

**VOLUME 7B, CHAPTER 4: “RECOUPMENT OF SEPARATION PAY”****SUMMARY OF MAJOR CHANGES**

All changes are 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 [September 2014](#) is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
0402	Relocated definitions from Section 0401 to Section 0402 and renumbered text.	Revision
040703.C.2	Rephrased subparagraph for clarity.	Revision

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## CHAPTER 4

RECOUPMENT OF SEPARATION PAYMENTS

## 0401 GENERAL

## 040101. Purpose

This chapter provides guidance for the recoupment of payments made to [members whose status transitions from](#) involuntary discharge, release from active duty, disability separation, or voluntary separation, [to retiree](#).

## 040102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

## \*0402 DEFINITIONS

## 040201. Readjustment Pay

Readjustment Pay is a lump-sum payment to members of a Reserve Component of any Military Service, members of the Army or Air Force without component, and Regular Army commissioned officers below the grade of O-4 who were on active duty (other than for training) on September 14, 1981, and were involuntarily released after completing at least 5 years of continuous active duty and who did not qualify for retirement. Separation Pay superseded Readjustment Pay.

## 040202. Nondisability Severance Pay

Nondisability Severance Pay is a lump-sum payment to certain commissioned and warrant officers, who were on active duty (other than for training) on September 14, 1981, and involuntarily discharged from active duty under certain conditions. Separation Pay superseded Nondisability Severance Pay. [Note: This chapter uses the term “Nondisability Severance Pay” when referring to what is commonly known as “Severance Pay”, as a mechanism to distinguish severance pay from disability severance pay.](#)

## 040203. Separation Pay

Separation Pay is a lump-sum payment to a member of the Uniformed Services who is discharged involuntarily or released from active duty and who does not qualify for retired pay. For more information, see Volume 7A, Chapter 35.

**040204.** Disability Severance Pay (DSP)

The DSP is a lump-sum payment to a member of the Uniformed Services involuntarily separated from the military service for minor physical disability and who does not qualify for disability retired pay.

**040205.** Voluntary Separation Incentive (VSI)

The VSI is an annual payment to members who separated voluntarily from service before December 31, 2001, under conditions prescribed by the Secretary of the Military Department concerned (or designee). Voluntary Separation Pay (VSP) superseded VSI.

**040206.** Special Separation Benefit (SSB)

The SSB is a lump-sum payment to members who separated voluntarily from service before December 31, 2001, under conditions prescribed by the Secretary of the Military Department concerned (or designee). VSP superseded SSB.

**040207.** Voluntary Separation Pay (VSP)

The VSP is an annual or lump-sum payment to certain members to encourage them to leave active duty voluntarily. The authority to separate a member in conjunction with VSP applies for the period October 17, 2006 through December 31, 2018.

**040208.** Recoupment

To align entitlement to retirement benefits with applicable active service, this chapter uses the term recoupment in conjunction with the recovery of readjustment pay, nondisability severance pay, separation pay, DSP, VSI, SSB, or VSP previously received.

**040209.** Reserve Special Separation Pay (RSSP)

The RSSP is payable to Reserve members who had completed more than 20 years of service but who had not reached age 60. Payment of RSSP is not subject to recoupment from retired pay. For more information, see Volume 7A, Chapter 58.

**0403** READJUSTMENT PAY**040301.** General Provisions

A. A member who received readjustment pay before September 15, 1981, because of involuntary discharge or release from active duty after June 28, 1962, and who later qualifies for retired pay under Titles [10](#) or [14](#) of the United States Code (U.S.C.) upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. For this purpose, consider a member who transferred to the Fleet Reserve or the Fleet Marine Corps Reserve to have “qualified for

retired pay under a statute authorizing retirement upon completion of 20 years of active service,” even though such transfer may have occurred after completion of less than 20 years of actual service. See Table 4-1.

B. A Regular Army commissioned officer in the grade of O-1, O-2, or O-3 who received readjustment pay from December 30, 1974 through December 30, 1977, and who later qualifies for retired pay upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. See Table 4-1.

C. A member of the Uniformed Services who served on active duty as a temporary officer and held a Reserve officer status upon release from active duty, and received readjustment pay after June 28, 1962, but before September 15, 1981, and who, later qualifies for retired pay upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. See Table 4-1.

