



**VALUATION OF THE
EDUCATION BENEFITS FUND
SEPTEMBER 30, 2020**

DoD Office of the Actuary

January 2022

ACTUARIAL CERTIFICATION

This September 30, 2020, report on the Education Benefits Fund, hereafter referred to as the Fund, has been prepared in accordance with generally accepted actuarial principles and practices. In preparing this report, we have relied upon information maintained by the Department of Defense (DoD) and the Department of Veterans Affairs regarding program provisions, assets, eligible members, and benefit usage. The purpose of this report is to document the actuarial status of the Fund and the funding amounts to support the Secretary of Defense and the DoD Board of Actuaries (Board) in meeting the requirements of Section 2006, Title 10, United States Code (USC). Use of these results for other purposes may not be appropriate.

We have performed the valuation using methods and assumptions approved by the Board. In general, the decrement rates used in the valuation are based on actual experience of the Fund. The annual economic assumptions, as set by the Board, include an interest rate of 2.5% and an ultimate Consumer Price Index increase of 2.20%.

In our opinion, the actuarial assumptions are reasonable and the valuation results present a fair assessment of the financial condition of the Fund, given the available data and the limitations as described in Section 3 of this report.

Refer to the DoD Office of the Actuary website, <https://actuary.defense.gov/>, for contact information.

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EDUCATION BENEFITS FUND REPORT

TABLE OF CONTENTS

<u>Sections</u>	<u>Page</u>
Actuarial Certification	2
Section 1 – Introduction	4
Section 2 – Executive Summary	6
Section 3 – Valuation Data	7
Section 4 – Assets, Unfunded Liabilities, and Annual Changes	8
Section 5 – Amortization Payments	11
Section 6 – Per Capita Amounts	13
Section 7 – Transaction Process	15
<u>Appendices</u>	<u>Page</u>
Appendix A – Description of Benefits	18
Appendix B – Population Data	22
Appendix C – Assumptions and Methods	24
Appendix D – Fund History	32
Appendix E – Legislative History	40
Appendix F – Benefit Payment Projections	45
Appendix G – Accounting Statement	47
Appendix H – Glossary	49

SECTION 1 – INTRODUCTION

The Department of Defense Education Benefits Fund was established by 10 USC 2006 to pay education benefits to members of the Uniform Services. The Fund, which shall be administered by the Department of Treasury, shall be used for the accumulation of funds in order to finance armed forces education liabilities on an actuarially sound basis. Benefits covered by the Fund have been expanded many times (see Appendix E) and the Fund now pays for the following benefits:

- Title 38, Chapter 30/33 kicker and transferred kicker benefits¹
- Title 10, Chapter 1606 basic and transferred basic benefits²
- Title 10, Chapter 1606 kicker and transferred kicker benefits²
- Title 38, Chapter 30 basic benefits for Post-Vietnam Era and Involuntary Separates (Category III)
- Title 10, Chapter 31, Section 510 National Call to Service³
- Title 38, Chapter 30, Section 3020 transferred benefits³

The Board⁴, whose members are appointed by the Secretary of Defense, approves methods and assumptions used in the Fund valuation, reports to the Secretary of Defense annually on the actuarial status of the Fund, and recommends changes needed to maintain the Fund on a sound actuarial basis.

¹Benefit is in conjunction with the Department of Veterans Affairs funded Chapter 30, also referred to as Montgomery GI Bill–Active Duty (MGIB-AD) benefit, and Chapter 33 (Post 9/11 GI Bill) basic benefit.

²Also referred to as Montgomery GI Bill–Selected Reserve (MGIB-SR) benefit. Transferred benefits are not currently offered under Chapters 1606 directly, but if transferability is achieved through Chapter 33, Chapter 1606 kicker benefits can be transferred.

³Due to the relatively small size of benefits for National Call to Service and Chapter 30, Section 3020 Transferability, liability amounts for those programs have not been estimated.

⁴Assumptions and methods for this valuation were reviewed and approved by DoD Board of Actuaries members Marcia Dush (Chair), John Moore, and Michael Clark at a public meeting (virtual) on June 26, 2020.

SECTION 1 – INTRODUCTION (Cont.)

How to Use this Report

- An executive summary of the Fund can be found in Section 2.
- In various places in the report, numbers may not add exactly due to rounding.
- An explanation of terms used throughout the report can be found in Appendix G.
- Additional information can be obtained by contacting the Office of the Actuary (OACT) as detailed on page 2.
- Only Chapter 1606 kickers and Chapter 30 kickers are currently being used. For the purpose of this report, please refer to the following table when referencing kickers:

OACT Report Name	Description
Chapter 30 kickers	Chapter 30 kickers used with Chapter 30 basic or Chapter 33 basic
Chapter 33 kickers	Chapter 33 kickers used with Chapter 33 basic
Chapter 1606 kickers	Chapter 1606 kickers used with Chapter 1606 basic or Chapter 33 basic

SECTION 2 – EXECUTIVE SUMMARY

(\$ in millions)

The table below summarizes the FY 2020 Fund experience and actuarial valuation results as of September 30, 2020. The majority of liabilities detailed in this report stem from active duty kickers, reserve kickers, and reserve basic benefits.

These results depend on the underlying data and assumptions. We relied without audit on the data provided by the Defense Manpower Data Center (DMDC) and the Defense Finance and Accounting Service (DFAS). Current results may be under- or over-stated if data are inaccurate and future results will vary to the extent that experience differs from assumptions.

	<u>Chapter 30/33</u>	<u>Chapter 1606</u>	<u>Other²</u>	<u>Total</u>
<u>Sept. 30, 2020 Eligibles¹</u>	125,947	488,806	N/A	614,753
<u>Sept. 30, 2020 Fund Balance</u>				
Sept. 30, 2019 Fund Balance	\$396.0	\$698.1	\$9.3	\$1,104.0
FY20 Asset Transfers	\$8.9	\$(4.2)	\$(8.9)	\$(8.9)
FY20 Amortization Payments	18.2	0.0	0.1	18.3
FY20 Per Capita Contributions	0.0	123.7	0.0	123.7
FY20 Benefit Payments	(55.3)	(124.6)	0.0	(184.7)
FY20 Interest	<u>7.3</u>	<u>12.8</u>	<u>0.0</u>	<u>20.1</u>
FY20 Total Changes	\$(29.8)	\$7.7	\$(8.8)	\$(31.4)
Sept. 30, 2020 Fund Balance ³	\$375.1	\$705.8	\$0.5	\$1,072.6
<u>Sept. 30, 2020 Snapshot</u>				
Actuarial Liability (AL)	\$291.6	\$312.6	\$0.1	\$604.3
Fund Balance ³	<u>(375.1)</u>	<u>(705.8)</u>	<u>(0.5)</u>	<u>(1,081.4)</u>
Unfunded AL (Surplus)	\$(83.5)	\$(393.2)	\$(0.4)	\$(477.2)

¹Members eligible for multiple programs are counted separately for each program.

²Other is Category III, National Call to Service and Chapter 30 Section 3020 Transferability. Due to the relatively small size of benefits and no benefits paid since FY 2008 for National Call to Service and Chapter 30 Section 3020 Transferability, liability amounts for those programs have not been estimated. Liability amounts in this column represent only the Category III liability. Fund balances for National Call to Service and Chapter 30 Section 3020 Transferability are still reflected in this column.

³Officially, there is only one Fund. OACT allocates the Fund into separate accounts for the various programs by component, using reported contributions and benefit payments by program for each component and allocating reported interest earnings by program.

SECTION 3 – VALUATION DATA

The valuation data are taken from files maintained by DMDC along with financial data provided by DFAS. Data used for future projections of the Chapter 30 (active duty), Chapter 33 (active duty and reserve), and Chapter 1606 (reserve), programs are provided from DMDC, DFAS, Office of the Under Secretary of Defense for Personnel and Readiness (Manpower and Reserve Affairs), and Under Secretary of Defense (Comptroller). An overview of the number of members in each program and their status can be found in Appendix B, Population Data. Data on benefit payments and contributions are from DFAS, in some cases supplemented by Department of Veterans Affairs (VA) reports. In the case of benefit payments, VA makes payments to members and receives reimbursement from the Fund where appropriate; DFAS reports information submitted to them by VA. In the case of Fund contributions, DFAS reports monies and associated information received from the military components.

OACT has unresolved concerns with VA regarding their inability to make accurate and complete member level data available to DoD. The missing and inaccurate data can create large and material limitations to valuation accuracy. In particular, for Chapter 1606 and Chapter 30, there are unresolved discrepancies between DMDC and DFAS total benefit usage. For data for FY 2020, OACT received 80% of the data needed for Chapter 1606 and 80% of the data needed for Chapter 30 kickers. For earlier years, the amount of data received was much less.

The data was reviewed for reasonableness and consistency, including a reasonableness check of eligible counts, modifications for codes that conflict with dates given, adjustments for unreasonable benefit amounts, and adjustments to months used to account for discrepancies between DMDC and DFAS total benefit usage. However, the data has not been audited by OACT and OACT is not responsible for the accuracy of the data. Responsibility for the accuracy of the member data lies with the components who report eligibility and demographic data to DMDC. Responsibility for financial data related to Fund transactions and benefit usage is shared between the components, VA, and DFAS.

SECTION 4 – ASSETS, UNFUNDED LIABILITIES, AND ANNUAL CHANGES

(\$ in millions)

Using the input data described in the previous section and Appendix B, OACT computed the actuarial liability for the Chapter 30/33 kicker benefit and the Chapter 1606 basic and kicker benefit. The total value of assets on the valuation date (September 30, 2020) was obtained from the Fund's investment manager at DFAS. OACT tracks assets and liabilities separately by program and component and may transfer assets between programs (not components) with the Board's approval. For official accounting, the assets and liabilities are pooled into one Fund. The programs' unfunded liabilities or surpluses are as follows:

Chapter 30/33 Kicker Benefits as of September 30, 2020

<u>Component</u>	<u>Actuarial Liability</u>	<u>Assets</u>	<u>Unfunded Liability or Surplus</u>
Army	\$211.8	(\$293.0)	(\$81.1)
Navy	\$55.2	(\$46.6)	\$8.7
Marine Corps	\$23.6	(\$34.5)	(\$10.9)
<u>Coast Guard</u>	<u>\$1.0</u>	<u>(\$1.2)</u>	<u>(\$0.2)</u>
Total	\$291.6	(\$375.1)	(\$83.5)

Chapter 1606 Basic and Kicker Benefits as of September 30, 2020

<u>Component</u>	<u>Actuarial Liability</u>	<u>Assets</u>	<u>Unfunded Liability or Surplus</u>
Army Nat Guard	\$136.0	(\$376.9)	(\$240.9)
Army Reserve	\$68.4	(\$139.7)	(\$71.3)
Navy Reserve	\$10.9	(\$21.0)	(\$10.1)
Marines Reserve	\$19.9	(\$35.6)	(\$15.6)
Air Force Nat Guard	\$53.8	(\$71.4)	(\$17.6)
Air Force Reserve	\$23.4	(\$57.4)	(\$34.0)
<u>Coast Guard Reserve</u>	<u>\$0.2</u>	<u>(\$3.9)</u>	<u>(\$3.6)</u>
Total	\$312.6	(\$705.8)	(\$393.2)

In addition to the above assets and liabilities, there are 15 items not reflected in this report (some of which are zero), one for each active duty component for Category III, National Call to Service, and Chapter 30 Section 3020 Transferability paid from the Fund. OACT tracks the assets and liabilities that directly impact the accuracy of the allocation by each combination of component and program. In addition to the above assets and liabilities, the Fund allocation is dependent on the accuracy of the reported Fund transactions.

SECTION 4 – ASSETS, UNFUNDED LIABILITIES, AND ANNUAL CHANGES**(cont.)**

(\$ in millions)

The table below shows the changes in actuarial liability from the 9/30/2019 valuation (projected) to the 9/30/2020 valuation (actual) for Chapter 30/33 kickers. Assumed rates³ are updated each year to reflect the most recent experience. Census changes were the largest driver of the Chapter 30/33 gain and this is reflected in "Withdrawal Experience & Census Changes."

<u>Chapter 30/33 Annual Changes</u>	<u>Actuarial Liability</u>	<u>% of Projected Actuarial Liability</u>
Projected September 30, 2020 Assets	\$378.1	
<u>Projected September 30, 2020 Liability</u>	<u>\$304.9</u>	
Projected September 30, 2020 Unfunded Liability	(\$73.2)	
Actual September 30, 2020 Assets	\$375.1	
<u>Actual September 30, 2020 Liability</u>	<u>\$291.6</u>	
Actual September 30, 2020 Unfunded Liability	(\$83.5)	
September 30, 2020 (Gain)/Loss	(\$10.3)	-3.4%
<u>(Gain)/Loss Due to Liability</u>		
Withdrawal Experience & Census Changes	(\$3.1)	-1.0%
Interest Rate Assumption Change	\$4.1	1.3%
Usage Rate and Other Assumption Changes	(\$14.3)	-4.7%
<u>2020 Population Changes</u>	<u>\$0.0</u>	<u>0.0%</u>
Total Liability (Gain)/Loss	(\$13.3)	-4.4%
<u>(Gain)/Loss Due to Assets</u>		
Benefit Usage Experience	(\$0.7)	-0.2%
Contribution Experience	\$0.0	0.0%
<u>Interest Experience¹</u>	<u>\$3.7</u>	<u>1.0%</u>
Total Assets (Gain)/Loss	\$3.0	1.0%

¹Expected 9/30/2020 assets and liabilities are based off 9/30/2019 valuation

²The components of (Gain)/Loss Due to Assets represents the difference between expected and actual amounts for each item. The percentage change for Interest Earning Experience is expressed as a percent of "Projected September 30, 2020 Assets."

