



U.S. ARMY

**Department of the Army
Reserve Component Survivor
Benefit Plan (RCSBP) Soldier
and Spouse Brief**

Army Retirement Services Office
30 April 2021



Our Goal

- Provide you with the facts so you can make an informed decision.
- Correct misinformation.

- Our goal in this briefing is to provide information to you on the Survivor Benefit Plan, or SBP. Along the way, we expect to replace some common misconceptions about the Plan with facts.
- We ask only that you unlock your assumptions and listen openly to this presentation.
- Your decision regarding whether or not to participate in SBP affects your family's future, and so, rather than making the decision based on someone else's opinion, we encourage you to consider your situation.
- Use what you learn in this briefing to make an informed decision that suits your family's need. It's a decision you will have to live with!



Purpose

- Break RCSBP down into manageable understandable blocks, to help you to make an informed decision on your individual SBP election.
- Allows RC Soldiers to make informed decisions on their individual RCSBP elections



THE BOTTOM LINE
Without RCSBP



There is no annuity if the RC
Soldier dies prior to receipt of
retired pay



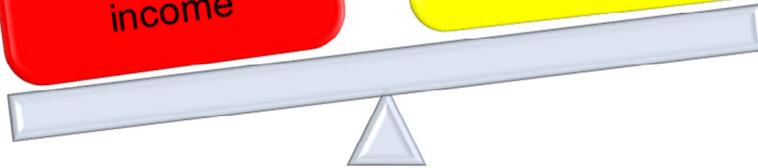
Which risk are you willing to take?

NO RCSBP

RCSBP

Risk of leaving
your loved ones
with insufficient
income

Cost vs Return
What if I don't die
before non-regular
retirement?





What is RCSBP?

- Enacted by Congress in 1978
- Sole means for a RC Soldier with 20 years of qualifying reserve service for retirement to provide a portion of their retired pay to survivors if they die before Non-regular Reserve Retirement
- RCSBP and SBP are paid as a monthly annuity to eligible survivors
- RCSBP decision affects SBP coverage at retirement
- Certain elections constitute an early SBP decision
- If retired from active duty, RCSBP elections are voided and there is no RCSBP cost for coverage received



Notification of Eligibility for Non- Regular Retirement (NOE)

- Commonly referred to as the 20 Year Letter
- Issued to RC Soldier upon earning 20 qualifying years of service (qualifying year = 50 or more points earned)
- Contains a DD Form 2656-5 Reserve Component Survivor Benefit Plan (RCSBP) Election Certificate
- 15 year letter
 - issued by NG only after Medical Board, NG Soldier asks for transfer to Retired Reserves, CG authorizes and publishes order.
 - USAR requires HRC final approval and issue of the 15 year letter



About Elections

- Must be made within 90 days of receipt of Notice of Eligibility (NOE) for Retired Pay (20 Year Letter) packet from the Human Resource Command for USAR or State Headquarters for National Guard
- Certain elections need spouse concurrence
- Certain elections affect your SBP election
- Certain elections require payment of RCSBP premiums when in receipt of retired pay for Reserve non-regular retirement



Three Part Decision

- Election Option
- Election Category
- Base Amount

An RC Soldier will need to decide on three components of RCSBP and complete the DD Form 2656-5 within 90 days of receiving their NOE.

- Election Option
- Election Category
- Base Amount



RCSBP Election Options

- Option A: Decline RCSBP with option to elect SBP coverage at non-regular retirement
- Option B: RCSBP Coverage with deferred annuity when the RC Soldier would turn age 60
- Option C: RCSBP coverage with immediate annuity
- If at the date of the NOE you are not married, have no eligible children, and do not desire to elect for a former spouse or insurable interest, complete the DD Form 2656-5 and elect no RCSBP option



Option A – Decline RCSBP

- No RCSBP coverage
- No annuity paid if death occurs prior to non-regular retirement
- No RCSBP premiums owed
- If no eligible beneficiary at election, may elect RCSBP within one year of first obtaining an eligible beneficiary
- Effect on Non-regular retirement SBP
 - Must make SBP election on DD Form 2656, Data for Payment of Retired Personnel
 - If SBP elected, coverage and premiums start at non-regular retirement



RCSBP Option B – Deferred Annuity

- RCSBP coverage
- Annuity paid when RC Soldier would have turned age 60 to elected beneficiary categories who are still eligible
- Must maintain (notify HRC-GAR of certain life changing events) election prior to non-regular retirement
- RCSBP becomes SBP election
- RCSBP cost when in receipt of retired pay
 - Pay RCSBP premium for RCSBP coverage received
 - Pay SBP premium for current coverage after receipt of retired pay
- No annuity paid until age 60 even if non-regular retirement is prior to age 60

12

- Life changing events that can affect your RCSBP election – Death of beneficiaries, marriage, divorce, remarriage, birth or acquiring child.
- Contact your servicing RSO to assist with what forms and documents are needed to inform HRC GAR of these changes.
- DD Form 2656-6
- Supporting documents: Death certificate, marriage license, divorce decree, birth certificate, adoption paperwork



