



# DEFENSE FINANCE AND ACCOUNTING SERVICE

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DFAS-HQ/F

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- CLEVELAND CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- DENVER CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- INDIANAPOLIS CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- KANSAS CITY CENTER

SUBJECT: Update to the Department of Defense Financial  
Management Regulation (DoDFMR), Volume 7, Part B,  
Miscellaneous Changes to Part One (DFAS Item D-34)

This is interim change R1-95 to the DoDFMR, Vol 7B. The effective date of this change is as indicated on the revised paragraphs.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7B. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to initiate a procedural modification to facilitate this change.

We have determined that this policy change does not require a change to the current pay system. Centers are advised to make DFAS-Headquarters (FM) an information addressee on implementing field procedures. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR.

Our point of contact, Mr. Roger Castillo, may be reached at DSN 332-5275 or Commercial (703) 602-5275. Our FAX number is DSN 332-5271 or Commercial (703) 602-5271.

Michael E. Wilson  
Deputy Director for Finance

Attachment:  
As stated

cc: ASD (FMP)  
DGC (F)  
DFAS-DE/DG  
Service Liaisons  
USCG/NOAA/PHS Liaisons  
DRAS-PM

**DFAS Item # D-34  
Interim Change 1-95**

**1. Change paragraph 10101a. to read:**

"a. A computation creditable service may be required at any time during a member's military career for the purpose of retirement. A warrant officer or an enlisted member may be voluntarily retired after completion of 20 years of creditable service. An enlisted member of the Army and Air Force who retires upon completion of 20 years of creditable service then becomes a member of the Reserve force. A commissioned officer may be voluntarily retired after completion of 20 years of active service, at least 10 years of which is active commissioned service. (During the period 1 Oct 1990 through 30 Sep 1999, the Secretary concerned may reduce the 20 years' creditable service requirement to 15 years and the active commissioned service requirement for officers from 10 years to 8 years). Members who continue on active duty after completion of 20 years' service may be retired for voluntary or involuntary reasons. Members who incur a disability while serving on active duty or while called to active duty for training for 30 days or less in the military services may be retired, at which time a service computation is required."

**2. Change paragraph 10108b to read:**

"b. A member of the armed forces or National Guard is entitled to retired pay computed under rule 14, table 1-3-1, for non-regular service upon application if he or she:

- (1) Is at least 60 years of age;
- (2) Has performed at least 20 years' service (see paragraph 10108e below) as shown in paragraph 10108a or b;
- (3) ... (as is) ...
- (4) ... (as is) ..."

**3. Add a new subparagraph 10108e to read:**

"e. A temporary special retirement qualification authority, 10 U.S.C. 1331a, provides for the Secretary concerned to allow certain members with at least 15 years' creditable service to retire during the period 1 Oct 1991 - 30 Sep 1999."

4. Change paragraph 10141b to read:

"b. A commissioned officer who voluntarily retires after 14 Sep 1981 in a grade above major or lieutenant commander and below lieutenant general or vice admiral must have served on active duty in that grade for not less than 3 years. (During the period 1 Oct 1990 through 30 Sep 1999, the 3-year requirement may be reduced to 2 years). The President may waive this requirement in cases of extreme hardship or exceptional or unusual circumstances."

5. Change table 1-1-1, notes 1, 2, and 3 by adding the following sentence to the end of each note:

"1. Paragraph 10102 (10 U.S.C. 3683, 3925, 8683, and 8925). Under Temporary Early Retirement Authority, the Secretary concerned may reduce the 20 years' creditable service requirement to 15 years' creditable service.

2. Paragraph 10103 (10 U.S.C. 3926, 6321, 6323, and 8926). Under Temporary Early Retirement Authority, the Secretary concerned may reduce the 20 years' creditable service requirement to 15 years' creditable service.

3. Paragraph 10104 (Career Compensation Act of 1949, section 511; 10 U.S.C. 6321, and 6322). Under Temporary Early Retirement Authority, the Secretary concerned may reduce the 20 years' creditable service requirement to 15 years' creditable service.

