

**SUMMARY OF MAJOR CHANGES TO
DoDFMR, VOLUME 12, CHAPTER 16
“MILITARY PERSONNEL ENTITLEMENT PROGRAMS”**

Changes are denoted by blue font.

Substantive revisions are denoted by a ★ preceding the section, paragraph, table or figure that includes the revision.

Hyperlinks are denoted by *bold, italicized, and underlined blue font*.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
Page 16-3	Added Table of Contents	Addition
160303.A and B	The DoD Board of Actuaries has been approving all economic assumptions for actuarial funding determination purposes. However, FASAB SFFAS 33, effective October 1, 2009, has specified standards for the discount rate assumption and the valuation date for reporting.	Update
160304	Revised to reflect office change from Director of Investment Office, DFAS-HQ, to Investment Fund Manager, DFAS-IN.	Update
160307.E	Clarified the formula for estimating the monthly retired pay accrual.	Update
160307.F	Clarified the SF 1081 must be properly certified prior to submission to DFAS-IN Trust Fund Accounting Division.	Update
160307 and 160308	Updated trust fund receipt account numbers to be consistent with those in the “Revised Federal Account Symbols and Titles (FAST) Book, Supplement to Vol. I Treasury Financial Manual,” April 2009.	Update
160308	Added that the Treasury contribution now includes Treasury Fund Symbol 97_0041 for the normal costs contribution payment (in addition to 97_0040 for the unfunded liability).	Addition
160308.A	The Secretary of Defense, rather than Director of Investment Office, DFAS-HQ, certifies to Treasury the amounts to be appropriated to the accounts for the ensuing fiscal year.	Update
160308.A	Updated to reflect current reporting requirement of 3 weeks (rather than 1 week) prior to year-end.	Update

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PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
160309.C	Revised DD Form 1176 and RCS DD-COMP(M)1002 with reports that replaced them – SF 133 and ACCT RPT (M) 1002, respectively.	Update
1604	Addition codifies OUSD(C) memorandum, Interim Accounting Policy for the Accrual and Investment of the Medicare-Eligible Retiree Health Care Fund (MERHCF), dated 27 September 2002, with administrative updates.	Addition
160406	Updated to reflect that certification of the total MERHCF amortization payment for the initial unfunded liability and the Department’s normal cost contribution amounts is now done annually (rather than monthly).	Update
Multiple	Revised for clarity and readability. Added and updated hyperlinks and cross references where necessary.	Update
Former 160308	Merged information with 160307.	Update

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- 1604 Accounting Policy for the Accrual and Investment of the Medicare-Eligible Retiree Health Care Fund

CHAPTER 16

MILITARY PERSONNEL ENTITLEMENT PROGRAMS1601 GENERAL OVERVIEW

160101. Purpose. This chapter prescribes the accounting policy and related transactions for entitlement programs established for [Department of Defense \(DoD\)](#) military personnel.

160102. Overview. Entitlements are legally established benefits available to any person or unit of government meeting eligibility requirements established by law. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds, thus subsequent enactment of appropriations may be necessary.

1602 GENERAL ACCOUNTING POLICY FOR ENTITLEMENT PROGRAMS

160201. Categories. Entitlement programs are divided into three categories according to the events that give rise to benefit payments: payments based on individual eligibility, payments required by law, and reimbursable events. [These categories are accounted for as follows:](#)

A. When the program is administered by a Federal agency, entitlement benefits based on individuals meeting eligibility requirements of a program [must](#) be recorded as a liability and an expense when the eligibility requirements are met (as determined by program officials). The [recorded](#) liability and expense [must](#) cover all [expected](#) payments [for](#) the current period of eligibility. Payments to recipients reduce the recorded liability.

B. When payments are authorized (through appropriation and allotment of funds) for disbursement pursuant to legal requirements with no specific action required of the recipients, a liability and expense [must](#) be recorded when the [appropriated](#) funds are allotted to the applicable program. The [recorded](#) liability and expense [must](#) cover the [total](#) amount to be disbursed. As payments are made, the liability [must](#) be reduced.

C. When payments are based on the occurrence of a specific event for which costs are reimbursable under an entitlement program, a liability [must](#) be recorded when the event occurs. If the reimbursement is based on end-of-period reports from program administrators, an estimated amount [must](#) be accrued at the end of a reporting period.

