



COMPTROLLER

UNDER SECRETARY OF DEFENSE  
1 100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

MAY -2 2012

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Accounting Policy Guidance for Implementing Temporary Early Retirement  
Authority (TERA) Procedures

Section 504, Public Law 112-81, National Defense Authorization Act for Fiscal Year (FY) 2012, reinstates temporary retirement authorities contained in section 4403, Public Law 102 484, of the National Defense Authorization Act for FY 1993, which authorizes the Military Departments to retire active service military members up to 5 years before completion of 20 years of service. In addition, subsection 4403(f) of Public Law 102-484, requires the establishment and use of a subaccount in the Active Military Personnel Appropriations to fund, and account for, TERA payments.

Attached is accounting policy guidance regarding the implementation of the provisions of section 504 of Public Law 112-81. The Office of the Under Secretary of Defense (Personnel and Readiness), will provide separate guidance for implementing military retirement procedures under TERA.

Questions related to this guidance may be directed to Mr. Chris Smith. He may be reached at [thomas.smith@osd.mil](mailto:thomas.smith@osd.mil) or 703-614-7530.

Robert F. Hale

Attachment:  
As stated



**Accounting Policy Guidance for Implementing Temporary  
Early Retirement Authorities Procedures**

- References:
- (a) Section 4403 of the National Defense Authorization Act for FY 1993 (P.L. 102-484)
  - (b) Section 504 of the National Defense Authorization Act for FY 2012 (P.L. 112-81)
  - (c) Section 1553(a) of Title 31 United States Code. "Availability of Appropriation Accounts to Pay Obligations"
  - (d) Volume 7, Part B, Chapter 3, DoD Financial Management Regulation, October 2011

A. PURPOSE

Public Law 102-484, National Defense Authorization Act for FY 1993, provided the Secretary of Defense with a temporary additional force management tool to assist with the drawdown of active military forces. Subsection 4403(f) of the Act directed the use of a subaccount within the officer and enlisted budget activities of the Active Military Personnel appropriation for retirement payments to members participating in the Temporary Early Retirement Authority (TERA) program. The use of the TERA program was reinstated through December 31, 2018 by the National Defense Authorization Act for FY 2012, Public Law 112-81. The purpose of this guidance is to provide procedures for funding, accounting for, disbursing, and reporting retirement payments for those chosen for early retirement under the provisions of section 4403.

B. APPLICABILITY

Subject to the availability of appropriations for purposes set forth in section 4403, the Secretary of each Military Department shall provide for the payment of retired pay amounts, beginning in FY 2012, to active service military members who retire up to 5 years before the completion of 20 years of service.

When an active duty military member retires early under the authority of section 4403, an amount that is sufficient to cover the retired pay until the member would have reached 20 years of service shall be obligated in the subaccount established in the Active Military Personnel appropriation. After the anniversary of the 20<sup>th</sup> year of service, the member's retirement pay shall be funded from the Department of Defense Military Retirement Fund (MRF) (97X8097). The funds included in the subaccount shall be obligated in the fiscal year in which the applicable member retires.

The required subaccount within the Active Military Personnel appropriation will be established for each Military Department for each fiscal year. Amounts included in this subaccount shall be for those members who were chosen for early retirement under the provisions of section 4403. The amounts deposited in the subaccount will be determined using the tables developed by the DoD Office of the Actuary (attachment). The tables are available on the reports page on the Office of the Under Secretary of Defense (Comptroller) website, <http://comptroller.defense.gov/reports.html>. The purpose of the tables is to determine the

amount necessary to deposit into the subaccount to fund early retirement payments for FY 2012 and FY 2013 members. These amounts approximate the necessary funding based on the retirement year and the years of service. Such amounts shall be sufficient and made available to pay the retired members for the entire “initial period” of entitlement up to the time that responsibility for their retired pay is funded by the MRF (97X8097). The “initial period” is the number of years and any fraction of a year equal to the difference between 20 years and the number of years of service for retirement eligibility completed by the member at the time the member retired under the authority of section 4403. For retirements in FY 2014 and beyond, subsequent guidance will be provided and posted accordingly. Additional guidance can be found in references (a) through (d).

The Secretary of each Military Department shall provide funding for a member’s initial period from amounts included in the subaccount. The amounts included in the subaccounts shall remain available for payment in accordance with section 4403(f) of Public Law 102-484 and section 1553(a) of Title 31, United States Code.

### C. RESPONSIBILITIES

1. The Secretary of each Military Department, or designee, shall:
  - a. In conjunction with the Deputy Comptroller (Program/Budget) (P/B), in the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) establish a subaccount entitled “Temporary Early Retirement Pay” within the Pay and Allowances of Officer and Pay and Allowances of Enlisted budget activity, as applicable for the Active Military Personnel appropriations.
  - b. In conjunction with the Defense Finance and Accounting Service, ensure that obligations are established in the accounting systems when funds for the “early retirees” are transferred to the appropriate subaccounts.
  - c. Establish separate subaccounts in the Active Military Personnel appropriations for FYs 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019.
  - d. Provide funding based on the tables developed by the DoD Office of the Actuary in the Active Military Personnel appropriations to pay members who were approved for “early retirement” under the provisions of section 4403, Public Law 102-484.
  - e. As appropriate, identify to the Military Personnel & Construction Directorate (MPC) in OUSD(C), the number of military personnel entitled under the TERA program.
  - f. Identify, in budget submissions to the OUSD(C) – P/B, the number of military personnel and the appropriate funding source to pay retired personnel selected for early retirement.
  - g. In conjunction with the OUSD(C) - P/B, prepare appropriate funding guidance, as needed, to operate the TERA program.

2. OUSD(P&R) - Officer and Enlisted Personnel Management (OEPM) shall provide at a minimum, an annual report to OUSD(C) - MPC identifying the number of military members scheduled to retire in the forthcoming fiscal year under the provisions of the TERA program. The first report shall be provided no later than August 15 to ensure that funding is available to establish the subaccount during the last quarter of FY 2012 for the respective early retirees.
3. Under Secretary of Defense (Comptroller) (USD(C)) shall:
  - a. Review the Military Departments' budget submissions for reasonableness and accuracy.
  - b. Ensure that the various budget submissions include the appropriate numbers/costs for the TERA program.
  - c. Ensure the updated tables from the DoD Actuary are posted to the Office of the Under Secretary of Defense (Comptroller) website, as appropriate.
4. DoD Office of the Actuary (OACT) shall provide updated TERA tables, as appropriate to OUSD(C) – MPC.
5. Defense Finance and Accounting Service (DFAS) shall:
  - a. Establish appropriate controls within the accounting systems to perform typical accounting and reporting functions for the TERA programs.
  - b. Ensure that the subaccount(s) and the appropriate line(s) of accounting are for each Military Department are properly established.
  - c. Ensure the fiduciary, fund status, and financial management controls are prepared to coincide with reporting for the Active Military Personnel appropriations.
  - d. Modify retiree pay systems to compute pay, benefits and withholdings for the TERA program participants.
  - e. Establish methods to distinguish personnel participating in the TERA program from regular military retiree members. Such action is necessary to ensure the monthly pay entitlements for the TERA program participants are transferred from the appropriate Active Military Personnel appropriation to the MRF (97X8097) at the appropriate time.
  - f. Establish procedures to assist early retirees with actions affecting their pay accounts.

#### D. EFFECTIVE DATE

For purposes of subsection 4403(f), the active forces drawdown period for funding purposes is FY 2012, through December 31, 2018. However, accounting requirements will remain in effect in accordance with section 4403(f) of Public Law 102-484 and section 1553(a) of Title 31, United States Code.