



VALUATION OF THE MILITARY RETIREMENT FUND

SEPTEMBER 30, 2024

**DoW Office of the Actuary
March 2026**

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SUPPLEMENTARY INFORMATION

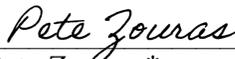
ACTUARIAL CERTIFICATION

This report on the valuation of the Military Retirement Fund as of September 30, 2024, has been prepared in accordance with all applicable Actuarial Standards of Practice. We have relied upon information maintained by other Department of War activities. The purpose of the actuarial valuation documented in this report is to calculate actuarial liabilities and funding amounts to meet the requirements of Chapter 74, Title 10, United States Code. Use of this report for other purposes may not be appropriate.

We have performed the valuation using methods and assumptions approved by the DoD Board of Actuaries. The annual, long-term economic assumptions are a 2.50% rate of inflation, a 2.75% across-the-board salary increase, and a 4.00% interest rate.

Actuarial methods and assumptions used in the preparation of this report are reasonable, and the valuation results present a fair picture of the financial condition of the Military Retirement Fund.

Underlying data, methods, and assumptions used to calculate actuarial liabilities and funding amounts are provided in the “Technical Reference to the FY 2024 Military Retirement Fund Valuation.”



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USE OF REPORT

Intended Audience:

- Those seeking actuarial or financial information about the Military Retirement Fund (MRF or Fund).

Report Limitations:

- Actual experience might differ from the valuation assumptions.
- Refer to the *General Information and Key Results* section for a high-level summary.
- Data and assumptions used to determine actuarial liabilities and funding amounts are provided in appendices located in the “Technical Reference to the FY 2024 Military Retirement Fund Valuation Report”.
- Figures in tables may not add exactly due to rounding.
- References to “active duty” personnel throughout the report also include full-time support reservists. Similarly, references to “reservists” or “selected reservists” exclude full-time support reservists.

ABBREVIATIONS

Board	DoD Board of Actuaries
BRS	Blended Retirement System
COLA	Cost-of-Living Adjustment
CSB/REDUX	Career Status Bonus Retirement System combined with the REDUX System
DFAS	Defense Finance and Accounting Service
DMDC	Defense Manpower Data Center
DoD	U.S. Department of Defense
DoW	U.S. Department of War
FY	Fiscal Year
MRF	Military Retirement Fund
NCP	Normal Cost Percentage
OACT	DoW Office of the Actuary
OMB	U.S. Office of Management and Budget
P.L.	Public Law
SBP	Survivor Benefit Plan
SOA	Society of Actuaries
UFL	Unfunded Accrued Liability
U.S.C.	United States Code
VA	U.S. Department of Veterans Affairs

GENERAL INFORMATION AND KEY RESULTS

1. Name of Plan:

Military Retirement Fund

2. Name and Address of Plan Sponsor:

Department of War
1400 Defense Pentagon
Washington, DC 20301-1400
Website: <https://www.war.gov/>

3. Type of Plan:

Defined Benefit with a Defined Contribution component under the BRS (not part of the MRF)

4. Establishment of Funding Arrangement:

Chapter 74 of Title 10, U.S.C.

5. Administrative Costs:

Not borne by the Plan

6. Funding Arrangement:

Trust Fund

7. Actuarial Cost Method:

Aggregate Entry-Age Normal

8. Oversight:

DoD Board of Actuaries. The Board advises the Secretary of War on actuarial matters needed to make budgetary determinations to finance liabilities of the MRF on an actuarially sound basis. The current members of the Board (as of this valuation report date) are:

John Moore, Chairperson
Michael Clark
Margaret Berger

9. Plan Participant Information:

	<u>Participants</u> (in 000s)	<u>Annualized Pay</u> (\$ in billions)
Active Duty and Full-time Reservists:	1,398	\$79.67
Selected Drilling Reservists:	669	\$9.74
Non-Selected Reservists – w/20 years:	186	-N/A-
Nondisabled Retirees:	1,919	\$70.51
Disabled Retirees:	141	\$2.68
Surviving Families:	308	\$5.31

GENERAL INFORMATION AND KEY RESULTS (Cont.)

10. Valuation Input Data:

Produced from files maintained by the Defense Manpower Data Center (DMDC) and made available to the Beacon Analytic Environment¹

11. Retirement Criteria:

- A. Nondisabled Retirement from Active Duty – Immediate, after 20 years of service
- B. Disabled Retirement – Immediate, generally with no years of service requirement
- C. Nondisabled Retirement from Reserve Duty – Age 60 (or earlier in some cases) after 20 years of creditable service

12. Actuarial Assumptions:

A. Economic:

(Annual Rates)

- 1) Inflation 2.50%
- 2) Salary 2.75%
- 3) Interest 4.00%

B. Demographic:

- 1) Mortality and other assumptions: Based on MRF experience.
- 2) Percent of a Typical New Entrant Cohort Serving 20 Or More Years:
Full-time (FT) personnel: 19% Part-time (PT) personnel: 17%

13. Accounting Results During Fiscal Year 2024:

(\$ in billions)

A. Benefits paid to participants	\$72.2
B. Contributions from Services	\$24.2
C. Treasury Normal Cost Contribution	\$19.9
D. Treasury Amortization Payment	\$151.5
E. Investment Income	\$62.5

14. Actuarial Results at End of Fiscal Year 2024:

(\$ in billions)

A. Present Value of Future Benefits	\$2,681.24
B. Actuarial Accrued Liability	\$2,230.90
C. Actuarial Value of Assets	\$1,604.7
D. Unfunded Accrued Liability	\$626.2
E. Funded Ratio (C./B.)	72%

15. NCPs for Fiscal Year 2026:

	<u>DoW</u>	<u>Treasury</u>	<u>Total</u>
Full-time	24.3%	33.5%	57.8%
Part-time	22.6%	9.6%	32.2%

¹ The Beacon Analytic Environment is a secure DoW data platform used to store, manage, and provide controlled access to personnel and pay data for actuarial and analytical purposes.

