

Information Transmission within Groups: Peer Influence in High-stakes, Irreversible Financial Decisions ^{*}

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Abstract

We study the influence of workplace peers on a high-stakes, irreversible choice between retirement plans. Mid-career U.S. military personnel must choose between higher future pension pay-outs, or lower pension pay-outs and an immediate lump-sum bonus. With peers defined as those who have already made their choice by the time an individual is making his/her choice, and military personnel assignment rules ensuring that peer groups are not endogenously formed, we circumvent the reflection problem. We find that peer take-up of the lump-sum bonus has a strong negative influence on the likelihood a service member taking the lump-sum option. Peer effects are especially salient within groups formed along professional, race, and gender lines.

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1 Introduction

Making sound financial decisions requires good information, but such information can be expensive to obtain and difficult to process. A significant body of research has highlighted the increasing complexity of financial decisions faced by individuals, and retirement planning decisions are among the largest and most important (Lusardi and Mitchell, 2011). There is also mounting evidence that many individuals lack the fundamentals of financial literacy that facilitate informed choice (Lusardi and Mitchell, 2011; Mandell, 2008) and that they often avoid making financial decisions (Lusardi and Mitchell, 2007; Lusardi and Tufano, 2009; Madrian and Shea, 2001; Choi et al., 2002). Information costs may be especially salient if the financial instrument is new and complicated, or investors are not financially savvy and under-served by investment professionals (Agarwal et al., 2009; Agarwal and Mazumder, 2013; Bertrand and Morse, 2011).

For under-informed and under-served decision makers, a readily accessible source of information may be one’s family, friends, and colleagues. A growing literature has documented the influence of these peers in important decisions such as participation in social programs, retirement decisions, and purchases of durable goods, traditional securities, and speculative securities (e.g. cryptocurrencies and NFTs (Non-Fungible Tokens)).(Dahl et al., 2014; Grinblatt et al., 2008; Brown et al., 2008; Kaustia and Knüpfer, 2012; Bursztyn et al., 2014; Duflo and Saez, 2003; Wu and Katz, 2023; Balakina et al., 2022; Lieber and Skimmyhorn, 2018). However, estimating peer influence in financial decisions is difficult, for three fundamental reasons. First, it is difficult to isolate information sources. An investor may have access to many streams of information including traditional and online media, advertising, and paid financial advisers, as well as peers. Second, due to the reflection problem (Manski, 1993), transactions data with time stamps may be needed to capture the direction of causality. Third, many decisions involve small sums of money (at least initially) or are reversible, in which case mistakes can be mitigated. To surmount these obstacles, the literature has often leveraged experimental setups with selected and small samples (Duflo and Saez, 2003; Beshears et al., 2015; Cai et al., 2015; Bursztyn et al., 2014).

In this paper, we study the influence of one’s peers on a real-world, high-stakes, and irreversible financial decision that has been made by thousands of mid-career

professionals in the U.S. Navy.¹ Upon reaching 14.5 years of tenure, all Navy personnel must choose between two pension plans: the “High-3” plan which offers higher future pension payouts and the “Redux” plan which offers a \$30,000 lump-sum bonus in exchange for lower future pension payouts. In essence, service members are asked to choose between future and present consumption. While the relative financial benefits of the two options depends on several factors (described in detail below), the High-3 plan (with no bonus and higher future pension payments) appears to be a superior choice for most. For example, using standard assumptions, estimated break-even discount rates are between 10-25% in favor of the High-3 plan (Cunha and Menichini, 2014). Nonetheless, about 1/4 of eligible Navy personnel have selected the Redux plan and a survey of choosers found that 40% of Redux takers regretted their decision (compared to a regret rate of only 5% amongst High-3 takers)(DMDC, 2008).²

The administrative details and timing of the plan selection, exogenous assignment process of personnel, and lack of access to financial information from outside sources facilitate a clean identification of the influence of peers on own retirement plan decisions. Our sample of sailors and officers are assigned to ships or naval bases both within the U.S. and throughout the world. Oftentimes, non-essential communications are restricted, including access to the internet, e-mail, and telephones. Even when sailors are unable to obtain outside information, Navy regulations require that the pension decision be made by a set deadline. The primary source of financial information may then be restricted to one’s colleagues. Navy personnel rules assign individuals to units based only on mission needs, rank, and occupation. As such, ships and bases have exogenous variation in the assignment of service members who enter the window of time to make the pension decision, and peers who have already made the choice. This overcomes the reflection problem. Finally, the retirement decisions are irreversible and high-stakes. The choice locks service members into one of two plans where the difference in payouts can amount to several hundreds of thousands of dollars over one’s lifetime.

¹Our data includes the roughly 78,000 Navy personnel who made the choice between 2002 to 2011. However, over 600,000 service members across all branches of the military (Navy, Army, Air Force, and Marine Corps) made the retirement choice while the program was active. See Section 2 for details.

²The survey was administered by Defense Manpower Data Center (DMDC) to a stratified, randomly selected sample of 46,566 individuals from the universe of 198,000 individuals. 29% of the sample responded, and all statistics are adjusted for non-response within strata. In the survey, Redux takers were also revealed to have lower financial literacy.

Our main finding is that peers meaningfully influence the retirement choice: the higher the fraction of one’s peers who chose Redux in the past, the lower is the likelihood of an individual selecting Redux. For example, when defining peers as all service members in the same unit with over 15 years of service, a 10% increase in the fraction of peers choosing Redux reduces the likelihood of someone at 14.5 years of service choosing Redux by 12.5%. Service members who previously selected Redux are now closer to retirement and have had time to reflect on the the implications of the own retirement choice, and we posit that they are transmitting their current beliefs and knowledge to their younger, perhaps less financially-savvy peers who are currently making the choice.

We also find that individuals are most influenced by peers who share similar characteristics. For example, the peer effect is especially salient when we define peers for enlisted sailors as enlisted already-choosers. We test whether the value of peer experience persists when investors may be more financially savvy. In contrast to sailors, officers (who all have at least an undergraduate degree) are not strongly impacted by peers in most cases. Moreover, there is a strong race and gender-matching component in peer effects. Sailors are *only* influenced by other sailors of the same race. Similar results are seen when sailors are divided by gender. This implies that peer groups form along socio-demographic lines in the workforce, and is especially salient in the context of the military, whose members have historically skewed White and male.

Closest to our research in subject matter and methodology is Lieber and Skimmyhorn (2018) who study peer effects in financial decision making by exploiting exogenous assignment of U.S. Army soldiers into units. Using data on charitable contributions, defined contribution investments, and life insurance purchases, they find peer effects for charity but not for investment or life insurance. The contrasting outcomes are ascribed to the fact that charitable giving is publicly viewable, but personal finance decisions are not. Their context stands in contrast to our study in important ways: first, these decisions involve smaller financial transactions. For an average soldier, annually, charitable giving is about \$30, investments are approximately \$500, and life insurance is a little over \$250. Second, decisions are not permanent. Charities are opt-in each year, investments can be changed at any time, and insurance can be adjusted annually. Hence, the principal differences in findings between Lieber and Skimmyhorn (2018) and ours may be due to the higher stakes of the Redux bonus (at \$30,000). When that much money is at stake, individuals may be highly motivated

to seek out (or share) information, even if it is not readily visible.

Peer influence is a significant force in driving investment decisions of inexperienced investors. Our research quantifies this impact and also reveals its limits when investors are educated.³ Furthermore, our example is a case where peers inform a financially savvy decision, showing that peer effects can have positive impacts. Most importantly, peer effects are highly dependent on how the group is defined.⁴ Selecting the right messengers within the relevant social/professional group may be crucial in effectively transmitting financial advice, especially for minority or disadvantaged populations.

For public and private sector leadership, a better understanding of how employees make complex financial decisions can help to frame retirement decisions, disseminate information, and set future budgets. Recent changes in U.S. law to automatically enroll employees into defined contribution retirement plans and the continuing disappearance of defined benefit plans in the private sector continue to shift retirement investment responsibility to individuals in an environment of increasing financial complexity. The Department of Defense (DoD) has also recently adopted a new system that requires service members to decide how much of their pay to contribute to a tax deferred account, which funds to invest in, and whether to receive a portion of their future pension payments as a lump sum upon retirement. The implications of these decisions are also large for the tax payer. For example, the government's matching contribution to service members' retirement accounts can be as large as \$64.7 billion (for a 5% match) (Hanlon et al., 2016).

³While individuals clearly self-select into the Navy, service members comprise a substantive segment of the U.S. population (over 2 million Active Duty, Reserves, and National Guard members and over 16 million veterans, together comprising over 7% of the population) and many of the observable characteristics, with the exception of gender, are comparable to the general population. That said, the unique nature of the job and esprit de corps shared by service members may lead to larger peer effects in the military than in other work settings.

⁴Peer groups, especially among minority or disadvantaged populations, may be self-defined or imposed by the majority group.

2 Background

2.1 Military retirement and the Redux/High-3 decision

Since the end of World War II, the U.S. DoD has offered a defined benefit retirement plan for its service members. The pension system has been remarkably stable, simple, and generous, provided the service member remained in the armed forces for at least 20 years. Over the years, minor elements of the retirement system have been modified to fit budget constraints and/or manning needs, but the system overall has remained largely the same. Service members do not make any contributions towards the plan, but if they leave the service before reaching 20 years of service (YOS) they received no retirement compensation.⁵ For members joining after September 8, 1980, the pension system was known as “High-3” and was calculated as the average of the 36 highest monthly basic pay checks (which excluded temporary adjustments to pay such as housing allowances or combat hazard pay) times tenure times 2.5%.⁶ The pension began to pay out immediately upon retirement. Thus, a service member retiring after 20 years (who could have joined at age 18), would begin to receive monthly pension checks roughly equivalent to half their final pay check starting at age 38. The annuity was adjusted annually for inflation to follow the Consumer Price Index (CPI).

Starting in 2000, those who began their military career after July 31, 1986 had to choose between the High-3 retirement plan and an alternative “Redux” plan when they reached 14.5 years of service. The Redux plan featured a \$30,000 Career Status Bonus (CSB) paid to the service member at their 15th year in exchange for reduced annuity payments over the course of their retirement. The annuity formula under the Redux option reduced the benefits multiplier from 2.5% to 2.0% for the first 20 years; between 20 and 30 years the multiplier increased to 3.5%; and after 30 years, it dropped to 2.5%.⁷ Redux also reduced the inflation adjustment to CPI minus 1%. At the age of 62, there was a one-time adjustment that increased the Redux pension payment up to the same level as High-3. However, the lower cost of living increase

⁵From hereon, we use YOS and tenure interchangeably.

⁶Pension payments for those joining prior to 1980 are a function of the final basic pay on the date of retirement, a slightly more generous system but one which incentivized end-of-career promotions to lock in a higher pay rate.

⁷If the service member left the Navy before 20 years, they would have to return the \$30,000 bonus. However, conditional on having 14.5 years, less than 1% of the workforce in our study left prior to 20 years.

under Redux meant that over time, pension payouts would decrease relative to the value of the High-3 annuity.⁸

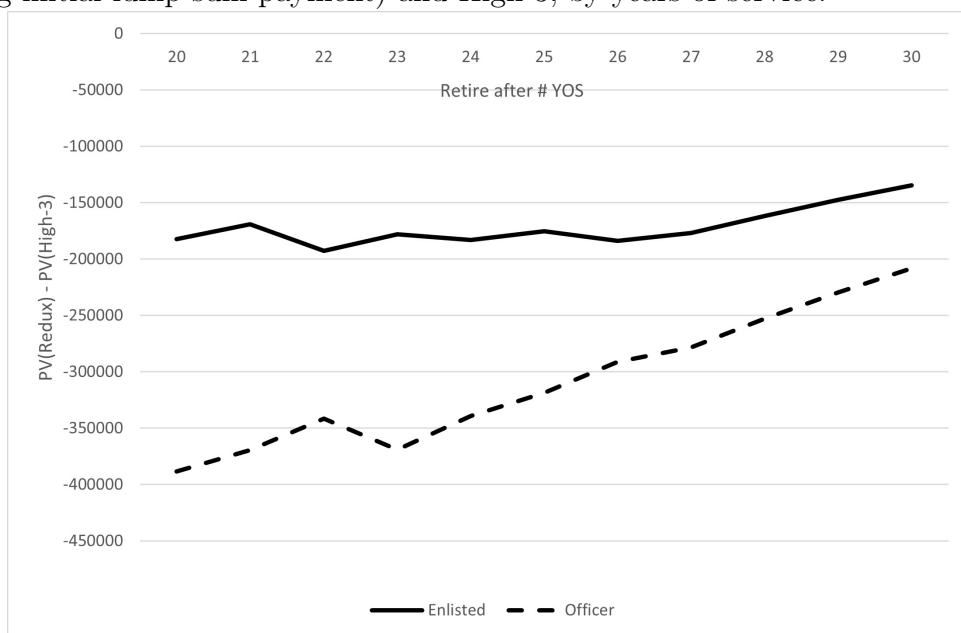
The complex benefit accrual rate of Redux makes comparisons to High-3 difficult because Redux payments are a function of both tenure and time since retirement. For example, a member retiring at exactly 20 years under Redux would receive 40% of annual basic pay compared to 50% under High-3; a member retiring with 25 years would receive 57.5% under Redux and 62.5% under High-3; and someone retiring with 30 years would receive 75% under either option. For everyone, Redux payments would begin to decline relative to High-3 due to the differences in how the two options were adjusted for inflation.

Figure 1 demonstrates the present value discounted penalty of taking the Redux retirement option at different years of service. In general, the Redux “penalty” decreases with longer service. Excluding the one-time \$30,000 pay-out, enlisted sailors stand to lose as much as \$192,000 in present-value discounted over their lifetimes by taking Redux, and officers can lose almost \$400,000. Depending on when service members chose to retire, enlisted sailors and officers could decrease losses to \$134,000 and \$208,000, respectively. Even with optimally chosen retirement timing, Redux was a very expensive trade-off in consumption today at the cost of investment for tomorrow. The implied break-even returns on the lump-sum incentive, assuming the entire amount is invested risk-free and untaxed until the age of 60, would have to be on average 12% per year for enlisted sailors and over 17% per year for officers. We note that the choice to take Redux may make sound financial sense for some. Service members with credit card debt, pay-day loans, or other personal loan services, which could have up to triple-digit APRs, may benefit substantially if they use the lump-sum pay-out to pay down these high-interest balances (Carter and Skimmyhorn, 2017).