³"Rate" refers to probabilities (e.g. decrements) or averages, for example, the probability of staying in service, probability of using the benefit in a given year, or average months of benefit used in a given year.

SECTION 4 – ASSETS, UNFUNDED LIABILITIES, AND ANNUAL CHANGES**(cont.)**

(\$ in millions)

The table below shows the changes in actuarial liability from the last valuation (projected) to the latest valuation (actual) for Chapter 1606. Assumed rates are updated each year to reflect the most recent experience. The organizations responsible for administering transferability under Chapter 1606 have communicated to OACT that transferability is not currently offered through Chapter 1606. Differences in liability between actual and expected new entrants was the largest driver of the gain and this is reflected in “New Entrant Experience.”

<u>Chapter 1606 Annual Changes</u>	<u>Actuarial Liability</u>	<u>% of Projected Actuarial Liability</u>
Projected September 30, 2020 Assets	\$704.7	
<u>Projected September 30, 2020 Liability</u>	<u>\$372.0</u>	
Projected September 30, 2020 Unfunded Liability	(\$332.8)	
Actual September 30, 2020 Assets	\$710.0	
<u>Actual September 30, 2020 Liability</u>	<u>\$312.6</u>	
Actual September 30, 2020 Unfunded Liability	(\$397.4)	
September 30, 2020 (Gain)/Loss	(\$64.7)	-17.4%
(Gain)/Loss Due to Liability		
New Entrant Experience	(\$2.7)	-0.7%
Change Due to New Methodology	(\$55.0)	-14.8%
Withdrawal Experience & Census Changes	(\$1.4)	-0.4%
Usage Rate and Other Assumption Changes	(\$3.6)	-1.0%
Interest Rate Assumption Change	\$3.4	0.9%
Other Economic Assumption Changes	<u>(\$0.2)</u>	<u>0.0%</u>
Total Liability (Gain)/Loss	(\$59.4)	-16.0%
(Gain)/Loss Due to Assets		
Benefit Usage Experience	\$3.1	0.8%
Contribution Experience	(\$15.0)	-4.0%
<u>Interest Experience¹</u>	<u>\$6.6</u>	<u>0.9%</u>
Total Assets (Gain)/Loss	(\$5.3)	-1.4%

¹The components of (Gain)/Loss Due to Assets represents the difference between expected and actual amounts for each item. The percentage change for Interest Earning Experience is expressed as a percent of "Projected September 30, 2020 Assets."

SECTION 5 – AMORTIZATION PAYMENTS

When a program is projected to have an unfunded liability, an amortization payment is scheduled to be paid into the Fund. This payment is the first year’s payment of a five-year amortization schedule at the valuation interest rate. The five-year amortization schedule was chosen by the Board and will be reset each year, i.e., the schedule is given a “fresh start” every year. While this amortization method asymptotically approaches full funding, technically, the fund will not actually reach full funding without a change in the projected liability. For budgetary reasons, annual amortization payments are determined two years in advance and therefore do not reflect all information available as of the date the amortization payments are made.

The amortization payments for FY 2022 (determined in the September 30, 2019, valuation) and FY 2023 (determined in the September 30, 2020, valuation) are shown in the following tables. The amortization payments for the Chapter 1606 basic program and the Chapter 1606 kicker program are calculated together as a single Chapter 1606 amortization payment.

Note that the payment for Category III is determined differently. The October 1, 2021 payment for the Category III program was determined by estimating FY 2021 benefits and bringing forward any surplus or liability from October 1, 2020. Both items were adjusted for interest and then added together to determine the October 1, 2021 payment.

Chapter 30/33 Annual Amortization Amounts

<u>Component</u>	<u>FY 2022</u> <u>October 1, 2021</u>	<u>FY 2023</u> <u>October 1, 2022</u>
Army	\$0	\$0
Navy	\$1,630,752	\$542,957
Marine Corps	\$0	\$0
Coast Guard	\$0	\$0

Chapter 1606 Annual Amortization Amounts

<u>Component</u>	<u>FY 2022</u> <u>October 1, 2021</u>	<u>FY 2023</u> <u>October 1, 2022</u>
Army National Guard	\$0	\$0
Army Reserve	\$0	\$0
Navy Reserve	\$0	\$0
Marine Corps Reserve	\$0	\$0
Air National Guard	\$0	\$0
Air Force Reserve	\$0	\$0
Coast Guard Reserve	\$0	\$0

SECTION 5 – AMORTIZATION PAYMENTS (cont.)

Category III Basic Annual Payment¹

<u>Component</u>	<u>FY 2022</u> <u>October 1, 2021</u>	<u>FY 2023</u> <u>October 1, 2022</u>
Army	\$0	Set Next Year
Navy	\$0	Set Next Year
Marine Corps	\$0	Set Next Year
Air Force	\$4,006	Set Next Year
Coast Guard	\$0	Set Next Year

¹Payments for Category III are not pre-funded, but are calculated based on actual and projected benefit payments during the previous year.

SECTION 6 – PER CAPITA AMOUNTS

The per capita amounts for the Chapter 30/33 and Chapter 1606 programs are given below. A separate per capita amount is set for each component, program, and benefit amount. Per capita amounts are usually determined once per year, but may be calculated more often if there are significant changes, such as major legislative changes. The per capita amounts below have corresponding normal costs that are shown in Appendix C, Assumptions and Methods. Note that there are not per capita amounts for Category III because the cost for that benefit is determined in aggregate after benefits are paid.

When a program is expected to have a surplus, a portion of the surplus is used to decrease the per capita amount. This portion or “offset” is the first year’s payment of a five-year amortization schedule at the valuation interest rate. The amortization schedule is reset each year, i.e., the schedule is given a “fresh start” every year. The Chapter 30/33 kicker per capita amounts were not offset because, per the Comptroller’s office, the active duty components are not expected to offer any kicker benefits to new entrants in either FY 2022 or FY 2023. For budgetary reasons, expected surpluses (and unfunded liabilities) are determined two years in advance and therefore do not reflect all data available as of the date the per capita amounts are paid.

Chapter 30 Kicker Benefit Per Capita Amounts for FY 2022

<u>Kicker Amount</u>	<u>Army 2 Year¹</u>	<u>Army 3 Year</u>	<u>Army 4 Year</u>	<u>Army 5 Year</u>	<u>Army 6 Year</u>	<u>Navy 4 Year</u>	<u>M.C. 4 Year</u>	<u>M.C. 5 Year</u>	<u>M.C. 6 Year</u>	<u>C.G. 4 Year</u>
\$150	\$2,474	\$2,373	\$2,239	\$2,141	\$2,062	\$2,113	\$1,740	\$1,668	\$1,599	\$1,733
\$250	\$4,161	\$3,992	\$3,764	\$3,597	\$3,462	\$3,554	\$2,930	\$2,809	\$2,687	\$2,903
\$350	\$5,876	\$5,638	\$5,314	\$5,074	\$4,882	\$5,019	\$4,143	\$3,971	\$3,792	\$4,083
\$450	\$7,618	\$7,310	\$6,886	\$6,571	\$6,321	\$6,506	\$5,378	\$5,155	\$4,913	\$5,273
\$550	\$9,385	\$9,008	\$8,481	\$8,088	\$7,779	\$8,015	\$6,635	\$6,359	\$6,049	\$6,474
\$650	\$11,176	\$10,729	\$10,097	\$9,623	\$9,253	\$9,544	\$7,912	\$7,584	\$7,201	\$7,684
\$750	\$12,991	\$12,472	\$11,732	\$11,176	\$10,743	\$11,093	\$9,210	\$8,828	\$8,367	\$8,903
\$850	\$14,828	\$14,237	\$13,386	\$12,746	\$12,250	\$12,661	\$10,528	\$10,091	\$9,548	\$10,131
\$950	\$16,685	\$16,023	\$15,058	\$14,331	\$13,771	\$14,247	\$11,865	\$11,372	\$10,743	\$11,367

Chapter 30 Kicker Benefit Per Capita Amounts for FY 2023

<u>Kicker Amount</u>	<u>Army 2 Year</u>	<u>Army 3 Year</u>	<u>Army 4 Year</u>	<u>Army 5 Year</u>	<u>Army 6 Year</u>	<u>Navy 4 Year</u>	<u>M.C. 4 Year</u>	<u>M.C. 5 Year</u>	<u>M.C. 6 Year</u>	<u>C.G. 4 Year</u>
\$150	\$2,837	\$2,838	\$2,636	\$2,599	\$2,479	\$2,248	\$1,795	\$1,718	\$1,637	\$2,374
\$250	\$4,759	\$4,757	\$4,419	\$4,352	\$4,151	\$3,772	\$3,020	\$2,891	\$2,750	\$3,985
\$350	\$6,702	\$6,697	\$6,220	\$6,119	\$5,838	\$5,315	\$4,266	\$4,085	\$3,879	\$5,618
\$450	\$8,667	\$8,657	\$8,039	\$7,900	\$7,538	\$6,876	\$5,534	\$5,299	\$5,024	\$7,271
\$550	\$10,652	\$10,635	\$9,875	\$9,694	\$9,251	\$8,454	\$6,821	\$6,532	\$6,184	\$8,945
\$650	\$12,656	\$12,630	\$11,727	\$11,500	\$10,976	\$10,049	\$8,128	\$7,785	\$7,359	\$10,638
\$750	\$14,679	\$14,642	\$13,594	\$13,319	\$12,714	\$11,659	\$9,455	\$9,057	\$8,549	\$12,349
\$850	\$16,718	\$16,671	\$15,475	\$15,149	\$14,462	\$13,284	\$10,799	\$10,346	\$9,752	\$14,079
\$950	\$18,775	\$18,714	\$17,369	\$16,989	\$16,221	\$14,923	\$12,162	\$11,654	\$10,968	\$15,826

¹Refers to the number of years a member must serve to earn the benefit

SECTION 6 – PER CAPITA AMOUNTS (cont.)

Chapter 1606 Basic and Kicker Benefit Per Capita Amounts for FY 2022

	<u>Army Guard</u>	<u>Army Reserve</u>	<u>Navy Reserve</u>	<u>Marine Reserve</u>	<u>Air Guard</u>	<u>Air Reserve</u>	<u>Coast Guard</u>
Basic	\$647	\$493	\$0	\$583	\$1,757	\$0	\$0
\$100 Kicker	\$486	\$514	\$1,050	\$912	\$764	\$776	\$558
\$200 Kicker	\$991	\$1,141	\$2,010	\$1,536	\$1,561	\$1,584	\$1,457
\$350 Kicker	\$3,344	\$2,172	\$4,163	\$3,175	\$2,901	\$2,887	\$3,271

Chapter 1606 Basic and Kicker Benefit Per Capita Amounts for FY 2023

	<u>Army Guard</u>	<u>Army Reserve</u>	<u>Navy Reserve</u>	<u>Marine Reserve</u>	<u>Air Guard</u>	<u>Air Reserve</u>	<u>Coast Guard</u>
Basic	\$0	\$243	\$70	\$1,142	\$880	\$0	\$0
\$100 Kicker	\$361	\$427	\$240	\$441	\$896	\$981	\$892
\$200 Kicker	\$768	\$900	\$445	\$733	\$1,678	\$1,671	\$1,733
\$350 Kicker	\$1,122	\$2,020	\$683	\$1,334	\$2,669	\$3,304	\$3,195

SECTION 7 – EDUCATION BENEFITS FUND TRANSACTION PROCESS

The effects of the Fund transaction process on the deficit, the debt, the DoD budget, and benefit security described in this section are applicable under the current practices of the federal government regarding budget accounting and tax policy. These practices do not provide for changes in taxes to pre-fund the education benefits programs but do result in changes in the national debt.

A trust fund was created inside the Unified Budget of the federal government for the monies of the education benefits programs. This fund has three sources of income: (1) monthly per capita payments made by DoD¹, (2) annual amortization payments made by DoD, and (3) interest earnings on investments in government securities made by Treasury and the payment of the par values of these securities at maturity. All three of these items are intra-governmental transfers consisting of debits from one government account and credits to another.

The fund has two types of payouts--payments for members' and dependents' benefits, and purchases of U.S. Treasury securities. The purchase of a Treasury security is also an intra-governmental transfer, while a payment for a member's or dependent's benefit is not.

