REPORT DOCUMENTATION PAGE	Form Approved OMB No. 0704-0188

1. REPORT DATE (DD-MM-YYYY)	2. REPORT TYPE	3. DATES COVERED (From - To)
02-04-2016	Master's of Military Studies	Dec 2015 - Apr 2016

4. TITLE AND SUBTITLE
Preparing Marines and Sailors for the Uniformed Services Blended Retirement System: An Increasing Importance to the Personal Financial Management Program.

5a. CONTRACT NUMBER N/A

5b. GRANT NUMBER N/A

5c. PROGRAM ELEMENT NUMBER N/A

6. AUTHOR(S)
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5d. PROJECT NUMBER N/A

5e. TASK NUMBER N/A

5f. WORK UNIT NUMBER N/A

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)
USMC Command and Staff College
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8. PERFORMING ORGANIZATION REPORT NUMBER
N/A

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)

10. SPONSOR/MONITOR'S ACRONYM(S)
McKenna, Charles, D, PhD

11. SPONSOR/MONITOR'S REPORT NUMBER(S)
N/A

12. DISTRIBUTION/AVAILABILITY STATEMENT
Approved for public release, distribution unlimited.

13. SUPPLEMENTARY NOTES

14. ABSTRACT
On November 15, 2015, the National Defense Authorization Act that President Obama signed into law established a new blended military retirement system. This new system would incorporate a contribution matching system into service members' Thrift Savings Plan investments to account for a 20 percent reduction in their defined benefit retirement pension, taking effect for all members entering service after January 1, 2018. The civilian sector has already all but abandoned the pension system in favor of a defined contribution system through employee 401(k)s. Analysis of the lessons learned by the civilian sector in this transition indicates that the Marine Corps is not ready to ensure its own transition is seamless. Infrastructure to make improvements is already in place through the Personal Financial Management Program (PFMP), which has recently become an inspectable program through MCO 1700.37. While this program has been around for over a decade, it has never garnered an adequate amount of attention from military leadership. This study seeks to identify civilian sector 401(k) best practices, retirement concentrated improvements that can be made to the PFMP, and the role of Marine leadership in facilitating the transition to a blended retirement system.

15. SUBJECT TERMS
Retirement, Blended Retirement; Thrift Savings Plan, TSP; Personal Financial Management Program, PFMP; 401(k); Military Compensation and Retirement Modernization Commission, MCRMC

16. SECURITY CLASSIFICATION OF: a. REPORT	b. ABSTRACT	c. THIS PAGE	17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
Unclass	Unclass	Unclass	UU	30	USMC Command and Staff College
					19b. TELEPHONE NUMBER (Include area code) (703) 784-3330 (Admin Office)

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MASTER OF MILITARY STUDIES

TITLE: Preparing Marines and Sailors for the Uniformed Services Blended Retirement System: An Increasing Importance to the Personal Financial Management Program.

SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF MILITARY STUDIES

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AY 15-16

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Executive Summary

Title: Preparing Marines and Sailors for the Uniformed Services Blended Retirement System: An Increasing Importance to the Personal Financial Management Program.

Author: Major Ryan A. Maple, United States Marine Corps

Thesis: By building a proper educational foundation on the lessons learned from the civilian sector in transitioning from pensions to the 401(k), improving and enforcing requirements within the Marine Corps Personal Financial Management Program (PFMP), and demonstrated command-level buy-in, service members can derive substantial benefits from the new blended retirement system.

Discussion: On November 15, 2015, the National Defense Authorization Act that President Obama signed into law established a new blended military retirement system. This new system would incorporate a contribution matching system into service members' Thrift Savings Plan investments to account for a 20 percent reduction in their defined benefit retirement pension, taking effect for all members entering service after January 1, 2018. The civilian sector has already all but abandoned the pension system in favor of a defined contribution system through employee 401(k)s. Analysis of the lessons learned by the civilian sector in this transition indicates that the Marine Corps is not ready to ensure its own transition is seamless. Infrastructure to make improvements is already in place through the Personal Financial Management Program, which has recently become an inspectable program through Marine Corps Order 1700.37. While this program has been around for over a decade, it has never garnered an adequate amount of attention from military leadership. This study seeks to identify civilian sector 401(k) best practices, retirement concentrated improvements that can be made to the Personal Financial Management Program, and the role of Marine leadership in facilitating the transition to a blended retirement system.

Conclusion: On January 1, 2018, the military retirement system will become blended, incorporating the Thrift Savings Plan and matching funds into the retirement package of every member entering military service after that date. The Marine Corps must adequately prepare its Marines for this reality. The civilian sector has provided many lessons learned in the 401(k) industry, which can be addressed through the Personal Financial Management Program, but only with Commanding Officers demonstrating command-level buy-in to the program.