In 2018, the retirement system was changed again, eliminating both the Redux and High-3 options for those with less than 12 years of tenure and allowing those with more than 12 years the option to opt-in to the new Blended Retirement System (BRS).

⁸Between the legacy 20-year vesting and the High-3/Redux systems, a prior version of Redux was introduced in the Military Retirement Reform Act of 1986 in an attempt to control ballooning retirement costs. This version of Redux replaced the vesting plan wholesale, did not include the \$30,000 payout, and would have drastically reduced retirement benefits for all service members. However, the program was (understandably) broadly unpopular, and before any service members would be forced into this system, Congress modified the Act in 2000 to go to a hybrid system, letting members choose between Redux with the \$30,000 payout and the High-3 plan. Confusingly, both the original and modified plans are referred to as “Redux” in Department of Defense documents.

Figure 1: Present value discounted life-time income difference between Redux (excluding initial lump-sum payment) and High-3, by years of service.



Note: These calculations include the following assumptions: service members join in 1987 and are offered the Redux choice in 2002; the enlisted sailor joins at the rank of E1 (Seaman Recruit) at 19 years old and the officer joins at the rank of O1 (Ensign) at 22 years old (after completing college); within-rank salaries increase by 2% each year (starting from 2002), with promotions rates (and pay increases commensurate with rank) equal to the average of the population; the inflation rate (CPI) is 4%; the personal discount rate is 3.5%; life expectancy is 79 years; and we cap our calculations at 30 YOS. Less than 1% of our sample work beyond 30 years.

The BRS still includes a 20-year cliff vest, but also introduces a defined contribution for all members regardless of tenure.⁹

2.2 How the Redux/High-3 decision is framed

At the sixth month of the 14th year of service, every officer and sailor is informed via an official message from the Navy Personnel Command that they are eligible to “elect a \$30,000 Career Status Bonus and Redux retirement pay” on their 15th anniversary of active duty. A copy of this message from 2016 is included in Appendix B. These official messages are not directly delivered to service members, rather they are sent to the service member’s command and a command administrative office typically forwards by email or otherwise informs the member of the message.

The message begins with a long (4,400-word) explanation of the two options, encourages members to seek advice from command counselors and trusted financial advisers, and includes links to government websites that offer additional information. It stresses that members should put effort into the decision to make them comfortable with their choice. For example, the message states “[...] ultimately, only you can determine which option is more advantageous for you based on your own unique circumstances and preferences.”

The message highlights two interesting aspects of how the decision is framed. First, it does not mention a default choice and informs the service member and his or her chain of command that they *must* complete the election form. Although Redux is opt-in and High-3 is the default choice, the message stipulates that, once received, the member has “6 months as of the date of this message to make an election decision,” heavily implying that an active choice must be made. However, if after three months the member has failed to submit the form he or she receives a second and “final” message with a warning of “opportunity to elect CSB will soon expire.”¹⁰ This message is considerably shorter and informs the member that if no entry is received

⁹Under the BRS, members can contribute to a personal Thrift Savings Plan (TSP, defined contribution plan for federal employees and military service members) account and receive government matching. BRS retains a defined benefit component for those with 20 years of tenure or above with the multiplier at 2.0%. They can receive 25% or 50% of their future annuity payments up-front at the point of retirement in exchange for a reduced annuity until age 67. This decision is similar to Redux/High-3 in that members must consider two different streams of income, one present, one future, and will be required to calculate the value of each before making their inter-temporal choice.

¹⁰A copy of this second message from 2017 is included in Appendix C.

prior to their 15th anniversary it “will result in automatic default to High-3 retirement program”.

Second, the lump-sum payout is concisely described at the front of the message. If a member elects to take Redux, he or she can receive the payout as a single payment or split it across as many as five years.¹¹ The reduction in pension payments is discussed in the latter half without direct comparison to the High-3 option, which would make clear that service members are accepting a large reduction in benefits tomorrow for a payout today. Later in the message, a study conducted by the Center for Naval Analyses (CNA, a federally funded R&D center) is referenced that provides a more complete description: “the best way to look at the choice of receiving the CSB is to consider the career status Bonus as an early cash-out ‘loan’ to be paid back later by smaller retirement paychecks”(Quester and Lee, 2001). However, even this description is overly complicated. The message provides the following example from the CNA study. An E-6 with 20 years of service at retirement who elects to take the “CSB and Redux at 15 YOS pays an implicit interest rate of 10.4% for the cash out and loses \$193,630 after-tax retirement income assuming the Sailor lives to an average age of 79 years.” No explanation of what an “implicit interest rate” is, or how losses were calculated are given.

As highlighted in the literature on savings and retirement choices, the default choice matters because individuals tend to stick with the default (Madrian and Shea, 2001; Choi et al., 2005). Given this propensity, the Navy faced an important policy choice of whether to have a passive default or to require an active choice. It is, perhaps, not surprising that the default action was to keep members in the High-3 plan, as the Redux/High-3 choice retirement plan was created in response to the perceived unfairness of forcing members into the less generous Redux plan (minus the lump-sum incentive) as part of the Military Retirement Reform Act of 1986.¹²

¹¹Regardless of which option they choose the first payment is paid to the service member “no later than the first month that begins on or after the date that is 60 days after the date the election is effective.” This feature allows members to deposit the entire bonus into their tax-deferred retirement account without exceeding the IRS limit for annual contributions. The \$30,000 bonus is taxed at the member’s federal tax rate. If applicable, state taxes are also deducted.

¹²The original Redux plan was so unpopular that it was feared it would negatively impact recruiting and retention efforts - and history has shown that service members do not take kindly to being short-changed in pay. For example, in 1932 upwards of 17,000 World War One veterans known as the “Bonus Expeditionary Force” marched on Washington D.C. over a delay in paying out a promised war service bonus. The protesters rioted, and two were shot by police officers. They were eventually disbanded by federal troops led by Major George Patton under orders issued by General Douglas

However, it is also not surprising that the communications from the Navy seems designed to nudge service members toward taking up Redux given that the original Redux plan was an effort to control defined benefit costs.

3 Data, sample, and definition of peer groups

3.1 Data and sample

We use administrative data provided by the Navy Personnel Command which contains monthly snapshots of active duty sailors and officers in the United States Navy from January 2002 to November 2019.

Within this population, we identify every individual who reached 14.5 years of service between January 2002 and November 2011. The Redux/High-3 decision was made by those reaching 14.5 years in 2012 onward, but our data has the unfortunate feature of only including decisions for those who had retired as of the snapshot date. Restricting the sample to end in November 2011 allows us to follow all peers for at least 8 years forward in time, and we observe at least 95% of peers' retirement decisions for each Redux/High-3 chooser in this time-frame.¹³ Table 1 summarizes this population overall, and for officers and enlisted sailors separately. The majority of the sample is White, male, and married with one to two children. Officers, who comprise 20% of the sample, are highly educated, with over 30% having a graduate degree. Most enlisted personnel have a high school degree as their terminal degree and are less likely to be White. Enlisted sailors are about six times more likely to opt-in to Redux, compared to officers.

Next, for each of the 78,157 individuals who chose between Redux and High-3 in their 14.5th year of service, we identify the set of higher-tenure colleagues in the same unit who already made a Redux/High-3 choice. Units are defined by official Unit Identification Codes (UIC) and include ships, aircraft squadrons, medical centers, and staff offices. Generally, commands are broken down into two groups, shore commands and sea commands: sea commands are ships and air squadrons on aircraft carriers, while shore commands are made up primarily of training units and support

MacArthur.

¹³As demonstrated below, our findings are consistent across decision years which helps alleviate concerns that censored peers in later years - those that retire with very high tenure - are impacting the findings.

Table 1: Summary statistics of Redux/High-3 choosers.

	All		Officers		Enlisted	
Chose Redux	0.24		0.05		0.28	
Officer	0.20					
Male	0.89		0.87		0.90	
White	0.60		0.78		0.55	
Black	0.22		0.09		0.25	
Other race	0.19		0.13		0.20	
Single	0.19		0.16		0.20	
Married	0.81		0.84		0.80	
# dependents	2.42	(1.52)	2.41	(1.49)	2.42	(1.52)
High school only	0.71		0.00		0.89	
College degree	0.22		0.68		0.10	
Graduate degree	0.07		0.32		0.00	
AFQT Low (1st tercile)	0.27		0.00		0.33	
AFQT Medium (2nd tercile)	0.28		0.00		0.35	
AFQT High (3rd tercile)	0.21		0.00		0.27	
AFQT missing	0.24		1.00		0.05	
Observations	78,157		15,663		62,494	

Notes: Sample includes one observation for each Navy service members who reached 14.5 years of service between January 2002 and November 2011.

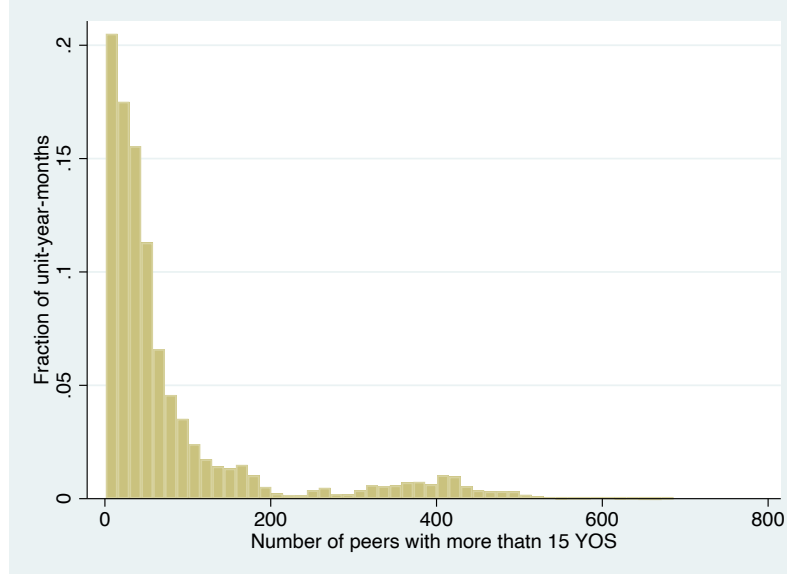
organizations.¹⁴

Figure 2 shows the distribution of the number of these peers across choosers. This variation is mostly driven by the type and size of the command - whether a small or large ship, or the various shore units.

Figure 3 shows the distribution of the Redux take-up rate amongst all colleagues in a unit. There is a large mass at 0 (no peers chose Redux) and a small mass at 1 (all peers chose Redux). The large, dispersed mass between 0 and about 0.4 is the variation we leverage in our empirical exercise.

¹⁴During the study period, the Navy had approximately 280 ships across 22 different classes. However, some ships, such as Cyclone-class coastal patrol ships and Avenger-class mine counter-measures ships, only have a complement of 36 and 81, respectively, and may be excluded if there are no higher-tenure peers who have made the retirement plan decision.

Figure 2: Distribution of the number of higher-tenure peers in a unit who already made the Redux/High-3 decision.

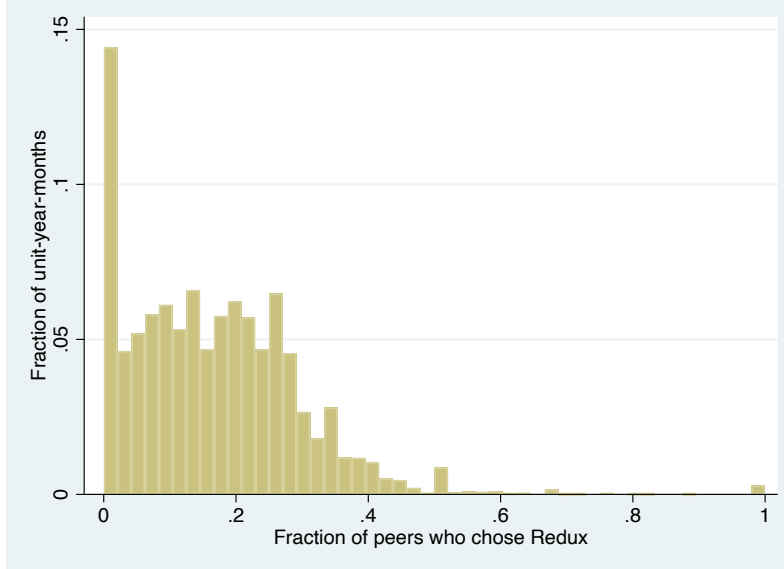


3.2 Peer group definition

Within all commands, there is a high level of social interaction between service members. In ships on deployments, service members have an even greater level of interaction, as they routinely share meals, workouts, watches, and berthing spaces for months or years at a time, oftentimes with limited contact with persons outside the ship, including family. Ships vary in potential peer group size from the modest (Los Angeles-class submarines with a complement of 110, may have less than 10 peers who have made the Redux/High-3 choice) to enormous (Nimitz-class air craft carriers have a complement of over 6,000, implying several hundred peers who have made a choice). Likewise, shore commands range from large Naval Air Bases to small, regional Naval recruiting centers. Thus, a natural starting point for defining peers is everyone else in one's unit.

However, we also observe in our data several demographic groupings within a unit which may identify more narrowly defined peer groups within a unit. First, we consider officers and enlisted service members as separate groups, defining enlisted already-choosers as the peers for enlisted members making a choice and officer already-choosers for officers making a choice, all within a chooser's command. This definition of peers reflects the traditional and meaningful separation between enlisted

Figure 3: Fraction of peers who chose Redux retirement plan.



members as the "workers" and officers as the "managers."¹⁵ Next, we consider peers groups formed by individuals of the same race and individuals of the same gender. Peer influence along race and gender lines have been shown to be especially strong in health and education outcomes (Arcidiacono and Nicholson, 2005; Lavy and Schlosser, 2011; Bostwick and Weinberg, 2022; Nakajima, 2007; Hoxby, 2000). Finally, we consider peer groups formed by individuals with similar occupations. Occupation groups are well-defined for enlisted sailors, and sailors in similar occupations tend to be naturally segregated within units by the nature of their jobs. These groups include: Aviation-related jobs, Deck Crew, Engineering jobs, Construction jobs, Combat Systems operators, Supply and Support roles, Operations roles, and Special Operators. On the other hand, while officers do have unique occupations, they tend to operate as a combined management team within a unit. In addition, the relatively small number of officers within a unit makes it difficult to study occupation-specific peer groups for officers.

