



**VALUATION OF THE
EDUCATION BENEFITS FUND
SEPTEMBER 30, 2007**

DoD Office of the Actuary

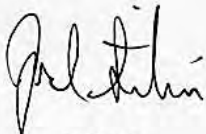
January 2009

ACTUARIAL CERTIFICATION

This report on the Education Benefits Fund (Fund) as of September 30, 2007 has been prepared in accordance with generally accepted actuarial principles and practices. In preparing the report, we have relied upon information maintained by the Office of the Secretary of Defense regarding plan provisions, assets, eligible members, and benefit usage. The purpose of this report is to document the actuarial status of the Fund and develop actuarial liability and funding amounts to support the Secretary of Defense and the Department of Defense (DoD) Board of Actuaries (Board) in meeting the requirements of Section 2006, Title 10, United States Code. 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 include a 4.5% interest rate and an ultimate Consumer Price Index increase of 2.4%.

In our opinion, the actuarial assumptions are reasonable and the valuation results present a fair picture of the financial condition of the Fund.



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SECTION 1 – INTRODUCTION

The Fund was established on July 1, 1985, to pay education benefits to members of the armed forces. Benefits covered by the Fund have been updated many times (see Appendix D) and the Fund can now pay for the following benefits:

- Title 38, Chapter 30 kicker and transferred kicker benefits
- Title 38, Chapter 33 kicker and transferred kicker benefits¹
- Title 10, Chapter 1606 basic and transferred basic benefits
- Title 10, Chapter 1606 kicker and transferred kicker benefits
- Title 10, Chapter 1607 basic and transferred basic benefits
- Title 38, Chapter 30 basic benefits for Post-Vietnam Era and Involuntary Separates (Category III)
- Title 10, Chapter 31, Section 510 National Call to Service²
- Title 38, Chapter 30, Section 3020 transferability benefits²

The DoD Board of Actuaries, whose members are appointed by the Secretary of Defense, 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. The purpose of this report is to document the actuarial status of the Fund and develop actuarial liability and funding amounts to support the Secretary of Defense and the Department of Defense (DoD) Board of Actuaries (Board) in meeting the requirements of Section 2006, Title 10, United States Code. Use of these results for other purposes may not be appropriate.

How to Use this Report

In various places in the report, numbers may appear to not add properly. This is due to rounding in the display.

An executive summary of the Fund can be found in Section 2.

Annual amortization payment amounts for each component can be found in Section 7.

The per capita costs charged for component members newly becoming eligible for benefits can be found in Section 8.

A projection of future years' per capita costs can be found in Appendix C under "decrement assumptions."

A projection of future years' benefit payments can be found in Appendix E.

¹Current legislation requires the Department of Veterans Affairs to fund Chapter 33 kickers. However, DoD has traditionally funded all kickers as they are a recruitment and retention tool. Per an informal understanding with the VA, DoD plans to fund Chapter 33 kickers through the Education Benefits Fund.

²Due 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.

SECTION 2 - EXECUTIVE SUMMARY

	<u>Chapter 30/33</u>	<u>Chapter 1606</u>	<u>Chapter 1607</u>	<u>Other</u>	<u>Total</u>
Sept. 30, 2007 Eligible Members ¹	212,725	252,062	318,590	2,694	786,071
Sept. 30, 2006 Fund Balance	\$646,731,264	\$514,058,582	\$84,122,754	\$(967,978)	\$1,243,944,622
FY07 Amortization Payments	3,853,411	12,473,027	130,081,722	3,363,539	149,771,699
FY07 Per Capita Contributions	65,821,645	235,464,404	88,103,991	1,537,725	390,927,765
FY07 Benefit Payments	(96,853,479)	(135,558,412)	(187,656,170)	(3,427,877)	(423,495,939)
<u>FY07 Interest</u>	<u>29,810,013</u>	<u>21,778,403</u>	<u>13,877,746</u>	<u>77,292</u>	<u>65,543,454</u>
Sept. 30, 2007 Fund Balance	\$649,362,853	\$648,216,004	\$128,530,044	\$582,701	\$1,426,691,601

September 30, 2007 Snapshot

Actuarial Liability (AL)	\$890,731,183	\$436,618,567	\$438,027,470	\$19,968,904 ²	\$1,785,346,124
<u>Fund Balance³</u>	<u>(649,362,853)</u>	<u>(525,648,809)</u>	<u>(251,097,239)</u>	<u>(582,701)</u>	<u>(1,426,691,601)</u>
Unfunded AL (Surplus)	\$241,368,330	(\$89,030,242)	\$186,930,231	\$19,386,204	\$358,654,523

The above summarizes FY 2007 Fund experience and actuarial valuation results as of Sept 30, 2007. The majority of liabilities detailed in this report stem from active duty kickers, reserve kickers and reserve basic benefits.

On June 30, 2008 the most comprehensive education legislation since the original GI Bill was passed into law and came to be known as the "Post 9/11 GI Bill". The Post 9/11 GI Bill created a new benefit structure including benefits for tuition, housing, books, and moving expenses as well as an ability for members to transfer to spouse or child.

While the Post 9/11 GI Bill roughly doubled the dollar amount of basic benefits, this report focuses more on the costs for kicker benefits. The increases in costs you see in this report are primarily from the increased cost of usage due to transferability as well as the increase in kicker cost due to a higher likelihood of using a larger basic benefit.

These results depend on the underlying data and assumptions. We relied without audit on the data provided by DMDC and DFAS. Current results may vary if data are inaccurate and future results will vary to the extent experience varies from assumptions.

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

² While the fund balances for National Call to Service and Chapter 30 transferability have been included in this column, liabilities for those programs are not included. Due to the relatively small size of benefits for National Call to Service and Chapter 30, transferability, liability amounts for those programs have not been estimated.

³ Officially, there is only one Fund. The DoD Office of the Actuary allocates the Fund into separate accounts for the various programs, using reported contributions and benefit payments by program and allocating reported interest earnings by program.

SECTION 3 - VALUATION DATA

The valuation data are taken from files maintained by the Defense Manpower Data Center (DMDC) along with financial data from the Defense Finance and Accounting Service (DFAS). Data on component members of the Chapter 30 and Chapter 33 (active duty and reserve), Chapter 1606 (reserve), and Chapter 1607 (reserve) programs are taken primarily from the files at DMDC. Data on benefit payments and contributions to the Fund are taken from DFAS. An overview of the number of persons in each program and their status can be found on the following pages.

The data has not been audited by OACT. OACT is not responsible for the validity of the data. Responsibility for the validity of the member data lies with the components who report eligibility and demographic data to DMDC. In the case of benefit payments, the Department of Veterans Affairs (VA) makes payments to members and receives reimbursement from the Fund where appropriate; DFAS reports therefore reflect information reported to DFAS by the VA. In the case of Fund contributions, DFAS reports reflect monies and associated information received from the components.

SECTION 4 – ASSETS, UNFUNDED LIABILITIES, AND ANNUAL CHANGES

The unfunded liability or surplus represents the difference between the amount of money in the fund on the valuation date and the present value of benefits that currently eligible military members are projected to receive. If the fund exceeds the present value, there is a surplus. Otherwise, there is an unfunded liability. Using the censuses described in the previous (valuation data) section¹, the DoD Office of the Actuary (OACT) computed the actuarial liability for the Chapter 30 and Chapter 33 kicker benefit, the Chapter 1606 basic benefit, the Chapter 1606 kicker benefit, and the Chapter 1607 benefit. The total value of assets on the valuation date (September 30, 2007) was obtained from the Fund's investment manager at DFAS. Even though officially there is only one Fund, OACT tracks the assets by program and also by component. The assets are given at book value, rather than at market value. The programs' unfunded liabilities or surpluses are as follows:

Chapter 30 and Chapter 33 Kicker Benefits, September 30, 2007

<u>Program</u>	<u>Actuarial Liability</u>	<u>Assets</u>	<u>Unfunded Liability or (Surplus)</u>
Army	\$582,770,453	(442,005,078)	\$140,765,375
Navy	194,089,065	(96,258,895)	97,830,170
Marine Corps	113,628,005	(110,964,476)	2,663,529
<u>Coast Guard</u>	<u>243,660</u>	<u>(134,404)</u>	<u>109,256</u>
Total	890,731,183	(649,362,853)	241,368,330

Chapter 1606 Basic Benefits, September 30, 2007

<u>Program</u>	<u>Actuarial Liability</u>	<u>Assets</u>	<u>Unfunded Liability or (Surplus)</u>
Army National Guard	\$139,103,990	(\$175,377,366)	(\$36,273,376)
Army Reserve	57,318,472	(66,833,070)	(9,514,598)
Navy Reserve	10,719,847	(22,763,113)	(12,043,266)
Marine Corps Reserve	23,637,962	(39,630,386)	(15,992,425)
Air National Guard	44,971,893	7,313,510	52,285,402
Air Force Reserve	13,581,302	(13,752,988)	(171,686)
<u>Coast Guard Reserve</u>	<u>1,859,740</u>	<u>250,114</u>	<u>2,109,854</u>
Total	291,193,205	(310,793,299)	(19,600,094)

¹ See also Appendix B, Population Data, for more detail.

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

Chapter 1606 Kicker Benefits, September 30, 2007

<u>Program</u>	<u>Actuarial Liability</u>	<u>Assets</u>	<u>Unfunded Liability or (Surplus)</u>
Army Nat. Guard	\$59,800,477	\$(97,991,025)	\$(38,190,548)
Army Reserve	26,779,476	(96,590,296)	(69,810,821)
Navy Reserve	298,397	(1,123,437)	(825,040)
Marine Corps Reserve	1,849,388	(2,900,582)	(1,051,194)
Air National Guard	45,250,496	(29,985,003)	15,265,493
Air Force Reserve	11,447,127	(11,041,040)	406,087
<u>Coast Guard Reserve</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	145,425,361	(239,631,384)	(\$94,206,023)

Chapter 1607 Basic Benefits, September 30, 2007

<u>Program</u>	<u>Actuarial Liability</u>	<u>Assets</u>	<u>Unfunded Liability or (Surplus)</u>
Army Nat. Guard	\$249,331,988	\$(83,250,285)	\$166,081,703
Army Reserve	98,612,226	(66,778,490)	31,833,736
Navy Reserve	10,005,481	(33,630,103)	(23,624,622)
Marine Corps Reserve	16,616,804	3,331,613	19,948,417
Air National Guard	44,459,443	(15,811,026)	28,648,417
Air Force Reserve	16,548,119	(51,835,109)	(35,286,990)
<u>Coast Guard Reserve</u>	<u>2,453,409</u>	<u>(3,123,387)</u>	<u>(670,428)</u>
Total	438,027,470	(251,097,239)	186,930,231

In addition to the above 25 line items there are an additional 15 (some of which are zero), one for each component for Category III, National Call to Service, and Chapter 30 transferred benefits paid from the Fund. OACT tracks the transactions by each of the 40 lines so it is possible to make additions, deduct benefit payments, carry forward assets, and allocate interest earnings of the Fund by program and component. As previously noted, this Fund allocation is dependent on the accuracy of the reported transactions; errors and missing information directly impact the accuracy of the allocation.

