



The Military Survivor Benefit Plan: A Description of Its Provisions

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Summary

The military Survivor Benefit Plan (SBP) was created in 1972. Since its creation, it has been subjected to many legislative changes. This report describes the basic provisions of the military Survivor Benefit Plan and all relevant changes or modifications that have occurred.

Specifically, the military Survivor Benefit Plan is described and explained in terms of its eligibility provisions, costs, benefits, and its current or former integration with other federal programs (including Social Security and Department of Veterans Affairs Dependency and Indemnity Compensation) for members and retirees of active duty military service and the Reserve Components (both the reserves and National Guard). In addition, tables and work sheets are provided to assist the reader in computing the costs and benefits available under this program.

Nearly every Congress since 1972 has, in some way, modified the provisions of the military Survivor Benefit Plan. These modifications have had a significant effect on current and prospective participants and beneficiaries. In nearly every instance, these changes have made the SBP more generous. Furthermore, these modifications involve complex issues and processes, and are, therefore, a source of numerous requests for information from constituents to their congressional representatives.

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Introduction

This report outlines the purpose and legislative background of providing benefits to the surviving dependents of a deceased member/retiree of the uniformed services. In certain cases, individuals other than dependents can be designated recipients of survivor benefits. This report describes the categories of beneficiaries eligible for survivor benefits under the military Survivor Benefit Plan (SBP), the formulas used in computing the income level (including the integration of SBP benefits with other federal benefits), and the costs of SBP participation incurred by the retiree and/or the beneficiary.¹

Under the SBP, a military retiree can have a portion of his or her monthly retired pay withheld in order to provide, after his or her death, a monthly survivor benefit (55% of base² amount of military retired pay at the time of the retiree's death) to a surviving spouse or other eligible recipient(s). The cost of this protection is shared by the retiree (in the form of reductions from monthly military retired pay after retirement), the government, and possibly the beneficiary (under certain types of coverage). The original intended purpose of the SBP (and its antecedents) is to “insure that the surviving dependents of military personnel who die in retirement or after becoming eligible for retirement will continue to have a reasonable level of income.”³ Coverage was later expanded to active duty personnel as well.

The Survivor Benefit Plan was created by legislation enacted on September 21, 1972,⁴ and has been modified by later legislation. The SBP replaced the Retired Serviceman's Family Protection Plan (RSFPP).⁵ The RSFPP was replaced because it had a number of unpopular features that made it unattractive. The RSFPP could be expensive for the retiree; the cost was approximately \$0.23 of deducted retired pay per dollar of survivor benefits for a retired member age 45 who elected to provide coverage for a spouse who was 5 full years younger. The RSFPP was intended to be actuarially neutral in terms of costs—in other words, the cost of this program was fully paid for by its participants. The decision to elect RSFPP coverage had to be made by the prospective military retiree before his or her 18th year of military service. Furthermore, the methods used in computing the RSFPP's cost and benefit could change between the time at which the servicemember elected to provide coverage and the time at which the member actually retired. Thus, the costs and benefits remained an unknown quantity, limiting the ability of the retiree to make future financial plans. During its 19-year history, participation in the RSFPP never exceeded more than 15% of eligible military retirees. It was expected—and has largely been proven—that the SBP would be a significant improvement over the RSFPP, in terms of

¹ Retirees of the uniformed services (Army, Navy, Marine Corps, Air Force and Coast Guard), as well as retirees of the Public Health Service (PHS) and the National Oceanic and Atmospheric Administration (NOAA) are eligible to participate in the Survivor Benefit Plan. This report emphasizes the provisions of the SBP as they relate to members or retirees of the Armed Forces.

² Base retired pay is that amount of retired pay that the retiree selects to be used in determining the SBP benefit and cost. This amount may not be greater than total monthly retired pay and may not be less than (1) \$635 monthly as of January 1, 2006, or (2) total retired pay, if smaller than \$635 monthly. This 55% maximum may include amounts received from other federal sources.

³ U.S. Department of Defense, Office of the Secretary of Defense, *Military Compensation Background Papers, Compensation Elements and Related Manpower Cost Items: Their Purposes and Legislative Backgrounds*, 6th Ed., April 2005: 902.

⁴ P.L. 92-425, 10 U.S.C. 1447 et seq.

⁵ Originally known as the Uniformed Services Contingency Option Plan of 1953, P.L. 83-239, 67 Stat. 501, 1953; name changed by P.L. 87-381, 75 Stat. 810, 1961.

participation rates, costs to the retiree, and benefits for the survivors. It also entails higher costs to taxpayers because the SBP costs are shared with the government in most cases.

Major Provisions of the Survivor Benefit Plan

Coverage for Military Members Retired from an Active Duty Career

Six separate types of coverage are available under the SBP for military members retired from an active duty military career, characterized according to the relationship of the beneficiary or beneficiaries to the military retiree:⁶

- Spouse Only;
- Spouse and Child(ren);
- Child(ren) Only;
- Persons with an Insurable Interest;
- Former Spouse;
- Former Spouse and Child(ren).

The type of coverage and the amount of coverage provided are factors used in determining the cost to the military retiree. Generally, a retiree is automatically enrolled in the SBP upon retirement at the maximum level of coverage to his or her respective surviving spouse and surviving dependent children, unless the retiree elects not to participate, to participate at a lesser level of coverage, elects other than spouse coverage, or is ordered by a court to provide such benefits to a former spouse. To participate at a reduced level of coverage, the retiree elects to have his or her *base* amount of retired pay—that amount of monthly retired pay the retiree selects to be used in determining the SBP benefit and cost—be less than his or her total retired pay subject to a \$300 minimum. The maximum SBP benefit is 55% of base amount of military retired pay, when the base amount and total retired pay are the *same*. Reduced coverage consists of 55% of the base amount of retired pay when the retiree elects a base amount that is *less* than total retired pay.

