

# Report to the Committee on Armed Services of the House of Representatives



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## Assessing Implementation of the Blended Retirement System

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## Table of Contents

EXECUTIVE SUMMARY .....	2
INTRODUCTION .....	2
BLENDED RETIREMENT SYSTEM OVERVIEW .....	3
BLENDED RETIREMENT SYSTEM IMPLEMENTATION OVERVIEW .....	4
TIMELINE.....	4
TRAINING .....	5
BLENDED RETIREMENT SYSTEM IMPLEMENTATION TRAINING.....	5
Blended Retirement System Implementation Training Results.....	8
ONGOING FINANCIAL READINESS TRAINING .....	9
Requirements .....	9
Training Tools and Resources .....	11
DATA .....	14
BLENDED RETIREMENT SYSTEM PARTICIPATION DATA .....	14
THRIFT SAVINGS PLAN DATA AND RESULTS.....	14
Increased Thrift Savings Plan Contributions to Boost Retirement Savings .....	16
STATUS OF FORCES SURVEY DATA .....	17
CONCLUSION.....	18

## **EXECUTIVE SUMMARY**

In accordance with congressional guidance, the Department of Defense (DoD) and the Uniformed Services successfully developed and implemented a program of ongoing financial literacy training that provides vital education to members at key points throughout their careers. During the Blended Retirement System (BRS) implementation period, the DoD and the Uniformed Services implemented financial literacy training, counseling, and communication outreach programs. By the time implementation was complete, more than 91 percent of Service members eligible to opt-in to the BRS had received the training necessary to make informed retirement savings decisions based on their individual financial goals. As a result, Service members are more financially literate, make better-informed retirement savings decisions, and enjoy a higher level of retirement savings.

Data from the 2022 Status of Forces Survey (SOFS) indicate Service members have greater financial literacy relative to past surveys and relative to the general U.S. adult population. From the beginning of BRS implementation to December 31, 2023, BRS participants have accumulated over \$28 billion in retirement savings via the Thrift Savings Program (TSP). General TSP participation among Service members increased by almost 20 percent since 2019. Full TSP participation (i.e., contribution of 5 percent or more of the member's basic pay) has increased by approximately 15 percent among Active Component (AC) members and approximately 27 percent among Reserve Component (RC) members since 2019.

## **INTRODUCTION**

House Report 117–397, page 161, accompanying H.R. 7900, the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2023 states:

*The committee recognizes that fiscal year 2023 will mark the fifth anniversary of the Department of Defense's implementation of the Blended Retirement System as enacted in title VI, subtitle D, part I of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92). The committee commends the Department for its efforts to ensure younger service members the proper access to robust financial security training for retirement and directs the Secretary of Defense to submit a report to the Committee on Armed Services of the House of Representatives not later than April 1, 2023, on the status of the Blended Retirement System implementation. Such report shall analyze any data collected on the impacts of current training modules, include quantifiable outcomes that assess the impact of the Department's current financial security training from the year prior to implementation through fiscal year 2023, and detail an action plan that outlines additional tools and/or resources needed by the Department to further increase positive outcomes in enhancing financial literacy training for our service members.*

This report responds to and satisfies the above requirement. To generate this report, the Department conducted a review of all BRS training and applicable policies and procedures and compiled detailed information collected during the review process.

## **BLENDING RETIREMENT SYSTEM OVERVIEW**

The NDAA for FY 2016 enacted substantial changes to the military retirement system that applied to all members of the Uniformed Services (DoD, United States Coast Guard, National Oceanic and Atmospheric Administration (NOAA) and United States Public Health Service (USPHS)). Previously, Service members had to serve 20 years before becoming eligible for any retirement benefits. Under the BRS, all separating members who complete at least 24 months of service (approximately 85 percent of the force) have a portable, Government-provided retirement benefit that can be taken with them to a new employer or transferred into another retirement savings vehicle.

In the primary legacy military retirement system, known as the “High-3 System,” the monetary retirement benefit consists entirely of monthly retired pay. This is a defined benefit based upon a formula of 2.5 percent multiplied by the number of years and months served, multiplied further by the average of the member’s highest 36 months of basic pay. For RC members, the eligible retirement points accrued during a career convert to years and months of service for a similar calculation.

Under the BRS, the monetary retirement benefit consists of a reduced monthly retired pay supplemented by Government contributions to a portable retirement savings account. All members who separate before becoming eligible for retirement have a portable retirement account. Members who continue to serve past retirement eligibility become eligible to receive monthly retired pay after serving for 20 years, the same as with legacy programs, although the method of calculating retired pay changes.