160202. When the expense for payments made under an entitlement program exceeds the appropriation (permissible for certain programs under special statutory authority), the

source of the related funds **must** be clearly identified. If the funds were borrowed, the appropriate liability account **must** be established.

160203. When substantiated doubt **exists** on the continued entitlement of a military retiree or annuitant to benefit payments and payments on an account are suspended, the Defense Finance and Accounting Service (DFAS) **must** cease obligating on the subject account for retired pay, retainer pay, or annuitant benefits. Previously obligated amounts **must** be deobligated to the extent of recoveries on previous payments or amounts held in a suspense account. Although this procedure is directed primarily at suspected death status accounts, it applies equally to other situations that may terminate entitlement. Examples of other situations include (but are not limited to) employment by a foreign government, renouncing U.S. citizenship, remarriage of a surviving spouse, and certain student annuitants dropping out of school.

1603 ACCOUNTING POLICY FOR THE ACCRUAL AND INVESTMENT OF RETIRED MILITARY PAY

160301. Retired military pay is a pension program established by [*Title 10, United States Code \(U.S.C.\) Chapter 74*](#) to pay annuities or pensions to retired military personnel and their survivors. As such, the program fits under the category of entitlement **authority** as defined by Title 2, U.S.C., Section 622(9) ([*2 U.S.C. 622\(9\)*](#)).

160302. The 1984 **Department of Defense Authorization Act**, Public Law 98-94, changed the method of financing military retired pay effective October 1, 1984. Under Public Law 98-94, **and in accordance with 10 U.S.C. Chapter 74**, payments are made to the DoD Military Retirement Fund (MRF), which contains the following assets:

A. Amounts paid into the MRF from the Military Personnel, Reserve Personnel, and National Guard Personnel appropriations representing **a portion of** future retirement and survivor benefits being accrued by members performing current service.

★ B. Amounts paid into the MRF from a permanent, indefinite general fund appropriation representing the remaining portion of future retirement and survivor benefits being accrued by members performing current service.

C. Amounts paid into the MRF from a permanent, indefinite general fund appropriation representing a portion of retirement and survivor benefits already accrued by members due to past service.

D. Interest earned **from** the investment of available MRF cash balances in U.S. securities.

160303. Determinations of the current portion of retired military benefits and amounts required to liquidate the unfunded portion of the MRF are discussed in the remainder of this section.

★ A. Amounts payable to the MRF necessary to fund present and future benefits payable to military retirees and their survivors must be based on actuarial funding determinations by the DoD Office of the Actuary, using methods and economic assumptions (including the inflation, interest, and salary rates) approved by the DoD Board of Actuaries and in accordance with 10 U.S.C 1465(b). Effective October 1, 2009, the discount rate assumption and the valuation date must be selected in accordance with standards provided in the Statement of Federal Financial Accounting Standards 33 (SFFAS 33). DoD Components must include sufficient funds to be transferred to the MRF, as determined by the DoD Office of the Actuary, in their Military Personnel Appropriation budgets.

1. Accrued benefits for a given program must be comprised of benefits expected to be paid to the following:

a. Persons who have met the conditions of the program and will receive benefits in the future.

b. Persons who have met enough of the conditions of the program to be considered probable recipients of future benefits.

c. The survivors of both groups, as applicable.

2. Accrued benefits must be based on participants' history of earnings, work or service, and other appropriate factors as of the benefit information date. The benefit information date is the date when benefit information is presented. Projected years of work or service are only considered when determining a person's expected eligibility for particular program benefits.

3. Automatic benefit increases specified by the provisions of the program that are expected to occur after the benefit information date must be recognized when computing program benefits.

★ B. The annual amount required to liquidate the unfunded liability of the MRF must be calculated by the DoD Office of the Actuary, in accordance with methods and assumptions approved by the DoD Board of Actuaries and guidance provided by SFFAS 33 (effective October 1, 2009).

C. Amounts to be transferred to the MRF for retired pay accrual must be obligated by the DoD Components at the same time military pay is obligated, as required in

[Volume 3](#) of this Regulation and further explained in paragraphs 160307 and 160308 of this chapter.

D. Entitlements for military retired pay and surviving annuities are described in [Volume 7B](#) of this Regulation. Payments of authorized and accrued benefits **must** be made from the MRF, a trust fund established under Public Law 98-94, **in accordance with [10 U.S.C. 1463](#)**.