¹⁵Officers and enlisted sailors are socially segregated, especially aboard ships. This tradition follows from the British Royal Navy and is reflected not just in culture, but also in ship design. For example, most Navy ships have separate messes (eating locations) for sailors and officers. In fact, as a point of etiquette, officers may not enter enlisted messes unless invited.

3.2.1 Exogenous group formation

Navy personnel are required to change commands throughout their career, typically every three years. They are assigned to units via a conditionally-random process administered by a centralized personnel system that foremost considers one’s rank, occupation, and experience. Service members are able to express a preference for a general geographic location (e.g., the San Diego, California area or the Norfolk, Virginia area), but those preferences are honored only within the set of open positions for which the individual has the requisite skill set and experience. Furthermore, even when personal preferences for location are considered, the service member has no choice over the unit within that location (for example, service members cannot choose from amongst the many ships stationed in the San Diego area). This source of exogenous group formation has been used in several other past papers, including Lyle and Smith (2014); Lieber and Skimmyhorn (2018); Carrell and Zinman (2014); Antecol and Cobb-Clark (2008); Lleras-Muney (2009)

We test the assumption of exogenous group formation, conditional on job and rank, by estimating the correlation between individual’s demographic characteristics and the fraction of their peers who chose Redux. Individual demographics that are systematically correlated with peers’ Redux choices could reflect some unobservable factors sorting individuals into units. We estimate models of the following form:

$$\bar{E}_{t-1}(Redux)_{ut} = X_{it}\Theta + \delta_u + \gamma_t + \mu_i + \lambda_i + \varepsilon_{iut} \quad (1)$$

where $\bar{E}_{t-1}(Redux)_{ut}$ is the fraction of peers with greater than 15 years of service who chose Redux, X_i is a vector of demographic characteristics (gender, race, marital status, number of dependents, highest education level, and Armed Forces Qualifying Test (AFQT) terciles for enlisted service members), and δ_u , γ_t , μ_u , and λ_t are fixed effects for unit, year, rating, and rank.¹⁶ We emphasize that Naval personnel are not unconditionally randomly assigned across ships and bases. For example, sailors with Aviation-related occupations are not stationed aboard ships without flight decks (aircraft carriers or amphibious assault ships), and there would be no officers above the rank of O5 (Commander) on Arleigh-Burke class guided-missile destroyers. However, our identifying assumption is that once a sailor or officer is assigned based on mission needs, their socio-demographic characteristics are uncorrelated with fraction of peers

¹⁶The AFQT is a nationally normed cognitive ability test given to all enlisted military applicants.

who choose Redux.

Table 2 contains estimates of Equation 1 where peers are defined as all individuals in one’s unit (Column 1) and for sub-samples defined by Officer/enlisted status, race, and gender (Columns 2-8). For example, in Column 2 the model includes only officers and peers are defined as other higher-tenure officers in the unit who have made the Redux/High-3 choice. Across all 8 specifications and 67 socio-demographic variables, two parameters are statistically significant at the 0.05 level, two are significant at the 0.10 level, and none are economically substantial. In fact, most parameters are tightly estimated at zero. Furthermore, the F-statistics testing the joint significance of all of the explanatory demographics are insignificant for all samples. Overall, the estimates in Table 2 suggest that peers are randomly assigned, conditional on unit, year, occupation, and rank.

4 Econometric Analysis

We estimate peer’s impacts on each other’s decisions using a linear-in-means models of the following form:

$$Redux_{iut} = \beta \bar{E}_{t-1}(Redux)_{ut} + X_{it}\Theta + \delta_{ut} + \mu_i + \lambda_i + \varepsilon_{iut} \quad (2)$$

where $Redux_{iut}$ is a binary indicator of service member i ’s choice at 14.5 years of service, $\bar{E}_{t-1}(Redux)$ is the fraction of peers with greater than 15 years of service who chose Redux, X_i is a vector of demographic characteristics (gender, race, marital status, number of dependents, highest education level, and AFQT terciles for enlisted service members), and δ_{ut} , μ_u , and λ_t are fixed effects for unit-by-year, occupation, and rank. β is the primary coefficient of interest and it captures the effect of one’s peers on an individual’s decision. Standard errors are clustered at the unit by year level.

Column 1 of Table 3 contains our first result, defining peers as all higher-tenure choosers in the unit. The coefficient on the fraction of peers choosing Redux is a significant -0.299. The average fraction of peers choosing Redux is 0.166, with a standard deviation of 0.130. If we consider a one standard deviation change in exposure, the implied change in the likelihood of someone choosing Redux decreases by -3.89 percentage points ($= 0.130 \cdot -0.299$), which is 16.4% of the mean Redux

Table 2: Tests of exogenous group formation.

<i>Sample =</i>	All	Officers	Enlisted	White	Black	Other non- white minority	Female	Male
	personnel	Officer	Enlisted	White	Black	Other non- white minority	Female	Male
<i>Outcome =</i>	All peer fraction	peer fraction	peer fraction	White peer fraction	Black peer fraction	Other non- white minority peer fraction	peer fraction	Male peer fraction
	Redux	Redux	Redux	Redux	Redux	Redux	Redux	Redux
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Male	0.000 (0.001)	-0.001 (0.002)	-0.000 (0.001)	0.001 (0.002)	-0.004 (0.004)	-0.002 (0.005)		
Black	0.000 (0.001)	0.002 (0.002)	-0.000 (0.001)				-0.009* (0.005)	-0.001 (0.001)
Other non-white minority	0.000 (0.001)	0.001 (0.002)	-0.000 (0.001)				-0.003 (0.006)	-0.000 (0.001)
Married	-0.000 (0.001)	-0.000 (0.002)	0.001 (0.001)	0.000 (0.001)	0.004 (0.003)	0.009** (0.004)	-0.002 (0.004)	-0.000 (0.001)
# dependents	-0.000 (0.000)	-0.000 (0.001)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.001)	0.000 (0.001)	-0.001 (0.001)	-0.000 (0.000)
College degree	0.001 (0.001)	0.002 (0.001)	0.001 (0.001)	0.004** (0.002)	0.003 (0.005)	-0.001 (0.004)	0.010* (0.006)	0.001 (0.001)
Graduate degree	-0.003 (0.002)			0.001 (0.002)	-0.002 (0.012)	-0.003 (0.009)	0.005 (0.011)	-0.003 (0.002)
AFQT Medium (2nd tercile)	0.001 (0.001)		0.001 (0.001)	-0.000 (0.001)	-0.002 (0.003)	0.007* (0.003)	-0.006 (0.006)	0.001 (0.001)
AFQT High (3rd tercile)	0.001 (0.001)		0.000 (0.001)	-0.001 (0.001)	-0.005 (0.005)	0.005 (0.004)	-0.010 (0.008)	0.000 (0.001)
AFQT missing	0.002 (0.002)		0.002 (0.002)	-0.002 (0.002)	0.002 (0.007)	0.006 (0.006)	-0.001 (0.011)	0.000 (0.002)
Unit, year, rank, and job FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	75,834	13,953	60,581	44,365	15,221	12,663	6,799	67,381
R-squared	0.649	0.505	0.623	0.596	0.585	0.508	0.526	0.645
p-value of F-test	0.164	0.689	0.868	0.402	0.872	0.253	0.381	0.344
Mean of outcome	0.165	0.0565	0.203	0.136	0.245	0.179	0.141	0.168

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome in column 1 is the fraction of peers in a chooser's unit with 15 years of service of more who chose Redux. The outcomes in subsequent columns are defined similarly for peers of the given characteristic. Standard errors in parentheses are clustered at the command-year level. Omitted categories include White, Male, Single, High School degree and Low AFQT (1st tercile). Officers do not take the AFQT and must have at least a college degree.

Table 3: Peer influence on the Redux/High-3 decision.

Sample =		All years		2002		2003		2004		2005		2006		2007		2008		2009		2010		2011	
		Chose	Redux	Chose	Redux	Chose	Redux	Chose	Redux	Chose	Redux	Chose	Redux	Chose	Redux	Chose	Redux	Chose	Redux	Chose	Redux		
Outcome =		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)		
Peer fraction Redux		-0.299*** (0.060)	-0.818*** (0.221)	-0.146 (0.200)	-0.452** (0.214)	-0.244 (0.180)	-0.167 (0.187)	-0.152 (0.147)	-0.026 (0.175)	-0.368** (0.164)	-0.190 (0.171)	-0.429** (0.180)											
	Black	0.089*** (0.006)	0.095*** (0.017)	0.119*** (0.018)	0.133*** (0.019)	0.085*** (0.019)	0.081*** (0.019)	0.072*** (0.018)	0.073*** (0.019)	0.054*** (0.019)	0.087*** (0.018)	0.072*** (0.020)											
	Other non-white minority	0.004 (0.005)	0.030 (0.019)	-0.000 (0.018)	0.010 (0.019)	0.012 (0.017)	0.011 (0.018)	-0.003 (0.016)	-0.012 (0.018)	0.002 (0.016)	0.002 (0.014)	0.000 (0.015)											
	Female	-0.023*** (0.007)	-0.031 (0.020)	-0.049** (0.021)	-0.036 (0.023)	-0.064*** (0.020)	-0.021 (0.022)	0.002 (0.020)	-0.018 (0.022)	-0.002 (0.021)	-0.012 (0.020)	0.015 (0.020)											
	Married	-0.013** (0.006)	0.006 (0.019)	-0.010 (0.017)	-0.023 (0.020)	0.001 (0.018)	-0.017 (0.020)	-0.018 (0.019)	-0.045** (0.018)	-0.016 (0.019)	-0.010 (0.017)	-0.020 (0.020)											
	# dependents	0.031*** (0.002)	0.032*** (0.005)	0.031*** (0.005)	0.028*** (0.005)	0.028*** (0.005)	0.034*** (0.006)	0.037*** (0.005)	0.037*** (0.005)	0.036*** (0.005)	0.022*** (0.005)	0.027*** (0.005)											
	College degree	-0.058*** (0.008)	-0.100*** (0.034)	-0.124*** (0.033)	-0.071* (0.038)	-0.088*** (0.031)	-0.057 (0.038)	-0.054* (0.031)	0.022 (0.030)	-0.063** (0.029)	-0.025 (0.026)	-0.050* (0.029)											
	Graduate degree	-0.049*** (0.010)	-0.094*** (0.025)	-0.123*** (0.025)	-0.060** (0.030)	-0.075*** (0.023)	-0.040 (0.029)	-0.029 (0.023)	-0.037* (0.021)	-0.061*** (0.022)	-0.020 (0.021)	-0.053** (0.021)											
	Medium AFQT (2nd tercile)	0.001 (0.006)	0.004 (0.017)	-0.028 (0.018)	0.020 (0.020)	0.008 (0.018)	0.015 (0.021)	0.036** (0.017)	0.013 (0.020)	-0.006 (0.019)	-0.026 (0.017)	0.008 (0.019)											
	High AFQT (3rd tercile)	-0.020*** (0.007)	-0.010 (0.020)	-0.041** (0.021)	0.015 (0.024)	-0.034 (0.022)	-0.013 (0.024)	0.005 (0.021)	0.012 (0.022)	-0.040* (0.023)	-0.042* (0.022)	-0.011 (0.023)											
Rank and occupation group fixed effects		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes											
Unit-by-year fixed effects		Yes																					
Year fixed effects			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes											
Observations		76,733	9,495	8,789	7,546	8,128	7,478	8,038	7,168	6,918	7,042	6,131											
R-squared		0.356	0.328	0.354	0.365	0.338	0.340	0.347	0.332	0.361	0.343	0.357											

Notes: *** p<0.01, ** p<0.05, * p<0.1. Peer fraction Redux is the fraction of peer's in the same unit with 15 years of service of more who chose CSB/Redux. Standard errors in parentheses are clustered at the unit-year level. Omitted categories include White, Male, Single, High School degree and Low AFQT (1st tercile). Officers do not take the AFQT and must have at least a college degree. Indicators included for missing AFQT, missing officer peer fraction Redux, and missing enlisted peer fraction Redux.

take rate of 24 percent (Table 1). Estimated coefficients on the various demographic variables included in Table 3 show that Redux is more likely to be chosen by service members who are male, Black, and not married, have more dependents, and have lower levels of education, confirming estimates found in the extant literature (Cunha and Menichini, 2014; Simon et al., 2015).

4.1 Threats to identification

Before presenting results for other definitions of peer groups, we address several potential threats to identification arising from our empirical setup.

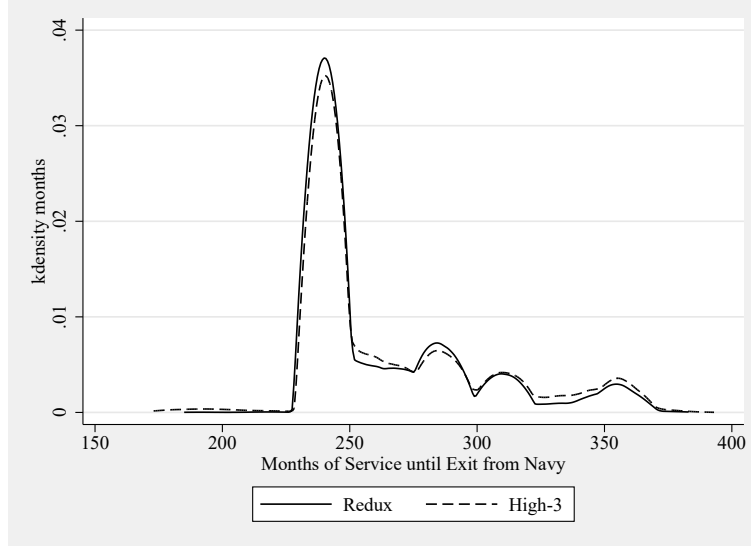
First, it is possible within our empirical setup that common shocks within the current unit could bias β . Lieber and Skimmyhorn (2018) note this issue and use an instrumental variables framework to instrument for peer choice (a recurring donation or an investment) made in the past but at the current unit, with peer choice made at their prior unit assignments. In our context, decisions are one-shot, and because of the relatively fast-paced tempo of unit reassignments - with typical assignments lasting about three years - most peers above 15 years of tenure will have made their retirement choice at a prior unit. The median value of the fraction of peers in our sample who already made their choice before coming aboard the current unit is over 0.88, and even at the 10th percentile, over three-quarters of peers made their choice far back enough to not be impacted by potential common shocks within the current unit. This allows us to be cautiously optimistic that β is unbiased.¹⁷ An additional factor to consider is that the statistical relationship between peer Redux choice and own Redux choice is negative. It is difficult to imagine an environment where an omitted variable or shock would impact own decision and peer decisions in *opposite* directions.¹⁸

Second, one may be concerned that the Redux/High-3 choice is reflecting long-run career plans, in addition to preferences over retirement options. If sailors and officers

¹⁷We also run an alternative specification looking at the entire sample but using two different measures of peers, those who made their decisions in the recent past ('near' peers) and those who made the choice further back in the past ('far' peers). A common shock would be more likely to contaminate 'near' peers but not 'far' peers, but we are unable to reject the hypothesis that the two parameters are equal. Although both parameter estimates would be biased, it would be unlikely that they would yield similar results in the presence of contamination of one variable but not the other. Results available upon request.

