

Army Regulation 637-2

**Military Personnel Pay, Allowances, and
Incentives**

Separation Pay (Nondisability) and Levels of Payment

**Headquarters
Department of the Army
Washington, DC
21 April 2016**

UNCLASSIFIED

SUMMARY

AR 637-2

Separation Pay (Nondisability) and Levels of Payment

This new Department of the Army regulation, dated 21 April 2016--

- o Establishes policies, roles, and responsibilities for authorizing eligible Soldiers involuntarily separated for separation pay (throughout).
- o Reflects changes in Army business policies (throughout).

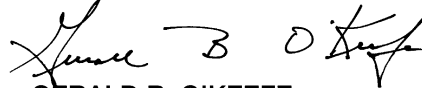
Military Personnel Pay, Allowances, and Incentives

Separation Pay (Nondisability) and Levels of Payment

By Order of the Secretary of the Army:

MARK A. MILLEY
General, United States Army
Chief of Staff

Official:



GERALD B. O'KEEFE
Administrative Assistant to the
Secretary of the Army

History. This is a new Department of the Army regulation.

Summary. This regulation prescribes policy and guidance relating to the qualification(s) for separation payment (nondisability). It depicts the roles and responsibilities regarding qualifying Soldiers that are involuntarily separated for the entitlement. It also explains the rules when separation pay is authorized and the level of the payment. Additionally, the regulation identifies the limitations when the entitlement is not authorized. It also implements DODI 1332.29 and 10 USC 1174.

Applicability. This regulation applies to the Active Army, the Army National Guard/Army National Guard of the United States, and the U.S. Army Reserve when on active duty or active service, unless otherwise stated.

Proponent and exception authority. The proponent for this policy is the Deputy Chief of Staff, G-1. The proponent has the authority to approve exception or waiver to this regulation that are consistent with controlling law and regulations. The proponent may delegated this approval authority, in writing, to a division chief within the proponent agency or its direct reporting unit or field operating agency in the grade of colonel or the civilian equivalent. Activities may request a waiver to this policy by providing justification that includes a full analysis of the expected benefits and must include formal review by the activity's senior legal officer. All waiver requests will be endorsed by the commander or senior leader of the requesting activity and forwarded through their higher headquarters to the policy proponent. Refer to AR 25-30 for specific guidance.

Army internal control process. This policy contains internal control provisions

in accordance with AR 11-2 and identifies key internal controls that must be evaluated (see appendix B).

Supplementation. Supplementation of this regulation and establishment of command and local forms are prohibited without prior approval from Deputy Chief of Staff, G-1 (DAPE-PRC), 300 Army Pentagon, Washington DC 20130-0300.

Suggested improvements. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to the Deputy Chief of Staff, G-1 (DAPE-PRC), 300 Army Pentagon, Washington DC 20130-0300.

Distribution. This regulation is available in electronic media only and is intended for command levels C, D, and/or E for the Active Army, the National Guard/Army National Guard of the United States, and the U.S. Army Reserve.

Contents (Listed by paragraph and page number)

Chapter 1
Introduction, page 1

Section I

Overview, page 1

Purpose • 1-1, page 1

References • 1-2, page 1

Explanation of abbreviations and terms • 1-3, page 1

Responsibilities • 1-4, page 1

Intent • 1-5, page 1

Contents—Continued

Section II

Responsibilities, page 1

Chief, National Guard Bureau • 1–6, *page 1*

Deputy Chief of Staff, G–1 • 1–7, *page 1*

Chief, Army Reserve • 1–8, *page 2*

Commander, U.S. Army Installation Management Command • 1–9, *page 2*

Commanders, Army commands, Army service component commands, and direct reporting units • 1–10, *page 3*

Commanders of Army installations, Joint bases, and mobilization stations • 1–11, *page 3*

State adjutant generals for Army National Guard State-level headquarters • 1–12, *page 3*

Officials authorized to contract Soldiers into the Ready Reserve • 1–13, *page 5*

Chapter 2

Eligibility, page 5

Eligibility criteria • 2–1, *page 5*

Verification of eligibility for separation pay (Reserve Component Soldier only) • 2–2, *page 6*

Requirement to serve in the Ready Reserve; exceptions to eligibility • 2–3, *page 6*

Limitations on eligibility for separation pay • 2–4, *page 6*

Chapter 3

Separation Pay Formula, Computation, Recoupment, and Funding Source, page 10

Computations • 3–1, *page 10*

Coordination with retired pay • 3–2, *page 10*

Coordination with disability compensation • 3–3, *page 10*

Separation Payment Information • 3–4, *page 10*

Forfeiture and recoupment • 3–5, *page 10*

Appeals • 3–6, *page 11*

Funding source • 3–7, *page 11*

Appendixes

A. References, *page 12*

B. Internal Control Evaluation, *page 15*

Table List

Table 2–1: Separation pay entitlement and computation, *page 7*

Table 2–2: Limitations on eligibility for separation pay, *page 9*

Figure List

Figure 1–1: Specific language for use as the written service agreement, *page 3*

Figure 1–2: Verification of eligibility for separation pay, *page 4*

Glossary

Chapter 1 Introduction

Section I Overview

1–1. Purpose

This policy prescribes the separation pay processing functions of the military personnel system. It provides principles of support, standards of service, policies, tasks, rules, and steps governing required actions in the field to support processing eligible personnel for nondisability separation pay. This lump sum payment is provided to eligible regular and Reserve Component (RC) Soldiers involuntarily discharged or released from active duty (AD) or active service short of retirement eligibility.