E. Calculations of the amount of the current portion of retired military benefits **must** be performed centrally by the Military Departments for active, Reserve, and National Guard military personnel. The calculations **must** employ retired military pay accrual percentages published annually by the Office of the Secretary of Defense (OSD) and **must** be applied to the total base pay amount calculated. The term "base pay" means outlays for basic pay. The Military Departments also **must** obligate and disburse amounts calculated for the retired pay accrual in the applicable military pay active duty, reserve, and national guard accounts and deposit the funds to the MRF receipt account 97X8097.001 - Employing Agency Contribution, DoD MRF.

160304. The [Investment Fund Manager](#), DFAS-Indianapolis (IN), is responsible for investing cash balances of the MRF not needed to cover current retirement payments. Investments are limited to [Market-Based U.S. Government Special Securities](#) issued by the Department of the Treasury.

160305. Retired pay benefits **must** be calculated and paid by [DFAS](#).

160306. All reimbursements made to DoD Components in accordance with the guidance contained in [Volume 11A](#) of this Regulation for retired military pay **must** be credited to the applicable military personnel appropriation account.

160307. [Accounting for MRF Obligations and Accruals](#). Using actuarially determined percentage for each, military pay active duty accounts and Reserve and National Guard personnel accounts **must** be accounted for as follows:

A. Amounts equating to an actuarially determined percentage of basic pay **must** be obligated each month for subsequent payment to the MRF.

B. Accounting for the direct program **must** be at the budget sub-activity level presently prescribed in [Volume 2A, Chapter 2](#), of this Regulation. Accounting for the reimbursable program may use a simplified structure to include basic pay, retired pay accrual, and other.

C. The amount accrued for retired pay **must** be obligated each month. At the end of the month, amounts obligated for retired pay accrual **must** be disbursed. If information on the total entitlement and total expenditures is not available at the end of the month, estimates (see

subparagraph 160307.E) may be used and appropriate adjustments made when the actual amounts become known.

D. Release of funds **must** be consistent with budgetary authority. An undelivered order entry **must** be made at the beginning of each month **to accrue** the estimated **MRF obligations** to the members. Before the end of each month, the actual obligations **must** be recorded and an accrued expenditure (paid or unpaid, as applicable) established. The corresponding disbursement of funds **must** agree with the reported outlay and amount obligated.

★ E. All military pay accounting systems **must** provide for the recording of obligations for basic pay separate from other kinds of pay and allowances. However, the liquidation of obligations for pay and allowances may be on a gross basis. If the actual amount of basic pay paid is not known at the end of the month, **an estimated** retired pay obligation to be liquidated and disbursed to the **MRF may be developed by a formula such as: multiplying the estimated basic pay by the retired pay accrual percentage (provided by the DoD Office of the Actuary).**

★ F. Disbursements for retired pay benefits **accruals must** be deposited, **via the Intra-government Payment and Collection (IPAC) System**, at the end of each month to trust fund receipt account 97X8097.001 - Employing Agency Contribution, DoD Military Retirement Fund. **The associated disbursement and collection transactions must be supported using a Standard Form (SF) 1081, "Voucher and Schedule of Withdrawals and Credits." The SF 1081 must be properly certified prior to submission to the DFAS-IN Trust Fund Accounting Division (TFAD).** The disbursing officer making the payment also **must** process the collection, forward a copy of the completed SF 1081 to DFAS, **TFAD**, and report both the disbursement and collection transactions on the monthly **Financial Management Service (FMS) 1220, Statement of Transactions.** The DFAS copy of the SF 1081, **with all supporting documentation, must** be transmitted electronically immediately upon completion of the transactions so that the deposit may be recorded in the **MRF** as soon as possible and the funds invested.