The BRS has several components:

- A defined retired pay benefit using a 2.0 percent per year multiplier in lieu of 2.5 percent under the legacy system. BRS participants retired for disability under 10 U.S.C., Chapter 61 continue to receive a 2.5 percent per year multiplier;
- Up to 5 percent Government contribution to the member’s TSP, including:
  - An automatic Government contribution equal to 1 percent of the member’s basic pay, beginning 60 days following initial entry into service; and
  - Government matching contributions up to 4 percent of basic pay using the same matching plan used for Government civilians under the Federal Employee Retirement System. Members only receive matching contributions from the 3rd through the 26th year of service.
- Automatic enrollment for contribution of a percentage of the member’s basic pay to TSP, ensuring the member receives the benefit of Government matching contributions. The member can choose to reduce or stop these automatic contributions. Initially, the NDAA for FY 2016 set the automatic contribution level at 3 percent of the member’s basic pay.

In 2020, that contribution was raised to 5 percent, ensuring the member receives the full benefit of Government matching contributions; and

- A choice to receive full monthly retired pay upon retirement or to elect to receive reduced retired pay plus a partial lump-sum payment. This lump-sum payment is calculated as either 50 percent or 25 percent of the discounted retired pay that would be due a member from the date of retirement until the date the member would reach full Social Security retirement age. At full Social Security retirement age, all members will receive their full defined benefit retired pay, regardless of their lump-sum payment election.
- In addition, the legislation that established the BRS, as amended, includes a provision to provide a continuation bonus (Continuation Pay or CP) paid to a member between 7 and 12 years of service for an additional service obligation of not less than 3 years.

## **BLENDED RETIREMENT SYSTEM IMPLEMENTATION OVERVIEW**

The Department outlined its plan to implement the NDAA for FY 2016 changes in its March 2016 report to Congress, “Implementation Plan for Modernizing the Military Retirement System.” A comprehensive study of the implementation was performed by the Department and the “Blended Retirement System Implementation Study” report was provided to Congress in May 2020. The report provided a detailed assessment of the BRS transition period, an analysis of TSP matching contributions, an explanation of planned continuation pay policy, and an analysis of BRS impacts on recruiting and retention trends.

To support implementation, the Department adopted a multi-front approach that included developing policy, providing education, establishing new business processes, making changes to existing IT systems, and providing routine and consistent strategic communications. The Office of the Secretary of Defense took the lead role in developing the DoD-wide strategy and worked closely with the Uniformed Services to implement plans.

### **TIMELINE**

A timeline of the implementation of the BRS is provided below:

- November 25, 2015 – Enactment of title VI, subtitle D, part I of the NDAA for FY 2016 (Public Law 114–92).
- January 31, 2017 – Commencement of financial literacy training directed by the NDAA for FY 2016.
- December 31, 2017 – Delimiting date of BRS election eligibility for Service members with fewer than 12 years.
- January 1, 2018 – Commencement of election period for eligible opt-in and auto-enrollment of new accessions.

- December 31, 2018 – Ending of election period.
- October 1, 2020 – TSP auto enrollment increased to 5 percent.

Although the election period for members eligible to opt-in to the BRS ran from January 1 to December 31, 2018, hardship extensions were allowed as authorized by the Secretary concerned. Those with a break in service during the election period were eligible to make an election within 30 days after the date of reentry into service. Eligible members who have not returned to service since the beginning of the implementation period may still make an election if they return to service.

## **TRAINING**

As part of initial implementation of the BRS, the Department executed a focused training and education program to ensure members were well informed of the change in benefits. The Department continues to train every Service member on BRS as part of a comprehensive financial readiness training and education program.

### **BLENDED RETIREMENT SYSTEM IMPLEMENTATION TRAINING**

Although ongoing financial education is vital to the readiness of the force, the Department needed to ensure Service members and their families had factual, unbiased information necessary to make an informed BRS decision. During the BRS implementation period, DoD successfully engaged in a highly organized and deliberative effort to provide standardized, factual, and unbiased financial literacy training to members who were either eligible to opt-in to the BRS or automatically enrolled. DoD did not direct or attempt to influence Service members to make any specific decision. Instead, Service members were provided the information necessary to make informed retirement decisions that met the needs of the individual members and their families.

The Department deployed a series of courses to educate Service members, leaders, financial counselors, and family members on BRS during the implementation period. Those courses included:

- **BRS Opt-In Training.** This course addressed the differences between the legacy retirement system and BRS, as well as the steps required to opt-in. All opt-in eligible Service members (Active, Reserve, and National Guard) were required to complete this course prior to December 31, 2017. Anyone choosing to opt-in was required to certify they completed the course. While this training was aimed at Service members in the opt-in eligible population, it was made available through open websites to ensure family members had access to the training and could participate in the financial decision.
- **BRS New Accessions Training.** Titled “The Uniformed Services Blended Retirement System: Your Retirement System,” this training is mandatory for all Service members who first joined on or after January 1, 2018, and who are automatically enrolled in the BRS. This training is provided at the point of accession, generally at entry-level training, by a facilitator in a classroom setting.