Effect of the Fund transaction process on the deficit

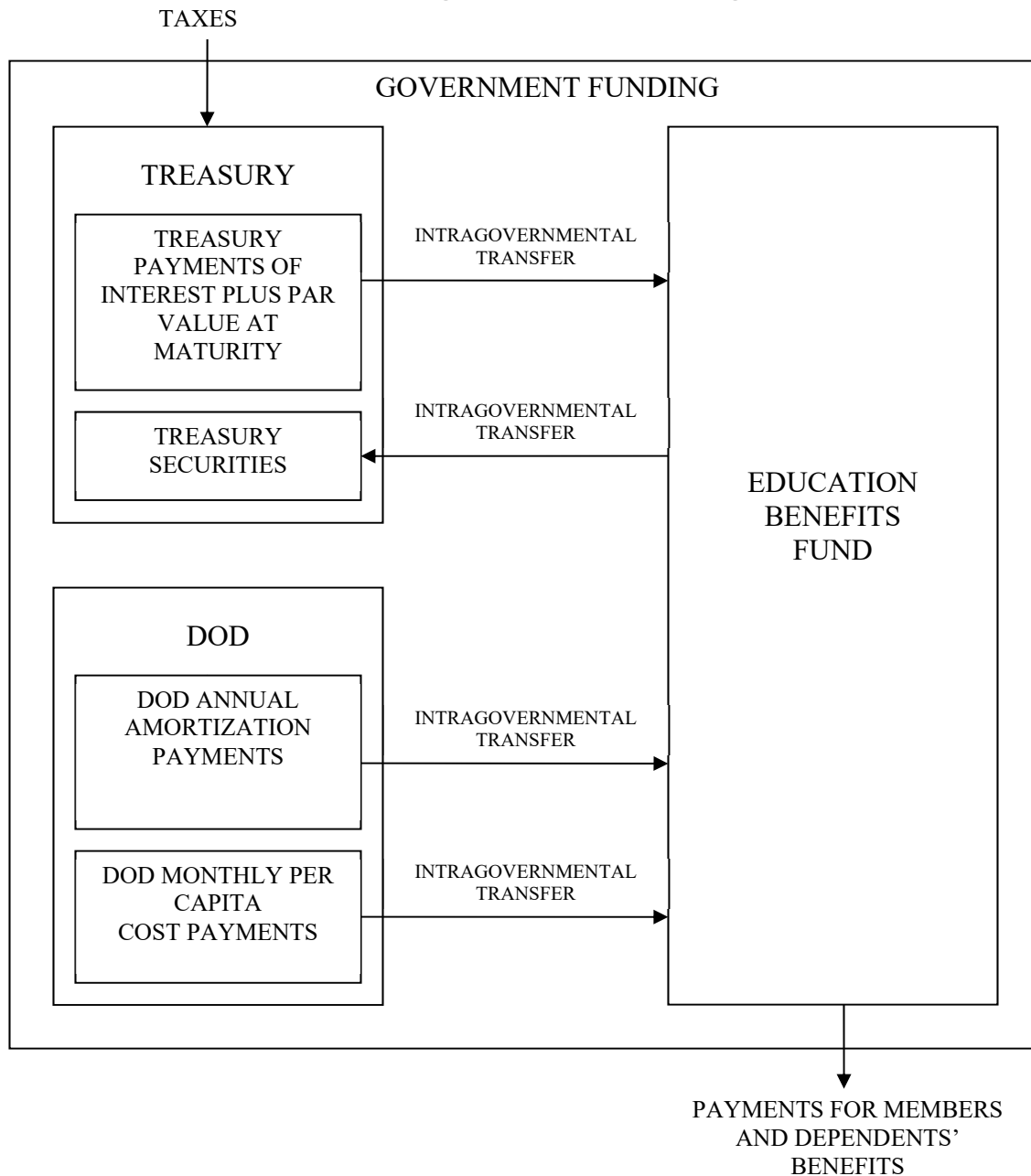
Figure 1 on the following page depicts this process. The only transactions in a particular year that directly affect the **deficit** of the Unified Budget are those that pass in or out of the government, such as tax collections (which decrease the deficit) and payments for members' or dependents' benefits (which increase the deficit). The intra-governmental transfers are debits and credits within the federal budget, with no direct effect on the deficit. The following examples illustrate the process:

- If DoD debits \$170 million in per capita payments and the Fund credits the \$170 million, the net direct federal budget deficit effect is zero.
- If the Fund purchases \$70 million in securities (debit) and the Treasury sells \$70 million in securities (credit), the net direct federal budget deficit effect is zero.
- If the Treasury pays \$70 million in interest (debit) and the Fund earns \$70 million interest (credit), the net direct federal budget deficit effect is zero.
- Disregarding all other government programs, if the government collects \$150 million in tax revenues (credit) and pays \$170 million for members' and dependents' benefits (debit), the net direct federal budget deficit effect is \$20 million.

¹References to "DoD" in this section also include Coast Guard.

SECTION 7 – EDUCATION BENEFITS FUND TRANSACTION PROCESS (cont.)

Figure 1: Unified Budget



All of the intra-governmental transfers inside Figure 1 will generate both a credit and an associated equal debit within the Unified Budget. Consequently, under current federal budget accounting practices, contributions to the Fund beyond what are required to pay benefits to members and dependents that year have no impact on the total federal deficit. Just as with the pay-as-you-go method, the only transactions that directly affect the deficit in the education benefits accounting process are payments for benefits.

SECTION 7 – EDUCATION BENEFITS FUND TRANSACTION PROCESS (cont.)

Effect of the Fund transaction process on the debt

On the other hand, the purchase of securities by the Fund does increase the national **debt**, specifically the portion of the debt held by the government. The portion held by the public will not change. However, the total debt will increase and this might require an increase in the statutory borrowing authority.

Suppose that the amount needed to pay for members' and dependents' benefits was \$400 million and the Fund had grown to \$2 billion. The following transactions would take place:

- Fund sells in \$400 million in securities (credit).
- Treasury pays \$400 million to the Fund (debit).
- Net federal surplus zero.

Since no budget surplus can be derived from using Fund money, the government still has a need for \$400 million to pay for benefits—the same need it would have under the pay-as-you-go system. Accordingly, the Fund cannot transfer liabilities from one tax year to another.

Effect of the Fund transaction process on the DoD budget

The Fund transaction process has an effect on the **DoD budget**. With the per capita amount payments in the DoD budget, policymakers are forced to consider how manpower decisions affect future costs. For example, if a decision were made today to double the number of reserve members given kicker benefits, the DoD budget would have an immediate increase in obligations. Under the pay-as-you-go method, the expenses would not necessarily be considered as much in the initial decision since they would not show up for several years (typically, active duty kickers are used after service members complete their contract or when they are transferred to a child much later).

Effect of the Fund transaction process on benefit security

The Fund transaction process also provides benefit security that the pay-as-you-go method does not. In the short term, the Fund transaction process provides benefit security because it is not dependent on obtaining the necessary appropriation from Congress each year in order to pay benefits. In the long term, the Fund transaction process provides benefit security because it helps prevent benefits from being over-extended and later reduced.

APPENDIX A – DESCRIPTION OF BENEFITS

The descriptions in this appendix are intended as an overview. For more detailed information, visit the links suggested.

Chapter 30 Kicker Eligibility

Members may be eligible to receive a Chapter 30 kicker benefit if they are eligible to receive the Chapter 30 basic or the Chapter 33 basic benefit. They may be eligible if they have an honorable discharge, a high school diploma or GED or in some cases 12 hours of college credit, and meet the requirements of one of the program categories. Categories I, II, and IV are described below and Category III is described in a separate section. For more detailed information, visit: https://www.benefits.va.gov/gibill/mgib_ad.asp.

Category I includes those who entered active duty for the first time after June 30, 1985, and had military pay reduced by \$100 a month for the first 12 months. Members must have continuously a) served for 3 years, b) served for 2 years if they first enlisted for 2 years, or c) served for 2 years if they entered the Selected Reserve within a year of leaving active duty and served 4 years in the Selected Reserve.

Category II includes those who entered active duty before January 1, 1977, served at least 1 day between October 19, 1984, and June 30, 1985, and stayed on active duty through June 30, 1988 (or stayed on active duty through June 30, 1987, if they entered the Selected Reserve within 1 year of leaving active duty and served 4 years). Members must have had entitlement left from the Vietnam-Era GI Bill on December 31, 1989.

Category IV includes those who were on active duty on October 9, 1996, had money remaining in a Veteran's Educational Assistance Program (VEAP) account on that date, and elected Montgomery GI-Bill (MGIB-AD) by October 9, 1997. Another way to be included in Category IV would have been to enter full-time National Guard duty under Title 32, United States Code between July 1, 1985, and November 28, 1989, and have elected MGIB-AD during the period October 9, 1996 through July 8, 1997. Under either way, the member would have had military pay reduced by \$100 a month for 12 months or have made a \$1,200 lump-sum contribution.

Chapter 30 Kicker Benefit Amount

The Secretary of Defense may increase the basic benefit up to an additional \$950 per month. Kicker amounts do not receive cost-of-living increases.

Chapter 30 Kicker Restrictions

Generally, members are eligible to use the benefit up to 10 years after the date of their last discharge, but the number of years can vary, depending on the situation.

APPENDIX A – DESCRIPTION OF BENEFITS (cont.)

Chapter 33 Kicker Member Eligibility

Members may receive a Chapter 33 kicker benefit if they are eligible to receive the Chapter 33 basic benefit. Service members may be eligible if after September 10, 2001, they have served at least 90 days of aggregate active duty service and are still on active duty, or if they were honorably discharged or were discharged with a service-connected disability after 30 days. For more detailed information, visit https://www.benefits.va.gov/gibill/post911_gibill.asp.

Chapter 33 Kicker Transferred Benefit Eligibility

Title V of the Supplemental Appropriations Act of 2008, P.L. 110-252 (June 30, 2008), commonly referred to as the Post-9/11 GI Bill, allows service members to transfer all or some unused benefits to their spouse or dependent children. The Harry W. Colmery Veterans Educational Assistance Act, P.L. 115-48 (August 16, 2017), also known as the Forever GI Bill, expands transferability eligibility in certain cases for Purple Heart recipients. The impact of this is expected to be minor and no explicit adjustment has been made to the valuation. The option to transfer is open to any member of the Uniformed Services active duty or Selected Reserve, officer or enlisted who is eligible for the Post-9/11 GI Bill, and meets the following criteria: (1) has at least six years of service in the armed forces (active duty and/or Selected Reserve) on the date of approval and agrees to serve four additional years in the armed forces from the date of election or (2) has at least 10 years of service in the armed forces (active duty and/or Selected Reserve) on the date of approval, is precluded by either standard policy (by component or DoD) or statute from committing to four additional years, and agrees to serve for the maximum amount of time allowed by such policy or statute.

Spouses (1) may start to use the benefit immediately, (2) may use the benefit while the member remains in the armed forces or after separation from active duty, (3) are not eligible for the monthly housing allowance while the member is serving on active duty, and (4) may use the benefit for up to 15 years after the member's last separation from active duty.

Children (1) may start to use the benefit only after the member making the transfer has completed at least 10 years of service in the armed forces, (2) may use the benefit while the member remains in the armed forces or after separation from active duty, (3) may not use the benefit until they have attained a secondary school diploma (or equivalency certificate) or they have reached age 18, (4) are entitled to the monthly housing allowance stipend even though the member is on active duty, and (5) are not subject to the 15-year limit, but may not use the benefit after reaching 26 years of age.

Chapter 33 Kicker Benefit Amount

The Secretary of Defense may increase the basic benefit up to an additional \$950 per month. Kicker amounts do not receive cost-of-living increases. Chapter 33 kicker benefits are values between and including \$150 and \$950, increasing in \$100 increments.

APPENDIX A – DESCRIPTION OF BENEFITS (cont.)

Chapter 33 Kicker Restrictions

For Veterans who left active duty on or after January 1, 2013, the period of eligibility for the Post-9/11 GI Bill does not end. For Veterans who left active duty before January 1, 2013, the period of eligibility ends 15 years from the date of last discharge from active duty.

Chapter 1606 Basic and Kicker Eligibility

Eligible members must have had a six-year obligation to serve in the Selected Reserve signed after June 30, 1985. Officers must have agreed to serve 6 years in addition to their original obligation. Members must have completed their initial active duty for training (IADT) and must meet the requirement to receive a high school diploma or equivalency certificate before completing IADT. Lastly, members must remain in good standing while serving in the Selected Reserve. For more detailed information, visit https://www.benefits.va.gov/gibill/mgib_sr.asp.

At the discretion of the Secretary, a member may receive a Chapter 1606 kicker benefit if that member's occupation has been designated as a critical occupational specialty.

Chapter 1606 Basic and Kicker Benefit Amount

The full-time institutional training rate is \$397 per month for fiscal year 2021. This rate became effective October 1, 2019. Fractional amounts may apply for less than full-time education.

The basic benefit may be increased by a kicker benefit of as much as \$350 per month for recruits in critical skills or critical specialties.

Consumer Price Index (CPI) increases are given to the basic benefit, but not to the kicker benefit.

Chapter 1606 Basic and Kicker Restrictions

The maximum number of months of educational assistance that may be provided to any member under this chapter is 36.

Generally, the entitlement period for a member of the Selected Reserve expires at the date the member is separated from the Selected Reserve. For persons involuntarily separated from October 1, 1991, to September 30, 2001, or from October 1, 2007, to September 30, 2014, or for persons separated for disability not the result of willful misconduct, the period of entitlement expires at the end of the 14-year period beginning on the date on which the person became entitled to the benefit. The time period does not run if the member is prevented from pursuing a program of education because of a mental or physical disability incurred in or aggravated by service in the Selected Reserve.

APPENDIX A – DESCRIPTION OF BENEFITS (cont.)