★ 160308. **Accounting for MRF Appropriations.** The permanent indefinite appropriations, 97_0040, "Payments to Military Retirement Fund, Defense," and 97_0041, "Concurrent Receipt Accrual Payments to the Military Retirement Fund, Defense," are accounted for as follows:

A. At least **3 weeks** before the end of the fiscal year, the **Secretary of Defense must** provide the Secretary of the Treasury with a certification of the amounts, **as determined using methods and assumptions approved by the DoD Board of Actuaries**, that should be **deposited to these accounts** for the ensuing fiscal year. The certification **must** include the amounts needed to fund the amortization of the original unfunded liability for military retirement, any other unfunded liability resulting from benefit structure changes and actuarial gains or losses, **and the portion of the accrual charge to be funded by Treasury.** A copy of the certification **must** be sent directly to:

Department of the Treasury
Funds Management Division
Finance Management Branch
3700 East-West Highway
Room 6F06-PGCII
Hyattsville, MD 20782

B. Upon receipt of the certification, the Treasury Department provides the FMS 6200, “Department of the Treasury Appropriation Warrant,” for the amount certified. The Warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

C. On October 1, DFAS must record the FMS 6200, disburse the entire amount from 97_0040, and deposit it to trust fund receipt account 97X8097.003 - Federal Contribution, DoD Military Retirement Fund.

D. The DoD MRF is classified as a trust fund and makes use of both receipt and expenditure accounts since it is not designated as a trust revolving fund.

1. Deposits are made to the following trust fund receipt accounts as applicable:

a. 97X8097.001 - Employing Agency Contribution, Department of Defense Military Retirement Fund. Payments from DoD Military Departments for accrual of future retired pay benefits and transfers of deposits made by Judges of the U.S. Court of Military Appeals, including interest, from the Civil Service Retirement and Disability Fund (24X8135) and the payment from the indefinite appropriation for the normal costs contribution (97_0041).

b. 97X8097.002 - Earnings on Investments, Department of Defense Military Retirement Fund. Payment of interest by Treasury on Fund investments in U.S. securities.

c. 97X8097.003 - Federal Contribution, Department of Defense Military Retirement Fund. Payments from the permanent indefinite appropriation for the unfunded liability - 97_0040.

d. (62) 97X8097 - Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement Fund. Purchase of premium, interest, and discount.

e. (72) 97X8097 - Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement Fund. Write-off and amortization of premium and discount and collection of interest purchased.

2. The symbol for the trust fund expenditure account is 97X8097. Amounts deposited to the receipt accounts [identified in subparagraph 160308.D.1](#) are available immediately to the trust fund expenditure account for investment or payment of retired pay benefits.

a. Account 97X8097 **must** incorporate the same budget activity structure as the account “Retired Pay, Defense.” Accounting **must** be at least at the budget activity level, **and** lower level accounts **must** be established as necessary to meet reporting requirements.

b. Since 97X8097 is an **OSD** account, DFAS **is** responsible for its overall accounting and reporting.

c. **Acting for the Secretary of Defense, DFAS must** allocate a portion of 97X8097 to each Military Department in order to fund payments of retirement benefits.

d. Annuity payments to retired Judges of the U.S. Court of Military Appeals **must** be charged to 97X8097.

160309. [MRF Reporting Requirements.](#)

A. DoD Components **must** report in their Statement of Operations the amount of Federal contributions (including accrued amounts), if any, made to the pension plans(s) on behalf of their employees. The agency contribution **must** not include amounts withheld from employee's compensation for submission to the plan(s).

B. DoD Components which administer programs that provide annuity benefits to eligible participants **must** recognize, for reporting purposes, a liability for the actuarial present value of **accrued** benefits. These are benefits earned (**i.e., eligibility criteria met**) or accrued as of the benefit information date (see subparagraph 160303.A.2), but will not be paid until a later date.

1. The actuarial present value of **accrued** benefits is that amount, as of the benefit information date, that results from applying actuarial assumptions to the benefit amounts determined pursuant to subparagraphs 160303.A. of this chapter. The actuarial assumptions are used to adjust the amounts to reflect the time value of money (through discounts for interest) and the probability of retirement between the benefit information date and the date of retirement.

2. The significant assumptions used in determining actuarial present values **must**, in aggregate, reflect a **reasonable** estimate of each program's anticipated experience.

3. The benefit information date **must** be the end of the **reported** fiscal year. Changes in benefit rules **that become effective** during a year **must** be reflected in that year's computation of **accrued** benefits.

4. For the year in which the liability for the present value of **accrued** benefits is first recorded, the initial amount of the liability **must** be reported as an accounting change, i.e., a charge to equity and an accrued liability. Thereafter, changes in the liability each year **must** be charged or credited to expense.

5. Footnotes to the financial statements **must** disclose the nature and amount of required agency contributions, if any. The footnotes also **must** disclose the agency responsible for **reporting** the pension plan's unfunded liability.

6. Financial information for pension plans **must** be reported in the annual financial statements of administering agencies.