RCSBP Option C – Immediate Annuity

- RCSBP coverage
- Annuity paid immediately at RC Soldier's death
- Must (notify HRC-GAR of certain life changing events) maintain election prior to non-regular retirement
- RCSBP becomes SBP election
- RCSBP cost when in receipt of retired pay
 - RCSBP premium for RCSBP coverage received
 - SBP cost for coverage after receipt of retired pay
 - RCSBP is more expensive than for Option B due to immediate payment of annuity

13

- Life changing events that can affect your RCSBP election – Death of beneficiaries, marriage, divorce, remarriage, birth or acquiring child.
- Contact your servicing RSO to assist with what forms and documents are needed to inform HRC GAR of these changes.
- DD Form 2656-6
- Supporting documents: Death certificate, marriage license, divorce decree, birth certificate, adoption paperwork



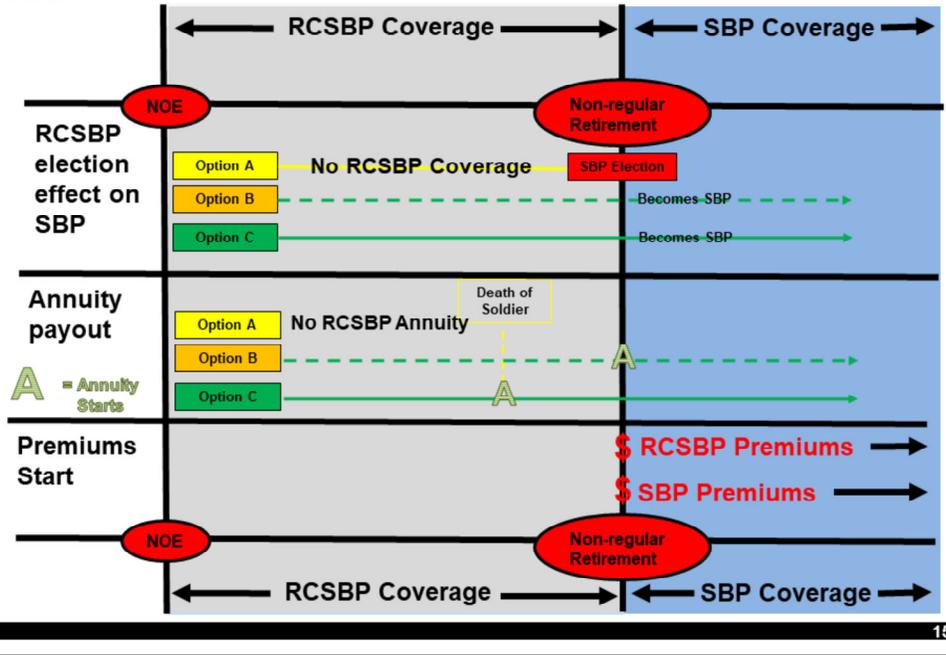
RCSBP Options Comparisons

This chart provides an RCSBP options comparison as they apply to coverage cost and SBP.

RCSBP Option	RCSBP Coverage	Annuity	RCSBP Cost	RCSBP Premium start	Make an SBP Election	SBP Coverage	SBP Cost
Option A Decline RCSBP Coverage	No	No	None	NA	Yes Must make an SBP election at non-regular retirement	No if decline SBP Yes if SBP coverage is elected	None if decline SBP Yes if SBP coverage elected
Option B Deferred Annuity	Yes	Deferred until deceased RC member would have been age 60. (Even if eligible for reduced age retirement)	Yes Approximately 25% less than Option C	At non-regular retirement. (Even if prior to age 60)	No	Yes RCSBP election (category and coverage amount) becomes SBP election at non-regular retirement	Yes Premiums start at non-regular retirement. (Even if prior to age 60)
Option C Immediate Annuity		Immediate	Yes			Yes RCSBP election (category and coverage amount) becomes SBP election at non-regular retirement	Yes Premiums start at non-regular retirement. (Even if prior to age 60)
No Beneficiary at NOE	Can elect Option B or C within one year of acquiring first spouse and or child following NOE. If not, election will default to Option A. Follow above Option details accordingly.						



RCSBP/SBP Timeline





Six Election Categories

1. Spouse Only
2. Spouse & Child
3. Child Only
4. Former Spouse Only
5. Former Spouse & Child
6. Insurable Interest



Spouse Option

- Provides annuity of 55% minus the RCSBP premium
- Annuity paid forever (unless remarriage occurs pre-age 55)
- If remarriage ends, annuity reinstated
- Increased annually by COLA
- Taxable as an annuity
- RCSBP premiums stop when there is no eligible spouse in election category



SBP Premium Calculation Spouse

Two formulas for computing spouse premiums

New Formula

- Eligibility - All active duty retirements for members with a date of initial entry into military service (DIEMS) of 1 Mar 90 or later
- 6.5% of selected base amount

Old Formula

- Eligibility:
 - Active duty retirements with a DIEMS prior to 1 Mar 90
 - Medical retirements
 - **Non-regular retirements**
- 2.5% of threshold amount plus 10% of the difference between the threshold and the selected base amount

Note: If Retired Soldier is eligible to have premiums calculated both ways, DFAS will charge the lower of the two premiums.