If a retiree elects not to participate, or to participate at a reduced level of coverage, the retiree's spouse must be notified, and in the case of such an election made on or after March 1, 1986, the spouse must concur with the election for it to be effective.⁷ Any decision not to participate or to participate at a reduced level is usually irrevocable. However, under certain circumstances, a retiree who is unmarried at the time of his or her retirement and who elects not to participate in the SBP, but who marries after his or her retirement, may elect within one year of marriage to provide SBP benefits for the new spouse. This election takes effect only after a one-year waiting period. With the enactment of P.L. 99-145 (November 8, 1985, effective March 1, 1986), the

⁶ In certain instances, the annuity may be paid to the representative of a legally incompetent survivor (P.L. 102-190; 105 Stat. 1389; December 5, 1991).

⁷ P.L. 99-145; Nov. 8, 1985; 99 Stat. 676, 677.

spouse of a post-military-retirement marriage must be notified if the retiree does not elect to provide an SBP benefit, or elects to provide an SBP benefit at a reduced level.

Spouse Only Coverage

In order to be eligible for Spouse Only coverage, the intended SBP beneficiary must be a widow or widower who was (1) married to the retiree at the time of retirement, (2) married to the deceased retiree for at least one year prior to the retiree's death, or (3) the parent of a child born of a post-retirement marriage. The benefit (considering income from all federal sources—including Social Security and veterans' benefits—attributable to military service) was intended to be at least 55% of the base amount of retired pay the retiree was receiving at the time of death—which, for maximum coverage, is the same as total retired pay.

Computational Formulas

The computational formula for determining the amount of retired pay withheld is based on the date the member entered the service and/or the type of retirement the service member is entitled to receive. The formulas are discussed below as the "Original Computational Formula" and the "Flat-Rate Formula." Military personnel who entered the service on or after March 1, 1990, and who are not entitled to retired pay under either Chapter 61 of title 10 U.S. Code (Retirement or Separation for Physical Disability), or Chapter 67 (Retired Pay for Non-Regular Service), that is, "Disability Retired Pay" or "Reserve Retired Pay," will have their withholdings computed under the "Flat-Rate" method. Those military personnel who first became a member before March 1, 1990, or those who have their retired pay computed under either Chapter 61 or 67 (regardless of the date of retirement) will have their SBP withholdings computed under whichever alternative (Original or Flat-Rate) is more financially advantageous.⁸ The reduction in retired pay does not apply during any month in which there is no eligible spouse (or former spouse) beneficiary. (Reductions to retired pay are not considered taxable income.)

Original Computational Formula

Under this method, the retiree's contribution to the total cost of providing the SBP benefit is computed as 2.5% of the first \$735 of the base amount of retired pay plus 10% of the remaining base amount of retired pay. This contribution is withheld from the retiree's total monthly retired pay.⁹ For example, a hypothetical retiree (E-5, with 20 years of service in 2011) receives a monthly base amount of military retired pay of \$1,388 (see **Table 1**). The cost of providing survivor protection for this retiree is \$83. In other words, \$83 is deducted from this hypothetical retiree's base amount of monthly retired pay of \$1,388 to insure that upon the retiree's death, his or her surviving spouse will receive a monthly survivor benefit of 55% of his or her base amount

⁸ Members with base amounts of \$1,275 or more who retire on or after January 1, 2004, will have their contributions determined using the "Flat-Rate" method. This amount has been indexed and is currently \$1,554.

⁹ If total retired pay is less than \$735 per month—i.e., \$8,820 per year—the base amount must be equal to total retired pay. Sec. 714 of P.L. 99-145, the FY1986 DOD Authorization Act, provided that the then-\$300 base shall be increased by the same percentage amount and at the same time as across-the-board increases in military basic pay after October 1, 1985. The basic pay index will apply only to retirees whose retired pay is computed on the basis of basic pay rates in effect on or after the date of the basic pay increase. As of January 1, 2011, the base amount had been indexed to \$735. Amounts are rounded to the lower dollar.

of retired pay, or \$764 per month, if the retiree dies while receiving the \$1,388 amount. If the retiree received more than \$1,388 per month in total military retired pay—say as an E-8 with 20 years of service, or \$2,101—but elected to provide less than the maximum coverage (by using \$1,388, rather than total retired pay, as the base amount), the computation of costs and benefits would remain the same. If an individual's retired pay increases as the result of cost-of-living adjustments (COLAs), the amount deducted from his or her retired pay, and the potential SBP benefit to his or her designated survivor (in this case, his or her spouse), usually will increase proportionately as well. The costs of SBP protection and benefits are computed on the basis of retired pay rates at the time of retirement [including any adjustments made to the base (\$735) amount]. All subsequent post-retirement changes are a result of cost-of-living adjustments to retired pay.¹⁰

Table I. Computation of Survivor Benefit Plan Costs to a Hypothetical Retiree for Spouse Only Coverage

1.	Enter base amount of retired pay.	\$1,388.00
2.	Enter \$735, or total retired pay if less than \$735 (see footnote 9).	\$735.00
3.	Multiply the figure in line two by 2.5%.	\$18.00
4.	Subtract \$735 from line one. If line one is less than \$735 enter zero.	\$653.00
5.	Multiply line four by 10%.	\$65.00
6.	Add lines three and five.	\$83.00

Line six is the cost of survivor protection under the Spouse Only coverage. The payment to the beneficiary is 55% of base amount military retired pay, or \$763. The base \$735 is indexed for inflation. *Worksheets are at the end of this report.*

Flat-Rate Formula

P.L. 101-189 (November 29, 1989, 103 Stat. 1577 et seq.) revised and simplified the computational formula for determining SBP withholdings.¹¹ Under this new formula, SBP withholdings are computed to be 6.5% of the base amount of retired pay. A retiree who used \$1,388 (E-5, 20 years of service) as the amount of the base amount of retired pay would have \$90.00 ($\$1,388 \times 0.065$) withheld in order to provide the same level of protection under the Flat-Rate method.

