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**INFORMATION FOR
RETIRING AIR FORCE MEMBERS**

HQ AFPC/DPFFF
JBSA RANDOLPH, TX 78150
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**SURVIVOR BENEFIT PLAN (SBP)
INFORMATION FOR RETIRING AIR FORCE PERSONNEL**

SBP options differ for active duty personnel and those already retired. This pamphlet is written for the **retiring** member. Where it reads "spouse", it can also apply to a former spouse with some noted exceptions.

This is not a contract document. The statutory provisions of SBP law are in Section 1447, Chapter 73, Title 10, United States Code.

This pamphlet explains only the basics of the SBP. More details can be obtained by contacting an SBP counselor at an Air Force installation or by accessing the "Survivor Benefit Plan" webpage on the Air Force Personnel Center (AFPC) website at http://gum.crm.csd.disa.mil/app/answers/detail/a_id/13730

Reservists, whose service will make them eligible for retired pay at age 60, should read the fact sheet on the Reserve Component SBP (RCSBP) located on the Air Reserve Personnel Center (ARPC) website at <http://www.arpc.afrc.af.mil>.

THE BIG PICTURE

Peace of Mind

We buy insurance to protect us from the financial hardships of events we can't foresee, like car wrecks and house fires. It protects our valuable assets. Your retired pay is one such valuable asset. However, your retired pay will STOP when you die! Since you can't foresee when that will be, it is important that you insure it. Think of SBP as a form of life insurance for part of your retired pay.

Great peace of mind comes with the financial protection provided by your lifetime, inflation-adjusted, monthly Air Force retirement pay. SBP coverage gives your survivors some of the same financial protection. SBP pays your eligible survivors an inflation-adjusted monthly income.

Caution! Some people think they can join the SBP years after they retire, during an open enrollment period. In the 25-plus-year history of SBP, there have been only a few instances where retirees have had a second chance to enroll in the SBP.

Each time was after significant plan improvements. During the latest periods, late-joiners were required to pay all missed premiums with interest, plus an additional amount to protect the solvency of the Plan. Additionally, open enrollment elections have typically required a period of time (two years) before the election went into effect.

Plan Summary

While you are on active duty, if you have a spouse and/or dependent children, they are automatically covered by the SBP at the highest level at no cost to you. Your death must be classified in line of duty (LOD) in order for an annuity to be payable if you are not yet retirement eligible (have not accrued 20 years of active duty) on your date of death. (If you are divorced, your former spouse may be protected instead of a current spouse.)

Prior to your retirement date, you must decide whether you want to continue SBP coverage into retirement. If you elect SBP coverage, you must pay premiums once you retire. You should have received an estimate of the monthly SBP cost and annuity payable with this pamphlet. If you did not, contact your base SBP counselor. SBP premiums are collected by reducing your retired pay, and they are not counted in your taxable income. This means less tax and less out-of-pocket cost for SBP. Also, the overall Plan is funded by the Government (subsidized), so the average premiums are well below cost. This subsidy increases the attractiveness of the plan.

If you elect SBP coverage, you must elect a level of coverage or "base amount". The base amount is used to calculate both your cost and your survivor's annuity. Full coverage means your gross retired pay is your base amount, but the base amount can be any dollar figure between your gross monthly retired pay, down to as little as \$300. When retired pay gets a cost-of-living adjustment (COLA), so does the base amount, and as a result, so do the premiums and the annuity payable.

If you elect SBP coverage, you must also elect a category of beneficiary (ie., spouse only, child only, spouse and child, former spouse, former spouse and child, or insurable interest person). After retirement, your election cannot arbitrarily be changed.

You can suspend your premiums when there is no longer an eligible beneficiary in a premium category, such as:

- ◆ If you elect child coverage and all your children become too old for benefits and have no incapacity; or
- ◆ If you elect spouse coverage and your spouse is lost through death or divorce.

SBP as Insurance and Other Estate Planning Information

SBP premiums and benefits differ from those of insurance plans.

Like life insurance, SBP protects your eligible survivors against the complete loss of financial security when you die. But SBP does more! It also protects them against the possibility of outliving the benefit. Many insurance plans pay only a fixed benefit that may run out years before the survivor dies.

Besides a long life, another uncertainty is inflation! SBP protects against this risk through the COLA. Inflation may be the biggest financial uncertainty of all. It erodes the value of fixed incomes, making them worth less and less as time goes by. Few, if any, private insurance plans will fully insure your survivor against the ravages of inflation.

