



PERSONNEL AND
READINESS

UNDER SECRETARY OF WAR
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

JUN 30 2026

MEMORANDUM FOR SENIOR PENTAGON LEADERSHIP
COMMANDERS OF THE COMBATANT COMMANDS
DEFENSE AGENCY AND DOW FIELD ACTIVITY DIRECTORS

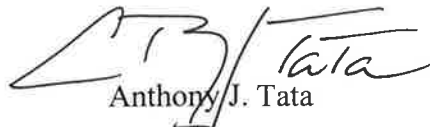
SUBJECT: Exception to Policy Authorizing the Portability of Retirement Benefits for
Department of War Nonappropriated Fund Employees Who Transfer Between
Nonappropriated Fund Instrumentalities

I approve a 2-year exception, effective July 1, 2026, to Sections 4.4., 6.1., 6.4. and 6.5. of Department of Defense Instruction (DoDI) 1400.25, Volume 1408, "DoD Civilian Personnel Management System: Insurance and Annuities for Nonappropriated Fund Employees," August 28, 2020, as amended, authorizing nonappropriated fund (NAF) employees of DoW Components to remain in their current retirement system when they move to a different DoW nonappropriated fund instrumentality (NAFI).

Attachment 1 establishes policy aligning the portability of retirement benefits for employees moving between NAF positions with the portability rules for DoW NAF employees transferring to DoW appropriated fund positions. A revision to DoDI 1400.25, Volume 1408, will incorporate the provisions of Attachment 1. NAF employees who wish to remain in their current retirement system when moving to a different DoW NAFI will complete the proposed DD Form 3235, "Non-Appropriated Fund Election to Retain Retirement Coverage," at Attachment 2.

By eliminating gaps in the portability of NAF retirement benefits, DoW will strengthen its ability to attract and retain qualified and productive NAF workforce, especially military spouses employed by NAF quality-of-life programs, who will be able to build a more secure financial future.

Please direct questions regarding this action to Ms. Lauren Lafaye-Benson, Office of the Deputy Assistant Secretary of War for Civilian Personnel Policy, at (703) 571-9287 or lauren.e.lafaye-benson.civ@mail.mil.


Anthony J. Tata

Attachments:
As stated

Attachment

1

Revision to Policy in Department of Defense Instruction 1400.25, Volume 1408, “DoD Civilian Personnel Management System: Insurance and Annuities for Nonappropriated Fund Employees”

Add Paragraph 4.4.d. Participation Eligibility.

d. An employee who participates in a DoW NAF defined benefit plan may be eligible to continue participation in that retirement plan after a move to a different DoW NAF employer. Section 6 describes eligibility requirements for portability of retirement benefits for employees moving between DoW NAF to NAF positions.

Replace Heading of Paragraph 6.1. NAF to NAF Creditable Service Portability of Retirement Coverage for Moves before July 1, 2026.

Add Paragraph 6.6. NAF to NAF Portability of Retirement Coverage Between NAF Employers for Moves after July 1, 2026.

When a NAF employee who is participating in a DoW Component employer retirement system (includes a Defined Benefit and Defined Contribution plan) moves to a position with a different DoW Component employer that has another NAF retirement system, the employee may elect to keep their NAF retirement system with the losing DoW NAF Component employer if the move occurs without a break in service of no more than one year. The employee must not have had a prior opportunity to elect to continue NAF retirement coverage.

Add Paragraph 6.7. Election Form.

a. Use DD form 3235 to document an election to retain retirement coverage after a qualifying move between DoW NAF Component employers.

b. In accordance with the retirement election instructions accompanying the retirement election form, the gaining NAF employer sends a request within 72 hours of the employee's enter on duty date to the former NAF retirement plan administrator for verification of NAF retirement plan participation.

(1) The applicable NAF retirement plan administrator is responsible for certifying the employee's participation in the NAF DB retirement plan and verifying the date of separation from the retirement-covered NAF employment within 72 hours.

(2) Within 72 hours the losing NAF retirement plan administrator returns the DD Form 3235 to the gaining NAF personnel office to validate the employee's eligibility for the retirement coverage election.