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Preface

The study of personal finance and retirement planning has always been a passion of mine. I am well aware that this is not the case for most people, but it never fails to shock me when I encounter officers unfamiliar with the Personal Financial Management Program, and what Command Financial Specialists have to offer their commands. Now that retirement planning will play a more vital role in the financial well-being of our Marines, I believe it is incumbent on all Marine officers to become more active in the financial training system already in place, and to seek further methods of positively influencing the retirement decisions of their Marines. I hope this study will help interested readers in accomplishing that mission.

My deepest thanks goes out to the following: Dr. Charles McKenna for steering me down this path and helping to polish my work into a product all can enjoy and understand. Ms. Jessica Perdew, HQMC PFMP Program Manager, for allowing me to access upcoming online training modules and for entertaining my countless inquiries and ideas. Mr. Louis Bromley, for providing me the latest navy Command Financial Specialist training program and giving positive feedback on the direction of my research.

The Military Compensation and Retirement Modernization Commission (MCRMC) formed because of the 2013 National Defense Authorization Act (NDAA). The Commission sought to evaluate the military compensation structure and provide recommendations on how to shape the human resources of the Armed Forces, including modernization of the military retirement system.[1] On January 29, 2015, MCRMC submitted its final report to the President and Congress for review and incorporation into the 2016 NDAA. On June 10, 2015, the Department of Defense (DoD) submitted a blended retirement system proposal very similar to the one proposed by MCRMC to Congress. On November 25, 2015, after initially vetoing the 2016 NDAA a month prior for unrelated reasons, President Obama signed it into law, officially establishing the new blended military retirement system to begin on January 1, 2018.

The MCRMC report's focus on retirement reform addressed two primary concerns: rising costs to the annual budgets and a lack of retirement benefits to the majority of service members. The Commission determined that a blended retirement comprising 80 percent of the traditional defined benefit (DB) military pension, and 20 percent of government contributions toward a service member's defined contribution (DC) Thrift Savings Plan (TSP) could yield identical results toward retention numbers, and bring DoD and Federal budgetary savings of $1.9 billion and $4.7 billion annually.[2] The report additionally notes, "The combination of DB and DC assets, plus continuation pay, would be expected to exceed the value of the current DB-only retirement system for those who reach 20 years of service (YOS)."[3] The expected increases in government-sponsored value for each service member were approximately eight percent for enlisted and 10 percent for officers.[4]

The DC portion of the new blended retirement system will automatically enroll eligible service members into the TSP, with the government providing an automatic contribution of one percent of the member's base pay. Service members can qualify for an additional four percent match, bringing the total government contribution to five percent of the service member's base pay. Each service member becomes fully vested in the program after completing two YOS, which means they will be able to transfer those funds or leave them invested within the TSP even if they leave the military prior to full retirement eligibility at 20 YOS.[5] According to the MCRMC report, "Under the current Uniformed Services retirement system, 83 percent of all enlisted personnel and 51 percent of officers receive no retirement savings for their service."[6] The report highlighted that, without change, these statistics would likely get worse as "millennial" generation members jump from job to job more frequently, and prefer DC retirement options to DB plans.[7]

The DC portion of the blended retirement system transfers a portion of the burden of risk to the individual service member. The MCRMC report identifies a present lack of adequate financial training among the ranks,[8] a problem discovered in the civilian sector with the introduction of the 401(k). There is also an inherent risk in assuming that financial training alone will ensure service members are prepared for retirement. The Commandant of the Marine Corps published Marine Corps Order (MCO) 1700.37 on December 11, 2014, expanding on the requirements for a Personal Financial Management Program (PFMP) as established a decade earlier in Department of Defense Instruction (DoDI) 1342.27. MCO 1700.37 addresses command responsibility all the way down to the unit-level commanding officer, but there is a very real threat of the requirements within this order becoming just another "check in the box." By building a proper educational foundation on the lessons learned from the civilian sector in transitioning from pensions to the 401(k), improving and enforcing requirements within the Marine Corps Personal Financial Management Program (PFMP), and demonstrated command-level buy-in, service members can derive substantial benefits from the new blended retirement system.

