



DoD INSTRUCTION 1332.43

VOLUNTARY SEPARATION PAY (VSP) PROGRAM FOR SERVICE MEMBERS

Originating Component: Office of the Under Secretary of Defense for Personnel and Readiness

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Approved by: A. M. Kurta, Performing the Duties of the Under Secretary of Defense for Personnel and Readiness

Purpose: In accordance with the authority in DoD Directive 5124.02, this issuance establishes policy, assigns responsibilities, and provides procedures for the administration of the VSP Program along with payment of VSP and benefits to Service members as authorized by Section 1175a of Title 10, United States Code (U.S.C.).

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This issuance applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD.

1.2. POLICY.

a. Military Departments should use VSP authority to minimize involuntary separations in shaping the force. Military Departments must make every effort to use voluntary programs before using involuntary separation authorities to separate qualified Service members who, in accordance with existing policies, would normally be allowed to continue until eligible to retire.

b. Military Departments may use VSP authority in conjunction with existing authorities to achieve separations of qualified Service members when necessary to align the force inventory with future manpower requirements.

c. The VSP Program provides payments and benefits for Service members who voluntarily separate from active duty or full-time National Guard duty and who may be subject to affiliation with the Ready Reserve, as provided in Section 3 of this issuance.

d. Service members approved for separation under the VSP Program must separate on or before the termination of the authority prescribed in Section 1175a of Title 10, U.S.C.

SECTION 2: RESPONSIBILITIES

2.1. ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER AND RESERVE AFFAIRS (ASD(M&RA)). Under the authority, direction, and control of the Under Secretary of Defense for Personnel and Readiness, the ASD(M&RA) develops guidance for the administration of the VSP Program, monitors the implementation of this guidance, and approves the Service VSP plans.

2.2. UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER, DEPARTMENT OF DEFENSE. The Under Secretary of Defense (Comptroller)/Chief Financial Officer prescribes finance regulations consistent with this guidance in accordance with Title 37, U.S.C.

2.3. SECRETARIES OF THE MILITARY DEPARTMENTS. The Secretaries of the Military Departments provide VSP Program plans to the ASD(M&RA) during their annual Force Management briefs. These plans will include:

- a. The projected number of Service members the Military Department plans to separate with separation pay and benefits under the VSP Program during the fiscal year.
- b. The number of personnel who applied for VSP, the number approved, amounts paid to approved Service members, and the number selected for additional service in the Ready Reserve from the previous year.

SECTION 3: VSP PROGRAM PROCEDURES

3.1. SECRETARIES OF THE MILITARY DEPARTMENTS.

a. Will project the number of Service members the Military Services plan to separate and provide VSP and benefits to in each fiscal year in accordance with Paragraph 2.3 of this issuance.

b. After approval of the Service's VSP program plan by the ASD(M&RA), Military Departments may offer a Service member the opportunity to apply for VSP, in accordance with Section 1175a of Title 10, U.S.C., to encourage him or her to leave active duty or full-time National Guard duty voluntarily.

3.2. ELIGIBILITY FOR VSP. To be eligible for VSP, a Service member must:

a. Have served on active duty or full-time National Guard duty for more than 6 years but not more than 20 years.

b. Have served at least 5 years of continuous active duty or full-time National Guard duty immediately preceding the date of separation from active duty or full-time National Guard duty.

c. Not have been approved for payment of voluntary separation incentive in accordance with Section 1175 of Title 10, U.S.C.

d. Meet such other requirements as the Secretary of the Military Department concerned may prescribe, which may include requirements relating to:

(1) Years of service, skill, rating, military specialty, or competitive category.

(2) Grade or rank.

(3) Remaining period of obligated service.

(4) Any combination of these factors.

e. Request separation from active duty.

f. Complete his or her initial term of obligated service prior to separation. The normal military service obligation incurred is 8 years; served in the Active Component, in the Reserve Component, or some combination of both.

3.3. INELIGIBILITY FOR VSP. The Secretaries of the Military Departments will not offer a Service member the opportunity to apply for VSP if the Service member:

a. Does not meet the eligibility requirement listed in Paragraph 3.2 of this issuance;

- b. Is discharged with disability severance pay in accordance with Section 1212 of Title 10, U.S.C.;
- c. Is transferred to the temporary disability retired list in accordance with Section 1202 or 1205 of Title 10, U.S.C.;
- d. Is currently being evaluated for disability retirement pursuant to Chapter 61 of Title 10, U.S.C.;
- e. Was previously discharged with VSP;
- f. Is subject to pending disciplinary action or is subject to administrative separation or mandatory discharge pursuant to any other provision of law or regulation;
- g. Is approved for retirement under temporary early retirement authority; or
- h. Has not completed the 4 year service obligation incurred from requesting transfer of the Post 9/11 GI Bill benefits.