Add Paragraph 6.8. Employee and Employer Contributions.

a. For an employee who elects to retain coverage in the former DoW NAF retirement system, the gaining DoW Component will, at the end of each pay period, provide to the former DoW Component's designated payroll or financial services organization the actuarial total normal cost of covering the employee in the former DoW Component's Defined Benefit plan. The amount will be determined by applying the total normal cost percentage factor to the employee's pay. This percentage factor is stated in the former DoW Component's annual actuarial report. Therefore, the total normal cost provided to the losing DoW Component includes the employee contribution, as required by the former DoW Component's NAF retirement system, and the remaining amount of the total normal cost that is paid by the gaining DoD Component.

b. At the end of the pay period, the gaining DoW Component will provide to the former DoW Component's designated payroll or financial services organization all employee contribution amounts, through payroll deductions, and all NAF employer matching contributions, as necessary, to satisfy former DoW Component NAF employer Defined Contribution plan requirements applicable to the employee's enrollment.

c. An election to remain in the former DoD Component's NAF retirement plans (Defined Benefit or Defined Contribution) is irrevocable as long as the employee is in a DoD NAF position in either the losing or gaining DoD Components.

Attachment

2

NONAPPROPRIATED FUND ELECTION TO RETAIN RETIREMENT COVERAGE

(Read Privacy Act Statement below and Instructions on back before completing this form.)

PRIVACY ACT STATEMENT**AUTHORITY:** 10 U.S.C. 136, Personnel and Readiness; DoDI 1400.25, "DoD Civilian Personnel Management System," Volume 1408, as amended; and E.O. 9397, as amended (SSN).**PRINCIPAL PURPOSE(S):** Election to retain Nonappropriated Fund (NAF) Retirement Coverage.**ROUTINE USE(S):** None.**DISCLOSURE:** Voluntary; however, failure to provide requested information may increase the risk of error in recording the desired retirement election or the inability to record the selection.**INSTRUCTIONS:** The gaining NAF Human Resources Office (HRO) must complete Part 1 of this form and give it to the employee. The employee must indicate their election by signing in Part 3 and returning the signed form to their NAF HRO on or before the date shown in Part 1.f.**PART 1 (To be completed by the Gaining NAF HR Office)**

a. EMPLOYEE'S NAME (Last, First, Middle)	b. DATE OF BIRTH (YYYYMMDD)	c. Last 4 of SSN	d. DoD ID Number
I verify that this employee is participating in the (losing) _____ NAF retirement plan and is eligible to retain coverage in the plan because they are moving from (losing) _____ NAF position without break in service to (gaining) _____ NAF retirement-covered position.			
e. EMPLOYEE'S EFFECTIVE DATE OF APPOINTMENT TO THE GAINING NAF POSITION (YYYYMMDD)		f. DUE DATE WHEN GAINING NAF HRO MUST RECEIVE ELECTION ON OR BEFORE (YYYYMMDD)	
g. AUTHORIZING OFFICIAL'S SIGNATURE	h. AUTHORIZING OFFICIAL'S PRINTED NAME & TITLE, E-MAIL, PHONE NUMBER	i. DATE SIGNED (YYYYMMDD)	

PART 2 - ACKNOWLEDGEMENT OF RECEIPT AND NOTICE OF EFFECT OF FAILURE TO ELECT

(To be completed by the employee)

I understand that I am eligible to retain retirement coverage in the _____ NAF (losing) retirement plan. I acknowledge that the gaining NAF HRO has completed Part 1 of this election form and given it to me on this date. I understand that if I fail to complete Part 3 and return the completed form to gaining NAF HRO before the close of business on the Due Date (Part 1.f.) I will automatically be considered to have chosen Option 2 in Part 3. I also understand that the option I choose below (or am automatically considered to have chosen) will restrict my retirement plan entitlement for the rest of my NAF career and that I can never change this election regarding retention of NAF retirement coverage as a NAF employee with all DoD Components with NAF employees.

a. EMPLOYEE'S SIGNATURE	b. DATE SIGNED (YYYYMMDD)
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PART 3 - EMPLOYEE'S ELECTION (Employee: sign only the box for the option you elect)

OPTION 1: I elect to retain retirement coverage in the _____ NAF (losing) retirement plan which includes the defined benefit and defined contribution (401(k)) plans. I understand that I can retain the retirement plan as a result of my move between NAF employers. I understand that this election decision is irrevocable as long as I am in a DoD NAF position. I understand that regardless of future employment, breaks in service, and change in employment or retirement status in NAF positions in DoD Components with NAF employees, my retirement coverage will remain with the NAF (losing) retirement plan in accordance with the rules of that plan. I understand this election is not applicable to future moves involving NAF and appropriated fund civil service positions.

a. EMPLOYEE'S SIGNATURE	b. DATE SIGNED (YYYYMMDD)
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OPTION 2: I do not elect to retain the NAF (losing) retirement plan because I elect to enter the gaining NAF retirement plan coverage as appropriate. I understand that my future NAF retirement benefits will be calculated under the NAF to NAF accrued service credit policy.

c. EMPLOYEE'S SIGNATURE	d. DATE SIGNED (YYYYMMDD)
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