¹⁰ The Omnibus Budget Reconciliation Act (OBRA) of 1993 delayed nondisability retirees' COLA until April 1, 1994. The OBRA did not delay the increase in SBP costs to each nondisability retiree enrolled in the SBP. Therefore, SBP premiums were increased for the three months of retired pay payable on January 1, February 1, and March 1, 1994. Because DOD could not reprogram its retired pay computers to accommodate the new law by January 1, 1994, the three months' of increased SBP premiums were taken out of the retired pay received on April 1, 1994.

¹¹ This legislation also provided for the recomputation of survivor annuities in the case of a member who dies on active duty while qualified to apply for retired pay, or who serves at least 20 years, but is not eligible to receive retired pay as a commissioned officer because he/she has not served at least 10 years as a commissioned officer. Under this language, effective March 1, 1990, the survivor annuity would be computed based on the grade in which the member was serving at the time of death, unless he/she would have been entitled to be retired in a higher grade.

The basic benefit is not affected by the type of computational formula used. (See “Computational Formulas” section for an explanation of who is eligible to use the Flat-Rate method.)¹²

Remarriage

Regardless of which formula is used, a surviving spouse (or eligible former spouse) may become ineligible to receive SBP benefits if he or she remarries. Eligibility for SBP benefits when remarriage occurs is dependent upon the age at remarriage and the date that such a remarriage occurs. A surviving spouse (or eligible former spouse) becomes ineligible to receive SBP benefits if he or she remarries prior to reaching age 60, if such a remarriage took place **prior to** November 14, 1986 (remarriage after age 60 does not affect receipt of an SBP benefit). A surviving spouse (or eligible former spouse) becomes ineligible to receive SBP benefits if he or she remarries prior to reaching age 55 if such a remarriage took place **on or after** November 14, 1986 (remarriage after age 55 for these beneficiaries does not affect receipt of SBP payments). If the second marriage is terminated (by death, annulment, or divorce), the original SBP benefit can be reinstated (subject to certain restrictions). The surviving spouse of two or more deceased military retirees (each a participant in the SBP) may select and receive the more financially advantageous benefit. (Effective January 1, 2004, SBP-DIC offset surviving spouses who remarry after attaining the age of 57 are eligible to receive both the full SBP and DIC.¹³ This concurrent receipt benefit for those remarrying after attaining age 57 is called the “Special Rule Concerning DIC Offset.”)

“Paid-Up” Provisions

In 1999, Congress further expanded the generosity of the SBP by enacting the so-called “paid-up” provision. Under this language, reductions in retired pay made to cover the retiree’s share cease when two conditions are met: (1) the retiree reaches age 70, and (2) the retiree has participated in the SBP for 360 months. As enacted, these provisions became effective October 1, 2008.¹⁴

¹² For those individuals retiring on or after January 1, 2004 with base amounts of \$1,275 or greater, their premiums are computed using the more generous 6.5% method, regardless of when they entered the service.

¹³ As part of the Veterans Benefits Act of 2003, (P.L. 108-183, 117 Stat. 2651, December 16, 2003), effective January 1, 2004, Congress enacted language that allows a DIC recipient to continue to receive DIC if remarried after age 57 without being subjected to the SBP-DIC offset. In other words, a surviving spouse who is eligible to receive both SBP and DIC and who remarries after attaining age 57 is eligible, after January 1, 2004 (whichever came later) to receive both the full amounts of SBP and DIC. Remarriage prior to age 55 or after attaining age 57 can have a substantial effect on the income of a surviving spouse. This change did not automatically occur following enactment, but rather some years later after the issue was raised in court leading some to speculate as to the true intention of Congress in passing this language.

¹⁴ P.L. 105-261, 112 Stat. 2045 Oct. 17, 1998. P.L. 106-65; 113 Stat. 667; Oct. 5, 1999; This law extended this provision to participants in the RSFPP. Furthermore, P.L. 105-261; 112 Stat. 2045, Oct. 17, 1998, created an open enrollment that allowed persons not currently participating in the SBP to enroll subject to certain restrictions. P.L. 106-65 extended the paid-up provision to these “late” enrollees, provided they paid the total premiums that would have been withheld from their retired pay, had they been participating since they first became eligible. In addition, from April 1, 1992 through March 31, 1993, retirees who initially rejected coverage were afforded a one-year opportunity to enroll. This late enrollment required greater withholdings on retired pay. (See P.L. 102-190; 105 Stat. 1388; Dec. 5, 1991) Lastly, P.L. 105-85; 111 Stat. 1797; Nov. 18, 1997, created a one-year opportunity for participants to discontinue SBP coverage, subject to certain restrictions.

Spouse and Child(ren) Coverage¹⁵

Under Spouse and Child(ren) coverage, upon the retiree's death, SBP benefits are first paid to the surviving spouse. If the surviving spouse predeceases the retiree, dies after becoming eligible to receive SBP benefits, or becomes ineligible to receive SBP benefits (through remarriage, for example), the SBP benefits will then be paid directly to the designated child or children. If there is more than one child, the SBP benefits are paid in equal shares to each child for as long as he or she remains eligible.

The cost of this coverage is additive to that of Spouse Only coverage, and is determined on an actuarial¹⁶ basis, taking into account the age of the retiree, the spouse, and the youngest child. For example, a retiree who is 45 years old, with a spouse who is 40 years old (i.e., 5 full years younger than the retiree) and a child age 10, would have to pay a small additional amount of the base amount of retired pay in order to cover a child or children in addition to the amount paid for Spouse Only coverage. Since the cost of coverage is computed on an actuarial basis, it is subject to change.

A child becomes ineligible for an SBP benefit upon reaching age 18 (or 22, if a full-time student).¹⁷ A child who marries becomes ineligible to receive SBP benefits regardless of age.¹⁸ An eligible child who is or becomes incapacitated (either physically or mentally) may continue to receive SBP benefits for the duration of the incapacitation if the condition existed prior to the child's 18th birthday.