- BRS Leaders Training. This course was designed to provide leaders with sufficient knowledge of BRS so they could have informed conversations with their Service members about the new retirement system.
- BRS Personal Financial Manager/Counselor Training. This course provided financial counselors with the in-depth knowledge of the BRS necessary to counsel members about the system and their options.
- BRS Comparison Calculator Training. This course provided instructions on how to use the “comparison calculator” developed by DoD to aid in the Service member’s decision-making process by providing estimates of the monetary value of the legacy retirement system and the BRS based upon their unique circumstances (see Figure 1 below).

Figure 1. Blended Retirement System Comparison Calculator Screenshot



The primary DoD delivery platform for these courses was the Joint Knowledge Online portal, which provides Department-wide training on various personnel and command-related topics. Additionally, the Services provided in-person and Service-specific online training options for several of the courses to meet multiple delivery requirements. The educational materials covered in the courses and additional informational resources were also made available via open-source websites to ensure that both Service members and their family members had full access to the appropriate decision-making aids.

In addition to mandatory training, DoD created and executed an award-winning communications campaign that connected with Service members and military families through a variety of



mediums. The bedrock of the strategy was 30 short videos designed for digital media use. This video series included “AskRobyn” videos featuring a character developed specifically to engage and inform Service members and their families (see Figure 2 below). These videos were featured throughout social media, the Armed Forces Network, and a variety of websites and other online platforms. The campaign reached over 7 million views in 1 year.

Figure 2. AskRobyn Character from Blended Retirement System Outreach Videos



The Department provided other tools to help educate members and their families, including more traditional products such as pamphlets, posters, and pocket cards (see Figure 3 below). Additionally, the Department partnered closely with the Federal Retirement Thrift Investment Board (FRTIB) to ensure TSP products were made widely available to Service members and their family members.

Figure 3. Military Spouse Blended Retirement System Information Pamphlet



Eligible members (both AC and RC), received several notifications throughout 2017 and 2018, reminding them of their BRS eligibility and encouraging them to make an informed choice before the opt-in deadline. These notifications included command announcements, direct emails



and SmartDoc notifications from the Defense Finance and Accounting Service (DFAS), and reminders in Service members' monthly Leave and Earnings Statements.

In addition to financial literacy education resources, the DoD significantly expanded the number of nationally accredited financial counselors available, without charge, to Service members and their families on continental United States and outside the continental United States installations, doubling the number of Personal Financial Managers and Counselors to over 700. This capability was augmented in the Navy and Marine Corps with Uniformed financial readiness specialists who maintain awareness and support for financial readiness within their units and commands, along with telephonic and virtual financial counseling via Military OneSource.

Throughout these education and communication efforts, the DoD consistently emphasized to the eligible population that opting in to the BRS was an individual personal financial decision involving the Service member and family. The DoD took no position on whether an individual should opt-in to the BRS, did not set targets for the number of members opting in, and did not attempt to influence members on their choice. The DoD's sole goal was to provide members and their families with the best information possible to make an informed financial decision.

### **Blended Retirement System Implementation Training Results**

During the opt-in period, the DoD and the Uniformed Services kept close track of BRS Opt-in Training completion by the opt-in eligible members of the force, reporting those numbers on a weekly and monthly basis. By the end of the BRS enrollment period, most Service members eligible to opt-in to the BRS, approximately 91 percent, had completed BRS Opt-in Training prior to making a BRS election. The breakdown of these numbers by Service and Component is provided in Table 1.

Table 1. Blended Retirement System Opt-In Course Completion

Branch	Members Completed	Members Eligible	Percentage
Army	347,858	351,550	98.95%
Army Reserve	159,989	159,989	100.00%
Army National Guard	240,881	298,762	80.63%
Air Force	215,426	230,490	93.46%
Air Force Reserve	42,973	56,425	76.16%
Air Force National Guard	66,533	89,666	74.20%
Navy	224,304	238,416	94.08%
Navy Reserve	40,074	45,703	87.68%
Marine Corps	142,826	152,450	93.69%
Marine Corps Reserve	31,686	34,809	91.03%
Coast Guard	22,325	24,310	91.83%
Coast Guard Reserve	5,279	6,045	87.33%
USPHS	2,568	2,703	95.01%
NOAA	198	200	99.00%
Active Component	955,505	1,000,119	95.54%
Reserve Component	587,415	691,399	84.96%
<b>Total Uniformed Services</b>	<b>1,542,920</b>	<b>1,691,518</b>	<b>91.22%</b>

