

VOLUME 7A, CHAPTER 2: “REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS”

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue, and underlined font](#).

The previous version dated [May 2018](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.2 (020102)	Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.	Revision
References	Renamed “Bibliography” to “References” and updated statutes and supporting references.	Revision

Table of Contents

VOLUME 7A, CHAPTER 2: “REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS” 1

1.0 GENERAL (0201)..... 3

1.1 Purpose (020101) 3

*1.2 Authoritative Guidance (020102) 3

2.0 POLICY (0202) 3

2.1 Payment Disposition (020201)..... 3

2.2 Use of Separation Designator Codes (SPD) in Effecting the Repayment of Unearned Portion of Bonuses and Other Benefits (020202) 3

2.3 Definition (020203)..... 4

2.4 Bankruptcy (020204)..... 4

3.0 REPAYMENT AND NON-REPAYMENT CONDITIONS (0203)..... 4

3.1 Conditions Under Which Repayment Will Be Sought (020301)..... 4

3.2 Delegation of Authority (020302)..... 5

3.3 Conditions Under Which Repayment Will Not Be Sought (020303)..... 5

3.4 Conditions Under Review by the Secretary of the Military Department (020304) 6

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends 7

*REFERENCES 10

CHAPTER 2

REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS

1.0 GENERAL (0201)

1.1 Purpose (020101)

This chapter establishes policy pertaining to the repayment of unearned portions of bonuses and other benefits. A member, who enters into a written agreement with specified service conditions for receipt of a bonus, special or incentive pay, educational benefits, stipend, or similar payment (hereinafter referred to as “pay or benefit”) is entitled to the full amount of the pay or benefit if the member fulfills the required conditions. Failure to fulfill the conditions specified in the written agreement may result in termination of the agreement and the member may be required to repay the unearned portion of the pay or benefit. Such repayment will be pursued unless the member’s failure to fulfill the specified conditions is due to circumstances determined reasonably beyond the member’s control. Conditions under which repayment will not be sought are set forth in section 3.0.

*1.2 Authoritative Guidance (020102)

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 POLICY (0202)

2.1 Payment Disposition (020201)

The Secretary of the Military Department concerned may establish, by regulation, procedures for determining the amount of the repayment required. Service regulations will apply the rules in Table 2-1 for disposition of unearned portions of the pay or benefit.

2.2 Use of Separation Designator Codes (SPD) in Effecting the Repayment of Unearned Portion of Bonuses and Other Benefits (020202)

SPD codes are used to track and analyze the reasons that Service members separate from military service and to assist in the review, development, and monitoring of separation policies and programs. Additionally, SPD codes are used to ensure standardized pay actions are consistent with separation policies. While automated processes are critical, it is also important to recognize and allow Secretaries of the Military Departments to exercise their delegated authority to change pay actions on a case-by-case basis. Therefore, when the Secretary of a Military Department concerned wishes to exercise delegated authority to change a pay action for the designated SPD code assigned to the member’s Department of Defense (DD) Form 214, the Secretary concerned

submits the requested exception to policy (ETP) to the Director of Military Compensation in the Office of the Assistant Secretary of Defense (OASD) for Manpower and Reserve Affairs (M&RA) for approval. The approved ETP is submitted to the Defense Finance and Accounting Service (DFAS) for processing. It is important for the Military Departments to treat Service members similarly at separation, so this authority to change the designated pay action should be used sparingly.

2.3 Definition (020203)

The term “service,” as used in this chapter, refers to an obligation willingly undertaken by a member of the uniformed services in exchange for a pay or benefit offered by the Secretary of Defense or the Secretary of the Military Department concerned to do one or more of the following:

2.3.1. Remain on active duty;

2.3.2. Remain in an active status in a Reserve Component;

2.3.3. Perform duty in a specified skill, with or without a specified qualification or credential;

2.3.4. Perform duty at a specified location; or

2.3.5. Perform duty for a specified period of time.

2.4 Bankruptcy (020204)

An obligation to repay a pay or benefit to the United States is, for all purposes, a debt owed to the United States. A discharge in bankruptcy does not discharge a person from such debt if the discharge order is entered less than 5 years after:

2.4.1. The date of the termination of the agreement or contract on which the debt is based; or

2.4.2. The date of the termination of service on which the debt is based, in the absence of such agreement or contract.

3.0 REPAYMENT AND NON-REPAYMENT CONDITIONS (0203)

3.1 Conditions Under Which Repayment Will Be Sought (020301)

3.1.1. When the conditions of a written agreement are not fulfilled and repayment is determined appropriate, the member will be required to repay the United States the unearned portion of a pay or benefit. In cases other than death of a member, the Secretary of the Military Department concerned will advise DFAS of the disposition of any unearned portion of a pay or benefit.