1–2. References

See appendix A.

1–3. Explanation of abbreviations and terms

See glossary.

1–4. Responsibilities

Responsibilities are listed in section II of chapter 1.

1–5. Intent

The intent is to—

- a. Establish Army policy that provides a standard process for compensating eligible Soldiers that are involuntarily separated from AD or active service in a timely manner prior to discharge or release from AD or active service.
- b. Provide clarity as to the levels of payment and the limitation on eligibility for separation pay.
- c. Ensure the transition centers are aware that all Soldiers eligible for the pay must sign a service agreement.

Section II Responsibilities

1–6. Chief, National Guard Bureau

The CNGB ensures that the Director, Army National Guard (DARNG) will—

- a. Tailor the procedures in this regulation to conform to Army National Guard (ARNG) component-specific requirements.
- b. Ensure Soldiers eligible for separation pay are aware of the requirements to complete and sign a service agreement to serve a minimum of 3 years in the Ready Reserve (RR) of a reserve component.
- c. Establish policy that directs the appropriate separation authority, separation code, and associated narrative reason for separation for use on the DD Form 214 (Certificate of Release or Discharge from Active Duty) or DD Form 215 (Correction to DD Form 214, Certificate of Release or Discharge from Active Duty) to support the level of payment.
- d. Provide operational oversight to the ARNG State-level headquarters.
- e. Ensure the operational support manager verify the application and denial of an additional tour of AD within the applicable Army system (for example, tour of duty (TOD) for National Guard Soldiers on AD under the authority of Title 10, United States Code (10 USC) using the verification memorandum (see fig 1–2).
- f. Establish procedures to ensure applicable Soldiers are aware of the statement outlined in paragraph 3–4.
- g. Advise the Defense Finance and Accounting Service (DFAS) of the disposition of any unearned portion of a pay or benefit.

1–7. Deputy Chief of Staff, G–1

The DCS, G–1 will—

- a. Establish separation pay policies related to the Soldiers eligible for separation pay.
- b. Coordinate with appropriate Army Staff agencies to implement change in and evaluation of separation pay policies and procedures.
- c. Designate a representative to coordinate request for exception for policy with Headquarters, Department of the Army (HQDA).
- d. Ensure the Commanding General, U.S. Army Human Resources Command (CG, HRC) executes policy and guidance relating to involuntary separations, as defined by this regulation, and that HRC and its subordinate organizations will—

- (1) Act as the Army Staff point of contact for separation policy for AD Soldiers who are required to sign a service agreement to serve in the RR as a condition for separation pay.
- (2) Issue separation document to authorize separation pay under the provisions of this regulation.
- (3) Ensure the DCS, G-1 (AHRC-PLM) verify the application and denial of an additional tour of AD in the applicable Army system (for example, TOD) for individual RR and individual mobilization augmentee Soldiers using the verification memorandum (see fig 1-2).
- (4) Establish procedures to ensure applicable Soldiers are aware of the statement outlined in paragraph 3-4.
- (5) Advise the DFAS of the disposition of any unearned portion of a pay or benefit.
 - e. Ensure the CG, U.S. Army Physical Disability Agency will act as the Army Staff point of contact for severance pay as a result of a discharge due to disability.

1-8. Chief, Army Reserve

The CAR will—

- a. Tailor the procedures in this regulation to conform to U.S. Army RC specific requirements.
- b. Ensure the USAR G-1 verifies the application and denial of an additional tour of AD in the applicable Army system for U.S. Army Reserve (USAR) troop program unit Soldiers using the verification memorandum (see fig 1-2).
- c. Advise the DFAS of the disposition of any unearned portion of a pay or benefit.

1-9. Commander, U.S. Army Installation Management Command

The Commander, IMCOM will—

- a. Provide operational control and oversight over Active Army installation-level transition centers designated for management by IMCOM through subordinate regions and garrisons.
- b. Ensure Soldiers eligible for separation pay are compensated at the appropriate level (full or half) prior to leaving AD or active service.
- c. Establish procedures to ensure separation payment authorization listed in the military order is validated. This validation authority should be no lower than the Military Personnel Division (MPD) chief.
- d. Establish procedures to ensure applicable Soldiers are aware of the statement outlined in paragraph 3-4.
- e. Ensure the transition center human resources supervisors execute the following:
 - (1) As a minimum, ensure Soldiers eligible for separation pay are aware of the requirement to complete and sign the service agreement to serve a minimum of three years in the RR. The RR consists of the Selected Reserve and the Individual RR (IRR). This includes, but is not limited to, ARNG drilling units, USAR troop program units, individual mobilization augmentees, and the control groups within the RR.
 - (2) Ensure Soldiers use DA Form 4187, with the specific language in figure 1-1 placed in Section IV of the form as the written service agreement.
 - (3) For Active Army Soldiers, ensure DA Form 3340 (Request for Reenlistment or Extension in the Regular Army) is used to validate an enlisted Soldier denial of continuation on AD in accordance with the Army Retention Program. Personnel analysts may not use an ineligible assignment availability code or an immediate reenlistment prohibition code as the single source as a denial unless specifically directed by HQDA.
 - (4) Ensure both the separation program designator (SPD) code on the DD Form 214 or DD Form 215 and the military separation order has the same authorized separation entitlement payment level of full or half in order for DFAS to legally disburse the payment.
 - (5) Coordinate with the local finance office for them to calculate or validate the amount of separation pay authorized that will be documented on the DD Form 214 or DD Form 215. As a minimum, the separation packet will consist of the following documents:
 - (a) DD Form 214 or DD Form 215 with entitlement to separation pay (full or half) and gross dollar amount documented.
 - (b) Military order entitling the Soldier to the appropriate level of pay that matches the pay authorization SPD code.
 - (c) DA Form 4187 documenting the required service agreement endorsed by a RC Career Counselor.
 - (d) Verification memorandum and DA Form 1506 (Statement of Service - For Computation of Length of Service for Pay Purposes) (RC on AD).
 - (e) Proof of enlistment or assignment to the RR for Soldiers who are not already members of the RR.

