Information Transmission in 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 retirement plan choice. Mid-career U.S. military personnel choose between higher future pension pay-outs, or an immediate bonus plus lower future pay-outs. With peers defined as those who have locked-in their choices and personnel assignment rules ensuring that peer groups are exogenously formed, we capture the causal impact of peers. Greater peer take-up of the bonus, which is difficult to compare to the alternative plan but often extremely costly over one's lifetime, discourages choosers from selecting the bonus. Peers are especially impactful within professional, race, and gender groups.

Keywords: financial decision-making; retirement plans; peer effects

JEL Classification Codes: G41, D14, G53, J32

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1 Introduction

Making sound financial decisions requires good information which can be expensive to obtain and difficult to process. There is mounting evidence that many individuals lack financial literacy and avoid making financial decisions (Lusardi and Mitchell, 2007; Mandell, 2008; Lusardi and Tufano, 2009; Madrian and Shea, 2001; Choi et al., 2002). Information may be especially important if the financial instrument is complicated, or investors are not savvy and under-served by investment advisors (Agarwal et al., 2009; Agarwal and Mazumder, 2013; Bertrand and Morse, 2011). In particular, recent changes in U.S. law to automatically enroll employees into defined contribution plans (SECURE Act 2.0) and the move away from defined benefit plans in the private sector continue to shift retirement investment responsibility to individuals in an environment of increasing financial complexity.

For under-informed and under-served decision makers, a readily accessible source of information may be one's peers. A sizable literature has documented that *homophily* - individuals' affinity for others like them - influences financial decisions (Hwang and Kim, 2009; Stolper and Walter, 2019). Additionally, recent research has emphasized the harm that peers can cause by inducing poor financial decisions (Ammann and Schaub, 2021; Heimer, 2016; Agarwal et al., 2020).[1] In this paper, we find the opposite: analysis of a high-stakes, irreversible financial decision made by tens of thousands of sailors and officers in the U.S. Navy demonstrates that costly financial decisions made in the past by peers correlate with current decision makers making more prudent choices. That is, peers are a factor in making sound financial decisions, not by modeling good behavior, but from past (arguably) *bad* behavior.

In general, estimating peer influence is challenging. Non-random sorting of individuals into groups, common shocks unobserved to the econometrician, and the reflection problem

[1]There is a small literature showing peer participation in the stock market and retirement plans, by modeling good behavior, leads to higher participation and better diversification (Brown et al., 2008; Duflo and Saez, 2003; Balakina et al., 2022).

can all obscure the true causal effect of peers on one's own actions (Manski, 1993). Financial peer influence is difficult to isolate from information or persuasion coming from traditional and online media, advertising, and financial professionals. Also, many financial decisions involve modest amounts (at least initially) or are reversible, so mistakes can be mitigated. To overcome 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 our context, mid-career Navy personnel choose between the "High-3" plan which offers high pension payouts and the "Redux" plan which offers an immediate $30,000 bonus and lower pension payouts. While individual circumstances vary, the High-3 plan appears to be a better choice for most.[2] Indeed, while about 25% of eligible Navy personnel selected Redux, Department of Defense survey evidence shows that several years after making the choice Redux takers are much more likely to regret their choice (36%), compared to those who chose High-3 (5%) (DMDC, 2008). (See Appendix A.)

Navy personnel rules assign individuals to units based only on experience and mission needs. As such, there is exogenous variation across ships and bases in both the assignments of service members who are making the pension decision and the peers who have already chosen, creating conditionally-random peer groups and overcoming the reflection problem. When sailors and officers are deployed, non-essential communications and internet access are often restricted, but they are still required to make the pension decision by a deadline. The primary source of financial information may thus be one's colleagues. In addition, because personnel rotations occur frequently, most peers will have made their decision prior to joining the current unit, side-stepping the issue of unobserved common shocks. Finally, retirement decisions are irreversible, and the difference in payouts can amount to several hundreds of thousands of dollars over one's lifetime.

[2]Cunha and Menichini (2014) show that break-even discount rates are 10-25% in favor of High-3.

We find that a 10% increase in the fraction of peers choosing the Redux plan reduces the likelihood of lower tenured peers choosing it by 12.5%. Our findings show peer effects may be operating in a substantively different way than those previously examined in the literature: the choice to prioritize present consumption made by higher-tenure peers may lead to current, lower-tenure peers choosing future consumption instead, especially when these decision makers lack experience or education.[3]

We also provide additional evidence of homophily within group defined by observable characteristics. The peer effect is most salient when we define peers for enlisted sailors as enlisted already-choosers. Moreover, there is a strong race and gender-matching component in peer effects, implying that groups may form along socio-demographic lines in the workforce. Selecting the right messengers within the relevant social/professional group may be important in transmitting financial information, especially for minority or disadvantaged populations.

2 Background

2.1 Military retirement and the Redux/High-3 decision

Since the end of World War II, U.S. service members have had access to a simple and generous defined benefit plan, under which they do not make contributions but must serve for at least 20 years to receive a life-time pension. The annuity formula has changed slightly over time. Starting in 1980, all members were subject to the "High-3" formula which is calculated as

[3]Closest to our work is research by Lieber and Skimmyhorn (2018) who study peer effects in financial decisions of Army soldiers. They find peer effects for charitable contributions, but not for personal finance decisions and conclude this may be due to the publicly viewable nature of charitable giving. Their context differs from our study in that decisions involve modest amounts which can be altered annually.

2.5% times the number of years of service (YOS) times the average of the 36 highest months of basic pay. Pension payments began immediately at retirement and adjusted annually for inflation using the Consumer Price Index (CPI).

Starting in 2000, those who began their careers after July 31, 1986 were given a choice between the High-3 plan and an alternative Redux plan upon reaching 14.5 YOS. The Redux plan, which was created to reduce pension costs for the Department of Defense, featured a $30,000 Career Status Bonus (CSB) paid at 15 YOS in exchange for reduced pension payments.[4] The Redux annuity set the pension multiplier to 2.0% for the first 20 YOS, 3.5% for the next 10 YOS, and then 2.5% for YOS past 30.[5] In addition, Redux reduced the inflation adjustment to CPI minus 1%. At age 62, Redux retirees have a one-time adjustment to annuities matching them to High-3 payments. However, the lower cost-of-living increase under Redux means that over time, Redux payouts decrease relative to High-3.

The complex benefit accrual rate of Redux makes comparisons to High-3 difficult. For example, someone retiring at exactly 20 YOS under Redux would receive 40% of basic pay compared to 50% under High-3; someone retiring at 25 YOS would receive $57.5\%(= 20*2\% + 5*3.5\%)$ under Redux and $62.5\%(= 25*2.5\%)$ under High-3; and someone retiring at 30 YOS would receive 75% under either option. For everyone under the Redux plan, payments decline relative to High-3 due to differences in inflation adjustments. Enlisted personnel and officers who took Redux over High-3 stood to lose as much as $162,000 and $370,000 in present discounted value over their lifetimes, respectively.[6] Over 600,000 service members across all branches of the U.S. military made the Redux/High-3 choice between

[4]The Military Retirement Reform Act initially mandated moving all who joined the military after July 31, 1986 into Redux (without the bonus). Before the law could impact service members, it was amended to create the Redux/High-3-choice due to recruitment and retention concerns.

[5]Those who received the CSB and quit before 20 YOS forfeit the bonus. Conditional on reaching 14.5 YOS, less than 1% of our sample left prior to 20 YOS.

[6]See Appendix Figure D.3 for estimates of the present discounted value of the Redux and

2000 and 2018.

In 2018, the retirement system was changed again to the Blended Retirement System (those with less than 12 YOS were automatically moved to the new system and those with 12 YOS or more were allowed to opt-in to the new system). The Blended Retirement System includes both a traditional 20-year-vesting pension (essentially, the High-3 plan with a 2% multiplier) as well as a defined contribution component which vests immediately, and therefore benefits the majority of service members who complete less than 20 YOS.