## ONGOING FINANCIAL READINESS TRAINING

### Requirements

Congruent with the enactment of the BRS, Congress amended 10 U.S.C. § 992, establishing new requirements for DoD to conduct ongoing financial literacy training. Section 661 of the NDAA for FY 2016 amended 10 U.S.C. § 992 to change the focus of DoD financial literacy training from “consumer protections” to “financial services,” including consumer protections. The amended statute also requires the Secretary concerned to provide the directed financial literacy training to Service members at certain prescribed career and life events, as well as any non-prescribed events that the Secretary concerned deems appropriate. The prescribed events include:

- Initial entry into military service;
- Arrival at the first duty station;
- Arrival at subsequent duty stations through the pay grades of E-4 or O-3;
- Upon promotion through the pay grades of E-5 or O-4;
- When the member vests in TSP;

- When the member becomes entitled to receive continuation pay;
- At major life events (marriage, divorce, birth of first child, disabling sickness or condition);
- During leadership training;
- During pre-deployment training and post-deployment training;
- At transition points (transition between components, separation, retirement); and
- As a component of periodically recurring required training at a military installation.

To implement these statutory changes, the Department created a formal common military training (CMT) requirement for all Service members to receive financial readiness CMT at the prescribed events. Directive-type Memorandum (DTM) 19-009, “Financial Readiness Common Military Training Requirements,” was published on August 13, 2019, and established the initial policy, responsibilities, and requirements for the organization, management, and implementation of financial readiness CMT. On November 5, 2021, the DoD published Department of Defense Instruction (DoDI) 1322.34, “Financial Readiness of Service Members,” which incorporated and replaced DTM 19-009 and established the comprehensive policy, procedures, and requirements for efforts to promote and sustain the personal financial readiness of Service members.

Specifically, DoDI 1322.34 establishes a financial literacy training and counseling regimen that incorporates all requirements of 10 U.S.C. § 992. The DoDI also prescribes the allowable methods of financial literacy instruction, the required number and qualifications of financial counselors based upon the number of Service members at an installation, and the qualifications for uniformed unit financial counselors. Additionally, it provides clear standardized terminal learning objectives that must be accomplished in the training provided at each of the training touchpoints.

Figure 4. Financial Literacy Training Terminal Learning Objective Excerpt

		Initial Entry Training	First Duty Station	Permanent Change of Station	Promotion	Vesting in TSP	Entitlement to Continuation Pay	Major Life Events	Leadership Training	Pre- and Post-Deployment	Transition
Consumer Protections	Know military consumer protection law fundamentals, including Service members' Civil Relief Act and Military Lending Act.	X	X	X					X	X	
	Recognize and understand how to protect yourself from misleading consumer practices and report complaints.		X				X			X	
	Understand how to access credit protection benefits available to Service members.		X							X	
	Recognize and identify steps to resolve identity theft.		X							X	
Planning for the Future	Comprehend the components of Service member's military retirement system and the importance of preparing for retirement.	X				X	X	X	X		X
	Discuss the reasons, needs, types, and options for purchasing insurance.		X					X		X	X
	Understand purpose and implications of estate planning (e.g., beneficiaries, wills, trusts, power of attorney).	X						X		X	X

As part of ongoing financial literacy CMT, all Service members are required to complete standardized training on the military retirement system and the importance of preparing for retirement during initial entry training and at several other training milestones (see Figure 1). The Military Departments must deliver “The Uniformed Services Blended Retirement System: Your Retirement System” training no later than 365 days after the Pay Entry Base Date for all new Service members. In addition, all Service members receive financial readiness CMT on how to manage their TSP account during specific career milestones: at first duty station, promotion, pre- and post-deployment, and transition. Training also includes instruction on vesting in the TSP.

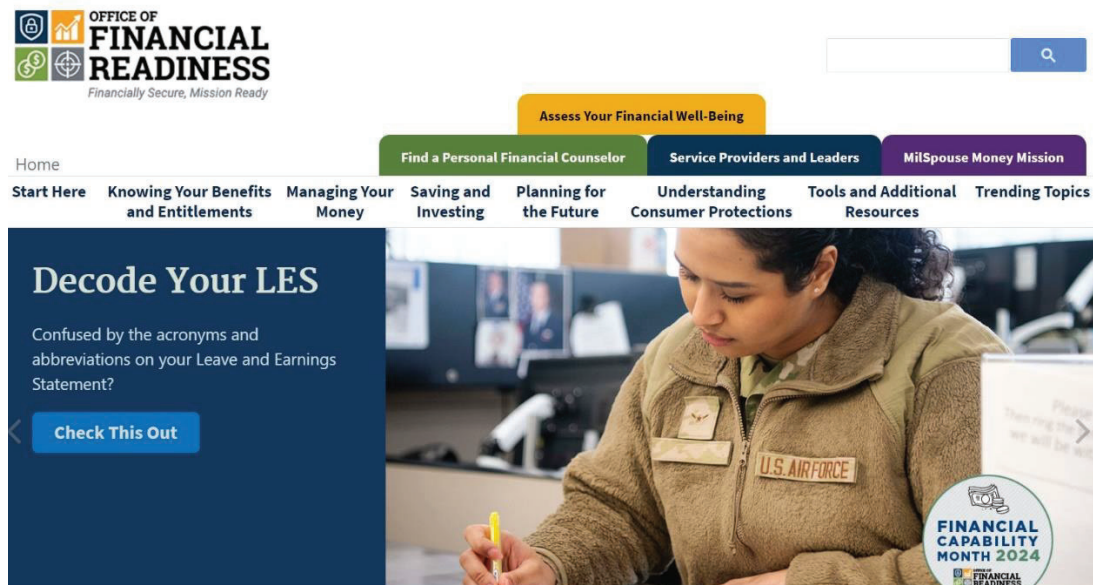
To further support the ongoing training requirements, the Department created the “Blended Retirement System Training for Continuation Pay Provision Training Development Guide” to standardize training content for the Continuation Pay training touchpoint. Service members who are eligible and intend to elect a lump sum of retired pay pursuant to 10 U.S.C. § 1415 are also provided the “Blended Retirement System Lump Sum Payment Course.”