18

- The threshold For Soldiers who determine that their family doesn't need the benefit provided by covering full retired pay or the retired pay is on or below the base level where the threshold is more beneficial, (less cost), the term "threshold amount" may be of interest.
- The "threshold" is the portion of the base amount which costs 2.5%. **Only applies to Soldiers whose Date Initially Entered Military Service (DIEMS) was prior to 1 Mar 90, medical retirements, or Reserve non-regular retirement based on age and points.**
- Minimum participation of \$300 is set by law and never changes. However, the threshold amount increases periodically (annually or semi-annually) based on the active duty pay raise percentage.
- The rationale for this is that as one's active duty pay rises over the course of a career, a relative increase of the lowest amount which costs 2.5% is considered appropriate, to keep pace. This indexing feature began in 1986.
- While it remains most advantageous for most Soldiers to cover full retired pay as the base amount, for those who can't see clear to do that, covering a reduced base amount (at least the threshold amount), should be considered.
- On the next page a chart shows the base amounts, the two spouse SBP cost calculations, and annuity amounts.



Threshold Spouse SBP Calculation

2020 SBP Cost Examples Effective for 1 Jan 21
Based on 3.0% Active Duty Pay Raise Effective 1 Jan 21

Base Amount Monthly Amount of Retired Pay Covered	Annuity		Premium	
	Monthly Annuity Method	Either	Old Method Threshold Monthly Cost (Note 1)	6.5% of Base Amount Monthly Cost (Note 2)
\$300	\$165		\$7.50	\$19.50
\$895 (note 3)	\$492		\$22.38	\$58.18
\$900	\$495		\$22.88	\$58.50
\$1,000	\$550		\$32.88	\$65.00
\$1,200	\$660		\$52.88	\$78.00
\$1,300	\$715		\$62.88	\$84.50
\$1,400	\$770		\$72.88	\$91.00
\$1,500	\$825		\$82.88	\$97.50
\$1,600	\$880		\$92.88	\$104.00
\$1,917.86 (Note 4)	\$1,054		\$124.67	\$124.66
\$2,000	\$1,100		\$132.88	\$130.00
\$2,200	\$1,210		\$152.88	\$143.00
\$2,400	\$1,320		\$172.88	\$156.00
\$2,600	\$1,430		\$192.88	\$169.00
\$2,800	\$1,540		\$212.88	\$182.00
\$3,000	\$1,650		\$232.88	\$195.00

The SBP threshold method applies to a Soldier who meets one of the following criteria: entered service prior to 1 Mar 90 if retiring for active duty length of service, medically retiring, or retiring from the Reserve Component with a non-regular retirement. For these Soldiers, two SBP spouse cost methods are available. The most advantageous one is used by DFAS.

Note 1. SBP Cost Threshold Method: 2.5% of threshold amount + 10% of the remainder of base amount.

Note 2. SBP Cost 6.5% Base Amount Method: 6.5% of the base amount.

Note 3. Threshold Amount (that which costs 2.5%) is \$895; cost is \$22.38.

Note 4. Base amounts on or above \$1,917.86 receive best treatment under SBP cost 6.5% method cited above (.065 times base amount).

- The SBP threshold method Only applies to a Soldier who meets one of the following criteria: entered service prior to 1 Mar 90 if retiring for active duty length of service, medically retiring, or retiring from the Reserves with a non-regular retirement. For these Soldiers, two SBP spouse cost methods are available. The most advantageous one is used by DFAS.
- This chart shows the relationship between the SBP spouse threshold cost calculation, 2.5% of the threshold and 10% for any base amount that exceeds the threshold, and the new spouse cost calculation 6.5% of the base amount.
- The chart also shows that amounts that exceed a base amount of \$1917.86 for retirements in calendar year 2021, the 6.5% spouse cost calculation is the most advantages.



Spouse & Child Option

- Spouse is the primary beneficiary
- Children are secondary beneficiary and receive the annuity only if spouse becomes ineligible (pre-age 55 remarriage or death) and they are still eligible
- Child cost is based on years of age difference between Soldier, spouse and youngest child
- Cost of child coverage - very low
- When no eligible children remain, Child SBP cost stops but RCSBP cost continues
- All eligible children are covered at one cost



Child Only RCSBP

- Cost based on age difference between Soldier and youngest child at time of election
- Cheaper than “spouse” due to finite benefit but costlier option than child cost with spouse since child is primary beneficiary
- Can elect for children only because there is no spouse or exclude the spouse
- If married and child only SBP is elected, spouse must concur

21

- This slide shows the basic rules for “child only” participation.
- Child coverage should be considered when determining your family’s needs.
- And, since child costs are so low, we can think of NO reason NOT to cover eligible children - either alone or as part of a spouse & child election.
- Once again, when there are no eligible children SBP cost stops but RCSBP continues
 - **Note: It is recommended that you research the impact SBP for a fully disabled child may have on other benefits the child is or will receive.**



Child Eligibility

- Child must be:
 - Unmarried
 - Age: 18 or 22 if a full-time student
 - Unmarried Incapacitated child – eligible forever if condition was incurred while eligible for RCSBP
- Natural child
- Adopted Child
- Stepchild, foster child who is living in a parent child relationship with the military member when that member dies
- When no eligible children remain, Child SBP cost stops but RCSBP cost continues

22

- This slide shows the basic rules for “child only” participation.
- Child coverage should be considered when determining your family’s needs.
- And, since child costs are so low, we can think of NO reason NOT to cover eligible children - either alone or as part of a spouse & child election.
- Once again, when there are no eligible children SBP cost stops but RCSBP continues



Incapacitated Child Considerations

- It is recommended that you research the impact SBP for a fully disabled child may have on other benefits the child has or will receive.
- Election to pay annuity to a special needs trust for an SBP eligible unmarried incapacitated child allowed. (Contact RSO for details.)

