



DEFENSE FINANCE AND ACCOUNTING SERVICE  
ARLINGTON  
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MAY 26 2005

DFAS-DOP

MEMORANDUM FOR DIRECTOR, CONTINUING GOVERNMENT ACTIVITY, DEFENSE  
FINANCE AND ACCOUNTING SERVICE (DFAS-PDO/CL)

SUBJECT: Interim Change to the Department of Defense Financial Management Regulation (DoDFMR), Volume 7B, Regarding the Computation of High-36 Months Average for Reserve Component Members Retiring for Disability or Dying While on Active Duty (Item #N-49)

The attached is Interim Change **R05-05** to update the DoDFMR, Volume 7B. Public Law 108-375, Section 641, October 28, 2004, allows for the computation of the high-36 months average under Section 1407(d)(2) of Title 10, United States Code (U.S.C.), and for an adjustment of annuities under Chapter 73, of Title 10, U.S.C. as if a Reserve Component member had been entitled to basic pay for the 36 months preceding retirement, although they may not have served 36 months on active duty. This change includes members whose date of initial entry into military service (DIEMS) is on or after September 8, 1980, and who, while serving on active duty, become entitled to disability retired pay under Sections 1201 and 1202 of Title 10, U.S.C., with an effective date on or after October 28, 2004. In addition, this change applies to members who die on or after September 10, 2001, while serving on active duty for the purpose of computing Survivor Benefit Plan annuities under Chapter 73 of Title 10, U.S.C.

We have evaluated your comments on the proposed change and included the comments where appropriate. Assignment of the interim change number is your authority to initiate procedural modification to implement this change. Use the attached to initiate the formal change to the DoDFMR, Volume 7B.

Lydia Moschyn  
Director, Policy and  
Requirements Management

Attachments:  
As stated

cc:  
DFAS-GA/CL  
DUSD (MMP)(Comp)  
ODGC (F)  
OUSD (C)(ODCFO)(FP)  
Services Liaisons  
USCG/NOAA/PHS Liaisons

**1. Add paragraph 030101.C.2.e. to read:**

e. Title 10, U.S.C., sections 1201 and 1202 retirement for reserve component members. Effective October 28, 2004, the retired pay base for reserve members who, while serving on active duty, become entitled to disability retired pay under Sections 1201 and 1202 of Title 10, U.S.C., is computed under Section 1407(c)(3) of Title 10, U.S.C., as if the member had been entitled to basic pay for the 36 months preceding retirement or the entire period the member was a member of a uniformed service (if less than 36 months), regardless of whether the member served the entire period on active duty. For reserve component members with 36 months or more of service, the retired pay base is computed as prescribed in paragraph 030101.C.2.c. above. For reserve component members with less than 36 months of active service, the retired pay base is computed as prescribed in paragraph 030101.3.2.d above. Also, see paragraph 520401 for active duty death SBP annuity computation.

**2. Revise subparagraph 520401 to read:**

520401. Qualified Death in the Line of Duty. The SBP base amount is equal to the retired pay as if the member retired with total (100 percent) disability or 75 percent of the appropriate retired pay base as prescribed in 10 U.S.C., Section 1201. However, for members who elected to receive the Career Status Bonus (see DoDFMR, Volume 7A, Section 6601) the SBP base amount will be computed using the REDUX method with the reduced COLA as prescribed in 10 U.S.C., 1401a(b)(3). The annuity is normally computed at 55 percent reduced to 35 percent of the SBP base amount when the annuitant is age 62 or older. For members of the Reserve Components who die while serving on active duty on or after September 11, 2001, the retired pay base will be computed under Section 1407(c)(3) of Title 10, U.S.C. as if the member had been entitled to basic pay for the 36 months preceding retirement or the entire period the member was a member of a uniformed service (if less than 36 months), regardless of whether the member served the entire period on active duty. No recomputed annuity benefits may be paid as a result of this computation for any period of entitlement that begins before November 1, 2004.