In order to receive separation pay, I agree to serve in the RR of a reserve component (RC) of the Armed Forces for a period of not less than 3 years following my separation from Active Duty.

I understand that if I am qualified for the RR, upon separation from Active Duty, I will be enlisted or appointed, as appropriate, as a reserve member by the Military Service concerned.

If I have a service obligation that is not completed at the time I am separated from Active Duty, the 3-year RR obligation must begin on the day after the day on which I complete my existing obligation.

I understand that this document will not become a written agreement for the purpose of eligibility for separation pay according to 10 USC Section 1174 and DODI 1332.29 paragraph 3.1.4, unless it is endorsed by a Ready Reserve Career Counselor, or other official authorized to contract Soldiers into the RR certifying that I have been screen for eligibility for such service.

Soldier is --- is not ----qualified for appointment or enlistment in the Ready Reserve

Figure 1–1. Specific language for use as the written service agreement

1–10. Commanders, Army commands, Army service component commands, and direct reporting units

Commanders, ACOMs, ASCCs, and DRUs will—

- a.* Coordinate actions with the DCS, G–1 and related agencies to improve the timeliness of compensating eligible Soldiers upon transition.
- b.* Ensure that subordinate unit commanders whose Soldiers would otherwise be separated under adverse actions are appropriately separated in accordance with applicable regulations. Commanders should not retain Soldiers solely for the purpose of qualifying them for separation pay.
- c.* Establish procedures to ensure applicable Soldiers are aware of the statement outlined in paragraph 3–4.

1–11. Commanders of Army installations, Joint bases, and mobilization stations

Commanders of Army installations, Joint bases, and mobilization stations will—

- a.* Monitor the transition of separating Soldiers to ensure unit commanders adhere to applicable policies so that Soldiers are appropriately separated, and if necessary, properly compensated at the appropriate-level (full or half) prior to leaving AD.
- b.* Provide operational control and oversight to Army installation-level transition centers at Army installations designated for management under the DOD Joint Basing Guidance.
- c.* Establish procedures to ensure separation payment authorization listed in the military order is validated. This validation authority should be no lower than the MPD chief.
- d.* Establish procedures to ensure applicable Soldiers are aware of the statement outlined in paragraph 3–4.

1–12. State adjutant generals for Army National Guard State-level headquarters

The State Adjutant Generals for the ARNG State-level HQs will—

- a.* Issue separation documents to Army National Guard of the United States Soldiers within the command. Authority to issue documents to authorize separation pay may not be delegated to organizations or units below the State Adjutant General Joint Force HQs-level.
- b.* Ensure the AD for operational support program manager (ARNG–OTZ) verifies the application for and denial of an additional tour of AD in the applicable Army system for ARNG Soldiers on AD under the authority of 10 USC utilizing the verification memorandum (for example, TOD) (see fig 1–2).
- c.* Ensure the State Full-Time National Guard Duty - Counter Drug Manager (FTNGD–CD) verifies the application and denial of an additional tour of AD for ARNG Soldiers on AD under the authority of 32 USC for the purpose of supporting the congressionally-mandated Counter Drug Program, using the verification memorandum (see fig 1–2).
- d.* Establish procedures to ensure applicable Soldiers are aware of the statement outlined in paragraph 3–4.



DEPARTMENT OF THE ARMY
ORGANIZATION
STREET ADDRESS
CITY STATE ZIP

OFFICE SYMBOL

DATE

SUBJECT: Verification of Eligibility for Separation Pay for [Grade, Name and Last Four Digits of Soldiers Social Security Number]

1. Request approval of separation pay for Grade and Name of Soldier. I have verified that this Soldier meets the criteria of Title 10 Unites States Code section 1174 and is eligible to receive separation pay.
2. I validate that he Soldier meets these criteria:
 - a. The Soldier has served at least 6 years, but not more than 20 years, of continuous active duty or active service, other than for training, immediately before the discharge or release. (For the purpose of this criterion, a period of active duty or active service is continuous if it is not interrupted by a break in service for more than 30 days).
 - b. The Soldier's discharge or release from active duty or active service is involuntary.
 - c. The Soldier applied for and was not accepted for an additional tour of active duty or active service for which he or she unconditionally volunteered for as validated through the Tour of Duty system and by confirmation from a verification official (paragraph 1-7 through 1-9) of AR 637-XX on [Date validated].
 - d. The Soldier has agreed, in writing, to serve in the Ready Reserve for not less than 3 years after his or her discharge or release from active duty or active service. A Soldier who enters into this written agreement and who is not qualified for appointment or enlistment in the Ready Reserve need not be enlisted or appointed by the Military Service concerned to be considered to have met this condition of eligibility for separation pay.
 - e. The service of [grade and name of Soldier] is characterized as honorable.
 - f. The Soldier is not eligible to receive immediate retired pay or retainer pay based on his or her military service upon separation. Enclosed is a DD Form 1506 Statement of Service – For Computation of Length of Service for Pay Purposes, completed with authentication and the Soldier's written agreement to service in the Ready Reserve for three years following release from active duty or active service.
 - g. Upon decision, please forward the approval or disapproval to the Name and Location of Transition Center to the following point of contact: Name, Grade, phone number and email of point of contact.
3. The point of contact is Grade, First, last, Title, at DSN XXX-XXX-XXXX, COMM XXX-XXX-XXXX, or first.o.last.mil@mail.mil. The point of contact must be at a colonel O-6 (or higher) or Civilian equivalent.