Category III Eligibility

To qualify under Category III, a member must have a high school diploma, GED or 12 hours of college credit, not be eligible under Category I or Category II, must have been on active duty on September 30, 1990, elected MGIB-AD before being separated, and before separation must have had military pay reduced by \$1,200. In addition, the member must have an involuntary separation after February 2, 1991, or have been voluntarily separated under either Voluntary Separation Incentive (VSI) program or Special Separation Benefit (SSB) Program. For more detailed information visit: https://www.benefits.va.gov/gibill/mgib_ad.asp.

Category III Benefit Amounts

The full-time institutional training rate is \$2,122 per month for fiscal year 2021. This rate became effective October 1, 2020. Fractional amounts may apply for less than full-time education. Annual increases for Category III are determined by the National Center for Education Statistics' index reflecting the average cost of undergraduate tuition.

Category III Restrictions

Generally, members are eligible to use the benefit up to 10 years after the date of their last discharge. However, if the member's eligibility is based on 2 years of active duty and 4 years in the Selected Reserve, the 10 years begins on the date of release from active duty, or the date of completion of the four-year Selected Reserve obligation, whichever is later.

Restrictions for all Fund Benefits

Members entitled to educational assistance under a program established by the MGIB who are also eligible for assistance under another educational assistance program may not receive assistance under both programs simultaneously; they must choose one or the other.

If a member is eligible for more than one program, they must notify VA in writing which program they intend to use before enrolling in training.

No member may receive basic benefits from any one program for more than 36 months or its equivalent in part-time educational assistance. Excluding transferred benefits, a member may only receive a total of 48 months of benefits from all benefit programs combined.

If a member is eligible for the Post-9/11 GI Bill and another benefit program, they must make an irrevocable election in writing before receiving any Post-9/11 GI Bill benefits. This means they cannot change back to the other program after they receive any Post-9/11 GI Bill benefits.

https://gibill.custhelp.va.gov/app/answers/detail/a_id/523 offers more detailed information.

<https://www.va.gov/gi-bill-comparison-tool> offers some comparison tools for several types of VA education and training benefits.

APPENDIX B – POPULATION DATA

Chapter 30 and 33 “Kicker” Eligibles

	<u>Sept. 30, 2019</u>	<u>Sept. 30, 2020</u>
Army 2-Year	3,195	2,574
Army 3-Year	26,306	24,453
Army 4-Year	49,319	44,564
Army 5-Year	8,390	8,078
Army 6-Year	5,940	5,621
Navy 2-Year	25	25
Navy 3-Year	509	457
Navy 4-Year	29,592	25,175
Marine 4-Year	9,494	8,635
Marine 5-Year	6,429	5,937
Marine 6-Year	78	78
Coast Guard 4-Year	350	350
Total	139,627	125,947
Army	93,150	85,290
Navy	30,126	25,657
Marine Corps	16,001	14,650
Coast Guard	350	350
Total	139,627	125,947

APPENDIX B – POPULATION DATA (cont.)**Chapter 1606 Eligibles**

	<u>Sept. 30, 2019</u>	<u>Sept. 30, 2020</u>
1606 Eligibles, Excluding 33 Eligibles		
Army National Guard	109,172	149,724
Army Reserve	41,182	68,581
Navy Reserve	8,089	6,756
Marine Corps Reserve	18,970	19,728
Air National Guard	12,109	22,484
Air Force Reserve	3,063	4,419
<u>Coast Guard Reserve</u>	<u>346</u>	<u>316</u>
Total	192,931	272,008
Eligible for a \$100 Kicker Benefit		
Army National Guard	53	45
Army Reserve	8,866	16,698
Navy Reserve	0	0
Marine Corps Reserve	0	0
Air National Guard	0	0
Air Force Reserve	0	0
<u>Coast Guard Reserve</u>	<u>0</u>	<u>0</u>
Total	8,919	16,743
Eligible for a \$200 Kicker Benefit		
Army National Guard	40,524	53,133
Army Reserve	11,565	15,307
Navy Reserve	389	724
Marine Corps Reserve	0	0
Air National Guard	0	10
Air Force Reserve	0	2
<u>Coast Guard Reserve</u>	<u>0</u>	<u>0</u>
Total	52,478	69,175
Eligible for a \$350 Kicker Benefit		
Army National Guard	16,712	32,149
Army Reserve	11,123	10,265
Navy Reserve	0	0
Marine Corps Reserve	509	4,776
Air National Guard	27,627	27,365
Air Force Reserve	11,160	10,663
<u>Coast Guard Reserve</u>	<u>0</u>	<u>0</u>
Total	67,131	85,218

APPENDIX C – ASSUMPTIONS AND METHODS

Board Minutes Link

Minutes documenting the Board meetings addressing methods and assumptions for the September 30, 2019 valuation and the September 30, 2020 valuation can be found here:

<https://actuary.defense.gov/External-Links/>

Actuarial Assumptions

Actual experience of the programs will most likely not coincide exactly with assumed experience, regardless of the choice of the assumptions and methodologies. Each valuation provides a complete recalculation of assumed future experience and takes into account past differences between assumed and actual experience. The result is a series of adjustments to the computed expense. The assumptions are modified annually to reflect experience trends, legislative, regulatory, and administrative changes, and future expectations.

General Methodology Notes: Rate Determination

The liabilities for programs depend on rates (e.g., decrements) based mainly on the past 10 years of actual experience. Adjustments to the historical experience are sometimes made when results are based on too few cases or data appears to be unreliable in order to better project future outcomes. Recent years' historical experience is weighted more heavily than older years. For active duty rates, each past year's experience is weighted at 80% of the year it precedes. So, when deriving rates from historical experience, FY 2020 is weighted at 100%. FY 2019 is weighted at 80% of FY 2020. FY 2018 is weighted at 80% of FY 2019, which is 64% ($0.80 * 0.80$) and so on. For reserve rates, each past year's experience is weighted at 60% of the year it precedes. Usage may be adjusted if it is expected to deviate from historical averages when different conditions may be forecast than existed during the time period the historical rates were taken. This year, as in previous years, aggregate model expectations have been adjusted to account for data limitations.

General Methodology Notes: Pre-Funding, Per Capita Amounts, and Liability Calculations

All benefits are pre-funded on an accrual basis except for Category III benefits. For all pre-funded benefits, monthly contributions known as per capita amounts go into the Fund. For all pre-funded benefits with a projected deficit, a portion of the unfunded liability is scheduled to be paid on the first day of the projected fiscal year in order to reduce the deficit. The annual amortization payment and the monthly Per Capita Amounts are collectively referred to in this report as contributions to the Fund.

Per capita amounts are the amounts needed to pay the benefits for qualifying individuals entering the various programs. Per capita amounts reflect the time value of money, the fact that not everyone uses the entire benefit for which they could become eligible, differences between components, and differences between programs. Per capita amounts may be reduced when a component has a projected surplus. In such cases, the per capita amount represents the normal cost reduced for surplus.

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Calculating the actuarial liability is similar to calculating the per capita amounts. For both calculations, we find the expected value of the benefits for those participants eligible to receive benefits in the future, adjusted for the time value of money. However, the per capita amount and the actuarial liability calculations are different in terms of the population involved and the time at which benefits are valued. The per capita amount calculation uses a hypothetical new-entrant cohort of members, whereas the liability calculation uses the actual census population of eligible members as of the valuation date.

Future actuarial measurements may differ significantly from the current measurements due to the following factors: experience differing from that anticipated by the economic and behavior assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in program provisions or applicable law.

General Methodology Notes: Amortization of Unfunded Liability

Unfunded liabilities are amortized over 5 years. Each year, the amortization calculation is given a fresh start based on that year's unfunded liabilities. While this amortization method asymptotically approaches full funding, technically, the fund will not actually reach full funding until many years into the future (well beyond the original amortization period of 5 years).

General Methodology Notes: Normal Cost Calculation

In addition to the approach outlined in the “Methodology” notes above, the normal cost can be derived by multiplying the “Average Benefit Amount” by the “Percent of Benefit Used”, the “Discount Factor”, and 36 months, as detailed in the usage assumptions section. “Average Benefit Amount” is the fixed dollar amount for benefits that are not indexed; for benefits that are indexed, it reflects the effect of future projected increases to the benefit. “Percent of Benefit Used” reflects what portion (of a hypothetical new entrant cohort of members) is projected to become eligible and what percentage of the potential 36-month total entitlement is projected to be used. “Discount Factor” reflects the reduction in the normal cost due to discounting for interest and timing due to when the benefit is used. For example, a discount factor of 0.800 indicates the normal cost is 80% of what it otherwise would be if calculated with a zero interest rate.

Post-9/11 GI Bill Methodology Transferability Note

Transferability has been implemented for Chapter 30 kicker benefits taken with Chapter 33 basic benefits. Members elect transferability at the 6 year-of-service point and can transfer any amount of unused benefits up to the full 36-month entitlement. Members must serve 4 additional years with some exceptions for those nearing retirement (i.e., if additional years would prolong retirement). The costs for transferability are implicit in the Chapter 30 kicker valuation, as usage rates reflect both member and dependent usage.

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 30 & Chapter 1606 Methodology Notes

Adjustments for Data Deficiencies: It was appropriate for the Chapters 30 and 1606 models to compensate for known deficiencies in the available data. Increases to the base models were made as follows:

	<u>Chapter 30</u>	<u>Chapter 1606¹</u>
Army	20%	22%
Army Guard		12%
Navy	39%	43%
Marine Corps	22%	19%
Air Force	N/A	125%
Air Force Guard		18%
<u>Coast Guard²</u>	665%	19%
All Components	23%	19%

Economic Assumptions

The Board, independently of DoD, approves the methods and assumptions used to determine the costs of these programs. In July 2021, the Board approved the following economic assumptions for use in the valuation as of September 30, 2020.

Interest Rate

The Board set the Fund interest rate assumption at 2.5% annually. Below are the Fund’s interest earnings over the past ten years:

	<u>Interest Earnings</u>
FY 2011	4.1%
FY 2012	2.9%
FY 2013	3.2%
FY 2014	2.9%
FY 2015	2.4%
FY 2016	2.6%
FY 2017	3.0%
FY 2018	3.4%
FY 2019	2.7%
FY 2020	1.8%

¹Refers to Reserve component unless specifically labeled as “Guard.”

²Rates for Active Duty Coast Guard use data from other active duty components. Figure shown is amount data would have to be increased if Coast Guard data was used without data from other components.

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Inflation

Annual inflation for the Chapter 1606 basic benefit is calculated, per Section 16131 (b) (2) of Title 10, United States Code, as the percentage increase, rounded to the nearest dollar, of the rate equal to the percentage by which the CPI-W (all items, United States city average) for the 12-month period ending on the June 30 preceding the beginning of the fiscal year for which the increase is made, exceed such CPI for the preceding 12-month period. The ultimate rate of inflation (CPI) is assumed to be 2.1% per year and the select (short-term) rates are given in the table below. These rates are projected using Blue Chip Financial Forecasts. Note that the only benefit covered that is directly adjusted by this CPI index is the Chapter 1606 basic benefit.

			<u>Projected CPI Increase</u>
FY 2021	to	FY 2022	2.6%
FY 2022	to	FY 2023	5.0%
FY 2023	to	FY 2024	2.3%
FY 2024	to	FY 2025	2.4%
FY 2025	to	FY 2026	2.2%
FY 2026	to	FY 2027	2.2%
FY 2027	to	FY 2028	2.2%
FY 2028	to	FY 2029	2.2%

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 30/33 Usage Assumptions

Chapter 30/33 Kicker	<u>Benefit Amount</u>	<u>Percent of Benefit Used</u>	<u>Discount Factor</u>	<u>FY 2023 Normal Cost</u>
Army 2 Year	64.1%	82.0%	\$2,837	64.1%
Army 2 Year	64.5%	82.0%	\$4,759	64.5%
Army 2 Year	64.8%	82.0%	\$6,702	64.8%
Army 2 Year	65.2%	82.1%	\$8,667	65.2%
Army 2 Year	65.5%	82.1%	\$10,652	65.5%
Army 2 Year	65.9%	82.1%	\$12,656	65.9%
Army 2 Year	66.2%	82.1%	\$14,679	66.2%
Army 2 Year	66.5%	82.1%	\$16,718	66.5%
Army 2 Year	66.8%	82.1%	\$18,775	66.8%
Chapter 30/33 Kicker				
Army 3 Year	64.6%	81.3%	\$2,838	64.6%
Army 3 Year	65.0%	81.3%	\$4,757	65.0%
Army 3 Year	65.3%	81.3%	\$6,697	65.3%
Army 3 Year	65.7%	81.4%	\$8,657	65.7%
Army 3 Year	66.0%	81.4%	\$10,635	66.0%
Army 3 Year	66.3%	81.4%	\$12,630	66.3%
Army 3 Year	66.6%	81.4%	\$14,642	66.6%
Army 3 Year	66.9%	81.4%	\$16,671	66.9%
Army 3 Year	67.2%	81.4%	\$18,714	67.2%
Chapter 30/33 Kicker				
Army 4 Year	61.1%	79.9%	\$2,636	61.1%
Army 4 Year	61.5%	79.9%	\$4,419	61.5%
Army 4 Year	61.8%	79.9%	\$6,220	61.8%
Army 4 Year	62.1%	79.9%	\$8,039	62.1%
Army 4 Year	62.4%	79.9%	\$9,875	62.4%
Army 4 Year	62.7%	79.9%	\$11,727	62.7%
Army 4 Year	63.0%	79.9%	\$13,594	63.0%
Army 4 Year	63.3%	79.9%	\$15,475	63.3%
Army 4 Year	63.5%	79.9%	\$17,369	63.5%
Chapter 30/33 Kicker				
Army 5 Year	60.0%	80.3%	\$2,599	60.0%
Army 5 Year	60.2%	80.3%	\$4,352	60.2%
Army 5 Year	60.5%	80.3%	\$6,119	60.5%
Army 5 Year	60.7%	80.3%	\$7,900	60.7%
Army 5 Year	60.9%	80.3%	\$9,694	60.9%
Army 5 Year	61.2%	80.4%	\$11,500	61.2%
Army 5 Year	61.4%	80.4%	\$13,319	61.4%
Army 5 Year	61.6%	80.4%	\$15,149	61.6%
Army 5 Year	61.8%	80.4%	\$16,989	61.8%

