



## DoD INSTRUCTION 1332.46

### TEMPORARY EARLY RETIREMENT AUTHORITY (TERA) FOR SERVICE MEMBERS

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- Approved by:** James N. Stewart, Assistant Secretary of Defense for Manpower and Reserve Affairs, Performing the Duties of the Under Secretary of Defense for Personnel and Readiness
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**Purpose:** In accordance with the authority in DoD Directive 5124.02, this issuance establishes policy, assigns responsibilities, and provides procedures for the administration of TERA as authorized by Section 4403(i) of Public Law (PL) 102-484, the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 1993, as amended by Section 504 of PL 112-81, the NDAA for FY 2012, and Section 508 of PL 114-328, the NDAA for FY 2017.

## TABLE OF CONTENTS

SECTION 1: GENERAL ISSUANCE INFORMATION .....	3
1.1. Applicability. ....	3
1.2. Policy. ....	3
SECTION 2: RESPONSIBILITIES .....	4
2.1. Assistant Secretary of Defense for Manpower and Reserve Affairs. ....	4
2.2. Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense. ....	4
2.3. Secretaries of the Military Departments. ....	4
SECTION 3: TERA PROGRAM PROCEDURES .....	5
3.1. Eligibility. ....	5
3.2. Post-9/11 GI Bill Benefits.....	5
3.3. Separation Program Designator Codes. ....	5
SECTION 4: RETIRED PAY COMPUTATION GUIDANCE .....	6
4.1. Basic TERA Computation Guidance. ....	6
a. General Computation. ....	6
b. Circumstances for Service Members Covered by REDUX Retirement Plan. ....	7
c. Circumstances for Service Members Covered by BRS. ....	8
4.2. Additional Eligibility Criteria and Considerations. ....	8
a. Public Service Employment Considerations. ....	8
b. Survivor Benefit Plan.....	9
c. Disability Considerations. ....	9
d. Repayment of CSB, Continuation Pay (CP), Bonuses, or Special Pays.....	9
GLOSSARY .....	11
G.1. Acronyms. ....	11
G.2. Definitions.....	11
REFERENCES .....	13

### TABLES

Table 1: Reduction Factors Applicable to TERA .....	7
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### FIGURES

Figure 1: Retired Pay Calculation for a Service Member Covered Under the High-36 Retirement Program.....	6
Figure 2: TERA Computation for Service Member Electing to Receive a CSB.....	8
Figure 3: TERA Computation for Service Member Covered Under the BRS .....	8

## 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. Retirement with at least 20 years of service continues to be the basic retirement entitlement for those who complete a career in the Military Services.

b. TERA provides:

(1) The DoD with a force management tool that can be used for force shaping through calendar year 2025. TERA is not an entitlement. TERA should be used to retire Service members who are excess to Service short-term and long-term needs and who, absent the availability of TERA, would have been expected to pursue and qualify for a 20-year retirement.

(2) Voluntary retirement for Service members with more than 15 but less than 20 years of service who are on:

(a) Active duty; or

(b) Full-time National Guard duty.

c. Service members approved for TERA retirement who are participants in the Blended Retirement System (BRS) may not elect a lump sum of retired pay upon retirement with less than 20 years of service.

## **SECTION 2: RESPONSIBILITIES**

**2.1. ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER AND RESERVE AFFAIRS.** Under the authority, direction, and control of the Under Secretary of Defense for Personnel and Readiness, the Assistant Secretary of Defense for Manpower and Reserve Affairs develops guidance for the administration of the TERA Program and monitors the implementation of this guidance.

**2.2. UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER, DEPARTMENT OF DEFENSE.** The Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense prescribes finance regulations consistent with this guidance in accordance with Section 4403 of the NDAA for FY 1993, as amended.

**2.3. SECRETARIES OF THE MILITARY DEPARTMENTS.** The Secretaries of the Military Departments may prescribe regulations and policies regarding the criteria for eligibility for early retirement in accordance with the authority of Section 4403 of the NDAA for FY 1993, as amended, and this issuance. Eligibility criteria may include factors such as grade, years of service, and viability for advancement and promotion.

## **SECTION 3: TERA PROGRAM PROCEDURES**

**3.1. ELIGIBILITY.** To be eligible for early retirement, a Service member must:

- a. Be currently serving on active or full-time National Guard.
- b. Complete 15 or more years of active service upon the effective date of retirement.
- c. Meet grade, skill, years of service, and other eligibility criteria as established by the Secretary of the Military Department concerned and as provided in this issuance and Section 4403 of the NDAA for FY 1993, as amended.