2.2 Framing the Redux/High-3 decision in the Navy

At 14.5 YOS, every officer and sailor receives a message from Navy Personnel Command informing them that they are eligible to "elect a $30,000 Career Status Bonus and Redux retirement pay" on their 15th anniversary of active duty. The message begins with a long explanation (4,400 words) of the options and stresses that members should research the decision, stating "only you can determine which option is more advantageous for you based on your own unique circumstances and preferences" (see Appendix B for the full message from 2016).

The message highlights two interesting aspects of how the decision is framed. First, although Redux is opt-in and High-3 is the default choice, the message stipulates that the member has "6 months as of the date of this message to make an election decision," heavily implying the need for an active choice. If after three months the member has not submitted the form, he or she receives a second and considerably shorter "final" message with a warning of "the opportunity to elect CSB will soon expire" (Appendix C contains this second message from 2017).

Second, the bonus is concisely described at the front of the first message, but the reduction in benefits is discussed deep into the latter-half. Later in the message, a study from the Center for Naval Analyses is referenced that provides more details: "consider the Career

High-3 plans as a function of YOS at retirement.

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 study. A typical sailor (rank E-6, the mode amongst choosers) with 20 YOS at retirement selecting "Redux ... 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 definition of"implicit interest rate" or how losses were calculated are given.

As demonstrated in the literature on choices in retirement, individuals tend to stick with the default option (Madrian and Shea, 2001; Choi et al., 2005). Given this propensity, the Navy faced an important choice of whether to have a passive default or require an active choice. It is, perhaps, not surprising that the default was High-3, as the Redux/High-3-choice was a "fix" for the original, singular Redux plan. It is also not surprising that communications from the Navy seem designed to nudge members toward Redux given its goal of reducing the cost of the pension program.

3 Data, sample, and definition of peer groups

3.1 Data and sample

We begin with administrative data provided by the Navy Personnel Command containing monthly snapshots of active duty sailors and officers in the U.S. Navy from January 2002 to November 2019.

Within this population, we identify 76,733 individuals who reached 14.5 YOS between January 2002 and November 2011. The Redux/High-3 decision was made by those reaching 14.5 years in 2002 onward, but we can only observe the decision of those who had retired as of the snapshot date. Restricting the sample to end in November 2011 allows us to follow peers for at least 8-years forward, and we observe at least 95% of peers' retirement decisions

for each Redux/High-3 chooser.[7] 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.[8] Officers comprise 20% of the sample and 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.

3.2 Peer group definition

Military units make a natural starting point for defining peer groups, as units are formed to complete a common mission and naturally involve a high level of social interaction amongst members. Despite wide variability in size and type of units, including - amongst others - individual ships, shore-based aircraft squadrons, medical centers, maintenance depots, training units, and staff offices, they are ideal settings to study peer interactions. Shipmates routinely share meals, workouts, watches, and, while on deployment, berthing spaces for months at a time. Likewise, service members in shore units work together daily and often live near each other in military-supplied housing. Peer group sizes vary from modest (e.g., Los Angeles-class submarines or recruiting offices with a handful of peers who have made the Redux/High-3 choice) to large (e.g., Nimitz-class aircraft carriers or shore-based commands with several hundreds of peers who have made the choice).

For each of the individuals who chose between Redux and High-3 at 14.5 YOS, we first identify the set of higher-tenure colleagues in the same unit who already made the choice. On average, choosers had 82 peers in their unit who had already made the Redux choice,

[7]Our findings are consistent across decision years, alleviating concerns that censored peers in later years - those that retire with very high tenure - are impacting the findings.

[8]We combine Asians, Hispanics, and those identifying as "other race" (7%, 7%, and 5% of the sample, respectively) into an "Other minority" category.

and 17% of those peers had chosen Redux (Table 1).[9]

We also consider more narrowly defined peer groups within a unit along professional or demographic characteristics. First, we consider enlisted sailors and officers as separate groups, defining within-unit sailor (officer) already-choosers as the peers for sailors (officers) making a choice. This definition of peers reflects the traditional and meaningful separation between enlisted sailors as "workers" and officers as "managers." Next, as in the robust literature studying peer influence in other contexts, we consider groups formed by individuals of the same race or gender (Arcidiacono and Nicholson, 2005; Lavy and Schlosser, 2011; Bostwick and Weinberg, 2022; Nakajima, 2007; Hoxby, 2000). Finally, we consider peer groups formed by enlisted sailors who are naturally split up within units by similarity in their occupations. We do not split officers by occupation, as the relatively small number of officers in a unit typically operate as a combined management team.

4 Econometric Analysis

Following prior literature, we leverage the fact that conditional on assignment of individuals to a unit based on mission needs, peer group formation in the U.S. military is exogenous (Lyle and Smith, 2014; Lieber and Skimmyhorn, 2018; Carrell and Zinman, 2014; Antecol and Cobb-Clark, 2008; Lleras-Muney, 2009; Carrell et al., 2009). As codified by Navy instructions on personnel assignments in OPNAVINSTR 1000.16J (Dep, 2002), Navy personnel change units roughly every three years and are assigned via a conditionally-random process administered by a centralized system that foremost considers one's rank, occupation, and experience. Service members are able to express a preference for a general geographic lo-

[9]Appendix Figure D.1 shows the distribution of the number of peers across choosers. Appendix Figure D.2 shows the distribution of the Redux take-up rate amongst peers; there is a large mass at 0 (no peers chose Redux), a small mass at 1 (all peers chose Redux), and a large, dispersed mass between 0 and 0.4 that we leverage in our empirical exercise.

cation (e.g., San Diego), but preferences are honored only within the set of open positions for which the individual has the requisite skills and experience. Furthermore, even when personal preferences for location are considered, service members have no choice over the unit within that location (for example, a sailor cannot choose from amongst the many ships stationed in San Diego).

We test the assumption of exogenous peer group formation by estimating the correlation between individual's demographic characteristics and the fraction of their peers who chose Redux. Table 2 shows that no individual demographics are significantly correlated with peers' Redux choices when peers are defined as all individuals in one's unit (column 1); in models restricted to demographic sub-groups, about 5% of the demographic variables are significant at the 5% level (columns 2-8); and the F-statistics testing the joint significance of all explanatory variables are insignificant for all samples.

We estimate peers' impacts on their lower tenured colleague's decisions using a linear-in-means models:

$$Redux_{iut} = \beta \overline{Redux}_{ut} + X_{it}\Theta + \delta_{ut} + \mu_i + \lambda_i + \varepsilon_{iut} \tag{1}$$

where $Redux_{iut}$ is an indicator of service member i's choice at 14.5 YOS, $\overline{Redux}_{ut}$ is the fraction of peers in unit u with greater than 15 years 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_{ut}, μ_i, and λ_i are fixed effects for unit-by-year, occupation, and rank.[10] β is the primary coefficient of interest, capturing the effect of one's peers on their individual decision. Standard errors are clustered at the unit-by-year level.

Table 3 contains our main findings for the entire set of service members in our sample. Column 1 presents the most parsimonious specification, with only our peer variable and

[10]The AFQT is a standardized test taken by enlisted service members prior to joining the military.

unit fixed-effects. Progressively, we add unit-by-year fixed-effects, occupation group fixed-effects, rank group fixed-effects, and finally socio-demographic characteristics in Columns 2 to 5, respectively. In our full specification (Column 5), $\hat{\beta}$ is a significant -0.299. Across all specifications, $\hat{\beta}$ is negative, relatively stable, and strongly statistically significant. Prior literature using military data, Navy regulations on personnel assignments, balance results from Table 2, and finally the consistent estimate on the peer variable across sparse to rich specifications of our model all suggest that this is a causal effect.