D. A member who received readjustment pay on September 15, 1981 or later, and who later qualifies for retired pay, must have the retired pay reduced until the [recovery of the full amount of the readjustment pay](#). See subparagraph 040302.B.

040302. Recoupment of Readjustment Pay

A. Readjustment Pay Received Before September 15, 1981

1. [The Defense Finance and Accounting Service \(DFAS\)](#) will deduct a total of 75 percent of the gross readjustment pay without interest immediately from retired pay.

2. There is no entitlement to retired pay until [the recovery of 75 percent of the lump-sum readjustment pay](#). During the period that the member is not entitled to retired pay, [the member must pay](#) the cost for coverage under the SBP by direct remittance to:

Defense Finance and Accounting Service, DFAS-CL  
SBP and RSFPP Remittance  
P.O. Box 979013  
St. Louis, MO 63197-9000

B. Readjustment Pay Received September 15, 1981 or Later. A member who received readjustment pay on September 15, 1981 or later, and who subsequently qualifies for retired pay shall have the retired pay reduced in accordance with section 0410 until [the recovery of the full amount of the readjustment pay](#).

#### 0404 NONDISABILITY SEVERANCE PAY

##### 040401. General Provisions

Before September 15, 1981, certain provisions of law governing separation from the active list required recoupment of nondisability severance pay upon a member's retirement. See Table 4-2 for conditions governing recoupment of nondisability severance pay received before September 15, 1981. Members who receive nondisability severance pay on September 15, 1981 or later, and who subsequently qualify for retirement, are subject to recoupment under paragraph 040402.

##### 040402. Recoupment of Nondisability Severance Pay

The DFAS must recoup lump-sum nondisability severance pay by deducting from retired pay each month an amount as specified in section 0410 until the total deducted equals the amount of the nondisability severance pay received.

#### 0405 SEPARATION PAY

##### 040501. General Provisions

Separation pay has replaced readjustment pay and nondisability severance pay for involuntary separation of all members of the active and reserve forces other than those separated for disability. For information on eligibility requirements for separation pay, see Volume 7A, Chapter 35.

##### 040502. Recoupment of Separation Pay

A. A member who received separation pay and who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., shall have deducted from payment of such retired or retainer pay a monthly installment as specified in section 0410.

B. A member who receives separation pay, and who also is eligible for disability compensation from Department of Veteran Affairs (VA), will repay an amount equal to the total amount of separation pay received from the disability compensation awarded. The DFAS shall make no deduction for separation pay from disability compensation based on service performed after receiving separation pay.

#### 0406 DISABILITY SEVERANCE PAY (DSP)

##### 040601. General Provisions

Upon determination by the Secretary concerned that a member of the armed forces is unfit to perform the duties of his office, grade, rank or rating because of physical disability rated less than 30 percent, the department may separate the member with disability severance pay. For information on eligibility requirements for disability severance pay, see Volume 7A, Chapter 35.

## 040602. Recoupment of DSP

When the Secretary concerned approves a recommendation from the Physical Disability Board of Review (PDBR) to award military disability retirement, **the DFAS must take** action to recoup any disability severance pay previously paid to that member. Recoupment will be consistent with the parameters established in section 0410, except as noted in **subparagraphs 040602.A and B.**

A. In most cases, members entitled to disability severance pay will also qualify for VA disability compensation. In order to avoid duplicate collection, **the DFAS shall reduce the recovery** amount of disability severance pay by any amount already separately recovered by VA through reduction of VA disability compensation. In such cases, the amount deducted by the VA from the disability compensation shall reduce the gross amount of disability severance pay to be recouped by the Department of Defense (DoD).

1. To determine the retroactive entitlement of retired pay that is payable to the member, offset the entire VA disability compensation amount that is awarded (prior to any reduction of such VA disability compensation to offset the collection of disability severance pay) from the total retroactive retired pay entitlement. This will result in an amount of VA disability compensation plus military retired pay paid to the member that is equal to that which the member would have been entitled to had he/she originally been retired instead of separated.