### Training Tools and Resources

As part of its ongoing comprehensive financial readiness program, DoD currently provides a robust suite of tools and educational content readily available to Service members and their families. In alignment with best practices for financial education, the content is tailored to the needs of the learner, designed to be easily understandable, relevant to the specific financial decision or need, motivating, and builds key financial skills. The DoD developed a financial readiness website (<https://finred.usalearning.gov>) to serve as a central location for Service members, spouses, service providers, leaders, and others in the broad space of financial literacy (See Figure 5). The Department also maintains the website MilSpouse Money Mission (<https://www.milspousemoneymission.org>), a financial education website specifically designed

to engage military spouses by providing relatable educational content to help spouses enhance financial knowledge and skills.

Figure 5. DoD Financial Readiness Website



To help identify and establish foundational financial knowledge and skills, the Department created the Inventory of Financial Literacy Knowledge and Skills (<https://finred.uslearning.gov/assets/downloads/FINRED-FinancialLiteracyInventory-G.pdf>), which provides additional depth to established broad learning objectives. The Inventory is regularly reviewed, updated, and shared to create collaboration among content builders. The Department enhanced curriculum development with the creation of the Financial Readiness Curriculum Evaluation Form (<https://finred.uslearning.gov/assets/downloads/FINRED-CurriculumEval-TK.pdf>). The Curriculum Evaluation Form establishes standard criteria to evaluate training materials to ensure materials used in the delivery of financial literacy meet all prescribed law and policy requirements and align with best practices in financial education.

In 2019, the Department launched Sen\$e, a financial literacy learning application for mobile devices and tablets. Sen\$e provides factual, unbiased financial training content and numerous interactive tools, including a car payment calculator, a Spending Plan tool, a financial assessment tool, which help users identify areas of financial strengths, growth, and personalized resources to assist reaching financial goals. Sen\$e incorporates gamification strategies to encourage Service member and family engagement. The Department will continue to support and develop Sen\$e content and capabilities to facilitate the continued growth of financial literacy.

As part of the Department's overarching *Taking Care of People* initiative, an online Financial Well Being Assessment was developed and deployed in June 2022 to assist Service members and their families. With 12 simple questions, users can self-assess their financial well-being, receive a score, and connect with vetted resources. All answers are anonymous, and the assessment does not track any data. Service members and families can access the tool online at

<https://finred.usalearning.gov/FWBA> or download a print version. The Department continues to frequently promote the tool through social media, paid media, and e-newsletter outreach.

The Department's support of financial readiness also includes servicer provider support. In August 2023, the Department launched the Office of Financial Readiness Learning Resource Library. This effort created a single repository of approved financial readiness curriculum products and improved effectiveness in managing resources when conducting required updates and change management functions. Approximately 500 pieces of approved content are posted and available via open public access with no account or Common Access Card needed.

The Department continues to amplify all available resources and tools through social media channels, the Office of Financial Readiness and MilSpouse Money Mission websites (<https://finred.usalearning.gov/>), and a suite of e-newsletters. These outreach resources are designed to expand financial literacy for Service members and families while offering service providers and leaders the tools they need to support them.

To support the continued growth of the financial readiness training program, the Department must continue to develop strategic priorities and actions across multiple lines of effort. The training efforts include specific actions to plan and conduct comprehensive reviews of curriculum products and materials, mature the Learning Resource Library as an enduring and dynamic resource, organize and conduct training for service providers, and updating the Sen\$e application to continue modifications and improvements to boost the user experience. Communication efforts include continued research and website usability testing to identify measures of success, potential gaps in content, and opportunities for improvement.