Recent research on peer effects in financial decisions have highlighted two findings: (1) own and peer behavior often move in the same direction, and (2) the peer-influenced behavior tends to make individuals worse off. For example, Ammann and Schaub (2021) show that unsophisticated market participants replicate portfolios shared by traders in internet postings, but following such advice does not lead to superior returns; Lane et al. (2022) find that traders prefer to publicize their profitable trades and hide losses when communicating with peers; Heimer (2016) shows that participation in social networks increases a trader's disposition effect along with other peers in the network; and Agarwal et al. (2020) find that a financial windfall spurs borrowing, spending, and ultimately bankruptcies of neighbors. In our context, we document a novel peer effect where (1) own and peer behavior move in opposite directions, and (2) peers induce individuals to make prudent financial decisions. That is, greater exposure to peers who chose Redux induces lower-tenure decision makers to choose High-3, and therefore substantively increase total life-time retirement payments.

The magnitude of the peer effect is large. A one standard deviation increase in the fraction of peers choosing Redux (0.13, see Table 1) decreases the likelihood of an individual choosing Redux by -3.9 ($= -0.299 \cdot 0.13$) percentage points, or 16.2% of the mean Redux take rate of 24%; and applying our estimated present-value lifetime gain from choosing High-3 (Appendix Figure D.3), a one-standard-deviation increase implies an expected value gain of \$6,300 ($= \$162,000 \cdot 0.039$) for enlisted sailors and \$14,400 ($= \$370,000 \cdot 0.039$) for officers.

Column 5 of Table 3 also shows that Redux take-up is greater amongst those who are

male, Black, not married, and those with more dependents and less education, confirming the prior literature (Cunha and Menichini, 2014; Simon et al., 2015). The higher propensity of choosing Redux amongst groups with less financial savvy (less education), greater financial pressures (more dependents), and from traditionally disadvantaged backgrounds (racial minorities) emphasizes the social benefit to understanding the influences that impact important financial decisions.

4.1 Discussion of potential mechanisms

The Navy administrative data does not allow us to directly observe how peers influence one another. However, a 2008 Department of Defense survey of Redux/High-3 choosers reveals some key differences between Redux and High-3 choosers and suggests a possible role of information that higher-tenure peers may have transmitted to lower-tenure peers. (Unfortunately, this survey data cannot be linked to the administrative data. Appendix A contains a detailed description and analysis of the data.)

First, the survey asked directly if the respondent still feels that they made the right decision to accept or decline the $30,000 Career Status Bonus, and Redux takers were much more likely to believe they made the wrong retirement plan choice (36% of Redux-takers compared to 5% of High-3-takers). Even Redux-takers who stated that they made conventionally sound financial decisions, such as using some of the bonus to pay off debts, were more likely to feel that they made the wrong decision.

Second, the survey asked about respondents' knowledge of important elements of the Redux plan at the time of the choice, and Redux-takers had less knowledge of the most important feature of the plans impacting lifetime payments - the lower cost-of-living increases under Redux (72% of Redux-takers knew about this difference compared to 77% of High-3-takers). In fact, 40.1% of Redux-takers did not know at least one major detail about the plan when they made their choice. The survey data also show that financial savvy is correlated with the retirement plan choice: service members who regularly save some of their income

and those who are financially stable were less likely to have selected Redux.

Third, Redux-takers were more likely to feel that they made the wrong choice the further they were from the decision date. This change in sentiment is more likely to have arisen from learning about Redux *ex post* rather than from negative life or career changes, as all survey respondents were still employed with predictable income trajectories, and the median respondent was only three to four years from the time they chose.

4.2 Other threats to identification

Beyond the issue of conditionally-random peer formation, we address three potential threats to identification.

First, common shocks within the current unit could bias $\hat{\beta}$. Lieber and Skimmyhorn (2018) note this issue and instrument for peer choice (recurring donation or investment) made in the past at the current unit with peer choice made at the previous unit. In our context, decisions are one-shot, and because of the fast-paced tempo of unit reassignments, the vast majority of peers above 15 years of tenure will have made their retirement choice at a prior unit, making it unlikely that common shocks are biasing β.[11] Nonetheless, we estimate an IV-model using the fraction of peers who choose Redux at a prior unit as the instrument and confirm that peers lower the likelihood of Redux take-up in the full sample; for smaller sub-samples, the direction of the effect remains consistent, although parameters become statistically insignificant.[12] An additional factor to consider is that the statistical relationship between peer and own Redux choice is negative - it is difficult to imagine an environment where an omitted variable or shock would impact own and peer decisions in *opposite* directions.

[11]The median value of the fraction of peers in our sample who made their choice at a prior unit is 0.88, and even at the 10th percentile, over three-quarters of peers made their choice at a prior unit.

[12]See Appendix Table D.1.

Second, there may be a mechanical relationship between own and peer Redux choice, which 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%. However, peers are calculated by counting everyone who chose Redux over the base of everyone with at least 15 YOS. In the early years, by construction, the fraction of peer Redux takers will be low. Controlling for the calendar year (through the unit-by-year fixed-effects) accounts 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. Estimating the model in Column 5 of Table 3 by year, we find negative parameter estimates in all years (half of which are statistically significant), and significant results at both the start and at the end of the sample when mean peer fraction values are about 4% and 22%, respectively (See Appendix Figure D.5).

Finally, one may be concerned that the Redux/High-3 choice is reflecting long-run career plans, in addition to preferences over retirement options. If those 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. To examine this, we estimate the density of the years-to-attrition from service separately for Redux and High-3-takers (see Appendix Figure D.4) and find that career trajectories of both groups are nearly identical and statistically indistinguishable. These overlapping densities suggest that long-run career plans are not driving the choice of retirement plans.

4.3 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.

4.3.1 Manager and worker division of peer groups

We first split our sample into commissioned officers - typically the managers - and enlisted sailors - typically the workers. Columns 1 and 2 of Table 4 present estimates of Equation 1 separately for officers and enlisted personnel. While parameter estimates for sailors largely mirror results for all personnel in Table 3, officers have a negative sign but are not significantly impacted by peers.

Columns 3 and 4 of Table 4 define peer groups within officers and sailors separately. For example,"Officer peer fraction Redux" is the fraction of higher-tenure officers in the unit who chose Redux. In both models, the parameter estimate on 'other' peers is effectively zero.[13] We interpret this to mean that officers are not influenced by information from sailors, and vice versa. On the other hand, the 'own' peer effect for 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 between sailors and officers may arise from differences in financial literacy. To test this hypothesis, we further split the sample using education level as a proxy for financial savvy. Columns 5 to 8 of Table 4 show that statistically significant peer effects are only observed for sailors with a high school education (Column 7).

4.3.2 Race and gender division of peer groups

We next examine whether peer effects are present in race and gender groupings, an issue which is especially salient in the military as the Navy is largely male and White, even though the population has been diversifying.

Table 5 shows peer influence by race and gender groups. Columns 1 to 3 use the same

[13]In models that include sub-group averages of Redux take-up, we include binary indicators for having no peers in the various sub-groups. For example, a small number of shore-based commands have no enlisted sailors by design. All sub-group results are qualitatively similar when we exclude observations with no peers in at least one relevant sub-groups.

definition of peers (all service members in the unit who have already made their retirement choice), and peer influence is visible for White and Black service members. In the next three columns, peers are defined by race. Strong, statistically significant negative peer effects are seen among own-race peer groups, at -0.340 and -0.240 in the White and Black populations, respectively. Just as important, estimates across other-race peers yield peer effects that are statistically indistinguishable from zero. The other minority group, which includes Asians, Hispanics, multi-racial, and unknown races, yields peer effects with no discernible patterns and large standard errors, a result which could be reflecting the heterogenous make-up of this group. Splitting peers along race and officer/enlisted status shows that among officers, no definition of peers (own or other-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 -0.213, respectively. Estimates across all other-race and professional lines yield zero estimated peer effects. (Appendix Table D.3 contains these results.)