23

- This slide shows the basic rules and eligibility for child coverage both Spouse and Child and Child Only.
- Child coverage should be considered when determining your family's needs.
- And, since child costs are so low, we can think of NO reason NOT to cover eligible children - either alone or as part of a spouse & child election.
- **A child can receive more than one child SBP annuity. This question is asked when both parents are military and retiring.**
Note: It is recommended that you research the impact SBP for a fully disabled child may have on other benefits the child is or will receive.
Election to pay SBP annuity to a special needs trust for an incapacitated child allowed. RSO can provide details.



Advice: Seriously Consider Child Coverage!

- Q: Why bother covering my 21-year old son who graduates from college soon?
- A: Because, if you elected Option B or Option C for a spouse and did not elect RCSBP for an eligible child...
 - “closing” the child category when there are eligible children closes it for both RCSBP and SBP forever
 - family complete? perhaps a step-, grand-, foster- or natural child is in your future
- SBP cost stops when no eligible children remain but RCSBP cost continue
- Spouse and Child or Child Only SBP is inexpensive
- Incapacitation may occur while child is still eligible

24

- Remember: If you elect Option B or Option C, the action you take for a category available to you on date of retirement **sets in stone** your treatment of that category for RCSBP and SBP FOREVER.
- That means that if you have an eligible child at election, elect Option B or Option C but decline child coverage, you’ve closed the door on RCSBP/SBP child coverage forever.
- While you may feel certain today that there are no additional children in your future, please think twice before barring the door, since dependent children come in many wrappings:
 - step-children obtained through remarriage
 - grandchildren who qualify as your dependents
 - foster children, or
 - natural children



Former Spouse (FS) “Particulars”

- Former spouse coverage can be:
 - purely voluntary
 - incorporated into a written agreement
 - court-ordered (since 1986)
- Divorce prior to receiving the NOE:
 - If court ordered, Soldier should elect former spouse within 90 days of receiving the NOE or could be held in contempt of court
 - Former spouse can ensure former spouse SBP is established by providing DFAS-CL the divorce decree with subsequent court orders plus a DD Form 2656-10 (Survivor Benefit Plan (SBP)/Reserve Component (RC) SBP Request for Deemed Election) within one year of the first court order awarding former spouse SBP

25

- Former spouse RCSBP issues remain among the most emotional and most misunderstood within both the active and retired military communities.
- The main point we want to stress is that passage of the Uniformed Services Former Spouses' Protection Act in 1982 did not change the basic premise that retired pay entitlement rests with the retiree.
- What it DID do was give state courts legal authority to order members to elect “former spouse” RCSBP or SBP coverage; a Reservist to convert existing spouse RCSBP coverage to former spouse; a retired member to convert existing spouse SBP coverage to former spouse. Do not confuse this with the issue of a court dividing one's retired pay - a separate matter.
- If divorce occurs prior to 20 year letter and the court orders the Soldier to elect FS coverage at retirement, the following applies --
 - (1) The Soldier has no action to take until 20 year letter, at which time he/she should comply with the court order to avoid being in contempt of court - regardless of the Soldier's marital status at 20 year letter.
 - (2) The former spouse has one year from date of divorce to submit a DD Form 2656-10 to DFAS to request a “deemed” election. A deemed election will override any failure on the part of the Soldier to follow the court's order.
- The court cannot order the member to participate in RCSBP if they had a spouse at their 20 year election (NOE) and did not cover that spouse. If the member elected Option A, the court can order them to make an SBP election at non-regular retirement or active duty retirement.
- If divorce occurs **after NOE**, the court can order a retiree to cover a former spouse only if the former spouse was the Soldier's RCSBP covered “spouse” beneficiary previously. The court cannot order a member to enroll the former spouse in a plan in which he/she do not participate.
- Remember, when former spouse coverage is ordered after the NOE, the Soldier can change the RCSBP to former spouse only within one year of the divorce . The spouse always has one year from the first court order to deem former spouse even if prior to the Soldier receiving the NOE.
 - For an existing former spouse RCSBP election, if action is not initiated by the Soldier within one year divorce, or deemed by the former spouse within one year of the first court order awarding the former spouse RCSBP, the former spouse option is lost.