**3.2. POST-9/11 GI BILL BENEFITS.** Service members who have been approved to transfer post-9/11 GI Bill benefits to family members will be treated the same as other force shaping separations.

- a. There will be no effect on the transferred benefit.
- b. Individuals who have been approved for TERA who had not been approved to transfer post-9/11 GI Bill benefits to family members prior to being approved for TERA will not be approved to transfer their benefits.

**3.3. SEPARATION PROGRAM DESIGNATOR CODES.**

- a. Separation program designator codes NBE, RBE, and SBE may be used for early retirements with more than 15 but less than 20 years active service.
- b. Re-entry codes used by the Military Services for early retirements under the TERA Program for more than 15 but less than 20 years active service will be the same as those used when a Service member has attained sufficient service for a 20-year retirement.

## SECTION 4: RETIRED PAY COMPUTATION GUIDANCE

### 4.1. BASIC TERA COMPUTATION GUIDANCE.

#### a. General Computation.

(1) The basic TERA retired pay entitlement for members of the Army, Navy, Marine Corps, and Air Force will be computed as described in Volume 7B of DoD 7000.14-R.

(2) The amount of retired pay otherwise prescribed under the applicable Sections 3991(a), 6333(a), 8991(a), or 1401 of Title 10, United States Code (U.S.C.), will be multiplied by the applicable reduction factor from Table 1.

(3) The resulting reduced amount of retired pay, if not a multiple of 1 dollar, will be rounded to the next lower multiple of 1 dollar according to provisions of Sections 3991(b)(2), 6333(b)(1), 8991(b)(2), or 1412 of Title 10, U.S.C. Such rounded amount is the gross monthly retired pay entitlement.

(4) To determine the appropriate reduction factor from Table 1, take the difference between the number of months of active service as of the date of the Service member's retirement or transfer to the Fleet Reserve or Fleet Marine Corps Reserve under TERA and 240 months (a 20-year career). For the purposes of this computation, any portion of a month of active service in excess of a whole month will be rounded up to the next whole month. In Figure 1, the example is given for the retired pay of a member, who is covered under the legacy High-36 Retirement Program, who retired under TERA as an E-7, with 15 years, 7 months, and 12 days of creditable service and a high 36 monthly average basic pay of \$3,783.50. The days of service in this example are rounded up so that the reduction factor is based on 15 years and 8 months or  $15 * 12 + 8 = 188$  months. The applicable reduction factor corresponds to the table entry for  $240 - 188 = 52$  months. Therefore, .95667 is the applicable reduction factor. When computing retired pay before reduction, however, the 12 days in excess of 187 months of service are disregarded, and the retired pay itself is based on 187 months.

**Figure 1: Retired Pay Calculation for a Service Member Covered Under the High-36 Retirement Program**

$$\$3783.50 * ((187 \div 12) * .025) * .95667 =$$

$$\$3783.50 * (15.58 * .025) * .95667 =$$

$$\$3783.50 * .3895 * .95667 = \$1409.82$$

Since this is not a multiple of 1 dollar, round down to \$1409

**Table 1: Reduction Factors Applicable to TERA**

Months Less Than 240	Reduction Factor	Months Less Than 240	Reduction Factor	Months Less Than 240	Reduction Factor
1	.99917	2	.99833	3	.99750
4	.99667	5	.99583	6	.99500
7	.99417	8	.99333	9	.99250
10	.99167	11	.99083	12	.99000
13	.98917	14	.98833	15	.98750
16	.98667	17	.98583	18	.98500
19	.98417	20	.98333	21	.98250
22	.98167	23	.98083	24	.98000
25	.97917	26	.97833	27	.97750
28	.97667	29	.97583	30	.97500
31	.97417	32	.97333	33	.97250
34	.97167	35	.97083	36	.97000
37	.96917	38	.96833	39	.96750
40	.96667	41	.96583	42	.96500
43	.96417	44	.96333	45	.96250
46	.96167	47	.96083	48	.96000
49	.95917	50	.95833	51	.95750
52	.95667	53	.95583	54	.95500
55	.95417	56	.95333	57	.95250
58	.95167	59	.95083	60	.95000

**Note:** Mathematically, the applicable reduction factor is one minus 1.12 of the difference between 240 and the number of months or remaining portion of a month of active service of such member.