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)**Chapter 30/33 Usage Assumptions (cont.)**

	<u>Benefit Amount</u>	<u>Percent of Benefit Used</u>	<u>Discount Factor</u>	<u>FY 2023 Normal Cost</u>
Chapter 30/33 Kicker				
Army 6 Year	\$150	57.8%	79.5%	\$2,479
Army 6 Year	\$250	58.0%	79.5%	\$4,151
Army 6 Year	\$350	58.3%	79.5%	\$5,838
Army 6 Year	\$450	58.5%	79.5%	\$7,538
Army 6 Year	\$550	58.8%	79.5%	\$9,251
Army 6 Year	\$650	59.0%	79.5%	\$10,976
Army 6 Year	\$750	59.2%	79.5%	\$12,714
Army 6 Year	\$850	59.4%	79.5%	\$14,462
Army 6 Year	\$950	59.6%	79.6%	\$16,221
Chapter 30/33 Kicker				
Navy 4 Year	\$150	57.1%	72.9%	\$2,248
Navy 4 Year	\$250	57.4%	73.0%	\$3,772
Navy 4 Year	\$350	57.8%	73.0%	\$5,315
Navy 4 Year	\$450	58.1%	73.1%	\$6,876
Navy 4 Year	\$550	58.4%	73.1%	\$8,454
Navy 4 Year	\$650	58.7%	73.1%	\$10,049
Navy 4 Year	\$750	59.0%	73.2%	\$11,659
Navy 4 Year	\$850	59.3%	73.2%	\$13,284
Navy 4 Year	\$950	59.6%	73.2%	\$14,923
Chapter 30/33 Kicker				
Marine Corps 4 Year	\$150	42.2%	78.8%	\$1,795
Marine Corps 4 Year	\$250	42.6%	78.8%	\$3,020
Marine Corps 4 Year	\$350	42.9%	78.9%	\$4,266
Marine Corps 4 Year	\$450	43.3%	78.9%	\$5,534
Marine Corps 4 Year	\$550	43.6%	79.0%	\$6,821
Marine Corps 4 Year	\$650	44.0%	79.0%	\$8,128
Marine Corps 4 Year	\$750	44.3%	79.1%	\$9,455
Marine Corps 4 Year	\$850	44.6%	79.1%	\$10,799
Marine Corps 4 Year	\$950	44.9%	79.2%	\$12,162
Chapter 30/33 Kicker				
Marine Corps 5 Year	\$150	41.2%	77.3%	\$1,718
Marine Corps 5 Year	\$250	41.5%	77.3%	\$2,891
Marine Corps 5 Year	\$350	41.9%	77.4%	\$4,085
Marine Corps 5 Year	\$450	42.2%	77.4%	\$5,299
Marine Corps 5 Year	\$550	42.6%	77.5%	\$6,532
Marine Corps 5 Year	\$650	42.9%	77.5%	\$7,785
Marine Corps 5 Year	\$750	43.2%	77.6%	\$9,057
Marine Corps 5 Year	\$850	43.6%	77.6%	\$10,346
Marine Corps 5 Year	\$950	43.9%	77.6%	\$11,654

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 30/33 Usage Assumptions (cont.)

	<u>Benefit Amount</u>	<u>Percent of Benefit Used</u>	<u>Discount Factor</u>	<u>FY 2023 Normal Cost</u>
Chapter 30/33 Kicker				
Marine Corps 6 Year	\$150	39.8%	76.2%	\$1,637
Marine Corps 6 Year	\$250	40.1%	76.2%	\$2,750
Marine Corps 6 Year	\$350	40.4%	76.3%	\$3,879
Marine Corps 6 Year	\$450	40.6%	76.3%	\$5,024
Marine Corps 6 Year	\$550	40.9%	76.3%	\$6,184
Marine Corps 6 Year	\$650	41.2%	76.4%	\$7,359
Marine Corps 6 Year	\$750	41.4%	76.4%	\$8,549
Marine Corps 6 Year	\$850	41.7%	76.4%	\$9,752
Marine Corps 6 Year	\$950	41.9%	76.5%	\$10,968
Chapter 30/33 Kicker				
Coast Guard 4 Year	\$150	60.1%	73.2%	\$2,374
Coast Guard 4 Year	\$250	60.4%	73.3%	\$3,985
Coast Guard 4 Year	\$350	60.8%	73.3%	\$5,618
Coast Guard 4 Year	\$450	61.1%	73.4%	\$7,271
Coast Guard 4 Year	\$550	61.5%	73.5%	\$8,945
Coast Guard 4 Year	\$650	61.8%	73.6%	\$10,638
Coast Guard 4 Year	\$750	62.1%	73.7%	\$12,349
Coast Guard 4 Year	\$850	62.4%	73.7%	\$14,079
Coast Guard 4 Year	\$950	62.7%	73.8%	\$15,826

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)**Chapter 1606 Usage Assumptions**

	<u>Average</u>	<u>Percent of</u>	<u>Discount</u>	<u>FY 2023</u>
Chapter 1606 Basic	<u>Benefit Amt</u>	<u>Benefit Used</u>	<u>Factor</u>	<u>Normal Cost</u>
Army National Guard	\$451	11.6%	94.2%	\$1,769
Army Reserve	\$452	6.3%	94.0%	\$969
Navy Reserve	\$456	4.9%	93.1%	\$747
Marine Corps Reserve	\$451	10.8%	94.2%	\$1,651
Air National Guard	\$448	13.6%	94.9%	\$2,081
Air Force Reserve	\$451	5.7%	94.1%	\$865
Coast Guard Reserve	\$449	21.8%	94.7%	\$3,336
Chapter 1606 Kicker - \$100				
Army National Guard	\$100	11.3%	89.2%	\$361
Army Reserve	\$100	13.8%	86.4%	\$427
Navy Reserve	\$100	7.3%	91.4%	\$240
Marine Corps Reserve	\$100	13.0%	94.2%	\$441
Air National Guard	\$100	28.5%	87.6%	\$896
Air Force Reserve	\$100	31.1%	87.9%	\$981
Coast Guard Reserve	\$100	27.3%	90.9%	\$892
Chapter 1606 Kicker - \$200				
Army National Guard	\$200	11.8%	90.6%	\$768
Army Reserve	\$200	14.3%	87.4%	\$900
Navy Reserve	\$200	6.8%	90.6%	\$445
Marine Corps Reserve	\$200	10.9%	93.9%	\$733
Air National Guard	\$200	26.5%	88.0%	\$1,678
Air Force Reserve	\$200	26.6%	87.5%	\$1,671
Coast Guard Reserve	\$200	26.5%	90.9%	\$1,733
Chapter 1606 Kicker - \$350				
Army National Guard	\$350	9.9%	90.0%	\$1,122
Army Reserve	\$350	18.2%	88.6%	\$2,020
Navy Reserve	\$350	6.0%	90.7%	\$683
Marine Corps Reserve	\$350	11.3%	93.9%	\$1,334
Air National Guard	\$350	24.2%	87.7%	\$2,669
Air Force Reserve	\$350	30.6%	85.7%	\$3,304
Coast Guard Reserve	\$350	28.1%	90.4%	\$3,196

APPENDIX D – FUND HISTORY¹

(\$ in millions)

Chapter 30 & 33 Kicker**Contributions**

<u>FY</u>	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Coast Guard</u>	<u>Total</u>
2011	\$35.9	\$19.9	\$11.6	\$0.1	\$67.5
2012	\$13.6	\$19.7	\$4.9	\$0.1	\$38.3
2013	\$0.0	\$22.9	\$3.2	\$0.4	\$26.5
2014	\$0.0	\$18.2	\$2.4	\$0.4	\$20.9
2015	\$0.0	\$20.2	\$7.0	\$0.3	\$27.5
2016	\$4.4	\$19.2	\$9.6	\$0.3	\$33.5
2017	\$0.3	\$16.3	\$7.1	\$0.3	\$23.9
2018	\$15.9	\$16.6	\$8.6	\$0.2	\$41.3
2019	\$0.8	\$12.0	\$4.7	\$0.0	\$17.5
2020	\$5.9	\$8.7	\$3.6	\$0.0	\$18.2

Benefit Payments

<u>FY</u>	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Coast Guard</u>	<u>Total</u>
2011	\$39.7	\$28.0	\$13.3	\$0.1	\$81.2
2012	\$56.4	\$30.1	\$16.9	\$0.1	\$103.6
2013	\$71.8	\$27.8	\$19.7	\$0.2	\$119.5
2014	\$84.9	\$24.8	\$20.5	\$0.1	\$130.4
2015	\$86.1	\$21.9	\$19.6	\$0.1	\$127.7
2016	\$82.2	\$18.7	\$17.2	\$0.1	\$118.1
2017	\$72.2	\$14.7	\$14.0	\$0.1	\$101.0
2018	\$61.9	\$12.9	\$10.9	\$0.1	\$85.8
2019	\$50.5	\$11.3	\$8.6	\$0.1	\$70.5
2020	\$39.6	\$9.4	\$6.2	\$0.1	\$55.3

¹The breakouts (by component and program) show OACT's internal allocation of the Fund. There is only one Education Benefits Fund.

APPENDIX D – FUND HISTORY (cont.)

(\$ in millions)

Chapter 30 & 33 Kicker**Interest**

<u>FY</u>	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Coast Guard</u>	<u>Total</u>
2011	\$29.2	\$2.4	\$4.1	\$0.0	\$35.8
2012	\$21.0	\$1.6	\$2.9	\$0.0	\$25.5
2013	\$21.9	\$1.6	\$2.8	\$0.0	\$26.3
2014	\$17.9	\$1.2	\$2.1	\$0.0	\$21.2
2015	\$13.0	\$0.9	\$1.4	\$0.0	\$15.4
2016	\$12.5	\$1.0	\$1.4	\$0.0	\$15.0
2017	\$12.4	\$1.2	\$1.4	\$0.0	\$15.0
2018	\$12.7	\$1.5	\$1.5	\$0.0	\$15.7
2019	\$9.2	\$1.2	\$1.1	\$0.0	\$11.5
2020	\$5.6	\$0.9	\$0.7	\$0.0	\$7.3

End of Year Fund Balance

<u>FY</u>	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Coast Guard</u>	<u>Total</u>
2011	\$729.4	\$47.4	\$101.8	-\$0.1	\$878.5
2012	\$707.6	\$38.6	\$92.7	-\$0.1	\$838.7
2013	\$657.1	\$35.2	\$79.0	\$0.1	\$771.5
2014	\$589.6	\$29.9	\$62.9	\$0.4	\$682.8
2015	\$516.6	\$29.1	\$51.8	\$0.6	\$598.1
2016	\$451.3	\$30.7	\$45.6	\$0.8	\$528.4
2017	\$391.8	\$33.5	\$40.1	\$1.0	\$466.4
2018	\$358.5	\$38.6	\$39.2	\$1.2	\$437.6
2019	\$317.9	\$40.5	\$36.4	\$1.2	\$396.0
2020	\$293.0	\$46.6	\$34.5	\$1.2	\$375.1

APPENDIX D – FUND HISTORY (cont.)

(\$ in millions)

Chapter 1606 Basic & Kicker**Contributions**

<u>FY</u>	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
2011	\$62.6	\$29.3	\$2.3	\$8.2	\$31.3	\$11.4	\$1.6	\$146.8
2012	\$28.8	\$22.8	\$1.5	\$6.6	\$28.4	\$14.6	\$0.4	\$103.1
2013	\$49.3	\$19.1	\$0.7	\$4.7	\$29.9	\$12.2	\$0.0	\$115.9
2014	\$14.2	\$6.7	\$0.4	\$1.2	\$16.0	\$3.4	\$0.4	\$42.2
2015	\$13.0	\$9.9	\$0.0	\$0.6	\$21.3	\$3.7	\$0.0	\$48.7
2016	\$13.4	\$8.9	\$0.0	\$0.4	\$11.0	\$2.4	\$0.0	\$36.1
2017	\$1.3	\$5.4	\$0.2	\$0.8	\$10.3	\$1.5	\$0.0	\$19.6
2018	\$66.3	\$32.4	\$0.1	\$3.9	\$20.8	\$2.9	\$0.0	\$126.3
2019	\$113.9	\$25.4	\$0.0	\$6.5	\$22.9	\$1.6	\$0.0	\$170.2
2020	\$83.1	\$23.5	\$0.7	\$2.9	\$11.5	\$2.0	\$0.0	\$123.7

Benefit Payments

<u>FY</u>	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
2011	\$89.7	\$49.1	\$4.5	\$6.7	\$28.7	\$8.1	\$0.4	\$187.3
2012	\$84.5	\$50.0	\$4.3	\$6.2	\$27.5	\$8.7	\$0.3	\$181.5
2013	\$79.8	\$49.5	\$4.5	\$7.4	\$25.9	\$9.1	\$0.3	\$176.6
2014	\$77.2	\$45.5	\$4.9	\$8.3	\$24.7	\$9.8	\$0.4	\$170.9
2015	\$75.4	\$40.6	\$5.2	\$9.3	\$24.5	\$9.6	\$0.5	\$165.1
2016	\$72.8	\$34.9	\$5.1	\$9.6	\$25.6	\$8.5	\$0.4	\$156.8
2017	\$67.8	\$32.1	\$4.9	\$9.6	\$25.4	\$7.0	\$0.3	\$147.1
2018	\$59.8	\$27.5	\$4.5	\$9.2	\$24.2	\$6.0	\$0.2	\$131.4
2019	\$57.6	\$26.2	\$4.1	\$8.4	\$24.1	\$5.3	\$0.2	\$125.9
2020	\$58.5	\$26.2	\$3.6	\$7.7	\$23.2	\$5.3	\$0.1	\$124.6

APPENDIX D – FUND HISTORY (cont.)