In fact, no known insurance company has guaranteed to match SBP benefits at equal cost or less. One reason is SBP premiums have a built-in discount (the Government subsidy), making the Plan a good buy. Plus, a private insurer needs to cover administrative expenses and make a profit, which aren't even counted in a Government subsidized program.

Also, SBP premiums reduce your taxable income and cut your out-of-pocket cost for coverage. Although SBP benefits are taxed as income to the survivor, in many instances their tax rate will be less than you now pay. Most insurance plans are the reverse; premiums are paid from after-tax income, while the lump-sum proceeds of insurance policies are not taxed.

In effect then, SBP protects part of your retired pay against the risks of:

- ◆ Your early death;
- ◆ Your eligible survivor(s) outliving the benefits; and
- ◆ The ravages of inflation.

Still, SBP alone is not a complete estate plan. Other insurance and investments are important in meeting needs outside the scope of SBP. For example, SBP does not have a lump sum benefit that some survivors may need to meet immediate expenses upon a member's death.

On the other hand, insurance and investments without SBP may be less than adequate. Even if they could duplicate SBP, investments may be much more risky and rely on a degree of financial expertise many don't have. Consider everything carefully. Don't expect SBP to do it all, but give it full credit for what it does.

Is SBP a Good Buy?

Given the Government subsidy, the answer to this question for most retirees is yes! Whether SBP is a good buy for you depends on personal preferences and your age, sex, and health compared to your beneficiary's. Beyond this, the answer lies in three questions you should ask yourself.

- ◆ First, is a subsidized, lifetime, inflation-protected income something that could help my family?
- ◆ Second, how much SBP can I use? If you know when you'll die, how long your survivor will outlive you, and how much inflation will occur, you have the answer. The unknown future is the problem, but SBP meets the need! Even if you die shortly after you retire and your spouse lives for 50 more years and if inflation is higher than expected, SBP will **still** be paying. It will probably be paying a lot more than anyone ever expected because inflation has such a strong impact over a long period of time. In fact, survivors who began to get SBP benefits in the early 1970s have seen their benefits tripled through COLAs!
- ◆ Third, how much SBP can I afford? The benefits do carry a price tag, but due to the subsidy and lack of administrative costs and profit, the plan should be attractive for most retiring members. And remember: the tax advantage on premiums reduces your out-of-pocket cost.

PROGRAM DETAILS

The information that follows defines the beneficiary options available, when annuities are paid, what premiums are charged, and how the benefit is computed.

Spouse Coverage

When you enroll in the SBP, you are electing coverage for a category of beneficiary. For example, if you elect spouse coverage, you're covering the spouse you're married to at the time of your death. Upon your death, benefits will be payable for the lifetime of your spouse and are not interrupted if he/she remarries after age 55. They are, however, suspended upon remarriage before age 55, and resume if that remarriage ends by death or divorce. If a second SBP benefit results from remarriage, the surviving spouse must elect which of the two SBP benefits to receive.

The SBP annuity payable to your spouse is 55 percent of the base amount you elect.

If you die of a service-connected cause or if, upon your death, you have been rated by the Department of Veterans Affairs (VA) as totally disabled for 10 or more continuous years (5 or more if rated totally disabled since retirement), your spouse may qualify for Dependency and Indemnity Compensation (DIC) through the VA. Currently, this tax-free VA benefit reduces a spouse's SBP annuity, dollar for dollar. In accordance with the National Defense Authorization Act (NDAA) FY20, the SBP-DIC Offset will be totally eliminated on 1 January 2023. This change is not retroactive and no previously offset funds will be returned.

If your spouse dies, if you divorce, or if you remarry, you must promptly notify the Defense Finance and Accounting Service (DFAS). This ensures SBP premiums are properly suspended or resumed. Otherwise you may end up owing a large debt for unpaid premiums.

Instructions for a member unmarried at retirement:

If you do not have a spouse on your date of retirement and later marry, you may elect SBP coverage for the new spouse. In order to establish the coverage, you **must** notify DFAS in writing **before** your first wedding anniversary. The new spouse becomes an eligible beneficiary on the first anniversary of the marriage or upon the birth of a child of the marriage if before the first

anniversary. You do not pay premiums until the new spouse becomes an eligible beneficiary.

Instructions for a member married at retirement:

If you elect spouse SBP coverage at retirement and your spouse dies before you or you are divorced, spouse coverage and premiums may be suspended pending a possible future remarriage. You must notify DFAS in writing and provide documentation. If you are divorced, you may convert the spouse coverage to former spouse coverage. (See the next section for former spouse coverage).

If your spouse coverage and premiums are suspended because your spouse died or you were divorced and you later remarry, you can cover your new spouse.