2. **The DFAS shall first apply** the entire amount of any retroactive retired pay and/or Combat-Related Special Compensation (CRSC) entitlement to any required recoupment of disability severance pay without regard to the percentage limitations specified in section 0410. In determining the retroactive entitlement to retired pay, service members must be treated as though they were retired on the original date of separation, without regard to any disability severance payment received or any reduction in VA disability compensation to recoup previously paid disability severance pay. In order to determine the amount subject to recoupment, as well as any amount payable to a member, DFAS shall determine the amount of retired pay that would have been available had the member originally been retired instead of separated. The total amount to **recoup** will be the full gross amount of disability severance pay originally paid to the member.

3. As stated in subparagraph 040602.A, VA deducts disability severance compensation from any VA compensation for the same disability to which the member or member's dependents become entitled under any law administered by VA. There are two exceptions:

a. **The DFAS will make** no deduction in the case of disability severance pay received by a member for a disability incurred in the line of duty in a combat zone or incurred during performance of duty in combat-related operations as designated by the Secretary of Defense.



b. The DFAS will make no deduction from any death compensation to which a member's dependents become entitled after the member's death.

B. Members shall be promptly notified that future payments of disability retired pay will be subject to reduction until the gross amount of the disability severance pay has been recovered.

040603. Survivor Benefit Plan (SBP) Participation

A. Members whose record is corrected to a military disability retirement under the PDBR process, and who were married on the retirement effective date, shall receive automatic full spouse coverage under the SBP, unless the member makes an affirmative election on a Department of Defense (DD) [DD Form 2656](#), Data for Payment of Retired Personnel, for less than full spouse coverage within 90 days of being provided a DD 2656. If the member elects less than full spouse coverage, including an election not to participate in SBP program or an election for child-only coverage, the election must include a spousal concurrence signed by the person who was the member's spouse on the effective retirement date, as determined by the PDBR, unless such person is deceased. If the member was married on the effective retirement date, but has since divorced that spouse, the member must still submit a concurrence to elect less than full spouse coverage signed by the person who was the member's spouse on the effective retirement date, unless the whereabouts of the member's now former spouse are unknown and the member submits an affidavit verifying that the former spouse's whereabouts are unknown, along with a copy of the parties' divorce decree. The spouse's concurrence on the DD 2656 must be signed on or after the date of the member's signature and otherwise conform to an election regarding spouse coverage.

B. A spouse who was married to the member on the effective date of retirement, who was subsequently divorced from the member and who has not signed the spousal concurrence on DD 2656, has 1 year from the date of the approved PDBR recommendation authorizing disability retirement to make a deemed former spouse SBP election, provided there is already in effect a court-approved written agreement or court order requiring the member to elect to provide such an annuity to the former spouse.

C. If the member had a former spouse on the effective retirement date, the member may elect former spouse SBP coverage. There is no requirement for spousal concurrence for a former spouse election, although the member's current spouse should be provided written notice of the former spouse election. A member who was not married and had no dependent child on the effective date of retirement, who remarries or acquires a dependent child subsequent to the effective date of retirement, may elect to participate in the SBP. The member has 1 year from either the date of acquiring a spouse or dependent child or the date of the approved PDBR recommendation authorizing disability retirement, whichever is later.

D. If the member had no spouse or dependent child on the effective retirement date and is not otherwise required to provide former spouse coverage, the member may elect to provide an annuity for an insurable interest person if such individual would have been qualified on the effective date of retirement.

E. Monthly SBP premiums for automatic or properly elected coverage must be charged from the effective retirement date, with the exception that no SBP premiums will be due if the member elects not to participate in the SBP program with proper spousal concurrence within 90 days of the PDBR action awarding a disability retirement or 90 days of the date that the member has been provided a DD Form 2656 to elect SBP participation.

F. If a member, who is retired for disability as a result of an approved PDBR action, had previously made a Reserve Component Survivor Benefit Plan (RCSBP) election, that RCSBP election shall be considered of no effect if the PDBR action is approved prior to the date that the member would have become eligible for reserve retired pay under [10 U.S.C., Chapter 1223](#).