Child(ren) Only Coverage

Under Child(ren) Only coverage, SBP benefits are paid directly to the surviving child(ren) of a deceased military retiree regardless of whether or not there is a surviving spouse. Eligibility under this coverage is subject to the same restrictions as a child is, or children are, under Spouse and Child(ren) coverage. (Under certain circumstances, spouse coverage can be restored if a spouse later becomes eligible.) The cost of this coverage is also computed on an actuarial basis (and therefore subject to modification). For example, a military retiree who is 45 years old, has a child age 10, and elects maximum coverage, would have approximately 2.5% of his or her base amount of retired pay withheld in order to provide, at the time of his or her death, an SBP survivor benefit for the surviving child. In other words, in the example mentioned above under Spouse Only coverage, \$34.00 (\$1,388 x 2.5%) would be withheld from a retiree's retired pay in order to provide his or her surviving child(ren) with a benefit of \$763 per month. (Child Only coverage is less expensive due to the limitation on the number of years—until age 18 or 22, under most circumstances—a beneficiary remains eligible to receive SBP benefits.)

¹⁵ The term "child" includes an adopted child, a stepchild, foster child, or recognized natural child who lived with the participant in a regular parent-child relationship. It may be necessary for the child to prove dependency in order to be eligible to receive an SBP annuity.

¹⁶ Costs that are actuarially determined are based on probabilities of known life expectancy rates, as well as interest and inflation assumptions.

¹⁷ A child who becomes ineligible because he or she reaches age 18 and then later becomes a full-time student prior to reaching age 22 may become eligible to receive SBP benefits while a full-time student.

¹⁸ A married child who, prior to being married, was eligible to receive SBP benefits will not become eligible to receive these benefits anew if the marriage ends by divorce. If, however, the marriage is terminated as the result of an annulment, SBP eligibility may be reinstated.

Persons with an Insurable Interest

Insurable Interest coverage may be selected only if there is neither a spouse nor a dependent child at the time of retirement. Under this coverage a beneficiary is defined as “a natural person with an insurable interest”¹⁹ in the retiree. Included in this category are relatives of the retiree, such as a parent, sibling, or a child who may not qualify for SBP beneficiary status under Spouse Only, Spouse and Child(ren), or Child(ren) Only provisions. Non-relatives, such as a business partner, may also be covered. Unlike other SBP options, Insurable Interest must be elected at the maximum level.

The cost of Insurable Interest coverage is (1) 10% of the base amount of military retired pay *plus* (2) 5% of total base amount of retired pay for each *full* 5 years that the named beneficiary is younger than the retiree. Insurable Interest coverage is thus more expensive than other types of coverage. However, the total cost to the retiree of this coverage cannot exceed 40% of total military retired pay. In other words, a retiree who wishes to provide Insurable Interest coverage to a person 30 or more years younger would have the maximum of 40% of the base amount of military retired pay withheld.

For example, a retiree who is 50 years old and receives \$1,388 per month as the base amount of military retired pay, elects to provide protection to a person 10 full years younger. This retiree would have the cost of this protection computed as follows: 10% of the base amount of retired pay (or \$138) plus 5% for each full 5 years the beneficiary is younger (in this case the beneficiary is age 40) than the retiree. The SBP costs would thus be \$277 (see **Table 2**).

According to language contained in the National Defense Authorization Act for FY1995, Insurable Interest coverage could be voluntarily discontinued (except in those cases where a former spouse is being covered). Retirees discontinuing this coverage, who later remarry or acquire dependents, may again participate in the SBP under another allowable beneficiary category.²⁰

¹⁹ 10 U.S.C. 1448(b)(1).

²⁰ U.S. Congress, House Conference Committee, National Defense Authorization Act for Fiscal Year 1995, H.Rept. 103-701, 103rd Cong. 2nd Sess., S. 2182, Aug. 12, 1994: 132-133. (P.L. 103-337) It is expected that this change will affect approximately 3,000 of the more than SBP 900,000 participants. Rick Maze, “Survivor Benefit Plan ...,” *Air Force Times*, Sept. 12, 1994: 20.

Table 2. Computation of SBP Costs under Persons with an Insurable Interest Coverage

1.	The amount of base military retired pay.	\$1,388.00
2.	Multiply line one by 10%.	\$138.00
3.	Age of the retiree at his/her last birthday.	50
4.	Age of prospective beneficiary as of the date of the retiree's last birthday.	40
5.	Subtract line three from line four. (If line three is less than line four, enter 0.)	10
6.	Divide the sum in line five by the number 5 and round the quotient to the lower whole number.	2
7.	Multiply 5% by line six.	10%
8.	Multiply line one by line seven.	\$138.00
9.	Add line two and line eight.	\$276.00
10.	Multiply line one by 40%.	\$555.00
11.	Compare lines nine and ten: enter the lesser.	\$276.00

Line 11 is the cost of survivor protection under the Persons with an Insurable Interest category of coverage. The payment to the beneficiary is 55% of the base amount of military retired pay less the premium, or $(\$1,388-276) \times 55\% = \611 . *Worksheets are at the end of this report.*

Former Spouse Coverage²¹

A military member may choose, or may be required by a court order, to provide SBP coverage for a former spouse, depending on when the divorce occurred. This election can occur as part of or incident to a divorce-related property settlement. For divorces occurring before November 14, 1986, federal law explicitly states that *no court was authorized to order* a member or retiree to provide SBP protection to a former spouse. If a retiree voluntarily decides, *in writing*, to provide benefits to a former spouse, this decision must be honored by the retiree. The retiree who elected Spouse Only or Spouse and Child(ren) coverage, and was subsequently divorced before November 14, 1986, may switch to Former Spouse coverage for the (now) ex-spouse. This latter change in coverage must be elected within one year of the date the divorce decree becomes final.