¹⁸One exception may be where take-up of a program is excludable and rival, for example, if it were first-come-first-served with an enrollment cap.

Figure 4: Density of months of service until attrition, by retirement plan choice.



who plan on exiting the Navy shortly, perhaps due to negative feelings about the organization, are more likely to take up a particular plan, β may be capturing peers' perception of careers in the Navy and how those feelings impact own retirement plan or career plans. Figure 4 plots the density of the attrition of service members in the data, split by whether they take up Redux or High-3. Career trajectories of both groups are nearly identical, there is virtually no exit from 15 to 20 years of tenure, and at 20 years of tenure there is a spike when the pension vests. There are two smaller spikes around 25 years of tenure, which may be a combination of attrition after failing to promote and voluntary retirement at the end of a contractual term. The final spike is due to mandatory retirement of enlisted sailors after 30 years of service. Given the overlapping densities, we are optimistic that long-run career plans are not driving the choice of retirement plans.

Finally, there may be a mechanical relationship between own and peer Redux choice, which by definition takes place in the past. While take-up of Redux in the first year of introduction approached 35% in our sample, it steadily declined in popularity. In the final year of our sample, take-up was under 14% (Table 3). However, peers are calculated by counting everyone who chose Redux over the base of everyone with at least 15 years of service. In the early years, by construction, the fraction of Redux takers will be low. In all specifications, we include indicator variables for years to account for mean peer growth. We also test for the impact of a mechanical relationship

by running our main specification year-by-year. In these regressions, variation in the peer variable arises from differences in Redux take-up rates across ships and bases. Table 3 Columns 2-11 show negative parameters on the fraction of peers who chose Redux in all years, and the relationship is statistically significant in five of those years. Significant results are observed both at the start and at the end of the sample when mean peer fraction values are about 4% and 22%, respectively.

4.2 Differential peer effects with own versus other groups

Next, we examine peer groups using narrower definitions, by defining ‘own’ and ‘other’ peer groups along professional and demographic lines.

4.2.1 Manager and worker division of peer groups

Columns 1 and 2 of Table 4 present estimates of Equation 2 separately for officers and enlisted personnel. While parameter estimates for enlisted sailors largely mirror results for all personnel in Table 3, officers do not seem to be significantly impacted by peers.

As we described above, defining peers as everyone within the unit may not capture true social groups where information flows. We probe this question by defining alternate peer groups comprised of peers with similar characteristics, and calculating the mean Redux take-up rate within each group in a unit-year. Columns 3 and 4 of Table 2 display results from models using this approach for officer and enlisted service members. In both models, the parameter estimate on ‘other’ peers is zero. We interpret this to mean that officers do not receive financial information from enlisted sailors, and vice versa. On the other hand, the ‘own’ peer effect for enlisted sailors is large and statistically significant at -0.233, and for officers, although not statistically significant, the large parameter value of -0.283 is suggestive of some impact of information from other higher-tenure officers.

The contrasting results across enlisted sailors and officers may arise from differences in financial literacy across the two groups. To test this hypothesis, we split the sample, using education level as a proxy for financial savvy. Columns (1)-(3) of Table 5 show that statistically significant peer effects are only observed along service members with high school as the terminal degree. Providing more evidence of the role of financial literacy, columns (6) and (7) split enlisted sailors into those with a high

Table 4: Peer effects on the Redux decision for officers and enlisted personnel separately.

	Sample =	Officers	Enlisted	Officers	Enlisted
		(1)	(2)	(3)	(4)
Peer fraction Redux		-0.142 (0.222)	-0.270*** (0.068)		
Officer peer fraction Redux				-0.283 (0.276)	-0.015 (0.046)
Enlisted peer fraction Redux				-0.009 (0.111)	-0.233*** (0.059)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes	Yes
Observations		15,120	61,613	15,120	61,613
R-squared		0.623	0.351	0.624	0.351

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. The outcome is an indicator for choosing Redux. Peer fraction Redux is the fraction of peer's in the same unit with 15 years of service of more who chose CSB/Redux. Officer peer fraction Redux and Enlisted peer fraction Redux are defined similarly amongst officers and enlisted, respectively. Standard errors in parentheses are clustered at the unit-year level. Demographics include gender, race, marital status, number of dependents, education level, AFQT tercile, occupation, and rank (see text for details). Indicators included for missing peer fractions.

school degree and those with a college degree, respectively. Statistically significant peer effects are only observed for enlisted sailors without college education.

4.2.2 Race and gender division of peer groups

Beyond the professional lines between enlisted sailors and officers that may result in separate peer groups, we next examine whether groups form along race and gender. This issue is especially salient in the military. As shown in the summary statistics, although the population has become more diverse recently, the Navy still remains largely male and White. If information travels mostly within peer groups, it becomes crucial to understand the dividing lines in peer groups to ensure that minority populations can effectively disseminate important information among its members.

Table 6 shows peer influence along groups defined by race. Race is divided among White, Black, and other (non-Black) minority groups.¹⁹ The first three columns use the same definition of peers (all service members in the same unit who have already made their retirement choice). Peer influence is visible for White and Black

¹⁹We aggregate individuals identified as Asians (7% of the population), Hispanics (another 7%), and "Other race" (5%) in the data in order to have a sufficient sample size to draw meaningful inferences from our regression models.

Table 5: Peer effects by highest education level.

Sample =	All			Officers		Enlisted	
	High school education	College education	Graduate education	College education	Graduate education	High school education	College education
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Peer fraction Redux	-0.289*** (0.075)	-0.051 (0.248)	-0.636 (0.448)				
Officer peer fraction Redux				-0.405 (0.530)	-0.183 (0.485)	-0.001 (0.051)	0.040 (0.352)
Enlisted peer fraction Redux				0.042 (0.178)	-0.097 (0.173)	-0.256*** (0.066)	-0.236 (0.554)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	54,993	16,939	4,801	10,319	4,801	54,993	6,620
R-squared	0.366	0.633	0.810	0.671	0.811	0.366	0.726

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Peer fraction Redux is the fraction of peer's in the same unit with 15 years of service of more who chose CSB/Redux. Officer peer fraction Redux and Enlisted peer fraction Redux are defined similarly amongst officers and enlisted, respectively. Standard errors in parentheses are clustered at the command-year level. Demographics include gender, race, marital status, number of dependents, education level, AFQT tercile, occupation, and rank (see text for details). Indicators included for missing peer fractions.

service members. In the next four columns, peers are defined by race. Each race peer measure is defined as the number of service members of a particular race who chose Redux divided by the total number of service members of that race. For the entire sample, all race-specific peer groups exert some amount of peer control. Strong, statistically significant negative peer effects are seen among own-race peer groups, at -0.338 and -0.241 in the White and Black enlisted populations, respectively. Just as important, estimates across other race peers yield peer effects that are statistically indistinguishable from zero.²⁰ Splitting peers along race and officer/enlisted shows that among officers, no definition of peers (own or the other two race groups) yield statistically significant influence. However, among White and Black officers, own peer groups (defined as own-race-officers) yield estimates that are the closest to statistical significance. White and Black enlisted populations show substantive negative peer effects among own-race-enlisted peer groups, at -0.283 and -0.214, respectively. Just as important, estimates across all other race and professional lines yield zero estimated peer effects. See Appendix Table 2.

Qualitatively similar results are observed when groups are defined along gender lines. The first two columns split the sample by gender. Male service members show

²⁰The minority group, which includes Asians, Hispanics, multi-racial, and unknown races, yield peer effects with no discernible patterns and large standard errors. We attribute this to the disparate groups comprising this group of service members.

Table 6: Peer effects within and across race.

Sample =	White	Black	Non-black minority	All races	White	Black	Non-black minority
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Peer fraction Redux	-0.300*** (0.091)	-0.472** (0.214)	-0.190 (0.245)				
White peer fraction Redux				-0.211*** (0.052)	-0.338*** (0.079)	-0.156 (0.179)	-0.152 (0.185)
Black peer fraction Redux				-0.040* (0.024)	0.020 (0.033)	-0.241** (0.106)	0.068 (0.109)
Non-black minority peer fraction Redux				-0.055** (0.025)	-0.010 (0.038)	-0.022 (0.093)	-0.132 (0.130)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	45,567	16,782	14,384	76,733	45,567	16,782	14,384
R-squared	0.431	0.568	0.591	0.356	0.431	0.569	0.592

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Peer fraction Redux is the fraction of peer's in the same unit with 15 years of service of more who chose CSB/Redux. White, black, and non-black minority peer fraction Redux are defined similarly amongst races. Standard errors in parentheses are clustered at the command-year level. Demographic controls include indicators for gender, marital status, and AFQT tercile. Indicators included for missing AFQT and missing white, black, and non-black minority peer fraction Redux.

a statistically significant influence by peers. While the peer estimate for females is statistically insignificant, the large, negative parameter estimate is somewhat suggestive of peer influence.²¹ The next three columns of Table 7 split peers by gender. In column (3), for the entire sample, both gender-specific peer groups exert some amount of peer control. However, splitting the sample into males and females, we show that peer effects do not flow across gender. In column (4) for males, own-gender peer effect is -0.279, but female peers exerts zero effect. In column (5) for females, own-gender effect is weakly statistically significant at -0.339. In Appendix Table 2, we split the sample and peers along gender and professional lines. Neither male nor female officers are impacted by their own-gender officer peer groups. Among enlisted sailors, male sailors are influenced by own-gender enlisted peers at -0.226. female sailors are not impacted by own-gender enlisted peers. As we saw with race and professional peers, estimates across all other gender and professional lines yield statistically insignificant peer effects.

²¹Results for females may be somewhat under-powered due to the smaller sample size.

Table 7: Peer effects within and across gender.

Sample =	Male	Female	Both	Male	Female
	(1)	(2)	genders	(4)	(5)
			(3)		
Peer fraction Redux	-0.292*** (0.065)	-0.615 (0.431)			
Male peer fraction Redux			-0.254*** (0.056)	-0.279*** (0.063)	-0.267 (0.410)
Female peer fraction Redux			-0.042* (0.024)	-0.010 (0.026)	-0.339* (0.197)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	68,421	8,312	76,733	68,421	8,312
R-squared	0.370	0.689	0.356	0.370	0.690

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. The outcome is an indicator for choosing Redux. Peer fraction Redux is the fraction of peer's in the same unit with 15 years of service of more who chose CSB/Redux. Male and female peer fraction Redux are defined similarly amongst races. Standard errors in parentheses are clustered at the command-year level. Demographic controls include indicators for race, marital status, and AFQT tercile. Indicators included for missing AFQT and missing male and female minority peer fraction Redux.

4.2.3 Work group division of peer groups

Finally, we also split our sample and peer groups for enlisted sailors by occupation groups but find mixed results (Table 8). Some occupation groups, such as Engineering, Combat Systems, and Special Operations yield negative and statistically significant peer influence estimates. On the other hand, the other five ratings group yield negative yet insignificant estimates. Overall, the results may indicate that some occupation groups may be more tightly-knit, work in closer proximity, or be more homogenous in terms of race or gender than others.

4.3 Are there non-linear effects in exposure?

Although the results above show that marginal increases in fraction of relevant peers choosing Redux yields substantive negative influence on own likelihood of choosing Redux, there may be non-linear effects. To test for this, we split the sample into quintiles of the fraction of peers who choose Redux. In columns (1) to (5) which includes both enlisted sailors and officers as peers, only the smallest quintile, which includes peer group sizes from 1 to 15, yields a zero observable peer effects. Splitting the sample into officers and enlisted sailors yields qualitatively similar results (see

Table 8: Peer effects within and across occupational groups.

Occupation grouping =	Aviation	Deck	Engineering	Combat systems	Support	Operations	Construction	Special forces
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Aviation peer fraction Redux	-0.206 (0.159)	-0.119 (0.204)	0.117 (0.171)	-0.214 (0.230)	0.070 (0.106)	-0.056 (0.164)	-1.026 (0.728)	-0.011 (0.091)
Deck peer fraction Redux	-0.005 (0.060)	-0.286 (0.183)	0.089 (0.123)	-0.030 (0.142)	-0.038 (0.071)	-0.163* (0.095)	0.043 (0.218)	-0.071 (0.204)
Engineering peer fraction Redux	-0.002 (0.103)	-0.044 (0.195)	-0.334** (0.148)	0.084 (0.147)	0.059 (0.094)	0.137 (0.131)	0.208 (0.266)	0.041 (0.239)
Combat systems peer fraction Redux	0.003 (0.143)	0.089 (0.181)	-0.067 (0.116)	-0.302* (0.176)	0.023 (0.089)	-0.119 (0.142)	0.086 (0.139)	0.064 (0.199)
Support peer fraction Redux	0.009 (0.057)	-0.284 (0.182)	0.029 (0.129)	-0.175 (0.122)	-0.107 (0.115)	0.099 (0.128)	-0.293 (0.270)	0.007 (0.221)
Operations peer fraction Redux	-0.010 (0.065)	0.137 (0.184)	0.112 (0.106)	-0.071 (0.132)	0.028 (0.078)	-0.173 (0.149)	0.083 (0.217)	0.232 (0.163)
Construction peer fraction Redux	-0.152 (0.119)	-0.214 (0.269)	0.026 (0.176)	-0.115 (0.156)	0.068 (0.129)	0.054 (0.205)	-0.370 (0.363)	0.024 (0.244)
Special forces peer fraction Redux	0.282** (0.118)	-0.235 (0.275)	-0.066 (0.125)	-0.425* (0.233)	-0.002 (0.169)	0.228 (0.266)	-0.060 (0.237)	-1.079** (0.537)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	9,789	5,520	8,852	6,975	18,046	9,814	1,594	1,024
R-squared	0.407	0.616	0.515	0.619	0.536	0.614	0.593	0.742

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Standard errors in parentheses are clustered at the command-year level. Demographic controls include indicators for race, marital status, and AFQT tercile. Indicators included for missing AFQT and missing male and female minority peer fraction Redux.