SUMMARY OF CHANGES

At the July 2024 meeting, the Board approved the changes for the September 30, 2024, valuation. For access to the official transcript of the meeting, follow this link:

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

See the “Summary of Anticipated Changes” in the FY 2023 MRF valuation report for details, and Table 5 of this report for the actual impact.

SUMMARY OF ANTICIPATED CHANGES

At the September 2025 meeting, the Board approved the following changes for the September 30, 2025, valuation. For access to the official transcript of the meeting, follow this link: <https://actuary.defense.gov/External-Links/>. Also see the accompanying Technical Reference for details.

Changes in Actuarial Assumptions

VA Parameters and Retired Pay Weighting Factors

The Board approved updates to full and partial VA offset parameters for new nondisabled and disabled retirees. The Board also approved the update to the pay factors used to project non-COLA changes to average retired pay for continuing retirees. The result is a 3.5% decrease for full-time and 2.8% decrease for part-time to the FY 2027 DoW NCPs, and an increase in the 09/30/2024 accrued liability of \$9.8 billion (0.4%).

Promotion and Merit Scales (PAMS) and New Entrant Pay Distribution

The Board approved updates to the PAMS and new entrant pay distribution assumptions based on the pay table effective April 1, 2025 for enlisted members. The result is a 0.4% decrease for full-time and 0.6% decrease for part-time to the FY 2027 DoW NCPs, and an increase in the 09/30/2024 accrued liability of \$9.3 billion (0.4%).

Mortality Improvement Factors and Member-Spouse Age Difference

The Board approved updated mortality improvement factors, adding 2024 military data for both retirees and survivors, and a single age difference to determine the age of a survivor when a member dies. The proposed member-spouse age difference is 6 for everyone, and 1 for members who died on active duty. The result is no change to the FY 2027 full-time and part-time DoW NCPs, and an increase in the 09/30/2024 accrued liability of \$10.0 billion (0.5%).

VALUATION OF THE MILITARY RETIREMENT FUND

INTRODUCTION

The MRF provides payments for active duty and reserve retirement, disability retirement, and survivor benefits. A detailed description of benefits can be found in the accompanying Technical Reference.

Chapter 74 of Title 10, U.S.C., established an aggregate entry-age normal cost funding method for the MRF beginning October 1, 1984. Under this law, DoW pays the normal cost, while the Treasury makes payments to amortize the unfunded liability, any gains or losses, and the normal cost for Concurrent Receipt benefits.

This law also established an independent three-member DoD Retirement Board of Actuaries to review valuations of the MRF; determine the method of amortizing unfunded liabilities; report annually to the Secretary of War; and report to the President and the Congress on the status of the MRF at least once every four years.

DATA AND PROCEDURE

The valuation uses personnel and pay data maintained by the Defense Manpower Data Center (DMDC) and provided through the Beacon Analytic Environment. Retiree and survivor information comes from DFAS pay files, while active-duty and reserve data come from the master personnel files submitted by the Services. The Office of the Actuary reviews these data sources for consistency and reasonableness and relies on the supplying agencies for accuracy and completeness.

Where applicable, dollar amounts include the subsequent January 1st increase in basic pay. These totals are summarized in Table 1.

TABLE 1

Initial Accounting Figures
(\$ in billions)

	<u>2024</u>	<u>2023</u>
Total Active Duty Personnel + Full-Time Reservists	1,398,213	1,402,290
Total Annualized Basic Pay	\$79.67	\$74.13
Non-BRS	551,545	613,718
Total Annualized Basic Pay	\$41.94	\$42.88
BRS	846,668	788,572
Total Annualized Basic Pay	\$37.73	\$31.25
Total Selected Drilling Reservists	669,090	675,047
Total Annualized Basic Pay	\$9.74	\$9.05
Non-BRS	302,328	343,744
Total Annualized Basic Pay	\$5.70	\$5.86
BRS	366,762	331,303
Total Annualized Basic Pay	\$4.03	\$3.19
Total Non-Selected Reservists (with 20 years)	186,184	173,902
Total Annualized Basic Pay	-N/A-	-N/A-
Total Number of Non-disabled Retirees	1,919,096	1,914,874
Total Annualized Retired Pay	\$70.51	\$67.97
Total Number of Disabled Retirees	141,265	138,359
Total Annualized Retired Pay	\$2.68	\$2.49
Total Number of Surviving Families	308,095	312,532
Total Annualized Survivor Annuities	\$5.31	\$5.23

* Figures include USCG.

Population and pay projections are generated by an actuarial projection model (GORG¹). GORGO is a deterministic model, which assumes the average outcome will occur annually.

Active duty and reserve members are grouped by age and years of service, with each group containing counts and average basic pay. Retirees and survivors are grouped by age, with each group containing counts and annualized retired pay or survivor annuities. These groupings form the starting point for the projection model and are documented in the Technical Reference.

¹ GORGO was named after a monster featured in a 1961 British science fiction movie based on a variation of *Godzilla*.

The GORGO model projects these populations forward one year at a time. Individuals move between categories—such as active duty to retired or retired to deceased—based on assumptions for withdrawal, retirement, disability, transfer, and mortality. Pay and benefits grow according to the valuation’s economic assumptions, including across-the-board salary increases, promotion and merit increases, and annual COLAs.

