



Department of Defense INSTRUCTION

NUMBER 1332.43
February 26, 2014

USD(P&R)

SUBJECT: Voluntary Separation Pay (VSP) Program for Service Members

References: See Enclosure 1

1. **PURPOSE.** In accordance with the authority in DoD Directive 5124.02 (Reference (a)), this instruction establishes policy, assigns responsibilities, and provides procedures for the administration and payment of VSP and benefits to Service members as authorized by section 1175a of Title 10, United States Code (U.S.C.) (Reference (b)).

2. **APPLICABILITY.** This instruction 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 in the DoD (referred to collectively in this instruction as the “DoD Components”).

3. **POLICY.** It is DoD policy that:
 - a. The VSP authority is to be used to minimize involuntary separations in shaping the force. Military Services must make every effort to use voluntary programs before involuntary separation authorities are used to separate qualified Service members who, in accordance with existing policies, would normally be allowed to continue until eligible to retire.

 - b. The VSP authority may be used in conjunction with existing authorities to achieve separations of qualified Service members when necessary to align the force inventory with future manpower requirements. The Military Departments may align the force using skill, grade or rank, remaining period of obligated service, or other appropriate criteria.

 - 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 Enclosure 2 of this instruction.

 - 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 Reference (b).

4. RESPONSIBILITIES

a. Assistant Secretary of Defense for Readiness and Force Management (ASD(R&FM)). Under the authority, direction, and control of the Under Secretary of Defense for Personnel and Readiness (USD(P&R)), the ASD(R&FM):

(1) Develops guidance for the administration of the VSP program and monitors and evaluates the implementation of this guidance.

(2) Develops modified guidance, as required.

b. Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO). The USD(C)/CFO prescribes finance regulations consistent with this guidance in accordance with Title 37, U.S.C. (Reference (c)).

c. Secretaries of the Military Departments. The Secretaries of the Military Departments submit annual VSP program plans to the USD(P&R) during the first quarter of the fiscal year. These plans will include:

(1) The number of personnel projected to be separated using the VSP program during the fiscal year.

(2) From the previous year, the number of personnel who applied for VSP, the number approved, amounts paid, and the number selected for additional service in the Ready Reserve.

5. PROCEDURES. Detailed procedures and requirements for administration of the VSP are found in Enclosure 2.

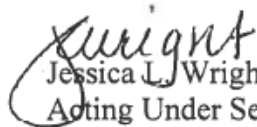
6. RELEASABILITY. **Unlimited**. This instruction is approved for public release and is available on the Internet from the DoD Issuances Website at <http://www.dtic.mil/whs/directives>.

7. EFFECTIVE DATE. This instruction:

a. Is effective February 26, 2014.

b. Must be reissued, cancelled, or certified current within 5 years of its publication to be considered current in accordance with DoD Instruction 5025.01 (Reference (d)).

c. Will expire effective February 26, 2024 and be removed from the DoD Issuances Website if it hasn't been reissued or cancelled in accordance with Reference (d).


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ENCLOSURE 1

REFERENCES

- (a) DoD Directive 5124.02, "Under Secretary of Defense for Personnel and Readiness (USD(P&R))," June 23, 2008
- (b) Title 10, United States Code
- (c) Title 37, United States Code
- (d) DoD Instruction 5025.01, "DoD Directives Program," September 26, 2012, as amended
- (e) Title 14, United States Code
- (f) Title 32, United States Code
- (g) Title 26, United States Code
- (h) DoD 5400.11-R, "Department of Defense Privacy Program," May 14, 2007
- (i) Joint Publication 1-02, "Department of Defense Dictionary of Military and Associated Terms," current version

ENCLOSURE 2

PROCEDURES

1. GENERAL. The Secretaries of the Military Departments:

a. Will annually determine the number of Service members projected to be separated and provided VSP and benefits during the beginning of each fiscal year in accordance with paragraph 4c above the signature of this instruction.

b. After approval of the VSP program plan required by paragraph 4c above the signature of this instruction, may offer a Service member the opportunity to apply for VSP, in accordance with section 1175a of Reference (b), to encourage him or her to leave active duty or full-time National Guard duty voluntarily.

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 Reference (b).

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

(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.

3. INITIAL TERM OF OBLIGATED SERVICE. In addition to meeting the eligibility requirements described in section 2 of this enclosure, a Service member will be required to complete his or her initial term of obligated service prior to separation. The normal military

service obligation incurred is 8 years, which may be served in the Active Component, in the Reserve Component, or some combination of both.

4. 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 section 2 of this enclosure;
- b. Is discharged with disability severance pay in accordance with section 1212 of Reference (b);
- c. Is transferred to the temporary disability retired list in accordance with section 1202 or 1205 of Reference (b);
- d. Is being evaluated for disability retirement pursuant to chapter 61 of Reference (b);
- e. Had previously been discharged with VSP; or
- 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. Has been approved for retirement under temporary early retirement authority.

5. 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 and, if determined to be required by the Secretary concerned, accept an appointment or enlistment in, or transfer to, the Ready Reserve of a Reserve Component for a period of not less than 3 years, as a condition of receipt of VSP and benefits.

b. Approval to receive VSP is not automatic for eligible Service members who apply. 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.

c. Each eligible Service member whose request for separation from active duty or full-time National Guard duty is approved will be separated from active duty or full-time National Guard duty.

