

G-1 RETIREMENT SERVICES OFFICE CSB/REDUX FAQ's

If you have a question and you can not find the answer within this Frequently Asked Questions section, contact the CSB/REDUX POC listed on this website.

What is a DIEMS date? A Date Initially Entered Military Service (DIEMS) date is the earliest date of enlistment, induction, or appointment in a regular or reserve component of a uniformed service as a commissioned officer, warrant officer, or enlisted member.

Why is the DIEMS date important? There are currently three retired pay formulas. Your DIEMS date determines which of the three retired pay formulas you are eligible to use. **NOTE: The DIEMS date is not used in the retired pay formula; it only determines which formula will be used.**

What are the three retired pay plans and the periods of eligibility for each?

DIEMS before 8 Sep 80 = Final Basic Pay

DIEMS between 8 Sep 80 and 31 Jul 86 = High 3

DIEMS after 31 Jul 86, will be either:

- High 3
- CSB/REDUX (Election must be made and approved.)

Is the \$30,000 CSB taxable? Yes. However, participants in the Thrift Savings Plan (TSP) may shelter up to the IRS maximum, which is \$15,000 in 2006, from taxes by placing it into a TSP account. Also, participants who are age 50 or older (or will become age 50 during the calendar year) can contribute an additional \$5,000 maximum as a catch-up contribution. For additional information on TSP visit their website at: <http://www.tsp.gov/uniserv/features/index.html>. There may also be a combat zone tax exclusion, see the Combat Zone Information Paper by DFAS on this website.

At what rate is the \$30,000 CSB taxed? The CSB is taxed at your Federal and, if applicable, state tax rate. Upon receipt, the portion not placed into the TSP will be subject to normal withholding rules. Should this exceed your tax rate, you would have the excess returned in your Federal tax refund.

Will I be able to put the \$30,000 CSB in my IRA? Standard IRA rules are unaffected. You may place up to \$4,000 to a Traditional IRA each year through 2007 and \$5,000 for 2008 and shelter its earnings from taxes.

Do you have to receive all of the CSB in one payment? No according to Public Law 107-107 allows members an opportunity to elect the CSB in annual installments or in a lump sum, thereby giving them the opportunity to shelter the entire CSB from taxes in the TSP. The current options for receiving the CSB are:

- (1) One payment of \$30,000,
- (2) Two annual installments of \$15,000 each,
- (3) Three annual installments of \$10,000 each,
- (4) Four annual installments of \$7,500 each,
- (5) Five annual installments of \$6,000 each.

Can you explain how each retired pay formula works?

(1) DIEMS DATE BEFORE 8 SEP 80 – “FINAL BASIC PAY”

$(2-1/2\% \times \text{years of creditable service (See para 0103 of DOD 7000-14.R.) [not to exceed 75\%]} \times \text{final basic pay of retired grade} = \text{retired pay}$. This is the most generous of the three retired pay formulas. Soldiers in this group receive full annual cost-of-living adjustments (COLAs) to their retired pay.

These soldiers receive a percentage of the final basic pay of their retired grade; therefore, they should take care not to retire just before an increase in their basic pay such as those applied at the 20-, 22-, 24-, or 26-year points.

Officers who retire under the Final Basic Pay plan with less than 10 years of commissioned service retire in their highest enlisted or warrant officer grade. They receive a percentage of the final basic pay that corresponds to the retired grade and years of service at retirement.

Officers who have 10 years of commissioned service, but who retire before completing the required time in their current officer grade without an approved waiver, will retire at the next lower grade and receive a percentage of the final basic pay that corresponds to the lower grade and years of service at retirement.

Soldiers under the Final Basic Pay plan, who retire on the same day as a basic pay rate change (e.g., retire 1 January with last day of active duty on 31 December; or 1 July with last day of active duty on 30 June), may be eligible to have their retired pay calculated on the new pay scale. Officers who retire voluntarily use the new pay scale as long as they qualify for retirement at least one day before their retirement date. Enlisted soldiers use the new pay scale. Warrant officers can't use the new pay scale. See para 0104 of DOD 7000-14.R for details on mandatory and disability retirements.

If your DIEMS date is before 8 Sep 80, you will receive an annual cost-of-living adjustment (COLA) representing the difference between the Consumer Price Index (CPI) for the third quarter of one calendar year to the third quarter of the next. The COLA is normally effective 1 December and payable the first working day in January. The first COLA will be a partial one because you will not

have been retired for the full COLA calculation period. Thereafter, you will receive a full COLA.

(2) DIEMS DATE BETWEEN 8 SEP 80 & 31 JUL 86 – “HIGH-3”

$(2-1/2\% \times \text{years of creditable service (See para 0103 of DOD 7000-14.R.) [not to exceed 75\%]} \times \text{the average of the soldier's highest 36 months of basic pay} = \text{retired pay.}$

Commissioned officers who were former enlisted members must serve 10 years as a commissioned officer to retire as a commissioned officer. Commissioned warrant officer service counts toward the 10 years of commissioned service needed.