If a divorce occurs on or after November 14, 1986, however, *a court may order* a member or retiree to provide SBP protection as part of or incident to a divorce. According to changes in law implemented by the FY1987 DOD Authorization Act (P.L. 99-661, November 14, 1986), “A court order may require a person to elect (or to enter into an agreement to elect) ... to provide an annuity to a former spouse (or to both a former spouse and child).”²² This language does not require courts to make such an order but gives them the freedom to do so.

The FY1986 DOD Authorization Act (P.L. 99-145, November 8, 1985) included a change in Former Spouse coverage which provided that military retirees and “former spouses ... covered under the insurable interest category (could) ... elect jointly to switch to spouse coverage at the maximum level within one year (and it provided) current participants who had the option of

²¹ For more information on issues affecting former spouses, see CRS Report RL31663, *Military Benefits for Former Spouses: Legislation and Policy Issues*, by (name redacted).

²² 10 U.S.C. 1550(f)(4).

electing Former Spouse coverage in the past and chose not to do so, the option of electing Former Spouse coverage.²³ Those electing Former Spouse coverage after March 1, 1986, have the cost of this coverage and benefit amount computed in the same manner as in the case of Spouse Only coverage.

Because a retiree may provide only one type of SBP coverage for one category of beneficiary, election of coverage for a former spouse can have the effect of denying SBP protection to a second or future spouse. However, it is not clear whether courts have the authority to divide SBP benefits between a former spouse and current/subsequent spouse. In other words, although the services will provide SBP benefits to only one category of beneficiary (former spouse, for example), it is not clear whether or not a court, as part of an equitable divorce property settlement, has the authority to divide SBP benefits between a former spouse (designated to receive them in this example) and a current/subsequent spouse.

The FY2000 National Defense Authorization Act provided for the “effectuation of intended SBP annuity for [a] former spouse when not elected by reason of [the] untimely death of [the] retiree.”²⁴ This language pertains to any retiree who, on or after August 21, 1983, agreed to (or was required by a court to) provide SBP coverage to a former spouse, but who died within 21 days of making such an agreement (or being so required). Under this language, the former spouse of such a retiree is deemed to have been covered effective November 5, 1999.

Former Spouse and Child(ren) Coverage

Coverage for a former spouse and child(ren) became available on March 1, 1986.²⁵ This coverage is provided on the same terms as Spouse and Child(ren) coverage described above.

Coverage for Military Members Retired from the Reserve Components

As with the Survivor Benefit Plan for active duty retirees, retirement eligible members of the reserves (Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve and Coast Guard Reserve) and National Guard (Army National Guard and Air National Guard) may elect to provide SBP protection for their survivors. However, when the SBP was created, because members of the Reserve Components²⁶ were not eligible to receive Reserve Component retired pay until age 60, regardless of the age at which they actually retire, the structure of the Reserve Component SBP (RCSBP) is different from that applicable to active duty members.

Prior to 1978, Reserve Component personnel could not provide survivor protection for an eligible beneficiary until they were eligible to draw retired pay—then at age 60. (In 2008, Congress modified the law to allow reservists on extended active duty to reduce the age at which they can

²³ U.S. Congress, House Conference Committee, *Department of Defense Authorization Act*, 1986. S.Rept. 99-235, S. 1160. 99th Cong., 1st Sess., July 29, 1985: 443. (Hereafter cited as Conference Committee, DOD 1986 Authorization.)

²⁴ P.L. 106-65; 113 Stat. 668; Nov. 5, 1999.

²⁵ Conference Committee, DOD 1986 Authorization: 96.

²⁶ “Reserve Components” refers to both Reserve and National Guard personnel.

begin to receive retired. This reduction was limited to 50 years of age.)²⁷ Legislation passed in 1978²⁸ allows Reserve Component members to decide whether or how they will participate in the RCSBP when they are notified of retirement eligibility (not yet eligible to receive retired pay)—in almost all cases, many years before reaching age 60 or earlier if based on active duty credit.

Reserve Component members who are not yet eligible to receive retired pay and who are retirement eligible (aka “gray area retirees”) may elect to provide SBP protection under one of three options. The costs and amount of coverage available depend on the option selected and the category of beneficiary. A prospective Reserve Component retiree must select one of the following RCSBP options within 90 days of being notified of retirement eligibility:

Option A - The retiree may decline RCSBP protection. Should the retiree die before reaching eligibility to draw retired pay, no RCSBP benefit will be paid. The retiree will again be offered the opportunity to participate in the SBP when they become eligible to receive retired pay.

Option B - The retiree may elect RCSBP coverage such that survivor payments will begin on (1) the date of the retiree’s death of (2) the date the retiree would have become eligible to receive retired pay, whichever is later.

Option C - The retiree may elect, under this option, to provide an RCSBP benefit that would begin immediately following the death of the retiree, regardless of the retiree’s age at the time of death.

Under option A, the costs and types of coverage available once the retiree becomes eligible to receive retired pay are the same as under the active duty SBP. Under options B and C, the cost of RCSBP protection is shared by the retiree, the Government, and the beneficiary. The retiree’s portion is paid through deductions in retired pay when the retiree becomes eligible to receive retired pay. The beneficiary’s or beneficiaries’ share is paid through benefit reductions. The costs under options B and C are dependent upon the type of coverage (see active duty retirees), as well as the age of the retiree and selected beneficiary(ies).

Under certain circumstances, an RCSBP benefit may be paid to the eligible surviving spouse, dependent child(ren), or former spouse of a member of the Reserve Components who dies

(1) before being notified that he or she had completed the years of service required to be eligible for Reserve Component retired pay; or

(2) during the 90-day period beginning on the date of notification that the member had completed the years of service required for eligibility for Reserve Component retired pay, if he or she had not already rejected participation in the RCSBP.

