



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUN 19 1997

DFAS-HQ/FMM

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: Department of Defense Financial Management Regulation,
Volume 7, Part B (DoDFMR, Vol. 7B), Allotments of
Retired Pay (Item F-94)

This is Interim Change Number R14-97 to the DoDFMR, Vol 7B.
It is effective on October 1, 1997.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7 Part B, the policy and standard procedures for the administration of military retired pay allotments. The attached final version of the change includes your comments where appropriate. This change implements the Fiscal Year 1997 National Defense Authorization Act, P.L. 104-201, Section 651, entitled Discretionary Allotment of Pay, Including Retired or Retainer Pay.

For the Cleveland Center, this new policy will affect retired pay operations and systems. Of significance is the expanded service being offered to retirees, allowing them to establish, change and stop a new category of up to six discretionary allotments during retirement. As such, please submit a plan for implementation and details on the time and resource requirements for system changes needed to implement. In that plan include a sample interservice agreement that would support sharing allotment management functions with corporate entities.

For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Volume 7, Part B.

My action officer, Ms. Pat McGriff, may be contacted at
DSN 327-5062 or (703) 607-5062. Our FAX number is DSN 332-5271
or (703) 602-5271.

for Edward T. Hagan
Roger W. Soeance
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: DASD (MPP) (COMP)
DGC (F)
DFAS-HQ/DG
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PMO

ALLOTMENTS OF RETIRED PAY

1. Replace paragraph 40103 with the following:

"40103 Authorized Allotments

a. General. Voluntary allotments of retired pay or retainer pay for military retirees are limited to discretionary and non-discretionary allotments. Discretionary are identified as "class D" allotments.

b. Discretionary Allotments. Retirees are authorized no more than six (6) discretionary allotments. The retiree shall certify that the allotment is within the limits of the law (e.g., allotments may not be used to repay gambling debts in a state where gambling is not permitted.) Examples of discretionary allotments include, but are not restricted to, the following:

(1) Payment of insurance premiums for various types of commercial insurance. This includes payment for life, dental and health insurance. Also, it may be payment for vehicle insurance.

(2) Voluntary payment to a dependent or relative. This allotment may be made to a spouse, other dependents, or to a relative(s) not legally designated as a dependent(s). **Support allotments shall be made to a financial institution for credit to the account of the allottee.** An allottee could be a state agency, court trustee, welfare agency, former spouse or a child's guardian or custodian.

(3) Deposit to a financial institution, mutual fund company, or investment firm.

(4) Payment of car loan.

(5) Payment of mortgage or rent.

(6) Payment of a loan to repay consumer credit, e.g. Household Finance, Beneficial, etc.

c. Non-Discretionary Allotment. Non-Discretionary Allotments of retired and retainer pay are limited to the following:

(1) Purchase of U.S. Savings Bonds.

(2) Voluntary liquidation of indebtedness to the United States that includes:

- Indebtedness incurred due to defaulted notes insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).

- Any other indebtedness to any department or agency of the United States Government (except DoD debts).

- Repayment of U.S. Government debts assigned to a collection agency.

(3) Payment of delinquent Federal, state, or local income or employment taxes.

(4) Payment of pledges for one of these specified charities: Army Emergency Relief, Navy and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund. These payments are for a definite period.

(5) Repayment of loans to Navy and Marine Corps Relief Society (NMCRS), Army Emergency Relief (AER), Air Force Aid Society and American Red Cross.

d. Carry-over from Active Duty. To aid personnel in the transition from active duty to retired status, all existing authorized allotments of members on active military service may be continued as approved allotments. Authorized allotments include up to six (6) discretionary as outlined in DoDFMR 7A, and paragraph 40103.b.

e. Administrative Changes. Changes beyond the control of the retiree are considered administrative in nature. These are dictated by events incidental to the purpose of the allotment. Examples include changes to the name, address, account number, and financial institution of the allottee. Other examples include amount changes due to contractual obligation existing at the time the allotment was executed (mortgage payment changed

because of variable rate mortgage or change in escrow requirement). Other than amount changes, administrative changes may be made at the request of the allottee without the member's consent. Administrative changes that adjust the amount of the allotment shall be accepted only when communicated by the service member as a new allotment request.

f. Establishment, Discontinuance, and Changes to Existing Allotments. A letter or form signed by the member or an automated data exchange from National Service Life Insurance and Veterans Group Life Insurance establishes, discontinues, or changes an allotment. The letter must include: (1) member's name and social security number, (2) amount of the allotment and start and/or stop date as appropriate, and (3) allottee's full name and address. Also required are full name, title (Mr., Mrs., or Ms.), and social security number of first named person on savings bond. Normally, allotments are not established retroactively."