Qualitatively similar results are observed when groups are defined by gender. Male service members show statistically significant influence by peers (Column 7). While the peer estimate for females is statistically insignificant (Column 8), results may be under-powered due to the smaller sample size, and the large, negative parameter estimate is somewhat suggestive of peer influence. The next two columns split peers by gender and show that peer effects do not flow across this dimension. In Column 9 for males, the own-gender peer effect is -0.278, but female peers exert zero effect. In Column 10 for females, the own-gender effect is weakly statistically significant at -0.340. Splitting the sample and peers along gender and professional lines, we find that no officers are impacted by own-gender-officer peer groups; male sailors are influenced by own-gender-enlisted peers at -0.226; female sailors are not impacted by own-gender-enlisted peers; and as with race and professional peers, estimates across all other gender and professional lines yield statistically insignificant

peer effects (results available in Appendix Table D.3).

4.3.3 Work group division of peer groups

Finally, we split our sample and peer groups for enlisted sailors by occupation groups and find mixed results. These groups include: Aviation-related, Deck Crew, Engineering, Construction, Combat Systems, Supply and Support, Operations, and Special Operators. We find Engineering, Combat Systems, and Special Operations groups yield negative and statistically significant peer influence estimates. However, other groups yield negative yet insignificant estimates (see Appendix Table D.4). 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.

4.4 Does peer group size matter?

Although we show that marginal increases in the fraction of peers choosing Redux negatively influence on own likelihood of choosing Redux, impacts may differ in peer groups of different sizes. For example, the same peer fraction value aboard a Los Angeles-class submarine, which has a complement of 130 and a Nimitz-class aircraft carrier, where 5,000 service members live and work, may imply vastly different flows of information. To test for this, we split the sample into quintiles of peer group size and find that all quintiles except the smallest (1 to 15) have negative, statistically significant peer effects (Appendix Table D.5); splitting the sample into officers and sailors yields qualitatively similar results (Appendix Table D.6). The lack of peer effects 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 Lieber and Skimmyhorn (2018), where financial decisions that are unobservable do not exert peer effects.

Additionally, the similarity in the effect size across the second through fifth quintiles

provides tentative evidence of the inefficacy of formal sources of financial information or education. Larger ships and bases have large peer group sizes. These larger units should also have designated Command Career Counselors as the point-of-contact for Redux information suggested by the memorandum, or other formal sources of information. Peer effect should decline if sailors use these other sources of information. However, we do not observe differences in peer influence, suggesting that formal resources are not intensely used in these larger units, and peers seem to remain a primary source for information about Redux.

5 Conclusion

We studied a one-time, irreversible, high-stakes choice between two retirement plans offered by the U.S. military, and estimated the impact of peers on own financial decision-making. We leveraged Navy personnel policy that exogenously transfers service members into ships and bases which often restrict sources of information about the retirement plans to senior sailors and officers on-board. We find that peers matter in one's choice of retirement plans. Unlike most of the finance literature that often finds peers influence others to make poor choices by modeling bad behavior, we find a higher fraction of higher tenure peers who chose the option that is financially costly is associated with a lower likelihood of an individual also making this often inadvisable choice.

We find suggestive evidence that information about the complex financial decision, possibly from already-choosers, may play a role in influencing current-choosers to turn away from the tempting, yet myopic decision to opt for the large immediate bonus. This negative peer influence is especially salient among enlisted sailors. We demonstrate the lack of a similar effect for officers, most likely due to their financial savvy. The baseline take-up of the potentially costly option for officers is about 5%, compared to 28% for sailors.

Peer influence operates most strongly within siloed groups along professional and demographic characteristics. Peer influence does not seem to operate between officers and

enlisted and also fails to cross race or gender lines. This implies the potential benefits and pitfalls of using peers to disseminate information. Selecting the "right" messenger, within the peer group, has the potential to cheaply deliver valuable information across an organization. However, when a population contains a large majority group (i.e., White males in the U.S. Navy), the isolating aspect of peer influence demonstrated in this study can be problematic in delivering the same information to minority groups.

Finally, the present-versus-future consumption tradeoff in retirement plans studied here is also faced by the civilian population: while retiring adults in the U.S. can elect to receive social security payments starting as early as age 62, waiting until the full-retirement age of 67 can boost payouts by more than 40%. Also, 30% of full-time workers in the U.S. still have access to pension plans, and many firms offer buyouts to control retirement plan costs (CRS, 2021; CFPB, 2016).

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Tables

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

	All		Officers		Enlisted	
	Mean	(s.d.)	Mean	(s.d.)	Mean	(s.d.)
Chose Redux	0.24	(0.43)	0.05	(0.22)	0.29	(0.45)
Officer	0.20	(0.40)				
Female	0.11	(0.31)	0.13	(0.34)	0.10	(0.30)
White	0.59	(0.49)	0.78	(0.42)	0.55	(0.50)
Black	0.22	(0.41)	0.09	(0.28)	0.25	(0.43)
Other minority	0.19	(0.39)	0.13	(0.34)	0.20	(0.40)
Single	0.19	(0.39)	0.16	(0.37)	0.20	(0.40)
Married	0.81	(0.39)	0.84	(0.37)	0.80	(0.40)
# dependents	2.42	(1.52)	2.42	(1.49)	2.42	(1.53)
High school only	0.72	(0.45)	0.00	(0.00)	0.89	(0.31)
College degree	0.22	(0.41)	0.68	(0.47)	0.11	(0.31)
Graduate degree	0.06	(0.24)	0.32	(0.47)	0.00	(0.00)
AFQT percentile					56.61	(22.93)
# peers that made the Redux choice	81.98	(112.99)	73.99	(103.82)	83.94	(115.05)
Fraction of peers who chose Redux	0.17	(0.13)	0.12	(0.12)	0.18	(0.13)
Observations	76,733		15,120		61,613	

Notes: Sample includes one observation for each Navy service members who reached 14.5 years of service between January 2002 and November 2011. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Standard deviation (s.d.) of the mean in parentheses. AFQT is the Armed Services Qualifying Test taken by enlisted personnel; officers do not take this test. Officers are required to have at least a college degree. Peer are defined as those in the same unit with 15 years of service of more, and therefore chose between the Redux and High-3 retirement options.

Table 2: Tests of exogenous group formation.

Sample =	All personnel	Officers	Enlisted	White	Black	Other non-white minority	Female	Male
Outcome =	Peer fraction Redux	Officer peer fraction Redux	Enlisted peer fraction Redux	White peer fraction Redux	Black peer fraction Redux	Other non-white minority peer fraction Redux	Female peer fraction Redux	Male peer fraction Redux
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Female	-0.000	0.001	0.000	-0.001	0.004	0.002		
	(0.001)	(0.002)	(0.001)	(0.002)	(0.004)	(0.005)		
Black	-0.000	0.002	-0.001				-0.008	-0.001
	(0.001)	(0.002)	(0.001)				(0.005)	(0.001)
Other non-white minority	-0.000	0.001	-0.000				-0.002	-0.000
	(0.001)	(0.002)	(0.001)				(0.006)	(0.001)
Married	-0.000	-0.000	0.001	0.000	0.004	0.009**	-0.002	-0.000
	(0.001)	(0.002)	(0.001)	(0.001)	(0.003)	(0.004)	(0.004)	(0.001)
# dependents	-0.000	-0.000	-0.000	-0.000	-0.000	0.000	-0.001	-0.000
	(0.000)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)	(0.000)
College degree	0.001	0.002	0.001	0.004**	0.003	-0.001	0.010	0.000
	(0.001)	(0.001)	(0.001)	(0.002)	(0.005)	(0.004)	(0.006)	(0.001)
Graduate degree	-0.003			0.001	-0.002	-0.002	0.005	-0.003
	(0.002)			(0.002)	(0.012)	(0.009)	(0.011)	(0.002)
AFQT percentile			-0.000					
			(0.000)					
Unit, rank, occupation, and year 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	1.55	0.65	0.47	1.51	0.55	1.22	1.24	1.28
Mean of outcome	0.17	0.06	0.20	0.14	0.25	0.18	0.14	0.17

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 in a chooser's unit of the given characteristic. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Standard errors in parentheses are clustered at the unit-year level. Omitted categories include white race, female, single (not married), and high school degree. Officers do not take the AFQT and must have at least a college degree.