6. Change table 1-1-4, note 2 to read:

"2. Paragraph 10108 (10 U.S.C. 1332). Under Temporary Early Retirement Authority, the Secretary concerned may reduce the 20 years' satisfactory service requirement to 15 years' creditable service for retirement under 10 U.S.C. 1331a."

7. Change paragraph 10302 to read:

"10302. Voluntary (Table 1-3-1, Rules 3 through 9)

Members voluntarily retired receive the basic pay of the grade authorized, multiplied by two and one-half percent times the years of service credited for percentage purposes. Members who first enter a uniformed service after 7 Sep 1980, receive the retired pay base, computed under 10 U.S.C. 1407, multiplied by two and one-half percent times the years of service credited for percentage purposes. See paragraph 10308 for retired pay computation and recomputation for members retired under the Temporary Early Retirement Authority.

- a. ... (as is) ...
- b. ... (as is) ...
- c. ... (as is) ..."

**8. Add paragraph 10308 to read:****"10308. Temporary Early Retirement Authority (TERA)**

**a. Initial Computation of Retired Pay.** The initial retired pay entitlement for members of the Army, Navy, Marine Corps, and Air Force retired under the provisions of the Temporary Early Retirement Authority (TERA) of Section 4403, Public Law 102-484, 23 Oct 1992, will be computed as prescribed below. The amount of retired pay otherwise prescribed under the applicable section of title 10, United States Code (section 3991(a), 6333(a), 8991(a), or 1401) will be multiplied by the applicable reduction factor from table 1-3-5. The resulting reduced amount of retired pay, if not a multiple of \$1, will be rounded to the next lower multiple of \$1, according to provisions of the applicable section of title 10, United States Code (section 3991(b)(2), 6333(b)(1), 8991(b)(2), or 1412). Such rounded amount is the initial gross monthly retired pay entitlement.

**b. Reduction Factor.** The reduction factor applicable to the above computations is the amount listed in table 1-3-5 based on the number of full months by which the number of months of active service of the member are less than 240 as of the date of the member's retirement or transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

(1) Any portion of a month of active service in excess of a whole month is rounded up to the next whole month. For example, total active service of 15 years, 7 months, and 12 days is rounded to 15 years, 8 months. The reduction factor based on 15 years and 8 months is computed as:  $15 \times 12 + 8 = 188$  months, and the applicable reduction factor corresponds to the table 1-3-5 entry for 240 less 188, or 52 months. The applicable reduction factor is .95667.

(2) Note that in computing the retired pay, the 12 days in excess of 187 months of service are disregarded and the retired pay itself is based on 187 months.

**Example:** Member retired as E-7

$\$1967.10$  Basic pay  $\times 187/12 \times .025 \times .95667 =$

$\$30,653.975 \times .025 \times .95667 = \$766.3494 \times .95667 = \$733.14$

Since this is not a multiple of \$1, round down to \$733

**c. Recomputation of Retired Pay at Age 62.**

(1) A member retired under the Temporary Early Retirement Authority (TERA) provisions of section 4403, Public Law 102-484, 23 Oct 1992, will be able to recompute retired pay entitlement if such member is credited with any employment under the provisions of section 4464 of Public Law 102-484. Such employment will be credited according to procedures prescribed in separate instructions. DFAS will be notified by the Defense Manpower Data Center (DMDC) of the total number of years, months, and days of employment credited. On the first day of the first month beginning after the date member reaches age 62, such member's retired pay is recomputed. Member's retired pay will be computed as in paragraph 10308a; however, the new total years of service will be obtained by adding the years, months, and days of service used in the original retired pay computations to the years, months, and days associated with the certified periods of full-time employment credited under the provisions of section 4464, Public Law 102-484. Add the credit for these employment periods to the previously credited service as though they were periods of active duty. After obtaining the new total amount of service, the recomputation of retired pay is made using each full month of the new total years of service credited as 1/12 of a year and any remaining fractional part of a month is disregarded. In no case will the number of months applicable to these procedures exceed 240. Thus, the maximum retired pay under the recomputation may not exceed 50 percent of the applicable rate of basic pay.

