

**CHAPTER 18****MILITARY TEMPORARY EARLY RETIREMENT AUTHORITY PROGRAM**1801 OVERVIEW

180101. Purpose. This chapter provides procedures for funding, accounting for, disbursing, and reporting retirement payments for those members chosen for early retirement under the provisions of section 4403, Public Law 102-484, National Defense Authorization Act for FY 1993.

180102. General. Public Law 102-484, National Defense Authorization Act for FY 1993, provided the Secretary of Defense a temporary additional force management tool with which to effect the drawdown of military forces. Subsection 4403(f) of the Act directs the use of a subaccount within the budget activities in the Active, Reserve and Guard Military Personnel Appropriations for retirement payments to members participating in the Temporary Early Retirement Authority (TERA) Program. The use of the TERA Program was extended through the end of FY 1999 by the National Defense Authorization Act for 1994, Public Law 103-160.

1802 POLICY AND PROCEDURES

180201. 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 1993, to active service military members who retire up to 5 years before the completion of a 20-year period of service.

180202. When a military member retires early under authority of section 4403, an amount that is sufficient to cover the retired pay (with appropriate reductions if the Survivor Benefit Plan is elected) and cost of living adjustments (COLAs) until the member would have reached 20 years of service shall be obligated in the subaccount established in the applicable Active, Reserve or National Guard Military Personnel Appropriation. After that time, the member's retirement pay shall be funded from the Department of Defense Military Retirement Fund (97X8097). The funds included in the subaccount shall be provided in the fiscal year in which the applicable member retires. For example, assume that a TERA retiree's monthly gross retirement pay is \$1000 with an Survivor Benefit Plan (SBP) amount of \$100. Based on the computation referenced above, the amount to be obligated would be \$900 for each month plus cost of living adjustments (COLA) until the member would reach 20 years.

180203. Deductions from retired pay of TERA retirees who elect SBP are treated no differently than similar deductions in the case of retirees who retire after 20 years or more of service. There is no provision in the law for transferring amounts into the DoD Military Retirement Trust Fund equaling such reductions.

180204. There is no provision in the law that would require contributions to the Department of Defense Military Retirement Trust fund to be calculated any differently as a result of TERA. If the Board of Actuaries determines that an unfunded liability exists as a result of a change in member benefits, it would establish a proper amortization schedule pursuant to 10 U.S.C. Section 1465(c)(2), and payments into the fund would be adjusted accordingly (10 U.S.C. Section 1466 (b)(2)(B)).

180205. The required subaccounts, within the Active, Reserve and National Guard Military Personnel Appropriations, will be established for each Military Department, for each fiscal year. Amounts included in this subaccount shall be for those members that were chosen for early retirement under the provisions of section 4403. Such amounts shall be sufficient, and made available, to pay the retired members for their entire "initial period" of entitlement up to the time that responsibility for their retired pay payments is funded by the Department of Defense Military Retirement Fund (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.

180206. The Secretary of each Military Department shall provide funding for a member's initial period from amounts included in the subaccounts. The amounts included in the subaccounts shall remain available for payment in accordance with section 4403(f) of Public Law 102-484 and Title 31, United States Code, section 1553(a).

### 1803 RESPONSIBILITIES

180301. Secretary of each Military Department. The Secretary of each Military Department, or designee, shall:

A. In conjunction with the Office of the Deputy Comptroller (Program/Budget) (ODC(P/B)), OUSD(C), establish a subaccount entitled "Temporary Early Retirement Pay" within (1) the Pay and Allowances of Officers or Pay and Allowances of Enlisted budget activity, as applicable, for the Active Personnel Appropriations, and (2) Other Training and Support budget activities for the Reserve and National Guard Personnel Appropriations.

B. In conjunction with the ODC(P/B), establish separate subaccounts in the Active, Reserve and National Guard Personnel Appropriations for FY 1993, FY 1994, FY 1995, and October 1, 1995 (one day of FY 1996).

C. Provide for funding in the Active, Reserve and National Guard Personnel Appropriations to pay members who were approved for "early retirement" under the provisions of section 4403, Public Law 102-484.

D. As appropriate, identify to the ODC(P/B), the number of military personnel entitled under the TERA Program.

E. Identify, in budget submissions to the ODC(P/B), the number of military personnel and the appropriate funding source to pay retired personnel selected for early retirement.

F. In conjunction with the ODC(P/B), prepare appropriate funding guidance, as needed, to operate the TERA Program.

180302. Under Secretary of Defense (Personnel and Readiness) (USD(P&R)). The Under Secretary of Defense (Personnel and Readiness) shall provide, as a minimum, annual reports to ODC(P/B) Operations Directorate identifying the number of military members scheduled to retire in the forthcoming fiscal year under provisions of the TERA Program. The first report shall be provided in sufficient time to ensure that funding is available to establish the subaccount during the last quarter of FY 1993.

180303. Office of the Deputy Comptroller (Program/Budget). The ODC (P/B) 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.

180304. Defense Finance and Accounting Service. The Defense Finance and Accounting Service (DFAS) shall:

A. In conjunction with the Military Departments, ensure that obligations are established in the accounting systems when funds for the "early retirees" are transferred to the appropriate subaccounts.

B. Establish appropriate controls within the accounting systems to perform normal accounting and reporting functions for the TERA Program.

C. Ensure that the subaccount(s) and the appropriate line(s) of accounting for each Military Department are provided to the appropriate DFAS Center.

D. Ensure that fiduciary, fund status and financial management reports are prepared to coincide with reporting for the Active, Reserve and National Guard Personnel Appropriations.

E. Modify military pay systems to compute pay, benefits and withholdings for the TERA Program participants.

F. Establish methods to distinguish personnel participating in the TERA Program from regular active military members. Such action is necessary so that the monthly pay entitlements for the TERA Program participants are transferred from the appropriate Active, Reserve or National Personnel Appropriation to the Department of Defense Military Retirement Fund (97X8097) at the appropriate time.

G. Establish procedures to assist early retirees with actions affecting their pay accounts.