The New Blended Retirement System (BRS)

New Fact Sheet: May 20, 2018

Background
The Blended Retirement System (BRS) became effective on January 1, 2018 but does not affect all current active duty officers. This fact sheet summarizes basic information on BRS and is not intended to be a comprehensive guide nor does it cover legacy retirement systems, which are the subject of a separate Fact Sheet.

Eligibility - depends on officer’s Date of Initial Entry into Military Service (DIEMS) AND years of service

New service members with DIEMS date on or after January 1, 2018: will automatically default into the BRS and will NOT have an option to select a legacy retirement system.

Service members with a DIEMS date before January 1, 2018: An officer is eligible to elect to enroll in BRS if he/she was on active duty on December 31, 2017 and has served <12 years as calculated from his/her BRS Date (calculated based on number of years of active and inactive service in any of the Uniformed Services and federally recognized National Guard service). For additional information on BRS Date and eligibility see CCD 124.02 and CCI 661.03.

<table>
<thead>
<tr>
<th>Years served in a Uniformed Service on December 31, 2017</th>
<th>Blended Retirement System</th>
<th>Legacy Retirement Systems (i.e. Final Pay, High 36)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 12 years</td>
<td>Opt-In Required - Ends December 2018*</td>
<td>Grandfathered (default)</td>
</tr>
<tr>
<td>12 or more years</td>
<td>NOT ELIGIBLE</td>
<td>Grandfathered</td>
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For officers on active duty on December 31, 2017 having served <12 years in a Uniformed Service, they may opt-in anytime during 2018; otherwise these officers will remain in their prior retirement plan as described in the “Retirement at 20 Years: Basics on Legacy Retirement Systems” fact sheet (this includes the Redux retirement system, however, Redux is no longer available as of January 1, 2018). Opting into the BRS is irrevocable.

*An officer with <12 years of prior service who is called to active duty for the PHS on or after December 2, 2018, may elect to enroll in the BRS within 30 days of re-entry or will default to their original retirement system.

Highlights of BRS (Four Components):

Thrift Saving Plan (TSP) Automatic and Matching Contributions
An officer covered under BRS will automatically receive a TSP contribution of an amount equal to 1% of basic pay after 60 days of service. Matching contributions begin at the start of the 3rd year of service with a maximum matching of 4% of an officer’s basic pay through the completion of 26 years of service. At the start of the 3rd year of service (at the completion of 2 years of active duty), these contributions are the officer’s to keep (“fully vested”) regardless of whether 20 years of service or longer is achieved. This means that if an officer separates before reaching retirement, they will leave with a portable retirement benefit (government TSP contributions). Retroactive TSP contributions may not be made for any period beginning before the date an officer elects to enroll in BRS. For more information on TSP eligibility, retirement plans or withdrawal options please review the CCI 662.01, PPAC Benefits Subcommittee Thrift Savings Plan fact sheet, the TSP FAQ’s on Opting into the BRS, or visit https://www.tsp.gov/index.html.

Defined Benefit Annuity
The BRS formula will use a 2% per year multiplier (compared to the legacy 2.5% multiplier) of the highest 36 month average of an eligible officer’s basic pay. This equates to 40% of basic pay at 20 years of service versus the current 50% of basic pay at 20 years of service under the Legacy Retirement Systems [not including Medical Officer Constructive Credit].
Blended Retirement System Continuation Pay (BRSCP)

This is a one-time bonus available to officers enrolled under the BRS at 10 years of service (as calculated from the officer’s BRS Date). An officer may receive 2.5 times one month of basic pay as a bonus for agreeing to serve four years of obligated service (BRSCP is 2.5 times one month of basic pay for the month the officer achieves 10 years of services as determined by their BRS date), regardless of when the payment is made to the officer. This bonus is in addition to any other pay and allowances. For additional information on general conditions required to receive the BRSCP, payment types, and the agreement itself, please see CCI 623.01.

Lump Sum Payment of Retirement Annuity

An eligible officer may elect to receive a discounted portion of his/her retirement pay as a lump sum in up to four annual installments following retirement. The amount an officer may elect to receive is a discounted present value of either 25% or 50% of the gross estimated retired pay (taking into account projected cost of living adjustments) for the period from the day the officer is eligible to begin receiving retired pay until the first day of the month following the date when the retiree attains full retirement age (as determined by the Social Security Act at 42 U.S.C. §416). During the period from retirement from the PHS until full retirement age, the monthly pension will be reduced. After the first of the month after the retiree reaches full retirement age, the monthly retired pay will return to the full amount.

**Decision to opt-in to BRS or stay with a Legacy Retirement System:**

This fact sheet summarizes some basic information on the new BRS – it does not make any recommendation on what officers should do regarding retirement options and is not intended to be a comprehensive guide. There are many factors for PHS Officers to consider when planning for retirement (likelihood of serving at least 20 years, ability to contribute the maximum TSP, etc.). All BRS-eligible officers will be required by DCCPR to take Opt-In training. Officers may also wish to utilize the BRS comparison calculator to compare the retirement systems. Please note this calculator does not account for education credit for medical school and internship which may increase retirement pay up to 12.5% of high 3 basic pay under the Legacy Retirement System (2.5% multiplier) and if included in the BRS (no guidance provided at this time) would equate to 10% of high 3 basic pay (2% multiplier).

Because of these nuances, those eligible for BRS may wish to speak to a financial planner to make the best decision given an officer’s specific circumstances.

**NOTE:** For more detailed information, please review the resources listed below. For comparison of retirement plans, please see the “Retirement at 20 Years: Basics on Legacy Retirement System” fact sheet.

**Resources**

- [http://militarypay.defense.gov/Calculators/BRS/] – BRS vs. Legacy Retirement System comparison calculator

**Note:** Feedback and suggestions for this fact sheet are welcome and may be sent to PPACBenefitsSC@gmail.com.

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