

PART FOUR
ALLOTMENTS OF RETIRED PAY

CHAPTER 1
GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY

40101. General

Under instructions issued by the secretary of Defense, personnel receiving retired pay may authorize allotments from their retired pay for the purposes set forth in this part. The voluntary allotment system assists retirees in payment of limited financial responsibilities. It is designed for their convenience and privilege and is not to be exploited or abused. Allotments are an assignment of retired pay by the member to a third party, financial institution, or agency. The retired pay activity acts solely as an agent of the member in the assignment of pay and assumes no liability concerning any contract between the member and the allottee. Allotments paid erroneously through administrative error must be recovered from the allottee, if possible, or may be collected from the member if such payment provided a benefit to the member.

40102. Specialized Terms

a. **Allotment.** A definite portion of the retired pay of a person retired from the military service which is authorized to be paid to a qualified allottee.

b. **Allottee.** The person, institution, or agency to whom the allotment is made payable.

c. **Allotter.** The person from whose retired pay the allotment is made.

d. **Financial Institution.** A bank, credit union, or savings and loan association.

40103. Authorized Allotments

a. **Voluntary allotments.** Allotments authorized for establishment from retired pay are limited to:

(1) Purchase of United States Savings Bonds.

(2) Payments of premiums for insurance on the life of the allotter. This includes United States Government Life Insurance, National Service Life Insurance, Veterans Group Life Insurance, Navy Mutual Aid Insurance, Army Mutual Aid Insurance, and commercial life insurance. Allotments for insurance on the life of an allotter's spouse or children are not authorized, except under a family group contract which

primarily provides insurance on the life of the allotter and as a subordinate feature includes insurance on the lives of the spouse or children.

(3) Voluntary Liquidation of Debts to the United States. This includes indebtedness incurred by defaulted notes guaranteed by the Federal Housing Administration or the Department of Veterans Affairs; delinquent Federal income taxes; or any other indebtedness to the United States Government, except indebtedness to one of the services or any other organization in the Department of Defense or indebtedness to non-appropriated funds, such as clubs and messes.

(4) Dependents. The allotment may be made to a spouse, former spouse, and/or children of the retired member having permanent residence other than that of the retired member. It may be made payable to a financial institution for credit to the account of the dependent.

(5) Charity. Allotments may be initiated for charitable contributions to the Army Emergency Relief, Navy and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund. These allotments may only be registered for a definite period of time.

(6) Loans. Allotments may be made for the repayment of loans to the Army Emergency Relief, Navy and Marine Corps Relief Society, or Air Force Aid Society.

(7) In addition to allotments authorized above, and to aid personnel in the transition from active duty to retired status, all existing authorized allotments of members on active military service except those for Combined Federal Campaign and Post-Vietnam Era Veterans' Educational Assistance Program may be continued as approved allotments. If any allotments are discontinued by order of the retiree, they may not be reestablished and only allotments authorized in (1), (2), (3), (4), (5), and (6) above may be established by the member. Establishment or change of allotment for voluntary liquidation of debts to the United States ((3) above) is controlled by the Military Department from which the member retired. Any change in the amount of an allotment or change in the name of an allottee constitutes a discontinuance of the allotment unless the change is beyond the control of the member. This pertains only to

existing allotments continued from active duty and not to those under (1), (2), (3), (4), (5), and (6) above. Changes beyond the control of the member are changes that are of an administrative nature dictated by events incidental to the purpose of the allotment. Examples of administrative changes by the payee or amount changes due to contractual obligation existing at the time the allotment was executed, such as mortgage payment changes because of a variable-rate mortgage or changing escrow requirements. Although the changes given above do not constitute a discontinuance, such administrative changes that adjust the amount to the allotment shall only be accepted when communicated by the member on a new allotment request. Discontinuance occurs with any mortgage refinancing action. A change in allotments made by an organizational allottee may be accepted when the change is properly documented, is of an administrative nature, and does not increase the amount allotted.

b. Limitations. The total allotments authorized at any one time (carried over from active duty or established from retired pay) are in accordance with procedural instructions of each of the Military Departments. Multiple allotments authorized for establishment from retired pay are limited to purpose code B, D, I, and T (multiple T-allotments are limited to Federal debts).

c. Establishment, Discontinuance, and Changes to Existing Allotments. A letter or form signed by the member or an automated data exchange for 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) allotter's full name and address. Also required are full name, title (Mr., Mrs., or Ms.), and social security number of first named person on bond. Normally, allotments are not established retroactively.

40104. Retired Pay Which May Be Allotted

The amount of retired pay which may be allotted can be administratively limited to exclude amounts required to be withheld:

- a. For tax purposes.
- b. For liquidation of an indebtedness determined under applicable provisions of law to be chargeable against the member's retired pay account.

- c. For cost of participation in the Retired Serviceman's Family Protection Plan and/or Survivor Benefit Plan.

- d. Because of federal civilian employment of a retired regular officer.

- e. For garnishments.
- f. For continuing tax levies.
- g. For VA compensation.
- h. For former spouse.

40105. Periods of Allotments

Allotments are registered for an indefinite period except allotments for

- a. Repayment of an indebtedness to the United States, or
- b. Payment of delinquent Federal income taxes.
- c. See paragraph 40103a(5).