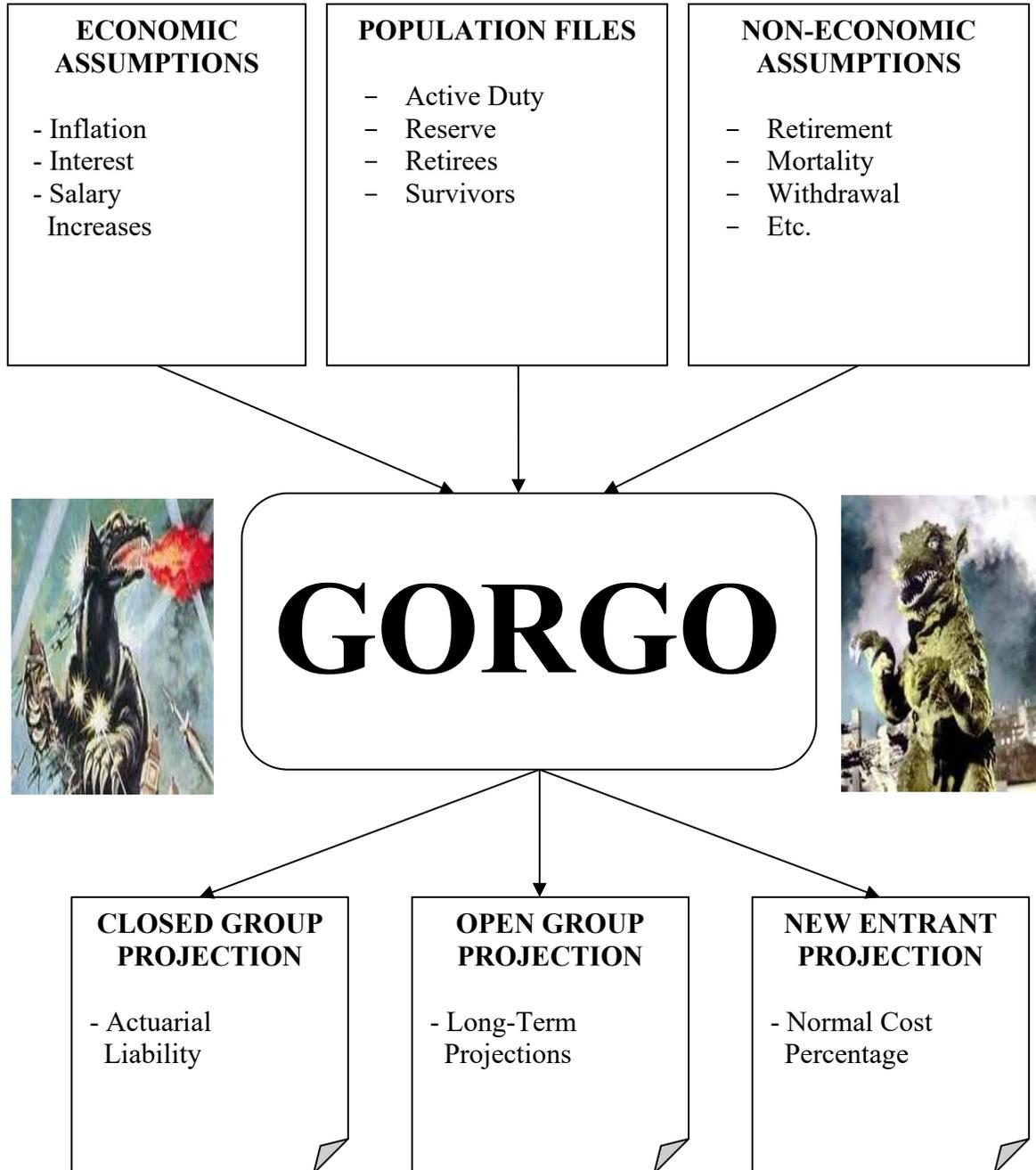
At the end of each projection year, the model records population counts, basic pay, and benefit payments, then ages the population and repeats the process. After 100 years of projections, all future cash flows are discounted using the valuation interest rate to determine present values. Because no new entrants are added in this projection, it represents a closed-group valuation.

GORGO can also produce an open-group projection, which adds new entrants each year to meet DoW end-strength targets. These results appear in the Technical Reference and in the projection tables included in the report.

Economic assumptions—long-term inflation, salary increases, and interest rates—are set by the Board after reviewing current conditions and long-term expectations. Demographic assumptions, including retirement, mortality, disability, and withdrawal rates, are based on military-specific experience studies and are detailed in the Technical Reference.

FIGURE 1

GORGO PROCESS OVERVIEW



Long-term annual economic assumptions, i.e., the rate of inflation, the across-the-board pay increase, and the valuation interest rate, were decided upon by the Board after extensive analysis of the current environment and future expectations. A discussion of these assumptions is in the Technical Reference.

The decrement rates and other non-economic assumptions can be categorized as follows:

1. Active duty decrement rates
2. Retiree and survivor decrement rates
3. Drilling and non-drilling (with 20 good years) reserve decrement rates
4. Actuarial projection model parameters
5. Mortality improvement factors

The decrement rates and GORGO parameters are based on military-specific experience. The rates and descriptions of how they were derived are in the Technical Reference. The actuarial projection model parameters, dealing with such matters as the survivor benefit elections, premium deductions, and member/beneficiary age differences, are also described in the Technical Reference.

In general, the valuation results are most sensitive to changes in the long-term economic and retention assumptions. Table 4 provides an analysis of sensitivity to the long-term interest and withdrawal rate assumptions.

ASSETS

The Fund's assets are invested in special-issue Treasury securities. These securities earn interest at rates set by the Secretary of the Treasury, based on market yields for comparable publicly traded U.S. Treasury obligations. Each security held by the Fund mirrors a publicly issued Treasury security, meaning it shares the same maturity date, coupon rate, and other key characteristics. These mirrored securities may correspond to public issues from any point in time, not just recent issuances.