Pensions to 401(k)s

There is a lot of misperception on the rise in popularity of 401(k)s. Originally stemming from legislation in 1978 allowing tax-free deferred compensation to employees, the plan was not intended to be an employee's primary retirement vehicle, but rather a supplemental option to boost retirement savings with an additional tax benefit.[9] Another common misunderstanding is the belief that the 401(k) was intended to replace pensions because people were no longer staying at the same jobs throughout their entire lives. According to Stig Nybo and Liz Alexander in *Awakening the Super Saver in Pursuit of Retirement Readiness,* "It would likely surprise many to learn that the median job tenure of about five years has remained consistent, even when we reach all the way back to 1952-some 60 years."[10] Additionally, the lack of standards for pension plans prior to the 401(k) meant that the few businesses that actually carried pension plans often had unrealistic requirements for employees to become vested, further reducing the size of population that actually retired with a pension in place.[11]

Contrary to popular belief, the lack of a DB plan is what drew most people toward the 401(k). Creating an option for retirement savings that did not previously exist for many, the new DC plan presented a completely new list of issues for employers and employees alike to address. Employees now shouldered the entire burden for planning and executing their retirement savings, and the vast majority had no real investing experience. Employee liability suits attacked employers who failed to provide proper investment options and training. Now, as the first employees to rely on the 401(k) are entering their retirement years, the results are lackluster, and there were a wide range of lessons learned in the process. The lessons learned in the civilian sector with the transition away from DB plans and the rise of DC plans focused on educational training and legal liabilities, participation shortfalls, and automation limitations.[12]

Since DC plans effectively place all of the direct responsibility of retirement planning on the employee, employers must ingrain this burden of responsibility into the employee population through education and training. The combination of this new retirement responsibility with a consumption based society and easy to borrow money has left many employees confused. As Austin observes, "Part of the retirement savings crisis in this country stems from the fact that individuals have a hard time visualizing themselves in retirement. Our brains are conditioned to place a greater weight on near-term gratification at the expense of long-term gain."[13] Without employers providing a baseline financial education, employees do not learn the consequences of a "have it now" mentality.

Unfortunately, even today this appears all too common. As Nybo and Alexander argue, "Do we really believe that most people fully consider whether they can afford items, or contemplate how they are failing to invest in their future retirement as a result of their present-day spending?"[14] Sadly, the level of financial education received in the US public school systems is almost non-existent. Even as late as 2012, high school students received minimal financial education, with less than half of US states requiring economics courses, and only 14 states requiring courses in personal finance.[15] Ultimately, the greatest lesson learned in educating 401(k) participants has centered on the need to get them to save more.

American society has come to expect that a comfortable retirement should be attainable by every American. Because of this, the legal system has developed extensive rights and responsibilities for all parties involved. Nybo and Alexander explain, "Although there are several bodies of law that are relevant to the retirement plan industry, ERISA [Employee

Retirement Income Security Act of 1974] is the primary body of law that governs qualified retirement plans. Many of the newest tools, like automatic enrollment, automatic escalation, and qualified default investment alternatives are a direct result of recent legislation and interpretation by ERISA lawyers."[16] Since people's lives are literally at stake, legislation is quick to overcome any abuses, and often promotes a solid way forward for many companies. Nybo and Alexander note the importance of truly caring employers, "The fact is, increasing participation levels also increases an employer's plan costs overall, so it takes considerable resolve on their part to pay more for plan expenses and potentially more for employer matching."[17] The most significant legal lesson learned for employers has been that while taking care of employees through a good DC plan can be expensive, not doing so and facing litigation and a tarnished reputation can be much more so.

Even with efforts to build employee retirement education, there was initially a lackluster degree of participation in DC plans. As David Schultz notes in *401(k) Plans, Retirement Readiness: Can We Get There from Here?*, "First, people do not like to think about money and stop listening when confronted with a person telling them that they would be smart to reduce their current lifestyle to save for the future. Second, when confronted with a difficult decision, employees are likely to follow the 'path of least resistance,' which is often to do nothing."[18] While the slow start was not surprising, the fact that present savings rates are still below where they need to be does draw some concern. Nybo and Alexander point out such recent concern, "In July 2012 the US Senate Committee on Health, Education, Labor and Pensions reported that the retirement income deficit—that is, the difference between what people have saved for retirement and what they should have saved—is $6.6 trillion."[19]

Another common issue affecting participation in DC plans is loss aversion, which is the tendency to weigh losses more heavily than gains and to have a predisposition toward loss avoidance. Loss aversion severely influences employee participation and results. Data has shown a strong correlation in 401(k) participants selling equities or getting out of the market entirely after heavy drops, but participants show minimal increase in investing or participation with market rises. A 20-year study completed in 2011 indicated that the detrimental effect of these actions costs investors a significant loss on returns, over five percent less of a return than if those investors had stayed with index funds within the classes they had invested in throughout the same duration.[20]