40106. Restrictions

a. Minors. Allotments (except United States Savings Bonds) may not be made payable to children under 16 years of age. They may be made payable to the children's guardian or custodian. Spouses of members may be named as allottees regardless of age.

b. Mental Incompetents. Allotments are not payable to mentally incompetent persons. They are payable to a guardian or the institution where confined.

c. Multiple Allotments. See restrictions in paragraph 40103 and other chapters in this part.

d. Power of Attorney. A power of attorney is not acceptable to establish, change, or stop an allotment.

e. Reduced Retired Pay of Allotter. When a stoppage or reduction of retired pay does not leave enough funds for allotments in force, allotments are administratively stopped by the disbursing officer without the signature of the retiree.

f. Administrative Stops. Allotments may be stopped because of the required deductions from retired pay listed in paragraph 40104. When possible, the member is allowed to determine the allotments to be stopped. However, if the member involved refuses to or is unable to identify those that should be stopped, the allotments of such a member are involuntarily stopped:

Precedence	Type	Letter Designation
1	Charitable contributions to Army Emergency Relief, Navy and Marine Corp Relief Society, or Air Force Assistance Fund	See table 4-1-1
2	Bonds	B
3	Savings	S
4	Loans	L
5	Payment of delinquent state or local income or employment taxes	T
6	Dependents	D
7	Home loans	H
8	Commercial life insurance/Army Mutual Aid Insurance	I
9	Navy Mutual Aid Insurance	M
10	Government life insurance	N
11	Veterans Group Life Insurance	See table 4-1-1
12	Deductions for court-ordered support	D
13	Repayment of indebtedness to the United States	T
14	Payment of delinquent federal income taxes	T

40107. Right to Allotments in Case of Death

a. Death of Retiree. Entitlements to allotments ends with the death of the member. No further allotment payments may be made after receipt of notice of the allotter's death. Deductions made from the retiree's pay, but not paid to the allottee, become part of the arrears of retired pay. Allotments paid after the retiree's death may not be collected from the allottee, except

(1) allotments erroneously established after notice of death of the retiree, and

(2) unearned insurance premiums (insurance premiums are paid 1 month before the day payment is actually due). See service procedural instructions for actions required by the activity maintaining the retired pay account.

b. Death of Allottee. An allotment check, even though endorsed, does not become part of an allottee's estate if it is not cashed or negotiated before the allottee's death. It is not subject to any

expense incurred by or on behalf of the allottee before or after death. All unnegotiated allotment checks must be returned to the office that issued them. They are credited to the member's account.

40108. Allotment Overpayment Responsibilities

Any check or bond issued and mailed to recipient for which entitlement does not exist must be recovered immediately by the office that issued it. When an allotment payment is made after deductions from member's retired pay have ceased and the member does not return it, office of issuance starts recovery action of an equal amount from the recipient, or the retired member, if they determine that the retired member benefitted from such payment. If the member is liable, overpayment is recovered by deductions from member's retired pay.

TABLE 4-1-1								
ALLOTMENTS OF RETIRED PAY - GENERAL								
R U L E	A	B			C		D	
	When purpose of allotment is	and service letter designation is			and member is not on active duty and has allotment (notes 1 and 2)		then the allotment period required is	
		Army	M/C Navy	Air Force	authorized for carry-over from active duty	authorized for establishment from active duty	indefinite	definite
1	purchase of United States Savings Bonds	B	B	B	X	X	X	
2	payment to dependents (note 5)	D	D	D	X	X	X	
3	repayment of home loans	H	H	H	X		X	
4	commercial life insurance/ Army Mutual Aid Insurance (note 3)	I	I	I	X	X	X	
5	repayment of loans to Navy and Marine Corps Relief Society, Army Emergency Relief, American Red Cross, or Air Force Aid Society	L	L	L	X	X		X
6	Navy Mutual Aid Insurance (note 2)	none	M	none	X	X	X	
7	United States Government Life Insurance and/or National Service Life Insurance (note 4)	N	N	N	X	X	X	
8	repayment of loans on Veterans Administration Insurance (note 4)							
9	payment of financial institution or credit to account of retiree (note 6)	S	S	S	X		X	
10	payment of delinquent Federal income taxes and/or payment of indebtedness to the United States (note 7)	T	T	T		X		X
11	charitable contributions to the Army Emergency Relief, Navy and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund	L	C	F	X	X		X
12	payment of delinquent state or local income or employment taxes (note 8)	T	T	T	X			X
13	Veterans Group Life Insurance	I	I V	I		X	X	

NOTES:

- Includes members of the Fleet Reserve or Fleet Marine Corps Reserve when not on active duty.
- In addition to allotments authorized, member may continue any other allotments in effect (except Combined Federal Campaign and aviation premiums payable to the Navy Mutual Aid Association) at the time of retirement.
- On the life of the allotter, spouse and/or children.
- Payment of allotments for insurance premiums and repayments of insurance loans are made by one NSLI or class N allotment.
- Authorized to a spouse, former spouse, spouses and/or children of the retired member having a permanent residence other than that of

- the retired member.
- Includes credit unions within the United States, its possessions, Puerto Rico, and Panama Canal Zone operating under a Federal or state charter. Also includes credit unions authorized under guidelines established by the Secretary of Defense to operate an overseas United States military installation.
- Delinquent Federal income taxes are payable to the applicable District Director, Internal Revenue.
- Delinquent state or local income and employment taxes are payable to the applicable state or local tax authorities.