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

Annual Changes

As mentioned in the Executive Summary, the increases in costs you see in this report are primarily from the increased cost of usage due to transferability as well as the increase in kicker cost due to a higher likelihood of using a larger basic benefit.

For Chapter 1606, transferability increased the liabilities by roughly 10% and revised retention assumptions decreased the liabilities by roughly 10%. These factors as well as others produced an overall liability decrease of 10% when compared to expected.

For Chapter 1607, transferability increased the liabilities by roughly 10%, legislative changes to the benefit amount increased the liabilities by 20%, revised retention assumptions decreased the liabilities by 30%, and revised participation assumptions (largely due to Post 9/11 GI Bill) further decreased the liabilities by 40%. These factors as well as others produced an overall liability decrease of 35% when compared to expected.

For active duty components, transferability increased the liabilities by roughly 15% and the growth in the basic benefit (which is used with kickers) increased the liabilities by roughly 10%.

SECTION 5 - AMORTIZATION PAYMENTS

When a program has an unfunded liability, the unfunded liability is amortized with a series of payments made into the Fund at the beginning of each fiscal year. Surpluses, on the other hand, are amortized by means of offsets to the normal costs (see the Glossary in Appendix G for a definition of normal cost).

The unfunded liability as of the end of FY 2009 is estimated. The FY 2010 amortization payments and offsets are then based on this number, the 4.5% interest rate, and an amortization period of 5 years for unfunded liabilities, 10 years for surpluses. Projected payments prior to the beginning of FY 2009 are taken into account, but the residual of any earlier amortization schedule is ignored. In the case of surpluses, the FY 2010 amortization “payment” on the surplus is spread over projected FY 2010 new entrants, leading to an offset to computed normal costs.

The projected unfunded liability takes into account the difference between per capita costs already scheduled for FY 2008-2009 and a newly computed normal cost for those years. The already scheduled amounts may reflect different information (e.g., assumptions and benefit provisions) than the latest information as reflected in the newly computed normal cost. This difference when multiplied by the number of takers (as provided to OACT) and adjusted by interest rates can increase or decrease the projected unfunded liability. The projected unfunded liability also takes into account already scheduled amortization payments (if any) for FY 2008-2009, which were set when projections of funded status may have been different.

The amortization payment for the Chapter 1606 basic program and the Chapter 1606 kicker program is calculated as a single Chapter 1606 amortization payment. The payment for October 1, 2008, for Involuntary Separatees and Voluntary Separation Incentive/Special Separation Bonus recipients (i.e., Category III) was determined by estimating FY 2008 benefits, and by bringing forward any surplus or liability from October 1, 2009. Both items were adjusted by interest and then added together to determine the October 1, 2008, payment.

The amortization payments for FY 2009 (determined in the September 30, 2006 valuation) and FY 2010 (determined in the September 30, 2007 valuation) are shown in the following tables.

Chapter 30 and Chapter 33 Kicker Benefits Annual Amortization Amounts

Fiscal Year	2009	2010
Due Date	10/1/2008	10/1/2009
Army	\$1,915,188	\$44,431,267
Navy	5,200,623	22,900,991
Marine Corps	0	3,697,942
Coast Guard ¹	0	25,582

¹ A payment of \$13,290 was scheduled for October 1, 2008, but was not received.

SECTION 5 - AMORTIZATION PAYMENTS (cont.)

Chapter 1606 Annual Amortization Amounts

Fiscal Year	2009	2010
Due Date	10/1/2008	10/1/2009
Army National Guard	0	0
Army Reserve	0	0
Navy Reserve	0	0
Marine Corps Reserve	0	0
Air National Guard	17,753,039	10,103,003
Air Force Reserve	0	3,026,556
Coast Guard Reserve	368,059	448,744

Chapter 1607 Basic Benefits Annual Amortization Amounts

Fiscal Year	2009	2010
Due Date	10/1/2008	10/1/2009
Army National Guard	47,551,022	0
Army Reserve	18,036,244	0
Navy Reserve	0	0
Marine Corps Reserve	5,635,070	0
Air National Guard	3,518,182	0
Air Force Reserve	0	0
Coast Guard Reserve	0	0

Category III Basic Annual Amortization Amounts¹

Fiscal Year	2009	2010
Due Date	10/1/2008	10/1/2009
Army	\$856,599	To be determined
Navy	1,637,228	To be determined
Marine Corps	56,104	To be determined
Air Force	330,912	To be determined
Coast Guard	146,526	To be determined

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

SECTION 6 - PER CAPITA COSTS

OACT determines the per capita cost, which is the amount necessary to fund each entrant into a program (i.e., the normal cost) less any offset, as discussed in the amortization payment section. A per capita cost can be \$0 if the offset exceeds the normal cost. A separate per capita cost is set for each component, program, and benefit amount. Per capita costs are usually determined once per year, but may be calculated more often if there are extenuating circumstances, such as major legislative changes. The per capita costs for the Chapter 30, Chapter 33, Chapter 1606, and Chapter 1607 programs are given below. Note that there are no per capita costs for Category III because the cost for that benefit is determined in aggregate after benefits are paid. Normal costs corresponding to these per capita costs are shown in Appendix C.

Chapter 30 Kicker Benefit Per Capita Costs During FY 2009

	<u>Army</u> <u>2 Year</u>	<u>Army</u> <u>3 Year</u>	<u>Army</u> <u>4 Year</u>	<u>Army</u> <u>5 Year</u>	<u>Army</u> <u>6 Year</u>	<u>Navy</u> <u>4 Year</u>	<u>M.C.</u> <u>4 Year</u>	<u>M.C.</u> <u>5 Year</u>	<u>M.C.</u> <u>6 Year</u>	<u>C.G. 4</u> <u>Year</u>
\$150	1,447	1,577	1,252	1,119	1,082	784	525	118	1,793	1,137
\$250	2,490	2,685	2,128	1,901	1,836	1,334	1,544	851	3,021	1,929
\$350	3,590	3,835	3,034	2,712	2,617	1,906	2,601	1,612	4,273	2,747
\$450	4,743	5,026	3,971	3,551	3,422	2,498	3,694	2,399	5,548	3,591
\$550	5,946	6,255	4,936	4,415	4,251	3,109	4,823	3,213	6,844	4,459
\$650	7,195	7,521	5,929	5,306	5,104	3,741	5,986	4,051	8,161	5,351
\$750	8,486	8,822	6,950	6,221	5,980	4,391	7,182	4,913	9,497	6,266
\$850	9,818	10,157	7,996	7,161	6,878	5,059	8,408	5,799	10,852	7,203
\$950	11,186	11,524	9,068	8,124	7,798	5,745	9,665	6,708	12,223	8,162

Chapter 33 Kicker Benefit Per Capita Costs During FY 2010

	<u>Army</u> <u>2 Year</u>	<u>Army</u> <u>3 Year</u>	<u>Army</u> <u>4 Year</u>	<u>Army</u> <u>5 Year</u>	<u>Army</u> <u>6 Year</u>	<u>Navy</u> <u>4 Year</u>	<u>M.C.</u> <u>4 Year</u>	<u>M.C.</u> <u>5 Year</u>	<u>M.C.</u> <u>6 Year</u>	<u>C.G. 4</u> <u>Year</u>
\$150	2,201	2,182	1,843	1,693	1,669	1,410	2,056	1,390	1,793	1,826
\$250	3,713	3,668	3,100	2,845	2,804	2,369	3,462	2,347	3,021	3,073
\$350	5,258	5,176	4,376	4,014	3,955	3,343	4,894	3,326	4,273	4,343
\$450	6,832	6,706	5,671	5,199	5,121	4,331	6,351	4,328	5,548	5,634
\$550	8,434	8,256	6,985	6,399	6,301	5,331	7,831	5,351	6,844	6,945
\$650	10,060	9,824	8,315	7,612	7,494	6,343	9,332	6,395	8,161	8,275
\$750	11,709	11,409	9,662	8,839	8,700	7,366	10,855	7,459	9,497	9,622
\$850	13,378	13,010	11,023	10,078	9,918	8,400	12,396	8,542	10,852	10,987
\$950	15,066	14,626	12,399	11,329	11,147	9,443	13,956	9,643	12,223	12,369

SECTION 6 - PER CAPITA COSTS (cont.)

Chapter 1606 Basic Benefit Per Capita Costs During FY 2009

	<u>Army</u> <u>Guard</u>	<u>Army</u> <u>Reserve</u>	<u>Navy</u> <u>Reserve</u>	<u>Marine</u> <u>Reserve</u>	<u>Air</u> <u>Guard</u>	<u>Air</u> <u>Reserve</u>	<u>Coast</u> <u>Guard</u>
Basic	2,107	1,526	845	2,319	4,244	1,536	1,998
\$100 Kicker	889	750	288	659	1,003	639	667
\$200 Kicker	1,666	1,470	656	1,451	2,180	1,436	1,484
\$350 Kicker	3,510	2,347	1,343	2,832	4,215	2,882	2,916

Chapter 1606 Basic Benefit Per Capita Costs During FY 2010

	<u>Army</u> <u>Guard</u>	<u>Army</u> <u>Reserve</u>	<u>Navy</u> <u>Reserve</u>	<u>Marine</u> <u>Reserve</u>	<u>Air</u> <u>Guard</u>	<u>Air</u> <u>Reserve</u>	<u>Coast</u> <u>Guard</u>
Basic	2,278	1,557	1,037	2,953	4,151	2,563	2,067
\$100 Kicker	1,200	830	444	853	1,402	957	759
\$200 Kicker	2,163	1,678	1,163	1,944	2,809	2,030	1,597
\$350 Kicker	3,408	2,470	1,365	3,109	4,681	3,212	2,091

Chapter 1607 Basic Benefit Per Capita Costs During FY 2009

	<u>Army</u> <u>Guard</u>	<u>Army</u> <u>Reserve</u>	<u>Navy</u> <u>Reserve</u>	<u>Marine</u> <u>Reserve</u>	<u>Air</u> <u>Guard</u>	<u>Air</u> <u>Reserve</u>	<u>Coast</u> <u>Guard</u>
40% of MGIB-AD	2,200	2,221	0	2,181	2,319	0	570
60% of MGIB-AD	3,134	3,185	0	3,181	3,249	0	1,016
80% of MGIB-AD	3,733	3,778	0	3,761	3,844	0	1,336

Chapter 1607 Basic Benefit Per Capita Costs During FY 2010

	<u>Army</u> <u>Guard</u>	<u>Army</u> <u>Reserve</u>	<u>Navy</u> <u>Reserve</u>	<u>Marine</u> <u>Reserve</u>	<u>Air</u> <u>Guard</u>	<u>Air</u> <u>Reserve</u>	<u>Coast</u> <u>Guard</u>
40% of MGIB-AD	621	167	0	0	0	0	0
60% of MGIB-AD	977	256	0	0	0	0	0
80% of MGIB-AD	1,217	313	0	0	0	0	0

SECTION 7 - EDUCATION BENEFITS FUND TRANSACTION PROCESS

The description of deficit, debt, and funding impact contained 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 increases in taxes to pre-fund the education benefits programs but do result in increases 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 DoD, (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 intragovernmental 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 intragovernmental transfer, while a payment for a member's or dependent's benefit is not.

