** times the number of years of service, for those serving 20 or more years, he said. So someone with 20 years would receive 50 percent of base pay per year in retirement. The new Blended Retirement System awards **2 percent per year**. So that same Soldier serving 20 years would earn a pension of 40% of base pay. *Service Members who already have 12 years in service will be covered by the older plan, which awards 2.5 percent of basic pay per year.*

**Prong two consists of a Thrift Savings Plan, or TSP, which is similar to a 401K plan.** Under the TSP plan, the government will contribute 1 percent of base pay after 60 days and then will match up to 5 percent of contributions after two years. Even if the Service Members does not contribute to the TSP, the government will continue contributing 1 percent after the initial 60-day period, Hanson noted. Prong

**Three is a one-time continuation payment for Service Members with eight to 12 years of service.** The exact dollar amount will be determined sometime during this fiscal year, Hanson said, but it will at minimum be 2.5 months of base pay for active duty Service Members and a minimum of a half-month's base pay for those in the Guard and Reserve. If the Service Members accepts this one-time payment, known as continuation pay, he or she will have to agree to serve for at least three additional years.

## SUMMARY

Service Members serving in the Army, Navy, Airforce, or Marines (or any uniformed service) today have from Jan. 1, 2018 until Dec. 31, 2018 to decide whether or not to continue in the current retirement system that has been in place for many decades, or join the new blended system, Hanson said. All Service Members joining the US Military beginning Jan. 1, 2018 will be under the blended system, he said. Also, all Service Members with less than 12 years active duty on Dec. 31, 2017, as well as National Guard and Reserve members with less than 4,320 retirement points, can opt into this new blended system prior to Dec. 31, 2018.

## ANALYSIS

Overall, this is good news for the vast majority of Soldiers, Hanson said. Currently, some 70 percent of officers and 90 percent of enlisted don't stay in for 20 years and they leave the Army with no retirement benefits.

Under the new system, all Service Members who serve honorably for at least 2 years (approximately 85% of service members) will now have some retirement benefits when they leave the service, he said.

Click the following for more information: <http://militarypay.defense.gov/BlendedRetirement/>