7. The notes to the financial statements **must** include a description of the methods and significant assumptions used in computing the actuarial present value of future program benefits. Additionally, if the actuarial liability computed in accordance with these standards is different from the actuarial liability computed for funding purposes, the footnotes **must include** an adequate explanation of **the basis for** any significant differences between the two liabilities.

C. DFAS is responsible for preparing **MRF** reports in accordance with **Volume 6A** of this Regulation.

1. **Standard Form (SF) 133, Report on Budget Execution**. DFAS **must** submit **the SF 133** for all **MRF** receipt and expenditure accounts.

2. **Appropriation Status by Fiscal Year Program and Subaccounts, ACCT RPT (M) 1002**. DFAS **must** submit this report for the **MRF** expenditure account prepared in accordance with **Volume 6A, Chapter 4** of this Regulation.

3. **Other Reports**. DFAS **must** follow the instructions in **Volume 6A** of this Regulation, as applicable. In addition, the Military Departments **must** comply with the monthly reporting requirements contained in Volume 6A of this Regulation.

1604 ACCOUNTING POLICY FOR THE ACCRUAL AND INVESTMENT OF THE MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND

★ 160401. The Department of Defense Medicare-Eligible Retiree Health Care Fund (MERHCF), administered by the Secretary of the Treasury, must be used for the accumulation of funds in order to finance, on an actuarially sound basis, liabilities of DoD under uniformed services health care programs for specific Medicare-eligible beneficiaries, as designated by 10 U.S.C. Chapter 56. Established by the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Public Law 106-398, MERHCF must pay the costs of all uniformed service retiree health care programs for the benefit of members or former members of a participating service who are entitled to retired or retainer pay and are Medicare eligible, their dependents who are Medicare eligible, and survivors who are Medicare eligible. The term uniformed services refers to the Army, Navy, Air Force, and Marine Corps and any other uniformed service (i.e., Coast Guard, National Oceanic and Atmospheric Administration, and the U.S. Public Health Service) that elects to participate in MERHCF through an agreement with the Secretary of Defense. MERHCF is considered an entitlement authority as defined in 2 U.S.C. 622(9).

160402. The DoD MERHCF, 97X5472, is an OSD Special Fund. DFAS-IN, acting for the Secretary of Defense, is responsible for the accounting and reporting of this special fund.

160403. The MERHCF assets include:

A. Amounts paid into MERHCF from the Military Personnel, Reserve Personnel and National Guard Personnel appropriations to fund future benefits payable from MERHCF attributable to Military Service rendered in the current fiscal year. The full cost of accruing benefits must be allocated to the affected salary and expense accounts and be considered as an annual cost of managing these programs.

B. Amounts paid into MERHCF from a permanent indefinite general fund appropriation, 97_0850, to fund future benefits payable from MERHCF attributable to service rendered prior to October 1, 2002 (i.e., the unfunded actuarial liability) as well as all actuarial gains and losses.

C. Income on the invested portion of MERHCF.

D. Amounts paid into MERHCF from other uniformed services not covered in subparagraph 160403.A. (Coast Guard, National Oceanic and Atmospheric Administration, and U.S. Public Health Service).

E. Amounts returned to MERHCF that were previously transferred to fund the payment of expenses.

160404. Payments from MERHCF. DFAS-IN must make amounts available from the special fund expenditure account 97X5472 to fund the payment of authorized expenses as designated by 10 U.S.C. Chapter 56. Authorized expenses must be adjudicated and paid in accordance with DoD Instruction 6070.2, “Department of Defense Medicare Eligible Retiree Health Care Fund Operations.” MERHCF has two categories of health care expense payments: (1) Purchased Care paid through the Operation and Maintenance (O&M) accounts of the TRICARE Management Activity (TMA) and (2) Care provided in Military Treatment Facilities (MTFs) paid through the O&M accounts of TMA and Military Personnel accounts of the Army, Navy and Air Force. For Purchased Care, TMA must provide an estimated annual expense program by quarter for these payments to DFAS-IN one month prior to the start of each fiscal year. These estimates are used by DFAS-IN for management of the investment portfolio and effective cash management and forecasting. For MTFs, the annual estimated expenses are transferred in quarterly increments in accordance with a schedule provided by TMA to DFAS-IN one month prior to the start of each fiscal year. Authorized MERHCF expenses are paid as follows:

A. Purchased Care. Direct charges to MERHCF are provided to DFAS-IN by TMA. TMA reports these charges on the monthly FMS 224, “Statement of Transactions.” A memorandum stating the dollar amount and the date of the charge must be provided to DFAS-IN the business day prior to the charge. DFAS-IN must hold back cash from overnight investments to cover all expenditures on the date charged.