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 and payments for members' or dependents' benefits. The intragovernmental 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 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.

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

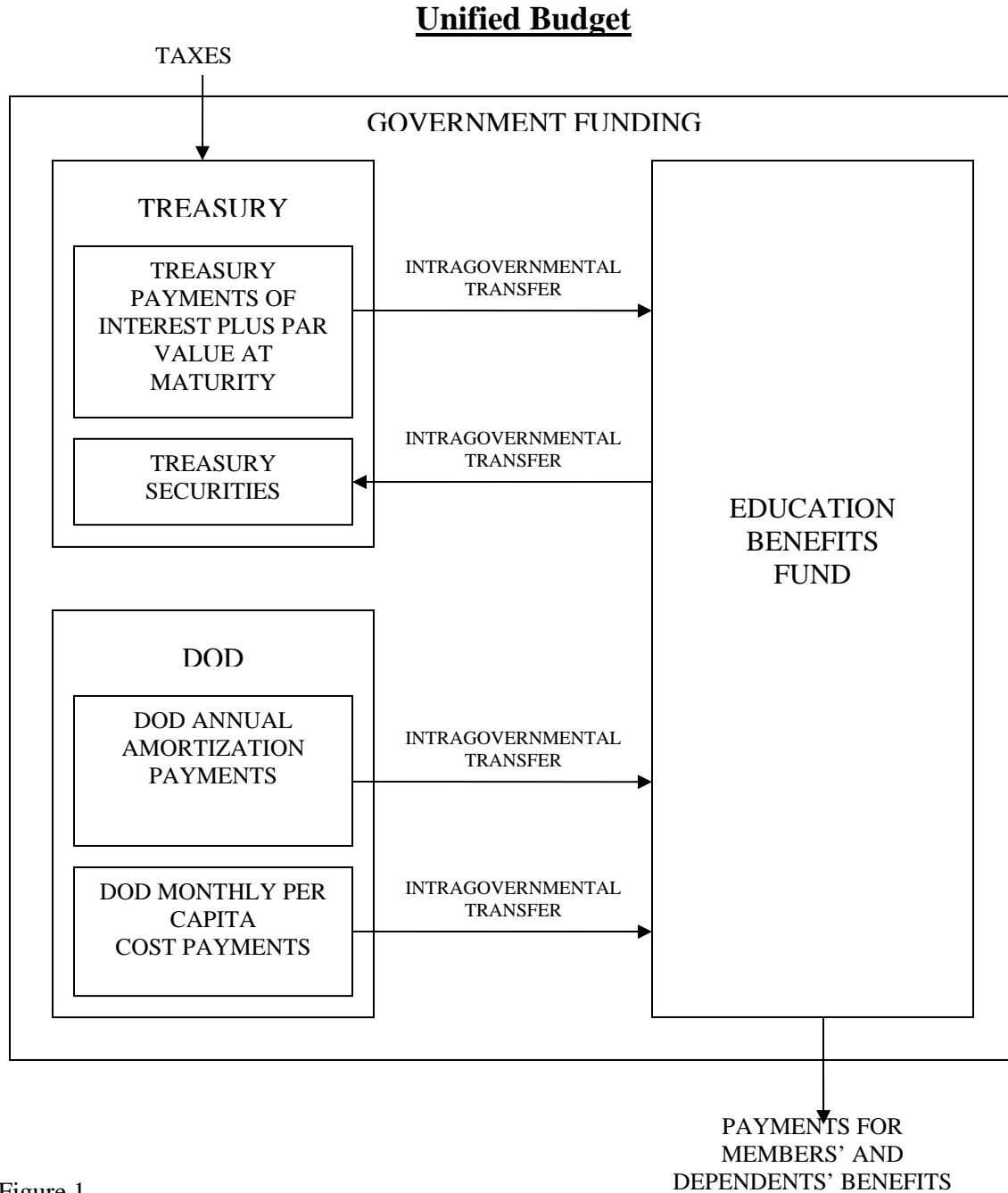


Figure 1

All of the intragovernmental 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.)

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 cashes 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.

However, funding does have an effect on the DoD budget. With the per capita cost payments in the DoD budget, policymakers now automatically consider the impact on future benefit costs when they make manpower decisions related to offering education benefits, and this could have an impact on future federal budgets. For example, if a decision were made today to double the number of active duty members given kicker benefits under a 6-year contract, the DoD budget would automatically have an immediate increase in obligations. Under the pay-as-you-go method, the expenses would not necessarily be considered to the same extent in the initial decision since they would not show up for several years.

The fact that costs are fully recognized in advance probably provides greater benefit security over the long term. Also, when there is a fund, the system is not as dependent on obtaining the necessary appropriation from Congress each year in order to pay benefits for that year. This can provide additional benefit security in the short run.

APPENDIX A – DESCRIPTION OF BENEFITS

Note: The descriptions in this appendix are intended as an overview. For a more comprehensive description of all provisions covering every situation and circumstance, consult other sources.

Chapter 30 Kicker Eligibility

A member can not receive a Chapter 30 kicker benefit without being eligible to receive the Chapter 30 or Chapter 33 basic benefit. Eligibility for the basic benefit requires an honorable discharge, a high school diploma or GED, and meeting the requirements of one of the four main categories. Categories I, II, and IV are described here and Category III is described in its own section.

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. The member must have a) continuously served for 3 years, b) served for 2 years if he first enlisted for 2 years, or c) served for 2 years if he 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). The member 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) 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, USC, between July 1, 1985, and November 28, 1989, and have elected MGIB during the period October 9, 1996, through July 8, 1997. Under either way, the member would have had to have military pay reduced by \$100 a month for 12 months or have made a \$1200 lump-sum contribution.

Chapter 30 Kicker Benefit Amount

The Secretary of Defense may increase the basic benefit up to \$950 per. 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. However, if the member's eligibility is based on two years of active duty and four 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

APPENDIX A – DESCRIPTION OF BENEFITS

Chapter 33 Kicker Eligibility

A member can not receive a Chapter 33 kicker benefit without being eligible to receive the Chapter 33 basic benefit. Veterans who have served at least 90 days of active duty service after September 10, 2001 and received an honorable discharge will qualify for the Chapter 33 basic benefit. To qualify for the full benefit a veteran must have served at least 3 years of active duty after September 10, 2001. The Post 9/11 GI Bill will allow officers who graduated from service academies or who received ROTC scholarships to qualify. Time spent satisfying ROTC or Service Academy active duty obligation does not count toward the active duty service necessary to qualify for the benefits.

For active duty veterans serving active duty service after 9/10, the following chart applies:

Member Serves	Percentage of Maximum Benefit Payable
At least 36 months	100%
At least 30 continuous days on active duty and must be discharged due to service-connected disability	100%
At least 30 months, but less than 36 months	90%
At least 24 months, but less than 30 months	80%
At least 18 months, but less than 24 months	70%
At least 12 months, but less than 18 months	60%
At least 06 months, but less than 12 months	50%
At least 90 days, but less than 06 months	40%

Chapter 33 Kicker Benefit Amount

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

Chapter 33 Kicker Restrictions

The period of eligibility for the Post 9/11 GI Bill ends 15 years from the date of the last discharge or release from active duty.

APPENDIX A – DESCRIPTION OF BENEFITS (cont.)

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 six years in addition to their original obligation. For some types of training, it is necessary to have a six-year commitment that begins after September 30, 1990. Members must have completed their initial active duty for training (IADT). Members 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.

At the discretion of the Secretary concerned, 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 \$317 per month for fiscal year 2008. 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.

The entitlement time period for a member of the Selected Reserve expires at the date the member is separated from the Selected Reserve. Separation does not terminate the benefit 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 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.)

Chapter 1607 Eligibility

A member of the Ready Reserve is entitled to educational assistance under this chapter if the member served on active duty in support of a contingency operation for 90 consecutive days or more and in the case of a member of the Army National Guard of the United States or Air National Guard of the United States, performed full time National Guard duty under section 502(f) of title 32 for 90 consecutive days or more when authorized by the President or Secretary of Defense for the purpose of responding to a national emergency declared by the President and supported by Federal funds for 90 consecutive days or more or , so long as such service is after September 11, 2001. Members who become disabled before serving 90 consecutive days are entitled to educational assistance under this chapter at the benefit rate of 40% as described below.

Chapter 1607 Benefit Amount

Each member is eligible for a portion of the Montgomery GI Bill Active Duty (MGIB-AD) 3-year benefit rate. The following rates become effective August 1, 2008:

- Members who serve 90 days to less than 1 year receive:
40% of the MGIB-AD 3-year rate or \$528 per month
- Members who serve 1 year but less than 2 years receive:
60% of the MGIB-AD 3-year rate or \$793 per month
- Members who serve 2 or more continuous years (or 3 years cumulative) receive:
80% of the MGIB-AD 3-year rate or \$1,057 per month

Because of the linkage to the MGIB-AD rates, annual increases for Chapter 1607 are determined by the National Center for Education Statistics' index reflecting the average cost of undergraduate tuition.

Chapter 1607 Restrictions

The maximum number of months of educational assistance that may be provided to any member under this chapter is 36. For a member of the Selected Reserve who has completed a service obligation, the period of eligibility ends 10 years from the date of the last discharge or release from the Selected Reserve. For members separated while serving in the Individual Ready Reserve or members who have not completed a service obligation, eligibility ends upon separation from either the Individual Ready Reserve or Selected Reserve, as applicable.

APPENDIX A – DESCRIPTION OF BENEFITS (cont.)

Category III Eligibility

To qualify under Category III, a member must not be eligible under Category I or Category II, (Note that only a portion of Category III benefits are paid by the Fund), must have been on active duty on September 30, 1990, elected MGIB before being separated, and before separation, must have had military pay reduced by \$1200. In addition, the member must have an involuntary separation after February 2, 1991 or have been voluntarily separated under either VSI or SSB.