**b. Circumstances for Service Members Covered by REDUX Retirement Plan.** The basic TERA retired pay entitlement must be modified if the Service member has elected to receive a career status bonus (CSB) under Sections 322 or 354 of Title 37, U.S.C., and is subsequently a participant in the concomitant plan, known as REDUX, as provided for in Section 1409 of Title 10, U.S.C. In such case, the normal retired pay multiplier will be reduced by 1/12 of a percentage point for each month that the Service member's creditable service is less than 30 years (360 months) before the application of the reduction factor from Table 1. Additionally, the annual cost of living adjustment (COLA) computed under Section 1401a of Title 10, U.S.C., for such members will be reduced by 1 percentage point, if the standard COLA for military retirees is greater than 1 percent.

(1) Using the example from Paragraph 4.1.a.(1)(c), the TERA retired pay for a Service member who has elected to receive a CSB would be computed as indicated in Figure 2.

(2) The amount determined will then be increased by annual COLAs, as determined for other Service members who have elected the CSB. This will result in a COLA that is reduced by 1 percentage point whenever the standard military retirement COLA is greater than 1 percent and the same COLA whenever the standard COLA is 1 percent or less.

(3) On the first day of the first month following the Service member's 62nd birthday, the retired pay will be recomputed so as to be the amount equal to the amount of retired pay to which the Service member would be entitled on that date if they had not taken the CSB retirement and had no reduction in their multiplier or COLA. However, the reduction factor from Table 1 will continue to apply and the annual COLA reduction will be applied for each year following the restoration discussed in the preceding sentence throughout the Service member's retirement.

**Figure 2: TERA Computation for Service Member Electing to Receive a CSB**

$$\$3783.50 * (((187 \div 12) * .025) - (((360-187) \div 12) * .01)) * .95667 =$$

$$\$3783.50 * ((15.58 * .025) - (14.42 * .01)) * .95667 =$$

$$\$3783.50 * (.3895 - .1442) * .95667 =$$

$$\$3783.50 * .2453 * .95667 = \$887.88$$

Because this is not a multiple of one dollar, round down to \$887.

**c. Circumstances for Service Members Covered by BRS.** The basic TERA retired pay entitlement for Service members covered by the BRS retirement plan is the same as described in Paragraph 4.1.a. with the exception that the retired pay multiplier is reduced from .025 to .020. As such, for a Service member covered by the BRS, the example retired pay calculation provided in Paragraph 4.1.a.(4)(c) is shown in Figure 3.

**Figure 3: TERA Computation for Service Member Covered Under the BRS**

$$\$3783.50 * ((187 \div 12) * .020) * .95667 =$$

$$\$3783.50 * (15.58 * .020) * .95667 =$$

$$\$3783.50 * .3116 * .95667 = \$1127.85$$

Because this is not a multiple of one dollar, round down to \$1127.

## 4.2. ADDITIONAL ELIGIBILITY CRITERIA AND CONSIDERATIONS.

**a. Public Service Employment Considerations.** Unlike the prior TERA eligibility period from 1992 through 2001, Service members retiring under the current TERA Program are not able to earn credit for certain public service employment subsequent to retirement from a uniformed service. There will be no recomputation of retired pay based on subsequent civilian employment.



**b. Survivor Benefit Plan.**

(1) The base amount for calculation of survivor benefit plan coverage for Service members retiring under TERA is the amount of retired pay to which the Service member is entitled in accordance with Paragraph 4.1., as reduced by the applicable reduction factor from Table 1. This base amount may be reduced or declined by the retiring Service member, with concurrence of the eligible spouse.

(2) For a CSB/REDUX member, the base amount for full coverage is the amount computed using the TERA formula in accordance with Paragraph 4.1., as reduced by the applicable reduction factor from Table 1.

(a) The full base amount for a Service member retiring under TERA who elected the CSB is the amount of retired pay to which the Service member would have been entitled under TERA had he or she not elected the CSB. It does not include the REDUX retirement reduction as described in Paragraph 4.1.b.

(b) Such a member may elect, with spousal concurrence, a reduced base amount based on the actual amount of retired pay received in accordance with the REDUX computation in Paragraph 4.1.b., or a lesser amount than the amount of actual retired pay received but greater than \$300.

1. No increase will be made in that base amount as a result of the recomputation at age 62 other than an increase to restore the elected base amount to what it would have been had full COLAs been in effect.

2. No increase will be made in that base amount as a result of the recomputation at age 62 for the restoration of the retired pay multiplier.