#### 0407 VOLUNTARY SEPARATION INCENTIVE (VSI)

##### 040701. General Provisions

Certain members who voluntarily separated before December 31, 2001, received annual payments of VSI based on their grade or rank at separation and number of years of service creditable for retirement purposes. See Volume 7A, Chapter 35 for eligibility requirements.

##### 040702. Beneficiary Payment Procedures

Upon the death of the member, the DFAS-Cleveland Site will pay all remaining VSI installments to the designated beneficiaries. [The DFAS will distribute VSI installment payments according to the legal order of precedence if there is no valid designation on file and maintained at the DFAS-Cleveland Site.](#) See Chapter 23 for more information regarding beneficiary payment procedures.

##### \*040703. Recoupment of VSI

A. A member who has received VSI, who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., shall have deducted [the amount of VSI received](#) from each payment of such retired or retainer pay by a monthly installment not to exceed 40 percent of the member's gross retired pay as specified in paragraph 041004. The gross retired pay amount paid does not include any amounts offset because of the member's receipt of military compensation between the date of separation which caused the VSI to begin and the date that he or she became eligible for receipt of retired pay.

B. In a case in which a member is receiving simultaneous VSI and retired pay, the member may elect to terminate the receipt of VSI. Such election is permanent and irrevocable. Under these circumstances, effective after such election to terminate VSI, [the DFAS shall reduce](#) the rate of monthly recoupment from retired pay of VSI received in accordance with subparagraph 040703.A. The rate of recoupment shall be reduced in accordance with the following formula: Divide the total number of months that would not be paid as a result of the member's election to terminate the VSI by the number of months that the VSI was scheduled to be paid. [Multiply](#) the resulting fraction, [which](#) is a percentage rate of reduction, by the

percentage in subparagraph 040703.A to compute a percentage that is the proportionate rate of reduction; and, subtract the proportionate rate of reduction from the original rate of reduction in subparagraph 040703.A to determine the reduced rate of recoupment from retired pay.

C. A member who is receiving VSI payments shall not be deprived of this incentive by reason of entitlement to disability compensation under the laws administered by VA, but there shall be deducted from VSI payments an amount equal to the amount of any such disability compensation concurrently received. Notwithstanding the preceding sentence, **the DFAS will make** no deduction from VSI payments for any disability compensation received because of an earlier period of active duty if the **member receives** VSI because of discharge or release from a later period of active duty.

1. Any reduction in VSI as a result of receipt of VA disability compensation shall reduce the gross amount of VSI paid, as described in subparagraph 040703.A, and shall not be recovered through recoupment from retired pay.

\* 2. In a case in which a member is receiving simultaneous VSI and retired pay, **the DFAS will reduce the VSI payment by the amount of any VA disability compensation. In addition, the member's election to waive retired pay, as described under Chapter 12, subparagraph 120101.A.1, will also still apply. Furthermore, the DFAS will reduce the member's retired pay as described in subparagraph 040703.A.**

#### 0408 SPECIAL SEPARATION BENEFIT (SSB)

##### 040801. General Provisions

Under conditions prescribed by the Secretary of the Military Department concerned (or designee), a member who separated voluntarily from a Military Service before December 31, 2001, could elect to receive an SSB.

##### 040802. Recoupment of SSB

If a member who has received an SSB payment later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., **the DFAS shall recoup** the gross amount of SSB received at a monthly installment from each payment of such retired or retainer pay as specified in section 0410.

#### 0409 VOLUNTARY SEPARATION PAY (VSP)

##### 040901. General Provisions

Certain members who voluntarily separate between October 17, 2006 and December 31, 2018, may receive a lump-sum VSP in an amount up to four times the full amount of the separation pay a member may receive. See Volume 7A, Chapter 35 for more information on separation pay.

## 040902. Recoupment of VSP

A. A member who is paid VSP and who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., shall have deducted from each payment of such retired or retainer pay a monthly installment specified by the Secretary of the Military Department concerned (or designee). The total amount of retired or retainer pay deductions shall equal the total amount paid to the member.

B. The requirement to repay VSP following retirement from the Armed Forces does not apply to an officer who was eligible to retire at the time the officer applied and was accepted for VSP benefits.