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

Outcome =	Chose Redux	Chose Redux	Chose Redux	Chose Redux	Chose Redux
	(1)	(2)	(3)	(4)	(5)
Peer fraction Redux	-0.374***	-0.340***	-0.317***	-0.305***	-0.299***
	(0.018)	(0.061)	(0.061)	(0.060)	(0.060)
Black					0.092***
					(0.006)
Other non-white minority					0.006
					(0.005)
Female					-0.023***
					(0.007)
Married					-0.012**
					(0.006)
# dependents					0.031***
					(0.002)
College degree					-0.050***
					(0.010)
Graduate degree					-0.059***
					(0.007)
Medium AFQT					0.006
					(0.006)
High AFQT					-0.007
					(0.006)
Officer					0.036
					(0.070)
Unit fixed effects	Yes				
Unit-by-year fixed effects		Yes	Yes	Yes	Yes
Occupation group fixed effects			Yes	Yes	Yes
Rank group fixed effects				Yes	Yes
Observations	76,733	76,733	76,733	76,733	76,733
R-squared	0.109	0.318	0.336	0.340	0.356

Notes: *** p<0.01, ** p<0.05, * p<0.1. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Peer fraction Redux is the fraction of peers in the same unit with 15 years of service of more who chose the CSB/Redux lump sum retirement option. Standard errors in parentheses are clustered at the unit-year level. Omitted categories include white race, male, single (non-married), high school degree, and low AFQT.

Table 4: Peer effects for officers and enlisted personnel, and by highest education level.

Sample =	Officers	Enlisted	Officers	Enlisted	Officers		Enlisted	
					College education	Graduate education	High school education	College education
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Peer fraction Redux	-0.142	-0.270***						
	(0.222)	(0.068)						
Officer peer fraction Redux			-0.283	-0.016	-0.405	-0.183	-0.003	0.038
			(0.276)	(0.046)	(0.530)	(0.485)	(0.051)	(0.353)
Enlisted peer fraction Redux			-0.009	-0.234***	0.042	-0.097	-0.256***	-0.235
			(0.111)	(0.059)	(0.178)	(0.173)	(0.066)	(0.556)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	15,120	61,613	15,120	61,613	10,319	4,801	54,993	6,620
R-squared	0.623	0.350	0.624	0.350	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. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Peer fraction Redux is the fraction of peers in the same unit with 15 years of service of more who chose the CSB/Redux lump sum retirement option; officer peer fraction Redux and enlisted peer fraction Redux are defined similarly amongst officers and enlisted service members, 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 having no officer or enlisted peers.

Table 5: Peer effects within and across race and gender.

Sample =	White	Black	Non-black minority	White	Black	Non-black minority	Male	Female	Male	Female
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Peer fraction Redux	-0.301***	-0.472**	-0.186				-0.292***	-0.615		
	(0.091)	(0.214)	(0.244)				(0.065)	(0.430)		
White peer fraction Redux				-0.340***	-0.158	-0.147				
				(0.079)	(0.180)	(0.185)				
Black peer fraction Redux				0.019	-0.240**	0.070				
				(0.033)	(0.107)	(0.109)				
Non-black minority peer fraction Redux				-0.009	-0.021	-0.137				
				(0.038)	(0.093)	(0.130)				
Male peer fraction Redux									-0.278***	-0.265
									(0.063)	(0.410)
Female peer fraction Redux									-0.010	-0.340*
									(0.026)	(0.197)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	45,567	16,782	14,384	45,567	16,782	14,384	68,421	8,312	68,421	8,312
R-squared	0.430	0.568	0.591	0.431	0.568	0.592	0.370	0.689	0.370	0.690

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Peer fraction Redux is the fraction of peers in the same unit with 15 years of service of more who chose the CSB/Redux lump sum retirement option; white, black, non-black minority, male, and female officer peer fraction Redux are defined similarly those respective groups. 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 having no peers in an included group.

Appendices

A Analysis of "2008 QuickCompass on Career Status Bonuses" survey

The 2008 QuickCompass on Career Status Bonuses survey was administered by the Defense Manpower Data Center (DMDC, a Department of Defense agency) to a stratified, random sample of about 50,000 active duty service members across all services who previously made the Redux/High-3 choice. The stated intent of the survey was to elicit service member's knowledge about the Redux and High-3 retirement programs at the time the choice was made and their current feelings about their past choice. The overall response rate was roughly 45%, and we study only Navy service members which comprise approximately 22% of the full sample. As the survey was anonymous, it cannot be linked back to our administrative dataset. All of our analyses use weights calculated by the survey team to adjust for selection probabilities and non-response. Our analysis confirms and adds to analyses presented by (Simon et al., 2015) who also study this dataset.

Appendix Table D.7 presents weighted summary statistics of key variables, for the entire sample and separately for Redux and High-3 takers. The average demographic and career-related variables - gender, race, marital status, number of dependents, educational attainment, officer status - are very close to the population values found in Table 1. The mean Redux take-up rate in the survey is 34%, which is slightly higher than the actual take-up rate of 28% calculated from administrative data for members choosing prior to 2008. About 7% of respondents made the Redux choice when deployed to a combat zone, which meant that the $30,000 bonus was not taxed. We classify the 56% of respondents who stated they "save regularly by putting money aside each month" or "spending regular income, saving other income" as "regularly saving money." About 71% of the sample stated their financial condition is "very comfortable and secure" or "able to make ends meet without too

much difficulty," and we classify them as in "good" financial condition. Among respondents, 16% said yes to the question "If you think back to when you made the decision to accept or decline the Career Status Bonus, do you still feel that you made the right decision?"

Respondents were also asked if they knew about four key facets of the Redux/High-3 choice: (1) that with 20 YOS, Redux provides 40% of pay compared to 50% of pay under High-3, (2) that with 30 YOS, Redux and High-3 provide the same retirement pay, (3) that Redux entails lower cost-of-living increases than does High-3, and (4) that Redux payments reset to match High-3 payments at 62 years of age. Finally, Redux takers were asked to identify whether they used the bonus for various purposes.

Appendix Table D.8 presents results from a multivariate analysis of the Redux/High-3 choice, a (weighted) regression of the Redux/High-3 choice on the variables included in Appendix Table D.7. Aligning with the administrative dataset in our main analysis, more minority enlisted sailors with lower levels of education tend to take Redux.[14] In addition, those who take Redux are more likely to have difficulty saving money, are in worse financial health, and regret their retirement option choice. Service members were more likely to take Redux if they made the decision while deployed overseas in a combat zone. This finding has several interpretations: (1) being cut-off from most sources of conventional financial information can lead to sub-optimal financial decisions, (2) service members are knowingly taking advantage of the tax savings while on combat duty, and (3) risk-tolerance or expected life-span may be impacted by exposure to combat and thus change financial decisions.

Redux takers were more likely to know about all of the questioned differences between retirement plans except for the fact that Redux has a lower cost-of-living adjustment. Importantly, this reduction in the CPI adjustment accounts for the bulk of the difference in lifetime discounted value across the two retirement plans. Among survey respondents who

[14]We note that the regressions in Appendix Table D.8 and Appendix Table D.9 are not meant to imply causation. We use these tables to concisely demonstrate correlation across survey responses.

took Redux, only 59.9% were aware of all four elements at the time of retirement plan selection. Importantly, only 71.3% of Redux-takers were aware of the CPI penalty. These results imply that some sailors may have chosen Redux without being fully aware of the negative financial long-term consequences, and they may have chosen differently if they were better informed.