Commissioned officers with less than 10 years commissioned service who retire as enlisted *members with more than 20 years but less than 30 years* can't use any of their officer basic pay in the computation of the average of their highest 36 months of basic pay. They will use the enlisted basic pay corresponding to the soldier's years of service for the 36 months before retirement. For example, a CPT with 8 years of commissioned service retires as an E-7 on 1 Jul 01 with 20 years of active duty. The highest 36 months of basic pay would be based on one month as an E-7 with over 20 years (1-30 Jun 01), 24 months as an E-7 with over 18 years (1 Jun 99 through 31 May 01), and 11 months as an E-7 with over 16 years (1 Jun 98 through 31 May 99).

Officers who retire with 10 or more years of commissioned service but without serving their time-in-grade requirement, will be retired at the next lower grade. However, their months of basic pay at the higher grade *will* be included in the average of the highest 36 months of basic pay. For example, a soldier who was promoted to LTC on 1 July 2000 retires on 1 July 2001, after serving only 12 months of a 36-month time-in-grade requirement. The soldier would retire as a MAJ; however, the average of the highest 36 months of basic pay would be computed on 12 months of LTC basic pay and 24 months of MAJ basic pay.

The average highest 36 months of basic pay for soldiers who retire for disability with less than 36 months of service (Section 1201 or 1202, Title 10) is determined by adding the basic pay for the member's period of active service and dividing it by the number of months (including any fraction thereof) of the member's active service.

If your DIEMS date is between 8 Sep 80 and 31 Jul 86, you will receive an annual cost-of-living adjustment (COLA) representing the difference between the Consumer Price Index (CPI) for the third quarter of one calendar year to the third quarter of the next. The COLA is normally effective 1 December and payable the first working day in January. The first COLA will be a partial one because you will not have been retired for the full COLA calculation period. Thereafter, you will receive a full COLA.

(3) DIEMS DATE AFTER 31 JUL 86 – “HIGH-3” OR “CSB/REDUX”

Soldiers with DIEMS dates after 31 Jul 86 (including AGR soldiers) who are eligible under current Service regulations to serve continuously to 20 years, must choose between the High-3 and the CSB/REDUX retired pay plans

between their 14-1/2 and 15th year of active duty, although retirement won't occur until the soldier has completed 20 years of service. The 14-1/2-15 years of active duty is calculated from the soldier's basic active service date (BASD), NOT the DIEMS date.

Details of the High-3 plan are discussed in (2) above.

The CSB/REDUX retired pay plan differs from the High-3 plan in three ways:

(a) The retired pay multiplier under CSB/REDUX is less than under High-3 if the soldier has less than 30 years of creditable service. Under CSB/REDUX, the retired pay multiplier is 2.0% per year for the first 20 years of creditable service (See para 0103 of DOD 7000-14.R.), and 3.5% for years 21 through 30 [not to exceed 75%] X **the average of the member's highest 36 months of basic pay** (See para c(2) above for factors affecting the high-36 basic pay computation). The longer a member serves, the closer their CSB/REDUX retired pay multiplier would be to that of someone retiring with the same number of years of service under High-3. At 30 years, the multiplier is the same under both plans (75%). At the member's age 62, CSB/REDUX retired pay is recalculated to equal what it would have been had the member retired under High-3 initially.

(b) CSB/REDUX COLAs are 1% less than those under the Final Basic Pay or High-3 retired pay plans. Although CSB/REDUX members receive a one-time catch-up COLA at age 62, the following year the COLA reverts back to COLA minus 1%.

(c) Members who elect CSB/REDUX are entitled to a \$30,000 career status bonus (CSB) payable at their 15th year of active duty to help compensate for the reduced CSB/REDUX multiplier and COLA provisions. The CSB may be paid in a lump sum or a series of up to five annual payments.

I have a DIEMS date after 1 Aug 86. A few years ago someone told me I didn't have a choice of retired pay formulas; they said I had to use the REDUX formula. Did something change? Yes. Until the passage of PL 106-65, 5 Oct 99, soldiers with DIEMS dates on or after 1 Aug 86 had to use REDUX. A \$30,000 CSB *was not* payable under the original REDUX law (PL 99-348, 1 Jul 86). PL 106-65 moved soldiers with DIEMS dates on or after 1 Aug 86 from the REDUX formula to the High-3 formula. However, soldiers in this group who are eligible for retention to 20 years can now elect to use REDUX and receive a \$30,000 CSB in their 15th year (called a CSB/REDUX election). If they accept the \$30,000 CSB, they must agree to serve a total of 20 years of active duty.

Are retiree cost-of-living increases (COLAs) figured differently for those under the different retired pay formulas? Yes. Soldiers under the Final Basic

Pay and High-3 formulas receive full COLAs. Soldiers who elect CSB/REDUX receive reduced COLAs (COLA minus 1%) until they are 62. At 62, they are given a one-time catch up COLA. Then, they revert to COLA minus 1%. See the DIEMS information paper elsewhere on this homepage for a description of the COLA provisions for each formula.

I have a DIEMS date between 8 Sep 80 and 31 Jul 86, so I must use the High-3 formula. I don't think it's fair that I can't receive the \$30,000 bonus and elect to use the CSB/REDUX retired pay formula. Is anyone considering legislation to expand the eligibility pool to those of us with DIEMS dates before 1 Aug 86? No.