(\$ in millions)

Chapter 1606 Basic & Kicker**Interest**

<u>FY</u>	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
2011	\$17.4	\$10.4	\$1.0	\$2.3	\$3.1	\$1.2	\$0.1	\$35.6
2012	\$11.8	\$7.1	\$0.8	\$1.8	\$3.1	\$1.5	\$0.1	\$26.2
2013	\$12.0	\$7.2	\$0.9	\$2.0	\$3.4	\$1.9	\$0.1	\$27.6
2014	\$9.7	\$5.2	\$0.8	\$1.7	\$2.6	\$1.7	\$0.1	\$21.7
2015	\$8.1	\$3.5	\$0.5	\$1.2	\$2.0	\$1.2	\$0.1	\$16.8
2016	\$8.1	\$3.9	\$0.9	\$1.4	\$2.4	\$1.7	\$0.1	\$18.6
2017	\$8.6	\$4.1	\$0.9	\$1.4	\$2.6	\$1.9	\$0.1	\$19.7
2018	\$9.2	\$4.5	\$1.0	\$1.4	\$2.7	\$2.1	\$0.1	\$21.0
2019	\$8.7	\$3.8	\$0.7	\$1.1	\$2.3	\$1.6	\$0.1	\$18.3
2020	\$6.6	\$2.6	\$0.4	\$0.7	\$1.4	\$1.1	\$0.1	\$12.8

End of Year Fund Balance

<u>FY</u>	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
2011	\$424.4	\$254.0	\$25.0	\$59.8	\$76.1	\$30.8	\$3.2	\$873.4
2012	\$380.5	\$234.0	\$27.7	\$62.0	\$106.0	\$55.0	\$4.1	\$869.2
2013	\$362.0	\$210.8	\$28.0	\$61.3	\$107.8	\$59.9	\$4.4	\$834.2
2014	\$308.7	\$163.3	\$24.2	\$55.9	\$85.9	\$55.1	\$4.5	\$697.6
2015	\$317.5	\$136.2	\$19.6	\$48.4	\$84.7	\$50.5	\$4.0	\$660.9
2016	\$285.1	\$138.0	\$33.3	\$51.2	\$87.8	\$65.1	\$4.2	\$664.8
2017	\$262.4	\$126.5	\$30.4	\$44.5	\$80.6	\$62.9	\$4.1	\$611.3
2018	\$282.6	\$137.4	\$26.9	\$40.6	\$80.7	\$61.8	\$4.0	\$634.0
2019	\$348.4	\$140.5	\$23.6	\$39.8	\$81.9	\$59.9	\$3.9	\$698.1
2020	\$376.9	\$139.7	\$21.0	\$35.6	\$71.4	\$57.4	\$3.9	\$705.8

APPENDIX D – FUND HISTORY (cont.)

(\$ in millions)

Chapter 1607**Contributions**

<u>FY</u>	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
2011	\$34.2	\$0.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$35.0
2012	\$27.9	\$5.4	\$0.0	\$5.4	\$0.7	\$0.4	\$0.0	\$39.8
2013	\$23.0	\$5.7	\$0.0	\$0.4	\$2.0	\$0.7	\$0.0	\$31.8
2014	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1
2015	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
2016	\$1.5	\$0.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2.0
2017	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
2018	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
2019	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
2020	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Benefit Payments

<u>FY</u>	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
2011	\$72.0	\$22.9	\$1.4	\$4.4	\$7.2	\$3.5	\$0.2	\$111.6
2012	\$54.0	\$15.8	\$1.0	\$2.8	\$4.4	\$1.9	\$0.1	\$80.0
2013	\$48.7	\$13.3	\$0.8	\$1.9	\$4.0	\$1.5	\$0.1	\$70.2
2014	\$39.5	\$11.0	\$0.7	\$1.3	\$3.5	\$1.1	\$0.1	\$57.2
2015	\$27.0	\$8.5	\$0.6	\$0.8	\$3.0	\$0.8	\$0.1	\$40.8
2016	\$13.2	\$4.4	\$0.4	\$0.3	\$1.9	\$0.5	\$0.0	\$20.8
2017	\$4.8	\$1.6	\$0.1	\$0.1	\$0.7	\$0.2	\$0.0	\$7.5
2018	\$2.1	\$0.6	\$0.1	\$0.1	\$0.4	\$0.1	\$0.0	\$3.3
2019	\$0.8	\$0.2	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$1.2
2020	\$2.9	\$1.0	\$0.1	\$0.2	\$0.3	\$0.2	\$0.0	\$4.8

APPENDIX D – FUND HISTORY (cont.)

(\$ in millions)

Chapter 1607**Interest**

<u>FY</u>	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
2011	\$10.2	\$2.8	\$1.1	\$0.5	\$1.7	\$1.6	\$0.1	\$18.1
2012	\$6.7	\$1.6	\$0.7	\$0.4	\$0.3	\$0.7	\$0.0	\$10.4
2013	\$6.8	\$1.6	\$0.6	\$0.4	\$0.5	\$0.7	\$0.0	\$10.6
2014	\$5.3	\$1.6	\$0.6	\$0.4	\$0.8	\$0.6	\$0.0	\$9.2
2015	\$2.1	\$1.1	\$0.5	\$0.3	\$0.6	\$0.5	\$0.0	\$5.1
2016	\$1.4	\$0.4	\$0.0	\$0.0	\$0.2	\$0.1	\$0.0	\$2.1
2017	\$0.3	\$0.1	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.5
2018	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2
2019	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
2020	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

End of Year Fund Balance

<u>FY</u>	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
2011	\$237.6	\$60.6	\$28.0	\$11.2	\$38.7	\$39.7	\$1.9	\$417.7
2012	\$218.2	\$51.8	\$23.0	\$14.2	\$9.5	\$22.1	\$1.2	\$339.9
2013	\$199.3	\$45.8	\$19.6	\$13.1	\$13.5	\$22.0	\$0.7	\$314.0
2014	\$165.0	\$50.2	\$19.5	\$12.2	\$26.7	\$21.6	\$0.6	\$295.9
2015	\$77.2	\$42.8	\$19.3	\$11.8	\$24.2	\$21.3	\$0.6	\$197.3
2016	\$47.9	\$15.5	\$1.1	\$0.9	\$7.3	\$1.9	\$0.1	\$74.6
2017	\$8.2	\$2.9	\$0.2	\$0.2	\$1.4	\$0.3	\$0.0	\$13.2
2018	\$1.7	\$0.8	\$0.1	\$0.1	\$0.4	\$0.1	\$0.0	\$3.3
2019	\$0.1	\$0.3	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.6
2020	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

APPENDIX D – FUND HISTORY (cont.)

(\$ in thousands)

Category III**Contributions**

<u>FY</u>	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Coast Guard</u>	<u>Total</u>
2011	\$854.2	\$1,216.4	\$93.4	\$403.3	\$0.2	\$2,567.4
2012	\$696.9	\$937.0	\$87.9	\$339.9	\$0.8	\$2,062.5
2013	\$525.9	\$606.7	\$23.9	\$209.5	\$17.0	\$1,383.0
2014	\$448.2	\$299.0	\$23.8	\$230.8	\$13.8	\$1,015.6
2015	\$267.8	\$166.3	\$33.1	\$184.8	\$20.5	\$672.4
2016	\$435.8	\$222.4	\$33.1	\$79.0	\$20.7	\$791.0
2017	\$272.8	\$192.6	\$0.0	\$100.0	\$8.0	\$573.4
2018	\$170.7	\$42.4	\$7.0	\$79.4	\$0.0	\$299.5
2019	\$58.4	\$4.5	\$1.4	\$27.6	\$0.0	\$91.9
2020	\$56.7	\$6.6	\$4.9	\$6.1	\$0.0	\$74.3

Benefit Payments

<u>FY</u>	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Coast Guard</u>	<u>Total</u>
2011	\$686.6	\$926.7	\$84.5	\$337.4	\$4.0	\$2,035.2
2012	\$528.0	\$600.3	\$17.4	\$208.6	\$14.0	\$1,354.4
2013	\$416.1	\$293.7	\$43.5	\$240.2	\$14.2	\$993.6
2014	\$304.2	\$192.7	\$16.6	\$153.7	\$20.1	\$667.2
2015	\$409.7	\$203.7	\$24.3	\$103.2	\$20.5	\$740.9
2016	\$256.2	\$171.2	\$7.2	\$86.7	\$5.2	\$521.3
2017	\$161.7	\$55.4	\$8.0	\$76.2	\$0.0	\$301.2
2018	\$69.1	\$12.1	\$6.9	\$28.7	\$0.0	\$116.7
2019	\$51.8	\$4.9	\$0.3	\$13.1	\$0.0	\$70.1
2020	\$17.4	(\$5.5)	\$0.0	\$11.7	\$0.0	\$23.5

APPENDIX D – FUND HISTORY (cont.)

(\$ in thousands)

Category III**Interest**

<u>FY</u>	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Coast Guard</u>	<u>Total</u>
2011	(\$12.7)	(\$16.4)	(\$1.7)	(\$6.0)	(\$0.1)	(\$36.8)
2012	(\$7.1)	(\$7.6)	(\$0.3)	(\$2.7)	(\$0.3)	(\$17.8)
2013	(\$6.5)	(\$4.0)	(\$0.5)	(\$3.6)	(\$0.2)	(\$14.5)
2014	(\$3.6)	(\$2.2)	(\$0.7)	(\$2.4)	(\$0.3)	(\$8.8)
2015	(\$5.0)	(\$2.6)	(\$0.2)	(\$0.8)	(\$0.3)	(\$8.6)
2016	(\$3.1)	(\$2.0)	\$0.2	(\$1.3)	(\$0.1)	(\$6.3)
2017	(\$1.9)	(\$0.2)	\$0.0	(\$1.0)	\$0.0	(\$3.1)
2018	(\$0.5)	\$0.0	(\$0.1)	(\$0.3)	\$0.0	(\$0.8)
2019	(\$0.5)	(\$0.1)	(\$0.1)	(\$0.1)	\$0.0	(\$0.8)
2020	\$0.0	\$0.1	\$0.0	(\$0.2)	\$0.0	(\$0.1)

End of Year Fund Balance

<u>FY</u>	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Coast Guard</u>	<u>Total</u>
2011	(\$698.3)	(\$923.8)	(\$89.2)	(\$338.6)	(\$4.3)	(\$2,049.9)
2012	(\$536.5)	(\$594.8)	(\$19.0)	(\$210.1)	(\$17.7)	(\$1,360.5)
2013	(\$433.2)	(\$285.9)	(\$39.0)	(\$244.4)	(\$15.1)	(\$1,002.5)
2014	(\$292.8)	(\$181.8)	(\$32.4)	(\$169.7)	(\$21.7)	(\$676.8)
2015	(\$439.8)	(\$221.8)	(\$23.9)	(\$88.9)	(\$22.0)	(\$774.4)
2016	(\$263.4)	(\$172.7)	\$2.1	(\$97.8)	(\$6.6)	(\$531.7)
2017	(\$154.2)	(\$35.6)	(\$5.9)	(\$74.9)	\$1.4	(\$270.6)
2018	(\$53.1)	(\$5.2)	(\$5.8)	(\$24.5)	\$1.4	(\$88.6)
2019	(\$47.0)	(\$5.6)	(\$4.8)	(\$10.0)	\$1.5	(\$67.5)
2020	(\$7.7)	\$6.5	\$0.1	(\$15.8)	\$1.5	(\$16.8)

APPENDIX E – LEGISLATIVE HISTORY

Background

Chapter 34 of Title 38 covers service back to 1955. The immediate predecessor of the Montgomery GI Bill (MGIB) was the VEAP. It is covered by Chapter 32 of Title 38 and provides education benefits for those who first entered active duty between January 1, 1977, and June 30, 1985.

The MGIB provides education benefits for those entering the armed forces beginning July 1, 1985. It is called the Montgomery GI Bill after Congressman Sonny Montgomery, who was instrumental in passing the legislation. MGIB was codified in Chapter 1606 and Chapter 1607 of Title 10, and in Chapter 30 and Chapter 33 of Title 38. Chapter 1606 and Chapter 1607, which has since been sunset, cover reservists. Chapter 30 and Chapter 33 cover active duty (or former active duty) members and reservists called to active service.

