

VOLUME 12, CHAPTER 16: “MILITARY PERSONNEL ENTITLEMENT PROGRAMS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * 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 October 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and format.	Update
1602	Added a “Definitions” section.	Add
160303	Deleted reference to SFFAS 33 as a guidance for DoD’s economic assumptions.	Delete
160506	Clarified definitions for amortization payment and normal cost.	Clarify

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CHAPTER 16

MILITARY PERSONNEL ENTITLEMENT PROGRAMS

1601 GENERAL OVERVIEW

160101. Purpose

This chapter is the policy for the accounting and related transactions for entitlement programs established for Department of Defense (DoD) military personnel.

160102. Overview

Entitlements are legally established benefits available to any person or unit of government meeting eligibility requirements established by law. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds, thus subsequent enactment of appropriations may be necessary.

*1602 DEFINITIONS

*160201. “X” in the third field

“X” in the third field of an appropriation indicates that the appropriation is a “1-year” appropriation and that the funds do not expire. Example, 97X809, “DoD Military Retirement Trust Fund.”

*160202. “_” in the third field

“_” in the third field of the appropriation indicates that the appropriation is a one year appropriation for example 97_0040, “Payments to Military Retirement Fund, Defense.”

1603 GENERAL ACCOUNTING POLICY FOR ENTITLEMENT PROGRAMS

160301. Categories

Entitlement programs are divided into three categories according to the events that give rise to benefit payments: payments based on individual eligibility, payments required by law, and reimbursable events. These categories are accounted for as follows:

A. When the program is administered by a Federal Agency, entitlement benefits based on individuals meeting eligibility requirements of a program must be recorded as a liability and an expense when the eligibility requirements are met (as determined by program officials). The recorded liability and expense must cover all expected payments for the current period of eligibility. Payments to recipients reduce the recorded liability.

B. When payments are authorized (through appropriation and allotment of funds) for disbursement pursuant to legal requirements with no specific action required of the recipients, a liability and expense must be recorded when the appropriated funds are allotted to the applicable program. The recorded liability and expense must cover the total amount to be disbursed. As payments are made, the liability must be reduced.

C. When payments are based on the occurrence of a specific event for which costs are reimbursable under an entitlement program, a liability must be recorded when the event occurs. If the reimbursement is based on end-of-period reports from program administrators, an estimated amount must be accrued at the end of a reporting period.

160302. Refunds

When the expense for payments made under an entitlement program exceeds the appropriation (permissible for certain programs under special statutory authority), the source of the related funds must be clearly identified. If the funds were borrowed, the appropriate liability account must be established.

160303. Suspension of Payments

When substantiated doubt exists on the continued entitlement of a military retiree or annuitant to benefit payments and payments on an account are suspended, the Defense Finance and Accounting Service (DFAS) must cease obligating on the subject account for retired pay, retainer pay, or annuitant benefits. Previously obligated amounts must be deobligated to the extent of recoveries on previous payments or amounts held in a suspense account. Although this procedure is directed primarily at suspected death status accounts, it applies equally to other situations that may terminate entitlement. Examples of other situations include (but are not limited to) employment by a foreign government, renouncing U.S. citizenship, remarriage of a surviving spouse, and certain student annuitants dropping out of school.

1604 ACCOUNTING POLICY FOR THE ACCRUAL AND INVESTMENT OF RETIRED MILITARY PAY

160401. Definition

Retired military pay is a pension program established by [*Title 10, United States Code \(U.S.C.\) Chapter 74 \(10 U.S.C. Chapter 74\)*](#) to pay annuities or pensions to retired military personnel and their survivors. As such, the program fits under the category of entitlement authority as defined by [*2 U.S.C. 622\(9\)*](#).

160402. DoD Military Retirement Fund (MRF) Assets

In accordance with 10 U.S.C. Chapter 74, payments are made to the DoD Military Retirement Fund (MRF), which contains the following assets:

A. Amounts paid into the MRF from the Military Personnel, Reserve Personnel, and National Guard Personnel appropriations representing a portion of future retirement and survivor benefits being accrued by members performing current service.