3.4. APPLICATION AND APPROVAL FOR VSP.

- a. Service members may request and subsequently enter into a written agreement with the Secretary of the Military Department concerned to separate from active duty or full-time National Guard duty. The Military Service concerned may require an appointment or enlistment in, or transfer to, the Ready Reserve of a Reserve Component for a period of not less than 3 years in order to receive VSP and benefits.
- b. The Secretaries of the Military Departments will review all applications for voluntary separation and approve only those that meet the needs of their respective Military Departments. VSP is not automatically approved for eligible Service members.
- c. Once a Service member is approved for voluntary separation, Military Services will separate the member from active duty or full-time National Guard duty.

3.5. READY RESERVE OBLIGATIONS, BENEFITS, AND METHOD OF PAYMENTS.

- a. Determination of the actual number of Service members selected for Ready Reserve affiliation, to include skill and grade combinations, is subject to the discretion of the Secretary of the Military Department concerned.
- b. While these Service members may serve in an active status, they may not return to active duty or full-time National Guard duty without causing repayment requirements in accordance with Section 1175a(j) of Title 10, U.S.C.
- c. The Secretary of the Military Department concerned will determine the amount of VSP paid to Service members separating in accordance with Section 1175a(e) of Title 10, U.S.C.

Service members who are not entitled to retired or retainer pay at the time of separation are also entitled to:

(1) Travel and transportation allowances as specified in Sections 474 and 476 of Title 37, U.S.C.

(2) Pre-separation counseling and other benefits provided in accordance with Chapter 58 of Title 10, U.S.C., during the 180-day period beginning on the date the Service member is separated. This includes 180 days of transitional health care benefits in accordance with Section 1145 of Title 10, U.S.C., also referred to as the Transitional Assistance Management Program.

d. Military Departments may pay VSP in a single lump sum.

e. In the case of a Service member who has completed at least 15 years but fewer than 20 years of active service at the time of separation under this program, VSP may be paid, at the election of the Secretary of the Military Department concerned, in:

(1) A single lump sum;

(2) Installments over a period not to exceed 10 years; or

(3) A combination of lump sum and such installments.

f. A Service member may not receive a VSP amount greater than four times the full amount of separation pay a Service member of the same pay grade and years of service who is involuntarily separated, in accordance with Section 1174 of Title 10, U.S.C., would receive.

3.6. REPAYMENT OF VSP WHEN A SERVICE MEMBER QUALIFIES FOR AND RECEIVES RETIRED OR RETAINER PAY.

a. A Service member who is paid VSP pursuant to Section 1175a of Title 10, U.S.C., and who later qualifies for retired or retainer pay in accordance with Titles 10 or 14, U.S.C., must have deducted from each payment of such retired or retainer pay a monthly installment amount specified by the Secretary of the Military Department concerned. The total amount of retired or retainer pay deductions must equal the total amount of VSP paid to the Service member.

b. A Service member eligible to retire at the time he or she applies for, and is approved for, VSP and benefits in accordance with Section 1175a(h) of Title 10, U.S.C., is not required to repay VSP following retirement from the Military Services.

c. The Secretary of the Military Department concerned may waive the requirement to repay VSP if the Secretary determines that recovery would be against equity and good conscience or would be contrary to the best interests of the United States.

3.7. REPAYMENT OF VSP FOR SERVICE MEMBERS.

a. The Secretary of the Military Department concerned must specify an amount for deduction from each payment of basic pay for a Service member who returns to active duty or full-time National Guard duty as a Service member of Regular or Reserve Component after receiving all or part of VSP, in accordance with Section 1175a(j) of Title 10, U.S.C., except as provided in Paragraph 3.7b of this issuance. The total amount of basic pay deductions must equal the total amount of VSP paid to the Service member.

b. Repayment will not be required for Service members who are:

(1) Involuntarily recalled to active duty or full-time National Guard duty in accordance with Sections 12301(a), (b), (g), 12302, 12303, 12304, 12304a, or 12304b of Title 10, U.S.C., or Section 502(f)(1)(A) of Title 32, U.S.C.

(2) Recalled or perform active duty or full-time National Guard duty in accordance with Sections 101(d)(1), (2), or (5), 12319, or 12503 of Title 10, U.S.C., or Sections 114, 115, of Title 32, U.S.C.

(3) Recalled or perform active duty or full-time National Guard duty in accordance with Sections 12301(d) of Title 10, U.S.C. or 502(f)(1)(B) of Title 32, U.S.C. as long as the period served is less than 180 consecutive days and with the consent of the Service member.

c. The Secretary of Defense may waive, in whole or in part, repayment required by Paragraph 3.7a of this issuance if the Secretary determines that recovery would be against equity and good conscience or would be contrary to the best interests of the United States as per Section 1175a(j)(4) of Title 10, U.S.C. Requests for waivers should be forwarded to the Under Secretary of Defense for Personnel and Readiness.