Next, we study Redux takers in more detail and examine the correlates of the whether they felt they had made a mistake with their retirement plan choice (Appendix Table D.9). Younger service members, those who save less regularly, and those in "worse" financial health are more likely to state that they made the wrong Redux choice. One of the strongest correlates of this regret is a lack of knowledge of the lower cost-of-living adjustments under Redux. Those who used the bonus to pay off debt are more likely to regret the choice, while those who invested the money are less likely to regret the choice. Interestingly, even among those who ultimately choose Redux, having full information is pivotal. Amongst Redux choosers, those who know about the CPI penalty at the time of selection are much less likely to regret their decision.

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 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
BOTH PARTS 1 AND 2 MUST BE READ
AND LISTED INSTRUCTIONS COMPLIED WITH.
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
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 REFECTS 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 INSTALLEMENT 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. 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 RETIRMENT 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) EXPLAINS YOUR OPTIONS AND LOOKS AT SOME BASIC CONSIDERATINS 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 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/TEMDU TO ATTEND A SCHOOL, DUSTWIN, MIA, CAPTURED/INTERNED/BESEIGED/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 AFER 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/ AND THE
DOD WEBSITE AT 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/TEMDU 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/INTERNED/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 ASSINGED 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. ADMINSTATIVE OFFICERS AND COMMAND CAREER COUSELORS 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 NAVADMINS.
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 AMD 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 ATTO MODIFY AN EXISTING
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/ 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 NOTIFCATION 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 THER 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:

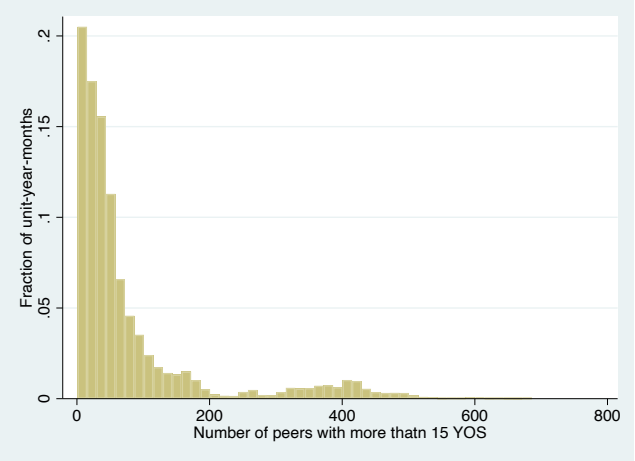
FM COMNAVPERSCOM MILLINGTON TN// PERS-341// TO [COMMAND]
INFO COMNAVPERSCOM MILLINGTON TN// PERS-341// MSGID/GENADMIN/CNO WASH DC//

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/151142ZOCT02//
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//

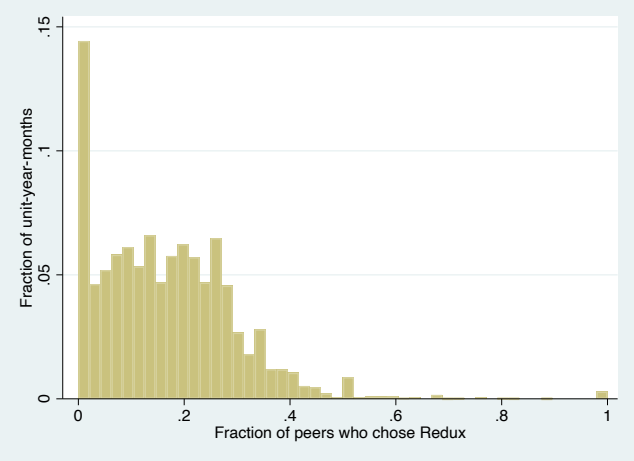
RMKS/
1. THIS IS SECOND AND FINAL NOTIFICATION. SNMS OPPORTUNITY TO ELECT CSB WILL SOON EXPIRE. TO DATE, NO ACTION HAS BEEN TAKEN WITH REGARD TO REF A IN THE FORCE MANAGEMENT (FORMAN) SYSTEM. SNM MUST, PER REF B, ELECT CSB/REDUX (IF DESIRED) PRIOR TO 15TH ANNIVERSARY. NO
ENTRY WILL RESULT IN AUTOMATIC DEFAULT TO HIGH-3 RETIREMENT PROGRAM. ADMIN OFFICERS AND COMMAND CARREER 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/ FOR INFORMATION ON PROCESSING CSB REQUESTS, AND REVIEW FAQS.
BT
#0030

D Appendix Figures and Tables

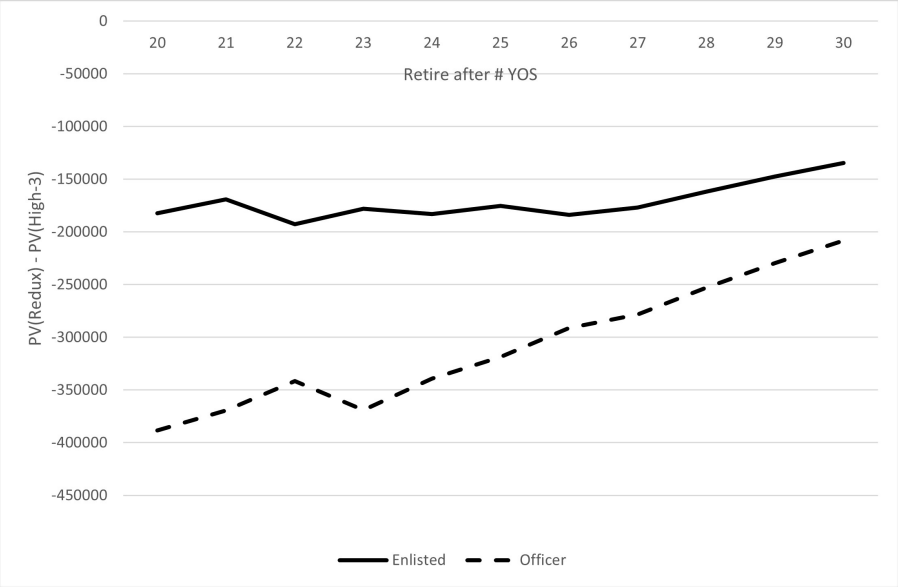
Appendix Figure D.1: Distribution of the number of higher-tenure peers in a unit who already made the Redux/High-3 decision.



Appendix Figure D.2: Fraction of peers who chose Redux retirement plan.

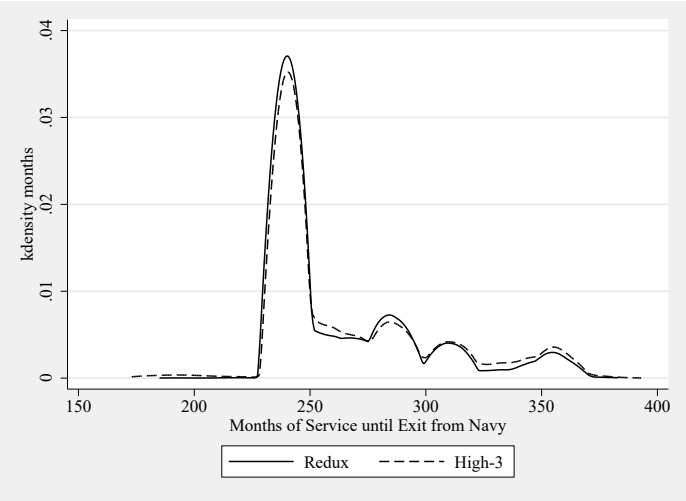


Appendix Figure D.3: Present value discounted life-time income difference between Redux (excluding initial lump-sum payment) and High-3, by years of service.