C. The Secretary of the Military Department concerned (or designee) may waive the requirement to repay VSP if it is determined that recovery would be against equity and good conscience and would be contrary to the best interests of the United States. Upon approval, the Military Department concerned shall forward a copy of all waivers to the Deputy Under Secretary of Defense, Military Personnel Policy.

D. Waivers by the Secretary of the Military Department concerned (or designee) must be determined on a case-by-case basis, which requires identification of the individual member, the amount of debt, and the circumstances of each case. The Principal Deputy Under Secretary of Defense, Personnel and Readiness, shall review, in coordination with the DoD Office of General Counsel, any waiver by a Secretary of the Military Department (or designee) that applies to more than one individual. This review process shall ensure a consistent consideration of the equities in such cases throughout DoD.

## 0410 RECOUPMENT OF SEPARATION PAY, NONDISABILITY SEVERANCE PAY, READJUSTMENT PAY, OR DISABILITY SEVERANCE PAY

## 041001. Members Affected

Service members who received separation pay, nondisability severance pay, or readjustment pay under any provision of law based on service in the Armed Forces, or a member awarded disability retirement from the PDBR, as described in 040602, who subsequently qualify under Titles 10 or 14 of the U.S.C. for retired or retainer pay shall have deducted an amount equal to the total amount of separation pay, nondisability severance pay, readjustment pay and DSP, without regard to any withholding for taxes. **The DFAS will make** such deductions from each payment of retired or retainer pay until the total amount recouped is equal to the total amount of separation pay, nondisability severance pay, readjustment pay, or DSP. The member may authorize a deduction in an amount greater than that required by law.

## 041002. Veterans Administration (VA) Disability Compensation

A. In some cases, members entitled to disability retired pay will also qualify for VA disability compensation. In such cases, the amount deducted to recoup the separation

payment by VA shall reduce the gross amount of separation, severance or readjustment pay to be recouped by DoD.

B. The DFAS will subtract the gross monthly amount of VA disability compensation from the gross monthly amount of the retired pay subject to recoupment. The DFAS will then use this adjusted gross retired pay in place of gross retired pay for members with a VA waiver. In cases where the amount of VA disability compensation award is greater than military retired pay, recoupment of disability severance pay will be suspended until, when or if, the amount of gross retired pay exceeds the monthly VA disability compensation except as provided in paragraph 041003.

#### 041003. Concurrent Receipt Programs

Members who meet all the eligibility criteria for the CRSC program or the Concurrent Retired and Disability Pay (CRDP) programs shall have their CRSC or CRDP entitlement computed based on the full amount of retired pay and the full amount of the applicable VA disability compensation (i.e., before any reductions for recoupment of separation, nondisability severance, readjustment pay, or DSP). In other words, the DFAS shall compute the CRSC or CRDP entitlement amount without regard to the recoupment of separation, severance, or readjustment pay. The DFAS shall add the CRSC or CRDP entitlement to the adjusted gross retired pay remaining after VA disability compensation offset in determining the amount of the monthly disability severance pay recoupment and shall be, along with the adjusted gross retired pay, available for reduction.

#### 041004. Recoupment Rates

The maximum rate of recoupment shall be no more than an amount equal to 40 percent of the member's gross retired pay.

A. The DFAS shall re-compute the monthly recoupment rate when there is an increase in gross or adjusted gross retired pay for cost-of-living adjustments, except when the member has authorized withholding at a higher monthly rate.

B. The DFAS will make no income tax withholding from retired pay used for satisfying the recoupment of separation pay, nondisability severance pay, readjustment pay, or DSP. Neither is such pay included on Internal Revenue Service Form 1099-R, Distribution from Pensions, Annuities, Retirement Profit Sharing Plans, IRAs, Insurance Contracts, nor is it reported as taxable income. The gross taxable income is the difference between the amount of the recoupment and gross retired pay.

C. The DFAS shall provide written notification to members subject to recoupment. The DFAS sends this notice 90 days in advance of the initial collection from their retired pay. It shall provide the current outstanding balance and the proposed monthly recoupment amount and explain the options of a more lenient repayment request if the member asserts that the maximum rate of recoupment imposes a financial hardship. See paragraph

041006. The written notification will also explain the requirement for concurrent recoupment of the separation or nondisability severance pay by both the DFAS and the VA.

