



# DEFENSE FINANCE AND ACCOUNTING SERVICE

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SEP 1, 1996

DFAS-HQ/F

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

SUBJECT: Department of Defense Financial Management Regulation  
(DoDFMR), Volume 7, Part B, Proposed Change on Table  
2-1-5 and Table 2-1-8 (DFAS Item Number F-21)

This is an Interim Change Number R10-96 to the DoDFMR,  
Volume 7B. This change is effective immediately.

We have evaluated your comments on the draft change to the  
DoDFMR, Volume 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 change does not require a  
change to the current pay system. For the Denver Center, use the  
attached to initiate the formal printed change to the DoDFMR.

Our point of contact, Mr. Fiti Malufau, may be contacted at  
DSN 327-5061 or Commercial (703) 607-5061. Our Fax number is  
DSN 332-5271 or Commercial (703) 602-5271.

Roger W. Searce  
Brigadier General, USA  
Deputy Director for Finance

Attachment:  
As stated

cc: OASD (MMP) COMP  
ODGC (F)  
DFAS-DE/DG

DFAS-IN  
DFAS-KC/FSP  
Service Liaisons  
USCG/NOAA PHS Liaisons

1. Change Table 2-1-5, FORMULA FOR COMPUTATION OF REDUCTION (ACT OF 1964) to read:

TABLE 2-1-5  
FORMULA FOR COMPUTATION OF REDUCTION (ACT OF 1964)

A	B	C	D	E	F
Multiply	multiply	subtract	subtract	divide	divide
monthly gross retired pay by 12 months (Note 1)	monthly VA compensation by 12 months (Note 2)	results of column B from results of column A	the yearly rate Act of 1964 column C, Table 2-1-4, from column C (or column A if no VA comp)(Note 3)	results of column D by 2	results of column E by 12. This is the monthly reduction Act of 1964
<b>EXAMPLES</b>					
1. 4,588.00 x12 <u>55,056.00</u>			55,056.00 -9,570.85 <u>45,485.15</u>	22,742.58 2/45,485.15	1,895.22 12 <u>22,742.58</u>
2. 4,588.00 x12 <u>55,056.00</u>	170.00 x12 <u>2,040.00</u>	55,056.00 2,040.00 <u>53,016.00</u>	53,016.00 -9,570.85 <u>43,445.15</u>	21,722.58 2 <u>43,445.15</u>	1,810.22 12 <u>21,722.58</u>
3. 4,588.00 x12 <u>55,056.00</u>	790.00 x12 <u>9,480.00</u>	55,056.00 -9,480.00 <u>45,576.00</u>	45,576.00 -9,570.85 <u>36,005.15</u>	18,002.58 2 <u>36,005.15</u>	1,500.22 12 <u>18,002.58</u>

NOTES:

- Legend: Gross Pay 4,588.00  
SBP 171.43  
VA Compensation 170.00  
VA Compensation 790.00
- If member does not have VA Compensation, proceed to column D.
- Use the effective date table 2-1-4, column A, to determine applicable yearly rate for computation.

2. Change Table 2-1-8, FORMULA FOR COMPUTATION OF REDUCTION (ACT OF 1978) to read:

**TABLE 2-1-8  
FORMULA FOR COMPUTATION OF REDUCTION (ACT OF 1978)**

A	B	C	D	E	F	G	H	I
From	subtract	multiply	subtract (Note 1)	divide	add	add	subtract	divide
monthly gross retired pay	monthly VA compensation	result of column B by 12 months	annual exempt amount 1964 Act	result by 2	annual exempt amount	annual civilian salary to result from column F (Note 2)	Executive level V salary from result of column G	result from column H by 12 (Note 3)

Example:

A \$ 4,588.00 Monthly gross retired pay  
 B - 170.00 VA compensation  
 \$ 4,418.00 Reduced retired pay  
 C x 12 Months  
 \$ 53,016.00 Annual retired pay  
 D - 9,570.85 Annual exempt amount  
 E 43,445.15 Remainder of retired pay  
 ÷ 2  
 \$ 21,722.58  
 F + 9,570.85 Exempt amount  
 \$ 31,293.43 Annual retired pay reduced by 1964 Act  
 G + 83,512.09 Annual civilian salary (Note 2)  
 \$114,805.52  
 \$114,805.52 Annual combined salary  
 H -108,200.00 Level V of the Executive Schedule  
 I 6,605.52 Annual pay in excess of Level V  
 ÷ 12  
 \$ 550.46 Monthly reduction under Civil Service Reform Act of 1978 (Note 3)

To adjust within a pay period:

÷ 26 pay periods = \$1,203.60 biweekly  
 ÷ 26 pay periods = \$3,212.00 biweekly (Note 4)  
 ÷ 26 pay periods = \$4,415.60 biweekly  
 ÷ 26 pay periods = -4,161.54 biweekly  
 \$ 254.06 biweekly

**NOTES:**

- Delete steps in column D, E, and F for a Reservist or enlisted member not subject to the 1964 Act. Add result of column C to column G and proceed with column H.
- The civilian salary equals the annual rate provided on the Standard Form 50 divided by 2,087 hours and multiplied by 2,080 (the actual number of hours a member is entitled to civilian salary) and divided by 26 pay periods.
- If the result of column I in the example leaves an insufficient amount to cover the cost of the member's participation in any survivor benefit program, the pay cap deduction is recomputed with

survivor benefit program, the pay cap deduction is recomputed with the cost of that program collected from the result of column F.  
 4. To adjust LWOP, divide the biweekly civilian salary amount by 80 hours (or use the hourly rate as it appears on the employee's LES) and multiply the results by the number of LWOP hours taken within that biweekly period. The resultant adjustment in the retired pay reduction for the hours of LWOP (pay loss) cannot exceed the biweekly reduction under Civil Service Reform Act of 1978.