3.1.2. Repayment will be sought, and any unpaid balances may not be paid to members who incur a disability because of their misconduct.

3.2 Delegation of Authority (020302)

The Secretary of the Military Department concerned may, through regulation, delegate the authority to make repayment determinations consistent with the criteria set forth in section 3.0, but not below the O-6 or equivalent level. If delegated, then the Military Departments will specify the level and the scope of the authorized delegation in implementing regulations.

3.3 Conditions Under Which Repayment Will Not Be Sought (020303)

As a general rule, repayment action may not be pursued in situations in which the member's inability to fulfill specified service conditions related to a pay or benefit is due to circumstances determined reasonably beyond the member's control. Payment of any unpaid portion of pay or benefit will be subject to the rules in Table 2-1, which in appropriate circumstances provide discretion to the Secretary of the Military Department concerned to pay unearned portions based on case-by-case determinations.

3.3.1. Repayment will not be sought, and any remaining unpaid portion of a pay or benefit due to a member under a written agreement that existed at the time of the member's death, which was not the result of the member's misconduct, is payable as a lump sum in the settlement of the decedent's final military pay entitlements.

3.3.2. Repayment will not be sought, and any remaining unpaid portion of a pay or benefit due to a member under a written agreement will be paid at the time of separation or retirement for a disability incurred in the line of duty in a combat zone designated by the President of the United States or the Secretary of Defense, or in a combat-related operation designated by the Secretary of Defense, and/or for a combat-related disability. In such case, any remaining unpaid portion of a pay or benefit due to a member will be paid to the member upon separation from service.

3.3.3. Subject to the enlistment authorities, and the relevant regulations of the Secretary of the Military Department concerned, a member who was paid a bonus or special pay for a period of enlistment in a Military Department, who is discharged for immediate reenlistment or appointment in a Military Department for which no bonus or special pay is paid, may be considered to have completed the full term of service specified in the former enlistment contract, provided the term of the latter reenlistment or appointment includes the remaining period of service from the former enlistment. The member's enlistment bonus or special pay entitlements will be addressed prior to discharge from a Military Department.

3.3.4. Repayment will not be sought, and the Secretary of the Military Department concerned will not pay any remaining unpaid portion of a pay or benefit under the following circumstances, unless otherwise authorized by the Secretary of the Military Department concerned under subparagraph 3.4.2.;

3.3.4.1. The member's employment in another military specialty or assignment rotation is directed;

3.3.4.2. The member's military specialty or assignment is phased out or eliminated;

3.3.4.3. The member's military specialty or assignment is otherwise affected by force structure or other mission essential requirements; or

3.3.4.4. The member is separated from service under a hardship separation or sole survivor discharge.

3.3.5. Pursuant to [Title 10, U.S.C. section 1171](#), enlisted members who are discharged within 12 months before the expiration of an enlistment, reenlistment, or extension of enlistment are considered to have completed the terms of the enlistment, reenlistment, or extension of enlistment for which the bonus was paid. Thus, recoupment is not required for the unearned portion of the pay or benefit arising from the early discharge. The Military Departments are responsible for determining whether a member's early discharge is made pursuant to 10 U.S.C. § 1171 and advising DFAS of the determination.

3.4 Conditions Under Review by the Secretary of the Military Department (020304)

3.4.1. In instances involving a member's separation for medical reasons, which were not the result of the member's misconduct, the Secretary of the Military Department concerned has the discretion to determine whether to require repayment of the unearned portion of pay or benefit, or to pay an unpaid balance of a pay or benefit.