**c. Disability Considerations.**

(1) A Service member who accepts an offer to retire under the TERA and is later found to be unfit for duty as a result of a disability will not be forced to separate with disability severance pay. He or she will be allowed to retire under the TERA in accordance with the offer tendered.

(2) Service members who are pending disability separation and who are eligible for a TERA retirement at the time of their disability evaluation may elect to be separated for disability or retired for length of service. However, when the TERA retirement is elected, the Service member's retirement date must occur within the time frame that a disability retirement is expected to occur.

**d. Repayment of CSB, Continuation Pay (CP), Bonuses, or Special Pays.** The Secretary of the Military Department concerned may waive the required refund of any CSB for Service members who are separated under a Service offer for early retirement, such as TERA, in accordance with Volume 7A of DoD 7000.14-R. However, Service members in receipt of CP, a bonus, or a special pay who fail to fulfill the conditions of the CP, bonus, or special pay will be

subject to repayment consistent with Section 373 of Title 37, U.S.C., the applicable DoD issuance, and Volume 7A of DoD 7000.14-R.

## GLOSSARY

### G.1. ACRONYMS.

BRS	Blended Retirement System
COLA	cost of living adjustment
CP	continuation pay
CSB	career status bonus
FY	fiscal year
NDAA	National Defense Authorization Act
PL	Public Law
TERA	temporary early retirement authority
U.S.C.	United States Code

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

**Active Guard Reserve duty.** Defined in Title 32, U.S.C.

**Blended Retirement System.** The primary retirement plan for members who entered military service on or after January 1, 2018, and those eligible Service members who entered service prior to that date and who voluntarily elected to opt-in. The BRS combines a 20-year cliff vested defined benefit plan, similar to the High-36 retirement plan but with a reduced multiplier of 2.0 percent times the years of creditable service, and a defined contribution plan that allows Service members to contribute to a Thrift Savings Plan account with government automatic and matching contributions.

**Full-time National Guard Duty.** Defined in Title 32, U.S.C.

**High-36 Retirement Program.** Also known as the “High-3” retirement plan. Defined in Section 1407 of Title 10, U.S.C., this is the primary retirement plan for members who entered the military service on or after September 8, 1980, but before January 1, 2018, and who did not elect the CSB/REDUX option or did not elect to enroll in the BRS. The High-36 retirement plan generally uses the average of the highest three years (36 months) of monthly basic pay to compute the retired pay base. The retiring Service member’s retired pay is determined by multiplying that retired pay base by 2.5 percent times the years of creditable service.

**lump sum.** As authorized by Section 1415 of Title 10, U.S.C., members enrolled in the BRS who retire with a regular or non-regular retirement may elect to receive a portion of their retired pay as a lump sum upon retirement. This option is not available to members retired under TERA.

**Separation Program Designator Codes.** Defined in DoD Instruction 1336.01.

**REDUX.** Members who entered active duty service between July 31, 1986 and January 1, 2018, and reached their 15th year of service prior to January 1, 2018, had the option to elect a reduction in their retirement multiplier in exchange for receiving the CSB. The CSB option was terminated as of January 1, 2018. This retirement plan is known as “REDUX.” The reduction in the retirement multiplier is 1 percent for each full year of creditable service less than 30, and 1/12th of 1 percent for each full month of creditable service less than a full year. Additionally, retirees covered by REDUX receive a decreased annual cost of living increase compared to other military retirement plans. That cost of living increase is equal to 1 percentage point less than the Consumer Price Index, when the Consumer Price Index exceeds 1 percent.

## **REFERENCES**

- DoD 7000.14-R, Volume 7A “Department of Defense Financial Management Regulation: Military Pay Policy – Active Duty and Reserve Pay,” current edition
- DoD 7000.14-R, Volume 7B, “Department of Defense Financial Management Regulation: Military Pay Policy – Retired Pay,” current edition
- DoD Directive 5124.02, “Under Secretary of Defense for Personnel and Readiness (USD(P&R)),” June 23, 2008
- Public Law 102-484, Section 4403, “The National Defense Authorization Act for Fiscal Year 1993,” October 23, 1993
- Public Law 112-81, Section 504, “The National Defense Authorization Act for Fiscal Year 2012,” December 31, 2011
- Public Law 114-328, Section 508, “The National Defense Authorization Act for Fiscal Year 2017,” December 23, 2016
- United States Code, Title 10
- United States Code, Title 32
- United States Code, Title 37