B. Military Treatment Facilities. One month prior to the beginning of each fiscal year, TMA must provide DFAS-IN an annual funding program amount by month for the following programs:

1. The funding amount for the TMA - MTF – O&M account is reported on the FMS 224 of ALC 97200010 as an increase to account 97_0130 and as an increase to the expenditure account 97X5472. This must be completed by DFAS-IN on the first work day of each quarter and reported on the current quarter’s FMS 224. Copies of the FMS 224 must be sent by DFAS-IN to the appropriate Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Directorate, who must distribute the funds to TMA via a Funding Authorization Document.

2. The funding amount for the Military Services – MTF – Military Pay account is processed via IPAC and reported in the same manner as other IPAC transactions. This must be completed by DFAS-IN on the first work day of each quarter. Copies of the SF 1081 supporting these transactions must be sent to the appropriate OUSD(C) Directorates and DFAS sites that account for the funds.

160405. Actuarial Estimates. Amounts payable to MERHCF must be based on determinations by the DoD Office of the Actuary under methods and assumptions approved by the DoD Board of Actuaries.

160406. Determination / Payments of Contributions to MERHCF. The DoD MERHCF Board of Actuaries issues a letter each year (generally in August) approving the required amortization payment and the required normal cost contributions for the Uniformed Services. The normal cost contributions are determined in accordance with 10 U.S.C. 1115(b). The normal cost per capita rates determined by the DoD Board of Actuaries are multiplied by the expected average force strength during the fiscal year (at the levels in the President's Budget submission unless Congressional action adjusts these levels).

A. Accounting for Military Pay Accounts. At least 3 weeks before the end of the fiscal year, the Secretary of Defense must provide the Secretary of the Treasury with a certification of the total amortization payment for the initial unfunded liability and the Department's normal cost contribution amounts. In addition, the letter must request that Treasury issue warrants to the DoD MERHCF payment account (ref: 97_0850) at the start of the fiscal year for the amortization payment and to the ten MERHCF contribution accounts for the normal cost accrual contributions. The MERHCF contribution accounts each correspond to one of the ten military personnel accounts (Active, Reserve, and National Guard). A copy of the letter must be sent directly to:

Department of the Treasury
Financial Management Service
Budget Reports Division
Appropriation Analysis Team
Room 5D22-PGMCII
3700 East-West Highway
Hyattsville, MD 20782

1. The OUSD(C) submits an apportionment request to the Office of Management and Budget (OMB) for the ten MERHCF contribution accounts.

2. Upon receipt of the certification, the Treasury Department provides the FMS 6200 Warrant for the certified amortization amount. The Warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

3. On October 1, DFAS must record the FMS 6200, disburse the entire amortization amount from 97_0850, and deposit it to special fund receipt account 97X5472.003 – Federal Contributions, DoD Medicare-Eligible Retiree Health Care Fund.

4. On the first duty day of October, Treasury issues warrants to the ten MERHCF contribution accounts. The Military Services will transmit payment to MERHCF, via facsimile or email, using an SF 1081 as supporting documentation for the IPAC.

5. To ensure the timely payment of funds and prevent a possible loss of interest to MERHCF, the Military Services must pre-coordinate their payments with the DFAS Trust Fund Accounting Division prior to the issuance of warrants by Treasury and prepare the SF 1081 to transmit payment based on the amounts certified by the Deputy Secretary of Defense.

B. Accounting for Other Uniformed Services. The normal cost contribution payments to MERHCF must be computed and deposited in a manner similar to that described for the Military Services in subparagraph 160406.A. Payments to the MERHCF will be made at the beginning of the fiscal year to ALC 97200010 through the IPAC system. DFAS-IN must credit the special fund account 97X5472.001 - "Non-DoD Employing Agency Contributions, Department of Defense Medicare-Eligible Retiree Health Care Fund." Documentation supporting the deposits must be transmitted electronically to DFAS-IN prior to or immediately upon completion of the transaction.