3.4.2. Under circumstances not specifically mentioned in this chapter, the Secretary of the Military Department concerned has the discretion to, at some point in the process, render a case-by-case determination that the member's repayment of, or the Military Department's full payment of an unpaid portion of, a pay or benefit is appropriate based on the following:

3.4.2.1. Contrary to a personnel policy or management objective;

3.4.2.2. Against equity and good conscience; or

3.4.2.3. Contrary to the best interest of the United States.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends

R U L E	If a member under a written agreement for a pay or benefit	and	then repayment of the unearned portion of the pay or benefit	and	any unpaid portion of the bonus, special pay, or student loan repayment under 10 U.S.C. or 37 U.S.C.
1	Dies, through no misconduct of the member		will not be sought		will be paid in the member's final pay.
2	Incurs an injury or illness, through no misconduct of the member, that precludes the member from fulfilling the service conditions specified in the written agreement	the member is separated or retired for disability under 10 U.S.C., Chapter 61	will not be sought	if such separation or retirement is for a disability incurred in the line of duty in a combat zone designated by the President of the United States or the Secretary of Defense, or in a combat-related operation designated by the Secretary of Defense, and/or involves a combat-related disability as defined in 10 U.S.C. § 1413a(e)	will be paid to the member upon separation.
3	Incurs an injury or illness, through no misconduct of the member, that precludes the member from fulfilling the service conditions specified in the written agreement	the member is separated, other than as described in Rule 2, for medical reasons as a result of an injury or illness	will not be sought, unless the Secretary of the Military Department concerned determines that repayment of the unearned portion is appropriate due to a personnel policy or management objective, equity or good conscience, or it is in the best interest of the United States		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
4	Incurs an injury or illness, through no misconduct of the member, that precludes the member from fulfilling the service conditions specified in the written agreement	the member continues in service in another capacity	will not be sought if the Secretary of the Military Department concerned determines that to recoup the unearned portion would be contrary to a personnel policy or management objective, equity or good conscience, or contrary to the best interest of the United States		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends (Continued)

R U L E	If a member under a written agreement for a pay or benefit	and	then repayment of the unearned portion of the pay or benefit	and	any unpaid portion of the bonus, special pay, or student loan repayment under 10 U.S.C. or 37 U.S.C.
5	Is an enlisted member paid a bonus or special pay and is discharged for immediate reenlistment or appointment in a Military Department for which no bonus or special pay is paid	the term of the latter reenlistment or appointment includes the remaining period of service from the former enlistment	will not be sought if the Secretary of the Military Department concerned determines that to recoup the unearned portion would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States		will not be paid unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E. <i>(In this case, the member may be considered to have completed the full term of service on the former enlistment contract.)</i>
6	Is directed by the Service concerned to transfer into another military specialty or assignment rotation		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
7	Is in a military occupational specialty or assignment that is phased out or eliminated, or otherwise affected by a force structure or other mission essential requirement		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
8	Is separated from service under a hardship separation or a sole survivor discharge		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends (Continued)

R U L E	If a member under a written agreement for a pay or benefit	and	then repayment of the unearned portion of the pay or benefit	and	any unpaid portion of the bonus, special pay, or student loan repayment under 10 U.S.C. or 37 U.S.C.
9	Does not fulfill the service conditions for the pay or benefit under any other circumstances		will be sought, unless the Secretary of the Military Department concerned, at some point in the process makes a case-by-case determination that to require repayment of an unearned portion of the pay or benefit would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States		will not be paid unless the Secretary of the Military Department concerned, at some point in the process, makes a case-by-case determination that to refrain from paying an unpaid portion of the pay, benefit, or student loan would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States.

REFERENCES*CHAPTER 2 – REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS**

1.0 – GENERAL (0201)

Office of the Under Secretary of Defense (OUSD)
Personnel and Readiness (P&R) Memo,
May 21, 2008

Under Secretary of Defense (USD) (P&R) Memo,
February 6, 2009

2.0 – POLICY (0202)

37 U.S.C. §§ 303a(e) and 373

OUSD (P&R) Memo, May 21, 2008

USD (P&R) Memo, February 6, 2009

2.2

DoD Instruction 1336.01, August 20, 2009,
Incorporating Change 3,
Effective January 23, 2019

2.3

OASD M&RA Memo, January 13, 2017

37 U.S.C. §§ 303a(e) and 373(c)

2.3 – REPAYMENT AND NON-REPAYMENT CONDITIONS (0203)

OUSD (P&R) Memo, May 21, 2008

USD (P&R) Memo, February 6, 2009

3.1.2.

10 U.S.C. § 1207

3.3.2.

10 U.S.C., Chapter 61

10 U.S.C. § 1413a(e)

3.3.5.

10 U.S.C. § 1171

3.4.1.

10 U.S.C., Chapter 61

Table 2-1

OUSD (P&R) Memo, May 21, 2008

USD (P&R) Memo, February 6, 2009

Rule 2

10 U.S.C., Chapter 61

10 U.S.C. § 1413a(e)