Encls
as

FIRST O. SIX
GRADE, BRANCH
Title

Figure 1–2. Verification of eligibility for separation pay

1–13. Officials authorized to contract Soldiers into the Ready Reserve

a. Officials authorized to contract Soldiers into the RR will use the language in figure 1–1 for DA Form 4187 (Personnel Action), Section IV, as the Army’s written service agreement. Personnel must check the “other” block in Section III and annotate the words “written service agreement.”

b. An RC career counselor must endorse the completed DA Form 4187, as the written service agreement for RA and USAR Soldiers that are otherwise eligible for the pay in order for the document to be valid. This signed document will fulfill the requirement of 10 USC 1174(e), which requires a Soldier to enter into a written agreement to serve in the RR of a reserve component.

c. The appropriate State military processing office must endorse the completed DA Form 4187, as the written service agreement for Soldiers serving on 32 USC active service that is otherwise eligible for the pay in order for the document to be valid.

d. The human capital management office must endorse the completed DA Form 4187, as the written service agreement for Soldiers serving on 10 USC active service that is otherwise eligible for the pay in order for the document to be valid.

e. Establish procedures to ensure applicable Soldiers are aware of the statement outlined in paragraph 3–4.

Chapter 2 Eligibility

2–1. Eligibility criteria

a. Full separation payment of nondisability separation pay is authorized to Soldiers of the regular and RC involuntarily separated from AD or active service who meet each of the four conditions outlined in DODI 1332.29, which are as follows:

(1) The Soldier meets one of the following criteria for active service:

(a) The Soldier is on AD or FTNGD and has completed at least 6 years, but fewer than 20 years, of active service. For Reserve members not on the AD list when separated, 6 years of continuous AD or FTNGD duty must have preceded immediately before such separation. A period of AD is continuous if any break in military service does not exceed 30 days.

(b) The Soldier (other than a Regular enlisted member) was on AD or FTNGD on November 5, 1990, and on that date had 5 or more, but less than 6, years of active service. For Reserve members not on the AD list when separated, 5 years of continuous AD or FTNGD duty must have preceded immediately before such separation. A period of AD is continuous if any break in active service does not exceed 30 days.

(c) The Soldier is a Regular officer, commissioned or warrant, who is being separated under 10 USC Chapter 36 (except under Section 630(1)(A) or 643 of such chapter) or under 10 USC 6383 and has completed at least 5 years, but fewer than 20 years of active service.

(2) The Soldier’s separation is characterized as “Honorable” as defined in DODI 1332.14, enclosure 4, and none of the limitation of table 2–2, apply.

(3) The Soldier is being involuntarily separated by the Military Service concerned through either the denial of reenlistment or the denial of continuation on AD or FTNGD duty, under one of the following specific conditions:

(a) The Soldier is fully qualified for retention, but is denied reenlistment or continuation by the Military Service concerned. This includes a Soldier who is eligible for promotion as established by the Secretary of the Military Department concerned, but is denied reenlistment or continuation on AD by the Military Service concerned under established promotion or high year of tenure policies.

(b) The Soldier is fully qualified for retention and is being involuntarily separated under a reduction in force by authority designated by the Secretary of the Military Department concerned as authorized under 10 USC.

(c) The Soldier is a Regular officer, commissioned or warrant, who is being separated under 10 USC Chapter 36 or 10 USC 1165 or 10 USC 6383; a Reserve commissioned officer, other than a commissioned warrant officer, separated or transferred to the Retired Reserve under 10 USC Chapter 361, 10 USC Chapter 363, 10 USC Chapter 573, 10 USC Chapter 861, or 10 USC Chapter 863; or a Reserve commissioned officer on the AD list or a Reserve warrant officer who is separated for similar reasons under Service policies.

(d) The Soldier, having been denied reenlistment or continuation on AD or FTNGD by the Military Service concerned under paragraphs 2–1a(3)(a) through 2–1a(3)(c), accepts an earlier separation from AD.

(4) The Soldier has entered into a written agreement with the Military Service concerned to serve in the RR of a RC of the Armed Forces for a period of not less than 3 years following the separation from AD.

(a) A Soldier who enters into this written agreement and who is qualified for the RRs will, upon such person’s

separation from AD, be enlisted or appointed, as appropriate, as a Reserve member by the Military Service concerned. If the person has a service obligation under 10 USC 651 or any other law that is not completed at the time the member is separated from AD, the 3-year obligation will begin on the day after the day on which the member completes the obligation under such section of law.

(b) A Soldier who enters into this written agreement and who is not qualified for appointment or enlistment in the RRs need not be enlisted or appointed by the Military Service concerned to be considered to have met this condition of eligibility for separation pay.

b. Half separation payment of nondisability separation pay, is authorized to Soldiers of the regular and RCs involuntarily separated from AD who meet each of the four conditions outlined in DODI 1332.29, which are as follows:

(1) The Soldier meets one of the criteria for active service specified in paragraph 2-1a(1).

(2) The Soldier's separation is characterized as "Honorable" or "General" as defined in DODI 1332.14, enclosure 4, and none of the limitations in table 2-2, apply.