Former Spouse (FS) “Particulars”

- Former spouse coverage can be changed if court order is amended or vacated by former spouse’s death
- If former spouse is voluntary, can cancel FS SBP and elect for new spouse within one year of marriage
- Former spouse and children only covers children of the marriage to the former spouse
- When a former spouse SBP beneficiary dies, the Retired Soldier can designate a current spouse (contact RSO for details/timeframe)

26

- Former spouse SBP issues remain among the most emotional and most misunderstood within both the active and retired military communities.
- The main point we want to stress is that passage of the Uniformed Services Former Spouses’ Protection Act in 1982 did not change the basic premise that retired pay entitlement rests with the Retired Soldier.
- What it DID do was give state courts legal authority to order retiring members to elect “former spouse” SBP coverage; or a retired member to convert existing spouse coverage to former spouse. Do not confuse this with the issue of a court dividing one’s retired pay - a separate matter.
- If divorce occurs **during active duty** and the court orders the Soldier to elect FS coverage at retirement, the following applies --
 - (1) The Soldier has no action to take until retirement, at which time he/she should comply with the court order to avoid being in contempt of court - regardless of the Soldier’s marital status at retirement.
 - (2) The former spouse has one year from date of divorce to submit a request for a deemed former spouse election on a DD Form 2656-10, Survivor Benefit Plan (SBP)/Reserve Component (RC) SBP Request for Deemed Election. Attach a copy of the divorce decree, any subsequent decrees, and settlement agreement. This must be done within one year of the date of the divorce decree. The election will be deemed if the member fails to make the required election.
- If divorce occurs **after retirement**, the court can order a Retired Soldier to cover a FS only if that FS was the Retired Soldier’s covered “spouse” beneficiary previously. They cannot order a member to enroll the former spouse in a plan in which he/she do not participate.
 - When former spouse coverage IS ordered, either party can make a written request within one year of the divorce to facilitate the switch in category.
 - If action is not initiated within one year of court order awarding FS SBP, the FS SBP option is lost.
- When a former spouse SBP beneficiary dies, the Retired Soldier can change the election to a current spouse. Need to contact the RSO for details and required time frame to make the election.



“Insurable Interest” Election

- **Who Can Elect:** unmarried Soldiers with no eligible children
- **Eligible Beneficiaries:** relative more closely related than cousin; or business associate w/financial interest in Soldier (proof needed)
- **Base Amount:** Must be full retired pay
- **Cost:** 10% + 5% for each full 5 years younger beneficiary is than Soldier
- **Benefit:** 55% of retired pay *less* SBP/RCSBP cost

27

- RCSBP/SBP offers something to single Soldiers too. They can cover “a natural person with an insurable interest” if they are either unmarried with no children or have a sole dependent child. The child’s age or marital status is not considered.
- The insurable interest option allows a Soldier to protect a person who would be financially impacted by his/her death. Its main use is by single Soldiers who are the sole support of a family member, perhaps a mother, father or sibling.
- It is expensive. Proof of financial interest is required when the named beneficiary is unrelated or is more distantly related than first cousin.
- If you gain a spouse or child after election, you have one year to change your election to protect someone in the newly-gained category.
- Since Oct. 1994, this coverage may be cancelled at any time.
- Effective 24 Nov 03, if retired for disability and death occurs within one year of retirement for a cause related to a disability for which retired, Insurable Interest election SBP is invalid with the exception of Insurable Interest elections made for a dependent authorized a Military ID Card. Premiums paid will be refunded to designated beneficiary. Does not apply to length of service retirees.
- Effective 17 Oct 06, when the beneficiary dies, retiree may elect a new Insurable Interest beneficiary within 180 days.



“Insurable Interest” Election

- **Loss of Beneficiary**: May elect new beneficiary within 180 days of current beneficiary’s death
- Insurable Interest SBP can be cancelled at any time
 - Exception: If insurable interest was elected for former spouse
- If married or you have a child after retirement, you have one year to cancel insurable interest SBP and elect spouse and or child SBP or you close those beneficiary SBP categories
- Insurable interest cannot be elected after retirement



RCSBP Spouse Concurrence

SBP is a “JOINT” decision for married Soldiers who...

- Decline coverage (Option A)
- Cover less than full retired pay for spouse
- Elect “child only”
- Elect Option B, deferred annuity
- Are under REDUX retirement plan and do not elect full base amount based on High-3 retired pay they would have received
- Elect Lump Sum under BRS and do not elect spouse coverage based on retired pay they would have received without Lump Sum



Spouse Concurrence

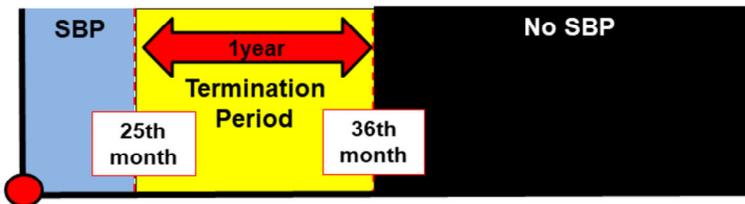
Remember it is the Soldier's election

- The spouse can only concur or non-concur with the Soldier's election
- Spouse refusal to sign the DD Form 2656-5 constitutes spouse non-concurrence
- Spouse concurrence is in the law to protect the spouse.

Note: Spouse concurrence not required for a former spouse election.