Your options upon remarriage are: (1) Resume the prior level of coverage; (2) Terminate spouse coverage; or (3) Increase spouse coverage for the new spouse if you took less than full coverage for your prior spouse. If you increase your coverage, premiums will be higher and you will be required to pay make-up premiums prior to the first anniversary of the marriage.

If you do not terminate spouse coverage, your new spouse will become an eligible beneficiary on the first anniversary of your marriage or upon the birth of a child of the marriage if before the first anniversary.

NOTE! You **must** notify DFAS with your remarriage option (see above) **within** the first year of remarriage. If you fail to do so, your old coverage and premiums will automatically apply on the first anniversary of your remarriage and a debt will begin to accumulate.

Former Spouse Coverage

A member, who has a former spouse, may elect to provide SBP coverage for that former spouse upon retiring. An election for former spouse prevents payment of an annuity to a spouse. This option may be elected by a retiring member either voluntarily or mandated by a divorce agreement.

Additionally, if former spouse coverage is court ordered or in a written agreement filed with the court, the former spouse may submit a letter to DFAS with a certified copy of the divorce

decree/property settlement, and request that an election for former spouse SBP coverage be "deemed" to have been made. The former spouse must make the request **within** one year of the divorce or the request cannot be honored.

The SBP annuity payable to a covered former spouse is 55 percent of the selected base amount.

Instructions for changing spouse coverage to former spouse coverage upon divorce after retirement:

A spouse loses eligibility as a "spouse" beneficiary following divorce. If you wish to continue to cover your now former spouse either voluntarily or as a requirement in a divorce agreement, you must convert your SBP election from spouse to former spouse coverage within one year of the date of the divorce. To convert spouse coverage to former spouse coverage, you must submit a properly completed DD Form 2656-1, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage, to DFAS along with a copy of the divorce decree to include the settlement agreement. If former spouse coverage was court ordered or contained in a written agreement filed with the court, your former spouse can also "deem" a former spouse election (see "deemed" election information, above). If neither you nor your former spouse requests the election change during the one-year eligibility period following the divorce, former spouse coverage may not be established thereafter. If DFAS is not notified within the first year of divorce, the former spouse is not eligible for annuity payments even if you continue to pay SBP premiums.

In converting to former spouse coverage, you may not change your SBP base amount. Electing former spouse coverage will prevent you from covering a new spouse at the same time if you remarry.

Former spouse benefits and premiums are suspended if the former spouse remarries prior to age 55. However, former spouse coverage is only suspended, not terminated, and this, in itself, does not provide you with the opportunity to terminate the coverage or change the election to spouse coverage for a new spouse. In order to suspend former spouse premiums, you must notify DFAS and include a copy of the former spouse's remarriage certificate. If the former spouse's remarriage terminates, DFAS should be promptly notified so monthly premiums can be reinstated. If you die during the period your former spouse's coverage is suspended due to remarriage prior to age 55, the

former spouse would be eligible for the annuity in the event the remarriage subsequently terminated.

Child Coverage

You may elect coverage only for your eligible children (Child Only Coverage) or you may include them with spouse/former spouse coverage (Spouse and Child Coverage or Former Spouse and Child Coverage). There is only one annuity. In the later options, eligible children are paid the annuity only if your spouse/former spouse dies or remarries before age 55.

Children are eligible for the annuity only during the time they are unmarried and:

- ◆ Under age 18; or
- ◆ Over age 18, but under age 22 and still in school full time; or
- ◆ Suffer a mental or physical incapacity incurred while still eligible as defined above.

Eligible children may include adopted children, stepchildren, foster children, grandchildren, and recognized natural children who live with you in a regular parent-child relationship. To qualify as a dependent child, a grandchild must be in your care and custody by court order and meet dependency requirements. To qualify as a dependent child, a foster child must receive over one-half support from you and such support must not have been provided under a social agency contract.

When you include child coverage with former spouse coverage (Former Spouse and Child Coverage) only your children of the marriage to that former spouse are covered. Any other children will not be paid benefits under this option. In the child only option or when you include children with spouse (not former spouse) coverage, all of your eligible children are covered.

Monthly premiums for including children with spouse coverage are based on the ages of the member, spouse, and youngest child at the time the coverage becomes effective. In the case of child only coverage, the premium is based on the ages of the member and youngest child at the time the coverage becomes effective.

Eligible children equally divide the annuity which is 55 percent of the base amount. For example, if five children are eligible, each is paid one-fifth of the annuity. When the first

child reaches age 18 with no incapacity and if no longer in school, each of the remaining four is paid one-fourth of the annuity. This process continues until the youngest child is no longer eligible to receive benefits.