The income payable is equal to 55% of retired pay which the member would have been entitled to receive had the service member been retired and at least age 60 at the time of death (less any Veterans Affairs Dependency and Indemnity Compensation payable, see below).

²⁷ P.L. 110-181, sec. 647, January 28, 2008.

²⁸ P.L. 95-397, 92 Stat. 843, Sept. 30, 1978.

“Forgotten Widow” Coverage

In 1997, Congress created a special annuity of then-\$165, now \$229.89, (subject to cost of living adjustments) payable monthly to certain surviving spouses. These widows were married to certain retired or retirement-eligible members who died without electing SBP coverage. Subject to certain restrictions on remarriage and the receipt of certain other government-sponsored compensation, the eligible surviving spouse must have been married to a member who

(A) became entitled to retired or retainer pay before September 21, 1972, died before March 21, 1974, and was entitled to retired or retainer pay on the date of death; or

(B) died before October 1, 1978, and at the time of his death would have been entitled to retired pay under chapter 67 [Retired Pay for Non-Regular Service] of title 10, United States Code (as in effect before December 1, 1994), but for the fact that he was under 60 years of age.²⁹

Coverage for Military Members Serving on Active Duty

Under the original SBP, an SBP benefit may be paid to an eligible spouse, dependent child(ren), eligible former spouse, or eligible former spouse and dependent child(ren) following the death of an active duty member. This benefit will be paid if the deceased active duty service member, at the time of death,

(1) was eligible to receive retired pay; or

(2) was a commissioned officer, had completed 20 years of service, but was not yet eligible to retire as a commissioned officer.³⁰

The SBP benefit payable to the survivor of such a deceased active duty member is equal to 55% of the amount of retired pay (less any amount received on the basis of Department of Veterans Affairs (VA) Dependency and Indemnity Compensation or DIC; see section below on VA DIC) that the deceased service member would have been eligible for had he or she elected maximum coverage and retired on the day of his or her death.

Recent legislation³¹ has expanded the coverage to the survivors of individuals who die while on active duty and who are *not* retirement-eligible, effective September 10, 2001. Under these provisions, the surviving spouses of active duty personnel who die are provided an annuity. This annuity for an active duty (non-retirement-eligible member) is determined by assuming the individual would have been eligible to retire under Sec. 1201, Title 10 USC,³² with a total disability. The surviving spouse’s annuity is based on the amount of disability retired pay the servicemember would have received under Sec. 1201. The spouse’s share is 55% of that amount

²⁹ P.L. 105-85; 111 Stat. 1800; Nov. 18, 1997 as amended by P.L. 106-65; 113 Stat. 668; Nov. 5, 1999 as amended by P.L. 107-314; sec. 634; Dec. 2, 2002.

³⁰ Former enlisted personnel or warrant officers who are commissioned must complete at least 10 years of active duty as commissioned officers before they are allowed to retire as commissioned officers. Section 523, P.L. 101-510, Nov. 5, 1990, reduced the ten-year minimum to eight years, through Oct. 1, 1995, to assist in the drawdown of the Armed Forces.

³¹ P.L. 107-107, 115 Stat. 1151 et seq.; Dec. 28, 2001.

³² Under these provisions, the member’s disability may not be the result of intentional neglect of misconduct.

of the member's disability retired pay. Depending on when the individual entered the service, the amount used may be either the terminal monthly basic pay (for those who entered service on or before September 7, 1980) or the average basic pay for the 36-month period (i.e., "high three" years) the member earned the highest rate of basic pay (for those who entered the service after September 7, 1980).³³ The amount of monthly disability pay is computed either by multiplying the determined amount of basic pay by the percentage disability or by computing 2.5% of basic pay times the member's years of service, whichever is higher. The legislation assumes the level of disability is 100. In 2003, Congress allowed for these benefits to be paid to the surviving children, if any, of an active member who dies.³⁴ This provision was made effective November 23, 2003. As part of the National Defense Act for Fiscal Year 2007, Congress replaced the November 23, 2003 effective date with October 7, 2001.³⁵ With the children as the SBP beneficiaries, the surviving spouse avoids any offsets from the receipt of Dependency and Indemnity Compensation (see "Survivor Benefit Plan and Veterans' Affairs Dependency and Indemnity Compensation").

Survivor Benefit Plan and Social Security

Prior to 2004, SBP benefits were either "offset" in part by the receipt of Social Security benefits earned as a result of the military members service (aka the Social Security offset), or subjected to a two-tier benefit structure. Both reduced SBP benefits when the recipient turned age 62. Many congressional constituents expressed confusion and dissatisfaction with these provisions. The FY2005 National Defense Authorization Act³⁶ contained language that made a substantial change in the computation of the SBP benefit for those age 62 and over. Simply stated, this law phased out the two-tier and Social Security offset formulas discussed above.

This change substantially increased the survivors' benefits but was criticized as a form of "double dipping" since it allowed the beneficiary to receive overlapping federally supported payments from Social Security and SBP based on the same career.

Survivor Benefit Plan and Veterans' Affairs Dependency and Indemnity Compensation

Department of Veterans Affairs (VA) Dependency and Indemnity Compensation (DIC) was established in 1956 by the Servicemen's and Veteran's Survivor Benefit Act.³⁷ "Under this Act, as amended, DIC is paid to the survivors ... of servicemen or veterans who died on or after January 1, 1957, from: (1) a disease or injury incurred or aggravated in line of duty while on active duty

³³ P.L. 108-375, sec. 641, Oct. 28, 2004 modified the computation of retired pay for reservist who die on active duty "by calculating the average monthly basic pay for purposes of ... annuity payments as if they had been entitled to basic pay for the 36 months preceding their retirement [or active duty death] regardless of whether the member served the entire period on active duty." Congressional Record, Oct. 8, 2004: H9544.

³⁴ P.L. 108-136, Nov. 24, 2003.