041005. Exceptions

A. Those members whose recoupment rates were suspended in May 2009, by the direction of the Office of the Under Secretary of Defense (Comptroller) memorandum, dated May 18, 2009, and whose recoupment rates under the previous formula were less than the new maximum percentage shall be reinstated at the previously established lower rate.

B. Members may, at their personal discretion, request to increase their recoupment to a rate greater than the maximum, in order to shorten the term of recoupment.

041006. Financial Hardship

A member whose retired pay is subject to recoupment may, at any time, request a review of the amount recouped based upon materially changed circumstances such as disability, divorce, or illness that results in the imposition of undue financial hardship on the member and the member's dependents. A member requesting such a review shall submit the basis for claiming that the current rate of recoupment results in an undue financial hardship along with supporting documentation. The DFAS shall consider any information submitted and make a determination in accordance with the following procedures and standards.

A. A rate of recoupment results in an undue financial hardship for a member and his dependents if the recoupment amount prevents the member from meeting the costs necessarily incurred for essential subsistence expenses of the member and the member's dependents. These essential subsistence expenses include costs incurred for food, housing, necessary public utilities, clothing, transportation and medical care.

B. In determining whether the recoupment amount prevents the member from meeting the essential subsistence expenses described in subparagraph 041006.A, DFAS will consider the following:

1. The income from all sources of the member, the member's spouse, and dependents;
2. Whether these essential subsistence expenses have been minimized to the greatest extent possible; and
3. The extent to which the member and the member's spouse and dependents have other exceptional expenses that the DFAS should take into account and whether these expenses have been minimized to the greatest extent possible.

C. If there is an undue financial hardship, the DFAS will reduce the recoupment rate based on the member's financial condition. Any reduction of the recoupment rate will be effective for 1 year. Upon the expiration of 1 year, the recoupment rate will revert

back to 40 percent unless the member has reapplied for a reduction in rate and can again demonstrate financial hardship.

D. The DFAS shall adjust the rate of recoupment based on the following formula:

1. Subtract the total monthly living expenses from the total monthly income. The result is the net income available for monthly recoupment.

2. The net income available for monthly recoupment shall be divided by the gross monthly retired pay to determine the actual recoupment percentage. If the result is 40 percent or greater, the recoupment is limited to 40 percent. A result of 10 percent or less limits the recoupment to 10 percent. The DFAS shall apply any factor within the range of 10 to 39 percent as the actual percentage with any fractional portions of a percentage point rounded down to the lower whole percentage point.

3. Figure 4-1 provides two typical calculation examples.

Figure 4-1. Financial Hardship Calculation Examples

**EXAMPLE A:****Gross Monthly Income:**

Retired Pay	\$ 3,000.00
Other income	460.00
Spouse's income	<u>\$ 500.00</u>
Total Income	\$ 3,960.00

**Actual Monthly Expenses:**

Rent/Mortgage	\$ 1,500.00
Electric	\$ 80.00
Natural Gas	\$ 125.00
Telephone	\$ 35.00
Water	\$ 20.00
Food	\$ 400.00
Car Payment	\$ 280.00
Health Care	<u>\$ 500.00</u>
Total Expenses	\$ 2,940.00

Total Income	\$ 3,960.00	
Total Expenses	<u>\$ 2,940.00</u>	
Net Income	\$ 1,020.00	(Available for recoupment)

Divide the member's Net Income (\$1,020.00) by the gross retired pay (\$3,000.00) which equals .34 or a recoupment rate of 34%.

**EXAMPLE B:****Gross Monthly Income:**

Retired Pay	\$ 2,000.00
Spouse's income	<u>\$ 500.00</u>
Total Income	\$ 2,500.00

**Actual Monthly Expenses:**

Rent/Mortgage	\$ 800.00
Electric	\$ 80.00
Natural Gas	\$ 125.00
Telephone	\$ 35.00
Water	\$ 20.00
Food	\$ 200.00
Car Payment	\$ 280.00
Health Care	<u>\$ 900.00</u>
Total Expenses	\$ 2,440.00

Total Income	\$ 2,500.00	
less: Total Expenses	<u>\$ 2,440.00</u>	
Net Income	\$ 60.00	(Available for recoupment)

Divide the member's Net Income (\$60.00) by the gross retired pay (\$2,000.00) which equals .03. In this case, it defers to the minimum recoupment rate of 10% or \$200.00 as referenced in subparagraph 041006.D.2.