2. Revise paragraph 40105c to read: c. See paragraph 40103c(4)

3. Revise "Letter Designations" in the Administrative Stops Table. CHANGE ALL "I's, S's, and H's to D"

4. Replace Chapter 2 with the following:

CHAPTER 2

DISCRETIONARY ALLOTMENTS

40201. Restrictions on Discretionary Allotments

a. **General.** Retirees are authorized no more than six purely discretionary allotments. Discretionary allotments are considered as class D allotments and examples are indicated below.

b. **Payment.** Allotments should be sent by Electronic Fund Transfer (EFT).

40202. Allotments for Insurance Premiums.

a. **General.** Allotments are authorized for paying insurance premiums. Premium payments are combined when a retiree has more than one life insurance allotment within the same company. All payments to an insurer are made via EFT. The insurer is responsible for establishing an account for these payments.

b. **Effective Dates for Starting, Changing, and Stopping Allotments.** Tables 4-3-1, 4-3-2, and 4-3-3 prescribe effective dates on which Insurance allotments are started, changed, or stopped.

c. **Cash Deposit for Insurance.** If a retiree's retired pay account is in a non-pay status, that is, full waiver of pay, failure to report for periodic physical examination, 5 years on the Temporary Disability Retired List, etc., inform the member that he or she may request the Department of Veterans Affairs to pay VA insurance premiums by deduction from disability compensation benefits, or that the member may pay these premiums by sending remittances directly to:

Department of Veterans Affairs
P.O. Box 7787
Philadelphia, PA 19101

d. Eligible allottees.

- | | |
|-------------------------------|------------------------------|
| (1) USGLI/NSLI | (4) Dental & Health Insurers |
| (2) Navy Mutual Aid Insurance | (5) Vehicle Insurers |
| (3) Army Mutual Aid Insurance | (6) Commercial Insurers |

40203. Allotments to Dependents or Relatives.

a. General. A retiree may start new allotments or continue any allotments in effect while on active duty that were to a spouse, former spouse, other dependents, or to any individual, so long as such allotments do not exceed the total amount of retired pay. These allotments shall be made payable to an individual through a financial institution for credit to the account of the allottee. Retired member has the option of terminating these allotments upon request.

b. Prior Arrangements Necessary. The member or allottee must make satisfactory arrangements with the financial institution to accept EFT before starting the allotment.

40204. Deposit to Financial Institutions and Investment Firms.

a. General. Retirees may authorize allotments of pay to financial organizations for credit to the account of the member. Allotments may be deposited to:

1. A financial organization for credit to a savings, checking, or trust account of the allotter.
2. A mutual fund or other company or investment firm.

b. Method of Payment. EFT is required for all individual discretionary allotments sent to financial institutions participating in the federal reserve system. Also, EFT is required for all discretionary allotments to non-individuals. It is DoD's intention to work with recipients of all allotments, including courts receiving child support or alimony payments, insurance companies, mortgage companies, etc., to accept allotment payments by EFT when systems become available for 3rd party EFT.

40205. Allotments for Payment of Mortgage or Rent. Retirees may authorize allotments of pay for mortgage or rent payment to a financial institution, mortgage company, Realtor or to a landlord. See paragraph 40103.e. for restrictions that apply to this type of allotment.

40206. Other Allotments. Retirees may authorize an allotment for payment of auto or personal loans. However, the restrictions in section 40106 apply."

5. Replace Chapter 3 with the following:

CHAPTER 3

NON-DISCRETIONARY ALLOTMENTS

40301. United States Savings Bonds. Retired members may purchase United States Savings Bonds. Denominations of issue and pay deduction schedules will be established in the operating instruction of the Military Services. The purchase price of the bond is one-half of the face amount. Bond purchases in 1 calendar year may not exceed \$15,000 (purchase price). Bonds may be mailed to any authorized address.

40302. Voluntary Liquidation of Indebtedness. An allotment for repayment of an indebtedness to the United States is registered for a definite period required to liquidate the indebtedness. Retired members may make allotments to:

a. Repay defaulted notes insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

b. Pay delinquent Federal income taxes. A member may execute an agreement with the Internal Revenue Service (IRS) to pay delinquent taxes by monthly deductions from retired pay. Agreements are made by executing an IRS Form 2159.

c. Repay any other indebtedness to any department or agency of the United States Government.

d. Pay delinquent state, or local income or employment taxes.

40303. Charitable Contributions. Retirees are authorized to establish an allotment for making charity contributions to any of the Service Relief organizations. EFT is required for this

type of allotment. Individual organizations are responsible for identifying an account for payment issue. Charity allotments include:

- a. Army Emergency Relief Society
- b. Navy and Marine Corps Relief Society
- c. Air Force Assistance Fund"

6. Change service designation letters in Column B on Tables 4-1-1, 4-3-1, 4-3-2, and 4-3-3 to identify "Class D" as the authorized allotment Class for all D's, I's, S's, & H's.

7. Delete chapters 4 and 5.