Appendix Table 3). The lack of peer effects observed in the lower quintiles may be due to the overall lack of exposure to relevant peers. For information to be disseminated effectively, there may need to be a minimum amount of peers with the relevant experience. These results align with a finding from Lieber and Skimmyhorn (2018), where personal financial decisions that are unobservable do not exert peer effects.

Table 9: Peer effects across the size of the peer group.

Quintile of peer group size =	1st	2nd	3rd	4th	5th
	(1)	(2)	(3)	(4)	(5)
Peer fraction Redux	-0.138 (0.115)	-0.434*** (0.160)	-0.565*** (0.173)	-0.480** (0.194)	-0.593** (0.284)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	15,737	15,345	15,265	15,164	15,222
R-squared	0.691	0.460	0.352	0.274	0.169
Range of peer group size	[1,15]	[16,32]	[32,51]	[52,103]	[104,686]

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Peer fraction Redux is the fraction of peer's in the same unit with 15 years of service of more who chose CSB/Redux. Standard errors in parentheses are clustered at the command-year level. Demographic controls include indicators for race, gender, marital status, and AFQT tercile. Indicator included for missing AFQT.

5 Conclusion

In this paper, we studied a one-time, irreversible, high-stakes choice between two retirement plans offered by the U.S. Navy and estimated the impact of peer influence on financial decision making, leveraging the Navy personnel policy that exogenously transfers service members into ships and bases and the nature of the mission in the ships and bases that restricts plausible sources of information about the retirement plans to senior enlisted sailors and officers on-board. We find that peers matter in one's choice of retirement plan. A higher fraction of peers who chose the demonstrably worse option (Redux, with the only benefit being an immediate lump-sum payout that fails to make up for the lower annuity payouts in most scenarios) are associated with a lower likelihood of an individual also making this choice.

Our findings suggest that already-choosers regret the Redux choice, and warn current-choosers away from the tempting, yet myopic decision to choose the large immediate lump-sum. This negative peer influence is especially salient among enlisted

sailors. We demonstrate the lack of a similar peer effect for officers, which is most likely due to their financial savvy. The baseline take-up of the worse option for officers is about 5%, compared to 28% for enlisted sailors.

Most importantly, peer influence operates most strongly within siloed groups along professional and demographic characteristics. Peer effects are only visible between own-race and own-gender enlisted sailors. Information does not seem to transfer between officers and enlisted and also fails to cross race or gender lines. This implies the potential benefits and pitfalls of strategically using peers to disseminate information. The selection of the “right” messenger, within the peer group, has the potential to cheaply deliver valuable information across an organization. However, when a population is as homogenous as the Navy, the isolating aspect of peer influence demonstrated in this study can be problematic in delivering the same information to minority groups.

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Appendices

A Appendix Tables

Table 1: Peer effects within race and officer/enlisted status.

Sample =	Officers			Enlisted		
	White	Black	Non-black minority	White	Black	Non-black minority
	(1)	(2)	(3)	(4)	(5)	(6)
White officer peer fraction Redux	-0.339 (0.317)	-0.086 (0.368)	-0.521 (1.210)	-0.016 (0.073)	0.085 (0.158)	-0.049 (0.143)
Black officer peer fraction Redux	0.021 (0.070)	-0.787 (0.879)	-0.212 (0.637)	0.020 (0.047)	-0.018 (0.099)	-0.036 (0.106)
Non-black minority officer peer fraction Redux	-0.111 (0.104)	0.234 (1.148)	0.302 (0.762)	0.009 (0.058)	0.026 (0.111)	0.110 (0.111)
White enlisted peer fraction Redux	-0.005 (0.091)	-0.154 (1.151)	-0.356 (0.863)	-0.283*** (0.081)	-0.127 (0.161)	-0.128 (0.187)
Black enlisted peer fraction Redux	0.055 (0.058)	-0.415 (0.895)	-0.144 (0.608)	0.018 (0.043)	-0.213** (0.107)	0.081 (0.123)
Non-black minority enlisted peer fraction Redux	-0.005 (0.070)	0.318 (0.864)	0.063 (0.542)	0.013 (0.046)	-0.061 (0.093)	-0.162 (0.128)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	11,773	1,337	2,010	33,794	15,445	12,374
R-squared	0.658	0.919	0.848	0.439	0.566	0.596

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. The outcome is an indicator for choosing Redux. Standard errors in parentheses are clustered at the command-year level. Demographics include gender, marital status, number of dependents, education level, AFQT tercile, occupation, and rank (see text for details). Indicators included for missing peer fractions.

Table 2: Peer effects within gender and officer/enlisted status.

Sample =	Officers		Enlisted	
	Male	Female	Male	Female
	(1)	(2)	(3)	(4)
Male officer peer fraction Redux	-0.268 (0.293)	-0.628 (1.463)	-0.011 (0.049)	-0.079 (0.423)
Male enlisted peer fraction Redux	0.022 (0.118)	0.082 (0.330)	-0.226*** (0.060)	-0.227 (0.425)
Female officer peer fraction Redux	-0.039 (0.090)	-0.583 (0.618)	-0.040 (0.052)	-0.239 (0.333)
Female enlisted peer fraction Redux	0.004 (0.054)	-0.150 (0.266)	-0.011 (0.029)	-0.273 (0.225)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes
Observations	13,105	2,015	55,316	6,297
R-squared	0.647	0.788	0.366	0.709

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Standard errors in parentheses are clustered at the command-year level. Demographics include race, marital status, number of dependents, education level, AFQT tercile, occupation, and rank (see text for details). Indicators included for missing peer fractions.

Table 3: Peer effects within quintiles of peer group size and officer/enlisted status.

Quintile of peer group size =	Officers					Enlisted				
	1st	2nd	3rd	4th	5th	1st	2nd	3rd	4th	5th
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Officer peer fraction Redux	0.091 (0.903)	-1.406** (0.623)	0.034 (0.777)	-0.345 (0.377)	-0.756 (0.609)	-0.014 (0.139)	-0.021 (0.127)	-0.095 (0.097)	-0.040 (0.100)	0.056 (0.204)
Enlisted peer fraction Redux	-0.136 (0.358)	0.057 (0.428)	-0.001 (0.244)	-0.093 (0.092)	-0.014 (0.318)	-0.091 (0.115)	-0.234 (0.167)	-0.437** (0.186)	-0.416** (0.196)	-0.726*** (0.256)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,537	2,613	2,712	2,968	2,929	12,390	12,524	12,006	12,246	12,162
R-squared	0.875	0.813	0.714	0.432	0.254	0.703	0.475	0.356	0.256	0.131
Range of peer group size	[0-4]	[5-8]	[9-20]	[21-61]	[62-495]	[0-12]	[13-26]	[27-42]	[43-82]	[83-661]

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Peer fraction Redux is the fraction of peer's in the same unit with 15 years of service of more who chose CSB/Redux. Standard errors in parentheses are clustered at the command-year level. Demographic controls include indicators for race, gender, marital status, and AFQT tercile. Indicator included for missing AFQT.

B Initial Redux/CSB decision notification message

R 280559Z NOV 16 ZYB
FM COMNAVPERSCOM MILLINGTON TN
TO [COMMAND]
INFO COMNAVPERSCOM MILLINGTON TN
BT
UNCLAS //N01306//
PASS TO OFFICE CODES:
FM COMNAVPERSCOM MILLINGTON TN//PERS-341//
TO [COMMAND]
INFO COMNAVPERSCOM MILLINGTON TN//PERS-341// MSGID/GENADMIN/CHNAVPERS//
SUBJ/ELIGIBILITY TO ELECT CSB AND REDUX RETIRED PAY ICO//
*** (Members Name Deleted) ***
NARR/OFFICIAL NOTIFICATION ORDERS
XX
BOTH PARTS 1 AND 2 MUST BE READ
AND LISTED INSTRUCTIONS COMPLIED WITH.
XX
PART ONE RMKS/

1. YOUR RECORD IN THE NAVY ENLISTED SYSTEM AND/OR NAVY OFFICER PERSONNEL INFORMATION SYSTEM INDICATES YOUR DATE OF INITIAL ENTRY INTO MILITARY SERVICE (DIEMS) DATE IS 980701 AND YOUR ACTIVE DUTY START DATE (ADSD) IS 020524.
2. THIS MESSAGE IS TO NOTIFY YOU THAT YOU ARE UNDER THE "HIGH-3" NON-DISABILITY RETIREMENT SYSTEM. IF YOU SERVE ON ACTIVE DUTY FOR A MINIMUM OF 20 YEARS, YOUR RETIRED PAY WILL BE EQUAL TO THE AVERAGE OF YOUR HIGHEST 36 MONTHS OF BASIC PAY TIMES A MULTIPLIER EQUAL TO 2.5% TIMES YOUR YEARS OF SERVICE. HIGH-3 RETIRED PAY INCREASES ANNUALLY THROUGH COLA EQUAL TO CPI. THE LAW STIPULATES IF YOU ARE A TEMPORARY OFFICER TRANSFERRING TO THE FLEET RESERVE YOUR RETIRED PAY WILL BE CALCULATED ON THE AVERAGE OF THE HIGHEST 36 MONTHS OF BASIC PAY YOU WOULD HAVE RECEIVED IN YOUR PERMANENT ENLISTED RANK. THE LAW ALSO STATES THAT UNDER CERTAIN CONDITIONS YOU MAY BE PLACED UNDER THE "FINAL PAY" RETIREMENT SYSTEM IF YOU ARE REDUCED IN RANK DUE TO DISCIPLINARY ACTION DURING YOUR FINAL 36 MONTHS.
3. IF VERIFICATION BY YOUR COMMAND SHOWS THAT THE DIEMS AND ADSD DATES LISTED ABOVE ACCURATELY REFLECTS YOUR DIEMS AND ADSD IN YOUR SERVICE RECORD, YOU WERE UNDER THE "REDUX" NON-DISABILITY RETIREMENT SYSTEM BEFORE THE FY00 NDAA/PUBLIC LAW 106-65. THIS ACT PLACED YOU UNDER HIGH-3 BUT ALLOWS YOU TO ELECT A \$30,000 CAREER STATUS BONUS (CSB) AND REDUX RETIREMENT PAY ON YOUR 15TH ANNIVERSARY OF ACTIVE DUTY IF YOUR DIEMS IS AFTER 31JUL86, AND YOU ARE ELIGIBLE/AGREE TO REMAIN ON CONTINUOUS ACTIVE DUTY TO YOUR 20TH ANNIVERSARY. CSB IS AVAILABLE IN MULTIPLE ANNUAL INSTALLMENTS OVER AS MANY AS 5 YEARS. OPTIONS INCLUDE A \$30,000 LUMP SUM PAYMENT, TWO \$15,000 INSTALLMENT PAYMENTS, THREE \$10,000 INSTALLMENT PAYMENTS, FOUR \$7,500 INSTALLMENT PAYMENTS, AND FIVE \$6,000 INSTALLMENT PAYMENTS. CSB IS SUBJECT TO FEDERAL AND STATE TAX; AND WILL AFFECT YOUR POTENTIAL SURVIVOR BENEFIT PLAN PREMIUMS AND ANNUITIES. YOU RECEIVE THE CSB IN ADDITION TO ANY OTHER BONUS, INCENTIVE, OR SPECIAL PAY; AND YOUR AGREEMENT TO REMAIN ON ACTIVE DUTY THROUGH YOUR 20TH ANNIVERSARY RUNS CONCURRENT WITH ANY OTHER CONTRACT, EXTENSION, OR OBLIGATION YOU MAY HAVE INCURRED. IF YOU DO NOT COMPLETE 20 YEARS OF SERVICE AFTER RECEIVING THE CSB, ANY UNEARNED PORTION OF THE CSB WILL BE SUBJECT TO RECOUPMENT BY THE U.S. GOVERNMENT.
4. REDUX RETIRED PAY IS 40% OF YOUR HIGH-3-YEAR AVERAGE FOR 20 YEARS OF ACTIVE DUTY SERVICE

WITH AN ADDITIONAL 3.5% FOR EACH ADDITIONAL YEAR OF SERVICE UP TO 75%. REDUX RETIRED PAY INCREASES ANNUALLY THROUGH COST OF LIVING ADJUSTMENTS THAT ARE EQUAL TO CPI-1 (1 PERCENTAGE POINT LESS THAN CPI). TWO ADJUSTMENTS TAKE PLACE AT AGE 62. FIRST, AT AGE 62, YOUR RETIRED PAY IS RECALCULATED UNDER A NEW FORMULA THAT RESTORES THE VALUE OF THE FIRST 20 YEARS OF SERVICE TO BE WORTH 50% OF THE HIGH-3 AVERAGE. FOR EACH ADDITIONAL YEAR OF SERVICE RETIRED PAY INCREASES BY 2.5% TO A MAXIMUM OF 75%. THE SECOND ADJUSTMENT IS THAT THE AMOUNT OF RETIRED PAY ADJUSTS ONE-TIME AT AGE 62 TO THE VALUE IT WOULD HAVE BEEN IF ANNUAL COLA HAD EQUALED CPI. AFTER THIS ADJUSTMENT, ANNUAL COLA RETURNS TO CPI-1. THE LAW GOVERNING TEMPORARY OFFICERS TRANSFERRING TO THE FLEET RESERVE AND CONDITIONS WHEN YOU MAY BE PLACED UNDER THE "FINAL PAY" RETIREMENT SYSTEM IN A REDUCED RANK DUE TO DISCIPLINARY ACTION APPLIES TO BOTH HIGH-3 AND REDUX RETIREMENT SYSTEMS.