SBP Termination Feature



Retired Pay
Starts

- Termination during one-time, one-year window between 25th and 36th month after start of pay for SBP only
- Spouse concurrence required
- Barred from future enrollment
- No refund of past premiums
- Law change acknowledges need for flexibility
- **No termination feature for RCSBP because coverage was already received at this point**

31

- Since May 17, 1998 the law has given all participants a one-time, one-year window of opportunity - between the 25th and 36th month following start of retired pay - to terminate their coverage.
- This requires spouse concurrence; there is no refund for past protection; and future enrollment is barred.
- Our advice: two years into retirement, ask these two questions -
 - 1) is my retired pay still a major part of our household income?
 - 2) have I adjusted my lifestyle to incorporate the cost of SBP into it?
- If you answer yes, recommend you take no action to dis-enroll.
- If you answer no, discuss termination with your spouse, whose concurrence you need, and take action to dis-enroll.
- In any event, if you're thinking about changing your SBP participation, why not make an appointment with your RSO to get an SBP "refresher" briefing to ensure you're making the right decision for YOU?



Termination Feature

- To terminate you must complete a DD Form 2656-2, obtain your spouse or former spouse concurrence
- Must submit to DFAS during the period between your 25th and 36th month following retirement
- DD Form 2656-2 cannot be signed prior to start of 25th month following commencement of retired pay



RCSBP/SBP and Dependency and Indemnity Compensation (DIC)

RCSBP/SBP	DIC
Annuity for survivors if Retired Soldier dies	Annuity for survivors if Retired Soldier's death is determined service connected by VA
Taxed as unearned income	Tax Free
Annuity offset by DIC until 2023	No offset
RCSBP/SBP Premiums will be refunded to surviving spouse for any portion of RCSBP/SBP offset by DIC	No premiums
Survivor will receive RCSBP/SBP that exceeds the DIC amount until 2023	Survivor will receive full DIC
SSIA paid until 2023 if there is a full or partial offset - taxable	

Note: NDAA 2020 enacted the phasing out of the RCSBP/SBP offset by DIC. Effective 1 January 2023 there will no longer be an offset.

33

If not rated totally disabled for required period of time, there is no guarantee that death will be considered service connected by the VA and the spouse will receive DIC. Electing RCSBP/SBP provides coverage for survivors in cases where death is not service connected and if service connected, the premiums paid for spouse RCSBP/SBP offset by DIC are refunded to the surviving spouse.

RCSBP/SBP **DIC**

- DIC is a tax free annuity payable to survivors only if Retired Soldier's death is determined by the VA to be service connected
- RCSBP/SBP provides annuity if death is not determined to be service connected
- Spouse RCSBP/SBP is offset dollar for dollar by DIC currently (until 2023)
- RCSBP/SBP premiums are refunded to the spouse for any portion of RCSBP/SBP that is offset by DIC until 2023
- Surviving spouse receives any portion of RCSBP/SBP that exceeds DIC until 2023

Make sure to stay connected as we implement the law change of the SBP offset by DIC phase out by 1 January 2023.



Special Survivor Indemnity Allowance (SSIA)

- SSIA is a benefit paid **only** to surviving spouses whose SBP annuity is fully or partially offset by DIC.
- SSIA will be paid to surviving spouses who are:
 - Receiving an SBP annuity either partially or completely offset by DIC
 - SBP offset by DIC is at least equal to the SSIA
- Payments will be paid in the following monthly amounts:
 - Calendar year 2021, \$327
 - Will increase with COLA
- SSIA is taxable

Note: NDAA 2020 enacted phasing out the offset of SBP by DIC. Effective 1 January 2023 there will no longer be an offset of SBP by DIC and therefore no SSIA will be paid out.

SSIA offsets at no cost to the Retired Soldier part of the offset of SBP by DIC.

NDAA 2020 enacted phasing out the offset of SBP by DIC. Effective 1 January 2023, there will no longer be an offset of SBP by DIC and therefore



Law Change Alert

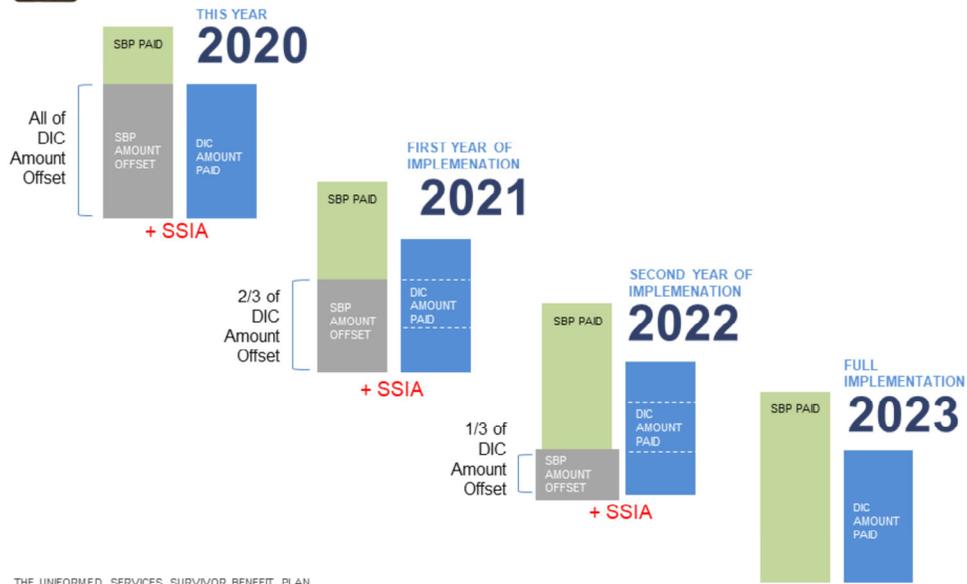
- Section 622 of the National Defense Authorization Act for Fiscal Year 2020 phases out the SBP offset by DIC over three years
 - Starting 1 January 2021, 2/3 of DIC is counted for the offset
 - Starting 1 January 2022, 1/3 of DIC is counted for the offset
 - Effective 1 January 2023, there will no longer be an offset