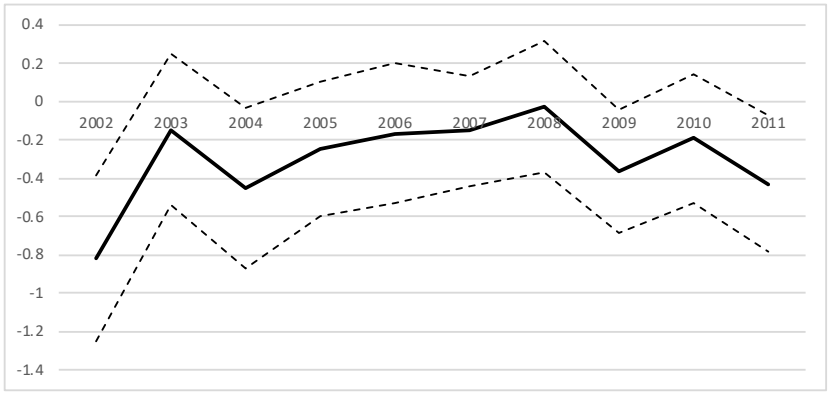


Note: Present discounted value calculations include the following assumptions: service members join in 1987 and are offered the Redux choice in 2002; the enlisted sailor joins at the rank of E-1 (Seaman Recruit) at 19 years old and the officer joins at the rank of O-1 (Ensign) at 22 years old (after 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 calculations are capped at 30 YOS (less than 1% of personnel work for the Navy beyond 30 years.)

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



Appendix Figure D.5: Year-by-year estimates of peer effects amongst all service members.



Note: The solid line represents coefficients on the peer fraction Redux variable from year-by-year regressions of Model 1, and dashed lines are 95% confidence intervals around those estimated coefficients.

Appendix Table D.1: Peer effects, instrumenting peer fraction Redux with the fraction of peers who chose Redux amongst those who made the choice at a different unit.

Sample =	All	Officers	Enlisted	Officers	Enlisted
	(1)	(2)	(3)	(4)	(5)
Peer fraction Redux	-0.188**				
	(0.085)				
Officer peer fraction Redux		-0.297		-0.199	-0.178
		(0.250)		(0.223)	(0.152)
Enlisted peer fraction Redux			-0.114	0.022	-0.212
			(0.085)	(0.121)	(0.166)
Demographics and unit-by-year fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	65,812	8,551	52,385	6,340	20,748

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Peer fraction Redux is the fraction of peers in the same unit with 15 years of service of more who chose CSB/Redux; this is instrumented with the fraction of peers who chose Redux amongst those who made when stationed at a different unit. Officer peer fraction Redux and Enlisted peer fraction Redux are defined similarly amongst officers and enlisted, respectively, and are instrumented likewise with the fraction of officer and enlisted peers who chose Redux amongst those who made when stationed at a different unit. 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).

Appendix Table D.2: Peer effects within race and officer/enlisted status.

	Officers			Enlisted		
Sample =	White	Black	Non-black minority	White	Black	Non-black minority
	(1)	(2)	(3)	(4)	(5)	(6)
White officer peer fraction Redux	-0.339	-0.086	-0.521	-0.020	0.083	-0.055
	(0.317)	(0.368)	(1.210)	(0.073)	(0.158)	(0.144)
Black officer peer fraction Redux	0.021	-0.787	-0.212	0.021	-0.017	-0.035
	(0.070)	(0.879)	(0.637)	(0.047)	(0.099)	(0.107)
Non-black minority officer peer fraction Redux	-0.111	0.234	0.302	0.008	0.024	0.106
	(0.104)	(1.148)	(0.762)	(0.058)	(0.110)	(0.111)
White enlisted peer fraction Redux	-0.005	-0.154	-0.356	-0.284***	-0.126	-0.123
	(0.091)	(1.151)	(0.863)	(0.081)	(0.161)	(0.186)
Black enlisted peer fraction Redux	0.055	-0.415	-0.144	0.017	-0.213**	0.083
	(0.058)	(0.895)	(0.608)	(0.043)	(0.108)	(0.124)
Non-black minority enlisted peer fraction Redux	-0.005	0.318	0.063	0.014	-0.060	-0.165
	(0.070)	(0.864)	(0.542)	(0.046)	(0.093)	(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	0.565	0.596

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Standard errors in parentheses are clustered at the command-year level. Demographic controls include indicators for race, marital status, and AFQT tercile (for columns 4-6). Indicators included for not having peers in the various groups.

Appendix Table D.3: Peer effects within gender and officer/enlisted status.

	Officers		Enlisted	
Sample =	Male	Female	Male	Female
	(1)	(2)	(3)	(4)
Male officer peer fraction Redux	-0.268	-0.628	-0.012	-0.081
	(0.293)	(1.463)	(0.049)	(0.421)
Male enlisted peer fraction Redux	0.022	0.082	-0.226***	-0.228
	(0.118)	(0.330)	(0.060)	(0.424)
Female officer peer fraction Redux	-0.039	-0.583	-0.039	-0.243
	(0.090)	(0.618)	(0.052)	(0.332)
Female enlisted peer fraction Redux	0.004	-0.150	-0.011	-0.274
	(0.054)	(0.266)	(0.029)	(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	0.365	0.709

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Standard errors in parentheses are clustered at the command-year level. Demographic controls include indicators for race, marital status, and AFQT tercile (for columns 3 and 4) . Indicators included for not having peers in the various groups.

Appendix Table D.4: 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	-0.207	-0.123	0.120	-0.213	0.071	-0.056	-1.011	-0.009
	(0.158)	(0.204)	(0.171)	(0.230)	(0.106)	(0.165)	(0.703)	(0.089)
Deck peer fraction Redux	-0.005	-0.286	0.090	-0.031	-0.042	-0.162*	0.037	-0.071
	(0.060)	(0.182)	(0.123)	(0.142)	(0.071)	(0.095)	(0.220)	(0.203)
Engineering peer fraction Redux	0.000	-0.043	-0.326**	0.083	0.061	0.135	0.233	0.049
	(0.103)	(0.196)	(0.149)	(0.147)	(0.094)	(0.131)	(0.266)	(0.238)
Combat systems peer fraction Redux	0.001	0.090	-0.066	-0.301*	0.016	-0.115	0.078	0.073
	(0.144)	(0.181)	(0.117)	(0.176)	(0.089)	(0.142)	(0.138)	(0.186)
Support peer fraction Redux	0.008	-0.280	0.026	-0.177	-0.102	0.095	-0.306	0.002
	(0.057)	(0.182)	(0.129)	(0.122)	(0.115)	(0.129)	(0.270)	(0.218)
Operations peer fraction Redux	-0.010	0.135	0.109	-0.071	0.029	-0.181	0.053	0.240
	(0.065)	(0.184)	(0.106)	(0.132)	(0.078)	(0.149)	(0.220)	(0.164)
Construction peer fraction Redux	-0.153	-0.219	0.033	-0.113	0.067	0.056	-0.366	0.033
	(0.119)	(0.268)	(0.176)	(0.154)	(0.130)	(0.204)	(0.362)	(0.249)
Special forces peer fraction Redux	0.277**	-0.236	-0.064	-0.427*	0.001	0.236	-0.051	-1.100**
	(0.118)	(0.276)	(0.125)	(0.234)	(0.170)	(0.266)	(0.238)	(0.527)
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	0.406	0.616	0.515	0.619	0.535	0.613	0.589	0.742

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. The peer fraction Redux variables are the fraction of peers in the same unit and occupation group with 15 years of service of more who chose the CSB/Redux lump sum retirement option. Standard errors in parentheses are clustered at the unit-year level. Demographic controls include indicators for race, marital status, and AFQT tercile. Indicators included for not having peers in the various occupation groups.

Appendix Table D.5: Peer effects across the size of the peer group.