Title 38 covers veteran benefits and the MGIB benefits for active duty members are generally used after members become veterans. Title 10, on the other hand, covers the armed forces, and reservists generally use their MGIB benefits while they are still members of the Selected Reserve (i.e., where they attend monthly drills, annual training, etc.).

Beginning in 1991, subsequent legislation required that basic Chapter 30 benefits be paid from the Fund for veterans who entered service in the VEAP era and were permitted to enroll in the MGIB as a consequence of involuntary separation or acceptance of a VSI or SSB benefit. In this case, the basic Chapter 30 benefits are paid by the Fund. These benefits are not pre-funded and are paid by a series of annual contributions. These benefit amounts are referred to in this report as Category III.

Transferability test programs were offered under Section 3020 of Title 38 to approximately 100 Air Force and 400 Army active duty members, where members who have been in the service for six years and agree to stay for four more years can transfer part of their Chapter 30 eligibility for benefits to a dependent. This program is partly paid by the VA and partly by the Fund. The part paid by the Fund is pre-funded by a normal cost mechanism on an accrual basis.

Transferability is currently offered to all Chapter 33 participants where members who have been in the service for six years and agree to stay for four more years can transfer part of their Chapter 30 eligibility for benefits to a dependent.

Major Amendment History

Public Law 101-510 (November 5, 1990) allows active members involuntarily separated after February 2, 1991 with honorable discharges to enroll in the MGIB. Those who entered the service during the post-Vietnam era (January 1, 1977, through June 30, 1985) have their basic benefits paid from the Fund. Those who entered after June 30, 1985 have their basic benefits paid from other funds by VA. Those who entered prior to January 1, 1977, and who because of discontinuous service are not already enrolled in the MGIB also have their basic benefits paid by VA. The eligible involuntary separatees would receive the basic MGIB benefit, but not the "kicker" benefit.

APPENDIX E – LEGISLATIVE HISTORY (cont.)

Major Amendment History (cont.)

Public Law 102-25 (April 6, 1991) temporarily increased the Chapter 30 (active) basic benefit to \$275 per month for 2-year enlistments (formerly \$250) and \$350 per month for 3- and 4-year enlistments (formerly \$300), effective October 1, 1991. The Chapter 1606 (reserve) benefit was increased to \$170 per month (formerly \$140), effective October 1, 1991.

Public Law 102-568 (October 29, 1992) permanently increased the basic Chapter 30 benefit to \$400 per month for 3- and 4-year programs and \$325 per month for 2-year programs, beginning April 1, 1993. In addition, the benefit was automatically increased by the CPI each October, beginning October 1, 1993. Public Law 102-568 also increased the Chapter 1606 benefit to \$190 per month, beginning on April 1, 1993, and provided automatic CPI indexing for the Chapter 1606 benefit. The CPI indexing is to be based on a year ending with the June CPI that precedes the October increase, compared to the previous June. Informally, VA, the Office of Management and Budget, and DoD have decided (1) to use the CPI-W for this purpose, (2) to construct the multiplier by adding twelve months of CPI-W ending in the June prior to the increase and dividing by the sum of twelve months of CPI-W ending with the preceding June, (3) to round the multiplier to the nearest 1/10th of one percent for full cost-of-living adjustments (COLAs) and the nearest 1/100th of one percent for reduced COLAs, and (4) to compute the Chapter 1606 and Chapter 30 basic benefit to the nearest penny. Public Law 102-568 (October 29, 1992) increased the basic Chapter 30 benefits of those who enlisted in 2-year programs, but served three or more years. Their benefits are now identical to those whose initial enlistment was for three or more years. This has no effect on the “kicker” amounts.

The kicker benefit is not directly affected by either Public Law 102-25 nor Public Law 102-568. However, the Army, with DoD approval, modified their kicker amounts, effective April 1, 1993, so that the total of basic and kicker benefits for 36 months would equal \$20,000, \$25,000, and \$30,000, respectively, for the 2-, 3-, and 4-year programs. The effect of this was to increase the 2- and 4-year kicker benefits, effective April 1, 1993, while decreasing the 3-year kicker benefit. Effective August 1, 1993, the Marine Corps, which began a 4-year kicker program January 1, 1993, raised the amount to that of the Army 4-year program. Effective May 1, 1994, the Navy also switched to this procedure for their 4-year program and added a 3-year program that also follows this procedure. For the near future, the kicker benefits would fall whenever the basic benefits increased, since the \$20,000, \$25,000, and \$30,000 totals of basic and kicker would remain constant. The maximum benefit would actually be larger than the \$20,000, \$25,000, and \$30,000, respectively, however. This occurred because the time of enrollment in a kicker program is what determined the benefit, but the time of benefit use (i.e. going to school) is what determined the basic benefit level.

Public Law 102-484 (October 23, 1992) treats separatees in the SSB and VSI programs in the same way that involuntary separatees were treated under Public Law 101-510. That is, they can enroll in the MGIB. If they entered the service in the post-Vietnam era, their basic benefits are paid from the Fund. Persons separating under VSI or SSB prior to enactment are also eligible to enroll.

Public Law 102-484 also waived the continued service requirement for Chapter 1606 eligibility for persons involuntarily separated from the Selected Reserve during the period October 1, 1991 through September 30, 1995.

APPENDIX E – LEGISLATIVE HISTORY (cont.)

Major Amendment History (cont.)

Public Law 103-66 (August 10, 1993) eliminated the October 1, 1993, COLA and reduced the October 1, 1994, COLA to one-half the value it would have been.

Public Law 103-160 (November 30, 1993) provided graduate school education under Chapter 1606. The benefit is still limited to 36 full-time months or their equivalent.

Public Law 104-106 (February 10, 1996) permits a supplement beyond the reserve basic MGIB benefit for persons with critical occupational skills or in critical units. It provides up to an additional \$350 per month under Chapter 1606 for persons who meet this criteria, at the discretion of the Secretary of Defense.

Public Law 105-178 (June 9, 1998) increased basic benefits in both the Chapter 30 and Chapter 1606 programs by 20% beginning in FY 1999. This is in lieu of the cost-of-living increase, rather than in addition to it. Normal CPI increases resumed in FY 2000. The 20% increase does not apply to the kicker amounts. However, for Chapter 30, the practice of solving for the kicker amount [using $\text{kicker} = (\text{advertised amount} - 36 * \text{basic monthly amount})/36$] means that groups entering in FY 1999 will have lower kickers for a given advertised amount, such as \$40,000. Public Law 105-178 also caused the basic monthly amount to be rounded to the nearest dollar.

Public Law 105-261 (October 17, 1998) increased the kicker limit to \$950 per month, effective October 1, 1998.

Public Law 106-65 (October 5, 1999) made it possible for the Coast Guard to fund their Chapter 30 kicker benefits from the Fund.

Public Law 106-419 (November 1, 2000) increased the Chapter 30 basic MGIB benefits to \$528 per month for 2-year programs and to \$650 per month for programs of 3 or more years of active service. Section 102 of the bill also made eligible those in both the Chapter 30 and Chapter 1606 programs who completed the educational prerequisites (such as being a high-school graduate), but not before completing their obligated service (in the case of Chapter 30) or not before completing initial active duty training (in the case of Chapter 1606). Section 103 reduced the obligated service needed for full benefits for some types of separations from three years to two years.

Public Law 107-103 (December 27, 2001) increased the Chapter 30 basic MGIB benefits to \$650 per month for 2-year programs and \$800 per month for programs of 3 or more years of active service. These increases were effective January 1, 2002. The law also increased the monthly full-time benefits on October 1, 2002 to \$732 (for 2-year programs) and to \$900 (for programs of 3 or more years of active service). The law further increased the monthly full-time benefits on October 1, 2003 to \$800 (for 2-year programs) and to \$985 (for programs of 3 or more years of active service).

APPENDIX E – LEGISLATIVE HISTORY (cont.)

Major Amendment History (cont.)

Public Law 107-107 (December 28, 2001) permits transferring entitlement of MGIB benefits to dependents in certain conditions. Under the Secretary of Defense's discretion, those with critical military skills may transfer up to 18 months of benefits to one or more dependents. The military members transferring benefits must have served six years and agree to serve another four. A spouse can use the benefit immediately, but a child has to wait until the member has completed ten years of service. The law requires that the additional present value of the benefit for increased usage be contributed to the Fund on a monthly basis as new takers agree to serve an additional four years for the transferability benefit.

Public Law 107-314 (December 2, 2002) extended the eligibility period for using Chapter 1606 benefits from 10 to 14 years (given that the member is still in the Selected Reserve).

Public Law 108-183 (December 16, 2003) removed the rounding on Chapter 30 benefits so that Chapter 30 benefits are now rounded to the nearest cent.

Public Law 108-375 (October 28, 2004) created Chapter 1607, which provided educational assistance to members of the reserve components called or ordered to active service in response to a war or national emergency. Eligible members received benefits based on their longest continuous length of service. Benefits ranged from 40% to 80% of MGIB-AD.

Public Law 108-454 (December 10, 2004) provided education benefits for the payment of national admissions exams and national exams for credit at institutions of higher learning under Chapter 30.

Public Law 109-163 (January 6, 2006) provided that licensing and certification tests are payable under Chapters 1606 and 1607 of Title 10, United States Code. Entitlement for licensing and certification tests taken under Chapters 1606 and 1607 are charged by dividing the amount paid for the test by the member's full-time rate, less any kicker the member would receive. Section 540 provided that a member could have a break in Selected Reserve service of up to 90 days and still receive Chapter 1607 benefits as long as the member remained in the Ready Reserve during and after the break. DoD and the Department of Homeland Security (for Coast Guard cases) determined eligibility under Chapter 1607 and administered the provision. Section 545 amended Title 10 to explicitly state that VA is to administer the two education incentive benefits provided by the National Call to Service program. (These two incentive programs are an education allowance equal to the chapter 30 3-year rate payable of up to 12 months or equal to one-half the chapter 30 2-year rates payable up to 36 months.)

Public Law 109-461 (December 22, 2006) requires VA and DoD to submit separate biennial reports to Congress on education benefits beginning 180 days after December 22, 2006 (date of enactment of this Act) and ending January 1, 2011.

APPENDIX E – LEGISLATIVE HISTORY (cont.)

Major Amendment History (cont.)

Public Law 110-181 (January 28, 2008), commonly referred to as “NDAA 08”, made the following changes: (1) allowed reservists who were otherwise eligible for the MGIB-SR or REAP to receive accelerated payments for a non-degree program lasting 2 years or less, (2) made the REAP 80% rate available to anyone who was mobilized for at least 2 continuous years of active duty OR who served multiple mobilizations totaling 3 years or more, (3) created a \$600 buy-up program for REAP participants, (4) modified ending dates for REAP participants separated from the Selected Reserve and for MGIB-SR participants separated involuntarily, and (5) expanded REAP eligibility to anyone having a break in service (regardless of length) as long as they continued to serve in another component of the Ready Reserve (such as IRR or ING) during the break in service.

Public Law 110-252 (June 30, 2008), commonly referred to as the “Post-9/11 GI Bill”, is the most comprehensive education legislation since the original GI Bill. The Post-9/11 GI Bill created a new benefit structure including benefits for tuition, housing, books, and moving expenses. Any member who served 90 consecutive days on active duty in the Armed Forces (including reserve and guard components) since September 11, 2001 is eligible. Benefit levels are determined by cumulative service with 3 years of cumulative service receiving 100% of benefits. Members with at least 6 years of active duty can transfer benefits to their spouse and/or children if they complete an additional service period of at least 4 years. The legislation also removed the 14-year eligibility period for Chapter 1606 eligibles (except in the case of disability or involuntary separation, in which case the VA interpretation is that the 14-year eligibility period still applies).

Public Law 111-377 (January 4, 2011), commonly referred to as the Post 9/11 Veterans Educational Assistance Improvements Act of 2010 allowed National Guard members to use Title 32 service for Post-9/11 GI Bill benefits, placed a \$17,500 cap on annual tuition and fees for non-public institutions, and created a funding priority structure that makes the Post-9/11 GI bill paid after any federal, state, institutional, or employer-based aid.

Public Law 114-92 (November 25, 2015), commonly referred to as the National Defense Authorization Act of 2016 ended REAP on November 25, 2015. Individuals remained eligible for REAP benefits until November 25, 2019.

Public Law 115-48 (August 16, 2017), known as the Harry W. Colmery Veterans Educational Assistance Act (H.R. 3218) or also as the "Forever GI Bill" made the following changes; (1) reservists who had eligibility under the REAP and lost it due to the program sunset provision will receive credit toward establishing eligibility under the Post-9/11 GI Bill, (2) the 15-year time limitation for using the Post-9/11 GI Bill for Veterans who left active duty on or after January 1, 2013 has been eliminated, and (3) Servicemembers and honorably discharged Veterans who were awarded a Purple Heart on or after September 11, 2001 will be entitled to Post-9/11 GI Bill benefits at the 100-percent benefit level for up to 36 months.