One final concern addressing participation in DC plans is negative publicity aimed at the financial services industry. James Russell argues that DC benefits are lower than traditional pensions in *The 401(k) Retirement Crisis, Capital, and Neoliberal Ideology*, "First, the financial services industry drains considerable management fees, commissions, and profits from the accounts involved. Participants lose, minimally, 20 percent of their accumulations to these rake offs. Second, individual 401(k) like plans lack the advantages of risk pooling that traditional pensions have."[21] Russell is highly skeptical of the DC system, claiming that the financial services industry is using false information to spread fear over the stability of public pensions and the Social Security system. Ultimately, Russell reasons that the financial services industry sold the DC system to the public in such a fashion that when employees retire and find out they do not have enough savings, they would blame themselves for it.[22] While Russell presents what would appear to be a very biased view in his work, and many would argue his numbers are largely inflated, authors like him manage to convince a significant workforce population that DC plans and 401(k)s are only designed to help the wealthy elite grow wealthier through the efforts of the common worker.

A solution developed to address the issue of participation was the automation of DC plans, although it did not come without limitation. As Schultz observes, “By the mid-2000’s, our efforts shifted toward automation in the form of automatic enrollment, automatic escalation, and managed investment portfolios, such as target-date funds, in the belief that using default options to enroll employees and invest their plan assets would improve retirement savings. And, in part, it worked.”[23] Auto enrollment has proven largely successful, in that it requires employees to take action in order to drop the DC plan. Auto escalation has helped employees avoid the common pitfall of “waiting until later.” Target-date funds have removed much of the confusion over large lists of investment types and funds. Nybo and Alexander state, “Rather than asking people to choose whether or not to join a plan and where to invest their accounts, there is a growing belief within the retirement plan industry that changing to auto-enrollment and defaulting assets into an age/risk appropriate investment is the way to go.”[24]

One of the major drawbacks to automation is where many companies placed the initial benchmarks for these plans. Several companies currently using automatic enrollment have implemented far too low of a savings rate, with many plans starting employees at only three percent of their pay. This savings rate is well below the required investments needed for employees to retire comfortably, and is often below the employer offered matches.[25] Austin argues that this is problematic because DC plan participants “often take the path of least resistance,” and claim an intent to increase their savings rate in the future, but ultimately do not do so unless driven by a low-effort option provided by the employer.[26] One study suggests that the average savings rate of employees enrolled automatically is one percent lower than the average savings rate of employees who enrolled on their own. Companies now use auto-escalation as a tool to address this issue, although it is still a growing trend with only 40 percent of automatic enrollment companies utilizing it.[27]

The lessons learned in the 401(k) industry through education, training, legal liabilities, participation shortfalls, and automation limitations have helped increase the likelihood of success for the average DC plan contributor. However, research suggests much work remains on improving the outlook. Nybo and Alexander observe, "As the popularity of DB plans has waned and DC plans have taken their place, many seem to have missed the message that we each need to take ownership of our retirement in much the same way that we now have to take responsibility for our careers."[28] Employers must take action to familiarize DC contributors with the consequences of emotional investing. As Schultz notes, "Despite the fact that DB plans tend to invest more conservatively than would typically be prudent for a 401(k) participant, one such study determined that the DB plans outperformed the 401(k) plans by one percentage point (annually, on average) between 1988 and 2004."[29]

Fortunately, concerned companies have realized the importance of informing their employees. Austin observed, "Companies now are starting to communicate to participants what their 401(k) plan needs to be in order to have an adequate retirement. Others are establishing rules of thumb for what an average savings rate needs to be to reach retirement adequacy."[30] Just providing a road map at the beginning of employment will not enable success for the average employee. Periodic updates giving real-time GPS indication of where the employee sits on that roadmap can help enforce good habits. In 2007, IBM began exactly such an endeavor with a $50 million campaign to provide financial training and personalized one-on-one counselling for its employees, one of the first companies to tailor training at the individual level.[31] Schultz points out, "The single most important factor in determining how much a participant will have at retirement is the amount they save. While other factors can have an impact, a participant's savings rate is the leading driver of retirement readiness."[32] Recurring training, which hammers that home, will help increase the likelihood of reaching most employees, backed up by examples of success and the budgeting tools necessary for employees to boost their savings rates.

Personal Financial Management Program Improvements

Each of the military services has a PFMP established to address financial education and counselling for its respective members. For the Marine Corps, MARADMIN 061/13 highlights, "The personal and family readiness of our Marines is a principal component of overall readiness…. Instilling financial responsibility and educating Marines and their families about financial matters helps them control their current finances, save for the future, and reduces distractions from mission focus."[33] Marine Corps Community Services (MCCS) manages the Marine Corps PFMP, and is responsible for training unit-level Command Financial Specialists (CFSs). Through MCCS personnel and unit-level CFSs, PFMP offers a wide array of financial information, budget management tools, and annual training products.