Treasury procedures allow the Fund's investment manager to redeem long-term special-issue securities before maturity at their fair market value. That value is determined using the bid price of the equivalent public security with the same maturity and coupon. Although early redemption is permitted, Treasury policy generally favors a buy-and-hold approach, considering the Fund's long-term cash flow needs when selecting maturities.

The investment manager implements the strategy approved by the DFAS Investment Board during its semiannual meetings. The current strategy focuses on generating sufficient cash to meet benefit payments and administrative expenses as they come due. To support this objective, the portfolio targets an average maturity of about 20 years, reflecting both current and expected economic conditions. Most new investments are made in Treasury Inflation-Protected Securities (TIPS), which help protect the Fund from inflation while maintaining adequate liquidity.

For valuation purposes, the Fund's assets are measured using the amortized cost method. Under this approach, each security's yield to maturity remains equal to its yield at the time of purchase. Premiums and discounts are amortized over the life of the security, producing the actuarial value of assets used in determining the unfunded liability. Total investment return includes interest coupons, changes in amortized cost during the year, and inflation adjustments on TIPS holdings.

NORMAL COST

The aggregate entry-age normal cost percentage (NCP) represents the level share of basic pay that must be contributed throughout a typical service member’s career to fund that cohort’s future retirement and survivor benefits. To determine this percentage, the valuation begins with a cohort of new entrants and projects their basic pay and future benefits over a 100-year period using the GORGO model. All projected cash flows are then discounted back to the valuation date. The NCP is calculated as the present value of future benefits divided by the present value of future basic pay, using the valuation interest rate.

Separate NCPs are developed for two groups: full-time personnel (active duty and full-time reservists) and part-time reservists. Each group’s NCP reflects the benefit formulas applicable to that population. Only full-time members are eligible for the CSB/REDUX benefit formula, so that formula is included only in the full-time NCP.

Treasury contributes the portion of the normal cost associated with Concurrent Receipt benefits at the start of each fiscal year. Table 2 shows the components of the NCP.

The FY 2025 weighted NCPs in Table 2 incorporate the NCP weighting factors and BRS opt-in rates. Because federal budget decisions must be finalized before the valuation is complete, the NCPs used for actual contributions may differ from the percentages produced in the valuation.

TABLE 2

FY 2025 NORMAL COST AS A PERCENT OF BASIC PAY (NCPs)
(DoW NCPs in Parentheses)

<u>FULL-TIME</u>	<u>HIGH-3</u>	<u>CSB/ REDUX*</u>	<u>BRS</u>	<u>FY 2025 Weighted</u>
Nondisability benefits	56.5 (21.8)	55.7 (21.5)	44.2 (18.2)	50.0 (19.9)
Disability benefits	5.1 (1.3)	5.1 (1.3)	4.9 (1.2)	5.0 (1.2)
Survivor benefits	3.5 (3.5)	3.5 (3.5)	3.0 (3.0)	3.3 (3.3)
Total	65.1 (26.6)	64.3 (26.3)	52.1 (22.5)	58.2 (24.4)
 <u>PART-TIME</u>				
Nondisability benefits	27.3 (19.1)	-N/A-	21.8 (15.3)	25.0 (17.5)
Disability benefits	4.3 (2.0)	-N/A-	4.1 (1.9)	4.2 (2.0)
Survivor benefits	3.6 (3.6)	-N/A-	3.0 (3.0)	3.3 (3.3)
Total	35.2 (24.7)	-N/A-	28.8 (20.2)	32.5 (22.8)

* Only full-time personnel are under the CSB/Redux benefit formula

To qualify for a regular, non-disability retirement, an active-duty service member must complete a minimum of 20 years of active service. Similarly, reservist members become eligible after completing 20 good years. For more information on military retired pay, refer to the DoW Office of Military Compensation website (<http://militarypay.defense.gov/Pay/Retirement/>).

Table 7 lists the projected weighted aggregate full-time and part-time NCPs under current law in the normal cost columns. The columns are separated into the DoW and Treasury NCPs. With the passage of the law on BRS, projected NCPs will converge to the level of the BRS NCPs as all non-retired personnel will eventually have entered the uniformed service on or after December 31, 2017.

AMORTIZATION OF UNFUNDED LIABILITY

The Fund began with a substantial unfunded accrued liability because no normal cost contributions were made for service performed before October 1, 1984. As a result, the initial unfunded liability was \$528.7 billion as of September 30, 1984. When the USCG was added to the MRF under NDAA 2021, it brought an additional initial unfunded liability of \$59.7 billion beginning in FY 2023. The Board determines how these amounts are amortized, and both initial unfunded liabilities are scheduled to be fully amortized in FY 2026.

The unfunded liability continues to change over time. It increases or decreases when benefit provisions are modified, when actuarial assumptions are updated, or when actual experience differs from expected experience. These gains and losses are incorporated into the amortization process. The methods used to calculate amortization payments for these changes are described in the Technical Reference.

UNFUNDED ACCRUED LIABILITY

Table 3 presents the unfunded accrued liability as of September 30, 2024. This value begins with the present value of future benefits, which is calculated by projecting all future benefit payments for the closed-group population and discounting them back to the valuation date using the long-term interest assumption.

The present value of future normal cost contributions is calculated in a parallel manner. Full-time and part-time basic pay are projected for the entire covered population, multiplied by their respective total NCPs, and then discounted back to the valuation date. Subtracting this amount from the present value of future benefits yields the accrued liability, and the difference between the accrued liability and the actuarial value of assets represents the unfunded accrued liability.

To evaluate financial risk, key valuation assumptions are stress-tested. Table 4 shows how changes in selected assumptions affect the results. These tests are designed to illustrate the direction and magnitude of sensitivity, not to represent expected future changes.

For FY 2024, the valuation produced an overall actuarial loss of \$44.4 billion. Table 5 breaks down the individual components contributing to this loss.

