

# Retired Pay Newsletter

July 2009



## **Director's corner:**

In this issue of the DFAS Retired Pay Newsletter you will find an update on the recoupment from retired pay for Voluntary Separation Incentive (VSI), Special Separation Benefit (SSB) and certain other separation payments. You will also find important information for those who have voluntary allotments deducted from their retired pay and the most recent information on the Paid-Up SBP dispute period which has recently ended. Some may have noticed a change in your Federal Income Tax Withheld (FITW) due to “The American Recovery and Reinvestment Act of 2009” (Public Law 111-05), which was signed into law by President Obama on February 17, 2009. The Army is implementing revised management guidelines under 10 USC 688 for Retiree Recall Tours. The proposed plans for the DFAS Museum have been put on hold indefinitely.

Since January 2002, the Retired and Annuity Pay (R&A) program has been outsourced by a private contractor. Beginning in early 2010, however, R&A operations will once again be performed by Department of Defense personnel.

Of the 73 scheduled Retired Pay Seminar events for this year, 17 have already been held, in many locations in the United States, Germany and Japan. We have provided the entire list for your planning purposes.

Have a safe and enjoyable summer!

<http://www.dfas.mil/rna-news/july2009/direc.html>

## **Retired Pay Recoupments:**

In the past, Voluntary Separation Incentive (VSI), Special Separation Benefit (SSB) and other separation payments such as severance pay, have been offered to Active Duty military service members in an effort to urge members to depart from active service and ultimately reduce a surplus of manpower in certain career fields. Those receiving these payments were required to maintain an affiliation with the Ready Reserve of a military Reserve component. In circumstances where these service members would go on to attain status as military retirees and begin to receive Retired Pay, it would then become necessary to repay the VSI, SSB or severance pay that was previously received.

Federal statutes governing these programs have normally not allowed the Department of Defense (DoD) or its Defense Finance and Accounting Service (DFAS) to alter repayment ratios or provide alternative repayment plans for these military retirees regardless of the financial hardships a retiree may be experiencing. However, the Department of Defense has announced that recoupment of military retirees' VSI, SSB and certain other separation payments by DFAS has been temporarily suspended for military retirees in an active pay status effective for the May 2009 retired pay entitlements pending a formal policy and legal review by the DoD. Military Retired pay for these members received on June 1, 2009 was not reduced by any recoupment amounts.

The policy and legal review will allow DoD and DFAS to determine what options, if any, may be available to allow DoD to meet its statutory responsibilities while providing relief to military retirees impacted by recoupment actions.

Letters have been sent to all affected military retirees. To view a sample, click [here](#). Whatever the outcome of the review, members will continue to receive correspondence before any further action is taken on their accounts.

Further information, including a list of Frequently Asked Questions, is available at our website - [www.dfas.mil/retiredpay.html](http://www.dfas.mil/retiredpay.html) - and by contacting our customer service representatives at 1-800-321-1080.

<http://www.dfas.mil/rna-news/july2009/retiredpayrecoupments.html>

## **Voluntary Allotments:**

Are you paying your insurance premium through an allotment deduction from your Retired pay? If so, here are some points you may need to consider:

- If your insurance premium amount changes, please contact DFAS to change the amount of your allotment deduction by calling 1-800-321-1080. For Tricare (Dental, Prime, USFHP) and Long Term Care insurance allotments, the member must contact the provider so an automated input can be submitted.
- If you've changed your address, remember to inform both DFAS and your insurance company of your new address.
- Many allotment starts, stops and adjustments are possible nearly 24 hours a day, 7 days a week via the automated system *myPay*. Please see <https://mypay.dfas.mil/mypay.aspx> for further details.
- For those members who have policies with insurance companies other than Tricare (Dental, Prime, USFHP) and Long Term Care, please make certain that your insurer understands that they cannot stop, start, or change your allotment on your behalf. You can make changes to your account by calling 1-800-321-1080 after answering some validation questions.
- Have you received a Retiree Account Statement indicating a net pay change? If so, it may be a sign that you need to contact your insurance company and have us adjust your allotment amount. If an allotment is sent to the insurance company that is greater than the amount due for your premium, the company will often send the overpayment back to DFAS. We, in turn, refund the overpayment to you in the same method that your Retired pay is received.
- We will notify you of payment returns from the insurance company, but this will not reflect on your Retired pay statement.
- Before you request an allotment, please be sure that you have enough Retired pay to fulfill the allotment amount. Avoiding this mistake will help prevent complications which could result in non-receipt of pay or in an underpayment to the allotment recipient.