5. YOU HAVE A VERY IMPORTANT DECISION TO MAKE IN THE NEXT SIX MONTHS IF YOU ARE ELIGIBLE TO ELECT THE CSB AND REDUX RETIRED PAY SYSTEM. BEFORE YOU MAKE YOUR DECISION, CONSULT SEVERAL SOURCES TO MAKE SURE YOU ARE WELL INFORMED. DISCUSS THE DECISION WITH ADVISORS YOU TRUST, ASSESS YOUR CAREER EXPECTATIONS, DECIDE HOW YOU WILL PROBABLY USE THE CSB MONEY AND WHAT RISKS YOU ARE WILLING TO TOLERATE. WORK THROUGH A BASIC IDEA OF THE OPTIONS AVAILABLE TO YOU.

6. THE CENTER FOR NAVAL ANALYSIS (CNA) SUGGESTS THAT THE BEST WAY TO LOOK AT THE CHOICE OF RECEIVING A CSB IS TO CONSIDER THE CAREER STATUS BONUS AS AN EARLY CASH-OUT "LOAN" TO BE PAID BACK LATER BY SMALLER RETIREMENT PAYCHECKS. "CSB HAS A PECULIAR PAYBACK SCHEME. THE SAILOR PAYS NOTHING UNTIL RETIREMENT, PAYS QUITE A BIT FROM THE BEGINNING OF RETIREMENT UNTIL AGE 62, AND THEN CONTINUES TO PAY BACK BY SMALLER AMOUNTS OVER THE REST OF HIS LIFETIME," READS THE CNA STUDY, AVAILABLE AT [HTTP://WWW.CNA.ORG](http://www.cna.org). THE STUDY'S COMPARISON TO A LOAN SHOWS THAT A SAILOR COULD END UP PAYING BACK THE MONEY AT A 9 TO 10 PERCENT INTEREST RATE. MOREOVER, THE TERM OF THE LOAN IS BASED ON HOW LONG SOMEONE LIVES. CHOOSING CSB AND REDUX REDUCES THE INCOME IN RETIREMENT. THE HIGHER THE GRADE AND THE LOWER THE YEARS OF SERVICE AT RETIREMENT, THE MORE THE RETIREMENT INCOME IS REDUCED. "TAKE FOR EXAMPLE AN E-6 WITH 20 YEARS OF SERVICE AT AGE 40. SELECTING CSB AND REDUX AT 15 YEARS, THE SAILOR PAYS AN IMPLICIT INTEREST RATE OF 10.4 PERCENT FOR THE CASH-OUT AND LOSSES \$193,630 AFTER-TAX RETIREMENT INCOME ASSUMING THE SAILOR LIVES TO AN AVERAGE AGE OF 79 YEARS." BOTTOM LINE: CHECK THE FACTS. LOOK AND PLAN FORWARD; ASK QUESTIONS. COMMAND CAREER COUNSELORS, COMMAND FINANCIAL ADVISORS, ADMINISTRATIVE OFFICERS, AND FLEET AND FAMILY SERVICE CENTERS ARE STANDING BY TO ASSIST IN ONE OF THE MOST IMPORTANT DECISIONS OF ANYONE'S FINANCIAL LIFE.

7. UPON RECEIPT OF THIS NOTIFICATION ORDER YOU ARE DIRECTED TO SEE YOUR CCC OR ADMINISTRATIVE OFFICER (AO) TO RECEIVE YOUR COPY OF THE FACT SHEET OF INFORMATION FOR ELIGIBLE CSB MEMBERS. THIS FACT SHEET (AVAILABLE AT [HTTP://WWW.NPC.NAVY.MIL/CAREERINFO/STAYNAVYTOOLS/CAREERTOOLS](http://www.npc.navy.mil/careerinfo/staynavytools/careertools)) EXPLAINS YOUR OPTIONS AND LOOKS AT SOME BASIC CONSIDERATIONS ON HOW YOU PLAN TO USE THE CSB AND THE EFFECT YOUR DECISION WILL HAVE ON THE FUTURE VALUE OF THE CSB MONEY. 8. DOD ALSO HAVE A VERY INFORMATIVE WEBSITE THAT DISCUSSES THE CSB. THE SITE INCLUDES AN INTERACTIVE CALCULATOR TO HELP YOU DECIDE WHETHER TO STAY IN THE HIGH-3 RETIRED PAY SYSTEM OR ELECT THE CSB AND REDUX RETIRED PAY SYSTEM. YOU ARE STRONGLY ENCOURAGED TO TAKE A LOOK AT THE WEB ADDRESS

[HTTP://WWW.DOD.MIL/MILITARYPAY](http://www.dod.mil/militarypay) DISCUSS YOUR ALTERNATIVES WITH YOUR FAMILY.

9. YOU HAVE SIX MONTHS AS OF THE DATE OF THIS MESSAGE TO MAKE AN ELECTION DECISION. THERE ARE TWO EXCEPTIONS TO THIS RULE:

A. YOU HAVE SIX MONTHS FROM RECEIPT OF THE MESSAGE IF YOUR REPORTING SENIOR HELD DELIVERY OF THE MESSAGE IN ABEYANCE WHILE YOU WERE ON LEAVE, SICK IN QUARTERS,

HOSPITALIZED, ON OFFICIAL TAD/TDY TRAVEL, PERMISSIVE TAD, TAD/TDY/TEM DU TO ATTEND A SCHOOL, DUSTWIN, MIA, CAPTURED/INTERNE D/BESIEGE D/DETAINED BY A FOREIGN POWER, TERMINALLY/VERY SERIOUSLY/SERIOUSLY ILL OR INJURED, OR SUFFERING AN INCAPACITATING ILLNESS OR INJURY.

B. IF YOUR REPORTING SENIOR HOLDS YOUR ELIGIBILITY IN ABEYANCE DUE TO AN ACTIVE DISCIPLINARY, MEDICAL, OR ADMINISTRATIVE CASE ON YOUR 15TH ANNIVERSARY THAT COULD AFFECT YOUR RETENTION, THEN YOU HAVE SIX MONTHS TO MAKE AN ELECTION AS OF THE DATE YOU RECEIVE FAVORABLE RESULTS ON THE CASE.

10. AN IMPORTANT ELEMENT IN DETERMINING WHETHER YOU HAVE THE RIGHT TO ELECT THE CSB IS YOUR ELIGIBILITY TO REMAIN IN THE SERVICE THROUGH YOUR 20TH ANNIVERSARY OF ACTIVE DUTY. THIS IS A DETERMINATION YOUR REPORTING SENIOR WILL MAKE BASED ON RETENTION STANDARDS FOUND IN LAW, REGULATIONS, AND INSTRUCTIONS USED FOR REENLISTMENT AND CONTINUATION.

A. IF YOU ARE A MEMBER OF THE REGULAR NAVY (USN) AND TRAINING AND ADMINISTRATION OF THE RESERVES (FTS) YOU ARE ELIGIBLE TO ELECT THE CSB/REDUX IF YOU QUALIFY FOR RETENTION OR CONTINUATION TO YOUR 20TH ANNIVERSARY, EVEN IF YOUR PRESENT CONTRACT EXPIRES PRIOR TO YOUR 20TH ANNIVERSARY.

B. IF YOU ARE A RESERVIST ON ACTIVE DUTY WHO CANNOT REMAIN ON CONTINUOUS ACTIVE DUTY TO YOUR 20TH ANNIVERSARY OF DAY FOR DAY ACTIVE DUTY THEN YOU ARE NOT ELIGIBLE TO ELECT THE CSB/REDUX. THE LAW PROVIDES FOR YOUR RETIREMENT UNDER 10 U.S.C.12731 WHICH WAS NOT MODIFIED BY THE FY-00 NDAA/P.L. 106-65 ALLOWING ELECTION OF THE CSB/REDUX.

11. YOUR REPORTING SENIOR IS STANDING BY TO GIVE YOU YOUR CSB/REDUX RETIRED PAY ELECTION FORM WITH SECTIONS I & II COMPLETED AND TO COUNSEL YOU ON HIS RETENTION DETERMINATION. MAKE AN APPOINTMENT WITH YOUR REPORTING SENIOR AS SOON AS YOU ARE READY TO BEGIN THE ELECTION PROCESS.

12. WHEN YOU MEET WITH YOUR REPORTING SENIOR YOU WILL BE GIVEN A COPY OF THE FORM. SECTION I WILL HAVE YOUR NAME, SSN, RANK, PAYGRADE, BRANCH OF SERVICE, DIEMS, ADSD, AND THE DATE OF THIS NOTIFICATION ORDER MESSAGE. REVIEW THE INFORMATION IN SECTION I CAREFULLY AND POINT OUT ANY NEEDED CORRECTIONS.

13. SECTION II OF THE ELECTION FORM WILL BE COMPLETED BY YOUR REPORTING SENIOR BASED ON A DETERMINATION OF YOUR ELIGIBILITY AS DETERMINED BY LAW AND NAVY POLICY, TO CONTINUE ON ACTIVE DUTY UNTIL COMPLETION OF 20 YEARS OF ACTIVE DUTY SERVICE. YOUR REPORTING SENIOR HAS THREE OPTIONS:

A. HE INDICATES YOU ARE ELIGIBLE TO ELECT THE CSB IF YOU QUALIFY FOR RETENTION ON CONTINUOUS ACTIVE DUTY THROUGH YOUR 20TH ANNIVERSARY OR,

B. HE INDICATES YOU ARE NOT ELIGIBLE TO ELECT THE CSB AND THE REASON YOU ARE NOT ELIGIBLE TO REMAIN ON CONTINUOUS ACTIVE DUTY, OR

C. HE INDICATES YOU ARE NOT ELIGIBLE TO ELECT THE CSB WHILE UNDER DISCIPLINARY, MEDICAL, OR ADMINISTRATIVE PROCEEDINGS. IN THIS CASE, HE INDICATES THE REASON IS FINAL DETERMINATION IS BEING HELD IN ABEYANCE PENDING A FAVORABLE DETERMINATION ON YOUR DISCIPLINARY, MEDICAL, OR ADMINISTRATIVE PROCEEDINGS.

14. IF YOU ARE ELIGIBLE AND DESIRE TO ELECT CSB/REDUX, READ SECTION IV BLOCK 12 THOROUGHLY, ELECT THE PAYMENT OPTION YOU PREFER, AND SIGN/DATE YOUR AGREEMENT TO REMAIN ON ACTIVE DUTY IN EXCHANGE FOR THE CSB AND REDUX RETIRED PAY SYSTEM. LEAVE SECTION III AND V BLANK. RETURN THE FORM TO YOUR CCC OR AO SO THEY CAN WITNESS YOUR ELECTION IN SECTION IV BLOCK 13, COMPLETE SECTION VI, AND PROCESS YOUR ELECTION. THE LAW ALLOWS YOU TO CONTINUE UNDER YOUR EXISTING CONTRACT, EXTENSION, OR OTHER AGREEMENT. THE EXECUTION OF A NEW REENLISTMENT CONTRACT FOR THE SOLE PURPOSE OF ELECTING THE CSB/REDUX IS NOT REQUIRED OR ENCOURAGED. BY LAW, THE CSB/REDUX OBLIGATION MAY RUN CONCURRENT WITH OTHER

OBLIGATIONS TO THE GOVERNMENT, AND THE CSB MAY BE PROVIDED IN ADDITION TO OTHER BONUSES, SPECIAL OR INCENTIVE PAYS.

15. IF YOU ARE ELIGIBLE AND ELECT NOT TO RECEIVE THE CSB, READ SECTION V BLOCK 14 THOROUGHLY AND SIGN/DATE YOUR ELECTION TO REMAIN UNDER THE HIGH-3 RETIRED PAY SYSTEM. LEAVE SECTIONS III AND IV BLANK. RETURN THE FORM TO YOUR CCC OR AO SO THEY CAN WITNESS YOUR ELECTION NOT TO RECEIVE THE CSB IN SECTION V BLOCK 15, AND PROCESS YOUR ELECTION.

16. IF YOU ARE NOT ELIGIBLE TO ELECT THE CSB READ SECTION III BLOCK 10 THOROUGHLY AND SIGN/DATE YOUR STATEMENT OF UNDER- STANDING THAT YOUR ELIGIBILITY DOES NOT PRECLUDE YOU FROM CONTINUING SERVICE TO RETIREMENT IF THE THE NAVY PERMITS. LEAVE SECTIONS IV AND V BLANK. RETURN THE FORM TO YOUR CCC OR AO SO THEY CAN WITNESS YOUR STATEMENT OF UNDERSTANDING IN SECTION III, AND PROCESS YOUR STATEMENT OF UNDERSTANDING.

17. YOUR ELECTION IS CONSIDERED TO BE EFFECTIVE AND IRREVOCABLE ON EITHER:

A. YOUR 15TH ANNIVERSARY OF ACTIVE DUTY, OR

B. THE DATE YOU MAKE YOUR ELECTION IN CASES WHERE YOUR OPPORTUNITY TO MAKE AN ELECTION SURPASSES YOUR 15TH ANNIVERSARY. 18. THE LAW PROVIDES THAT INITIAL PAYMENT OF A CSB WILL BE PAID NO LATER THAN THE FIRST MONTH THAT BEGINS ON OR AFTER THE DATE THAT IS 60 DAYS AFTER THE DATE THE ELECTION IS EFFECTIVE. IF INSTALLMENT PAYMENTS ARE ELECTED, THE SECOND AND SUBSEQUENT INSTALLMENTS ARE PAID ON 15 JANUARY OF EACH SUCCEEDING CALENDAR YEAR.