Category III Benefit Amounts

The full time institutional training rate is \$1,101 per month for fiscal year 2008. 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 ten years after the date of their last discharge. However, if the member's eligibility is based on two years of active duty and four 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.

APPENDIX A – DESCRIPTION OF BENEFITS (cont.)

Restrictions for all EBF 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.

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.

APPENDIX B – POPULATION DATA

Chapter 30 and 33 “Kicker” Eligibles

Sept. 30, 2006

Sept. 30, 2007

On Active Duty

Army 2-year	3,579	1,975
Army 3-year	12,135	10,410
Army 4-year	29,546	27,024
Army 5-year	3,745	5,518
Army 6-year	2,108	2,978
Navy 2-year	30	20
Navy 3-year	546	480
Navy 4-year	22,733	21,801
Marine Corps 4-year	5,723	6,232
Marine Corps 5-year	1,928	3,468
<u>Coast Guard 4-year</u>	<u>46</u>	<u>44</u>
Total	82,119	79,950

Not On Active Duty, Who Have Not Used the Benefit

Army 2-year	6,356	3,636
Army 3-year	8,522	6,452
Army 4-year	17,800	15,049
Army 5-year	450	770
Army 6-year	250	601
Navy 2-year	21	26
Navy 3-year	946	771
Navy 4-year	22,385	20,265
Marine Corps 4-year	4,267	3,470
Marine Corps 5-year	1,473	989
<u>Coast Guard 4-year</u>	<u>8</u>	<u>12</u>
Total	62,478	52,041

Not On Active Duty, Who Have Used the Benefit

Army 2-year	7,305	7,674
Army 3-year	13,377	12,572
Army 4-year	21,969	24,215
Army 5-year	0	23
Army 6-year	0	86
Navy 2-year	16	17
Navy 3-year	1,764	1,571
Navy 4-year	23,306	26,946
Marine Corps 4-year	4,876	6,230
Marine Corps 5-year	557	1,373
<u>Coast Guard 4-year</u>	<u>21</u>	<u>27</u>
Total	73,191	80,734

Total Eligible

217,788

212,725

APPENDIX B – POPULATION DATA (cont.)

Chapter 1606 Programs

Sept. 30, 2006

Sept. 30, 2007

Eligible for Basic Benefit

Army National Guard	73,922	108,985
Army Reserve	47,087	47,891
Navy Reserve	24,204	14,821
Marine Corps Reserve	15,218	14,489
Air National Guard	32,631	31,742
Air Force Reserve	17,610	14,527
<u>Coast Guard Reserve</u>	<u>1,633</u>	<u>2,100</u>
Total	212,335	234,553

Eligible for Kicker - \$100 per month

Army National Guard	3,091	1,762
Army Reserve	17,180	12,909
Navy Reserve	0	17
Marine Corps Reserve	0	6
Air National Guard	0	214
Air Force Reserve	0	40
<u>Coast Guard Reserve</u>	<u>0</u>	<u>2</u>
Total	20,271	14,950

Eligible for Kicker - \$200 per month

Army National Guard	62,817	36,973
Army Reserve	9,455	4,149
Navy Reserve	453	361
Marine Corps Reserve	0	20
Air National Guard	0	547
Air Force Reserve	0	75
<u>Coast Guard Reserve</u>	<u>0</u>	<u>2</u>
Total	72,725	42,127

Eligible for Kicker - \$350 per month

Army National Guard	3,908	5,006
Army Reserve	6,613	7,048
Navy Reserve	0	9
Marine Corps Reserve	473	735
Air National Guard	21,657	18,148
Air Force Reserve	9,840	6,797
<u>Coast Guard Reserve</u>	<u>2</u>	<u>0</u>
Total	42,493	37,743

APPENDIX B – POPULATION DATA (cont.)

Chapter 1607

Sept. 30, 2006

Sept. 30, 2007

Eligible for 40% of MGIB

Army National Guard	50,422	35,064
Army Reserve	30,930	24,243
Navy Reserve	14,304	13,435
Marine Corps Reserve	18,953	13,923
Air National Guard	20,228	23,099
Air Force Reserve	13,117	14,917
<u>Coast Guard Reserve</u>	<u>1,572</u>	<u>1,097</u>
Total	149,526	125,778

Eligible for 60% of MGIB

Army National Guard	111,216	99,802
Army Reserve	49,420	45,425
Navy Reserve	3,820	4,245
Marine Corps Reserve	2,945	3,677
Air National Guard	7,932	7,243
Air Force Reserve	6,857	6,373
<u>Coast Guard Reserve</u>	<u>803</u>	<u>693</u>
Total	182,993	167,458

Eligible for 80% of MGIB

Army National Guard	3,905	9,420
Army Reserve	3,446	5,532
Navy Reserve	259	550
Marine Corps Reserve	1,573	1,496
Air National Guard	1,179	1,896
Air Force Reserve	1,132	1,888
<u>Coast Guard Reserve</u>	<u>1,552</u>	<u>1,317</u>
Total	13,046	22,099

APPENDIX B – POPULATION DATA (cont.)

Category III¹

	<u>Number of Persons at Fiscal Year End</u>					
	<u>Involuntary</u>		<u>VSI/SSB</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
<u>Enrolled but No Benefit Use</u>						
Army	269	134	60	43	329	177
Navy	295	306	35	32	330	338
Marine Corps	88	26	0	0	88	26
Air Force	42	19	12	12	54	31
<u>Coast Guard</u>	<u>16</u>	<u>16</u>	<u>1</u>	<u>1</u>	<u>17</u>	<u>17</u>
Total	710	501	108	88	818	589
<u>Enrolled and Has Used the Benefit</u>						
Army	314	177	73	31	387	208
Navy	586	497	129	180	715	677
Marine Corps	66	35	3	3	69	38
Air Force	52	26	17	17	69	43
<u>Coast Guard</u>	<u>19</u>	<u>17</u>	<u>0</u>	<u>0</u>	<u>19</u>	<u>17</u>
Total	1,037	752	222	231	1,259	983
<u>Total</u>						
Army	583	311	133	74	716	385
Navy	881	803	164	212	1,045	1,015
Marine Corps	154	61	3	3	157	64
Air Force	94	45	29	29	123	74
<u>Coast Guard</u>	<u>35</u>	<u>33</u>	<u>1</u>	<u>1</u>	<u>36</u>	<u>34</u>
Total	1,747	1,253	330	319	2,077	1,572

¹ This includes only those involuntary and voluntary separatees whose basic benefit is paid from the Department of Defense Education Benefit Fund. This includes separatees who entered the service after December 31, 1976 and before July 1, 1985.

APPENDIX C – ASSUMPTIONS AND METHODS

Post 9/11 GI Bill

The passage of this landmark legislation creates significant uncertainty with respect to future usage of education benefits. We expect higher benefit amounts and the ability to transfer benefits to dependents to change members' usage levels and other behaviors, such as decisions about how long to stay in service. However, projecting behaviors at this time is very difficult and as actual usage levels become known, our assumptions (and hence actuarial cost estimates) may change significantly in future years.

In addition, regulations governing how the program will be administered are not final at the time of this report. We have assumed that: transferability will be implemented for Chapter 33 kicker benefits, Chapter 1606 basic and kicker benefits, and for Chapter 1607 basic benefits. The ability to transfer benefits to eligible dependents will be effective in FY 2010. 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. Member must serve four additional years.

Valuation Date

The valuation date for this report is September 30, 2007.

Economic Assumptions

The Board of Actuaries, independently of DoD, approves the methods and assumptions used to determine the costs of these programs. In August, 2008, the DoD Board of Actuaries adopted the following economic assumptions for use in the valuation as of September 30, 2007.

Actual experience of the system will not coincide exactly with assumed experience, regardless of the choice of the assumptions, the skill of the actuary, and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all 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 and future expectations.

Inflation

Annual inflation for Chapter 1606 is calculated, per Section 16131 (b) (2), as the percentage increase, rounded to the nearest dollar, in the rates equal to the percentage by which the CPI (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 2.40% per year. Note that the only benefit covered by the EBF that is directly adjusted by this CPI index is the Chapter 1606 basic benefit.

Annual inflation for Chapter 30 and Chapter 1607 is based on the National Center for Education Statistics' average cost of undergraduate tuition. The rate of inflation for these chapters is assumed to be 6.00% per year.

Interest Rate

The interest rate of 4.50% was computed by averaging the 5-year Treasury returns for Fiscal Years 2010 – 2013 (3.70%, 4.50%, 4.80%, and 4.90%, respectively) published in the June 2008 Blue Chip Financial Forecast.

APPENDIX C – ASSUMPTIONS AND METHODS

Normal Cost Calculation

The normal cost is derived by multiplying the “Average Benefit Amount” times the “Percent of Benefit Used” times the “Discount Factor” times 36. “Average Benefit Amount” is an obvious amount for kicker benefits that are not indexed; and 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 group) is projected to become eligible for and use the benefit, and how much of the potential 36-month total entitlement is projected to be used during the eligibility period. “Discount Factor” reflects the reduction in the normal cost due to discounting. For example, a discount factor of 0.800 indicates the normal cost is 20% less than it otherwise would be if calculated with a zero interest rate.

Programs for which data is available depend on rates determined by actual experience in the most recent 10 year period with adjustments where results are not credible as well as adjustments for future expectations. Usage is adjusted if it is expected to deviate from historical averages.

Chapter 30 Decrement Assumptions FY 2009

	Average Benefit Amount	Percent of Benefit Used	Discount Factor	Normal Cost
Chapter 30 Kicker				
ARMY 2 Year	\$150	37.9%	0.708	\$1,447
ARMY 2 Year	\$250	38.9%	0.710	\$2,490
ARMY 2 Year	\$350	40.0%	0.713	\$3,590
ARMY 2 Year	\$450	41.0%	0.715	\$4,743
ARMY 2 Year	\$550	41.9%	0.717	\$5,946
ARMY 2 Year	\$650	42.8%	0.719	\$7,195
ARMY 2 Year	\$750	43.6%	0.721	\$8,486
ARMY 2 Year	\$850	44.4%	0.722	\$9,818
ARMY 2 Year	\$950	45.2%	0.724	\$11,186
Chapter 30 Kicker				
ARMY 3 Year	\$150	42.8%	0.682	\$1,577
ARMY 3 Year	\$250	43.6%	0.684	\$2,685
ARMY 3 Year	\$350	44.4%	0.686	\$3,835
ARMY 3 Year	\$450	45.1%	0.687	\$5,026
ARMY 3 Year	\$550	45.9%	0.689	\$6,255
ARMY 3 Year	\$650	46.6%	0.690	\$7,521
ARMY 3 Year	\$750	47.2%	0.692	\$8,822
ARMY 3 Year	\$850	47.9%	0.693	\$10,157
ARMY 3 Year	\$950	48.5%	0.695	\$11,524

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 30 Decrement Assumptions FY 2009 (cont.)