B. Amounts paid into the MRF from a permanent, indefinite general fund appropriation representing the remaining portion of future retirement and survivor benefits being accrued by members performing current service.

C. Amounts paid into the MRF from a permanent, indefinite general fund appropriation representing a portion of retirement and survivor benefits already accrued by members due to past service.

D. Interest earned from the investment of available MRF cash balances in U.S. securities.

160403. Unfunded MRF Funds

Determinations of the current portion of retired military benefits and amounts required to liquidate the unfunded portion of the MRF are discussed in the remainder of this section.

A. Amounts payable to the MRF necessary to fund present and future benefits payable to military retirees and their survivors must be based on actuarial funding determinations by the DoD Office of the Actuary, using methods and economic assumptions (including the inflation, interest, and salary rates) approved by the DoD Board of Actuaries and in accordance with [10 U.S.C 1465](#). DoD Components must include sufficient funds to be transferred to the MRF, as determined by the DoD Office of the Actuary, in their Military Personnel Appropriation budgets.

1. Accrued benefits for a given program must be comprised of benefits expected to be paid to the following:

a. Persons who have met the conditions of the program and will receive benefits in the future.

b. Persons who have met enough of the conditions of the program to be considered probable recipients of future benefits.

c. The survivors of both groups, as applicable.

2. Accrued benefits must be based on participants' history of earnings, work or service, and other appropriate factors as of the benefit information date. The benefit information date is the date when benefit information is presented. Projected years of work or service are only considered when determining a person's expected eligibility for particular program benefits.

3. Automatic benefit increases specified by the provisions of the program that are expected to occur after the benefit information date must be recognized when computing program benefits.

B. The annual amount required to liquidate the unfunded liability of the MRF must be calculated by the DoD Office of the Actuary, in accordance with methods and assumptions approved by the DoD Board of Actuaries.

C. Amounts to be transferred to the MRF for retired pay accrual must be obligated by the DoD Components at the same time military pay is obligated, as required in Volume 3 and further explained in paragraphs 160307 and 160308.

D. Entitlements for military retired pay and surviving annuities are described in Volume 7B. Payments of authorized and accrued benefits must be made from the MRF, a trust fund established under Public Law 98-94, in accordance with [10 U.S.C. 1463](#).

E. Calculations of the amount of the current portion of retired military benefits must be performed centrally by the Military Departments for active, Reserve, and National Guard military personnel. The calculations must employ retired military pay accrual percentages published annually by the Office of the Secretary of Defense (OSD) and must be applied to the total base pay amount calculated. The term "base pay" means outlays for basic pay. The Military Departments also must obligate and disburse amounts calculated for the retired pay accrual in the applicable military pay active duty, reserve, and national guard accounts and deposit the funds to the MRF receipt account 97X8097.001 - Employing Agency Contribution, DoD MRF.

160404. Investment of Cash Balances

The Investment Fund Manager, DFAS-Indianapolis (IN), is responsible for investing cash balances of the MRF not needed to cover current retirement payments. Investments are limited to Market-Based U.S. Government Special Securities issued by the Department of the Treasury.

160405. Calculation of Retired Pay Benefits

Retired pay benefits must be calculated and paid by DFAS.

160406. Reimbursements of Retired Military pay

All reimbursements made to DoD Components in accordance with the guidance contained in Volume 11A for retired military pay must be credited to the applicable military personnel appropriation account.

160407. Accounting for MRF Obligations and Accruals

Using actuarially determined percentage for each, military pay active duty accounts and Reserve and National Guard personnel accounts must be accounted for as follows:

A. Amounts equating to an actuarially determined percentage of basic pay must be obligated each month for subsequent payment to the MRF.

B. Accounting for the direct program must be at the budget sub-activity level presently prescribed in Volume 2A, Chapter 2. Accounting for the reimbursable program may use a simplified structure to include basic pay, retired pay accrual, and other.