Benefit	Calendar Year 2021	Calendar Year 2022	Calendar Year 2023
DIC	Full	Full	Full
SBP	Offset - less	Offset – even less	None
SSIA	Maybe less	Maybe less	None

- Prohibits retroactive benefits
- Prohibits having to repay previously refunded premiums



SBP Offset by DIC Phase-out



THE UNIFORMED SERVICES SURVIVOR BENEFIT PLAN



Implementation of Law Resources

- DFAS:
<https://www.dfas.mil/retiredmilitary/survivors/SBP-DIC-News/>
- Military One Source:
<https://www.militaryonesource.mil/media/news-and-releases/phase-out-of-the-sbp-dic-offset-frequently-asked-questions>
- Defense.gov:
<https://militarypay.defense.gov/Benefits/Survivor-Benefit-Program/>
- DoD Office of Financial Readiness:
<https://finred.usalearning.gov/>



No Beneficiary at 20 Year Letter?

- Keep RCSBP literature and “Army Echoes”
- Contact nearest RC RSO for a new briefing as soon as eligible beneficiary is gained
- Decision whether or not to enroll new family members **MUST** be made within one year of gaining them
- New spouse becomes eligible at 1-year marriage anniversary
- A child becomes eligible after one year
- Submit the DD Form 2656-5, Reserve Survivor Benefit Plan (RCSBP) Election Certificate for an RCSBP change within one year to:
 - HRC for USAR or Retired Reserve
 - State RSO for National Guard
- No action taken to elect RCSBP within one year of the first RCSBP eligible spouse or eligible child after NOE, the RCSBP election option defaults to Option A, decline RCSBP participation – Only opportunity to elect coverage will be at non-regular retirement for SBP.



Base Amount

- Dollar amount of retired pay participation is based on
- Minimum, by law = \$300
- Maximum, by law = full retired pay
- May choose any amount between
- Soldiers retiring under CSB/REDUX may choose full base amount based on retired pay they would have received under High-3.
- Soldiers retiring under the Blended Retirement System (BRS) who elect a lump sum at retirement may choose full base amount based on retired pay they would have received without the lump sum election

39

- Now, let's turn our focus to RCSBP/SBP's cost.
- The **base amount** is the dollar amount of retired pay selected by the Soldier, upon which both the cost and benefit are **based**.
- During this briefing, RCSBP/SBP costs & benefits are referred to in "monthly" terms. The RCSBP/SBP "benefit" is called an annuity, which is defined as any regular, continuing payment.
- The base amount can be any dollar amount between the minimum allowed by law of \$300/month, and the maximum - your full retired pay.
- Soldiers with a Date Initially Entered Military Service (DIEMS) of on or after 1 Aug 1986 who elected the \$30,000 Career Status Bonus (CSB) will receive a reduced retirement if they retire with less than 30 years of service. However, the law allows these Soldiers to elect RCSBP/SBP coverage based on the unreduced retired pay. The Soldier can elect a full base amount for RCSBP/SBP based on either the CSB/REDUX they will receive or the High-3 method they would have received if they had not elected the CSB.
- Soldiers who enter the military service on or after 1 Jan 18 or opted into BRS may elect a portion of the retired pay as a lump sum at retirement. The law allows these Soldiers to elect a RCSBP/SBP base amount of the retired pay they would have received without the lump sum election.
- The DoD Actuary's RCSBP/SBP valuation disk demonstrates what base amount gives you the "most bang for your retirement buck," so-to-speak -- meaning, which base amount maximizes the value of your retired pay.



The Annuity

- Annuity of 55% of selected base amount regardless of the annuitant's age
- Paid until annuitant becomes ineligible or dies

You are providing a portion (55%) of your retired pay to your designated eligible survivors.



How can I tailor RCSBP/SBP to meet my needs?

Think “Base Amount”

- Challenge: What base amount should I cover to meet our needs?
- Solution: Divide the goal amount by 55%
 $\$1000 / .55 = \$1,818$

Annuity	Base Amount Required
\$1,000	\$1,818
\$500	\$909

- If you conclude after studying RCSBP/SBP that your family's needs can be met by covering less than your full retired pay, this slide shows you how to personalize your participation.
- First, determine your goal - what annuity you wish to produce for your family (considering all other guaranteed sources of survivor income).
- Then, divide that goal amount by .55 (or 55%) to determine how many of your retirement dollars you should cover as your base amount to achieve that result.



