

Blended Retirement System vs. Legacy High-3



No matter when you begin, [retirement planning](#) sets you up for success. Of course, the younger you are when you start saving, the longer your money has to grow and earn interest. If you haven't started making a plan for your retirement years, now is the time to do so! If you are an active duty servicemember, you are likely already enrolled in one of the military's retirement systems. Take some time to determine which retirement system you fall under and learn about each of them to understand your military retirement benefits.

The two military retirement systems that provide for most active duty servicemembers' retirement benefits are the Blended Retirement System (BRS) and High-3. However, some servicemembers may participate in other retirement systems. The plan in which a servicemember is enrolled normally comes down to when the servicemember joined the military.

- Servicemembers who joined the military prior to September 9, 1980, were enrolled in the Final Pay retirement system.
- Servicemembers who joined the military between August 1, 1986, and January 1, 2003, and who elected to receive the Career Status Bonus were enrolled in the CSB/REDUX retirement system.
- Servicemembers who joined the military between September 9, 1980, and December 31, 2017, were primarily enrolled in the High-3 (or Legacy) retirement system. (Some servicemembers may have opted in to CSB/REDUX.)
- Servicemembers who joined the military on or after January 1, 2018, were automatically enrolled in the Blended Retirement System.

Because BRS was a new retirement system as of 2018, active duty servicemembers who had fewer than 12 years of total service by December 31, 2017, were eligible to switch plans if they determined that the High-3 system was not the best fit for their personal financial goals.



Effective January 1, 2018, servicemembers can no longer switch retirement systems, even if they have fewer than 12 years of service.

Note: Most servicemembers are enrolled in either the High-3 or BRS retirement system. As such, this blog post focuses only on the two most recent and common military retirement systems.

High-3

The Legacy or High-3 retirement system is a defined benefit plan available to veterans who served for at least 20 years. It is the primary retirement system for servicemembers and veterans who entered the Armed Forces between September 8, 1980, and December 31, 2017.

The retirement pension for veterans enrolled in this plan is paid out as lifetime monthly annuity payments that are calculated at 2.5% times the number of years served times the average of their highest 36 months (three years) of basic pay. Thrift Savings Plan (TSP) contributions are not matched by the government under this system, but servicemembers can still make their own contributions.

Blended Retirement System

The Blended Retirement System launched in 2018 and was intended to replace the High-3 system. Active duty servicemembers who had fewer than 12 years of service as of December 31, 2017, were eligible to choose between the BRS and High-3 plans. Those eligible to choose had until December 31, 2018, to opt in to BRS.

BRS is both a defined benefit plan and a defined contribution plan. Like High-3, BRS pays out monthly annuity payments after 20 years of service, however, these annuity payments are slightly lower than what is paid out by the older plan. That said, servicemembers enrolled in BRS do receive some matching [TSP contributions](#) from the government while High-3 enrollees do not.

- **Defined Benefit:** The formula to calculate the retirement pension for BRS enrollees is similar to that of the High-3 plan. Instead of 2.5% of the number of years served times the average of the highest 36 months of basic pay, the BRS formula lowers the first multiplier to 2.0%. Monthly payments, then, are approximately 20% less than those paid by the High-3 plan.
- **Defined Contribution:** BRS enrollees begin earning Automatic Contributions (1%) after 60 days of service. Then they begin receiving matching contributions from their branch after completing two years of service. Matching contributions range from 1–4% depending on the servicemember's personal contribution.

All new servicemembers are enrolled in BRS.

What are the main differences between High-3 and BRS?

- **Retirement pay is calculated differently:** High-3 payments are calculated using the formula $2.5\% \times \text{number of years served} \times \text{the highest 36 months of basic pay}$. BRS annuity payments are calculated using the formula $2\% \times \text{number of years served} \times \text{the}$



highest 36 months of basic pay. This makes BRS annuity payments lower than High-3 payments.

- **BRS includes matching TSP contributions:** The government automatically deposits 1% of a servicemember's base pay to the servicemember's TSP account. Additionally, servicemembers who choose to contribute a portion of their salary to their TSP are eligible for an additional 1–4% matching contribution. Over time, this can add up to a significant amount of money that is accessible in retirement.
- **BRS may appeal to military members who don't plan to serve long enough to retire from the military:** Military members who do not complete a full 20 years of service will not receive retirement pay. However, these servicemembers can retain their TSP accounts and are vested in the government's 1% automatic and matching contributions after two years of service. Servicemembers are immediately vested in their own contributions.
- **BRS includes continuation pay:** Servicemembers who are enrolled in BRS are eligible for a one-time, mid-career bonus provided they agree to continue their service for an additional specified period of time (usually four years). BRS enrollees can receive this payment once they have completed between eight and 12 years of service. Continuation pay ranges from 2.5 to 13 times a servicemember's monthly basic pay depending on their skills, position, and branch of service. Continuation pay must be requested by the servicemember and is not automatically granted.
- **BRS includes an option for a lump-sum payout at retirement:** At 90 days prior to their retirement, servicemembers enrolled in BRS may choose to receive a lump-sum payment of either 25% or 50% of the present value of their future retirement payments in exchange for reduced monthly retired pay until they reach full Social Security retirement age, which for most is 67 years old.

Note that both High-3 and BRS pension payments are protected from inflation with an annual cost of living adjustment that is equal to the percentage increase in the Consumer Price Index year over year.

Under both retirement systems, the military pension ends upon the retiree's death. A portion of these payments may continue to their survivors if they elect to participate in and pay for the [Survivor Benefit Plan](#).

Whether you are enrolled in the High-3 system or BRS, you are already preparing for your retirement. You can do even more by opening an [Individual Retirement Account](#), increasing your TSP contributions, and paying down debt. If you are interested in creating another source of future income through an annuity, Navy Mutual can help.

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