APPENDIX F – BENEFIT PAYMENT PROJECTIONS

(\$ in Millions)

FY	Per Capitas	Amorts	Interest	Benefits	Transfers	BOY Fund	BOY UFL	BOY Liab	Net Cash Flow
<u>All Programs</u>									
2021	\$82.9	\$5.4	\$26.3	\$139.5	\$0.0	\$1,080.9	(\$476.6)	\$604.3	(\$24.9)
2022	\$86.8	\$1.6	\$25.9	\$145.8	\$0.0	\$1,055.9	(\$488.0)	\$567.9	(\$31.4)
2023	\$39.3	\$0.5	\$24.5	\$149.5	\$0.0	\$1,024.5	(\$472.1)	\$552.5	(\$85.2)
2024	\$54.6	\$0.4	\$22.6	\$146.2	\$0.0	\$939.3	(\$408.4)	\$530.9	(\$68.6)
2025	\$67.9	\$0.4	\$21.1	\$143.6	\$0.0	\$870.7	(\$356.3)	\$514.3	(\$54.3)
2026	\$77.9	\$0.3	\$19.8	\$143.0	\$0.0	\$816.4	(\$314.2)	\$502.2	(\$45.0)
2027	\$86.3	\$0.2	\$18.8	\$143.3	\$0.0	\$771.5	(\$280.1)	\$491.3	(\$38.0)
2028	\$93.2	\$0.2	\$17.9	\$144.7	\$0.0	\$733.4	(\$252.5)	\$480.9	(\$33.3)
2029	\$99.1	\$0.2	\$17.2	\$146.3	\$0.0	\$700.1	(\$230.2)	\$469.9	(\$29.9)
2030	\$104.5	\$0.1	\$16.5	\$148.6	\$0.0	\$670.2	(\$212.1)	\$458.1	(\$27.6)
2031	\$109.3	\$0.1	\$15.8	\$151.1	\$0.0	\$642.6	(\$197.9)	\$444.8	(\$25.9)
<u>Chapter 30 & 33 Kickers</u>									
2021	\$0.0	\$5.3	\$7.6	\$43.7	\$0.0	\$375.1	(\$83.5)	\$291.6	(\$30.8)
2022	\$0.0	\$1.6	\$8.2	\$38.2	(\$0.0)	\$344.4	(\$92.2)	\$252.2	(\$28.4)
2023	\$0.0	\$0.5	\$7.5	\$33.3	(\$0.1)	\$316.0	(\$96.1)	\$219.9	(\$25.3)
2024	\$0.0	\$0.4	\$7.0	\$28.5	(\$0.0)	\$290.8	(\$99.0)	\$191.7	(\$21.1)
2025	\$0.0	\$0.4	\$6.5	\$24.3	(\$0.0)	\$269.7	(\$101.9)	\$167.8	(\$17.5)
2026	\$0.0	\$0.3	\$6.1	\$21.0	(\$0.0)	\$252.2	(\$104.8)	\$147.4	(\$14.7)
2027	\$0.0	\$0.2	\$5.7	\$18.6	(\$0.0)	\$237.5	(\$107.8)	\$129.8	(\$12.6)
2028	\$0.0	\$0.2	\$5.4	\$17.1	\$0.0	\$224.9	(\$110.7)	\$114.2	(\$11.4)
2029	\$0.0	\$0.2	\$5.2	\$15.8	\$0.0	\$213.4	(\$113.6)	\$99.8	(\$10.5)
2030	\$0.0	\$0.1	\$4.9	\$14.9	\$0.0	\$203.0	(\$116.6)	\$86.3	(\$9.8)
2031	\$0.0	\$0.1	\$4.7	\$13.7	\$0.0	\$193.1	(\$119.7)	\$73.4	(\$8.9)
<u>Chapter 1606 Basic & Kickers</u>									
2021	\$82.9	\$0.0	\$18.7	\$95.7	\$0.0	\$705.8	(\$393.2)	\$312.6	\$5.8
2022	\$86.8	\$0.0	\$17.7	\$107.6	\$0.0	\$711.6	(\$395.9)	\$315.7	(\$3.1)
2023	\$39.3	\$0.0	\$16.9	\$116.2	\$0.0	\$708.5	(\$376.0)	\$332.5	(\$60.0)
2024	\$54.6	\$0.0	\$15.6	\$117.8	\$0.0	\$648.6	(\$309.4)	\$339.2	(\$47.6)
2025	\$67.9	\$0.0	\$14.6	\$119.3	\$0.0	\$601.0	(\$254.4)	\$346.6	(\$36.8)
2026	\$77.9	\$0.0	\$13.8	\$122.0	\$0.0	\$564.2	(\$209.4)	\$354.8	(\$30.3)
2027	\$86.3	\$0.0	\$13.1	\$124.7	\$0.0	\$533.9	(\$172.4)	\$361.5	(\$25.4)
2028	\$93.2	\$0.0	\$12.5	\$127.6	\$0.0	\$508.5	(\$141.8)	\$366.7	(\$21.9)
2029	\$99.1	\$0.0	\$12.0	\$130.5	\$0.0	\$486.7	(\$116.5)	\$370.1	(\$19.4)
2030	\$104.5	\$0.0	\$11.6	\$133.8	\$0.0	\$467.2	(\$95.4)	\$371.8	(\$17.7)
2031	\$109.3	\$0.0	\$11.1	\$137.4	\$0.0	\$449.5	(\$78.2)	\$371.3	(\$17.0)

APPENDIX F – BENEFIT PAYMENT PROJECTIONS (Cont.)

(\$ in Thousands)

<u>FY</u>	<u>Per Capitas</u>	<u>Amorts</u>	<u>Interest</u>	<u>Benefits</u>	<u>Transfers</u>	<u>BOY Fund</u>	<u>BOY UFL</u>	<u>BOY Liab</u>	<u>Net Cash Flow</u>
<u>Category III</u>									
2021	N/A	\$29.1	(\$1.8)	\$58.7	\$0.0	(\$66.0)	\$153.6	\$87.6	(\$31.4)
2022	N/A	\$4.0	(\$1.4)	\$16.3	\$49.6	(\$97.4)	\$127.8	\$30.4	\$35.9
2023	N/A	\$0.5	\$0.1	\$7.1	\$68.4	(\$61.5)	\$76.3	\$14.8	\$62.0
2024	N/A	\$0.0	\$0.1	\$4.0	\$7.2	\$0.5	\$7.5	\$8.0	\$3.3
2025	N/A	\$0.0	\$0.2	\$2.3	\$4.1	\$3.8	\$0.4	\$4.2	\$2.0
2026	N/A	\$0.0	\$0.2	\$1.3	\$2.3	\$5.7	(\$3.7)	\$2.0	\$1.2
2027	N/A	\$0.0	\$0.2	\$0.7	\$1.3	\$6.9	(\$6.2)	\$0.7	\$0.8
2028	N/A	\$0.0	\$0.0	\$0.0	(\$2.5)	\$7.7	(\$7.7)	\$0.0	(\$2.5)
2029	N/A	\$0.0	\$0.0	\$0.0	\$0.0	\$5.3	(\$5.3)	\$0.0	\$0.0
2030	N/A	\$0.0	\$0.0	\$0.0	\$0.0	\$5.3	(\$5.3)	\$0.0	\$0.0
2031	N/A	\$0.0	\$0.0	\$0.0	\$0.0	\$5.3	(\$5.3)	\$0.0	\$0.0

Note that Category III payments are for benefits paid during the previous fiscal year and any amount carried over and interest on such amounts.

APPENDIX G – ACCOUNTING STATEMENT**CFO Statement for 9/30/2021
(Amounts in thousands of \$)**

	<u>Total</u>
Beginning Actuarial Liability 9/30/2020	\$675,664
Plus Expenses	
Normal Cost	\$92,414
Interest Cost	\$17,764
Plan Amendments	\$0
Experience Losses (Gains)	\$27,032
Other factors	\$0
Subtotal: Expenses before Losses (Gains) from Actuarial Assumption Changes	\$137,210
Actuarial Losses (Gains) due to:	
Actuarial (gains)/losses due to changes in trend assumptions	\$0
Changes in assumptions other than trend	(\$72,647)
Subtotal: Losses (Gains) from Actuarial Assumption Changes	(\$72,647)
Total Expenses	\$64,563
Less Benefit Outlays	(\$174,448)
Total Change in Actuarial Liability	(\$109,886)
Ending Actuarial Liability 9/30/2021	\$565,778

For Fund liabilities, OACT performs an annual valuation that is governed by Section 2006 of Title 10, United States Code, and uses methods and assumptions approved by the Board.

A separate financial statement valuation (i.e., with different assumptions) may be necessary to satisfy a financial statement regulation called the Statement of Federal Financial Accounting Standards 33 (SFFAS 33) because SFFAS 33 requires the use of a yield curve whereas the Board valuation uses a single average discount rate. (The terms “interest rate” and “discount rate” are often used interchangeably in this context.)

APPENDIX G – SFFAS ACCOUNTING STATEMENT (Cont.)

SFFAS 33 requires a minimum of five years of historical rates for the yield curve input and a consistency in the number of historical rates used from period to period. To calculate the accrued liabilities as of September 30, 2021, OACT uses the U.S. Department of the Treasury Office of Economic Policy's 10-Year Average Yield Curve for Treasury Nominal Coupon Issues (TNC yield curve) representing average quarterly rates from April 1, 2011, through March 31, 2021. These rates are equivalent (in terms of producing the same Fund Accrued Liability) to the SFFAS single equivalent rate of 1.88%. As a comparison, the Board valuation single discount rate is 2.5%.

For the September 30, 2021, financial statement purposes, there are no changes needed from the Board valuation to comply with the SFFAS 33 requirement besides the discount rate. Therefore, for September 30, 2021, financial statement purposes, all economic assumptions will be consistent with the Board valuation.

APPENDIX H – GLOSSARY

Actuarial Liability (AL)

The present value of benefits expected to be paid from the Fund to current program participants (i.e., it is a closed group valuation and does not value new entrants after the valuation date)

Amortization Payment

An annual payment of principal and interest on the unfunded liability

Basic Benefit

The amount of basic educational assistance available in each program to members for approved education purposes; this amount may be reduced for education pursued on a less than full-time basis

Benefit Usage Rates

The likelihood that a member will use an offered benefit

Board

Department of Defense Board of Actuaries

Book Value

Treasury bonds, notes, and bills that are valued with amortized premiums/discounts and yields that are set at purchase

Closed Group

The actuarial liability is based only on people already in the system. New entrants after the valuation date are not included. For this reason, the population is called a "closed" group

Component

In the case of active duty benefits, the term “component” refers to the branch of service: Army, Navy, Air Force, Marine Corps, or Coast Guard. In the case of reserve benefits, the term component refers to the separate guard and reserve services: Army National Guard, Army Reserve, Navy Reserve, Marine Corps Reserve, Air National Guard, Air Force Reserve, and the Coast Guard Reserve

Decrement

The likelihood of a change in the status of a member; decrements for this report include disability, withdrawal from and re-entry to service, and death

DoD

Department of Defense

DMDC

Defense Manpower Data Center

DFAS

Defense Finance and Accounting Service

APPENDIX H – GLOSSARY (cont.)

Fund (EBF)

Education Benefits Fund

Fund Balance

The amount of monies, tracked separately for each program and each component, available to pay future benefits

IADT

Initial Active Duty for Training is a military term referring to the first period, generally 6 months in length, of active duty training, a factor for eligibility under MGIB-SR. IADT is required for people entering the Selected Reserve

Inflation Rate

The rate of increase in the average price level of goods and services during a specified period

Interest Rate

The rate of investment return used to calculate the present value of a series of future payments

Investment Earnings

The amount of money the Fund earns from securities

Kicker Benefit

An additional education benefit offered to members who have a critical skill or critical occupational specialty; the Secretary of Defense may increase the amount of basic educational assistance by as much as \$950 per month for Chapter 30 and 33, and by as much as \$350 per month for Chapter 1606

Member

A person eligible to participate in a Fund program

MGIB-AD

Montgomery GI Bill benefits for Active Duty members under Chapter 30 of Title 38, United States Code

MGIB-SR

Montgomery GI Bill benefits for Selected Reserve members under Chapter 1606 of Title 10, United States Code

Normal Cost

The present value of benefits for a new entrant cohort of service members

OACT

Department of Defense Office of the Actuary

APPENDIX H – GLOSSARY (cont.)

Offset

A reduction applied to the normal cost in order to decrease a surplus

Pay-as-you-go

A method of recognizing the costs of a benefits system only as benefits are paid

Per Capita Amount

The normal cost minus any offset for expected surplus—this is the amount needed to be paid into a fund for future benefits for each new entrant member into service. For the DoD Education Benefits Fund, the Per Capita Amount is paid once for each new entrant

Present Value of Benefits

The accrued liability as of the valuation date

REAP

Reserve Education Assistance Program benefits under Chapter 1607 of Title 10, United States Code

Sunset Provision

Measure within a statute, regulation or other law that provides that the law shall cease to be in effect after a specific date

Surplus

The amount of assets in the Fund greater than the actuarial liability

Time Value of Money

The principle that an amount of money available at an earlier point in time has less value than the same amount of money at a later point in time

Transferability

The ability to transfer an education benefit to a spouse or dependent child

Unfunded Liability

The portion of the actuarial liability not covered by the Fund assets (i.e., the difference between funds available to pay benefits and the amount of benefits owed); if assets exceed the actuarial liability, there is a surplus

VEAP

Veteran's Educational Assistance Program

Withdrawal Rate

The probability that an active military member at the beginning of the year will separate from the service by the end of the year