	Average Benefit Amount	Percent of Benefit Used	Discount Factor	Normal Cost
Chapter 30 Kicker				
ARMY 3 Year	\$150	42.8%	0.682	\$1,577
ARMY 3 Year	\$250	43.6%	0.684	\$2,685
ARMY 3 Year	\$350	44.4%	0.686	\$3,835
ARMY 3 Year	\$450	45.1%	0.687	\$5,026
ARMY 3 Year	\$550	45.9%	0.689	\$6,255
ARMY 3 Year	\$650	46.6%	0.690	\$7,521
ARMY 3 Year	\$750	47.2%	0.692	\$8,822
ARMY 3 Year	\$850	47.9%	0.693	\$10,157
ARMY 3 Year	\$950	48.5%	0.695	\$11,524
Chapter 30 Kicker				
ARMY 4 Year	\$150	36.9%	0.629	\$1,252
ARMY 4 Year	\$250	37.5%	0.631	\$2,128
ARMY 4 Year	\$350	38.1%	0.633	\$3,034
ARMY 4 Year	\$450	38.6%	0.634	\$3,971
ARMY 4 Year	\$550	39.2%	0.636	\$4,936
ARMY 4 Year	\$650	39.7%	0.638	\$5,929
ARMY 4 Year	\$750	40.3%	0.639	\$6,950
ARMY 4 Year	\$850	40.8%	0.640	\$7,996
ARMY 4 Year	\$950	41.3%	0.642	\$9,068
Chapter 30 Kicker				
ARMY 5 Year	\$150	34.2%	0.606	\$1,119
ARMY 5 Year	\$250	34.7%	0.608	\$1,901
ARMY 5 Year	\$350	35.3%	0.610	\$2,712
ARMY 5 Year	\$450	35.8%	0.612	\$3,551
ARMY 5 Year	\$550	36.4%	0.613	\$4,415
ARMY 5 Year	\$650	36.9%	0.615	\$5,306
ARMY 5 Year	\$750	37.4%	0.617	\$6,221
ARMY 5 Year	\$850	37.9%	0.618	\$7,161
ARMY 5 Year	\$950	38.4%	0.619	\$8,124

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 30 Decrement Assumptions FY 2009 (cont.)

	Average Benefit Amount	Percent of Benefit Used	Discount Factor	Normal Cost
Chapter 30 Kicker				
ARMY 6 Year	\$150	33.7%	0.594	\$1,082
ARMY 6 Year	\$250	34.3%	0.595	\$1,836
ARMY 6 Year	\$350	34.8%	0.597	\$2,617
ARMY 6 Year	\$450	35.3%	0.598	\$3,422
ARMY 6 Year	\$550	35.8%	0.600	\$4,251
ARMY 6 Year	\$650	36.3%	0.601	\$5,104
ARMY 6 Year	\$750	36.8%	0.602	\$5,980
ARMY 6 Year	\$850	37.2%	0.604	\$6,878
ARMY 6 Year	\$950	37.7%	0.605	\$7,798
Chapter 30 Kicker				
NAVY 4 Year	\$150	21.9%	0.664	\$784
NAVY 4 Year	\$250	22.3%	0.666	\$1,334
NAVY 4 Year	\$350	22.7%	0.667	\$1,906
NAVY 4 Year	\$450	23.0%	0.669	\$2,498
NAVY 4 Year	\$550	23.4%	0.671	\$3,109
NAVY 4 Year	\$650	23.8%	0.672	\$3,741
NAVY 4 Year	\$750	24.1%	0.674	\$4,391
NAVY 4 Year	\$850	24.5%	0.675	\$5,059
NAVY 4 Year	\$950	24.8%	0.676	\$5,745
Chapter 30 Kicker				
MARINES 4 Year	\$150	40.5%	0.664	\$1,453
MARINES 4 Year	\$250	41.3%	0.665	\$2,472
MARINES 4 Year	\$350	42.0%	0.667	\$3,529
MARINES 4 Year	\$450	42.7%	0.668	\$4,622
MARINES 4 Year	\$550	43.4%	0.670	\$5,751
MARINES 4 Year	\$650	44.0%	0.671	\$6,914
MARINES 4 Year	\$750	44.7%	0.672	\$8,110
MARINES 4 Year	\$850	45.3%	0.673	\$9,336
MARINES 4 Year	\$950	45.9%	0.675	\$10,593

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 30 Decrement Assumptions FY 2009 (cont.)

	Average Benefit Amount	Percent of Benefit Used	Discount Factor	Normal Cost
Chapter 30 Kicker				
MARINES 5 Year	\$150	29.8%	0.651	\$1,046
MARINES 5 Year	\$250	30.3%	0.652	\$1,779
MARINES 5 Year	\$350	30.9%	0.653	\$2,540
MARINES 5 Year	\$450	31.4%	0.654	\$3,327
MARINES 5 Year	\$550	31.9%	0.655	\$4,141
MARINES 5 Year	\$650	32.4%	0.656	\$4,979
MARINES 5 Year	\$750	32.9%	0.657	\$5,841
MARINES 5 Year	\$850	33.4%	0.658	\$6,727
MARINES 5 Year	\$950	33.9%	0.658	\$7,636
Chapter 30 Kicker				
MARINES 6 Year	\$150	52.5%	0.633	\$1,793
MARINES 6 Year	\$250	53.0%	0.633	\$3,021
MARINES 6 Year	\$350	53.5%	0.634	\$4,273
MARINES 6 Year	\$450	54.0%	0.634	\$5,548
MARINES 6 Year	\$550	54.5%	0.635	\$6,844
MARINES 6 Year	\$650	54.9%	0.635	\$8,161
MARINES 6 Year	\$750	55.3%	0.636	\$9,497
MARINES 6 Year	\$850	55.7%	0.636	\$10,852
MARINES 6 Year	\$950	56.1%	0.637	\$12,223
Chapter 30 Kicker				
COAST 4 Year	\$150	34.8%	0.605	\$1,137
COAST 4 Year	\$250	35.3%	0.607	\$1,929
COAST 4 Year	\$350	35.8%	0.609	\$2,747
COAST 4 Year	\$450	36.3%	0.611	\$3,591
COAST 4 Year	\$550	36.7%	0.613	\$4,459
COAST 4 Year	\$650	37.2%	0.615	\$5,351
COAST 4 Year	\$750	37.6%	0.617	\$6,266
COAST 4 Year	\$850	38.1%	0.618	\$7,203
COAST 4 Year	\$950	38.5%	0.620	\$8,162

APPENDIX C – ASSUMPTIONS AND METHODS

Chapter 33 Decrement Assumptions FY 2010

	Average Benefit Amount	Percent of Benefit Used	Discount Factor	Normal Cost
Chapter 33 Kicker				
ARMY 2 Year	\$150	55.5%	0.734	\$2,201
ARMY 2 Year	\$250	56.1%	0.736	\$3,713
ARMY 2 Year	\$350	56.6%	0.738	\$5,258
ARMY 2 Year	\$450	57.0%	0.739	\$6,832
ARMY 2 Year	\$550	57.5%	0.741	\$8,434
ARMY 2 Year	\$650	57.9%	0.743	\$10,060
ARMY 2 Year	\$750	58.3%	0.744	\$11,709
ARMY 2 Year	\$850	58.6%	0.746	\$13,378
ARMY 2 Year	\$950	59.0%	0.747	\$15,066
Chapter 33 Kicker				
ARMY 3 Year	\$150	57.7%	0.700	\$2,182
ARMY 3 Year	\$250	58.1%	0.702	\$3,668
ARMY 3 Year	\$350	58.4%	0.703	\$5,176
ARMY 3 Year	\$450	58.8%	0.704	\$6,706
ARMY 3 Year	\$550	59.1%	0.706	\$8,256
ARMY 3 Year	\$650	59.4%	0.707	\$9,824
ARMY 3 Year	\$750	59.7%	0.708	\$11,409
ARMY 3 Year	\$850	59.9%	0.709	\$13,010
ARMY 3 Year	\$950	60.2%	0.711	\$14,626
Chapter 33 Kicker				
ARMY 4 Year	\$150	52.6%	0.649	\$1,843
ARMY 4 Year	\$250	53.0%	0.650	\$3,100
ARMY 4 Year	\$350	53.3%	0.651	\$4,376
ARMY 4 Year	\$450	53.7%	0.653	\$5,671
ARMY 4 Year	\$550	54.0%	0.654	\$6,985
ARMY 4 Year	\$650	54.3%	0.655	\$8,315
ARMY 4 Year	\$750	54.5%	0.656	\$9,662
ARMY 4 Year	\$850	54.8%	0.657	\$11,023
ARMY 4 Year	\$950	55.1%	0.658	\$12,399

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 33 Decrement Assumptions FY 2010 (cont.)

	Average Benefit Amount	Percent of Benefit Used	Discount Factor	Normal Cost
Chapter 33 Kicker				
ARMY 5 Year	\$150	50.1%	0.626	\$1,693
ARMY 5 Year	\$250	50.4%	0.628	\$2,845
ARMY 5 Year	\$350	50.7%	0.629	\$4,014
ARMY 5 Year	\$450	51.0%	0.630	\$5,199
ARMY 5 Year	\$550	51.2%	0.631	\$6,399
ARMY 5 Year	\$650	51.5%	0.632	\$7,612
ARMY 5 Year	\$750	51.8%	0.633	\$8,839
ARMY 5 Year	\$850	52.0%	0.633	\$10,078
ARMY 5 Year	\$950	52.2%	0.634	\$11,329
Chapter 33 Kicker				
ARMY 6 Year	\$150	50.5%	0.612	\$1,669
ARMY 6 Year	\$250	50.8%	0.613	\$2,804
ARMY 6 Year	\$350	51.1%	0.614	\$3,955
ARMY 6 Year	\$450	51.4%	0.615	\$5,121
ARMY 6 Year	\$550	51.7%	0.615	\$6,301
ARMY 6 Year	\$650	52.0%	0.616	\$7,494
ARMY 6 Year	\$750	52.3%	0.617	\$8,700
ARMY 6 Year	\$850	52.5%	0.617	\$9,918
ARMY 6 Year	\$950	52.8%	0.618	\$11,147
Chapter 33 Kicker				
NAVY 4 Year	\$150	38.3%	0.682	\$1,410
NAVY 4 Year	\$250	38.5%	0.683	\$2,369
NAVY 4 Year	\$350	38.8%	0.684	\$3,343
NAVY 4 Year	\$450	39.0%	0.685	\$4,331
NAVY 4 Year	\$550	39.3%	0.686	\$5,331
NAVY 4 Year	\$650	39.5%	0.687	\$6,343
NAVY 4 Year	\$750	39.7%	0.688	\$7,366
NAVY 4 Year	\$850	39.9%	0.688	\$8,400
NAVY 4 Year	\$950	40.1%	0.689	\$9,443
Chapter 33 Kicker				
MARINES 4 Year	\$150	55.3%	0.688	\$2,056
MARINES 4 Year	\$250	55.8%	0.689	\$3,462
MARINES 4 Year	\$350	56.3%	0.690	\$4,894
MARINES 4 Year	\$450	56.7%	0.692	\$6,351
MARINES 4 Year	\$550	57.1%	0.693	\$7,831
MARINES 4 Year	\$650	57.5%	0.694	\$9,332
MARINES 4 Year	\$750	57.9%	0.695	\$10,855
MARINES 4 Year	\$850	58.2%	0.696	\$12,396
MARINES 4 Year	\$950	58.6%	0.697	\$13,956

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 33 Decrement Assumptions FY 2010 (cont.)