The PFMP was originally established to address financial pitfalls that military members faced, primarily with the various forms of debt available. Despite over a decade of effort, many of these issues remain, as the MCRMC reported:

> A 2012 study by the Financial Industry Regulatory Authority (FINRA) concluded that Service respondents, though performing well in many areas, often engage in expensive credit card and nonbanking practices. Specifically, Service personnel regularly make minimum payments, pay late fees, or pay over-the-limit charges on credit cards. They also commonly borrow from nonbank financial institutions (e.g., pawnshops).[34]

The MCRMC report goes on to claim that improvements in the PFMP "could save the DoD millions of dollars per year by reducing the number of troops involuntarily separated due to financial problems," and underscores the growing importance of retirement and TSP training with the proposed changes to the blended retirement system.[35] Improvements in utilizing the PFMP should concentrate on an analysis of the history of the program and its performance, an assessment of newly enacted Marine Corps requirements, and incorporation of lessons learned in the 401(k) industry.

The history of the Marine Corps PFMP has its origins in the Navy PFMP, and the first official Marine Corps Order (MCO) addressing PFMP, MCO 1700.37, was not published until December 11, 2014. The original Navy order establishing its PFMP, OPNAV 1740.5, was published November 6, 1990. The first Navy/Marine Corps order addressing PFMP, SECNAVINST 1740.4, was published October 9, 2007, and is the only PFMP order listed in the references of MCO 1700.37. SECNAVINST 1740.4 has many striking similarities to OPNAV 1740.5a, which was updated on January 30, 2002. The most recent Navy order, OPNAV 1740.5b ch-2, was updated August 6, 2010, and is not referenced in MCO 1700.37. As the above timeline indicates, progress has been very slow with the development of the Navy and Marine Corps PFMPs.

From its inception, the PFMP has defined three goals: financial education and training, financial information and referrals, and financial counselling/coaching. The focus to date has been very heavily on the financial responsibilities of military members, in an effort to reduce impacts to operational readiness.[36] The MCRMC report is not the first to suggest revision to PFMP efforts. In 1997, the Navy hired a team from Marywood University (MU) to conduct a study on the effectiveness of the PFMP, and to make recommendations on its improvement. At that time, their research concluded that financial difficulties of service members were costing the Navy from $172-$258 million annually. They also estimated an 11 percent enlisted refusal of enlistment and a 6 percent officer end of active service (EAS) rate due to financial reasons, as well as an average of 60 percent of revoked security clearances involving financial reasons.[37]

The MCRMC and Marywood University reports had many surprisingly similar recommendations provided, with the exception of the MCRMC's additional focus on retirement planning. Both reports called for an increase in individual financial training, as well as a structured life cycle model to follow service members throughout their careers. Both also called for a higher degree of senior officer involvement, although the Marywood University report better addressed unit-level leadership involvement. The MCRMC does step away from the Marywood University report in recommending that DoD outsource professional training firms to conduct financial literacy training. This recommendation suggests that the lackluster historical results of PFMPs throughout the DoD have negatively impacted the MCRMC's faith in the program, although the report indicates that they fear leaving such training to secondary duties. Such a recommendation demonstrates a lack of understanding in how the PFMP works, at least within the Navy and Marine Corps, since Navy/Marine Corps Headquarters, Navy Fleet and Family Support Center (FFSC), and MCCS professionals develop the financial literacy training modules, not the military CFSs presenting them. A comparison of historical PFMP orders in the Navy and Marine Corps, as well as the Marywood University and MCRMC reports, indicates slow improvement in the financial literacy of the average service member concerning consumer and debt awareness (i.e. credit cards, car loans, and bounced checks). Further improvement is required to ensure implementation of the blended retirement system will not set up the individual service member for failure.[38]

The new attention the Marine Corps has brought to the PFMP is likely to improve its performance capability. The educational products and training available have been relevant for many years, but the overall lack of awareness of the program has been detrimental to its success. SECNAVINST 1740.4 easily remained obscure to many commanding officers, and had no inspection requirements to hold them accountable. MCO 1700.37 effectively requires commanding officers to maintain a command program and train a required number of CFSs for their command, depending on its size. Additionally, the creation of Commanding General's Readiness Inspection (CGRI) checklist 491 will require inspection of those command programs. This requirement will at least ensure that PFMP trained CFSs are able to communicate with the commanding officer regarding tools available and financial concerns within the command. The Marywood University report indicated that the proper ratio of CFSs within a command was vital, as it reported the reduction in Letters of Instruction (LOIs) provided on one Navy ship dropped from 40 to 13 per month after increasing the number of CFSs on board from 2 to 12.[39]