Insurable Interest Coverage

If you're not married and have no dependent children, you may be able to elect coverage for an "insurable interest" person. This must be a natural person (not a company, organization, fraternity, etc.) with a financial interest in your life. It can be a close relative or a business partner. If the person is related closer than a cousin, proof of insurability is not required. If you are not married and have only one dependent child, you may elect insurable interest coverage for that child. An insurable interest annuity is paid for the lifetime of the beneficiary.

An election of insurable interest coverage requires full retired pay as the base amount. Insurable interest premiums are 10 percent of full retired pay, plus an added 5 percent for each full five years you are older than the beneficiary. Total costs, however, cannot exceed 40 percent of your full retired pay.

Insurable interest benefits are equal to 55 percent of the retired pay remaining after subtracting the SBP premium.

SPECIAL PROVISIONS

Disenrollment Provision

Non-participating retirees indicated the main reason they did not elect SBP at retirement was uncertainty regarding post-service employment and fear of making a decision that could not be changed. This led to one of the latest improvements in the Plan - making it more flexible. You are now authorized a one-year window between your second and third anniversary of receiving retired pay in which you can disenroll. That allows members who may have a financial crisis or simply decide they no longer need the SBP protection for their survivors, to permanently get out of the Plan. This requires the concurrence of the spouse, there is no refund of premiums, and you will be forever barred for reentering. Once the window closes, the election becomes basically irrevocable.

Paid-Up Provision

Public Law 105-261 was signed into law 17 Oct 98. It stipulates that effective 1 Oct 2008, retired members age 70 or older who have paid into SBP for at least 30 years (360 full payments) will be considered "Fully Paid-Up". No further premiums will be deducted from their retired pay, but their eligible beneficiary will still receive an SBP annuity when they die.

Affects of receiving VA Disability Compensation

If you receive VA disability compensation, your military retired pay is reduced dollar-for-dollar to prevent duplication of benefits. If your VA compensation is great enough, your retired pay may be reduced to the point you have to pay SBP premiums directly to the finance center. You can also make arrangements to have your SBP premiums be paid out of your VA disability compensation.

Withdrawal from SBP Due to Receipt of VA Benefits

You can terminate SBP coverage by withdrawing if rated by the VA as totally disabled for:

- ◆ 10 or more continuous years; or
- ◆ Less than 10, but more than five, years continuous from the last date of active duty.

Under these circumstances, your death would be presumed to be from service-connected causes, ensuring your spouse's entitlement to DIC. Thus, you and your spouse may find no advantage to continue SBP coverage. A major factor in this decision should be the amount of the annuity payable. Your spouse must concur in any election to withdraw. Child coverage will also stop in this case, and no benefits will be payable. When you die, your spouse will be refunded the premiums paid.

Affects of Future Civil Service Retirement on Your SBP Coverage

If you later retire from Civil Service and waive your military retired pay to combine civilian and military service credits, you may not participate in both the Civil Service survivor annuity program and the SBP. At retirement from Civil Service, you can drop your military SBP if you elect the Civil Service survivor annuity program, or keep SBP coverage and decline the Civil Service survivor annuity program.

If you waive your military retired pay and keep the SBP, you can pay your SBP premiums directly to DFAS.

If you retire from Civil Service, do not combine your time, and do not waive your military retired pay, you can have survivor coverage under both the SBP and the Civil Service survivor annuity program.

If you waive your military retired pay and elect to participate in the Civil Service survivor annuity program, no SBP annuity will be payable upon your death even if you erroneously continue to pay SBP premiums.

PRE-RETIREMENT ACTIONS

Prior to your retirement date, you are required to attend a personal one-on-one SBP briefing with an Air Force SBP counselor. If you are married, your spouse should also attend the briefing. The law requires both you and your spouse to be fully informed of the options and effects of the SBP so that you can make an informed decision and so that your spouse will understand the implications of your decision.

Do not depart on PCS or terminal leave until you have received your one-on-one SBP briefing and completed a DD Form 2656. If you do not complete a DD Form 2656 with a valid SBP election prior to your retirement date, DFAS will establish full automatic spouse and child SBP coverage.

We suggest that you complete the DD Form 2656, including your SBP election, at the conclusion of your one-on-one briefing. If you are married, you may not elect reduced spouse coverage or to decline spouse coverage without your spouse's written consent on the DD Form 2656 after you make the election. The election can be changed at any time prior to your retirement date if you change your mind. However, completing the form at this time leaves "one less thing" you have to remember to do before you retire.