	Average Benefit Amount	Percent of Benefit Used	Discount Factor	Normal Cost
Chapter 33 Kicker				
MARINES 5 Year	\$150	40.2%	0.641	\$1,390
MARINES 5 Year	\$250	40.6%	0.642	\$2,347
MARINES 5 Year	\$350	41.1%	0.642	\$3,326
MARINES 5 Year	\$450	41.5%	0.643	\$4,328
MARINES 5 Year	\$550	42.0%	0.644	\$5,351
MARINES 5 Year	\$650	42.4%	0.645	\$6,395
MARINES 5 Year	\$750	42.8%	0.645	\$7,459
MARINES 5 Year	\$850	43.2%	0.646	\$8,542
MARINES 5 Year	\$950	43.6%	0.647	\$9,643
Chapter 33 Kicker				
MARINES 6 Year	\$150	52.5%	0.633	\$1,793
MARINES 6 Year	\$250	53.0%	0.633	\$3,021
MARINES 6 Year	\$350	53.5%	0.634	\$4,273
MARINES 6 Year	\$450	54.0%	0.634	\$5,548
MARINES 6 Year	\$550	54.5%	0.635	\$6,844
MARINES 6 Year	\$650	54.9%	0.635	\$8,161
MARINES 6 Year	\$750	55.3%	0.636	\$9,497
MARINES 6 Year	\$850	55.7%	0.636	\$10,852
MARINES 6 Year	\$950	56.1%	0.637	\$12,223
Chapter 33 Kicker				
COAST 4 Year	\$150	55.4%	0.610	\$1,826
COAST 4 Year	\$250	55.8%	0.612	\$3,073
COAST 4 Year	\$350	56.2%	0.613	\$4,343
COAST 4 Year	\$450	56.6%	0.615	\$5,634
COAST 4 Year	\$550	56.9%	0.616	\$6,945
COAST 4 Year	\$650	57.3%	0.618	\$8,275
COAST 4 Year	\$750	57.6%	0.619	\$9,622
COAST 4 Year	\$850	57.9%	0.620	\$10,987
COAST 4 Year	\$950	58.2%	0.622	\$12,369

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 1606 Decrement Assumptions FY 2009

	Average Benefit Amount	Percent of Benefit Used	Discount Factor	Normal Cost
Chapter 1606 Basic				
ARMY NATIONAL GUARD	\$348	19.1%	0.891	\$2,128
ARMY RESERVE	\$348	19.0%	0.889	2,116
NAVY RESERVE	\$354	8.7%	0.857	\$954
MARINE CORPS RESERVE	\$345	21.3%	0.902	\$2,393
AIR NATIONAL GUARD	\$349	38.1%	0.888	\$4,244
AIR FORCE RESERVE	\$350	14.3%	0.880	\$1,583
COAST GUARD RESERVE	\$349	18.0%	0.884	\$1,998
Chapter 1606 Kicker - \$100				
ARMY NATIONAL GUARD	\$100	27.2%	0.908	\$889
ARMY RESERVE	\$100	24.3%	0.855	\$750
NAVY RESERVE	\$100	9.6%	0.831	\$288
MARINE CORPS RESERVE	\$100	21.2%	0.863	\$659
AIR NATIONAL GUARD	\$100	33.7%	0.826	\$1,003
AIR FORCE RESERVE	\$100	20.9%	0.847	\$639
COAST GUARD RESERVE	\$100	20.7%	0.895	\$667
Chapter 1606 Kicker - \$200				
ARMY NATIONAL GUARD	\$200	27.2%	0.852	\$1,666
ARMY RESERVE	\$200	23.9%	0.854	\$1,470
NAVY RESERVE	\$200	10.9%	0.838	\$656
MARINE CORPS RESERVE	\$200	23.2%	0.870	\$1,451
AIR NATIONAL GUARD	\$200	36.2%	0.836	\$2,180
AIR FORCE RESERVE	\$200	23.3%	0.854	\$1,436
COAST GUARD RESERVE	\$200	22.9%	0.899	\$1,484
Chapter 1606 Kicker - \$350				
ARMY NATIONAL GUARD	\$350	31.9%	0.872	\$3,510
ARMY RESERVE	\$350	22.0%	0.848	\$2,347
NAVY RESERVE	\$350	12.6%	0.847	\$1,343
MARINE CORPS RESERVE	\$350	25.6%	0.878	\$2,832
AIR NATIONAL GUARD	\$350	39.5%	0.847	\$4,215
AIR FORCE RESERVE	\$350	26.5%	0.863	\$2,882
COAST GUARD RESERVE	\$350	25.6%	0.904	\$2,916

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 1606 Decrement Assumptions FY 2010

	Average Benefit Amount	Percent of Benefit Used	Discount Factor	Normal Cost
Chapter 1606 Basic				
ARMY NATIONAL GUARD	\$368	20.2%	0.905	\$2,401
ARMY RESERVE	\$368	19.4%	0.904	\$2,318
NAVY RESERVE	\$372	10.6%	0.886	\$1,261
MARINE CORPS RESERVE	\$366	26.1%	0.916	\$3,150
AIR NATIONAL GUARD	\$369	34.6%	0.903	\$4,151
AIR FORCE RESERVE	\$369	21.4%	0.902	\$2,563
COAST GUARD RESERVE	\$371	17.3%	0.893	\$2,067
Chapter 1606 Kicker - \$100				
ARMY NATIONAL GUARD	\$100	36.4%	0.915	\$1,200
ARMY RESERVE	\$100	26.1%	0.884	\$830
NAVY RESERVE	\$100	14.2%	0.868	\$444
MARINE CORPS RESERVE	\$100	26.5%	0.895	\$853
AIR NATIONAL GUARD	\$100	44.9%	0.867	\$1,402
AIR FORCE RESERVE	\$100	30.3%	0.878	\$957
COAST GUARD RESERVE	\$100	23.5%	0.896	\$759
Chapter 1606 Kicker - \$200				
ARMY NATIONAL GUARD	\$200	34.0%	0.884	\$2,163
ARMY RESERVE	\$200	26.4%	0.881	\$1,678
NAVY RESERVE	\$200	18.4%	0.877	\$1,163
MARINE CORPS RESERVE	\$200	30.0%	0.900	\$1,944
AIR NATIONAL GUARD	\$200	44.7%	0.874	\$2,809
AIR FORCE RESERVE	\$200	31.9%	0.884	\$2,030
COAST GUARD RESERVE	\$200	24.7%	0.900	\$1,597
Chapter 1606 Kicker - \$350				
ARMY NATIONAL GUARD	\$350	30.8%	0.877	\$3,408
ARMY RESERVE	\$350	22.6%	0.869	\$2,470
NAVY RESERVE	\$350	12.6%	0.861	\$1,365
MARINE CORPS RESERVE	\$350	27.7%	0.891	\$3,109
AIR NATIONAL GUARD	\$350	43.0%	0.865	\$4,681
AIR FORCE RESERVE	\$350	29.0%	0.878	\$3,212
COAST GUARD RESERVE	\$350	18.5%	0.895	\$2,091

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 1607 Decrement Assumptions FY 2009

	Average Benefit Amount	Percent of Benefit Used	Discount Factor	Normal Cost
Chapter 1607 40% of MGIB-AD				
ARMY NATIONAL GUARD	\$501	14.7%	0.829	\$2,200
ARMY RESERVE	\$501	14.9%	0.830	\$2,221
NAVY RESERVE	\$500	4.1%	0.833	\$607
MARINE CORPS RESERVE	\$501	14.6%	0.826	\$2,181
AIR NATIONAL GUARD	\$498	15.4%	0.840	\$2,319
AIR FORCE RESERVE	\$498	6.7%	0.840	\$1,007
COAST GUARD RESERVE	\$503	6.4%	0.821	\$949
Chapter 1607 60% of MGIB-AD				
ARMY NATIONAL GUARD	\$763	14.2%	0.804	\$3,134
ARMY RESERVE	\$762	14.4%	0.805	\$3,185
NAVY RESERVE	\$760	4.1%	0.812	\$921
MARINE CORPS RESERVE	\$763	14.4%	0.804	\$3,181
AIR NATIONAL GUARD	\$760	14.6%	0.811	\$3,249
AIR FORCE RESERVE	\$759	6.6%	0.814	\$1,465
COAST GUARD RESERVE	\$764	6.3%	0.801	\$1,395
Chapter 1607 80% of MGIB-AD				
ARMY NATIONAL GUARD	\$1,040	13.0%	0.767	\$3,733
ARMY RESERVE	\$1,040	13.2%	0.767	\$3,778
NAVY RESERVE	\$1,036	3.8%	0.775	\$1,085
MARINE CORPS RESERVE	\$1,040	13.1%	0.766	\$3,761
AIR NATIONAL GUARD	\$1,037	13.3%	0.772	\$3,844
AIR FORCE RESERVE	\$1,035	6.0%	0.775	\$1,720
COAST GUARD RESERVE	\$1,040	6.0%	0.766	\$1,715

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Chapter 1607 Decrement Assumptions FY 2010

	Average Benefit Amount	Percent of Benefit Used	Discount Factor	Normal Cost
Chapter 1607 40% of MGIB-AD				
ARMY NATIONAL GUARD	\$609	5.1%	0.850	\$957
ARMY RESERVE	\$606	2.6%	0.857	\$482
NAVY RESERVE	\$601	1.4%	0.868	\$256
MARINE CORPS RESERVE	\$597	2.4%	0.881	\$450
AIR NATIONAL GUARD	\$607	6.2%	0.856	\$1,159
AIR FORCE RESERVE	\$602	2.0%	0.866	\$366
COAST GUARD RESERVE	\$608	1.8%	0.853	\$343
Chapter 1607 60% of MGIB-AD				
ARMY NATIONAL GUARD	\$921	5.4%	0.838	\$1,505
ARMY RESERVE	\$920	2.7%	0.840	\$739
NAVY RESERVE	\$907	1.5%	0.862	\$430
MARINE CORPS RESERVE	\$913	2.1%	0.853	\$599
AIR NATIONAL GUARD	\$923	6.2%	0.837	\$1,715
AIR FORCE RESERVE	\$915	1.9%	0.849	\$536
COAST GUARD RESERVE	\$921	1.9%	0.839	\$540
Chapter 1607 80% of MGIB-AD				
ARMY NATIONAL GUARD	\$1,246	5.1%	0.816	\$1,875
ARMY RESERVE	\$1,246	2.5%	0.816	\$905
NAVY RESERVE	\$1,230	1.3%	0.834	\$472
MARINE CORPS RESERVE	\$1,230	2.1%	0.835	\$770
AIR NATIONAL GUARD	\$1,251	5.8%	0.810	\$2,122
AIR FORCE RESERVE	\$1,243	1.7%	0.819	\$612
COAST GUARD RESERVE	\$1,254	1.7%	0.806	\$620

APPENDIX C – ASSUMPTIONS AND METHODS (cont.)