The Department stays apprised of communication trends and is exploring additional outreach channels to provide Service members and families with the information they are seeking, in the manner in which they engage and absorb it. These ongoing efforts contribute to a reduction in the risk of financial challenges and associated stress that may negatively impact individual performance and mission readiness.

To further increase positive outcomes of financial literacy training for Service members, DoD will continue to develop and deploy enhanced program oversight processes and tools to monitor the effectiveness of its financial readiness programs. The Department will update critical learning outcome-based requirements which inform training, curriculum resources, and enterprise-wide financial education and introduce new content based on usability, feedback, and evaluations. The Department will also augment traditional financial education modalities with delivery of innovative financial readiness strategic communications products, to include websites, infographics, videos, articles, and multimedia, digital, and print materials. These communication products will improve financial well-being of members and their families and enhance financial readiness outreach through expanded shared media outlets.



## DATA

### **BLENDED RETIREMENT SYSTEM PARTICIPATION DATA**

The BRS opt-in enrollment ended at midnight on December 31, 2018, capping off a successful roll-out of the new retirement system for members of the Uniformed Services. Over 400,000 BRS participants chose to opt-in, and another 151,381 were automatically enrolled in the first year. Since 2018, all newly-accessed members are automatically enrolled in BRS. Many Service members returning from a break-in-service or who are being commissioned as officers through the Military Service Academies or the Reserve Officers' Training Corps have the opportunity to opt-in to BRS. As of January 1, 2024, 1,326,881 members are currently enrolled in BRS (AC: 862,235; RC: 464,646), representing 68 percent of the AC and 46 percent of the Reserve and National Guard. Of this number, 296,763 are members who opted-in to the BRS and 1,030,118 are members who were automatically enrolled in the BRS (see Table 2 below).

Table 2. Number of Blended Retirement System Participants (as of January 1, 2024)

Branch	Opt-in	Automatic	Total
Army	55,104	250,502	305,606
Army Reserve	14,774	71,150	85,924
Army National Guard	18,726	161,581	180,307
Air Force/Space Force	51,372	149,435	200,807
Air Force Reserve	6927	13,300	20,227
Air Force National Guard	9168	21,528	30,696
Navy	49,570	173,773	223,343
Navy Reserve	8141	11,485	19,626
Marine Corps	23,043	109,436	132,479
Marine Corps Reserve	59,938	67,928	127,866
<b>Total Military Services</b>	<b>296,763</b>	<b>1,030,118</b>	<b>1,326,881</b>

The reduction in the participating BRS opt-in and legacy retirement system population, coupled with the growth in the automatically enrolled population reflects the expected shift in force composition. As members in the opt-in and legacy retirement populations exit service over time, they are “replenished” by members who enter service after December 31, 2017 and are automatically enrolled in the BRS. This shift will continue over time until all Service members are BRS participants.

### **THRIFT SAVINGS PLAN DATA AND RESULTS**

One of the key characteristics of the BRS is providing Service members with an employer-matched defined contribution retirement savings account, similar to a 401k, administered by the FRTIB through TSP. While TSP allows Service members under the legacy retirement system to contribute from their own basic pay or inactive duty pay (for members of the Reserves and

National Guard) to TSP, up to annual limits set by the Internal Revenue Service, full BRS participants are also eligible for employer contributions to their accounts. These contributions include an automatic, Government-provided 1 percent contribution to TSP and up to an additional 4 percent matching contribution based upon the members' contribution level.

Between January 1, 2018, and October 1, 2020, BRS participants were automatically enrolled in TSP with a contribution of 3 percent of their basic pay. On October 1, 2020, the FRTIB raised the member's automatic contribution to 5 percent of their basic pay, which is automatically deducted from their paycheck and deposited in TSP each month. This automatic deduction allows the Service member to receive the full benefit of Government matching of TSP contributions.

The May 2020 "Blended Retirement System Implementation Study" report to Congress commented on TSP contributions as follows:

As of December 31, 2019, fully 2 years into the implementation of BRS, overall TSP participation numbers are strong for both members who opted-in and those who were auto-enrolled. [As shown in the December 2019 data], 80 percent of all BRS participants are contributing 3 percent or more to their TSP account. Among all BRS participants, 6 percent contribute 1 or 2 percent of basic pay or inactive duty pay, 22 percent contribute 3 percent of their pay, 3 percent contribute 4 percent of their pay, 14 percent contribute 5 percent of their pay, and 42 percent contribute more than 5 percent. Just 10 percent do not contribute to TSP from their own pay.

