



Continuation Pay

The National Defense Authorization Act for Fiscal Year 2016 created a new military retirement system that blends the traditional legacy retirement pension (defined benefit) with a defined contribution to Service members' Thrift Savings Plan (TSP) accounts. The Blended Retirement System (BRS) goes into effect on Jan. 1, 2018. The TSP offers the same types of savings and tax benefits many private employers may offer their employees under 401(k) or similar retirement plans. The TSP is the same defined contribution plan thousands of Department of Defense (DoD) and federal government civilians take advantage of for their retirement savings.

Service members covered under the BRS may be eligible to receive a one-time, midcareer bonus payment in exchange for an agreement to perform additional obligated service. This one-time bonus payment is in addition to any other career field-specific incentives or retention bonuses.




Continuation Pay Basics



Continuation pay is a direct cash payout, like a bonus, available to Service members covered under the BRS. It is targeted at the midcareer mark, payable between completion of eight years of service, but before completion of 12 years of service (calculated from a Service member's Pay Entry Base Date). Most Service members will be eligible for continuation pay, but each Service determines the timing and the amount. This pay is in exchange for a commitment of a minimum of three additional years of service.

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Key Considerations



Eligibility. This one-time payout is available to active-duty, National Guard, and Reserve Service members covered under the BRS with between eight and 12 years of service who are able to enter into an agreement to perform additional obligated service.



Amount. Active-duty Service members (including AGR/FTS personnel) may be eligible for a continuation pay multiplier of 2.5 to 13 times their monthly basic pay. Members of the National Guard or Reserves in drilling status may be eligible to receive a multiplier of 0.5 to 6 times their monthly basic pay (as if serving on active duty).



Pay rates. Pay-rate multipliers may be based on Service-specific retention needs, specialty skills and hard-to-fill positions, similar to career field incentives and re-enlistment bonuses. Each Service will determine and publish its own guidance on continuation pay.



Investing. Continuation pay, along with other specialty pays, bonuses and incentives, can be invested into your TSP account, up to the annual maximum allowed by the IRS. Note, if you hit the maximum too quickly, you could lose out on government automatic and matching contributions.

Resources

- **Learn** more about the BRS at <http://militarypay.defense.gov/BlendedRetirement>.
- **Explore** Military OneSource and other financial resources at <https://www.militaryonesource.mil>.
- **Locate** an accredited Personal Financial Manager or Counselor at your installation's Family Center, or search at <http://militaryinstallations.dod.mil>.

The choice is yours. The DoD position is that any decision to opt into BRS is the Service member's decision based on his or her individual circumstances.