Methodology

All benefits are pre-funded except for Category III benefits. For all pre-funded benefits, monthly contributions known as per capita costs 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 fiscal year. The annual payment and the monthly per capita costs are collectively referred to in this report as contributions to the Fund.

Per capita costs are the amounts needed to pay the benefits of persons entering the various programs. Per capita costs reflect the time value of money, the fact that not everyone uses the entire benefit for which they could become eligible, differences between services and components and differences between programs. Per capita costs are reduced when a service or component has a projected surplus, therefore the per capita cost represents the normal cost minus a per capita offset (if any).

Determining the actuarial liability is similar to determining the per capita costs. In both cases there is a model with various states or statuses and rates that represent the probability of moving from one state to another, using benefits, and the average amount of benefits used. If benefits are paid to persons in one of the states, the benefits are discounted for interest.

The per capita cost calculation and the actuarial liability calculation are distinctly different in terms of the population involved and the time at which benefits are valued. The per capita cost calculation uses hypothetical new-entrant group, projects individuals from that group into various states in the future, and then discounts benefit payments to the point of entry. On the other hand, the liability calculation uses the actual census population with members already in various states on the valuation date.

APPENDIX D: FUND HISTORY¹

(Dollar Amounts in Millions)

Chapter 30 Kicker Benefit Contributions

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Coast Guard</u>	<u>Total</u>
1998	57.947	24.773	4.639	-	87.358
1999	67.612	35.439	18.135	-	121.186
2000	90.880	28.257	17.567	-	136.704
2001	93.412	38.089	20.356	-	151.857
2002	75.671	30.314	15.100	-	121.085
2003	36.222	10.578	9.034	0.270	56.104
2004	11.131	5.671	8.077	0.005	24.883
2005	46.450	6.826	6.358	-	59.634
2006	35.012	2.146	8.592	-	45.750
2007	43.969	7.099	18.418	-	69.486

Chapter 30 Kicker Benefit Interest

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Coast Guard</u>	<u>Total</u>
1998	16.131	5.211	1.102	-	22.444
1999	15.634	6.325	1.693	-	23.652
2000	18.431	8.214	2.869	-	29.513
2001	21.226	9.303	3.920	-	34.449
2002	20.778	9.100	4.233	-	34.111
2003	18.949	8.066	4.051	0.012	31.077
2004	14.561	5.908	3.404	0.010	23.883
2005	14.347	5.292	3.446	0.009	23.095
2006	19.019	5.878	4.505	0.009	29.411
2007	19.894	5.001	4.884	0.007	29.786

Chapter 30 Kicker Benefit Benefit Payments

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Coast Guard</u>	<u>Total</u>
1998	65.810	9.325	0.675	-	75.810
1999	60.204	13.851	1.515	-	75.300
2000	54.037	15.020	2.381	-	71.437
2001	49.713	16.665	3.393	-	69.771
2002	47.939	20.280	4.832	-	73.052
2003	47.642	25.211	6.760	-	79.613
2004	48.660	29.119	8.277	0.015	86.071
2005	50.966	32.419	9.724	0.059	93.168
2006	51.195	34.025	12.328	0.055	97.602
2007	49.612	34.396	13.681	0.058	97.746

Chapter 30 Kicker Benefit Fund Balance

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Coast Guard</u>	<u>Total</u>
1998	238.345	88.895	19.109	-	346.349
1999	261.387	117.079	37.423	-	415.888
2000	316.661	138.530	55.477	-	510.668
2001	381.586	169.257	76.360	-	627.203
2002	430.097	188.390	90.860	-	709.347
2003	437.626	181.823	97.185	0.282	716.915
2004	414.658	164.283	100.388	0.281	679.611
2005	424.490	143.983	100.469	0.230	669.173
2006	427.327	117.982	101.238	0.184	646.731
2007	441.578	95.686	110.859	0.134	648.258

¹ The breakouts shown here (by component and program) represent OACT's internal allocation of the Fund. Officially, there is only one EBF.

APPENDIX D: FUND HISTORY (cont.)

(Dollar Amounts in Millions)

Chapter 1606 Basic and Kicker Benefit Contributions

	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
1998	44.267	20.304	2.655	10.912	10.001	0.503	-	88.641
1999	39.677	31.852	2.484	12.612	9.673	-	-	96.299
2000	43.274	32.706	3.005	17.024	13.198	2.109	-	111.226
2001	41.901	40.955	4.098	16.120	13.399	3.571	-	120.044
2002	50.431	53.566	1.209	13.789	17.951	9.920	-	146.865
2003	84.560	48.656	0.403	13.478	27.004	5.512	-	179.613
2004	83.768	32.127	0.281	13.389	35.090	5.396	-	170.051
2005	93.876	43.302	0.964	16.539	36.490	4.993	-	196.165
2006	138.005	49.457	9.678	20.931	43.751	8.111	-	269.933
2007	129.721	39.262	3.994	12.759	45.597	7.758	0.878	239.969

Chapter 1606 Basic and Kicker Benefit Interest

	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
1998	5.907	3.777	2.365	0.745	1.081	3.118	-	16.992
1999	5.897	3.838	2.155	0.780	1.055	2.783	-	16.508
2000	6.393	4.659	2.200	0.950	1.095	2.799	-	18.096
2001	5.985	5.147	2.124	1.090	0.915	2.660	-	17.921
2002	4.442	5.218	1.776	0.987	0.569	2.328	-	15.319
2003	3.853	5.297	1.411	0.989	0.557	2.068	-	14.175
2004	3.751	4.545	0.973	0.870	0.328	1.535	-	12.003
2005	4.445	4.714	0.816	0.982	0.235	1.326	-	12.518
2006	9.002	7.047	1.113	1.758	0.823	1.487	-	21.229
2007	10.420	6.903	1.074	1.755	0.909	1.297	(0.008)	22.260

Chapter 1606 Basic and Kicker Benefit Payments

	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
1998	36.065	21.348	5.049	10.371	8.964	4.162	-	85.960
1999	41.863	24.579	4.716	12.098	10.436	4.365	-	98.057
2000	44.458	26.962	5.426	13.136	14.268	4.816	-	109.067
2001	56.693	31.393	5.151	15.396	19.837	6.557	-	135.027
2002	64.734	36.022	4.499	14.056	23.148	7.450	-	149.908
2003	76.248	38.480	5.440	10.874	29.843	9.231	-	170.116
2004	73.486	34.101	6.311	13.552	37.773	11.682	-	176.906
2005	72.175	41.175	6.114	11.685	39.795	14.281	-	185.225
2006	57.346	29.485	4.945	6.924	33.821	14.063	-	146.584
2007	39.221	18.864	3.955	5.335	24.236	10.964	0.721	103.296

Chapter 1606 Basic and Kicker Benefit Fund Balance

	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
1998	95.286	58.576	35.375	10.760	16.751	46.272	-	263.021
1999	98.997	69.687	35.298	12.054	17.990	-	-	278.717
2000	104.206	80.090	35.078	16.892	18.015	44.692	-	298.972
2001	95.398	94.799	36.149	18.707	12.493	44.366	-	301.911
2002	85.536	117.561	34.635	20.573	9.734	49.163	-	317.203
2003	97.701	133.034	31.009	24.166	7.451	47.512	-	340.875
2004	111.734	135.605	25.953	24.873	5.096	42.761	-	346.023
2005	137.880	142.446	21.619	30.709	2.026	34.800	-	369.480
2006	227.541	169.465	27.465	46.474	12.779	30.334	-	514.059
2007	273.368	163.423	23.887	42.531	22.671	24.794	(0.250)	550.425

APPENDIX D: FUND HISTORY (cont.)

(Dollar Amounts in Millions)

Chapter 1607 Basic Benefit Contributions

	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
1998	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	57.467	35.969	7.854	-	-	21.944	-	123.233
2007	129.721	39.262	3.994	12.759	33.325	7.758	0.677	227.496

Chapter 1607 Basic Benefit Interest

	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
1998	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	1.271	1.064	0.534	-0.021	0.376	.862	.075	4.161
2007	129.721	39.262	3.994	12.759	33.325	7.758	0.677	227.496

Chapter 1607 Basic Benefit Payments

	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
1998	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	65.198	33.985	1.172	13.548	8.561	3.465	0.379	126.308
2007	114.406	62.207	2.244	18.201	11.343	13.333	0.754	222.488

Chapter 1607 Basic Benefit Fund Balance

	<u>ARNG</u>	<u>USAR</u>	<u>USNR</u>	<u>USMCR</u>	<u>ANG</u>	<u>USAFR</u>	<u>USCGR</u>	<u>Total</u>
1998	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	20.339	22.648	15.316	-7.869	4.015	28.141	1.532	84.123
2007	105.149	35.923	21.991	-4.628	37.119	31.585	3.004	230.142

APPENDIX D: FUND HISTORY (cont.)