<http://www.dfas.mil/rna-news/july2009/voluntaryallotments.html>

## **Facts of Paid-up SBP:**

Paid-up SBP became effective October 1, 2008. In the future, all retirees that are at least 70 years of age and have paid SBP premiums for at least 360 months (30 years) will have their premiums stopped and are no longer required to make monthly payments beginning in the month they meet the eligibility requirements. The same policy also applies to participants in the Retired Serviceman's Family Protection Plan (RSFPP).

To proactively ease the process of tracking each retiree's paid-up status, Retiree Account Statements (RAS) have been modified to include a "premium counter." The purpose of the counter is to track the number of months of paid premiums credited to a retiree's account. The premium counter will automatically increase each month that a full premium payment is made. This will help retirees monitor their eligibility status. A RAS is issued only when a pay change occurs.

Beginning on January 1, 2009, retirees who believed that their premium counter was incorrect were given the opportunity to dispute it by completing and submitting a DD Form 2656-11. The utilization of DD Form 2656-11 expired on June 30, 2009. . If we receive a form postmarked on or before June 30, 2009, and we find that we need additional documentation, retirees will have 30 days to submit that documentation and our Retired and Annuity Pay Operations will be given an additional 30 days to properly process the account.

Throughout the Paid-up SBP dispute period:

- 3,998 DD 2656-11 forms were received
- 1,416 forms, or 35%, required adjustments to their SBP premium counters
- 669, or 47%, of the adjusted counters (17% of all forms received) were increased
- 747, or 53%, of the adjusted counters (1919% of all forms received) were decreased
- 2,582, or 65%, of the forms received required no change to their SBP premium counters

Any forms received postmarked AFTER June 30, 2009 will not be honored.

Again, thank you for providing Retired and Annuity Pay with an opportunity to better serve you.

<http://www.dfas.mil/rna-news/july2009/factsopaid-upsbp.html>

## **Change in FITW:**

The American Recovery and Reinvestment Act of 2009 (Public Law 111-05), was signed into law by President Obama on February 17, 2009. The Making Work Pay provision of the Act provides a refundable credit for working individuals. This refundable credit has been made available to individuals this year through a reduction in the amount of income taxes withheld from salaries and wages each pay day, including Retired and Annuity pay. Thus, without any action on their part, recipients of Retired or Annuity pay who are working and otherwise qualify for the credit get the benefit of the credit in the form of a reduction in their Federal income tax withholding (FITW) rates. These new FITW rates were made effective just prior to April 1, 2009 for the payment of Retired or Annuity pay due on May 1, 2009. The new tax tables can be found at <http://www.irs.gov/pub/irs-pdf/n1036.pdf> Since DFAS has implemented the new withholding tables, most military retirees have seen the actual Federal taxes withheld from their military retired pay reduced; for single retirees, \$400 for the year and for married retirees, \$800 for the year.

If this issue inconveniences you, there are several solutions, the easiest of which is via the myPay account online. If you have lost, do not remember, or have not received a PIN, click on the New PIN button on the myPay home page at <https://mypay.dfas.mil/mypay.aspx>.

*Option 1:* Refer to your December 2008 Retiree Account Statement for your old FITW amount and either:

(a) Adjust your myPay account by withholding additional FITW that reflects the difference between "old" withholding and "new" withholding, or

(b) Submit a new W-4 to DFAS based on that number (retirees without a myPay account must submit a new W-4 to DFAS).

*Option 2:* Submit estimated tax payments on April 15th, June 15th, September 15th and January 15<sup>th</sup> (2010) with payments of \$200 each time (to make up the \$800 total withholding difference).

*Option 3:* Do nothing. If you are routinely receiving federal tax refunds of \$1,000 or more, this withholding change should not result in you owing any additional federal taxes on your 2009 return. The return will simply be \$400/\$800 lower than it usually is (depending on marital status).

Recipients of Retired or Annuity pay who are not working and do not otherwise qualify for the Making Work Pay credit may elect to submit a new W-4 to ensure that enough Federal tax is withheld to cover their overall income tax liability. The IRS has issued Publication 919 <http://www.irs.gov/pub/irs-pdf/p919.pdf> to assist taxpayers in adjusting

their FITW for 2009. If you wish to adjust your FITW, you must submit a new W-4. You may mail your completed W-4 to:

U.S. Military Retired Pay  
P.O. Box 7130  
London, KY 40742-7130

Or, you may FAX the new W-4 to 1-800-469-6559.