C. The amount accrued for retired pay must be obligated each month. At the end of the month, amounts obligated for retired pay accrual must be disbursed. If information on the total entitlement and total expenditures is not available at the end of the month, estimates (see subparagraph 160307.E) may be used and appropriate adjustments made when the actual amounts become known.

D. Release of funds must be consistent with budgetary authority. An undelivered order entry must be made at the beginning of each month to accrue the estimated MRF obligations to the members. Before the end of each month, the actual obligations must be recorded and an accrued expenditure (paid or unpaid, as applicable) established. The corresponding disbursement of funds must agree with the reported outlay and amount obligated.

E. All military pay accounting systems must provide for the recording of obligations for basic pay separate from other kinds of pay and allowances. However, the liquidation of obligations for pay and allowances may be on a gross basis. If the actual amount of basic pay paid is not known at the end of the month, an estimated retired pay obligation to be liquidated and disbursed to the MRF may be developed by a formula such as: multiplying the estimated basic pay by the retired pay accrual percentage (provided by the DoD Office of the Actuary).

F. Disbursements for retired pay benefits accruals must be deposited, via the Intra-government Payment and Collection (IPAC) System, at the end of each month to trust fund receipt account 97X8097.001 - Employing Agency Contribution, DoD Military Retirement Fund. The associated disbursement and collection transactions must be supported using a Standard Form (SF) 1081, "Voucher and Schedule of Withdrawals and Credits." The SF 1081 must be properly certified prior to submission to the DFAS-IN Trust Fund Accounting Division (TFAD). The disbursing officer making the payment also must process the collection, forward a copy of the completed SF 1081 to DFAS, TFAD, and report both the disbursement and collection transactions on the monthly Financial Management Service (FMS) Form 1220, "Statement of Transactions." The DFAS copy of the SF 1081, with all supporting documentation, must be transmitted electronically immediately upon completion of the transactions so that the deposit may be recorded in the MRF as soon as possible and the funds invested.

160408. Accounting for MRF Appropriations

The permanent indefinite appropriations, 97_0040, "Payments to Military Retirement Fund, Defense," and 97_0041, "Concurrent Receipt Accrual Payments to the Military Retirement Fund, Defense," are accounted for as follows:

A. At least 3 weeks before the end of the fiscal year, the Secretary of Defense must provide the Secretary of the Treasury with a certification of the amounts, as determined using methods and assumptions approved by the DoD Board of Actuaries, that should be deposited to these accounts for the ensuing fiscal year. The certification must include the amounts needed to fund the amortization of the original unfunded liability for military retirement, any other unfunded liability resulting from benefit structure changes and actuarial gains or losses, and the portion of the accrual charge to be funded by Treasury. A copy of the certification must be sent directly to:

Department of the Treasury
Funds Management Division
Finance Management Branch
3700 East-West Highway
Room 6F06-PGCII
Hyattsville, MD 20782

B. Upon receipt of the certification, the Treasury Department provides the FMS Form 6200, "Department of the Treasury Appropriation Warrant," for the amount certified. The Warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

* C. On October 1, DFAS must: (1) record the FMS Form 6200 to 97_0040 – Payments to Military Retirement Fund, Defense; (2) disburse the entire amount from 97_0040; and (3) deposit it to trust fund receipt account 97X8097.003 - Federal Contribution, DoD Military Retirement Fund.

D. The DoD MRF is classified as a trust fund and makes use of both receipt and expenditure accounts since it is not designated as a trust revolving fund.

1. Deposits are made to the following trust fund receipt accounts as applicable:

a. 97X8097.001 - Employing Agency Contribution, Department of Defense Military Retirement Fund. Payments from DoD Military Departments for accrual of future retired pay benefits and transfers of deposits made by Judges of the U.S. Court of Military Appeals, including interest, from the Civil Service Retirement and Disability Fund – 24X8135 and the payment from the indefinite appropriation for the normal costs contribution – 97_0041.

b. 97X8097.002 - Earnings on Investments, Department of Defense Military Retirement Fund. Payment of interest by Treasury on Fund investments in U.S. securities.

c. 97X8097.003 - Federal Contribution, Department of Defense Military Retirement Fund. Payments from the permanent indefinite appropriation for the unfunded liability – 97_0040.

d. (62) 97X8097 - Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement Fund. Purchase of premium, interest, and discount.

e. (72) 97X8097 - Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement Fund. Write-off and amortization of premium and discount and collection of interest purchased.