Since last reported, TSP contribution rates among BRS participants have shifted significantly toward greater average contribution rates. As of June 2023, approximately 77 percent of all BRS participants contribute 5 percent or more to their TSP account, compared to 56 percent in December 2019. Approximately 89 percent contribute 3 percent or more. Only 7 percent of all BRS participants do not contribute to TSP from their own pay, a significant reduction of 3 percentage points from 2019. A significant percentage of these non-contributors can be attributed to new members who have been enrolled in the BRS but have not yet had contributions deducted from their pay (see Table 3 below).

Table 3. Thrift Savings Plan Contributions by Participants as a Percentage of Basic Pay (as of June 2023)

Branch	Percentage of Basic Pay						
	0.0%	1.0%	2.0%	3.0%	4.0%	5.0%	6.0+%
Army/Reserve/National Guard	7.6%	1.2%	1.2%	15.5%	1.0%	46.3%	27.2%
Navy/Reserve	6.5%	5.1%	5.7%	6.3%	3.1%	31.5%	41.8%
Air Force/Space Force/Reserve/National Guard	7.0%	1.1%	1.0%	7.7%	0.9%	37.1%	45.1%
Marine Corps/Reserve	6.4%	2.4%	2.0%	5.3%	1.6%	34.3%	48.0%
<b>DoD Total</b>	7.1%	2.1%	2.2%	10.6%	1.5%	39.8%	36.8%

The majority of BRS participants are contributing at rates different from the automatic contribution rate, indicating Service members' active engagement in their long-term saving decisions. A large majority of Service members who move their contribution from the automatic

contribution rate are choosing to contribute at a rate higher than the automatic contribution rate. The percentage of those declining participation is decreasing.

This high level of TSP contribution among BRS participants has quickly generated a significant amount of retirement savings for that population. According to FRTIB fund statistics, as of December 31, 2023, BRS participant TSP accounts hold an aggregate of approximately 28 billion dollars. This figure includes accounts for both AC and RC BRS participants and those who have separated from service, and funds in both Traditional and Roth TSP accounts.

BRS participant allocation of TSP contributions between funds shows a divergence between the opt-in population and those who are automatically enrolled in the BRS. While most of both populations leave contributions in the default lifecycle fund (L fund) appropriate to their retirement date, automatic enrollees are currently more likely to do so. Those who opted-in to the BRS move contributions to other funds at a higher rate. As of December 31, 2023, 84 percent of automatic enrollees had contributions allocated only to the L fund, as compared to approximately 50 percent of the opt-in population.

### **Increased Thrift Savings Plan Contributions to Boost Retirement Savings**

The Department continues to explore, engage, and implement actions to encourage Uniformed Service members to increase their retirement savings under BRS.

In September 2020, the Department conducted a large-scale randomized field experiment using behavioral science to improve long-term economic security for Service members and their families. The experiment, Glide Path Savings (GPS) to Retirement, explored the effects of emails informed by behavioral science on the decision to pre-commit to increase retirement savings when receiving a time-in-service salary increase and included 29,000 Service members.

Service members who received GPS to Retirement emails:

- 1) were 69 percent more likely to begin TSP savings for retirement if they were not previously contributing;
- 2) had a 43 percent greater increase in retirement savings contribution rates; and
- 3) were 43 percent more likely to make a positive change to their retirement savings contribution rates.

These results highlight the significant effect that low cost behaviorally informed emails can have on engaging and positively supporting Service members and their families to improve financial readiness and long-term financial security.

Based on the results of the pilot study, the Department approved implementation of the concept through DFAS. Implementation was completed in April 2021 and is estimated to have increased TSP contributions by approximately \$98.7 million to date, with even greater growth expected in coming years.

## STATUS OF FORCES SURVEY DATA

The financial literacy and preparedness section of the SOFS includes a series of subjective and objective questions regarding the financial condition, behaviors, goals, knowledge, and potential challenges among the military population. These questions allow DoD, the Military Departments, and the Military Services to monitor the financial readiness of Service members and to identify potential educational needs.

In the 2022 SOFS (administered in October 2022), a greater percentage of Service members exhibited higher levels of financial literacy and reported establishing positive financial goals and using credit responsibly. Better financial management was a top reason cited for those who reported a positive change in their financial condition. The vast majority reported being able to save or invest. Emergency savings rates among active duty members continued to be substantially higher than prior year surveys, after dropping slightly from the historic high in 2020.

A greater percentage exhibited higher levels of financial literacy and reported establishing positive financial goals and using credit responsibly. Only a small proportion of Service members reported they typically spent more than their income, substantially lower than the percentage of U.S. adults who reported spending more than their income in national surveys.

To assess financial literacy levels, the 2022 SOFS included a series of ten financial knowledge questions to objectively assess Service members' understanding of various financial concepts, including military-specific topics. Service members correctly answered financial literacy questions at a higher percentage compared to prior years. AC scores improved for 6 of the 10 questions and stayed the same for the remainder. RC scores improved for 2 of the 10 questions and stayed the same for the remainder.