<http://www.dfas.mil/rna-news/july2009/changesinfitw.html>

## **Retiree Recall:**

Due to the U.S. Army achieving its *Grow the Army End Strength*, the Army leadership is implementing various tools to shape the force. Accordingly, the Army is implementing revised management guidelines under 10 USC 688 for Retiree Recall Tours. They are as follows:

1. Voluntary recall of Retired soldiers serving 10 USC 688 is suspended. Limited exceptions will be approved on a case by case basis (i.e. AMEDD, linguists, Catholic chaplains and aviation).
2. Any retiree recall order that expires before 31 May 09 will be automatically extended to 31 May 09 by HRC and additional extensions will not be granted.
3. Serving 10 USC 688 retiree recalls can remain on Active duty until their current orders expire and commands can request consideration IAW item (1).

At this time, DFAS' Retired Pay Operations keeps record of an estimated 900 retirees that have been recalled to Active Duty. Additionally, we currently experience between 40 and 60 Army service members transferring between Active Duty and Retired status on a monthly basis. Due to the change in policy, in the coming months we anticipate an additional 60-70 Retiree Recalls leaving Active Duty to return to the Retired list each month. By September 30 a total of about 400 should have returned to the Retired list.

Because normal transition processing for finance and other issues are not standard in these cases, this category of Soldier is unique. Retired Pay Operations has an effort planned to fully support the Army's team approach and has designated a team with the requisite skills to work with the Army HRC team to ensure that these soldiers' transition to retirement is smooth.

The checklist below shows the essential list of paperwork needed in Recall-to-Active Duty/Reversion to the Retired rolls cases.

### **Retired/Retained (Navy and Marine Corp)**

- Retirement Orders
- Modification orders indicating retention on active duty
- Statement of Service
- DD2656
- Verification of release (DOS posted to active duty or reserve system)

### **Retired/Recall (Army)**

- Retirement orders or RISS (reserve retirement recall)
- Recall Orders

- Reversion Orders
- DD2656
- DD214
- Verification of release (DOS posted to active duty or reserve system)

If you are or will be involved with any of the above 10 USC 688 recall action, please have these materials available and ready to make available to us either by fax to 1-800-469-6559 or by mail to:

Defense finance and Accounting Service  
US Military Retirement Pay  
P.O. Box 7130  
London, KY 40742-7130

Notification approximately 30 days prior to retirement date or reversion date on all account types is requested.

<http://www.dfas.mil/rna-news/july2009/retireerecall.html>

**DFAS Museum:**

In our October 2008 newsletter, we provided an article on a planned DFAS museum to be located in the Indianapolis Maj. Gen. Emmett J. Bean Federal Center. The proposed museum has been put on hold indefinitely. Any further developments regarding the museum will be published in forthcoming newsletters and on our website:

<http://www.dfas.mil/retiredpay.html>

<http://www.dfas.mil/rna-news/july2009/dfasmuseum.html>

### **R&A Pay returning to DFAS:**

Since January 2002, the Retired and Annuity Pay (R&A) program has been outsourced by a private contractor. Beginning in early 2010, however, R&A operations will once again be performed by Department of Defense personnel.

Recent Federal legislation has led the Department of Defense to survey all contracted programs and select any that could be returned and operated by the Government, specifically those that have been performed by the Government within the last 10 years. A recently conducted Business Case Analysis by DFAS determined that the R&A program would be suitable for such a purpose. DFAS' intention is that this decision will result in a more securely managed processing environment, that may surpass the current level of quality and efficiency of service to our nation's military retirees, and potentially save the Government \$20 million across the next 10 years.

DFAS and its current R&A contractor will provide a seamless transition of functions back to the Government.

<http://www.dfas.mil/rna-news/july2009/rapayreturningtodfas.html>

**Seminar News:**

Of the 73 scheduled Retired Pay Seminar events for this year, 17 have already been held, in many locations in the United States, Germany and Japan. Our representative's report between 400 and 500 retirees attend each seminar. This year's most popular topics discussed have been the new Federal Income Tax Withholding tables (discussed earlier in this letter), Paid-up SBP, CRSC and CRDP, and Arrears of Pay beneficiary information.

Attending retirees will often find that DFAS representatives have live access to their account information at each seminar. Should an aspect of a retiree's account need correction or adjustment, the necessary action can usually be taken instantly, face-to-face. In any case, it is the purpose of the seminars to serve our Retired military service members, and if our technicians cannot rectify a concern on-site, they will gladly report it to be promptly completed upon their return to us. Retiree seminars are periodically scheduled at military and civilian facilities throughout the U.S. and around the world.

The following seminars are currently scheduled for 2009 with DFAS Retired and Annuity Pay participation. Representatives will be on hand to provide attendees with information on a variety of pay issues. Contact the RSO or RAO serving your area for more information on seminar details.

<http://www.dfas.mil/rna-news/july2009/seminarnews.html>