Quintle of peer group size =	1st	2nd	3rd	4th	5th
	(1)	(2)	(3)	(4)	(5)
Peer fraction Redux	-0.138	-0.434***	-0.565***	-0.480**	-0.593**
	(0.115)	(0.160)	(0.173)	(0.194)	(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]	[33,51]	[52,103]	[104,686]

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Peer fraction Redux is the fraction of peers in the same unit with 15 years of service of more who chose the CSB/Redux lump sum retirement option. Standard errors in parentheses are clustered at the unit-year level. Demographic controls include indicators for race, marital status, and AFQT tercile.

Appendix Table D.6: Peer effects within quintiles of peer group size and officer/enlisted status.

	Officers					Enlisted				
Quintle of peer group size =	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	-1.406**	0.034	-0.345	-0.756	-0.015	-0.020	-0.097	-0.041	0.056
	(0.903)	(0.623)	(0.777)	(0.377)	(0.609)	(0.140)	(0.128)	(0.096)	(0.100)	(0.204)
Enlisted peer fraction Redux	-0.136	0.057	-0.001	-0.093	-0.014	-0.084	-0.242	-0.434**	-0.418**	-0.732***
	(0.358)	(0.428)	(0.244)	(0.092)	(0.318)	(0.114)	(0.167)	(0.186)	(0.197)	(0.257)
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	0.474	0.355	0.255	0.130
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. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Peer fraction Redux is the fraction of peers in the same unit with 15 years of service of more who chose the CSB/Redux lump sum retirement option; officer peer fraction Redux and enlisted peer fraction Redux are defined similarly amongst officers and enlisted service members, respectively. Standard errors in parentheses are clustered at the unit-year level. Demographic controls include indicators for race, marital status, and AFQT tercile (forlm columns 6-10). Indicators included for not having either officer or enlisted peers.

Appendix Table D.7: Summary statistics of respondents to the Career Status Bonus survey.

Sample =	All Navy	Redux takers		High-3 takers	
	Mean	Mean	(s.d.)	Mean	(s.d.)
Chose Redux	0.34	1.00		0.00	
Female	0.09	0.08	(0.27)	0.09	(0.29)
White	0.63	0.54	(0.50)	0.67	(0.47)
Married	0.86	0.87	(0.34)	0.85	(0.36)
# dependents	2.70	3.04	(1.55)	2.53	(1.45)
College degree	0.17	0.09	(0.28)	0.21	(0.40)
Graduate degree	0.07	0.03	(0.17)	0.09	(0.29)
Age when making Redux choice	35.24	34.93	(3.09)	35.39	(3.17)
Years since making the Redux choice	3.26	3.10	(1.81)	3.56	(1.87)
Enlisted	0.81	0.92	(0.28)	0.75	(0.43)
Made retirement decision while deployed to a combat zone	0.07	0.10	(0.30)	0.05	(0.22)
Regularly saves money currently	0.56	0.41	(0.49)	0.64	(0.48)
Currently in a "good" financial condition	0.71	0.61	(0.49)	0.75	(0.43)
Thinking back, feel that they made the wrong Redux decision	0.16	0.39	(0.49)	0.05	(0.21)
When deciding to accept the $30,000 Redux bonus, knew that:					
with 20 YOS, Redux provides 40% and High-3 provides 50% of pay	0.90	0.92	(0.27)	0.89	(0.31)
with 30 YOS, Redux and High-3 provide the same retirement pay	0.73	0.77	(0.42)	0.70	(0.46)
Redux has lower cost-of-living increases than High-3	0.75	0.72	(0.45)	0.77	(0.42)
Redux payments reset to match High-3 payments at 62 years old	0.68	0.74	(0.44)	0.66	(0.48)
The $30,000 Career Status Bonus under Redux was used to:					
pay off debt		0.80	(0.40)		
invest the money		0.43	(0.49)		
make a downpayment on a house		0.19	(0.39)		
pay college tuition		0.05	(0.22)		
purchase a car, boat, trailer, or other vehicle		0.10	(0.30)		
purchase a business		0.01	(0.12)		
Observations	3,865	2,989		876	

Notes: Source "2008 Quick Compass on Career Status Bonus." Sample include all Navy respondents. Means are weighted using survey weights. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Regularly saves money is defined as those who "Save regularly by putting money aside each month" or "Spend regular income, save other income." In "good" financial condition is defined as those who are "Very comfortable and secure" or "Able to make ends meet without too much difficulty."

Appendix Table D.8: Correlates of the Redux/High-3 choice amongst survey respondents.

Outcome =	Chose Redux	
	Coefficient	(s.e.)
Female	0.029	(0.031)
White	-0.095***	(0.019)
Married	-0.049*	(0.028)
# dependents	0.037***	(0.007)
College degree	-0.100***	(0.025)
Graduate degree	-0.107***	(0.033)
Age when making Redux choice	-0.001	(0.003)
Years since making the Redux choice	0.029***	(-0.005)
Enlisted	0.079***	(0.022)
Made retirement decision while deployed to a combat zone	0.129***	(0.042)
Regularly saves money currently	-0.141***	(0.020)
Currently in a "good" financial condition	-0.061***	(0.022)
Thinking back, feel that they made the wrong Redux decision	0.491***	(0.026)
When deciding to accept the $30,000 Redux bonus, knew that:		
with 20 YOS, Redux provides 40% and High-3 provides 50% of pay	0.041	(0.027)
with 30 YOS, Redux and High-3 provide the same retirement pay	0.086***	(0.021)
Redux has lower cost-of-living increases than High-3	-0.123***	(0.025)
Redux payments reset to match High-3 payments at 62 years of age	0.128***	(0.021)
Observations	3,865	

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Sample include all Navy respondents. Observations weighted using sample weights. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Regularly saves money is defined as those who "Save regularly by putting money aside each month" or "Spend regular income, save other income." In "good" financial condition is defined as those who are "Very comfortable and secure" or "Able to make ends meet without too much difficulty."

Appendix Table D.9: Correlates of regretting the past Redux vs. High-3 choice, amongst Redux takers.

Outcome =	Felt they made the wrong Redux vs. High-3 decision	
	Coefficient	(s.e.)
Female	0.008	(0.033)
White	0.008	(0.018)
Married	-0.013	(0.028)
# dependents	-0.002	(0.006)
College degree	0.028	(0.031)
Graduate degree	0.072	(0.048)
Age when making Redux choice	-0.005*	(0.003)
Years since making the Redux choice	0.047***	(0.005)
Enlisted	0.016	(0.030)
Made retirement decision while deployed to a combat zone	-0.013	(0.029)
Regularly saves money currently	-0.055***	(0.020)
Currently in a "good" financial condition	-0.109***	(0.019)
When deciding to accept the $30,000 Redux bonus, knew that:		
with 20 YOS, Redux provides 40% and High-3 provides 50% of pay	0.062*	(0.035)
with 30 YOS, Redux and High-3 provide the same retirement pay	-0.027	(0.025)
Redux has lower cost-of-living increases than High-3	-0.171***	(0.026)
Redux payments reset to match High-3 payments at 62 years of age	-0.055*	(0.027)
The $30,000 Career Status Bonus under Redux was used to:		
pay off debt	0.089***	(0.022)
invest the money	-0.084***	(0.019)
make a downpayment on a house	0.006	(0.023)
pay college tuition	-0.005	(0.040)
purchase a car, boat, trailer, or other vehicle	0.008	(0.030)
purchase a business	0.113	(0.072)
Observations	2,989	

Notes: *** p<0.01, ** p<0.05, * p<0.1. The outcome is an indicator for choosing Redux. Sample include all Navy respondents who chose Redux. Observations weighted using sample weights. Choosing the Redux plan instead of the High-3 plan implies receiving a $30,000 Career Status Bonus at 15 years of service and lower future pension payments. Regularly saves money is defined as those who "Save regularly by putting money aside each month" or "Spend regular income, save other income." In "good" financial condition is defined as those who are "Very comfortable and secure" or "Able to make ends meet without too much difficulty."