



Blended Retirement System Training for Continuation Pay Provision Training Development Guide



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INTRODUCTION

Continuation pay is authorized under Section 356 of Title 37, U.S.C. Members of the uniformed services who are covered by the Blended Retirement System (BRS) are eligible for continuation pay.

The Continuation Pay Training Development Guide is designed to assist the uniformed services in developing training that supports the financial literacy training requirements under subsection (a) of Section 992 of Title 10, U.S.C. as it pertains to the BRS.

Learning objectives:

- Understand the features of continuation pay.
- Understand the continuation pay application process of the applicable uniformed service.
- Understand the financial implications of continuation pay.
- Discover links to resources.

Audience:

This guide is intended for use by the uniformed services to develop training that meets the outlined required learning objectives for active duty and Reserve Component members entitled to receive continuation pay.

Training guide and techniques:

This training development guide provides key required learning objectives and sample knowledge checks for each learning section. The uniformed services may determine how best to conduct the knowledge checks to recap the required learning objectives.

The uniformed services may utilize audio-visual materials, interactive discussion, and supplementary reading, handouts and resources to meet course learning objectives. The uniformed services may determine additional learning objectives inclusive to the service member's understanding of the continuation pay provision for their service. This may include published guidance related to continuation pay specifics, such as rates and the application process.

Additional learning objectives for DoD Components specific to the continuation pay touchpoint are outlined in Directive-Type Memorandum 19-009, "Financial Readiness Common Military Training Requirements." However, the uniformed services may choose to include these learning objectives in their developed training and products.

Authority:

- Public Law 114-92, National Defense Authorization Act for Fiscal Year 2016, sections 631-635

- Public Law 114-328, National Defense Authorization Act for Fiscal Year 2017, sections 631-634
- Deputy Secretary of Defense Memorandum, “Implementation of the Blended Retirement System,” Jan. 27, 2017
- Directive-Type Memorandum Draft-146, “Financial Readiness Common Military Training”
- Title 10, U.S. Code, Section 992

Section 1 – The Blended Retirement System Continuation Pay Provision

Learning objectives

- ✓ Describe continuation pay.
- ✓ Explain who is eligible for continuation pay.
- ✓ Describe when a member can receive continuation pay.
- ✓ Explain why continuation pay is being offered.
- ✓ Explain how continuation pay is calculated and disbursed.
- ✓ Describe where assistance is available with continuation pay and financial planning.

This section introduces the provision of continuation pay and explains:

- **What is continuation pay?**
 1. Under BRS, continuation pay is a one-time, mid-career bonus payable between the completion of eight and 12 years of service.
 2. This one-time bonus payment is in addition to any other career field-specific incentives or retention bonuses you may receive or otherwise be eligible to receive.
- **Who is eligible to receive continuation pay?**
 1. Uniformed service members enrolled in the BRS who agree to perform additional obligated service are eligible.
 2. The uniformed services will determine the commitment, but it must be a minimum of three years.
- **When can a member receive continuation pay?**
 1. Continuation pay may be paid after the completion of eight years but before completion of 12 years of service based on the member’s pay entry base date.
 2. The uniformed service, not the member, determines the timing of the payment.
- **Why is continuation pay offered?**
 1. Continuation pay is a retention tool utilized by the uniformed services to manage the size of the force.

- **How is continuation pay calculated and disbursed?**
 1. Explain the pay multiplier for active and Reserve Components.
 2. Continuation pay may be received in a single lump sum or a series of equal installments over up to four consecutive years.
 3. Each uniformed service publishes guidance related to continuation pay rates. Rates for continuation pay depend on a number of factors, including specific needs of the service. This might include, for example, retention rates or the need to incentivize hard-to-retain career fields.
 4. The uniformed services publish service-specific guidance related to continuation pay rates. [Note: Services should provide links to service-specific guidance for continuation pay.]
- **Where is assistance available on continuation pay and financial planning?**
 1. Military service personnel centers
 2. Personal financial manager or counselor
 3. Personal financial management education

Knowledge check

Q. When are members eligible for payment of the continuation pay provision?

A. The continuation pay provision is eligible to be paid after the completion of the eight years of service but no later than the completion of the 12th year of service.

Q. What factors influence the rates for continuation pay?

A. Rates for continuation pay depend on a number of factors specific to the needs of each uniformed service (e.g., retention rates or the need to incentivize retention in certain career fields).

Q. How long is the obligated service commitment required to receive continuation pay?

A. The individual uniformed services will determine the commitment, but it cannot be less than three years.

Q. Where can service members find assistance with continuation pay and financial planning?

A. Service members can find assistance at military personnel service centers and from personal financial managers or counselors.

Section 2 – The Blended Retirement System Continuation Pay Application Process

Learning objectives

- ✓ Understand the continuation pay application process.
- ✓ Understand how a continuation pay application is processed.

[Note: For this section, each uniformed service must document how a member applies for continuation pay and how the application is processed by their service.]

Section 3 – The Blended Retirement System Financial Implications of Continuation Pay

Learning objectives

- ✓ Understand the tax implications of continuation pay.
- ✓ Describe the conditions and limitations of continuation pay contributions to TSP.
- ✓ Describe the options members have for using their continuation pay.
- ✓ Describe the continuation pay obligated service commitment requirements.

