

Defined Benefit (Pension)



Active-duty and members of the National Guard or reserves are eligible for a defined benefit after reaching 20 qualifying years of service under the [Blended Retirement System \(BRS\)](#). A defined benefit pension plan provides a pension payment on retirement that is determined by a formula based on the member's earnings history and length of service. The formula of both active and reserve components is 2% times the years of service, multiplied by the average of the highest three years of basic pay, based on at least 20 qualifying years of service.

Under the BRS, the Defined Benefit Is Calculated as:

$$\begin{matrix} 2\% & \times & \text{Years Served} & \times & \text{Retired Base Pay} \\ \text{Multiplier} & & & & \end{matrix}$$

Here's an example: An active-duty service member (E-7) has an average of highest 36 months of base pay of \$4,797 per month, or yearly base pay of \$57,564. Under the BRS, the multiplier of 2% X 20 years of service = 40% of \$57,564, which is a \$1,919 monthly pension before taxes.

Defined Benefit Basics

The multiplier. The multiplier is the percentage of your retired base pay you receive for each year of service. Under the BRS, your multiplier is 2% per year of service.

Longer years served equals a higher retirement benefit. If you retire at 20 years of service under the BRS, you'll receive 40% of your highest 36 months* of base pay as your defined benefit. That percentage increases by 2% for each additional year of service.

Inflation. The defined benefit has an annual cost-of-living (COLA) adjustment. This means your monthly retired pay will change with inflation. The COLA for the BRS is determined each year by the Consumer Price Index for Urban Wage Earners and Clerical Workers.

Calculate options. Calculate your potential defined benefit using the official DoD BRS Comparison Calculator at <http://militarypay.defense.gov/Calculators/BRS>.

Resources

- **Learn** more about the BRS at <http://militarypay.defense.gov/BlendedRetirement>.
- **Explore** FINRED's financial information and resources at <https://finred.usalearning.gov>.
- **Locate** a personal financial manager or counselor at your installation's Military and Family Support Center, or search at <https://installations.militaryonesource.mil> or <https://finred.usalearning.gov/pfcMap>.

National Guard and reserve: You will need 20 qualifying years of service to be eligible for a non-regular retirement defined benefit at age 60. However, this age may be reduced to as low as age 50 with creditable active service performed since the beginning of 2018. To determine a non-regular retirement, National Guard and reserve members must calculate their equivalent years of active service.

*After retirement, National Guard and reserve members' longevity for pay purposes continues while waiting for receipt of retirement pay (known as the gray area).

For example: After determining equivalent years of service, the formula for the defined benefit is the same.

$$\begin{matrix} \text{Reservist with} \\ 7,200 \\ \text{retirement points} \end{matrix} \div \begin{matrix} \text{Total retirement points} \\ 360 \end{matrix} = 20 \text{ Equivalent years of service}$$



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