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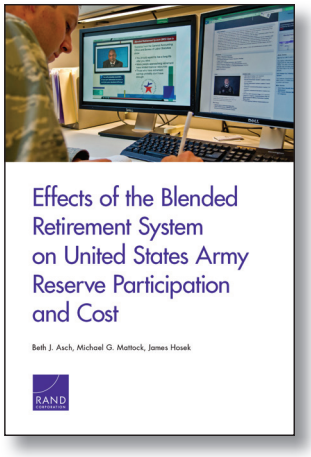

Effects of the Blended Retirement System in United States Army Reserve Participation and Cost

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This analysis of the new Blended Retirement System (BRS) finds that it can sustain U.S. Army Reserve participation relative to the legacy system if continuation pay (CP) is set at optimized levels. The analysis also predicts CP cost and the percentage of reservists opting in to the BRS. CP levels affect the likelihood that currently serving members elect the BRS, thereby affecting the time pattern of cost to the Army.

RESEARCH QUESTIONS

- How might the BRS affect the USAR, Regular Army (RA), and Army National Guard (ARNG) under alternative courses of action (COA) regarding the setting of the CP multiplier?
- How would the BRS, under alternative CP multiplier COAs, affect personnel costs and opt-in behavior among currently serving USAR members?

KEY FINDINGS

- Under a COA where the CP multiplier is set at the floors mandated by Congress, the study predicts that the BRS can support a steady-state force for the RA, USAR, and ARNG that is quite close to the current forces for enlisted personnel, but not for officers in each component. Officer RA retention is too low relative to the baseline, and USAR and ARNG participation levels are too high.
- The simulations indicate that the BRS can jointly sustain force size in all three components under a COA with CP multipliers higher than the mandated floor for officers, though CP costs are four times higher for USAR officers at the higher CP multipliers.

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- For USAR officers, predicted opt-in rates vary with the CP course of action. Setting CP multipliers high enough to sustain retention increases the opt-in rate. Opt-in rates for both USAR enlisted and officers are highest among those with the fewest years of service who have the most years to benefit from thrift savings plan contributions made on their behalf and from CP.
- The opt-in rates predicted by the dynamic retention model used in the analysis were higher than the actual opt-in rates. This suggests that the model, despite fitting the data well and predicting retention behavior well under the current compensation system, may require more data and information about the factors that influenced members when choosing between the legacy retirement system and the new BRS.

RECOMMENDATIONS

- If short-term costs are of primary importance, the Army should set the multiplier at the floor for each component and address retention as it emerges.
- If long-term cost savings are more important, the Army should set multipliers for officers at higher levels in order to increase retention.

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