³⁵ U.S. Congress. Conference Committee, National Defense Authorization Act for Fiscal Year 2007, H.Rept. 109-720, 109th Cong., 2nd Sess., H.R. 5122, September 29, 2006: 748.

³⁶ P.L. 108-375; 118 Stat. 1811; Secs. 644-645; Oct. 28, 2004.

³⁷ P.L. 84-881, 70 Stat. 862, 867.

or active duty training; or (2) an injury incurred or aggravated in line of duty while on inactive duty training; or (3) a disability compensable under laws administered by the VA.”³⁸

A service member can, for example, (1) contract a disease or incur an injury during active duty or active duty training, (2) recover and return to active duty, (3) retire from an active duty or Reserve Component military career and participate in the SBP, and (4) subsequently die because of complications resulting from the original service-related disease or injury. The surviving spouse or former spouse of the retiree is then entitled to DIC payments from the VA. In this situation, however, the surviving spouse or former spouse of the retiree is **not entitled to receive the combined total of full SBP and DIC benefits**. Instead, the SBP benefit is offset by the amount of DIC received (with certain limitations).³⁹ This offset occurs regardless of the retiree’s enrollment in the SBP Supplemental.

The total of DIC and offset SBP payments combined is, at least, equal to the full SBP benefit. A surviving spouse or former spouse who remarries loses his or her entitlement to Dependency and Indemnity Compensation payments. Upon losing Dependency and Indemnity Compensation, however, the remarried spouse or former spouse has his or her full SBP benefit restored, provided the remarriage—in accordance with SBP restrictions—occurs after age 60 or age 55 if the remarriage occurs after November 14, 1986. Also, if the DIC is paid to an SBP-eligible surviving spouse or former spouse, a percentage of the deceased retiree’s original contributions to the SBP offset by DIC will be returned to the surviving spouse or former spouse. In other words, if the SBP is offset by DIC, that proportion of deductions from the deceased retiree’s retired pay which financed the offset portion of the SBP will be refunded to the surviving spouse or former spouse. SBP payments can be restored, if the beneficiary becomes ineligible for DIC and remains eligible for SBP, provided that the refunded SBP payments are returned.

As noted above, effective January 1, 2004, SBP-DIC offset surviving spouses who remarry after attaining the age of 57 are eligible to receive both the full SBP and DIC. This concurrent receipt benefit for those remarrying after attaining age 57 is called the “Special Rule Concerning DIC Offset.”

“Concurrent Receipt”

In recent years, Congress has addressed an issue concerning the payment of military retired pay to retirees who qualify for disability compensation from the Department of Veterans Affairs (VA). In 1891, Congress passed language prohibiting what it regarded as “dual compensation” for either past or current service and a disability pension.⁴⁰ As modified in 1941, the law prevented the concurrent receipt of both military nondisability retired pay and VA disability compensation. For those eligible for both, military retired pay was offset or reduced, dollar for dollar, by VA disability benefits.

³⁸ Military Compensation Background Papers: 457.

³⁹ The amount of DIC payable to a surviving spouse is contained in one section of law—title 38 U.S.C. 411(a). Under three other sections—38 U.S.C. if, for example, the spouse 1) is supporting a dependent child or children, 2) is in a nursing home, blind or requiring aid or assistance from another person, or, 3) is, because of a disability, housebound or institutionalized in a ward or clinic. SBP annuities are only offset by the amount of DIC received under 38 U.S.C. 411(a) and not by any increase to this amount as a result of eligibility under 38 U.S.C. 411(b)-(d).

⁴⁰ See CRS Report 95-469, *Military Retirement and Veterans’ Compensation: Concurrent Receipt Issues*, by (name redacted).

Numerous attempts to address this issue over the past few years or so resulted initially in the creation of “Combat Related Special Compensation” for certain disabled military retirees whose disability was a direct result of military combat operations or training and whose disability is rated at 10% or more.

Later, in FY2004, Congress authorized concurrent receipt for all retirees with at least a 50% disability, regardless of the cause of the disability. However, 100% disabled retirees were entitled to immediate concurrent receipt effective January 1, 2005.⁴¹

Although such changes do not affect the receipt of an SBP annuity, some have claimed that if concurrent receipt or “special pays” for military retirees is allowed, such should also be afforded their survivors. Under this reasoning, if a military retiree is allowed to receive both military retired pay and VA disability payments or other “special pay”, it is only fair that the surviving spouse also receive both the SBP annuity and DIC benefits. Critics contend that concurrent receipt was originally barred because Congress viewed it as “double dipping” or paying someone twice for the same period of service. These critics reason that allowing concurrent receipt to the retiree or the retiree’s survivor are forms of “double dipping” that are inherently unfair to the taxpayer.

In order to avoid this SBP-DIC offset, surviving spouses of active duty personnel are allowed to designate their children, if any, as the recipient of the SBP benefit. Unlike retirees, active duty personnel do not designate a beneficiary. (As stated earlier, children remain eligible to receive SBP until they reach age 18 or 22; or for life if mentally or physically incapacitated and if the incapacitating condition existed prior to age 18. Eligibility terminates if the child marries.)⁴²

The Senate version of the National Defense Authorization Act for Fiscal Year 2006 contained a provision that would eliminate the SBP-DIC offset entirely. This language was dropped by the conference committee prior to final passage.⁴³ Again, the Senate version of the National Defense Authorization Act for Fiscal Year 2007 contained a provision that would eliminate the SBP-DIC offset entirely. This language was, too, dropped by the conference committee prior to final passage.⁴⁴ In both the FY2008 and FY2010 National Defense Authorization Acts, language was included to eliminate this offset; and again was dropped by the conferees. Legislation (H.R. 775) was introduced but did not pass in the 111th Congress to eliminate the offset. In 2009, the Congressional Budget Office estimated the cost of eliminating this offset would be \$7.0 billion over the 2010-2019 period.⁴⁵ Despite the additional cost to the taxpayer, critics note that having eliminated the Social Security offset lead to “double dipping.” Eliminating the SBP-DIC offset, they contend, would lead to “triple dipping” in that the survivor(s) would be eligible to receive three overlapping government benefits based on the same military career.