19. DEFENSE FINANCE AND ACCOUNTING SERVICE (DFAS) WILL ADVISE YOU OF THE TAXABILITY OF CSB PAYMENTS. GENERALLY, THE CSB IS SUBJECT TO THE SAME TAX CONSIDERATIONS AS ANY OTHER BONUS PAYMENT. THE CSB, IF TAXABLE, IS INCOME AS OF THE DATE ON WHICH THE PAYMENT IS ACTUALLY MADE TO THE MEMBER. IF THE MEMBER IS OTHER- WISE ELIGIBLE FOR COMBAT ZONE OR QUALIFIED HAZARDOUS DUTY AREA (QHDA) TAX EXCLUSION ON THE EFFECTIVE DATE OF THE CSB/REDUX ELECTION THE CSB WILL NOT BE CONSIDERED TAXABLE INCOME WITHIN ALLOWABLE LIMITS.

20. THE CSB IS AN ACTIVE DUTY BONUS UNDER THE PROVISIONS OF TITLE 37, U.S. CODE. IT IS NOT MILITARY RETIRED PAY AND, THEREFORE, IS NOT SUBJECT TO DIVISION UNDER THE UNIFORM SERVICES FORMER SPOUSES' PROTECTION ACT.

21. IF YOU FAIL TO SERVE CONTINUOUSLY ON ACTIVE DUTY UNTIL YOUR 20TH ANNIVERSARY, THE LAW STIPULATES THAT A PROPORTIONATE SHARE OF THE CSB MUST BE REPAID. THE SECRETARY OF DEFENSE HAS WAIVED BONUS REPAYMENT IF YOU DIE ON ACTIVE DUTY, ARE SEPARATED OR RETIRED AS A RESULT OF A PHYSICAL DISABILITY UNDER CHAPTER 61 OF TITLE 10 U.S. CODE, OR SEPARATE UNDER A SERVICE OFFER FOR EARLY RETIREMENT (SUCH AS TERA) OR SEPARATION PROGRAM. THIS WAIVER IS NOT AVAILABLE IF YOU ARE SEPARATED DUE TO MISCONDUCT OR IF THE WAIVER WOULD BE INCONSISTENT WITH OTHER PRESCRIBED LAW, REGULATION, OR POLICY.

22. AS A CSB ELIGIBLE SAILOR, YOU HAVE A VERY IMPORTANT DECISION TO MAKE NOW THAT YOU HAVE RECEIVED YOUR OFFICIAL GENADMIN NOTIFICATION MESSAGE AND THAT DECISION IS NOT AN EASY ONE. YOUR DECISION CONCERNING CSB AND YOUR RETIRED PAY WILL BECOME IRREVOCABLE AFTER THE EFFECTIVE DATE OF YOUR ELECTION AND AFFECT YOUR RETIRED PAY SO I URGE YOU TO LEARN AS MUCH AS YOU CAN ABOUT YOUR OPTIONS AND CONSULT SEVERAL DIFFERNT SOURCES TO MAKE SURE YOU ARE WELL INFORMED. THE CENTER FOR CAREER DEVELOPMENT (CCD) WEBSITE AT [HTTP://WWW.NPC.NAVY.MIL/ CAREERINFO/STAYNAVYTOOLS/CAREERTOOLS/](http://www.npc.navy.mil/careerinfo/staynavytools/careertools/) AND THE DOD WEBSITE AT [HTTP://WWW.DOD.MIL/MILITARYPAY/](http://www.dod.mil/militarypay/) MAY BE GOOD PLACES TO START. BEFORE YOU MAKE THAT FINAL DECISION, DISCUSS IT WITH ADVISORS YOU TRUST, ASSESS YOUR CAREER EXPECTATIONS, DECIDE HOW YOU PROBABLY WILL USE THE CSB MONEY, AND WHAT RISKS YOU ARE WILLING TO TOLERATE. YOU WILL WANT TO PUT ENOUGH EFFORT INTO THE DECISION TO MAKE YOURSELF COMFORTABLE WITH YOUR CHOICE. COMMAND CAREER COUNSELORS AND COMMAND

FINANCIAL ADVISORS ARE STANDING BY TO ASSIST YOU WITH YOUR DECISION, BUT ULTIMATELY, ONLY YOU CAN DETERMINE WHICH OPTION IS MORE ADVANTAGEOUS FOR YOU BASED ON YOUR OWN UNIQUE CIRCUMSTANCES AND PREFERENCES.

PART TWO

23. FOLLOWING GUIDANCE ESTABLISHES COMMAND RESPONSIBILITY AND PROCEDURES TO NOTIFY/COUNSEL SNM ON ELIGIBILITY TO ELECT THE CSB/REDUX RETIRED PAY SYSTEM.

24. DELIVER THE MESSAGE TO SNM WITHIN THREE WORKING DAYS OF RECEIPT. COMMAND AUTHORIZED TO HOLD DELIVERY IN ABEYANCE WHILE SNM IN ON LEAVE, SIQ, HOSPITALIZED, ON OFFICIAL TAD/TDY TRAVEL, PERMISSIVE TAD, OR TAD/TDY/TEM DU TO ATTEND SCHOOL.

25. REPORTING COMMAND IS DIRECTED TO CANCEL NOTIFICATION ORDER BY MESSAGE TO ADDRESSEES IF:

A. SNM IS DECEASED. REFERENCE PERSONNEL CASUALTY REPORT MESSAGE AS AUTHORITY TO CANCEL NOTIFICATION ORDER DUE TO DEATH.

B. SNM HAS A FINAL DETERMINATION BY SEPARATION AUTHORITY THAT DIRECTS SEPARATION, DISCHARGE, OR DROPPING FROM THE ROLLS. REFERENCE SEPARATION AUTHORITY DOCUMENTATION AS AUTHORITY TO CANCEL NOTIFICATION ORDER.

C. SNM'S RESIGNATION HAS BEEN ACCEPTED BY THE SECRETARY OR CHNAVPERS. REFERENCE ACCEPTANCE DOCUMENTATION AS AUTHORITY TO CANCEL NOTIFICATION ORDER.

D. SNM IS SEPARATED, DISCHARGED, OR DROPPED FROM THE ROLLS. REFERENCE SEPARATION DOCUMENTATION AS AUTHORITY TO CANCEL NOTIFICATION ORDER.

E. SNM IS ABSENT WITHOUT LEAVE, DESERTED, UNDER U.S. CIVIL OR MILITARY CONFINEMENT. REFERENCE SUPPORTING DOCUMENTATION AS AUTHORITY TO CANCEL NOTIFICATION ORDER.

26. REPORTING COMMAND DIRECTED TO FORWARD NOTIFICATION ORDER TO INTERMEDIATE AND ULTIMATE DUTY STATIONS FOR ACTION IF SNM HAS DETACHED. NOTIFY BY MESSAGE THE ULTIMATE AND INTERMEDIATE DUTY STATIONS AND ADDRESSES OF THIS MESSAGE REFERENCING THE PCS TRANSFER ORDERS AS AUTHORITY FOR FORWARDING NOTIFICATION TO SNM'S PRESENT STATION.

27. REPORTING COMMAND DIRECTED TO FORWARD NOTIFICATION ORDER TO CASUALTY ASSISTANCE BRANCH (PERS-621) IF SNM IS DUSTWIN, MIA, CAPTURED/INTERNEED/BESIEGED/DETAINED BY A FOREIGN POWER, TERMINALLY/VERY SERIOUSLY/SERIOUSLY ILL OR INJURED, OR SUFFERING AN INCAPACITATING ILLNESS OR INJURY. REFERENCE PERSONNEL CASUALTY REPORT MESSAGE AS AUTHORITY FOR FORWARDING NOTIFICATION ORDER TO CHNAVPERS (PERS-621).

28. ADMINISTRATIVE OFFICERS ARE RESPONSIBLE FOR ENSURING THIS MESSAGE IS DELIVERED TO THE COMMISSIONED OFFICERS AND WARRANT ASSIGNED TO THE COMMAND; AND THAT THEIR ELECTIONS ARE PROCESSED THROUGH DFAS USING THE CSB/REDUX ELECTION SCREEN IN THE FORCE MANAGEMENT SYSTEM (FORMAN).

29. COMMAND CAREER COUNSELORS ARE RESPONSIBLE FOR ENSURING THIS MESSAGE IS DELIVERED TO ENLISTED MEMBERS OF YOUR COMMAND; AND THAT THEIR ELECTIONS ARE PROCESSED THROUGH DFAS USING THE CSB/REDUX ELECTION SCREEN IN FORMAN.

30. ADMINISTRATIVE OFFICERS AND COMMAND CAREER COUNSELORS RESPONSIBILITIES INCLUDE:

A. VERIFYING THE ACCURACY OF THE MEMBER'S DIEMS DATE LISTED IN THIS MESSAGE AND REPORTING ANY DISCREPANCY FOLLOWING THE PROCEDURES PUBLISHED IN THE PROGRAM NAVADMIN.

B. ADVISING MEMBERS THAT:

(1) THE DIEMS DATE LISTED IN THE MEMBER'S CSB NOTIFICATION MESSAGE AND FORCE MANAGEMENT SYSTEM IS TAKEN FROM THEIR RECORD IN THE NAVY ENLISTED SYSTEM (NES) OR THE OFFICER PERSONNEL INFORMATION SYSTEM (OPINS) RECORD.

(2) THE MEMBER'S OFFICIAL DIEMS DATE IS THE DATE LISTED ON THEIR FIRST ENLISTMENT, INDUCTION, OR COMMISSIONING DOCUMENT.

(3) THE COMMAND HAS REVIEWED THE MEMBER'S FIRST ENLISTMENT, INDUCTION, OR COMMISSIONING DOCUMENT IN THEIR SERVICE RECORD AND VERIFIED THEIR ELIGIBILITY OR INELIGIBILITY TO MAKE A CSB/REDUX OR HIGH-3 RETIRED PAY ELECTION.

(4) ACTION HAS BEEN TAKEN TO CORRECT ANY DISCREPANCY IN THE MEMBER'S DIEMS DATE IN THEIR NES OR OPINS RECORD.

(5) PERS 341 WILL ALSO CONDUCT A QUALITY CONTROL OF THE MEMBER'S DIEMS DATE AND VERIFY WHETHER THE MEMBER IS ELIGIBLE BEFORE TRANSMITTING CSB ELECTIONS FOR PAYMENT.

(6) SHOULD PERS 341 DISCOVER THE MEMBER IS INELIGIBLE TO MAKE THE ELECTION, THEY HAVE BEEN DIRECTED TO CANCEL THE ELECTION AND NOTIFY THE COMMAND OF THE ACTION.

C. ENSURING GENADMIN NOTIFICATION ORDER MESSAGES ARE DELIVERED TO ELIGIBLE MEMBERS OF THEIR COMMAND.

D. COMPLETING THE ELECTION FORM SECTION I "PERSONAL IDENTIFICATION" NAME, SSN, RANK/PAY, GRADE/BRANCH, DIEMS, DATE FOR DETERMINATION OF ACTIVE DUTY SERVICE COMPLETED (ADSD ON NAVPERS FORM), AND DATE OF NOTIFICATION (DTG OF CSB GENADMIN NOTIFICATION MESSAGE ON NAVPERS FORM).

E. ENSURING THAT THE MEMBER'S REPORTING SENIOR COMPLETES THE ELECTION FORM SECTION II.

F. ADVISING MEMBERS THAT:

(1) ONLY TSP PARTICIPANTS WHO HAVE ELECTED TO CONTRIBUTE A PERCENTAGE OF THEIR BONUSES CAN DEPOSIT A PORTION OF THEIR CSB TO TSP.

(2) IF THEY HAVE A TSP ACCOUNT, THEY CAN COMPLETE A TSP-U-1 FORM OR REVISE THEIR TSP ELECTION IN E/MSS AT ANY TIME TO ELECT TO CONTRIBUTE A PERCENTAGE OF THEIR BONUSES. HOWEVER, THEIR TSP ELECTION SHOULD BE SUBMITTED AT LEAST 60 DAYS PRIOR TO THEIR CSB ELECTION EFFECTIVE DATE.

G. ADVISING MEMBERS THAT:

(1) THE PAYMENT OPTION THEY ELECT IS IRREVOCABLE AND CANNOT BE MODIFIED ON OR AFTER THEIR CSB ELECTION EFFECTIVE DATE.

(2) REQUESTS FOR ADVANCE AND REMAINING INSTALLMENT PAYMENTS WILL ONLY BE ACCEPTED IF THE MEMBER IS EXPERIENCING A HARDSHIP.

A) ADVANCE PAYMENT IS PAYMENT OF ONE OR MORE INSTALLMENTS DUE IN A FUTURE FISCAL YEAR, AND REMAINING AMOUNT IS PAYMENT OF ALL REMAINING INSTALLMENTS IN ONE PAYMENT.

B) ADVANCE AND REMAINING INSTALLMENT PAYMENT REQUIRES DEPUTY CHIEF OF NAVAL OPERATIONS (MANPOWER AND PERSONNEL) N130G APPROVAL.

C) REQUEST FOR ADVANCE OR REMAINING PAYMENT MUST BE IN WRITING AND INCLUDE INFORMATION ON ANY ADVANCE BONUS/SPECIAL/INCENTIVE PAYMENTS ALREADY RECEIVED BY MEMBER, CERTIFIED COPY OF MEMBER'S CURRENT EVALUATION OR FITNESS REPORT, CERTIFIED COPY OF ANY CURRENTLY APPROVED EXCEPTIONAL FAMILY OR HUMANITARIAN TRANSFER DOCUMENT/S/, SPECIFIC REASON/S/ FOR REQUESTING HARDSHIP PAYMENT, ITEMIZED LIST OF INCOME AND FINANCIAL LIABILITIES FOR ALL DEBTS (INCLUDING MONTHLY PAYMENT/AMOUNT OWED FOR EACH), AND THE COMMANDING OFFICER'S:

1) VERIFICATION THAT THE MEMBER IS STILL ELIGIBLE TO REMAIN CONTINUOUSLY ON ACTIVE DUTY THROUGH THEIR 20TH ANNIVERSARY,

2) VERIFICATION THAT THE HARDSHIP EXISTS, AND

3) RECOMENDATION

D) AN ADVANCE AND REMAINING PAYMENT REQUEST WITHOUT THE ABOVE INFORMATION WILL BE RETURNED WITH NO ACTION. H. ENSURING THAT THE MEMBERS COMPLETE:

(1) SECTION III OF THE FORM IF THEY ARE NOT CURRENTLY ELIGIBLE FOR CSB;

(2) SECTION IV IF THEY ARE ELIGIBLE AND ELECT CSB;

(3) AND SECTION V IF THEY ARE ELIGIBLE BUT ELECT TO REMAIN UNDER THE HIGH-3 RETIRED PAY SYSTEM AND NOT RECEIVE THE CSB.