In addition to MCO 1700.37, in 2014 the Marine Corps implemented the Personal Readiness Seminar (PRS) through MARADMIN 581/14. The PRS is a required 4-hour seminar for Marines arriving at their first permanent duty station. PRS is available at all Marine Corps installations, ensuring no Marine misses these two requirements. Within the PRS, PFMP topics are addressed and pre- and post-tests assess the effectiveness of the material presented. The PRS will be an effective tool in ensuring 100 percent entry-level financial training, and will allow the PFMP to monitor the overall financial literacy of Marines entering the service, adjusting training as needed.[40]

Finally, to facilitate the enforcement of CFS numbers and training, the Marine Corps has finally taken steps to publish its own CFS training program, which will take effect in 2016.

Additionally, a portion of the curriculum will be moved to online computer courses, cutting the classroom training sessions from five days down to three. This can prove particularly beneficial, as the CFS training imposes a heavy burden on commanding officers by expecting them to send staff non-commissioned officers (SNCOs) and junior-grade officers to a week-long course.

Lessons learned from the 401(k) industry reveal additional improvement possibilities for the PFMP. One large issue is the restriction on offering investing advice. The lectures are very effective at indicating which paths are better than others, and there is definitely a positive lean toward the TSP lifecycle funds, but PFMP personnel are prohibited from stating investment advice directly. The civilian sector 401(k) lessons learned strongly emphasized a lack of action by investors who are not steered toward a course of action. In the event MCCS cannot overcome the legal requirements necessary to offer investing advice through the PFMP in its most basic form (i.e., which funds in the TSP may best be tailored to a certain individual and why), it may be necessary for DoD to invest in providing financial advisors through the TSP directly. Those advisors would be able to work hand-in-hand with the PFMP professionals and CFSs to build a Marine's portfolio and help him or her monitor it throughout their career.

Another improvement available with the increase in CFSs within each command is to require an annual CFS retirement counselling session for every Marine with less than 10 YOS. Ideally, this session would immediately follow annual PFMP training to the masses. While such a requirement would be a significant tax of manpower from the CFSs in each unit, it would allow individual Marines to track their progress as well as ask questions they may have after the training period. Additionally, these counselling sessions can allow the CFS to stress what savings rate a Marine will need to implement in order to reach their retirement savings goal, and give the CFS an opportunity to show the Marine how it can be accomplished inside of a realistic budget.[41] Implementing this counselling would also address many of the service member survey remarks used in the MCRMC report.

Finally, and perhaps most easily, MCCS will need to ensure that training products, PFMP advisors, and CFSs adamantly object to any Marines indicating a desire to reduce or eliminate the three percent contribution the Marine is auto-enrolled for in their TSP. The importance of emphasizing a need to increase this contribution rate is essential. At a minimum, increasing contribution rates to at least five percent to draw the full government match once the Marine is vested is imperative to their retirement success. Failure to address the contribution rates of individual Marines will likely be the single point of failure in the new blended retirement system if it leaves Marines short of their retirement goals, and the PFMP should continuously pursue improving contribution rates within the Marine Corps.

The PFMP has experienced an unfortunately obscure history, but has continued to improve its training and products. Relevance of the program has only increased with the passing of the blended retirement system into law. Continuing its improvement by addressing the historical obscurity, notably through the new requirements in MCO 1700.37 and MARADMIN 581/14, as well as the incorporation of the proposed changes from 401(k) lessons learned can increase the likelihood of success for individual Marines in their efforts to save for retirement. The PFMP is an optimal tool for engaging Marines at the individual level, instilling them with the financial knowledge they need to budget and save for a military or a civilian retirement, and helping them to understand the magnitude of costs if they fail to do so. The primary limitation on the success of the PFMP is the same limitation it has faced since program creation: command-level buy-in.

Command-level Buy-in

The Marine Corps will need to execute a very deliberate transition to the blended retirement system in 2018, with significant emphasis on preparing leaders across the Corps. Marines entering the fleet will rely on the mentorship and advice of many leaders who will be grandfathered under the full DB program, which means those leaders could potentially be discussing a retirement system they know nothing about. Additionally, all Marines who joined the service between December 31, 2005 and January 1, 2018 will have the choice to be grandfathered into the full DB program or to enter the blended retirement program.[42] The Marine Corps would be doing a disservice to this middle population if it does not train officers and SNCOs on the merits of both options. Marines deciding which retirement system to choose will likely rely on the opinions and advice of their officers and SNCOs, and untrained leaders could unintentionally offer disastrous advice based on well-intended but misguided opinions. Nybo and Alexander discovered in their interviews, "Less than 20 percent of teachers report that they feel competent to teach [personal finance] to their students,"[43] yet that is exactly what will be expected of Marine officers and SNCOs with the retirement transition.

