



DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF, G-1
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ALEXANDRIA, VA 22332



March 10, 2004

MEMORANDUM FOR ALL ARMY NAF HUMAN RESOURCE OFFICERS

SUBJECT: Clarification of Nonappropriated Fund (NAF) Discontinued Service Retirement Provisions

During the past several weeks there have been several inquiries regarding aspects in conducting a Business Based Action. One continuing question is the application of the Discontinued Service Retirement (DSR) entitlement.

When management is considering conducting a Business Based Action (BBA) it is important to understand and provide assistance with the various options available in order to decrease adverse effects not only for employees, but also on the future effectiveness of the activity involved. Careful planning is necessary to lessen the impact on employees and the installation. Civilian Personnel Advisory Centers/NAF HRO Chiefs should assist and provide managers with informed recommendations including personnel options available to management when realigning the workforce may become necessary.

When it is determined, however, that there is no alternative in separating long term regular employees under a BBA, the NAF HRO must review individual records and determine which employees may meet eligibility requirements and entitlement to DSR. To be eligible for DSR, the employee must have participated in the NAF retirement system for at least one year within the two year period immediately preceding the BBA separation or retirement; and, have attained age fifty with twenty years of credited service, as defined in AR 215-3, 15-21., or be any age with completion of twenty-five years of credited service. For each month benefits commence prior to the month in which the participant reaches age fifty five, the basic annuity is reduced one-sixth of one percent from benefits which would otherwise have been payable under a normal unreduced annuity.

While the eligible employee is entitled to this benefit, the installation must pre-fund the Trust to offset the additional long-term liability of a retirement under these circumstances. The calculation payable to the NAF Retirement Trust Fund is calculated based mortality tables, various assumptions about the gain on the trust, and other factors. Actuaries determine costs that are required to be re-paid to the NAF Retirement Trust Fund. Currently, an installation must pay \$60,000 per employee entitled to receive DSR or commander approved Voluntary Early Retirement (VERA). An increase is anticipated for FY 04, but the actuaries have not yet completed their findings.

For further discussion and clarification regarding DSR/VERA, please contact Mr. Ron Courtney, (703) 681-2760.

FOR THE DEPUTY CHIEF OF STAFF, G-1:

/signed/
Sandra G. Curran
Director, NAF Human Resources
Policies and Programs Division