6. 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 Reference (b).

c. Service members separating in accordance with section 1175a(c) of Reference (b) will be paid VSP in an amount determined by the Secretary of the Military Department concerned. 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 Reference (c).

(2) Separation counseling and other benefits provided in accordance with chapter 58 of Reference (b) during the 180-day period beginning on the date the Service member is separated.

d. VSP may be paid in a single lump sum. 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 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.

e. No Service member may receive as VSP an 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 Reference (b) would receive.

7. 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 Reference (b), and who later qualifies for retired or retainer pay in accordance with Reference (b) or Title 14, U.S.C. (Reference (e)), 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. The requirement to repay VSP following retirement from the Military Services does not apply to a Service member who was eligible to retire at the time he or she applied and was approved for VSP and benefits in accordance with section 1175a of Reference (b).

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.

8. REPAYMENT OF VSP FOR SERVICE MEMBERS WHO RETURN TO ACTIVE DUTY OR FULL-TIME NATIONAL GUARD DUTY IN A REGULAR OR RESERVE COMPONENT

a. Except as provided in paragraph 8b of this enclosure, a Service member who returns to active duty as a Service member of Regular or Reserve Component after receiving all or part of VSP in accordance with section 1175a of Reference (b) must have deducted from each payment of basic pay a monthly installment amount specified by the Secretary of the Military Department concerned. 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:

(1) Are involuntarily recalled to active duty or full-time National Guard duty in accordance with sections 12301(a), (b), (g), 12302, 12303, or 12304 of Reference (b), or section 502(f)(1) of Title 32, U.S.C. (Reference (f)).

(2) Are 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 Reference (b), or sections 114, 115, of Reference (f).

(3) Are recalled or perform active duty or full-time National Guard duty in accordance with sections 12301(d) of Reference (b) or 502(f)(2) of Reference (f) 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 8a of this enclosure 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. Requests for waiver should be forwarded to the USD(P&R).

9. DEDUCTION FOR DISABILITY COMPENSATION

a. A Service member who is paid VSP in accordance with section 1175a of Reference (b) will not be deprived of any disability compensation to which the Service member is entitled pursuant to the laws administered by the Secretary of Veterans Affairs as a result of the Service member's receipt of VSP. However, there must be deducted from such disability compensation a monthly installment amount specified by the Secretary of the Military Department concerned. 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, as in effect pursuant to regulations prescribed in chapter 24 of Title 26, U.S.C. (Reference (g))).

b. There will be no deduction from disability compensation paid to an eligible disabled retired Service member in accordance with section 1413 of Reference (b), or to an eligible combat-related disabled retired Service member in accordance with section 1413a of Reference (b), who is paid VSP in accordance with section 1175a of Reference (b).

c. There will be no deduction from disability compensation paid to a Service member for the amount of VSP received by the Service member because of an earlier discharge or release from a period of active duty or full-time National Guard duty if the disability which is the basis for disability compensation was incurred or aggravated during a later period of active duty.

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.

10. SEPARATION PROGRAM DESIGNATION CODES AND REENTRY CODES

a. The Separation Program Designator codes FCN, KCN, and MCN are authorized for use in association with a Service member-initiated voluntary discharge with payment of VSP as authorized by section 1175a of Reference (b).

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

11. MANDATORY DISCLOSURE. Each VSP contract will contain the following mandatory disclosure: “Should you qualify for military retired or retainer pay in accordance with Title 10 or Title 14, United States Code, and/or Veterans Administration disability compensation pursuant to the laws administered by the Secretary of Veterans Affairs after receiving Voluntary Separation Pay (known as “VSP”), you may be subject to a deduction from retired pay or from disability compensation in the total amount of any VSP paid to you.”

12. PRIVACY. All personally identifiable information collected pursuant to this instruction must be collected, maintained, disseminated, and used in accordance with DoD 5400.11-R (Reference (h)).

GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

ASD(R&FM)	Assistant Secretary of Defense for Readiness and Force Management
U.S.C.	United States Code
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
VSP	voluntary separation pay

PART II. DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purposes of this instruction.

active duty. Defined in Joint Publication 1-02 (Reference (i)).

active service. Defined in section 101(d)(3) of Reference (b).

active status. Defined in section 101(d)(4) of Reference (b).

competitive category. A separate promotion category established by the Secretary of a Military Department in accordance with section 621 or 14005 of Reference (b) 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(c)(5) of Reference (b).

Military Departments. The Department of the Army, the Department of the Navy, and the Department of the Air Force, including the Reserve Components, which include the Army and the Air National Guards of the United States.

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. Comprised of military members of the National Guard and Reserve, organized in units or as individuals, and liable for order to active duty during war or national emergency or when otherwise authorized by law. It consists of the Selected Reserve, the Individual Ready Reserve, and the Inactive National Guard.

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 or Reserve status.

Standby Reserve. Those units and members of the Reserve Component (other than those in the Ready Reserve or Retired Reserve) who are liable for active duty only as provided in sections 12301 and 12306 of Reference (b).