RCSBP Cost Calculations

- RCSBP premium calculated based on election, period of coverage, ages, and level of coverage at time of enrollment.
- RC retired pay based on retired grade, service longevity, and creditable retirement points.
- RC cost factor calculated by the DA Actuary
- A retired pay and RCSBP/SBP estimate can be calculated using the “SBP Premium” calculator on the MyArmyBenefits website:

<https://myarmybenefits.us.army.mil/Benefit-Calculators/SBP-Premium-Calculator>



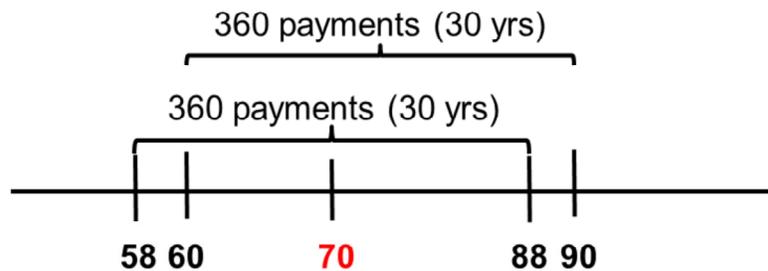
“30-Year Paid-Up Provision”

Since 1 Oct 2008 no premiums after

- 30 years of paying RCSBP and SBP Premiums (360 payments)...

AND

- reaching age 70



43

- Our last item on “cost” is this.
- Legislation passed in 1998 provides that RCSBP/SBP will reach “paid-up” status for members when they make 30 years of payments (360 monthly payments) and reach age 70.
- “Paid-up” = no further cost obligation; but the annuity remains payable to your designated beneficiary.
- Remember that adding this paid-up feature results in stopping premium from a significant number of participants; yet continuing the governments obligation to pay annuities.



RCSBP Election and Active Duty Retirement

- What happens to my RCSBP election if I have a regular or medical retirement?
 - RCSBP election has no affect on regular or medical retirement
 - Must make separate SBP election
 - There is no cost for RCSBP coverage already received prior to regular or medical retirement



RCSBP POSITIVES

- Only way to provide an annuity based on your eligibility for retirement if you die prior to your non-regular retirement
- Tax-free premiums
- Inflation-adjusted annuity
- Level-term plan annuity of 55 percent
- “Paid-up” after 30 years paying premiums + age 70
- Annuitants cannot outlive RCSBP/SBP annuity
- Age, health, smoking, sex, lifestyle - not considered
- Can only be changed by Congress
- Income safety net; peace of mind

45

- The slide summarizes SBP’s positive features.
- RCSBP is the **only way to provide an annuity based on your eligibility for retirement if you die prior to your non-regular retirement.**
- We’d all agree that it’s smart financially to take advantage of a situation which offers you tax avoidance. Your future RCSBP and SBP premiums do - and, you can even use the tax savings to make other investments.
- Unlike insurance values which are eroded by inflation, RCSBP’s value increases with COLA raises for inflation.
- The annuity is paid for however long needed - 1 to 50 or more yrs.
- RCSBP costs don’t consider any factor except level of coverage.
- Level benefit of 55% without regard to age of spouse or former spouse!
NOTE: The 04NDAA changed the post-62 benefit structure, and phases-in an increase to make SBP a level-term, 55% annuity, during the period 1 Oct 05 - 1 Apr 08.
- There are no extra fees, agent commissions or risks.
- It’s a plus that only Congress can change RCSBP’s or SBP’s features. They make changes on matters affecting survivors very cautiously.
- While less quantifiable, peace of mind rises in value with age.



Comparing SBP to Life Insurance

- It takes a surprising amount of life insurance to replace SBP
- Unlike life insurance, SBP does not consider age or health when determining premium cost
 - As you age it may become more difficult to find a low cost option
 - If retired for disability, insurance may be very expensive or even impossible to obtain due to existing medical conditions
- Unlike SBP, life insurance does not have COLA increases so it is not protected from inflation.

46

- Since you don't know how many years your spouse might outlive you, determining what is adequate regarding insurance is impossible. A crystal ball is not needed with RCSBP - it simply cannot be outlived.
- RCSBP's inflation-fighter is its guaranteed cost-of-living adjustments (COLAs). Increasing life insurance is needed as one ages, due to inflation's eroding effect on the dollar's purchasing power.
- Try to adjust your thinking from short-sighted to long-term. When you limit your view, life insurance may appear more attractive (i.e., cheaper) than SBP. But, if you compare RCSBP and SBP costs and benefits with life insurance costs and benefits for each year in the future, you'll see that insurance costs must increase dramatically based on the insurer's increased risk of paying a policy. Since RCSBP and SBP simply protect your beneficiaries from inflation through yearly COLA increases as needed.



For More RCSBP Information....

Log on to:

<http://soldierforlife.army.mil/retirement/>

[https://www.hrc.army.mil/content/Gray%20Area%20Retirements%20\(GAR\)%20Branch](https://www.hrc.army.mil/content/Gray%20Area%20Retirements%20(GAR)%20Branch)

<http://myarmybenefits.us.army.mil/>

Contact information:

Human Resources Command, 502-613-8950

Army Reserve RSOs <https://soldierforlife.army.mil/Retirement/ArmyReserve>

Army National Guard, contact State RSO

<https://soldierforlife.army.mil/Retirement/NationalGuard>

- For more information on RCSBP you can visit the following listed sites or contact the listed contacts. These sites and contacts can also provide information on other retirement related issues.



REMEMBER THE BOTTOM LINE

Without RCSBP



There is no annuity if the RC
Soldier dies prior to receipt of
retired pay