

RESOURCES Act of 2020
Re-Open Enrollment for Servicemembers to Opt-In to Updated Retirement Choice for Enduring Security Act of 2020

Introduced by U.S. Senator Patty Murray

Background

The Re-Open Enrollment for Servicemembers to Opt-In to Updated Retirement Choice for Enduring Security (RESOURCES) Act of 2020 would promote financial security for military families by improving financial training and providing an additional opportunity for servicemembers and their families to opt-in to the new Blended Retirement System.

Improving Military Families' Financial Readiness

Military pay, benefits and financial health are consistently in the top tier of concerns for military families. The [2019 Military Family Support Programming Survey](#) sponsored by the Military Family Advisory Network (MFAN) showed that more than half of military and veterans' families are unprepared for a financial emergency or a significant loss of income, and nearly a quarter of respondents had no practical or viable plan of action for seeking assistance in a financial emergency.

In 2018, the Department of Defense oversaw a major shift in how they offer retirement benefits to servicemembers that would help make sure more servicemembers received benefits. Prior to 2018, servicemembers were only eligible for the "High-3" or legacy retirement system, which featured a defined annuity benefit earned if a servicemember completed at least twenty years of service. Historically, the 81 percent of active duty forces and 86 percent of reserve forces who never make it to twenty years leave military service without retirement benefits. The new Blended Retirement System (BRS), made law through the FY2016 NDAA, offers a new defined contribution (DC) benefit in the form of automatic and matching contributions to a Thrift Savings Plan (TSP) account in addition to the traditional, 20-year cliff-vested defined benefit annuity in the legacy retirement system. These changes ensure that most servicemembers will leave the military with retirement savings.

While the introduction of the Blended Retirement System was a significant step forward in concept, the roll-out appears to have been flawed in practice. The 1.6 million eligible servicemembers had the choice to opt in to the new system after completing a series of computer-based trainings. Ahead of the roll-out, forecasting models used by DoD – such as the one developed by RAND – predicted that the overwhelming majority of eligible servicemembers would opt in to the new system as it was in their best financial interest to do so. The final opt-in rates tell a different story. For the active duty Air Force, Army, and Navy, on average only [28.6 percent](#) of eligible servicemembers opted-in to the new system. For the Reserves, on average only [10.6 percent](#) of eligible reservists opted-in. However, survey data indicates that the vast majority of servicemembers chose a plan that went against their financial self-interest. Even worse, it appears that in some cases servicemembers may not have understood what they were choosing: the 2019 MFAN survey indicates that these low opt-in rates may be due to a lack of education and awareness of the decision being made, as well as the Department's reliance on computer-based training or large group trainings which did not prioritize comprehension of the material.

In conversations with financial counselors, servicemembers, and their families, many felt that DoD failed to adequately prepare servicemembers and their families for this critical financial decision. If given the opportunity, many of these servicemembers said they would make a different decision.

Legislation

This legislation would help improve the financial resiliency of military families by doing the following:

- *Establishing a new election period for the Blended Retirement System.* Unlike the previous enrollment period, eligible servicemembers will be required to affirmatively choose either BRS or the legacy system. In addition, spouses (where applicable) will also be required to sign-off on the election – much like the current requirements for the Survivor Benefit Plan. Notably, those servicemembers who have already made the decision to opt in to BRS cannot revoke that decision during this enrollment period.
- *Requiring additional training on the Blended Retirement System.* The new election period will require additional training on BRS, with an emphasis on instructor-led and small-group training (instead of computer-based training) for both servicemembers and spouses. In addition, all servicemembers in the pay grade of E-9 or below and O-6 or below will be required to participate in BRS training regardless of their eligibility to opt in. Servicemembers often look to senior leaders in their chain of command for advice or insight, but during the initial BRS rollout, these senior leaders were not required to participate in training even though they may have played a significant role in guiding junior servicemembers in their decision.
- *Expanding and enhancing other financial training available to servicemembers and their families.* This provision expands required financial training to a larger population, emphasizes the need for in-person and small-group training that incorporates best practices in the financial industry versus computer-based methods, creates pathways for increased military spouse participation, requires that materials are more accessible to servicemembers, and emphasizes proficiency of material rather than simply completion of training.
- *Creating a DoD Advisory Council on Financial Readiness.* Non-profit groups that specialize in financial readiness and military/veteran family issues have no formal mechanism through which to advise DoD on these issues and many have been shut out of the process. This advisory council creates a formal process through which these groups may advise DoD on financial readiness.
- *Requiring financial counseling for servicemembers receiving loans from Military Welfare Societies.* Each of the service branches has a relief society that offers zero interest loans and grants to military families in need, for things like traveling to see a sick family member or emergency living expenses. While this is a critical service (and prevents servicemembers from pursuing predatory loans) additional accountability measures are needed to ease financial instability. This legislation requires anyone in receipt of a loan from a relief society to receive financial counseling within 60 days of receiving the loan.
- *Enacting additional disclosures and greater transparency surrounding lump sum payments.* This legislation requires new disclosures when servicemembers are offered lump sums and that these disclosures provide a thorough explanation about such payment, including how the amount is computed, a comparison of benefit payments, and the potential implications of taking such a lump sum among other things. Moreover, this legislation would require that spouse's consent.

Endorsements

Military Family Advisory Network (MFAN), Association of Military Banks of America (AMBA), National Military Family Association (NMFA), American Association of Retired Persons (AARP), Society for Financial Education and Professional Development