(3) The Soldier is being involuntarily separated by the Military Service concerned through either the denial of reenlistment or the denial of continuation on AD or FTNGD, or the Soldier is being separated instead of board action as provided in DODI 1332.30 under one of the following specific conditions:

(a) The Soldier is not fully qualified for retention and is denied reenlistment or continuation by the Military Service concerned as provided for in DODI 1332.14 or DODI 1332.30 under any of the following conditions: Expiration of service obligation, selected changes in service obligation, convenience of the Government, drug abuse rehabilitation failure, alcohol abuse rehabilitation failure, or security.

(b) The Soldier is being separated under a Service-specific program established as a half-payment level by the Secretary of the Military Department concerned.

(c) The Soldier, having been denied reenlistment or continuation on AD or FTNGD by the Military Service concerned under paragraphs 2-1b(3)(a) and 2-1b(3)(b), accepts an earlier separation from AD.

(4) The Soldier has entered into a written agreement with the Military Service concerned to serve in the Ready Reserve as provided for in paragraph 2-1a(4).

(5) In extraordinary instances, the Secretary of the Army (SECARMY) may award full separation pay to Soldiers otherwise eligible for half separation pay when the specific reasons for separation and the overall quality of the Soldier's service have been such that denial of such pay would be clearly unjust.

c. Separation pay paid under 10 USC 1174 is a "benefit," which by operation of 10 USC 12602 applies to members discharged or released from FTNGD on the same basis as members on AD, if otherwise eligible.

2-2. Verification of eligibility for separation pay (Reserve Component Soldier only)

a. The first colonel (or higher) or civilian equivalent in the Soldier's chain of command will give the Soldier a verification memorandum certifying that the Soldier meets the criteria in paragraph 2-1. In preparing the memorandum, this signatory can contact the applicable office listed in section II of this policy, as determined by the Soldier's Reserve status, to verify the Soldier's application and denial of an additional tour. The signatory may also verify the information by using the Separation Pay Verification Report in applicable Army System (for example, TOD) that will show the Soldier's request for and denial of continued AD.

b. An authenticated DA Form 1506 is a requirement for RC Soldiers serving on AD or active service.

2-3. Requirement to serve in the Ready Reserve; exceptions to eligibility

a. As a condition of receiving separation pay, Soldiers (regardless of component) that are otherwise eligible for the pay will sign a service agreement to serve a period of not less than 3 years in the RR of a RC immediately following the discharge or release from AD.

b. Soldiers who enter into an agreement who are not already members of a Reserve of the armed forces and who are qualified will, upon discharge or release from AD, be enlisted or appointed as appropriate into the RR of a RC. Qualified Soldiers who decline to enlist or be appointed in the RR will not be entitled to separation pay.

c. In accordance with DODI 1332.29, a Soldier who enters into a written agreement and who is not qualified for appointment or enlistment in the RR need not to be enlisted or appointed by the military service concerned to be considered to have met this condition for eligibility for separation pay.

d. If the Soldier has a military service obligation under any provision of law that is not completed at the time the Soldier is separated, the 3-year obligation will begin on the day after the day on which the Soldier completes that military service obligation.

e. A Soldier who receives a sole survivorship discharge is exempt from the requirement to complete the service agreement and service in a RR.

2-4. Limitations on eligibility for separation pay

The SECARMY will make the determination in extraordinary cases that the conditions under which the member is

separated do not warrant separation payment. It is intended that this discretionary authority to deny payment be used sparingly. This authority is not to be delegated (see table 2–2).

**Table 2–1
Separation pay entitlement and computation**

2–rule	A	B	C
	If a member is:	and involuntarily discharge or release from AD or active service because of (note 1)	then compute separation pay at
1	an officer (note 2)	failure to be selected for promotion (note 3)	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service 10 percent (12 x monthly base pay) x years of active service.
	an officer or enlisted	sole survivorship (note 7). Reduction in force; selected for separation at or before expiration term of service (ETS) due to strength limitations or budgetary constraints	
2	a warrant officer	termination of regular appointment during the 3–year probationary period	
	a warrant officer	second failure to be selected for promotion and does not enlist or the request to enlist is denied and is not retained on AD in grade above W–4	
3	a warrant officer or reserve officer	age (notes 5 and 6)	
4	a chaplain	ecclesiastical endorsement	
5	an enlisted	Retention control point (RCP) provisions of AR 601–280, NGR 600–5, or current directive and is fully qualified for retention (note 8) denied reenlistment and separated at ETS under programs announced by HQDA	
6	a reserve member	nonselection for an additional tour of AD or active service for which member volunteered unconditionally separation at any time prior to the completion of a specific period of AD or active service or indefinite period of AD or active serve except separations for reason shown in rules 8 and 9	
7	an enlisted	RCP and is not fully-qualified for retention at their ETS (note 8) denied reenlistment and separated at ETS as a result of DA Qualitative Management Program and local bar to reenlistment alcohol and drug rehabilitation failure; parenthood; weight control standard; dependency, or hardship	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service 5 percent (12 x monthly base pay) x years of active service.
8	an officer or enlisted member (note 4)	military personnel security program separation under an Army-specific program established as half-separation payment by the SECARMY even if the Soldier accepts an earlier separation from AD	

Table 2-1
Separation pay entitlement and computation—Continued

9	an officer	written notification that member must show cause for retention and who subsequently requests discharge or release from AD or active service	
---	------------	---	--

Notes:

- ¹ Includes member's acceptance of an earlier release before the scheduled separation date, as directed by the Secretary of the Military Service concerned.
- ² Includes a regular officer continued on AD pursuant to 10 USC 637 or a reserve officer continued on AD or active service after failure to be selected for promotion, upon expiration of the period of continuation on AD or active service, or upon separation if continuation is declined and all eligibility criteria and conditions are met.
- ³ Includes officer not found qualified for promotion to grade of first lieutenant.
- ⁴ A warrant officer who is eliminated for unfitness or unsatisfactory performance of duty and elects to enlist is not entitled to separation pay.
- ⁵ Includes members separated after expiration of Secretarial retention period.
- ⁶ If the member is eligible for voluntary retirement, then the member is not entitled to separation pay even though the member does not apply for retirement concurrently with release from AD or active service.
- ⁷ The member may request such a discharge (voluntarily). Requirement for service in the RR does not apply to a member who received a sole survivorship discharge. The 6-year rule does not apply. Compute the separation pay on the years of active service actually completed by the member before the member sole survivorship discharge.
- ⁸ The member must request and extend to the established RCP in accordance with NGR 600-5. A member denied extension would have met the requirements under this rule.

**Table 2–2
Limitations on eligibility for separation pay**

2–rule	A	B	C
	If a member is:	and involuntarily discharge or release from AD or active service because of (note 1)	then compute separation pay
1	an officer or enlisted	<p>Immediate eligible for military retired pay</p> <p>characterization of service as under other than honorable conditions</p> <p>discharged or released from AD at the Soldier's own request</p> <p>declines training that the military Service offers to qualify for a new skill or rating as a precondition to reenlistment or continuation on AD</p> <p>a member who request separation as provided for in DODI 1332.14 or under regulations established by the SECARMY</p> <p>separated from AD during an initial term of enlistment or an initial period of obligated service. The initial term of enlistment or initial period of obligated service is the active service obligation that the member incurred upon initial enlistment or upon enrollment in a commissioning program. This limitation also applies to a member who desired to reenlist or continue at the conclusion of the initial term of enlistment or an initial period of obligated and is denied by the Service concerned</p> <p>released from AD or active service for training</p> <p>immediately eligible upon separation for retired or retainer pay based upon your military service</p> <p>separated as a result of execution of a court-martial sentence</p> <p>dropped from the rolls of the Army</p> <p>separated under a service-specific program established as a no payment level by the SECARMY</p> <p>otherwise eligible for separation pay and accepts immediate enlistment or continuation in an active status (for example Active Guard Reserve (AGR)) without a break in AD status regardless of Service component or Branch of Service</p> <p>self-terminating mobilization or contingency orders (for example, 10 USC 12301 and 10 USC 12302)</p>	
2	a reserve officer	<p>declines a regular appointment if offered at the mandatory integration point, when an all-Regular career force program is implemented by the SECARMY</p> <p>Active Guard Reserve removed from the Reserve Active-Status List for years of Service who is not discharged and has transferred to the Retired Reserve</p>	
3	a warrant officer	whose appointment is terminated and who then elects to enlist	

Table 2-2
Limitations on eligibility for separation pay—Continued

4	an enlisted	<p>separated at or before ETS who sign a declination of continued service statement; Soldiers with local bar to reenlistment who request early separation in accordance with AR 635-200</p> <p>separated for unsatisfactory performance or misconduct as specified in DODI 1332.14</p>	
5	an officer	<p>separated for substandard performance or acts of misconduct or moral or professional dereliction under 10 USC 1166, 10 USC 1186, DODI 1332.30 except when half separation pay is allowed in table 2-1</p> <p>if either or (both) failures of selection for promotion was by the action of the selection board to which the officer submitted a request in writing not to be selected for promotion or who otherwise directly cause his nonselection through written communication to the Board under 10 USC 614(b)</p> <p>is selected for and declines continuation on AD for a period that is equal to or more than the amount of service required to qualify the officer for retirement</p>	

Chapter 3

Separation Pay Formula, Computation, Recoupment, and Funding Source

3-1. Computations

Refer to DOD 7000.14-R (also known as (Department of Defense Financial Management Regulation (DODFMR)), Volume 7A, Chapter 35 for guidance on the separation pay formula, computation, and additional conditions for recoupment of the payment upon receipt of retired pay or disability compensation.

3-2. Coordination with retired pay

Soldiers who receive separation pay, severance pay, or readjustment pay under any provision of law based on service in the Armed Forces and who later qualify for retired pay will have deducted from such retired pay an amount equal to the total amount of separation pay, severance pay, or readjustment pay received. This amount will be recouped from each payment of retired pay until the full amount deducted is equal to the total amount of separation pay, severance pay, or readjustment pay received.

3-3. Coordination with disability compensation

A Soldier who received separation pay under the provisions of DODI 1332.29 or severance pay or readjustment pay based on active military service, and become eligible for disability compensation administered by the Department of Veterans Affairs will have deducted from such disability compensation an amount equal to the total amount of separation pay, severance pay or readjustment pay received less the amount of Federal income taxes withheld from such pay. However, no deduction will be made from disability compensation in which the entitlement to that disability compensation is based on a later period of AD or active service than the period of AD or active service for which the separation pay, severance pay or readjustment pay was received.

3-4. Separation Payment Information

The military order issuing authority will annotate the following statement on the separation order of Soldiers eligible for separation pay: "In accordance with 10 USC 1174 and DODI 1332.29, the total amount (gross) of separation pay will be recouped from each payment of retired or retainer pay and in certain cases Veterans Affairs disability until the total amount deducted is equal to the total amount of separation pay received."