Active service (Initial retirement)	187 months, 12 days
Public/Community service	<u>32 months, 20 days</u>
TOTAL SERVICE	219 months, 32 days =
	220 months, 2 days

(2) Member's retired pay will be recomputed as though the initial retired pay had been computed on the basis of the new total service credit, but the increased amount is payable only for months after the month in which member reaches age 62. All retired pay percentage increases (for example, cost-of-living adjustment) granted to such member will be included in the recomputation with annual rounding and recomputation made as if the extra service credit had been included in the original computation. The additional service credit may affect the amount of basic pay used in the retired pay computation, as it is treated as years of active duty service in the armed forces for purposes of recomputation. The additional credit could also reduce the impact of the reduction factor for months short of 20 years of service.

**Example:** Member retired as E-7 (See Example below). The recomputed retired pay is based on the E-7 rate with over 18 years of service from the active duty basic pay tables that were in effect at the time of such member's retirement. The reduction factor is based on 240-221 = 19 months, or .98417, so the initial retired pay as recomputed is:

$$\$2079.00 \times (220/12) \times .025 \times .98417 =$$

$$\$38,115.00 \times .025 \times .98417 = \$952.875 \times .98417 = \$937.79$$

Since this is not a multiple of \$1, round down to \$937.00

This amount would be adjusted by applying each annual cost-of-living adjustment given such member since retirement, rounding down after each adjustment as required.

9. Change paragraph 10340 to read:

10340. Rate of Basic Pay for Certain Members With Over 24 Years of Service.

Members in pay grade E-7, E-8, E-9, W-4, W-5, or O-6 who have over 24, but less than 26, years of service are entitled to a special rate of pay effective 1 Jan 1993."

10. Add a new table 1-3-5. Reduction Factors Applicable to Temporary Early Retirement Authority. at Tab A.11. Change paragraph 20403r to read:

"r. A longevity step for "over 24" years, but less than 26, was added for pay grades E-7, E-8, E-9, W-4, W-5, and O-6. This step of active duty basic pay rates is effective 1 Jan 1993."

12. Revise the bibliography as follows:

<u>Paragraph</u>	<u>Citation</u>
10101	Public Law 103-160, 30 Nov 1993, Sec. 561
10108e	Public Law 103-160, 30 Nov 1993, Sec. 561
10141b	Public Law 103-160, 30 Nov 1993, Sec. 561
Table 1-1-1, Notes 1, 2, 3	Public Law 102-484, 23 Oct 1992, Sec. 4403 Public Law 103-160, 30 Nov 1993, Sec. 561
10308	ASD/FM&P (MM&PP) Memorandum, 22 Apr 1993
... 10340	Public Law 103-160; 30 Nov 1993, Sec. 602
Table 1-3-5	ASD/FM&P (MM&PP) Memorandum, 22 Apr 1993

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Table 1-3-5		Reduction Factors Applicable to Temporary Early Retirement Authority			
Months Less Than 240	Reduction Factor	Months Less Than 240	Reduction Factor	Months Less Than 240	Reduction Factor
1	.99917	2	.99833	3	.99750
4	.99667	5	.99583	6	.99500
7	.99417	8	.99333	9	.99250
10	.99167	11	.99083	12	.99000
13	.98917	14	.98833	15	.98750
16	.98667	17	.98583	18	.98500
19	.98417	20	.98333	21	.98250
22	.98167	23	.98083	24	.98000
25	.97917	26	.97833	27	.97750
28	.97667	29	.97583	30	.97500
31	.97417	32	.97333	33	.97250
34	.97167	35	.97083	36	.97000
37	.96917	38	.96833	39	.96750
40	.96667	41	.96583	42	.96500
43	.96417	44	.96333	45	.96250
46	.96167	47	.96083	48	.96000
49	.95917	50	.95833	51	.95750
52	.95667	53	.95583	54	.95500
55	.95417	56	.95333	57	.95250
58	.95167	59	.95083	60	.95000

Tab A