

MILPERSMAN 1810-082

LUMP-SUM PAYMENT OF THE RETIREMENT ANNUITY FOR SERVICE MEMBERS ENROLLED IN THE BLENDED RETIREMENT SYSTEM

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References	(a) Public Law 114-92, Section 631-635, National Defense Appropriation Act for Fiscal Year 2016 (b) Public Law 114-328, Section 631-633, National Defense Appropriation Act of Fiscal Year 2017 (c) Dep Sec Def memo (Implementation of the Blended Retirement System) of 27 Jan 2017 (d) DON memo (Implementation of the Blended Retirement System) of 26 Apr 2017 (e) U.S.C. 42 §416(1) Social Security Act (f) U.S.C. 10 chapter 61
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1. **Policy**. Navy Service members who are covered by the Blended Retirement System (BRS) are eligible to elect to receive a portion of their retired pay as a lump sum per references (a) through (d). This lump sum will be a discounted present value of the retired pay. The discount period will begin on the date of the Service members' retirement and end on the date the Service members reaches their eligible retirement age per reference (e).

2. **Purpose**. The lump-sum option for Service members covered by the BRS is designed to give Service members additional flexibility with their earned retirement annuity.

3. Responsibilities

a. **Servicing Personnel Support Detachments (PSD); Personnel Offices (PERSOFF); and Navy Personnel Command (NAVPERSCOM), Reserve Personnel Service Branch (PERS-912).** If Service members covered by BRS want to receive a portion of their retired pay in the form of a lump sum, they must submit DD 2656 Data for Payment of Retired Personnel to PSD or PERSOFF for regular retirement, or for non-regular retirement to NAVPERSCOM (PERS-912). DD 2656 may be accessed by using the following Web address: http://www.esd.whs.mil/Directives/forms/dd2500_2999/. Per reference (a), the lump-sum election must be made no later than 90 days prior to retirement date (in receipt of retired pay in the case of non-regular retirement). PSD, PERSOFF, or PERS-912 must forward DD 2656 to the Defense Finance and Accounting Service (DFAS), Cleveland, OH 30 days prior to the Service members' retirement date.

b. **Command Career Counselors (CCC) and Administrative Officers (AO).** Once a retirement authorization letter (enlisted) or retirement orders (officer) are received, no later than 120 days prior to requested retirement date, CCCs and AOs must:

(1) Brief Service members on their eligibility for lump sum; and

(2) For Service members who desire to elect a lump sum, CCCs must inform the Service members of the requirement to complete DD 2656 and submit to PSD for processing no later than 90 days prior to the date Service members are eligible for a regular retirement lump-sum election.

c. **Service Members.** No later than 90 days prior to retirement, 60th birthday, or non-regular retirement age, per fiscal years 2008 and 2014 National Defense Authorization Act, the Service members:

(1) If eligible to receive regular retirement pay, must submit DD 2656 to PSD or PERSOFF. If Service members are eligible to receive non-regular retirement pay, they must submit DD 2656 to NAVPERSCOM (PERS-912).

(2) By submitting DD 2656, Service members acknowledge they are electing to receive a discounted portion of their retired pay and the lump sum amount will likely be less than the retired pay without electing the lump sum. Additionally, the Service members acknowledge that they may not challenge the amount of the lump sum, particularly in regard to deviations from future cost of living adjustments, actuarial assumptions, or other factors used in computing this amount.

(3) Are responsible for ensuring the lump-sum paperwork has been received and processed by the appropriate authority (servicing PSD or NAVPERSCOM (PERS-912)). If the lump-sum payment is not received within 60 days after the retirement date or receipt of non-regular retirement pay, Service members should contact their servicing PSD or NAVPERSCOM (PERS-912).

4. **Eligibility**. Service members who are covered under the BRS and qualify for a regular or non-regular retirement are eligible to receive the lump sum. Service members who are retired for a physical disability under reference (f) are not eligible to receive the lump sum. Service members who are not enrolled in the BRS are not eligible to elect a lump-sum payment of their retired pay.