(Dollar Amounts in Millions)

Category III Basic Benefit Contributions

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Coast Guard</u>	<u>Total</u>
1998	4.585	1.626	0.805	5.193	-	12.210
1999	3.909	1.352	0.779	4.040	-	10.079
2000	3.834	1.254	0.816	3.793	-	9.698
2001	3.540	1.204	0.607	3.414	-	8.764
2002	3.567	1.348	0.621	3.585	-	9.121
2003	4.068	1.745	0.778	4.091	-	10.681
2004	3.618	1.499	0.722	3.211	-	9.049
2005	2.904	1.463	0.475	3.266	-	8.108
2006	2.204	1.770	0.371	1.882	-	6.228
2007	1.247	1.728	0.259	0.130	-	3.364

Category III Basic Benefit Interest

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Coast Guard</u>	<u>Total</u>
1998	(0.133)	(0.044)	(0.026)	(0.133)	-	(0.336)
1999	(0.121)	(0.039)	(0.025)	(0.116)	-	(0.301)
2000	(0.114)	(0.038)	(0.018)	(0.109)	-	(0.280)
2001	(0.108)	(0.042)	(0.019)	(0.108)	-	(0.277)
2002	(0.101)	(0.044)	(0.019)	(0.100)	-	(0.265)
2003	(0.076)	(0.032)	(0.015)	(0.067)	-	(0.190)
2004	(0.049)	(0.026)	(0.008)	(0.057)	-	(0.140)
2005	(0.035)	(0.032)	(0.006)	(0.029)	(0.001)	(0.103)
2006	(0.023)	(0.036)	(0.005)	0.003	(0.003)	(0.065)
2007	(0.024)	(0.040)	(0.002)	(0.010)	(0.006)	(0.083)

Category III Basic Benefit Payments

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Coast Guard</u>	<u>Total</u>
1998	3.784	1.353	0.759	3.903	-	9.798
1999	3.771	1.224	0.761	3.748	-	9.503
2000	3.346	1.158	0.608	3.279	-	8.391
2001	3.480	1.340	0.618	3.478	-	8.917
2002	3.856	1.624	0.725	3.865	-	10.070
2003	3.602	1.506	0.721	3.274	-	9.103
2004	2.805	1.489	0.467	3.233	0.012	8.006
2005	2.123	1.697	0.363	1.545	0.035	5.763
2006	1.338	1.726	0.258	0.412	0.063	3.798
2007	1.081	1.784	0.118	0.422	0.023	3.428

Category III Basic Benefit Fund Balance

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Coast Guard</u>	<u>Total</u>
1998	(3.962)	(1.363)	(0.791)	(4.025)	-	(10.141)
1999	(3.945)	(1.274)	(0.797)	(0.056)	-	(6.073)
2000	(3.571)	(1.217)	(0.607)	(3.444)	-	(8.839)
2001	(3.620)	(1.394)	(0.637)	(3.617)	-	(9.268)
2002	(4.010)	(1.715)	(0.761)	(3.996)	-	(10.482)
2003	(3.621)	(1.507)	(0.719)	(3.247)	-	(9.094)
2004	(2.857)	(1.523)	(0.472)	(3.326)	(0.012)	(8.190)
2005	(2.111)	(1.789)	(0.366)	(1.634)	(0.048)	(5.948)
2006	(1.268)	(1.781)	(0.258)	(0.161)	(0.115)	(3.583)
2007	(1.126)	(1.878)	(0.119)	(0.463)	(0.144)	(3.730)

APPENDIX E – LEGISLATIVE HISTORY

Background

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

The Montgomery GI Bill provides education benefits for those entering the armed forces beginning July 1, 1985. It is called the Montgomery GI Bill (MGIB) after Congressman Sonny Montgomery, who was instrumental in passing the legislation. The permanent law for the MGIB is given by Chapter 1606 and Chapter 1607 of Title 10 and by Chapter 30 of Title 38. Chapter 1606 and Chapter 1607 cover Reservists and Chapter 30 covers active duty (or former active duty) members.

Title 38 covers veterans and the MGIB benefits for active duty members are generally used after members become veterans. Title 10, on the other hand, covers DoD, and Reservists generally use their MGIB benefits while they are still members of the Selected Reserve, where they attend monthly drills, 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 benefit is paid by the Fund. These benefits are not pre-funded and are paid by a series of amortization payments. These benefit amounts are referred to in this report as Category III.

Test programs were offered to approximately 100 Air Force and 400 Army active duty members, where a member who has been in the service for six years and agrees to stay for four more years can transfer part of his Chapter 30 eligibility for benefits to a dependent. This program is partly paid by the Veterans Administration (VA) and partly by the Fund. The part paid by the Fund is pre-funded by a normal cost mechanism.

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, also have their basic benefits paid by VA, unless because of discontinuous service they are not already enrolled in the MGIB. 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 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.

Neither Public Law 102-25 nor Public Law 102-568 directly affects the kicker benefit. However, the Army, with DoD approval, modified their kicker amounts, effective April 1, 1993, so that the total of basic + kicker 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-year 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 will fall whenever the basic benefits rise, since the \$20,000, \$25,000, and \$30,000 totals of basic + kicker will remain constant. The benefit maximum will actually be larger than the \$20,000, \$25,000, and \$30,000, respectively, however. This occurs because the time of enrollment in a kicker program is what determines the benefit, but the time of benefit use (i.e. going to school) is what determines 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. 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.

APPENDIX E – LEGISLATIVE HISTORY (cont.)

Major Amendment History (cont.)

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.

Public Law 103-66 (August 10, 1993) eliminated the COLA for October 1, 1993, 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 in critical skills or units. It provides up to an additional \$350 per month under Chapter 1606 for persons in critical skills or critical units, 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 from three years to two years the obligated service needed for full benefits for some types of separations.

APPENDIX E – LEGISLATIVE HISTORY (cont.)

Major Amendment History (cont.)

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).

Public Law 107-107 (December 28, 2001) permits transferring entitlement of MGIB benefits to dependents in certain conditions. Under the Service Secretary'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 present value of the benefit for increased usage be transferred to the Fund on a monthly basis as new takers agree to serve an additional four years for the 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 () 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) Section 527 created Chapter 1607, which provides educational assistance to members of the reserve components called or ordered to active service in response to a war or national emergency. Eligible members receive benefits based on their longest continuous length of service. Benefits range from 40% to 80% of MGIB-AD.

Public Law 108-454 (December 10, 2004) Section 106 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) Section 539, provides that licensing and certification tests are now payable under Chapters 1606 and 1607 of title 10, U.S. Code. Entitlement for licensing and certification tests taken under Chapters 1606 and 1607 will be 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 provides that a member can have a break in Selected Reserve service of up to 90 days and still receive Chapter 1607 benefits as long as the member remains in the Ready Reserve during and after the break. DoD and the Department of Homeland Security (for Coast Guard cases) determine eligibility under Chapter 1607 and will administer the provision. Section 545 amends Title 10 to clearly 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 rate payable up to 36 months.

APPENDIX E – LEGISLATIVE HISTORY (cont.)

Major Amendment History (cont.)

Public Law 109-461 (December 22, 2006), Section 305, 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.

Public Law 110-181 (January 28, 2008). Commonly referred to as “NDAA 08”. Allowed reservists otherwise eligible for MGIB-SR or REAP may receive accelerated payments for a non-degree program lasting 2 years or less. Made the REAP 80% rate available to anyone who was mobilized for at least 2 continuous years of active duty **OR** served multiple mobilizations totaling 3 years or more. Created a \$600 buy-up program for REAP participants. Modified ending dates for REAP participants separated from the Selected Reserve and for MGIB-SR participants separated involuntarily. Expanded REAP eligibility to anyone having a break in service (regardless of length) as long as they continue 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”, this 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 consecutive 90 days on Active Duty in the Armed Forces 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 10 years of active duty can transfer benefits to their spouse or child if they complete an additional service period.

APPENDIX F – BENEFIT PAYMENT PROJECTION¹

	<u>Chapter 30/33</u>	<u>Chapter 1606</u>	<u>Chapter 1607</u>	<u>Category III</u>	<u>Total</u>
FY 2009	\$98,119,629	\$226,206,154	\$ 168,634,841	\$3,118,401	\$496,079,026
FY 2010	\$107,051,253	\$322,835,223	\$75,033,834	\$4,158,373	\$509,078,684
FY 2011	\$118,432,088	\$337,830,122	\$69,583,193	\$4,199,018	\$530,044,421
FY 2012	\$131,868,413	\$347,111,133	\$65,812,743	\$3,402,056	\$548,194,346
FY 2013	\$140,112,688	\$353,906,037	\$61,704,207	\$2,289,742	\$558,012,672
FY 2014	\$147,886,076	\$359,377,194	\$57,723,914	\$698,494	\$565,685,679
FY 2015	\$151,407,447	\$364,233,543	\$55,411,609	\$0	\$571,052,599
FY 2016	\$153,548,613	\$368,087,005	\$53,786,592	\$0	\$575,422,210
FY 2017	\$154,291,347	\$371,183,240	\$52,752,768	\$0	\$578,227,356
FY 2018	\$154,195,031	\$373,717,942	\$50,224,014	\$0	\$578,136,987
FY 2019	\$153,867,007	\$376,067,197	\$48,283,337	\$0	\$576,217,542

¹ These projections rely on input, such as new entrant estimates, provided to OACT. If new entrant estimates change, so will these projections.

APPENDIX G – GLOSSARY

Actuarial liability

The present value of benefits expected to be paid from the Fund to current plan participants. Does not include new entrants after the valuation date.

Amortization payment

An annual payment of principal and interest on unfunded liability.

Basic benefit

The amount of basic educational assistance available in each program 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

The Department of Defense Board of Actuaries.

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

An event that causes the nature of liability to change. 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

Fund

The Education Benefits Fund

APPENDIX G – GLOSSARY

Fund Balance

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

IADT

initial active duty training

Inflation

An increase in the average price level of goods and services during a specified period.

Interest

The amount of money the Fund earns from securities.

Kicker Benefit

In the case of a member who has a critical skill or critical specialty, the Secretary of Defense may increase the rate of basic educational assistance by as much as \$950 per month.

Member

A person eligible to participate in a Fund program.

MGIB-AD

Montgomery GI Bill active duty benefits for Active Duty under Chapter 30.

MGIB-SR

Montgomery GI Bill benefits for Selected Reserve under Chapter 1606.

Normal cost

The amount needed to be paid into a fund for future benefits for each new entrant. For the DoD Education Benefits Fund, the normal cost is paid once for each new entrant. Components make monthly contributions into the Fund for new entrants in the preceding month.

OACT

The Department of Defense Office of the Actuary

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 cost

The normal cost minus the offset. This is the amount paid into the Fund for each new entrant.

Present value of benefits

The amount, in today's dollars, of benefits expected to be paid from the plan to current plan participants. Does not include new entrants after the valuation date.

APPENDIX G – GLOSSARY (cont.)

REAP

Reserve Education Assistance Program benefits under Chapter 1607.

Time value of money

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

Transferability

The right to transfer a benefit to a spouse or child dependent.

Unfunded liability

Represents the difference between the amount of money in the Fund on the valuation date and the actuarial liability that current eligibles are projected to receive. If the amount of money in the Fund exceeds the actuarial liability, there is a surplus. Otherwise there is an unfunded liability.

VEAP

Veteran's Educational Assistance Program

Withdrawal rate

The probability that someone leaves the service, given that they are currently active.