2. The symbol for the trust fund expenditure account is 97X8097. Amounts deposited to the receipt accounts identified in subparagraph 160308.D.1 are available immediately to the trust fund expenditure account for investment or payment of retired pay benefits.

a. Account 97X8097 must incorporate the same budget activity structure as the account "Retired Pay, Defense." Accounting must be at least at the budget activity level, and lower level accounts must be established as necessary to meet reporting requirements.

b. Since **account** 97X8097 is an OSD account, DFAS is responsible for its overall accounting and reporting.

c. Acting for the Secretary of Defense, DFAS must allocate a portion of 97X8097 to each Military Department in order to fund payments of retirement benefits.

d. Annuity payments to retired Judges of the U.S. Court of Military Appeals must be charged to 97X8097.

160409. MRF Reporting Requirements

A. DoD Components must report in their Statement of Operations the amount of Federal contributions (including accrued amounts), if any, made to the pension plans(s) on behalf of their employees. The agency contribution must not include amounts withheld from employee's compensation for submission to the plan(s).

B. DoD Components which administer programs that provide annuity benefits to eligible participants must recognize, for reporting purposes, a liability for the actuarial present value of accrued benefits. These are benefits earned (i.e., eligibility criteria met) or accrued as of the benefit information date (see subparagraph 160303.A.2), but will not be paid until a later date.

1. The actuarial present value of accrued benefits is that amount, as of the benefit information date, that results from applying actuarial assumptions to the benefit amounts determined pursuant to subparagraphs 160303.A. The actuarial assumptions are used to adjust the amounts to reflect the time value of money (through discounts for interest) and the probability of retirement between the benefit information date and the date of retirement.

2. The significant assumptions used in determining actuarial present values must, in aggregate, reflect a reasonable estimate of each program's anticipated experience.

3. The benefit information date must be the end of the reported fiscal year. Changes in benefit rules that become effective during a year must be reflected in that year's computation of accrued benefits.

4. For the year in which the liability for the present value of accrued benefits is first recorded, the initial amount of the liability must be reported as an accounting change, i.e., a charge to equity and an accrued liability. Thereafter, changes in the liability each year must be charged or credited to expense.

5. Footnotes to the financial statements must disclose the nature and amount of required agency contributions, if any. The footnotes also must disclose the agency responsible for reporting the pension plan's unfunded liability.

6. Financial information for pension plans must be reported in the annual financial statements of administering agencies.

7. The notes to the financial statements must include a description of the methods and significant assumptions used in computing the actuarial present value of future program benefits. Additionally, if the actuarial liability computed in accordance with these standards is different from the actuarial liability computed for funding purposes, the footnotes must include an adequate explanation of the basis for any significant differences between the two liabilities.

C. DFAS is responsible for preparing MRF reports in accordance with Volume 6A.

1. Standard Form (SF) 133, Report on Budget Execution. DFAS must submit the SF 133 for all MRF receipt and expenditure accounts.

2. ACCT RPT (M) 1002, Appropriation Status by Fiscal Year Program and Subaccounts. DFAS must submit this report for the MRF expenditure account prepared in accordance with Volume 6A, Chapter 4.

3. Other Reports. DFAS must follow the instructions in Volume 6A as applicable. In addition, the Military Departments must comply with the monthly reporting requirements contained in Volume 6A.