The potential negative impact of ill-informed leadership is too great to ignore, and underscores the importance of command-level buy-in. Commanding Officers must ensure their leaders are knowledgeable and ready for the transition, and that these leaders understand the ramifications of the decisions being made by their Marines. Full utilization of the PFMP and having a large number of trained CFS will give these leaders a few options for advice, but can only be fully realized with the backing of Commanding Officers. Command-level buy-in will be necessary to ensure that MCO 1700.37 is not just another check in the box, appropriate TSP and PFMP familiarization and training exists among the officer corps, and the importance of CFSs and their role is established.

The Commanding General's Readiness Inspection (CGRI) program seeks to ensure units maintain a standard of readiness throughout a wide range of programs. Unfortunately, many of the program managers place their binders on a shelf somewhere after the inspection, collecting dust, until the next inspection is approaching. At that point, program managers scramble to remove the dust, update their checklists, ensure the binder is current, and then the process repeats. This two-year cycle promotes a check in the box mindset, and is often not the desired end state for commands. However, many commands resort to this because they have become overwhelmed with the list of administrative requirements to satisfy. Because of this, Marines end up viewing many well-meaning programs with disdain because they are just one more requirement taking time away from the real mission. Without appropriate command-level buy-in, the PFMP binder could very easily end up on a shelf collecting dust. Since most commands will require more than one CFS after December 2017, when the one CFS to every 75 Marine ratio is required, meeting the full intent of MCO 1700.37 will be feasible as more trained officers and SNCOs can provide counselling and lectures. The CFSs should ensure that the program remains on track indefinitely, as a healthy program will ensure financially healthy Marines who are properly saving for retirement.

Without command-level buy-in, officers and SNCOs may also view the PFMP negatively. Not only will it be another check in the box, but it could also become another one of those disliked programs detracting the unit from its mission. In *Successful Change Management*, J. S. Oakland and Stephen Tanner address the importance of leadership involvement at multiple levels in implementing change. Their research stresses that leaders must communicate the need for change, and that members of the organization understand the operational importance behind it. Through a process approach in introducing and implementing the change, members are included in the change efforts, and are more willing to ensure its success.[44] Additionally, Luigi Stirpe, Jordi Trullen, and Jaime Bonache found in their research in *Factors Helping the HR Function Gain Greater Acceptance for Its Proposals and Innovations: Evidence from Spain* that supervisors played a more prominent role in influencing employees' acceptance of Human Relations (HR) innovations than top management. Their research concluded that supervisor influence could gain employee support even with lower top management influence, but negative supervisor support was detrimental even with high top management support.[45] Perhaps the CFS program is restricted to company grade officers and SNCOs because of such a high degree of influence. Leadership any higher in rank may not promote an open dialogue, because Marines perceive them as top management.

With the high level of influence Stirpe et al. ascribe to supervisors, relying exclusively on CFSs within a unit will not guarantee that every Marine receives proper retirement counselling. The 401(k) industry has already revealed how little the average employee knows about saving and investing. The officer corps as a whole needs a required baseline of familiarization training in the TSP to ensure that every officer is capable of offering sound retirement advice or at least knows where to send inquiring Marines. Marines will inevitably approach their Officer in Charge (OIC) regarding questions about the blended retirement system and the TSP. Without proper training, that OIC may give inaccurate or false information that is detrimental to the Marine's retirement savings. All Marine officers should be able to advise their Marines on the choices between traditional or ROTH TSP investments, the five basic funds and the lifecycle funds, the matching government contributions available under the blended retirement system, the Saver's Credit available to them when they file their taxes, and the importance of a healthy 10-15 percent savings rate as their ultimate goal.

In addition to TSP familiarization, Marine officers should receive basic training on the PFMP and the CFS program. The online training that will soon be a pre-requisite for the CFS training program will likely suffice. Every Marine officer needs to be aware of the tools available to them through their command's CFSs and through MCCS. Knowing that a CFS is available to work with the Marine to develop an extensive budget or debt repayment plan or to provide a retirement training lecture to the Marines under that officer's charge is a requirement. Today, many field and company grade officers could not even explain what a CFS or the PFMP does, and this is unacceptable. Too much command attention focuses on the financial problems of individual Marines, with frequent mishandling by OICs because of a lack of awareness and financial education. Without Commanding Officers driving the recommended training in the PFMP and the TSP, a positive change in the financial education level of the officer corps is unlikely.