TABLE 3

**MILITARY RETIREMENT FUND
ACTUARIAL STATUS INFORMATION
(\$ in billions)**

	<u>2024</u>	<u>2023</u>
1. Present value of future benefits (PVFB)		
a. Retirees and Survivors	\$1,461.8	\$1,396.3
b. Reserves	\$252.0	\$244.5
c. Active Duty	<u>\$967.4</u>	<u>\$918.9</u>
TOTAL	\$2,681.2	\$2,559.7
2. Present value of future normal cost contributions (PVFNC) ¹	\$450.3	\$430.1
3. Actuarial accrued liability (1. – 2.) ²	\$2,230.9	\$2,129.6
4. Actuarial value of assets ³	\$1,604.7	\$1,418.7
5. Unfunded accrued liability (3. – 4.)	\$626.2	\$710.9
6. Funded Ratio (4. / 3.)	72%	67%
7. DoW NCP to be applied to basic pay in fiscal year ⁴	<u>FY 2026</u>	<u>FY 2025</u>
a. Full-time	24.3%	26.6%
b. Part-time	22.6%	21.5%
8. Treasury NCP to be applied to basic pay in fiscal year ⁵	<u>FY 2026</u>	<u>FY 2025</u>
a. Full-time	33.5%	30.8%
b. Part-time	9.6%	9.8%

¹ The September 30, 2024 PVFNC includes a \$2.044 billion reduction due to sequestration of the Treasury's October 1, 2024 Concurrent Receipt normal cost contribution. The September 30, 2023 PVFNC includes a \$1.799 billion reduction for the same reason, reflecting sequestration of the October 1, 2023 contribution.

² The valuation liability meets the requirement for pension plans to separately calculate and disclose low-default-risk measurements. This standard is satisfied because the valuation interest rate is based on Fund assets invested entirely in low-risk U.S. Treasury securities.

³ The actuarial value of assets is determined using the amortized cost method derived from the combination of investments in U.S. Government securities, accounts receivable, and fund balance with Treasury.

⁴ Due to the need to establish the NCPs in advance of implementation, the percentages used in a fiscal year may vary from the ones in the valuation.

⁵ Treasury pays the normal cost resulting from the increase in benefits due to Concurrent Receipt.

TABLE 4

**MILITARY RETIREMENT FUND
SENSITIVITY TEST***
(\$ in billions)

Long-Term Real Interest Rate Assumption

[Baseline Real Interest = 1.50%]

	<u>Baseline</u>	<u>0.25% Lower</u>	<u>0.25% Higher</u>
1. Present value of future benefits	\$2,681.0	\$2,828.4	\$2,545.8
2. Actuarial accrued liability	\$2,230.9	\$2,333.5	\$2,135.2
3. Unfunded accrued liability	\$626.2	\$728.9	\$530.5
4.a. FY 2026 FT NCP [DoW + Treasury]	57.8%	62.8%	53.2%
4.b. FY 2026 PT NCP [DoW + Treasury]	32.3%	35.4%	29.4%

* A sensitivity test measures the impact of a change in an actuarial assumption on an actuarial determination. Baseline figures are from Table 3.

TABLE 5

**MILITARY RETIREMENT SYSTEM
FY 2024 CHANGE IN UNFUNDED LIABILITY*
(\$ in billions)**

	For the Plan Year Ended September 30, 2024	
1. Actual unfunded accrued liability (9/30/24)	\$626.2	
2. Expected unfunded accrued liability (9/30/24)	\$581.8	
3. Total (gain)/loss **	\$44.4	2.0%
a. Total experience (gain)/loss	<u>\$2.6</u>	<u>0.1%</u>
Interest assumption	(\$5.1)	0.3%
COLA assumption	\$0.0	0.0%
Salary assumption	\$11.0	0.5%
Non-economic experience	(\$3.3)	0.1%
b. 10/1/24 unpaid contribution ***	\$2.0	0.1%
c. Total benefit change (gain)/loss	\$0.0	0.0%
d. Total assumption change (gain)/loss	<u>\$39.7</u>	<u>1.8%</u>
Survivor and Spouse Mortality Rates	\$4.3	0.2%
New Entrant Distribution	\$1.5	0.1%
Disability Factors	\$2.3	0.1%
Mortality Improvement Factors	\$31.0	1.4%
VA Parameters	\$0.7	0.0%

In this table, negative values represent actuarial gains and positive values represent actuarial losses.

* Percentages shown are ratios of absolute values of each gain or loss component to the accrued liability (Table 3, line 3), except for the interest gain, which is the ratio to the actuarial value of assets.

** The reasons for the total experience (gain)/loss:

- Interest = 4.00% long-term assumed vs. 4.00% FY24 actual dollar-weighted fund yield
- COLA = 2.50% long-term assumed vs. 2.50% January 1, 2025, actual
- Salary = 2.75% long-term assumed vs. 4.5% January 1, 2025, actual

*** October 1, 2024, unpaid contribution loss is due to sequestration of the Treasury Concurrent Receipt normal cost contribution.

TABLE 6

MILITARY RETIREMENT SYSTEM
PROJECTED FLOW OF PLAN ASSETS¹
(\$ as a proportion of payroll in billions)