1605 ACCOUNTING POLICY FOR THE ACCRUAL AND INVESTMENT OF THE MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND

160501. Purpose

The Department of Defense Medicare-Eligible Retiree Health Care Fund (MERHCF), administered by the Secretary of the Treasury, must be used for the accumulation of funds in order to finance, on an actuarially sound basis, liabilities of DoD under uniformed services health care programs for specific Medicare-eligible beneficiaries, as designated by [10 U.S.C. Chapter](#)

56. Established by the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Public Law 106-398, MERHCF must pay the costs of all uniformed service retiree health care programs for the benefit of members or former members of a participating service who are entitled to retired or retainer pay and are Medicare eligible, their dependents who are Medicare eligible, and survivors who are Medicare eligible. The term uniformed services refers to the Army, Navy, Air Force, and Marine Corps and any other uniformed service (i.e., Coast Guard, National Oceanic and Atmospheric Administration, and the U.S. Public Health Service) that elects to participate in MERHCF through an agreement with the Secretary of Defense. MERHCF is considered an entitlement authority as defined in 2 U.S.C. 622(9).

160502. Proponent for MERHCF

The DoD MERHCF, 97X5472, is an OSD Special Fund. DFAS-IN, acting for the Secretary of Defense, is responsible for the accounting and reporting of this special fund.

160503. MERHCF Assets

The MERHCF assets include:

A. Amounts paid into MERHCF from the Military Personnel, Reserve Personnel and National Guard Personnel appropriations to fund future benefits payable from MERHCF attributable to Military Service rendered in the current fiscal year. The full cost of accruing benefits must be allocated to the affected salary and expense accounts and be considered as an annual cost of managing these programs.

B. Amounts paid into MERHCF from a permanent indefinite general fund appropriation, 97X0850, to fund future benefits payable from MERHCF attributable to service rendered prior to October 1, 2002 (i.e., the unfunded actuarial liability) as well as all actuarial gains and losses.

C. Income on the invested portion of MERHCF.

D. Amounts paid into MERHCF from other uniformed services not covered in subparagraph 160503.A. (Coast Guard, National Oceanic and Atmospheric Administration, and U.S. Public Health Service).

E. Amounts returned to MERHCF that were previously transferred to fund the payment of expenses.

160504. Payments from MERHCF

DFAS-IN must make amounts available from the special fund expenditure account 97X5472 to fund the payment of authorized expenses as designated by 10 U.S.C. Chapter 56. Authorized expenses must be adjudicated and paid in accordance with DoD Instruction 6070.2, "Department of Defense Medicare Eligible Retiree Health Care Fund Operations." MERHCF has two categories of health care expense payments: (1) Purchased Care paid through the

Operation and Maintenance (O&M) accounts of the TRICARE Management Activity (TMA) and (2) Care provided in Military Treatment Facilities (MTFs) paid through the O&M accounts of TMA and Military Personnel accounts of the Army, Navy and Air Force. For Purchased Care, TMA must provide an estimated annual expense program by quarter for these payments to DFAS-IN one month prior to the start of each fiscal year. These estimates are used by DFAS-IN for management of the investment portfolio and effective cash management and forecasting. For MTFs, the annual estimated expenses are transferred in quarterly increments in accordance with a schedule provided by TMA to DFAS-IN one month prior to the start of each fiscal year. Authorized MERHCF expenses are paid as follows:

A. Purchased Care. Direct charges to MERHCF are provided to DFAS-IN by TMA. TMA reports these charges on the monthly FMS Form 224, "Statement of Transactions." A memorandum stating the dollar amount and the date of the charge must be provided to DFAS-IN the business day prior to the charge. DFAS-IN must hold back cash from overnight investments to cover all expenditures on the date charged.

B. Military Treatment Facilities. One month prior to the beginning of each fiscal year, TMA must provide DFAS-IN an annual funding program amount by month for the following programs:

1. The funding amount for the TMA - MTF - O&M account is reported on the FMS Form 224 of ALC 97200010 as an increase to account 97X0130 and as an increase to the expenditure account 97X5472. This must be completed by DFAS-IN on the first work day of each quarter and reported on the current quarter's FMS Form 224. Copies of the FMS Form 224 must be sent by DFAS-IN to the appropriate Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Directorate, who must distribute the funds to TMA via a Funding Authorization Document.