3-5. Forfeiture and recoupment

a. If a Soldier does not complete the required 3 years of service in the RR, for Reasons other than through no fault of the Soldier, then collect on a pro rata basis any unearned portion of the Soldier's nondisability separation pay from the date of their failure to maintain Reserve affiliation through the date of the 3-year commitment.

b. DODFMR, Volume 7A, Chapter 2, Section 0203 provides the guidance for the repayment and nonrepayment for Soldier under a written agreement for a pay or benefit.

c. Commands with recommendations to forego repayments will forward the request and supporting documents to

DCS, G-1 (DAPE-PR) for final determination. See DODFMR, Volume 7B, Chapter 4, Section 0407 for the details of the recoupment formula.

3-6. Appeals

A Soldier whose application for separation pay is denied for any reason may submit an appeal through DCS, G-1 (DAPE-PRC), 300 Army Pentagon, Washington, DC 20310-0300 to the Assistant (Manpower and Reserve Affairs) (DASA-MP), 111 Army Pentagon, Washington, DC 20310-0111 for consideration. The expectation is that the Soldier will receive a response within 30 days of receipt at HQDA.

3-7. Funding source

Payments to eligible Soldiers involuntarily separated from 10 USC duty will be disbursed from the Military Appropriations Account. All separation pay disbursements for eligible 32 USC AGR Soldiers will come from the National Guard Pay, Army account.

Appendix A References

Section I Required Publications

AR 600–8–105

Military Orders (Cited in para 1–9.)

AR 601–280

Army Retention Program (Cited in para 1–9e(3).)

DOD 7000.14–R, Volume 7A, Chapter 35 (also used as DODFMR)

Department of Defense Financial Management Regulation (DOD FMR) (Cited in para 3–1.)

DODI 1332.29

Eligibility of Regular and Reserve Personnel for Separation Pay (Cited in para 2–1a.)

DODI 1332.30

Separation of Regular and Reserve Commissioned Officers (Cited in para 2–1b(3).)

10 USC 1174

Separation pay upon involuntary discharge or release from active duty (Cited in para 2–1b.)

10 USC 12602

Members of Army National Guard of United States and Air National Guard of United States: credit for service as members of National Guard (Cited in para 2–1b.)

Section II Related Publications

A related publication is a source of additional information. The user does not have to read it to understand this publication. DOD publications are available at <http://www.dtic.mil/whs/directives/corres/pub1.html>. USCs are available at <http://uscode.house.gov/search/criteria.shtml>.

AR 11–2

Managers' Internal Control Program

AR 25–30

Army Publishing Program

AR 135–91

Service Obligations, Methods of Fulfillment, Participation Requirements, and Enforcement Procedures

AR 135–210

Order to Active Duty as Individuals for Other Than a Presidential Selected Reserve, Call-up, Partial or Full Mobilization

AR 135–180

Retirement for Non-Regular Service

AR 600–8–2

Suspension of Favorable Personnel Actions (Flag)

AR 600–20

Army Command Policy

AR 601–10

Management and Recall to Active Duty of Retired Soldiers of the Army in Support of Mobilization and Peacetime Operations

AR 601–210

Active and Reserve Components Enlisted Program

AR 614–120

Interservice Transfer of Army Commissioned Officers on the Active Duty List

AR 635–200

Active Duty Enlisted Administrative Separations

DODI 1215.06

Uniform Reserve, Training, and Retirement Categories for the Reserve Components

DODI 1332.14

Enlisted Administrative Separations

NGR 600–5

The Active Guard Reserve (AGR) Program Title 32, Full Time National Guard Duty (FTNGD) Management (Available at http://www.ngbpd.c.ngb.army.mil/pubs/600/ngr600_5_21Sept2015.pdf.)

10 USC

Armed Forces

10 USC Chapter 36

Promotion, Separation, and Involuntary Retirement of Officers on the Active-Duty List

10 USC 614

Notice of convening of selection boards

10 USC 637

Selection of regular officers for continuation on active duty

10 USC 647

Force shaping authority

10 USC 651

Members: required service

10 USC 688

Retired members: authority to order to active duty; duties

10 USC 972

Members: effect of time lost

10 USC 1166

Regular warrant officers: elimination for unfitness or unsatisfactory performance

10 USC 1174(e)

Separation pay upon involuntary discharge or release from active duty: Requirement for Service in Ready Reserve; Exceptions To Eligibility

10 USC 1186

Officer considered for removal: voluntary retirement or discharge

10 USC 6383

Regular Navy and Regular Marine Corps; officers designated for limited duty: retirement for length of service or failures of selection for promotion; for promotion; reversion to prior status; retired grade; retired pay

10 USC 12301

Reserve components generally

10 USC 12302

Ready Reserve

10 USC 12304

Selected Reserve and certain individual Ready Reserve members; order to active duty other than during war or national emergency

10 USC 12305

Authority of President to suspend certain laws relating to promotion, retirement, and separation

10 USC 12406

National Guard in Federal service: call

10 USC 14507

Removal from the reserve active-status list for years of service: reserve lieutenant colonels and colonels of the Army, Air Force, and Marine Corps and reserve commanders and captains of the Navy

10 USC 14513

Failure of selection for promotion: transfer, retirement, or discharge

10 USC 14514

Discharge or retirement for years of service or after selection for early removal

10 USC 14516

Separation to be considered involuntary

10 USC 14517

Entitlement of officers discharged under this chapter to separation pay

32 USC

National Guard

32 USC 316

Details of members of Army National Guard for rifle instruction of civilians

32 USC 502

Required drills and field exercises

32 USC 503

Participation in field exercises

32 USC 504

National Guard schools and small arms competitions

32 USC 505

Army and Air Force schools and field exercises

Section III

Prescribed Forms

This section contains no entries.