Fiscal Year	Basic Payroll ²	From DoW, for Normal Costs ³		From Treasury, for Normal Costs ³		From Treasury, for Amortization of Unfunded Liability ⁴		Investment Income		Fund Disbursements ⁵		Fund Balance, End of Year ⁶	
2025	\$87.0	\$22.6	(26.0%)	\$22.6	(26.0%)	\$154.4	(177.4%)	\$70.1	(80.6%)	\$80.3	(92.3%)	\$1,794.1	(2,061.8%)
2026	94.5	22.7	(24.1)	26.5	(28.1)	161.4	(170.8)	78.1	(82.6)	82.6	(87.4)	2,000.3	(2,116.6)
2027	97.8	23.4	(23.9)	30.1	(30.7)	23.5	(24.0)	80.9	(82.7)	84.9	(86.7)	2,073.3	(2,119.5)
2028	103.0	24.5	(23.8)	31.4	(30.5)	24.1	(23.4)	83.9	(81.5)	87.2	(84.6)	2,150.1	(2,087.4)
2029	108.3	25.6	(23.7)	32.8	(30.3)	24.8	(22.9)	87.0	(80.4)	89.5	(82.7)	2,230.8	(2,060.2)
2030	113.5	26.8	(23.6)	34.2	(30.1)	25.4	(22.4)	90.3	(79.5)	92.0	(81.0)	2,315.5	(2,039.2)
2031	118.7	27.8	(23.5)	35.5	(29.9)	26.1	(22.0)	93.8	(79.0)	94.4	(79.6)	2,404.3	(2,026.2)
2032	123.6	28.9	(23.3)	36.7	(29.7)	26.9	(21.7)	97.4	(78.8)	97.0	(78.5)	2,497.1	(2,020.9)
2033	128.5	29.9	(23.3)	38.0	(29.5)	27.6	(21.5)	101.1	(78.7)	99.5	(77.4)	2,594.2	(2,018.7)
2034	133.5	30.9	(23.2)	39.2	(29.4)	28.4	(21.2)	105.0	(78.7)	102.1	(76.5)	2,695.6	(2,019.1)
2035	138.8	32.0	(23.1)	40.5	(29.2)	29.1	(21.0)	109.2	(78.6)	104.8	(75.5)	2,801.6	(2,018.2)
2036	144.3	33.1	(22.9)	41.8	(29.0)	29.9	(20.7)	113.4	(78.6)	107.6	(74.5)	2,912.4	(2,018.4)
2037	149.9	34.3	(22.8)	43.2	(28.8)	30.8	(20.5)	117.9	(78.7)	110.4	(73.6)	3,028.1	(2,020.1)
2038	155.6	35.4	(22.8)	44.6	(28.6)	31.6	(20.3)	122.6	(78.8)	113.3	(72.8)	3,149.0	(2,023.4)
2039	161.5	36.6	(22.7)	46.1	(28.5)	32.5	(20.1)	127.5	(78.9)	116.4	(72.1)	3,275.3	(2,028.0)
2040	167.6	37.9	(22.6)	47.6	(28.4)	33.4	(19.9)	132.6	(79.1)	119.4	(71.2)	3,407.5	(2,033.2)
2041	173.9	39.2	(22.6)	49.2	(28.3)	34.3	(19.7)	138.0	(79.3)	122.3	(70.3)	3,545.9	(2,038.9)
2042	180.5	40.7	(22.5)	51.0	(28.2)	33.9	(18.8)	143.5	(79.5)	125.2	(69.4)	3,689.7	(2,043.9)
2043	187.5	42.1	(22.5)	52.8	(28.2)	0.0	(0.0)	148.0	(78.9)	128.2	(68.4)	3,804.5	(2,029.6)
2044	194.7	43.7	(22.5)	54.8	(28.1)	0.0	(0.0)	152.6	(78.4)	131.1	(67.3)	3,924.5	(2,015.7)

TABLE 6 FOOTNOTES

The open group projection in this report is based on benefit provisions, data, methods, and assumptions as of the valuation date. The values are displayed in future-year dollars.

- ¹ By law, DoW contributes the normal cost and Treasury makes payments on the unfunded liability and the portion of the normal cost attributable to Concurrent Receipt benefits.
- ² DoW-projected end strengths are used through the end of FY 2030 and held constant thereafter.
- ³ Sequestration is reflected in the table through FY 2026.
- ⁴ Reflects amortization payments for FY 2026 and thereafter determined in the September 30, 2024, valuation.
- ⁵ Disbursements are on a cash basis and are paid on the first of the month.
- ⁶ This fund balance (on a book value basis) reflects cash disbursements during the year.

Mortality rates that are applied in the valuation are subject to annual rates of improvement. Mortality rates and people and pay underlying the projection can be found in the Technical Reference.

ECONOMIC ASSUMPTIONS USED IN PROJECTION OF PLAN ASSETS

<u>Fiscal Year</u>	<u>COLA (%)</u>	<u>Basic Pay (%)</u>	<u>Interest (%)</u>
2026	2.30	3.80	4.00
2027	2.30	2.60	4.00
2028	2.30	2.60	4.00
2029	2.30	2.60	4.00
2030	2.30	2.60	4.00
2031	2.30	2.60	4.00
2032	2.30	2.60	4.00
2033	2.30	2.60	4.00
2034	2.50	2.60	4.00
2035+	2.50	2.75	4.00

FY 2026 through FY 2033 COLA and basic pay are short-term OMB assumptions; FY 2034 and beyond are long-term assumptions for COLA and basic pay. The long-term interest assumption is used for all years. COLA represents the cost-of-living increases to retiree and survivor annuities. Basic Pay is the rate at which the entire military pay table increases and occurs each January 1st. The interest assumption represents the annual aggregate Fund yield on all cash flows.

