

VOLUME 7A, CHAPTER 66: “CONTINUATION PAY (CP)”**SUMMARY OF MAJOR CHANGES**

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

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

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

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

The previous version dated [February 2022](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Updated to remove “Career Status Bonus.	Revision
All	Removed Career Status Bonus from this chapter because program ended.	Deletion
References	Removed all references to Career Status Bonus.	Deletion

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CHAPTER 66

CONTINUATION PAY (CP)

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide policy pertaining to the Continuation Pay (CP) bonus, which is payable only to members who are in the Blended Retirement System (BRS).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 CP

2.1 General

Public Law (P.L.) 114-92, as amended by P.L.114-328 (section 633), established CP as a bonus payable on or after January 1, 2018. CP is a one-time, mid-career bonus payment for Service members of the Uniformed Services covered by the BRS, in exchange for an agreement to perform additional obligated service. CP is only payable to members in the BRS. A CP payment is in addition to any other career field-specific incentives or retention bonuses.

Note: The Deputy Secretary of Defense (DepSecDef) memo, January 27, 2017, Volume 7B, and Service regulations provide comprehensive policy and guidance regarding retirement under the BRS.

2.2 Eligibility

2.2.1. The following Active Component (AC) members are eligible to receive CP. Any AC member who:

2.2.1.1. Is covered under the BRS;

2.2.1.2. Has completed not less than 8 and not more than 12 years of service (YOS), as computed from the member's Pay Entry Base Date (PEBD); and

2.2.1.3. Is eligible to enter into an agreement to serve not less than an additional 3 years in the AC.

2.2.2. The following Reserve Component (RC) members are eligible to receive CP. Any RC member who:

2.2.2.1. Is covered under the BRS;

2.2.2.2. Has completed not less than 8 and not more than 12 YOS as computed from the member's PEBD;

2.2.2.3. Is a Service member of the Selected Reserve (SELRES), or otherwise a member of the Ready Reserve in a status in which the member is eligible to receive basic pay or inactive duty pay.

2.2.2.4. Is eligible in accordance with criteria published by the Secretary of the Department concerned; and

2.2.2.5. Is eligible to enter into an agreement to serve not less than an additional 3 years in the SELRES.

2.3 CP Amount

The Secretary concerned determines the CP amount, the timing of when CP is offered, and the duration of the associated additional obligated service. The amount of CP payable depends on whether a member is AC or RC.

2.3.1. For an AC member, CP will be not less than 2.5 times and not more than 13 times the monthly basic pay of an AC member based on the member's current paygrade and YOS.

2.3.2. For an RC member, CP will be an amount not less than 0.5 times and not more than 6 times the monthly basic pay of a member of the same grade and YOS on AD. An RC member performing active Guard and Reserve service, as defined in [10 U.S.C. § 101\(d\)\(6\)](#), will be paid CP at the rate of an AC member subject to agreement to continue serving not less than an additional 3 years in active service as defined in 10 U.S.C. § 101(d)(3).

2.4 Obligated Service

2.4.1. A Service member who accepts CP and enters into an agreement will serve not less than 3 years of additional service, the length of mandatory service to be determined by the Secretary concerned in the component they were serving in at the time of agreement, commencing upon acceptance by the Secretary concerned of the agreement to continue serving.

2.4.2. The obligated service will run concurrently with any other service obligations unless other service obligations incurred specifically preclude concurrent obligations.

2.4.3. RC members will perform obligated service in the SELRES, subject to the conditions and requirements prescribed by the Secretary concerned.

2.4.4. RC members performing active Guard and Reserve service, as defined in 10 U.S.C. § 101(d)(6), who receive CP at the rate of an AD member, will perform obligated service on AD unless otherwise prescribed by the Secretary concerned.

2.5 Payment

A Service member who qualifies for CP may elect to receive the payment in a single lump sum or elect a series of equal installment payments, not to exceed four annual payments over 4 consecutive years.

2.6 Timing

2.6.1. Full Thrift Saving Plan (TSP) Members. In accordance with [37 U.S.C. § 356](#), the Secretary concerned will pay CP to full TSP members (as defined in [5 U.S.C. § 8440e\(a\)](#)) who meet the eligibility requirements in paragraph 2.2 and who have completed not less than 8 and not more than 12 YOS.

2.6.2. CP Multiple. The CP multiple used in calculating is the actual paygrade and YOS of a member on the day CP is authorized. See subparagraphs 2.3.1 and 2.3.2 for the AC and RC multiples for calculating CP.