3 of the 10 questions included in the financial literacy and preparedness section of the SOFS are also included on the Federal Reserve's 2022 Survey of Household Economics and Decisionmaking (SHED), providing an opportunity to compare the financial knowledge of the military and U.S. adults overall. The three questions included on the SHED are as follows:

- 1) Interest. *Suppose you had \$100 in a savings account with an interest rate of 2 percent per year. After five years, how much do you think you would have in the account if you let the money grow?* (Correct answer: More than \$102)
- 2) Inflation. *Imagine that the interest rate on your savings account was 1 percent per year and inflation was 2 percent per year. After 1 year, how much would you be able to buy with the money in this account?* (Correct answer: Less than today)
- 3) Stock Risk. *Is the following statement true or false? Buying a single company's stock usually provides a safer return than a stock mutual fund.* (Correct answer: False)

The 2022 SOFS results indicate Service members were equally or more likely than U.S. adults to answer all three questions correctly. Service members were more likely to correctly answer the question on interest rates and stock risk and diversification. Service members were roughly equally as likely as U.S. adults to answer the question about inflation correctly. The question on interest rate received the most correct answers: more than three-quarters of Service members correctly answered correctly, compared to about 70 percent of U.S. adults. The question on stock risk and diversification received the lowest correct answers, with roughly 60 percent of Service members providing the correct answer, compared to less than half of U.S. adults. Between 65 and 67 percent of Service members and U.S. adults correctly answered the question about inflation. Compared to the 2020 results, substantially more active duty members correctly answered the questions on inflation (65 percent 2022; 49 percent 2020) and stock risk (57 percent 2022; 53 percent 2020). Similar increases in correct responses were observed among RC members for the questions on inflation (65 percent 2022; 51 percent 2020) and stock risk (58 percent 2022; 54 percent 2020). Based on 2022 SOFS results, financial literacy in both the AC and RC have improved following implementation of the BRS and the DoD's comprehensive and standardized financial readiness training program.

## **CONCLUSION**

The combined DoD and Uniformed Services BRS education effort during the 2018 BRS opt-in period was highly successful in ensuring that Service members received training on the new retirement system, with over 91 percent of AC and RC Service members trained. Additionally, DoD and the Uniformed Services have established a robust structure to provide financial literacy training and counseling to Service members and their families on an ongoing basis. While providing financial literacy training and ensuring Service members take that training are important metrics in a financial literacy program, it is equally important that DoD establish methods of tracking the efficacy of that training and its impacts on the long-term financial health of Service members and their families.

There are several questions helpful in understanding whether the training DoD and the Uniformed Services provides is achieving the goals of financial literacy and readiness in the force. Some of those questions include:

- Do we have objective proof of improved financial literacy among Service members?
- Do Service members have more money available for retirement?
- Are Service members exhibiting healthy retirement savings behavior?

The 2022 SOFS data provide the best current information to answer the first of these questions. As indicated in the SOFS data provided above, Service members have exhibited a significant improvement over the last 3 years in their responses to the questions designed to measure financial literacy. Not only has Service member financial literacy improved as measured against prior year Service member data, it has also improved relative to U.S. adults. Responses to questions included in both the SOFS and the Federal Reserve's SHED indicate Service members tend to exhibit greater financial literacy than most U.S. adults. While there is no question on the

SOFS asking directly whether financial literacy training provided by DoD is responsible for the observed increased financial literacy among Service members, it can reasonably be inferred that this training is a significant factor in the result.

In addition to exhibiting greater financial literacy, BRS participants are generating significant retirement savings. Since 2019, participation in TSP by Service members, including both BRS and legacy retirement system participants, has increased by almost 20 percent. This is driven primarily by high levels of participation by BRS participants, of whom approximately 93 percent are contributing some portion of their basic pay to TSP. Additionally, full TSP participation by BRS participants (contribution of 5 percent or more of the member's basic pay) has increased by approximately 15 percent among AC members and approximately 27 percent among RC members since 2019. This savings behavior has generated approximately 28 billion dollars in retirement savings for BRS participants over a very short time.

Much of the retirement savings behavior of BRS participants can likely be attributed to the increase in the automatic TSP contribution percentage by the FRTIB, but the data also indicate that when Service members change their TSP contribution from the automatic contribution percentage, they tend to increase rather than decrease their contributions. This behavior is evidence of a conscious decision among a significant number of Service members to direct more financial resources toward retirement.

Overall, the guidance provided by Congress through the NDAA for FY 2016 and the efforts of DoD to implement that guidance resulted in improved financial literacy and positive retirement savings behaviors among Service members. Data from the 2022 SOFS indicate Service members are more financially literate as compared to past survey iterations and the U.S. adult population in general. A greater percentage of the force has retirement savings through TSP than in the past, and they are contributing to TSP at a higher percentage of their pay.