TABLE 7

MILITARY RETIREMENT FUND
PROJECTED PAYROLL AND NORMAL COST PAYMENTS
(\$ as a proportion of payroll in billions)

Fiscal Year	Payroll			DoW Normal Cost Payments				Treasury Normal Cost Payments				Normal Cost Payments	
	Full-Time	Part-Time	Total	Full-Time		Part-Time		Full-Time		Part-Time		Total	
2025	\$76.6	\$10.4	\$87.0	\$20.4	(26.6%)	\$2.2	(21.5%)	\$21.7	(30.8%)	\$0.9	(9.8%)	\$45.2	(52.0%)
2026	82.9	11.4	94.3	20.1	24.3	2.6	22.6	25.5	33.5	1.0	9.6	49.2	(52.1)
2027	87.5	10.3	97.8	21.1	24.1	2.3	22.5	29.1	33.2	1.0	9.6	53.5	(54.7)
2028	92.4	10.6	103.0	22.2	24.0	2.4	22.3	30.4	32.9	1.0	9.5	56.0	(54.3)
2029	97.4	10.9	108.3	23.2	23.9	2.4	22.2	31.8	32.6	1.0	9.4	58.5	(54.0)
2030	102.3	11.2	113.5	24.3	23.7	2.5	22.0	33.1	32.4	1.1	9.4	60.9	(53.7)
2031	107.1	11.6	118.7	25.3	23.6	2.5	21.9	34.4	32.1	1.1	9.3	63.3	(53.4)
2032	111.6	11.9	123.6	26.3	23.5	2.6	21.8	35.6	31.9	1.1	9.3	65.6	(53.1)
2033	116.2	12.3	128.5	27.2	23.4	2.7	21.7	36.8	31.7	1.1	9.3	67.8	(52.8)
2034	120.9	12.6	133.5	28.2	23.3	2.7	21.6	38.0	31.5	1.2	9.2	70.1	(52.5)
2035	125.8	13.0	138.8	29.2	23.2	2.8	21.5	39.3	31.3	1.2	9.2	72.5	(52.2)
2036	130.9	13.4	144.3	30.3	23.1	2.9	21.3	40.6	31.0	1.2	9.1	75.0	(51.9)
2037	136.1	13.8	149.9	31.3	23.0	2.9	21.2	41.9	30.8	1.3	9.1	77.4	(51.7)
2038	141.4	14.3	155.6	32.4	22.9	3.0	21.1	43.3	30.6	1.3	9.0	80.0	(51.4)
2039	146.8	14.7	161.5	33.6	22.9	3.1	21.0	44.7	30.5	1.3	9.0	82.7	(51.2)
2040	152.4	15.1	167.6	34.7	22.8	3.2	20.9	46.3	30.3	1.4	8.9	85.5	(51.0)
2041	158.3	15.6	173.9	36.0	22.7	3.2	20.8	47.9	30.2	1.4	8.9	88.5	(50.9)
2042	164.5	16.0	180.5	37.3	22.7	3.3	20.8	49.5	30.1	1.4	8.9	91.6	(50.8)
2043	170.9	16.5	187.5	38.7	22.7	3.4	20.7	51.4	30.0	1.5	8.9	95.0	(50.7)
2044	177.7	17.0	194.7	40.2	22.6	3.5	20.7	53.3	30.0	1.5	8.9	98.5	(50.6)

TABLE 8

**MILITARY RETIREMENT FUND
PROJECTED UNFUNDED LIABILITY PAYMENTS ON OCTOBER 1
(\$ in billions)**

Calendar Year	Original UFL	Assumption Changes	Benefit Changes	Actuarial Experience	Total
2025	\$136.464	\$21.439	\$7.966	(\$4.456)	\$161.413
2026	0.000	22.028	8.185	(6.762)	23.451
2027	0.000	22.634	8.410	(6.948)	24.096
2028	0.000	23.257	8.642	(7.140)	24.759
2029	0.000	23.896	8.879	(7.336)	25.439
2030	0.000	24.553	9.124	(7.538)	26.139
2031	0.000	25.229	9.374	(7.745)	26.858
2032	0.000	25.922	9.632	(7.958)	27.596
2033	0.000	26.635	9.897	(8.177)	28.355
2034	0.000	27.368	10.169	(8.402)	29.135
2035	0.000	28.120	10.449	(8.632)	29.937
2036	0.000	28.894	10.736	(8.870)	30.760
2037	0.000	29.688	11.032	(9.114)	31.606
2038	0.000	30.505	11.335	(9.364)	32.476
2039	0.000	31.344	11.647	(9.622)	33.369
2040	0.000	32.205	11.967	(9.887)	34.285
2041	0.000	31.829	11.827	(9.771)	33.885
2042	0.000	0.000	0.000	0.000	0.000
2043	0.000	0.000	0.000	0.000	0.000

Note: Actuarial Experience includes impact of sequestered Treasury Normal Cost payments.

TABLE 9

**MILITARY RETIREMENT FUND
PROJECTED UNFUNDED LIABILITY BALANCE**
(before payment on September 30)
(\$ in billions)

Calendar Year	Original UFL	Assumption Changes	Benefit Changes	Actuarial Experience	Total
2025	\$136.464	\$330.762	\$122.904	(\$99.415)	\$490.715
2026	0.000	321.696	119.535	(98.757)	342.474
2027	0.000	311.655	115.804	(95.675)	331.784
2028	0.000	300.582	111.690	(92.276)	319.996
2029	0.000	288.418	107.170	(88.542)	307.046
2030	0.000	275.103	102.223	(84.454)	292.871
2031	0.000	260.572	96.823	(79.993)	277.402
2032	0.000	244.756	90.947	(75.137)	260.566
2033	0.000	227.588	84.567	(69.867)	242.288
2034	0.000	208.991	77.657	(64.157)	222.491
2035	0.000	188.888	70.188	(57.985)	201.090
2036	0.000	167.198	62.128	(51.328)	177.999
2037	0.000	143.836	53.448	(44.156)	153.129
2038	0.000	118.714	44.113	(36.444)	126.383
2039	0.000	91.738	34.089	(28.163)	97.664
2040	0.000	62.810	23.339	(19.282)	66.867
2041	0.000	31.829	11.827	(9.771)	33.885
2042	0.000	0.000	0.000	0.000	0.000
2043	0.000	0.000	0.000	0.000	0.000

Note: Actuarial Experience includes impact of sequestered Treasury Normal Cost payments.

