

CHAPTER 19

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY1901 GENERAL

Personnel receiving retired pay may authorize allotments from their retired pay for the purposes set forth in Chapters 19-23 of this volume. The voluntary allotment system enables retirees to make a limited number of payments by payroll deduction. Allotments are designed for the convenience and privilege of retirees and are not to be exploited or abused. Allotments are an assignment of retired pay by the retiree to a third party, financial institution, or agency. The retired pay activity acts solely as an agent of the retiree in the assignment of pay and assumes no liability concerning any contract between the retiree and the allottee. Allotments paid erroneously through administrative error must be recovered from the allottee, if possible, or may be collected from the retiree if such payment provided a benefit to that retiree.

1902 SPECIALIZED TERMS

190201. Allotment. As used herein, a definite portion of the retired pay of a person retired from a Military Service, which is authorized to be paid to a qualified allottee.

190202. Allottee. The person, institution, or agency to whom the allotment is made payable.

190203. Allotter. The person from whose retired pay the allotment is made.

190204. Financial Institution. A bank, credit union, or thrift association.

1903 AUTHORIZED ALLOTMENTS

190301. Voluntary allotments. Allotments authorized for establishment from retired pay are limited to:

A. Purchase of U.S. Savings Bonds.

B. Payments of premiums for insurance on the life of the allotter. This includes U.S. 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.

C. 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 Military Services or any other organization in the Department of Defense, to include its non-appropriated fund instrumentalities.

D. 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.

E. 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 be registered only for a definite period of time.

F. 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.

G. 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 duty, except those for Combined Federal Campaign and Post-Vietnam Era Veterans' Educational Assistance Program, may be continued as approved allotments.

1. If any allotments are discontinued by order of the retiree, they may not be reestablished and only allotments authorized in subparagraphs 190301.A. through F., above, may be established by the retiree. Establishment or change of allotment for voluntary liquidation of debts to the United States (subparagraph C., above) is controlled by the DFAS-Cleveland Center, which pays the retiree. 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 retiree. This pertains only to existing allotments continued from active duty, and not to those under subparagraphs 190301.A. through F., above.

2. Changes beyond the control of the retiree are changes that are of an administrative nature dictated by events incidental to the purpose of the allotment. An example of an administrative change by the payee is an amount change due to contractual obligations existing at the time the allotment was executed, such as mortgage payment changes because of a variable-rate mortgage or changing escrow requirements. Although a change of this nature does not constitute a discontinuance, any administrative change that adjusts the amount to the allotment shall be accepted only when communicated by the retiree 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.

190302. Limitations. Multiple allotments authorized for establishment from retired pay are limited to purpose codes B, D, I, and T (multiple T-allotments are limited to federal debts). Purpose codes are found at Figure 19-1 and Table 19-1.

190303. Establishment, Discontinuance, and Changes to Existing Allotments. A letter or form signed by the retiree 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) retiree'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.

1904 RETIRED PAY WHICH MAY BE ALLOTTED

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

190401. For tax purposes.

190402. For liquidation of an indebtedness determined under applicable provisions of law to be chargeable against the member's retired pay account.

190403. For cost of participation in the Retired Serviceman's Family Protection Plan and/or Survivor Benefit Plan.

190404. Because of federal civilian employment of a retired Regular officer.

190405. For garnishments.

190406. For continuing tax levies.

190407. For VA compensation.

190408. For former spouse.

1905 PERIODS OF ALLOTMENTS

Allotments are registered for an indefinite period except allotments for:

190501. Repayment of an indebtedness to the United States, to include payment of delinquent federal income taxes.

190502. Charity as specified in subparagraph 190301.E, above.

1906 RESTRICTIONS

190601. Minors. Allotments (except U.S. Savings Bonds) may not be made payable to children under 16 years of age. Such allotments may be made payable to the children's guardian or custodian. Spouses of retirees may be named as allottees regardless of age.

190602. Mental Incompetents. Allotments are not payable to mentally incompetent persons. Such allotments are payable to a guardian or the institution where confined.

190603. Multiple Allotments. See restrictions in paragraph 190301, above, and Chapters 20-23 of this volume.

190604. Power of Attorney. A power of attorney is not acceptable to establish, change, or stop an allotment.

190605. Reduced Retired Pay of Allotter. When a stoppage or reduction of retired pay does not leave enough funds for deduction of allotments in force, those allotments are stopped administratively by the disbursing officer without the signature of the retiree.

190606. Administrative Stops. Allotments may be stopped because of the required deductions from retired pay listed in section 1904, above. When possible, the retiree is allowed to determine the allotments to be stopped. However, if the retiree involved refuses, or is unable, to identify those that should be stopped, the allotments of that retiree are involuntarily stopped:

| <u>Precedence</u> | <u>Type</u> | <u>Letter Designation</u> |
|-------------------|--|---------------------------|
| 1 | Charitable contributions to Army Emergency Relief, Navy and Marine Corp Relief Society, or Air Force Assistance Fund | See Table 19-1 |
| 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 19-1 |
| 12 | Deductions for court-ordered support | D |
| 13 | Repayment of indebtedness to the United States | T |
| 14 | Payment of delinquent federal income taxes | T |

Figure 19-1

1907 RIGHT TO ALLOTMENTS IN CASE OF DEATH

190701. Death of Retiree. Entitlements to allotments end 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:

- A. Allotments erroneously established after notice of death of the retiree, and
- B. Unearned insurance premiums (insurance premiums are paid 1 month before the day payment is actually due).

190702. 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. Such checks are credited to the retiree's account.

1908 ALLOTMENT OVERPAYMENT RESPONSIBILITIES

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

| ALLOTMENTS OF RETIRED PAY - GENERAL | | | | | | | | |
|-------------------------------------|---|-------------------------------------|-----------|-----------|--|---|---------------------------------------|----------|
| R U L E | A | B | | | C | | D | |
| | When purpose of allotment is | and Service's letter designation is | | | and member is not on active duty and has allotment (notes 1 and 2) | | Then the allotment period required is | |
| | | Army | Navy/USMC | Air Force | authorized for carry-over from active duty | authorized for establishment from active duty | Indefinite | Definite |
| 1 | purchase of U.S. 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 | U.S. Government Life Insurance and/or National Service Life Insurance (note 4) | N | N | N | X | X | X | |

Table 19-1. Allotments of Retired Pay - General

| R U L E | A | B | | | C | | D | |
|------------------|---|-------------------------------------|---------------|--------------|--|---|---------------------------------------|----------|
| | When purpose of allotment is | and Service's letter designation is | | | authorized for carryover from active duty | | then the allotment period required is | |
| | | Army | Navy/ USMC | Air Force | authorized for carry-over from active duty | authorized for establishment from active duty | Indefinite | Definite |
| 8 | repayment of loans on Department of Veterans Affairs Insurance (note 4) | N | N | N | | | X | |
| 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:

1. Includes members of the Fleet Reserve or Fleet Marine Corps Reserve when not on active duty.
2. 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.
3. On the life of the allotter, spouse and/or children.
4. Payment of allotments for insurance premiums and repayment of insurance loans are made by one NSLI or class N allotment.
5. Authorized to a spouse, former spouse, spouse and/or children of the retired member having a permanent residence other than that of the retired member.
6. 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 Volume 5, Chapter 34 of this Regulation (reference (fr)) to operate an overseas United States military installation.
7. Delinquent federal income taxes are payable to the applicable District Director, Internal Revenue.
8. Delinquent state or local and employment taxes are payable to the applicable state or local tax authorities.

Table 19-1. Allotments of Retired Pay - General (Continued)