I. ENSURING THAT ALL MEMBERS WHO ELECT THE CSB IN SECTION IV OF THE FORM ALSO SELECTS A PAYMENT OPTION. THIS INCLUDES MEMBERS WHO MADE AN ELECTION PRIOR TO RELEASE OF THIS NAVADMIN WHO HAVE NOT YET REACHED THEIR CSB ELECTION EFFECTIVE DATE.

J. WITNESSING THE MEMBER'S ELECTION ON THE FORM IN SECTION III, BLOCK 11; SECTION IV, BLOCK 13; OR SECTION V, BLOCK 15 AS APPROPRIATE.

K. COMPLETING SECTION IV, SERVICE RECORDING OF ELECTION IF THE MEMBER IS ELIGIBLE AND ELECTS THE CSB/REDUX. THE FOLLOWING EXAMPLES ARE PROVIDED TO HELP AO'S AND CCC'S UNDERSTAND WHAT DATE TO USE IN BLOCK 16 FOR THE CSB ELECTION EFFECTIVE DATE.

EXAMPLE ONE: MEMBER'S ADSD IS 1 FEB 88 MAKING 1 FEB 03 SNM'S 15TH ANNIVERSARY OF ACTIVE SERVICE. MEMBER'S OFFICIAL NOTIFICATION MESSAGE DTG IS 1 AUG 02. MEMBER'S REPORTING SENIOR COMPLETES SECTION II OF FORM INDICATING MEMBER IS ELIGIBLE FOR RETENTION. MEMBER SIGNS SECTION IV OF FORM ON 20 AUG 02 ELECTING CSB/REDUX WITH 1 (LUMP SUM \$30,000) PAYMENT. MEMBER'S CSB ELECTION EFFECTIVE DATE IS SNM'S 15TH ANNIVERSARY OF ACTIVE DUTY ON 1 FEB 03.

EXAMPLE TWO: MEMBER'S ADSD IS 15 MAR 87 MAKING 15 MAR 02 HIS 15TH ANNIVERSARY OF ACTIVE SERVICE. MEMBER'S OFFICIAL GENADMIN NOTIFICATION MESSAGE DTG IS 15 SEP 01. MEMBER'S REPORTING SENIOR COMPLETES SECTION II OF THE DD FORM 2839 INDICATING MEMBER IS NOT ELIGIBLE TO ELECT CSB AND GIVES THE 'REASON' AS "FINAL DETERMINATION IS BEING HELD IN ABEYANCE PENDING A FAVORABLE DETERMINATION ON MEDICAL PROCEEDINGS." ON 10 NOV 02 MEDICAL BOARD FINDS THE MEMBER IS FIT FOR DUTY. MEMBER'S REPORTING SENIOR REVISES SECTION II OF THE MEMBER'S DD FORM 2839 INDICATING MEMBER IS ELIGIBLE. MEMBER HAS UNTIL 10 MAY 03 (6 MONTHS) TO MAKE AN CSB/REDUX ELECTION. MEMBER SIGNS SECTION V, ELECTING TO REMAIN UNDER THE HIGH-3 RETIRED PAY SYSTEM ON 15 DEC 02. MEMBER'S ELECTION EFFECTIVE DATE IS 15 DEC 02. HIS CSB ELECTION EFFECTIVE DATE IS HIS ELECTION SIGNATURE DATE BECAUSE HE IS MAKING HIS ELECTION AFTER HIS 15TH ANNIVERSARY OF ACTIVE DUTY.

L. ENTERING MEMBER'S CSB/REDUX ELECTION DATA IN FORMAN AND TRANSMITTING DATA TO DFAS FOR PAYMENT.

(1) TO POST CSB ELECTION INFORMATION, AO'S AND CCC'S REQUIRE ACCESS TO CICS AND ACCESS OPINS/FORMAN, INSTRUCTIONS FOR COMPLETING AND PROCESSING ARE AVAILABLE AT TO MODIFY AN EXISTING [HTTP://WWW.NPC.NAVY.MIL/ABOUTUS/NPC/ITIM/DATAMANAGEMENT/](http://www.npc.navy.mil/aboutus/npc/itim/datamanagement/)

(2) A COMPUTER APPLICATION THAT FACILITATES ACCESS TO CICS, OPINS/FORMAN IS AVAILABLE AT: [HTTP://WWW.NPC.NAVY.MIL/ABOUTUS/NPC/ITIM/DATAMANAGEMENT/CORPORATESYSTEMS/FORMAN/](http://www.npc.navy.mil/aboutus/npc/itim/datamanagement/corporatesystems/forman/) REFER TO CSB/REDUX PROGRAM NAVADMINS FOR INSTRUCTIONS ON DOWNLOADING THE PROGRAM, A COPY OF THE CSB USER MANUAL, AND ENTERING CSB/REDUX ELECTION DATA IN OPINS/FORMAN.

M. TRACKING WHETHER A NOTIFICATION MESSAGE HAS BEEN RELEASED ON A MEMBER BY ENTERING THE MEMBER'S SSN ON THE CSB ELECTION SCREEN.

(1) IF THE SCREEN ACTIVATES, A MESSAGE HAS BEEN RELEASED AND THE DTG OF THE MEMBER'S MESSAGE WILL SHOW UP IN THE LOWER LEFT HAND CORNER OF THE SCREEN. THIS DTG CAN BE USED TO REQUEST A TRACKER BETWEEN YOUR MESSAGE CENTER AND THE MILLINGTON MESSAGE CENTER, IF IT WAS NOT RECEIVED.

(2) MESSAGE CENTERS OFTEN DELETE MESSAGE TAPES ONCE EVERY 7 TO 30 DAYS. IF THEY HAVE ALREADY DELETED THE MESSAGE, DELIVER A COPY OF THIS NAVADMIN TO THE MEMBER AND USE THESE STEP-BY-STEP DIRECTIONS TO PROCESS THEIR ELECTION. THE INFORMATION IN THIS NAVADMIN

DUPLICATES THE INFORMATION WE ARE REQUIRED BY LAW TO PROVIDE EACH MEMBER IN AN INDIVIDUAL NOTIFICATION MESSAGE.

(3) IF THE FORMAN CSB ELECTION SCREEN REMAINS BLANK IT MEANS THAT WE HAVE NOT SENT A MESSAGE YET.

A) AT MIDNIGHT EACH DAY WE RUN AN AUTOMATED QUERY THROUGH THE NAVY ENLISTED FILE (NES) AND OFFICER PERSONNEL INFORMATION SYSTEM (OPINS) GATHERING THE SSN OF EACH ACTIVE DUTY MEMBER WHO HAS REACHED THEIR 14 AND 1/2 YEAR ANNIVERSARY OF ACTIVE DUTY BASED ON THEIR ADSD.

B) WE THEN RUN A QUERY THROUGH THAT GROUP OF EACH MEMBER WHO HAS A DIEMS DATE OF 1AUG86 OR LATER. THEN WE RUN A QUERY FOR ANYONE WHO HAS NOT RECEIVED A CSB GENADMIN NOTIFICATION MESSAGE.

C) THE SYSTEM CREATES AN AUTOMATED MESSAGE FOR EACH MEMBER IN THIS GROUP AND ASSIGNS THE MESSAGE A DTG.

D) IF A MEMBER HAS A BLANK DIEMS DATE, ADSD DATE, OR HAS NOT BEEN DIARIED INTO A COMMAND UIC IN NES OR OPINS THERE IS NO WAY FOR THE SYSTEM TO CATCH THEM IN EACH NIGHTS QUERY.

E) YOU CAN CHECK TO SEE IF A MEMBER HAS THE DIEMS DATE IN NES OR OPINS BY LOOKING AT THE MEMBER'S LES.

F) YOU CAN CHECK TO SEE IF A MEMBER HAS BEEN DIARIED INTO A COMMAND UIC AND HAS A ADSD IN NES OR OPINS BY LOOKING AT THE COMMAND'S EDVR OR ODVR.

G) IF THE UIC OR DATES ARE MISSING CONTACT YOUR PERSONNEL OFFICE AND PERS 341 TO CORRECT NES OR OPINS SO THAT THE CSB AUTOMATED SYSTEM WILL GENERATE A MESSAGE.

N. TRACKING THE STATUS OF A CSB ELECTION.

(1) ONCE A CSB ELECTION IS ENTERED INTO FORMAN, THE DATA RESIDES THERE, INTACT, FOR AS LONG AS THE MEMBER REMAINS IN THE NAVY.

(2) ON THE MEMBER'S CSB ELECTION EFFECTIVE DATE THE CSB DATA IN FORMAN IS TRANSMITTED TO DFAS FOR PAYMENT USING THE 08 FID (FOR OFFICERS) AND THE 31 FID (FOR ENLISTED PERSONNEL). (3) THE STATUS OF AN ELECTION CAN BE TRACKED BY USING THE FORMAN ELECTION SCREEN PRIOR TO THE MEMBER'S CSB ELECTION EFFECTIVE DATE.

(4) AFTER THE CSB ELECTION EFFECTIVE DATE THE STATUS OF AN ELECTION CAN BE TRACKED BY CONTACTING YOUR LOCAL PSD OR SHIP'S PERSONNEL OFFICE AND REQUESTING THEY CHECK FOR A FID 08 OR A FID 31 ENTRY.

(5) DO NOT CONTACT DFAS PRIOR TO A MEMBER'S CSB ELECTION EFFECTIVE DATE FOR THE STATUS ON A CSB PAYMENT. DFAS WILL NOT HAVE RECEIVED THE FID PRIOR TO THAT DATE.

O. MAINTAINING A COMMAND COPY OF THE MEMBER'S CSB/REDUX ELECTION FORM WHILE THE MEMBER IS ASSIGNED TO THE COMMAND AND FORWARDING THE ORIGINAL COPY OF THE CSB/REDUX ELECTION FORM TO COMMANDER, NAVY PERSONNEL COMMAND (PERS-312C) FOR INCLUSION IN THE MEMBER'S PERMANENT SERVICE RECORD. EACH CCC MUST ALSO FORWARD A COPY OF THE CSB/REDUX ELECTION FORM TO THEIR SHIP PERSONNEL OFFICE OR PERSONNEL SUPPORT DETACHMENT FOR INCLUSION IN THE MEMBER'S FIELD SERVICE RECORD.

P. PROVIDING THE MEMBER WITH A COPY OF THE COMPLETED CSB/REDUX ELECTION FORM FOR THEIR PERSONAL FILES.

31. FOR ASSISTANCE IN OBTAINING ACCESS CALL TOLL FREE:877-589-5991, COMM:504-697-5442, DSN: 647-5442. REQUESTS MAY BE FAXED TO COMM - 901.874.2660 DSN 882.2660, OR EMAILED TO MILL_P341SYSACCESS@NAVY.MIL IN A PDF FORMAT.

BT

#0111

C Second Redux/CSB notification message

RTTUZYUW RUCCBWF0030 0611825-UUUU--RHMCSUU. ZNR UUUUU
R 020153Z MAR 17 ZYB
FM COMNAVPERSCOM MILLINGTON TN// PERS-341// TO [COMMAND]

INFO COMNAVPERSCOM MILLINGTON TN// PERS-341// BT
UNCLAS //N01800//
PASS TO OFFICE CODES:

FM COMNAVPERSCOM MILLINGTON TN// PERS-341// TO [COMMAND]
INFO COMNAVPERSCOM MILLINGTON TN// PERS-341// MSGID/GENADMIN/CNO WASH DC//

SUBJ/ELIGIBILITY TO ELECT CSB AND REDUX RETIRED PAY ICO
[Members Name Deleted]
REF/A/RMG/CNO WASHINGTON DC/280559ZNOV16//
REF/B/RMG/CNO WASHINGTON DC/151142ZOCOT02//
NARR/REF A IS SNM ELIGIBILITY TO ELECT CAREER STATUS BONUS (CSB) AND REDUX RETIRED PAY
NOTIFICATION GENADMIN MESSAGE. REF B IS NAVADMIN 344/02//

RMKS/

1. THIS IS SECOND AND FINAL NOTIFICATION. SNMS OPPORTUNITY TO ELECT CSB WILL SOON EXPIRE. TO DATE, NO ACTION HAS BEEN TAKEN WITH REGARD TO REF A IN THE FORCE MANAGEMENT (FORMAN) SYSTEM. SNM MUST, PER REF B, ELECT CSB/REDUX (IF DESIRED) PRIOR TO 15TH ANNIVERSARY. NO ENTRY WILL RESULT IN AUTOMATIC DEFAULT TO HIGH-3 RETIREMENT PROGRAM. ADMIN OFFICERS AND COMMAND CAREER COUNSELORS, PER REFS A AND B, VALIDATE ELIGIBILITY, WORK WITH SMN TO COMPLETE AND SUBMIT THE CSB FORM, AND MAKE ENTRY INTO FORMAN. THE FORMAN CSB/REDUX ELECTION SCREEN IS THE TOOL USED TO TRANSMIT SNM ELECTION TO DFAS FOR PAYMENT. REFER TO STEP-BY-STEP DIRECTIONS IN REFS A OR B FOR PROCESSING PRIOR TO ELIGIBILITY EXPIRATION.

2. IF EXPERIENCING PROBLEMS LOGGING ONTO FORMAN, FOR ASSISTANCE CALL TOLL FREE: 877-589-5991, COMM: 504-697-5442, DSN: 647-5442 TO ESTABLISH A NEW ACCOUNT, FOLLOW PROCEDURES OUTLINED AT [HTTP://WWW.NPC.NAVY.MIL/ABOUTUS/NPC/ITIM/DATAMANAGEMENT/CORPORATESYSTEMS/FORMAN/](http://WWW.NPC.NAVY.MIL/ABOUTUS/NPC/ITIM/DATAMANAGEMENT/CORPORATESYSTEMS/FORMAN/) FOR INFORMATION ON PROCESSING CSB REQUESTS, AND REVIEW FAQs.

BT

#0030