5. **Election Considerations**

a. Before electing to receive a portion of their retired pay as a lump sum, Service members should consider the following policy:

(1) If Service members are retiring with a disability retirement under reference (f), they are not eligible to elect the lump sum.

(2) As a result of electing lump sum, the monthly retired pay will be reduced to either 75 percent of its normal amount if the Service members elect the 25 percent lump sum or 50 percent of its normal amount if the Service members elect the 50 percent lump sum. Monthly retired pay will be restored to its full amount once the Service members reach full social security age as defined by reference (d).

(3) The lump-sum payment is considered earned income for the purposes of Federal and State income taxes. Receipt of the lump sum may have significant tax implications.

(4) Survivor Benefit Plan premiums will still be deducted from the remaining monthly retired pay should the Service members elect the lump sum. The premiums and beneficiary's coverage will be based on the unreduced amount of the Service members' monthly retired pay.

(5) If Service members expect to receive a disability rating from the Department of Veteran Affairs, dependent on the rating, their ability to receive disability compensation may be affected by the lump sum.

b. Service members are encouraged to receive financial counseling from a trusted financial advisor. Command financial specialists, personal financial managers at local fleet and family support centers, and Military OneSource personal financial counselors are available to provide individual counseling.

6. Election

a. Service members, covered by BRS, who elect to receive a portion of their retired pay as a lump sum must make this election via DD 2656 no later than 90 days before:

(1) The date of retirement for those who will receive a regular retirement; or

(2) The date at which they will first be eligible for non-regular retirement pay.

b. Service members who elect to receive a portion of their retired pay as a lump sum may elect to receive the discounted present value of 25 percent or 50 percent of the gross estimated retired pay.

7. Withdrawal of the Lump-Sum Election

a. Service members who elect to receive a portion of their retirement annuity as a lump sum may revoke this decision up until:

(1) The date upon which they retire and are eligible to receive a regular retirement; or

(2) The date upon which they first become eligible to receive non-regular retirement pay.

b. To withdraw the choice to receive a portion of their retired pay in the form of a lump sum, Service members must submit a signed, notarized statement rescinding the previous lump-sum election to their PSD or PERSOFF if eligible for a regular retirement, or to NAVPERSCOM (PERS-912) if eligible for a non-regular retirement. This statement must be notarized prior to the date of retirement and acknowledge that the decision to refuse the lump sum is final. Additionally, Service members must complete and submit a new DD 2656.

c. Service members, via their servicing PSD or PERSOFF, must transmit to DFAS:

- (1) Modified retirement authorization or orders;
- (2) New DD 2656; and
- (3) Notarized statement per subparagraph 7b.

8. Payment

a. **Lump Sum Payment.** Service members' lump-sum payment will be 25 or 50 percent of the gross estimated retired pay covered by the discount period.

b. **Installment Payments.** Service members who elect to receive a lump-sum payment of their retired pay may elect to receive this payment up to 4 annual installments over no more than 4 years.

c. **Discount Rate.** The discount rate will be published annually by the Deputy Assistant Secretary of Defense for Military Personnel Policy.

d. **Timing of Payments.** Service members who elect to receive installment payments of the lump-sum payment of their retired pay will receive equal distributions payable each year on the anniversary of the first installment. The first installment of which will be paid no later than 60 days after:

(1) The date on which the Service members retire, if eligible for regular retirement; or

(2) The date on which the Service members become eligible to receive retired pay, if eligible for a non-regular retirement.

e. **Restoration of Full Retired Pay.** Upon reaching the eligible retirement age, per reference (e), the retirement annuity for Service members who elected the lump sum will return to 100 percent.

f. **Disputes.** Electing to receive a portion of retired pay in a lump sum is a personal choice, as such, Service members may not challenge the amount of the lump sum.