160407. Investment of MERHCF Assets. The Investment Fund Manager, DFAS-IN, is responsible for investing cash balances of MERHCF not required to meet current withdrawals. Investments are limited to Market-Based U.S. Government Special Securities issued by the Department of the Treasury. The income on such investments must be credited to receipt account 97X5472.002 – Earnings on Investments, DoD Medicare-Eligible Retiree Health Care Fund and form a part of MERHCF. The reporting instructions for accounts invested in Department of the Treasury securities contained in the Treasury Financial Manual (ITFM 2-4300) do not pertain to the DoD MERHCF (97X5472). The reporting procedures for this Fund were agreed to by Treasury's FMS and Bureau of the Public Debt, OMB, and DoD. These agreed-upon procedures were formalized by DoD and Treasury in 1993, and DFAS must maintain documentation of the agreement.

160408. Accounting for MERHCF. The DoD MERHCF (account 97X5472) is classified as a special fund and uses both receipt and expenditure accounts. Since 97X5472 is an OSD account, DFAS-IN must be responsible for the accounting and reporting of this special fund. Acting for the Secretary of Defense, DFAS must make amounts available from 97X5472 in order to fund the payment of all appropriate expenses. All credits (deposits) and charges (payments) to ALC 97200010 for account 97X5472 made through the IPAC system must be reported by DFAS-IN on their FMS 224.

A. Deposits are made to the following special fund receipt accounts, as applicable:

1. 97X5472.001 – Non-DoD Employing Agency Contributions, DoD Medicare-Eligible Retiree Health Care Fund. Payments from participating uniformed services for accrual of future health benefits.

2. 97X5472.002 – Earnings on Investments, DoD Medicare-Eligible Retiree Health Care Fund. Payment of interest by Treasury on Fund investments in U.S. public debt securities.

3. 97X5472.003 – Federal Contributions, DoD Medicare-Eligible Retiree Health Care Fund. Payments from the permanent indefinite appropriation for the unfunded liability – 97_0850.

4. 97X5472.004 – Refunds Received, DoD Medicare-Eligible Health Care Fund. Refund of amounts previously transferred from the Fund, which are determined to be not necessary for the purposes transferred.

B. The following accounts are used exclusively for investment transactions in U.S. securities, as applicable:

1. (62) 97X5472 – Disbursements. Unamortized Premium and Discount. Purchase of premium, discount (CR) and interest.

2. (72) 97X5472 – Receipts. Unamortized Premium and Discount. Write-off and amortization of premium and discount and collection of interest purchased.

3. (88) 97X5472 – Investment in U.S. Securities (par). The par value of purchases of U.S. securities.

4. (98) 97X5472 – Redemption of U.S. Securities (par). The par value of redemptions prior to maturity and the par value of matured U.S. securities.

C. The symbol 97X5472 is the special fund expenditure account. Amounts deposited to the MERHCF receipt accounts are available immediately to the special fund expenditure account for investment, payment of benefits and administrative costs. Transfers from 97X5472 must be reported as expenditures. Transfers received by the appropriate program accounts must be reported as offsetting collections and as expenditures when expenses are paid.

160409. MERHCF Reporting Requirements.

A. The MERHCF financial statements must recognize a liability for the present value of future Medicare-Eligible Retiree Health Care benefits for eligible participants.

B. For the year in which the liability for the present value of accrued benefits is first recorded, the initial amount of the liability must be reported as an accounting change (i.e., a change to equity and an accrued liability). Thereafter, changes in the liability each year must be charged to expense.

C. Permanent Indefinite Appropriation 97 0850 – Payment to Department of Defense Medicare-Eligible Retiree Health Care Fund. The DFAS-IN is responsible for preparing the reports for this account in accordance with Volume 6A of this Regulation.

D. Report on Budget Execution, SF 133. The DFAS-IN must submit a monthly SF 133 that includes all MERHCF receipt and expenditure accounts.

E. Financial Statements. The DFAS-IN must prepare all MERHCF financial statements as required by the Chief Financial Officers Act of 1990, expanded by the Government Management Reform Act of 1994 and other relevant legislation, in accordance with the requirements of OMB Circular A-136.

F. Status of Funds. The DFAS-IN must prepare a Status of Funds and forward it to the Deputy Comptroller, Program/Budget, OUSD(C), on the fifteenth workday of the following month. The DFAS-IN must report actual data for current fiscal year through the previous fiscal month.