This section discusses financial considerations when receiving continuation pay. Receiving a one-time, and potentially large, payment may affect that year's tax liability. Members' use of continuation pay is at their discretion. Consider the available options when deciding the best use of continuation pay. An additional service obligation accompanies this provision, and service members may be required to pay back some or all the amount received if the obligation is not met.

- **What are the tax considerations of continuation pay?**
 1. Continuation pay is earned income and, as such, there may be, depending on individual circumstances, federal, state and local income tax implications. DFAS will withhold federal and state taxes on continuation pay. Service members should consider consulting a personal financial manager, personal financial counselor or tax specialist on whether it is advisable to request additional money be withheld.
 2. Combat Zone Tax Exclusion (CZTE) withholding rules will apply to all continuation pay installments if a member first agrees to additional service in exchange for continuation pay while stationed in a CZTE area.

- **What are the conditions and limitations of investing continuation pay into the Thrift Savings Plan?**
 1. Continuation pay, like other forms of special pay, bonuses and incentives, may be invested into TSP.
 2. Plan carefully when investing in TSP and other 401K-type accounts to maximize government contributions and preclude excess contributions (IRS limitations).
 3. When the maximum annual contribution to the TSP is reached, no additional contributions or matching funds can be invested until Jan. 1 of the following year.
 4. There are no matching contributions on continuation pay invested into TSP.
- **What should I do with my continuation pay?**
 1. Continuation pay provides service members with additional money above their basic pay, incentive pay and other compensation. Here are some options service members may want to consider:
 - a. **Pay down debt.** Do you have credit card debt, student loan debt or other kinds of debt? Is the interest you are accumulating more than the required minimum payment? Consider paying off higher-interest debts first. (Tip: Add extra money to payments you make for a quicker payoff.)
 - b. **Save it.** Do you have an emergency fund in a savings or money market account? Set one up or increase your savings. (Tip: Maximize the annual percentage rate, and review terms of agreement before placing money into any account.)
 - c. **Invest it.** Are you looking toward a more prosperous future? Consider putting your continuation pay to work in your TSP account, an IRA or a 529 college savings plan. (Tip: Be aware of annual contribution limits on retirement accounts. Review your spending plan and talk to an investment professional before investing.)
 - d. **Talk to an expert.** Speak with a personal financial manager or counselor about your financial situation.
- **What are the implications of the failure to meet obligated service requirements or maintain skills?**
 1. Failure to meet obligated service commitments or maintain skills for the career field in which the continuation pay was calculated could subject the service member to termination and/or repayment of the continuation pay, as appropriate.

Knowledge check

Q. True or False: Continuation pay is considered earned income and may be subject to federal, state and local taxes.

A. True. Service members should take into consideration the effect continuation pay may have on their income tax liability.

Q. What factors should be considered before continuation pay is invested in the Thrift Savings Plan?

A. Like other forms of pay, continuation pay can be invested into your TSP. However, it is not subject to matching and cannot exceed the annual IRS contribution limit.

Q. Are there restrictions on what you can do with your continuation pay?

A. No, but you should review your spending plan or talk to a personal financial manager or counselor about your own financial situation.

Q. What is the effect on continuation pay if the service member fails to complete the obligated service requirement or maintain his or her skill qualifications?

A. The service member risks having to pay back some or all the continuation pay if he or she fails to complete the obligated service requirement or maintain the necessary skills for their career field.

Section 4 – Links to Continuation Pay Resources

Learning objectives

- ✓ Understand what additional resources are available.

This section provides links to additional sources of information.

- Where can I go for more information/resources?
 - Sites where you can find more information:
 - [Uniformed Services Blended Retirement System Policy](#)
 - [The Uniformed Services Blended Retirement System FAQs](#)
 - [The Blended Retirement System Continuation Pay Basics](#)
 - [Locate Your Installation Personal Financial Manager](#)
- URLs:
 1. Familiarize yourself with the Uniformed Services Blended Retirement System Policy:
<https://militarypay.defense.gov/Portals/3/Documents/Blended%20Retirement/Combined%20BRS%20Policy%20Document.pdf?ver=2018-09-19-094018-610>
 2. Visit the Uniformed Services Blended Retirement System FAQs site:
<https://militarypay.defense.gov/Portals/3/Documents/BlendedRetirementDocuments/B>

[RS%20Frequently%20Asked%20Questions%2003282018.pdf?ver=2018-03-28-235150-797](https://www.defense.gov/Portals/3/Documents/BlendedRetirementDocuments/RS%20Frequently%20Asked%20Questions%2003282018.pdf?ver=2018-03-28-235150-797)

3. Read up on the Blended Retirement System continuation pay basics:
<https://militarypay.defense.gov/Portals/3/Documents/BlendedRetirementDocuments/Fact Sheet-Continuation Pay.pdf?ver=2017-12-08-134845-997>
4. Locate your installation personal financial manager:
<https://installations.militaryonesource.mil/>
5. Learn more about the Thrift Savings Plan:
<https://tsp.gov>
6. Follow the Office of Financial Readiness:
 - <https://www.medium.com/@DoDFINRED>
 - <https://www.facebook.com/DoDFINRED>
 - <https://www.twitter.com/DoDFINRED>
 - <https://www.instagram.com/DoDFINRED>
 - <https://www.youtube.com/DoDFINRED>