2. The funding amount for the Military Services - MTF - Military Pay account is processed via IPAC and reported in the same manner as other IPAC transactions. This must be completed by DFAS-IN on the first work day of each quarter. Copies of the SF 1081 supporting these transactions must be sent to the appropriate OUSD(C) Directorates and DFAS sites that account for the funds.

160505. Actuarial Estimates

Amounts payable to MERHCF must be based on determinations by the DoD Office of the Actuary under methods and assumptions approved by the DoD [Medicare-Eligible Retiree Health Care Fund Board of Actuaries \(MERHCF Board\)](#).

*160506. Determination / Payments of Contributions to MERHCF

The MERHCF Board issues a letter each year (generally in August) approving the amortization payment ([the initial unfunded liability plus amortization of actuarial gains and losses](#)) and the normal cost contributions ([the accrued cost associated with the current year's military service](#)) for the Uniformed Services. The normal cost contributions are determined in

accordance with [10 U.S.C. 1115\(b\)](#). The normal cost per capita rates determined by the DoD Office of the Actuary are multiplied by the expected average force strength during the fiscal year (at the levels in the President's Budget submission unless Congressional action adjusts these levels).

A. Accounting for Military Pay Accounts. At least 3 weeks before the end of the fiscal year, the Secretary of Defense must provide the Secretary of the Treasury with a certification of the total amortization payment for the initial unfunded liability and the Department's normal cost contribution amounts. In addition, the letter must request that Treasury issue warrants to the DoD MERHCF payment account (97X0850) at the start of the fiscal year for the amortization payment and to the ten MERHCF contribution accounts for the normal cost accrual contributions. The MERHCF contribution accounts each correspond to one of the ten military personnel accounts (Active, Reserve, and National Guard). A copy of the letter must be sent directly to:

Department of the Treasury
Financial Management Service
Budget Reports Division
Appropriation Analysis Team
Room 5D22-PGMCII
3700 East-West Highway
Hyattsville, MD 20782

1. The OUSD(C) submits an apportionment request to the Office of Management and Budget (OMB) for the ten MERHCF contribution accounts.

2. Upon receipt of the certification, the Treasury Department provides the FMS Form 6200, "[Appropriations](#) Warrant" for the certified amortization amount. The warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

3. On October 1, DFAS must record the FMS Form 6200, disburse the entire amortization amount from 97X0850, and deposit it to special fund receipt account 97X5472.003 – Federal Contributions, DoD Medicare-Eligible Retiree Health Care Fund.

4. On the first duty day of October, Treasury issues warrants to the ten MERHCF contribution accounts. The Military Services will transmit payment to MERHCF, via facsimile or email, using an SF 1081 as supporting documentation for the IPAC.

5. To ensure the timely payment of funds and prevent a possible loss of interest to MERHCF, the Military Services must pre-coordinate their payments with the DFAS Trust Fund Accounting Division prior to the issuance of warrants by Treasury and prepare the SF 1081 to transmit payment based on the amounts certified by the Deputy Secretary of Defense.

B. Accounting for Other Uniformed Services. The normal cost contribution payments to MERHCF must be computed and deposited in a manner similar to that described for the Military Services in subparagraph 160506.A. Payments to the MERHCF will be made at the beginning of the fiscal year to ALC 97200010 through the IPAC system. DFAS-IN must credit the special fund account 97X5472.001 - "Non-DoD Employing Agency Contributions, Department of Defense Medicare-Eligible Retiree Health Care Fund." Documentation supporting the deposits must be transmitted electronically to DFAS-IN prior to or immediately upon completion of the transaction.