Section IV

Referenced Forms

Unless otherwise indicated, the following forms are available as follows: DA forms are available at the Army Publishing Directorate Web site at (<http://www.apd.army.mil>) and DD Forms are available at the Office of the Secretary of Defense Web site <http://www.dtic.mil/whs/directives/infomgt/forms/index.htm>.

DA Form 11-2

Internal Control Evaluation Certification

DA Form 1506

Statement of Service - For Computation of Length of Service for Pay Purposes

DA Form 2028

Recommended Changes to Publication and Blank Forms

DA Form 3340

Request for Reenlistment or Extension in the Regular Army

DA Form 4187

Personnel Action

DD Form 214

Certificate of Release or Discharge from Active Duty

DD Form 215

Correction to DD Form 214, Certificate of Release or Discharge from Active Duty

**Appendix B
Internal Control Evaluation****B-1. Function**

The function covered by this evaluation is controlled and issue of the DD Form 214, DD Form 215, and the military order.

B-2. Purpose

The purpose of this evaluation is to assist in evaluating the key internal controls listed. It is intended as a guide and does not cover all controls.

B-3. Instructions

Answers must be based on the actual testing of key internal controls (for example, documents analysis, direct observation, sampling, simulation or other). Answers that indicate deficiencies must be explained and the corrective action identified in supporting documentation. These internal controls must be evaluated at least once every year. Certification that the evaluation has been conducted must be accomplished on DA Form 11-2 (Internal Control Evaluation Certification).

B-4. Test questions

- a. Did the Soldier sign DA Form 4187 - Service Agreement per figure 1-1?
- b. Is the DA Form 4187 - Service Agreement endorsed by an RCCC per paragraph 1-13b?
- c. Is the correct SPD code documented on the DD Form 214 or DD Form 215 based on the involuntary separation per paragraph 1-9?
- d. Is the correct level of payment documented on the military order matches the SPD code on the DD Form 214 or DD Form 215 per paragraph 1-9e(4)?
- e. Is coordination done with the local finance office to calculate or validate the amount of separation pay authorize that will be documented on the DD Form 214 per paragraph 1-9e(5)?
- f. Does the separation packet contain the minimum documents required per paragraph 1-9e(5)?
- g. Is DA Form 3340 being use as intended per paragraph 1-9e3?

B-5. Supersession

Not applicable.

B-6. Comments

Help make this a better test for evaluating internal controls. Submit comments to the DCS, G-1 (DAPR-PRC), 300 Army Pentagon, Washington DC 20310-0300.

Glossary

Section I Abbreviations

AD

active duty

AGR

Active Guard Reserve

ARNG

Army National Guard

CAR

Chief, Army Reserve

CG

Commanding General

CNGB

Chief, National Guard Bureau

DA

Department of the Army

DARNG

Director, Army National Guard

DCS, G-1

Deputy Chief of Staff, G-1

DOD

Department of Defense

DODI

Department of Defense Instruction

ETS

expiration term of service

FTNGD

full-time National Guard duty

HRC

U.S. Army Human Resources Command

HQDA

Headquarters, Department of the Army

IMCOM

U.S. Army Installation Management Command

RC

Reserve Component

RCP

retention control point

RR

Ready Reserve

SECARMY

Secretary of the Army

TOD

tour of duty

USAR

U.S. Army Reserve

USC

United States Code

Section II

Terms

Active duty

Full-time duty in the active military service of the United States. Such term includes full-time training duty, annual training duty, and attendance, while in the active military service, at a school designated as a service school by law or by the Secretary of the military department concerned. Such term does not include FTNGD.

Active Service

Service on AD or FTNGD.

Active Status

The status of a member of a reserve component who is not in the inactive Army National Guard or inactive Air National Guard, on an inactive status list, or in the Retired Reserve.

Character of Service at Separation

A determination reflecting a Soldier's military behavior and performance of duty during a specific period of service. The three administrative characters are: Honorable, General (Under Honorable Conditions), and Under Other Than Honorable Conditions. The service of Soldiers separated in entry level status is normally described as uncharacterized. Punitive Discharge under the Uniform Code of Military Justice may be characterized as Bad Conduct or Dishonorable.

Discharge

Complete severance from all military status gained by enlistment or appointment concerned.

Full-time National Guard duty

Training or other duty, other than inactive duty, performed by a member of the Army National Guard of the United States or the Air National Guard of the United States in the member's status as a member of the National Guard of a State or territory, the Commonwealth of Puerto Rico, or the District of Columbia under 32 USC 316, 32 USC 502, 32 USC 503, 32 USC 504, or 32 USC 505 for which the member is entitled to pay from the United States or for which the member has waived pay from the United States.

Initial entry training

Date of completion of both basic combat training and advance individual training. This completion date is captured in DD Form 214, block 12h.

Release from active duty

A termination of AD status and transfer or reversion to a RC of the Army. Personnel with a statutory MOS (10 USC 651) are transferred to a USAR Control Group or troop program unit. Unit members of the ARNGUS and USAR revert from an AD or AD for training status to their components to complete unexpired enlistment or unfilled obligations.

Transition center

An office designated to accomplish transition processing of Soldiers, formerly known as transition points or transition activities.

Section III

Special Abbreviations and Terms

This section contains no entries.

UNCLASSIFIED

PIN 106363-000