I've heard that if I elect the CSB/REDUX retired pay option, I can retire after 15 years. Is this true? NO. If you elect CSB/REDUX, you must agree to serve 20 years of active duty. Failure to complete that obligation, save for a few exceptions (disability retirement or death), will result in your having to pay back a pro-rated portion of the bonus.

I have a DIEMS date after 1 Aug 86. The DIEMS information paper says soldiers who retire for disability can't use the CSB/REDUX formula; they must use the High-3 formula. Is this correct? Yes. Soldiers with DIEMS dates on or after 1 Aug 86 who retire for disability must have their retired pay calculated under the High-3 formula; they are not eligible for CSB/REDUX.

Suppose a soldier elects CSB/REDUX and accepts the \$30,000 CSB but later retires for disability. Which formula will be used to calculate the soldier's retired pay? If High-3, will the soldier have to pay back the CSB? Will this soldier receive COLAs based on the High-3 or CSB/REDUX retired pay formula? The High-3 formula would be used. The soldier would not have to pay back the \$30,000 CSB. Because this soldier originally elected REDUX, the soldier will receive the reduced CSB/REDUX COLAs even though the disability retired pay will be calculated under the High-3 formula.

Suppose a soldier declines the \$30,000 CSB and then retires for disability. Will the soldier receive full COLAs to retired pay? Yes.

I want to get my DIEMS date in my record now. How can I do this? Soldiers are to view their OMPF online through the AKO web site <https://www.us.army.mil/> to determine if their first contract/appointment is on file, regardless of what branch of service it was. If that contract/appointment is not in the OMPF but available, send document to:

OFFICERS:

CDR, AHRC
ATTN: AHRC-MSR (DIEMS)

200 STOVALL STREET
ALEXANDRIA, VA 22332-0444
FAX: DSN 221-5204, CML: 703-325-5204
Point of contact for Officers is Ms. Diane Mitchell, Officer Records
Branch, PERSCOM, DSN 221-8114, CML: 703-325-8114.

ENLISTED:

CDR, USAEREC
ATTN: Personnel Actions Branch
8899 E. 56TH STREET
INDIANAPOLIS, IN 46249.
FAX: DSN 699-3704, CML: 317-510-3704
Point of contact for Enlisted Soldiers is Ms. Sylvia Davis, Chief,
Records Services Division, EREC, DSN 699-3683, CML: 317-510-
3683.

Actions taken with the above offices will result in your DIEMS date being verified, established and/or corrected. It cannot be done by your Personnel Office.

Should my DIEMS be on my retirement order? Yes, make sure the correct DIEMS date is reflected on your retirement order.

I am former enlisted. I fall under the High-3 formula. I know I have to serve 10 years as a commissioned officer before I can retire as an officer. If I decide to retire with less than 30 years' service, and before completing 10 years commissioned service, will my officer basic pay be used to compute the average of my highest 36 months of basic pay for retired pay purposes? No. You will retire enlisted because you will not complete 10 years of commissioned service. Section 1407(a) of Title 10 says that enlisted people who retire with more than 20 years but less than 30 years can use only the basic pay for their enlisted time in the calculation of the average of their highest 36 months of basic pay.

I am a colonel who will use the High 3 formula. If I retire before completing my three years time-in-grade, will the basic pay for the months I served as a COL be used in the computation of the average of my highest 36 months of basic pay? Yes. However, you will retire as a LTC.

I am a COL who will use the final basic pay formula. If I retire before completing my time-in-grade, will I retire as a LTC? How will my retired pay be figured? You will retire as a LTC, and your retired pay will be a percentage of the basic pay for a LTC.

I went to four years of medical school. Can I use that time to qualify for retirement? Do I receive percentage credit for it? Does it count for basic pay purposes? Medical school does not count toward the 20 years needed to qualify for retirement. However, medical and dental school and internships served **before 14 Sep 81** are creditable for percentage purposes after you have completed 20 qualifying years for retirement eligibility. See the DOD Financial Management Regulation, DOD 7000-14.R, para 010202 for details.
<http://www.dtic.mil/comptroller/fmr/>.

I have a DIEMS date after 31 Jul 86. Will I be notified of my eligibility to choose between the High-3 and CSB/REDUX retired pay plans or do I have to contact someone? On or about your 14-1/2 year of active duty, you will be told whether or not you qualify to choose between the retired pay plans. Instructions for making the CSB/REDUX election, should you choose to do so, will be given to you at that time.

Where can I find the DOD military pay website that provides more information on the High-3 and CSB/REDUX pay formulas and the military Thrift Savings Plan (TSP)? Go to Army Benefits Tool on the Army Knowledge Online website: <https://www.us.army.mil/> and go the Self-Service part and select "My Benefits". Then go to the Army Benefits Tools for eight additional sites to assist you. If you don't have an AKO account it is important to establish one! You will be able to register at the <https://www.us.army.mil/> site. Until you do you may wish to visit:
http://www.dod.mil/militarypay/retirement/ad/04_redux.html