160507. Investment of MERHCF Assets

The Investment Fund Manager, DFAS-IN, is responsible for investing cash balances of MERHCF not required to meet current withdrawals. Investments are limited to Market-Based U.S. Government Special Securities issued by the Department of the Treasury. The income on such investments must be credited to receipt account 97X5472.002 – Earnings on Investments, DoD Medicare-Eligible Retiree Health Care Fund and form a part of MERHCF. The reporting instructions for accounts invested in Department of the Treasury securities contained in the Treasury Financial Manual (ITFM 2-4300) do not pertain to the DoD MERHCF (97X5472). The reporting procedures for this Fund were agreed to by Treasury's FMS and Bureau of the Public Debt, OMB, and DoD. These agreed-upon procedures were formalized by DoD and Treasury in 1993, and DFAS must maintain documentation of the agreement.

160508. Accounting for MERHCF

The DoD MERHCF (account 97X5472) is classified as a special fund and uses both receipt and expenditure accounts. Since 97X5472 is an OSD account, DFAS-IN must be responsible for the accounting and reporting of this special fund. Acting for the Secretary of Defense, DFAS must make amounts available from 97X5472 in order to fund the payment of all appropriate expenses. All credits (deposits) and charges (payments) to ALC 97200010 for account 97X5472 made through the IPAC system must be reported by DFAS-IN on their FMS Form 224.

A. Deposits are made to the following special fund receipt accounts, as applicable:

1. 97X5472.001 – Non-DoD Employing Agency Contributions, DoD Medicare-Eligible Retiree Health Care Fund. Payments from participating uniformed services for accrual of future health benefits.

2. 97X5472.002 – Earnings on Investments, DoD Medicare-Eligible Retiree Health Care Fund. Payment of interest by Treasury on Fund investments in U.S. public debt securities.

3. 97X5472.003 – Federal Contributions, DoD Medicare-Eligible Retiree Health Care Fund. Payments from the permanent indefinite appropriation for the unfunded liability – 97X0850.

4. 97X5472.004 – Refunds Received, DoD Medicare-Eligible Health Care Fund. Refund of amounts previously transferred from the Fund, which are determined to be not necessary for the purposes transferred.

B. The following accounts are used exclusively for investment transactions in U.S. securities, as applicable:

1. (62) 97X5472 – Disbursements, Unamortized Premium and Discount. Purchase of premium, discount (CR) and interest.

2. (72) 97X5472 – Receipts, Unamortized Premium and Discount. Write-off and amortization of premium and discount and collection of interest purchased.

3. (88) 97X5472 – Investment in U.S. Securities (par). The par value of purchases of U.S. securities.

4. (98) 97X5472 – Redemption of U.S. Securities (par). The par value of redemptions prior to maturity and the par value of matured U.S. securities.

C. The symbol 97X5472 is the special fund expenditure account. Amounts deposited to the MERHCF receipt accounts are available immediately to the special fund expenditure account for investment, payment of benefits and administrative costs. Transfers from 97X5472 must be reported as expenditures. Transfers received by the appropriate program accounts must be reported as offsetting collections and as expenditures when expenses are paid.

160509. MERHCF Reporting Requirements

A. The MERHCF financial statements must recognize a liability for the present value of future Medicare-Eligible Retiree Health Care benefits for eligible participants.

B. For the year in which the liability for the present value of accrued benefits is first recorded, the initial amount of the liability must be reported as an accounting change (i.e., a change to equity and an accrued liability). Thereafter, changes in the liability each year must be charged to expense.

C. Permanent Indefinite Appropriation 97X0850 – Payment to Department of Defense Medicare-Eligible Retiree Health Care Fund. The DFAS-IN is responsible for preparing the reports for this account in accordance with Volume 6A.

D. SF 133, Report on Budget Execution. The DFAS-IN must submit a monthly SF 133 that includes all MERHCF receipt and expenditure accounts.

E. Financial Statements. The DFAS-IN must prepare all MERHCF financial statements as required by the Chief Financial Officers Act of 1990, expanded by the Government Management Reform Act of 1994 and other relevant legislation, in accordance with the requirements of [OMB Circular A-136](#).

F. Status of Funds. The DFAS-IN must prepare a Status of Funds and forward it to the Deputy Comptroller, Program/Budget, on the fifteenth workday of the following month. The DFAS-IN must report actual data for current fiscal year through the previous fiscal month.