**3. Add to Bibliography:**

<u>Paragraph</u>	<u>Citation</u>
030101.C.2.e	Public Law 108-375, Section 641, October 28, 2004 DUSD Memorandum of December 23, 2004
520401	Public Law 108-375, Section 641, October 28, 2004 DUSD Memorandum of December 23, 2004



PERSONNEL AND  
READINESS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-4000

DEC 23 2004

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (M&RA)  
ASSISTANT SECRETARY OF THE NAVY (M&RA)  
ASSISTANT SECRETARY OF THE AIR FORCE (MR)  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
SERVICE

SUBJECT: Implementing Guidance—Computation of Retired Pay

The attached implementing guidance provides procedural changes to the computation of the high-36 retired pay base for certain benefits as enacted by section 641 of the National Defense Authorization Act for Fiscal Year 2005, Public Law 108-375, October 28, 2004. This guidance provides rules to compute the high-36 month average for the disability retirement of a reserve component member under sections 1201 and 1202 of title 10, United States Code. In addition, section 641 provides for the recomputation of a Survivor Benefits Plan annuity being paid on behalf of a reserve component member who died on active duty on or after September 10, 2001.

This guidance requires immediate action.

Charles S. Abell  
Principal Deputy

Attachment:  
As stated

cc: Commandant (G-HR), U.S. Coast Guard  
Director, Division of Commissioned Personnel, U.S. Public Health Service  
Director, National Oceanic and Atmospheric Administration Corps



**Implementing Guidance—Section 641, P.L. 108-375, October 28, 2004**  
**Computation of High-36 Month Average for Reserve Component Members Retired**  
**for Disability while on Active Duty or Dying while on Active Duty**

**General**

Section 641 of the National Defense Authorization Act for Fiscal Year 2005, Public Law 108-375, October 28, 2004, changes the computation of the high-three year average for determining the retired pay base under section 1407, title 10, United States Code, for certain Reserve Component members as described in the applicability section below.

Section 641 allows for the computation of the high-three average under section 1407(d)(2) of title 10, United States Code, and for an adjustment of annuities under chapter 73 of title 10, United States Code, as if the member had been entitled to basic pay for the 36-months preceding their retirement, regardless of whether the member served the entire period on active duty. Generally, but not always, this will be the 36 months immediately preceding the member's retirement. The retired base pay for a Reserve Component member with less than 36 months of service at the time of retirement is computed under section 1407(d)(3) of title 10, United States Code as if the member had been entitled to basic pay for all the months of the member's service preceding retirement, regardless of whether the member serve the entire period on active duty. Such computation applies to SBP/SSBP annuities payable to survivors of applicable members.

**Applicability**

This guidance is applicable to Reserve Component members with a DIEMS on or after September 8, 1980, who:

- (a) while serving on active duty, become entitled to disability retired pay under sections 1201 and 1202 of title 10, United States Code, with an effective date on or after October 28, 2004; or
- (b) die while serving on active duty on or after September 10, 2001, for purposes of determining SBP/SSBP annuities under chapter 73 of title 10, United States Code.

**Computation of Retired Pay Base**

- (a) Effective October 28, 2004, the retired pay base computed under section 1407 of title 10, United States Code, for an applicable Reserve Component under sections 1201 and 1202 of title 10, United States Code, shall be computed or recomputed as necessary, in the manner prescribed under paragraphs (2) and (3) of section 1407(d) of title 10, United States, as applicable.
- (b) the retired pay base computed for Reserve Component members, as described above in this guidance under (a), above, who dies while serving on active duty on or after September

10, 2001, shall be computed in the same manner prescribed in paragraphs (2) and (3) of section 1407(d) of title 10, United States Code, for purposes of determining SBP/SSBP annuities under chapter 73 of title 10, United States Code. While annuity amounts are to be recomputed for benefits payable for periods of entitlement that began November 1, 2004 or later, no recomputed annuity benefits may be paid as the result of section 641 for any period before that date.

(c) Any reduction in an annuity required for receipt of Dependency and Indemnity Compensation under chapter 73 of titled 10, United States Code, remains applicable.

## **Responsibilities**

### Defense Finance and Accounting Service:

- (a) Identify members or annuitants who are affected by this guidance.
- (b) Recompute the disability retired pay or annuity, as applicable, and make adjustments to the member or annuitant accounts.
- (c) Provide for each Reserve component a list of annuities, as described above in this guidance under (b), Computation of Retired Pay Base.

### Services:

Assist DFAS as necessary to identify member or annuitant accounts that are affected by this guidance.