



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
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(Program/Budget)

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF DEFENSE (MILITARY PERSONNEL POLICY)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DEPUTY ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT AND COMPTROLLER)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DEPUTY DIRECTOR, ADMINISTRATION AND MANAGEMENT
DEPUTY DIRECTOR FOR RESOURCE MANAGEMENT,
DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Extension of Accounting Policy Guidance for Implementing Temporary Early Retirement Authority (TERA) Procedures

Section 504, Public Law 112-81, National Defense Authorization Act for Fiscal Year (FY) 2012, reinstated temporary retirement authorities contained in section 4403, Public Law 102-484, of the National Defense Authorization Act for FY 1993, which authorizes the Military Departments to retire active service military members up to 5 years before completion of 20 years of service. Section 508, Public Law 114-328, of the National Defense Authorization Act for FY 2017 extended this authority until December 31, 2025. Subsection 4403(f) of Public Law 102-484, requires the establishment and use of a subaccount in the Active Military Personnel Appropriations to fund, and account for, TERA payments.

Attached is the updated accounting policy guidance extending the implementation of the provisions of section 504 of Public Law 112-81 to December 31, 2025. The Office of the Under Secretary of Defense (Personnel and Readiness), has provided procedural guidance for the administration of TERA in issuance of *Department of Defense Instruction 1332.46 TERA for Service Members*, December 21, 2018.

Anne J. McAndrew
DoD Deputy Comptroller (Program/Budget)

Attachment:
As stated

**Extension of Accounting Guidance for Implementing Temporary
Early Retirement Authorities Procedures**

- References:
- (a) Section 4403 of the National Defense Authorization Act for FY 1993 (P.L. 102-484)
 - (b) Section 504 of the National Defense Authorization Act for FY 2012 (P.L. 112-81)
 - (c) Section 508 of the National Defense Authorization Act for FY 2017 (P.L. 114-328)
 - (d) Section 1553(a) of Title 31 United States Code. "Availability of Appropriation Accounts to Pay Obligations"
 - (e) Volume 7, Part B, Chapter 3, DoD Financial Management Regulation, July 2018

A. PURPOSE

Public Law 102-484, National Defense Authorization Act for FY 1993, provided the Secretary of Defense with a temporary additional force management tool to assist with the drawdown of active military forces. Subsection 4403(f) of the Act directed the use of a subaccount within the officer and enlisted budget activities of the Active Military Personnel appropriation for retirement payments to members participating in the Temporary Early Retirement Authority (TERA) program. Public Law 112-81, National Defense Authorization Act for FY 2012 reinstated TERA through December 31, 2018. Public Law 114-328, of the National Defense Authorization Act for FY 2017 extended this authority until December 31, 2025. The purpose of this guidance is to extend the provided procedures for funding, accounting for, disbursing, and reporting retirement payments for those chosen for early retirement under the provisions of section 4403 through December 31, 2025.

B. APPLICABILITY

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 2012, to active service military members who retire up to 5 years before the completion of 20 years of service.

When an active duty military member retires early under the authority of section 4403, an amount that is sufficient to cover the retired pay until the member would have reached 20 years of service shall be obligated in the subaccount established in the Active Military Personnel appropriation. After the anniversary of the 20th year of service, the member's retirement pay shall be funded from the Department of Defense Military Retirement Fund (MRF) (97X8097). The funds included in the subaccount shall be obligated in the fiscal year in which the applicable member retires.

The required subaccount within the Active Military Personnel appropriation will be established for each Military Department for each fiscal year. Amounts included in this subaccount shall be for those members who were chosen for early retirement under the provisions

of section 4403. The amounts deposited in the subaccount will be determined using the tables developed by the DoD Office of the Actuary. The tables are available on the reports page on the Office of the Under Secretary of Defense (Comptroller) website, <http://comptroller.defense.gov/reports.html>. The purpose of the tables is to determine the amount necessary to deposit into the subaccount to fund early retirement payments for members. These amounts approximate the necessary funding based on the retirement year and the years of service. Such amounts shall be sufficient and made available to pay the retired members for the entire "initial period" of entitlement up to the time that responsibility for their retired pay is funded by the MRF (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. Additional guidance can be found in references (a) through (d).

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

C. RESPONSIBILITIES

1. The Secretary of each Military Department or designee, shall:
 - a. In conjunction with the Deputy Comptroller (Program/Budget) (P/B), in the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) establish a subaccount entitled "Temporary Early Retirement Pay" within the Pay and Allowances of Officer and Pay and Allowances of Enlisted budget activity, as applicable for the Active Military Personnel appropriations.
 - b. In conjunction with the Defense Finance and Accounting Service, ensure that obligations are established in the accounting systems when funds for the "early retirees" are transferred to the appropriate subaccounts.
 - c. Establish separate subaccounts in the Active Military Personnel appropriations for each FY from FY 2012 through **FY 2026**.
 - d. Provide funding based on the tables developed by the DoD Office of the Actuary in the Active Military Personnel appropriations to pay members who were approved for "early retirement" under the provisions of section 4403, Public Law 102-484.
 - e. As appropriate, identify to the Military Personnel & Construction Directorate (MPC) in OUSD(C), the number of military personnel entitled under the TERA program.
 - f. Identify, in budget submissions to the OUSD(C) - P/B, the number of military personnel and the appropriate funding source to pay retired personnel selected for early retirement.
 - g. In conjunction with the OUSD(C) - P/B, update appropriate funding guidance, as needed, to operate the TERA program.

2. Under Secretary of Defense (Comptroller) (USD(C)), 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.
 - c. Ensure the updated tables from the DoD Actuary are posted to the Office of the Under Secretary of Defense (Comptroller) website, as appropriate.
3. DoD Office of the Actuary (OACT), shall provide updated TERA tables, as appropriate to OUSD(C) - MPC.
4. Defense Finance and Accounting Service (DFAS), shall:
 - a. Update the DoD Financial Management Regulation 7000.14-R:
 - Volume 7B, Chapter 1, update authority citation to “Section 508 Public Law 114-328, NDAA for FY 2017, which extends TERA through 2025.
 - Volume 7B, Chapter 3, update TERA computation instructions to include modifications for members under the Blended Retirement System.
 - b. Maintain established controls within the accounting systems to perform typical accounting and reporting functions for the TERA programs.
 - c. Ensure that the subaccount(s) and the appropriate line(s) of accounting for each Military Department are properly established for each FY.
 - d. Maintain the fiduciary, fund status, and financial management controls prepared to coincide with reporting for the Active Military Personnel appropriations.
 - e. Maintain modifications to retiree pay systems that compute pay, benefits and withholdings for the TERA program participants.
 - f. Maintain established methods to distinguish personnel participating in the TERA program from regular military retiree members. Such action is necessary to ensure the monthly pay entitlements for the TERA program participants are transferred from the appropriate Active Military Personnel appropriation to the MRF (97X8097) at the appropriate time.
 - g. Maintain established procedures to assist early retirees with actions affecting their pay accounts.

D. EFFECTIVE DATE

For purposes of subsection 4403(f), the active force shaping period for funding purposes has been extend through December 31, 2025. However, accounting requirements will remain in effect in accordance with section 4403(f) of Public Law 102-484 and section 1553(a) of Title 31, United States Code.