3.8. DEDUCTION FOR DISABILITY COMPENSATION.

a. Receipt of VSP in accordance with Section 1175a(h)(2) of Title 10, U.S.C., will not deprive Service members of any disability compensation to which the Service member is entitled pursuant to the laws administered by the Secretary of Veterans Affairs.

(1) The Secretary of the Military Department concerned must specify a monthly installment amount to deduct from such disability compensation.

(2) The total amount of disability compensation deductions will equal the total amount of VSP paid to the Service member, less the amount of federal income tax withheld from such pay (such withholding being at the flat withholding rate for federal income tax withholding), in accordance with Chapter 24 of Title 26, U.S.C.

b. A deduction from disability compensation paid to an eligible combat-related disabled retired Service member who is paid VSP should not occur, in accordance with Sections 1413a and 1175a of Title 10, U.S.C.

c. If a Service member receives VSP and is injured on a later period of active duty, there is no deduction from their disability compensation for the amount of VSP received.

d. The Secretary of the Military Department concerned may waive the requirement to repay VSP if the Secretary determines that recovery would be against equity and good conscience, or would be contrary to the best interests of the United States.

3.9. SEPARATION PROGRAM DESIGNATION CODES AND REENTRY CODES.

a. The Military Services will use “CN” family Separation Program Designator codes for Service member initiated voluntary discharge with payment of VSP as authorized by Section 1175a of Title 10, U.S.C.

b. The Military Services will establish reentry codes to identify Service members discharged with payment of VSP.

3.10. MANDATORY DISCLOSURE. Each VSP contract will contain the following mandatory disclosures:

a. A Service member may be subject to deduction from retired pay or from disability compensation in total amount of any VSP paid to you and if he or she qualifies for military retired or retainer pay in accordance with Title 10 or Title 14, U.S.C., or veterans affairs disability compensation in accordance with the laws administered by the Secretary of Veterans Affairs after receiving VSP.

b. If a Service member voluntarily returns to active duty status for a period greater than 180 days, he or she may face recoupment of the full amount of VSP, unless waived by the Secretary of Defense, in accordance with Section 1175a of Title 10, U.S.C.

3.11. PRIVACY. All personally identifiable information collected pursuant to this issuance must be collected, maintained, disseminated, and used in accordance with DoD 5400.11-R.

GLOSSARY

G.1. ACRONYMS.

ASD(M&RA)	Assistant Secretary of Defense for Manpower and Reserve Affairs
U.S.C.	United States Code
VSP	voluntary separation pay

G.2. DEFINITIONS. Unless otherwise noted, these terms and their definitions are for the purpose of this issuance.

active duty. Defined in the DoD Dictionary of Military and Associated Terms.

active service. Defined in Section 101(d)(3) Title 10, U.S.C.

active status. Defined in Section 101(d)(4) of Title 10, U.S.C.

competitive category. A separate promotion category established by the Secretary of a Military Department in accordance with Section 621 or 14005 of Title 10, U.S.C. for specific groups of officers whose specialized education, training, or experience, and often relatively narrow utilization, make separate career management desirable.

full-time National Guard duty. Defined in Section 101(d)(5) of Title 10, U.S.C.

Military Departments. Defined in the DoD Dictionary of Military and Associated Terms.

Military Services. The United States Army, the United States Navy, the United States Air Force, and the United States Marine Corps.

military specialty. A military occupational specialty in the Army and the Marine Corps, an Air Force specialty code in the Air Force, or a rating or Navy enlisted classification in the Navy.

Ready Reserve. Defined in the DoD Dictionary of Military and Associated Terms.

retired. A general term that includes former Service members who receive retired pay, retainer pay as members of the Fleet Reserve and Fleet Marine Corps Reserve, or those Service members in the Retired Reserve who have completed 20 years of creditable service for non-regular retirement and are awaiting pay. Enlisted Navy and Marine Corps members with less than 30 years of service are transferred to the Fleet Reserve or Fleet Marine Corps Reserve, and their pay is referred to as retainer pay. Air Force and Army members with more than 20 years of service are all classified as retired and receive retired pay.

separation. A general term that includes discharge, release from active duty, release from custody and control of the Military Services, transfer to the Individual Ready Reserve, and similar changes in Active and Reserve status.

Standby Reserve. Defined in the DoD Dictionary of Military and Associated Terms.

REFERENCES

DoD Directive 5124.02, “Under Secretary of Defense for Personnel and Readiness (USD(P&R)),” June 23, 2008

DoD 5400.11-R, “Department of Defense Privacy Program,” May 14, 2007

Office of the Chairman of the Joint Chiefs of Staff, “DoD Dictionary of Military and Associated Terms,” current edition

United States Code, Title 10

United States Code, Title 14

United States Code, Title 26

United States Code, Title 32

United States Code, Title 37