2.6.3. YOS Rate. For CP payments, the following rates apply:

2.6.3.1. A member with at least 8 YOS but less than 10 YOS will be paid at the rate of over 8 YOS.

2.6.3.2. A member with at least 10 YOS but less than 12 YOS will be paid at the rate of over 10 YOS.

2.6.3.3. A member with exactly 12 YOS but no more than 12 YOS will be paid at the rate of over 12 YOS.

2.7 Non-availability

Service members who incur a period of extended absence, subject to the approval of the Secretary concerned, which precludes meeting the terms of obligated service must have installment payments suspended during this period. If subsequently re-assigned to the member's previous status, or a new status at the discretion of the Secretary concerned, CP installment payments may resume and the term of service extended accordingly to ensure fulfillment of the original agreement period. The date of completion of the obligated service must be adjusted for periods of authorized absence. Failure to meet reinstatement criteria will result in termination of the CP and repayment, as appropriate.

2.8 Repayment

2.8.1. A Service member who received CP but who fails to complete the period of obligated service described in paragraph 2.4, or fails to maintain the skills for which an amount greater than the minimum amount specified in paragraph 2.3 was paid; is subject to full or partial repayment in accordance with [37 U.S.C. § 373](#).

2.8.2. A Service member who received CP but is later discovered to be ineligible to enroll or whose enrollment is determined to be erroneous will have their enrollment voided. Such members will be placed under the correct retirement system upon discovery of the error. The Secretary concerned will initiate action to obtain repayment of CP, in accordance with 37 U.S.C. § 373.

2.8.3. The Secretary concerned may grant an exception to the repayment requirement and requirement to terminate the payment of unpaid amounts of CP if the Secretary concerned determines that the imposition of the repayment and termination requirements with regard to a member of the Uniformed Services would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interests of the United States.

Note: The Secretary of the Military Department concerned will not grant the exception for repayment if the member's separation is due to misconduct or if an exception of repayment would be inconsistent with other prescribed law, regulation, or policy.

2.9 CP and [Combat Zone Tax Exclusion \(CZTE\)](#)

2.9.1 Service members, who become entitled to CP while serving in a designated combat zone, are entitled to have the amount of the CP excluded from their gross income for the tax year in which the CP is received, subject to the limitation amount as discussed in Chapter 44.

2.9.2. A Service member must be eligible for CP in accordance with their Service's eligibility requirements and enter into agreement while serving in the designated combat zone to be eligible to exclude the payment from their taxable income. The CZTE applies to CP when the member becomes entitled to the pay while serving in a combat zone, even if received outside of a combat zone.

2.9.3. The CZTE is not dependent upon when the Service member receives the compensation.

2.9.4. [Examples](#)

Example 1: The Service member is deployed in a combat zone. Just before departing the combat zone, the member reaches 11 years, 10 months of service and signs an agreement for an additional 4 YOS in return for CP. The Secretary concerned has established that to be eligible for the CP, the member must have 12 YOS. The member reaches 12 YOS two months after returning from the combat zone and receives a lump sum payment of \$8,000.

The Service member's \$8,000 CP is not eligible for CZTE and must be included in the member's gross income for the year in which received. It is not eligible for CZTE because it was not earned in a combat zone. The Service member did not become entitled to the CP until two months after returning from the combat zone, when the member met the eligibility requirements for CP.

Example 2: The Service member is deployed in a combat zone. While in the combat zone, the member enters into an agreement for CP in exchange for an additional 4 YOS. The member also elects to receive CP in annual installment payments. The Secretary concerned has established that to be eligible for the CP, the member must have 12 YOS. The member reaches 12 YOS just before departure from the combat zone. The member receives each of the subsequent annual installment payments of \$2,000 outside of a combat zone.

Each of the Service member's \$2,000 annual installment payments for CP are eligible for the CZTE and are not included in the member's gross income for the year in which received. The member became entitled to the CP while serving in a combat zone. Each of the annual payments relates back to the member's service in the combat zone, and thus retains the CZTE.

REFERENCES

CHAPTER 66 - CONTINUATION PAY (CP)

1.0 – GENERAL

37 U.S.C. § 354
Assistant Secretary of Defense (ASD)
Memo, February 2, 2001
P.L. 114-92, section 635, November 25, 2015
P.L. 114-328, sections 631-633, December 28, 2016
DepSecDef Memo, January 27, 2017

2.0 –CP

37 U.S.C. § 356
P.L. 114-92, sections 631-635, November 25, 2015
P.L. 114-328, section 633, December 28, 2016
DepSecDef Memo, January 27, 2017

2.9

26 U.S.C. § 112(c)
Title 26, Code of Federal Regulations, part 1.112-1