Command-level buy-in will play a vital role in establishing the importance of CFSs within the command, and encouraging them to engage the individual Marine. A proactive CFS will have far greater influence on the younger Marine population, and will be equipped with the knowledge and tools to assess a Marine's financial situation, make budget recommendations, and free up cash flow to enable increased TSP savings. A CFS will also be more likely to convince the young Marine about the importance of such efforts. In the article "Failing to Engage: The Benefits of 401(k) Plans May Be Lost on the New Millennial Generation," *Advisor Today* discussed the lack of appeal and connection with millennials and the use of a 401(k). A CIGNA retirement survey identified different values and beliefs with millennials, making how the 401(k) is communicated to them all the more important. The survey indicated that millennials have not yet placed retirement savings at the top of their financial concerns, unlike older generations, and aggressively pushing retirement savings as a top priority could turn them away.[46] The standard "older" financial advisor has a difficult time convincing millennials, and MCCS personnel at the PFMP offices may meet similar resistance, but a CFS will be much closer in age and likely will have established trust through a daily working relationship. Commanders who recognize and foster these connections will increase the likelihood of a CFS overcoming the individual Marine's reluctance and inhibitions to save for retirement.

Finally, command-level buy-in to the importance of the CFS program will provide a key tool in preventing Marines from borrowing TSP funds or cashing them out during an EAS. Commanding Officers demonstrating a firm belief in the importance of CFSs can build credibility in the advice they pass on to Marines. In the article "Pension Expert Advocates Reform of 'Flawed' 401(k)," *Employee Benefit News* interviewed pension expert and author Alicia Munnell regarding why 401(k)s appear to be failing. She stated, "The most important phenomena (sic) is that people cash out when they change jobs. All these simulations that say you're just going to have piles of money when you're 65 assume you start early and you leave your money in…. The people who are cashing out are workers with small amounts. They're lower income workers and they're young workers."[47] The Transition Readiness Seminar (TRS) provides financial training for separating Marines, with an emphasis on budget planning, and it does specifically address the importance of retaining TSP savings for retirement. Unfortunately, there will still be Marines who decide they need to borrow their TSP money, or that they deserve to cash out and squander their TSP when they EAS. Commanding Officers and other top-level leadership will only appear to be talking down to those Marines in efforts to prevent such actions. A unit CFS would be the ideal person to address the Marine's financial concerns, and point out other solutions that would be far less detrimental to the Marine's retirement efforts.

Without command-level buy-in to the PFMP across the Marine Corps, the blended retirement system will have the potential to do more harm than good for the individual Marine. By ensuring that MCO 1700.37 does not become just another program that needs to be addressed for inspections, Commanding Officers can ensure that the CFS program operates as it is intended. By standardizing the financial education level of officers through TSP and PFMP familiarization and training, Commanding Officers can ensure that their staff provides accurate retirement advice to the individual Marine and utilizes unit CFSs. By endorsing and empowering CFSs within the command, Commanding Officers will build the credibility of individual CFSs and maximize the reach they have with individual Marines.

Command-level buy-in will be necessary to ensure that MCO 1700.37 is not just another check in the box, appropriate TSP and PFMP familiarization and training exists among the officer corps, and the importance of CFSs and their role is established. The combination of these three influences can greatly improve the likelihood of the individual Marine receiving advice they will be willing to follow, and create a positive environment where saving for retirement is the norm and discussions about successful saving efforts thrive.

Conclusion

In 2018, the blended military retirement system will become a reality. The question remaining is whether the Marine Corps will be adequately prepared when it arrives. Through an educational foundation based on the lessons learned from the civilian sector 401(k) industry, current orders improving the PFMP with additional suggestions for further improvement, and defined measures of command-level buy-in needed to ensure the success of such PFMP improvements, this paper has provided recommendations and addressed concerns for the way ahead each new Marine will face. Ideally, the blended system approved into law would have incorporated an automatic escalation feature for the savings rates of service members, increasing one percent every year and capping out at ten percent. The ideal system would also have placed new service members into their age appropriate lifecycle fund as the default fund. Since the law did neither of those things, it will be up to Commanding Officers, the PFMP, and CFSs to encourage individual Marines to do so themselves. The 401(k) industry has proven that individual action is a very difficult force to drive, but the results of failure are going to be very difficult for any true leader of Marines to confront. This would particularly be the case when a leader discovers former members of their command are living in hardship or are unable to retire because of a shortcoming in the financial training and counselling received during their time on active duty. The tools and resources are available, initiative and leadership will enable each Marine to succeed.

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