

Why GAO Did This Study

DOD's new retirement system, BRS, provides automatic and matching DOD contributions to servicemembers' individual Thrift Savings Plan accounts but reduces the retirement annuity paid to those who serve at least 20 years. BRS also offers servicemembers the option of taking part of their retirement annuity as a lump-sum payment.

GAO was asked to describe DOD's financial education efforts under BRS. This report examines (1) actions DOD has taken to help servicemembers understand BRS and saving for retirement, (2) what DOD can learn from financial literacy training effective practices and its implementation of BRS training to continue supporting servicemembers in saving for retirement, and (3) how BRS lump-sum payment amounts are determined.

GAO reviewed DOD's efforts to educate servicemembers on retirement decisions, conducted group interviews with senior officers and enlisted servicemembers at five military installations on facilitating the rollout of BRS training to junior servicemembers, and created a lump-sum payment calculator to compare different calculation methods and assumptions on the value of the lump-sum payment.

What GAO Recommends

GAO recommends 1) DOD assess its course evaluations to improve its financial literacy training on retirement for servicemembers, 2) DOD provide key information on the calculation of retirement lump-sum payments, and 3) Federal Retirement Thrift Investment Board explore alternatives for servicemembers to receive their TSP passwords. Both agencies agreed with their respective recommendations.

View [GAO-19-631](#). For more information, contact Charles A. Jeszeck at (202) 512-7215 or jeszeckc@gao.gov; or Frank Todisco at (202) 512-2700 or todiscof@gao.gov.

MILITARY PENSIONS

Servicemembers Need Better Information to Support Retirement Savings Decisions

What GAO Found

In 2016, the Department of Defense (DOD), along with the military service branches, began a multi-year effort to provide training to help servicemembers make informed decisions about saving for retirement through DOD's new retirement system, the Blended Retirement System (BRS). DOD provided computer-based training to help military supervisors, financial counselors, and eligible servicemembers understand the new retirement system, implemented in 2018, and its impact on saving for retirement. DOD trained financial counselors to provide servicemembers in-person, one-on-one financial counseling and classroom courses on BRS and related topics. In addition, DOD prepared ongoing financial literacy training that servicemembers will take upon reaching specific career and life stages.

BRS trainings met many of the effective practices for financial literacy training identified in prior GAO work, but some DOD trainings do not incorporate the practice of assessing servicemembers' financial literacy. DOD could use such assessments to modify course material to bolster training in areas where servicemembers' comprehension was weaker. Without assessing whether its financial literacy training is effectively conveying course information, DOD may be missing opportunities to better support servicemembers' retirement decisions. Servicemembers also reported challenges in taking the Opt-In Course for BRS that may inform ongoing and future DOD training.

Examples of Servicemembers' Financial Literacy Challenges on Retirement

- understanding the training due to a low initial level of financial literacy
- relating to long-term goals of retirement due to short-term life goals
- setting up online access to Thrift Savings Plan accounts

Source: GAO interviews with military supervisors and financial educators at five military installations. | GAO-19-631

DOD determines BRS lump-sum payment amounts at retirement by applying an interest rate (or discount rate) to calculate the present value of annuity payments servicemembers forego by taking a lump sum. The BRS discount rate exceeds the rate used by private-sector pension plans, resulting in a lower lump sum than if private-sector rates applied. DOD can take certain steps to help servicemembers understand how to compare the BRS lump-sum payment option with the full annuity option. Without this information, servicemembers may not make informed decisions and potentially risk their retirement savings.