Table 4-1. Recoupment of Readjustment Pay Received Before September 15, 1981(Note 1)

	A	B	C	D
<b>R U L E</b>	<b>If a member was a</b>	<b>and received before September 15, 1981 (note 1)</b>	<b>and later qualifies for retirement</b>	<b>then readjustment pay is</b>
<b>1</b>	Reserve member (or member of the Army or Air Force without component (temporary))	readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962	after 20 years of active service (note 2)	recouped immediately upon retirement at the rate of 75 percent of the gross readjustment pay (note 3).
<b>2</b>	regular Army officer below the grade of O-4	readjustment payment upon involuntary release after at least 5 years of continuous active service because of a reduction in force for the period December 30, 1974 through December 30, 1977		
<b>3</b>	temporary officer on active duty and held a Reserve officer status	readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962	for disability after a period of enlisted service and also qualifies for retirement for 20 years of active service	

**NOTES:**

1. For recoupment of readjustment pay received September 15, 1981, or later, see subparagraph 040302.B.
2. Includes transfer to Fleet Reserve or Fleet Marine Corps Reserve with less than 20 years of active service if otherwise qualified.
3. Payment of readjustment pay before June 28, 1962 is not recouped from retired pay.

Table 4-2. Recoupment of Nondisability Severance Pay Received Before September 15, 1981 (Note)

	A	B	C	D	E
<b>R U L E</b>	<b>If a member was</b>	<b>and was discharged</b>	<b>and received before September 15, 1981 (note)</b>	<b>and later qualifies for</b>	<b>then</b>
<b>1</b>	a Regular commissioned Air Force or Army officer	because of failure of selection for promotion to grade O-3 or above	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
<b>2</b>		because of moral or professional dereliction, or unsatisfactory performance			
<b>3</b>	a Regular commissioned officer of the Navy, Marine Corps, or Coast Guard	because of unsatisfactory performance with less than 20 years			deduct full amount of nondisability severance pay.
<b>4</b>		because of failure of selection for promotion to grade O-3 or above			
<b>5</b>	a Regular warrant officer of any Military Service	because of unfitness or unsatisfactory performance of duty and did not reenlist			
<b>6</b>		because of failure of selection for promotion and did not reenlist or was not retained on active duty as a regular warrant officer			
<b>7</b>	an officer of the Navy or Marine Corps	because found not qualified from causes arising from own misconduct upon reexamination for promotion			do not deduct nondisability severance pay.

Table 4-2. Recoupment of Nondisability Severance Pay Received Before September 15, 1981 (Note) (Continued)

<b>R U L E</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
	<b>If a member was</b>	<b>and was discharged</b>	<b>and received before September 15, 1981 (note)</b>	<b>and later qualifies for</b>	<b>then</b>
<b>8</b>	a female officer of the Regular Navy or Regular Marine Corps in grade O-3	because she is not on a promotion list and has completed 13 years of active service in the Navy or Marine Corps	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
<b>9</b>	a female officer of the Regular Navy or Regular Marine Corps in grade O-2	because she is not on a promotion list and has completed 7 years of active service in the Navy or Marine Corps			
<b>10</b>	an ensign in the Navy or a second lieutenant in the Marine Corps	because found not professionally qualified upon reexamination for promotion			
<b>11</b>	a Reserve member of any Military Service	without the member's consent before active duty agreement under 10 U.S.C. § 12311(a) expired			
<b>12</b>	a Regular commissioned officer of the Coast Guard	because performance is below standard or because of moral or professional dereliction			

**NOTE:** For recoupment of nondisability severance pay received September 15, 1981 or later, see paragraph 040402.

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- 040203 10 U.S.C. § 1174
- 040204 10 U.S.C. § 1212
- 040205 10 U.S.C. § 1175
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## 0405 – SEPARATION PAY

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