TRANSACTION PROCESS

The MRF operates within the federal government’s Unified Budget and its transactions follow standard federal accounting practices. Under these practices, taxes are not increased specifically to finance the MRF; instead, the Fund receives the payments it needs to cover retiree and survivor benefits, while the associated intragovernmental transfers contribute to the overall level of federal debt.

The MRF has three primary sources of income:

- Normal cost contributions from the Department of War (DoW)
- Unfunded liability and Concurrent Receipt normal cost payments from the Treasury
- Interest earnings and the return of principal from Treasury securities held by the Fund

All three income streams are intragovernmental transfers—funds moving from one federal account to another—so they do not directly affect the federal deficit.

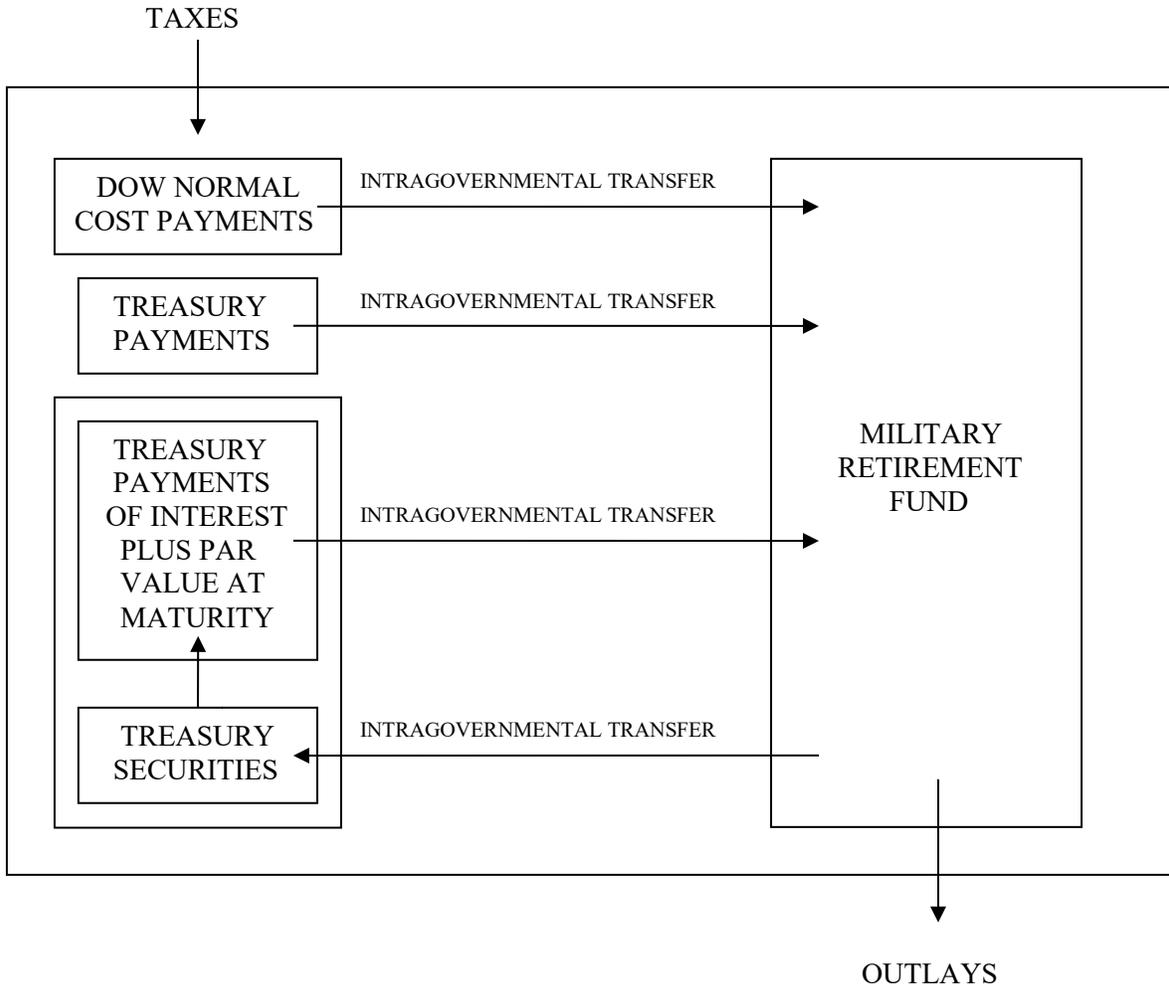
The Fund makes two types of payments:

- Benefit payments to retirees and survivors, which are outlays to the public and therefore increase the federal deficit
- Purchases of Treasury securities, which are intragovernmental transfers and do not affect the deficit

Only transactions that move money into or out of the federal government—such as tax receipts or benefit payments—change the Unified Budget deficit. Transfers between federal accounts, including contributions to the MRF and the Fund’s investment activity, do not. Figure 2 illustrates these relationships within the Unified Budget framework.

FIGURE 2

UNIFIED BUDGET



All intragovernmental transfers in Figure 2 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 that year have no impact on the total federal deficit. Just as in the pay-as-you-go method, the only transactions that directly affect the deficit in the retirement system accounting process are payments to retirees and survivors (i.e., outlays).

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 requires an increase in the statutory borrowing authority (debt ceiling).

With the normal cost payments in the DoW budget, policymakers can see the impact on future retirement costs if they make manpower decisions. For example, if a decision were made today to double the size of the active duty and reserve forces, the DoW budget would have an immediate increase in retirement funding obligations. Under the pay-as-you-go method, retirement expenses would not be considered until the participants retire.

The Fund can be viewed as earmarking future tax receipts for the benefit of military retirees. As such, the existence of the Fund promotes a measure of “psychological security” for military members, retirees, and survivors.

The fact that costs are fully recognized in advance 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 to pay benefits for that year. This can provide additional benefit security in the short run.