⁴¹ See CRS Report R40589, *Concurrent Receipt: Background and Issues for Congress*, by (name redacted).

⁴² P.L. 108-136; sec. 645; November 24, 2003.

⁴³ U.S. Congress. Conference Committee, National Defense Authorization Act for Fiscal Year 2006, H.Rept. 109-360, 109th Cong., 1st Sess., H.R. 1815, December 18, 2005: 738.

⁴⁴ U.S. Congress. Conference Committee, National Defense Authorization Act for Fiscal Year 2007, H.Rept. 109-720, 109th Cong., 2nd Sess., H.R. 5122, September 29, 2006: 755.

⁴⁵ U.S. Congress, Congressional Budget Office, Douglas W. Elmendorf, Director, letter to Honorable John M. Spratt, Jr., Chairman, Committee on Budget, June 15, 2009.

Special Survivor Indemnity Allowance (SSIA)

Effective 2009, Congress created the Special Survivor Indemnity Allowance or SSIA.⁴⁶ As originally created, beginning in 2009, those subject to the SBP-DIC offset began receiving an additional \$50 per month. This amount was scheduled to be increased by \$10 each year until 2014 when it would reach \$100. The benefit was scheduled to end in 2016. However, during the 111th Congress, SSIA was made more generous in that for the years 2014 through 2017, the amount would increase from \$150, to \$200, \$275, and finally, \$310, after which the benefit will terminate on October 1, 2017.⁴⁷ The amount received under SSIA may not be greater than the amount of the SBP-DIC offset. (SSIA was extended to survivors of active duty members later in October, 2008.)⁴⁸ Although, again a generous increase at no cost to the retiree, critics have called the creation of SSIA a form of “triple dipping.”

Retiree and Government Contributions to SBP

As noted above, the cost of the SBP is shared by the government and the retirees. The amount paid by a particular retiree varies depending on level of coverage, years of payments, years the survivor receives an annuity, etc. For active duty personnel who make no contributions, the benefit is essentially free. Certain retirees and organizations representing their interests have claimed that, as originally structured, withholdings from retired pay for SBP were expected, on average, 40% of the cost of this benefit. Further it is claimed that since retirees are living longer and since the government has manipulated the withholdings formula, the retirees’ share has increased to more than 73%.⁴⁹ These claims are made in an effort to increase government payments into the SBP in hopes of increasing benefits (particularly with regard to the apparently successful effort of eliminating the reduction in benefits that occurs when the surviving spouse reaches age 62).

In reviewing these claims, a number of points may be considered. First, as noted, there is no legal mandate for any ratio of retiree to government contributions. Second, such claims of a shift in the retiree/government share appear to be based on a selective use of retiree data. Third, the claim that retirees are living longer and paying more ignores the obvious point that survivors, too, are living longer and collecting more. Fourth, the above history of this benefit shows that Congress has expanded eligibility (including “free” benefits to “forgotten widows” and active duty survivors), increased benefits, reduced costs, will eliminate withholdings under the “paid-up provision” afforded supplemental coverage, etc. At no time did Congress reduce the benefit. As such, the claims that the government’s contribution to SBP have been reduced are unreliable. Nor do such claims rationalize the increase of benefits at age 62 for surviving spouses (a change that arguably creates a superior benefit relative to those available to the survivors of other federal employees).

It is noteworthy that after the SBP was introduced, the FY1973 cost to retirees was \$36,145,000 with a fiscal year payment to families of only \$5,700,000. This is due to the relatively small

⁴⁶ P.L. 110-181, January 28, 2008.

⁴⁷ P.L. 111-31, June 22, 2009.

⁴⁸ P.L. 110-417, October 14, 2008.

⁴⁹ Mike Lazorchak, “SBP still a good program, but ratio has changed,” *Navy Times*, Jan. 15, 2001: 18.

number of participants who died shortly after signing up. Ten years later, as more retirees signed up and more died, the FY1983 cost to retirees grew to \$652,536,000 while the payment to families grew to \$406,887,000. In FY1993, as participant deaths increased, the cost to retirees was \$822,955,000 with payments to families reaching \$1,177,185,000. Finally, in FY2005, costs to retirees were reported to be \$1,099,363,000 while payments to families surged to \$2,253,728,000. From 1973 through 2005, the cumulative cost to retirees was \$22,597,064,000 while cumulative payments to families was \$30,923,249,000. Considering the cumulative payments by retirees and to military families, the government paid \$8,326,185,000 more in benefits to families than it received. The cost to retiree/family payment gap will grow as the age 62 reduction is phased out and the “paid-up provision” is implemented.⁵⁰ From this perspective, if the cost/benefit share has shifted, the shift has been in the favor of recipients with taxpayers assuming an increasing cost of the program. In FY2009, 874,613 were making payments into SBP with a cumulative cost to retirees of \$27,340,043,000 and cumulative payments of \$43,084,459,000.

The National Defense Authorization Act for Fiscal Year 2006 directed Comptroller General to report on the actuarial soundness of the Survivor Benefit Plan.⁵¹

On July 26, 2006, the Government Accountability Office issued its report.⁵² The following is verbatim from that report:

Results in Brief

The significant statutory SBP program changes implemented within the past 7 fiscal years that we reviewed have resulted in increased DOD normal cost payments and annual Treasury amortization payments to the Fund in order to maintain the actuarial soundness of the Fund. When changes are made to SBP coverage or benefits, the DOD OOA [Office of the Actuary] calculates the necessary DOD and Treasury contributions to ensure that sufficient moneys are available to make all benefit payments to eligible recipients each year, and that sufficient Fund assets will be available in the future to liquidate all current unfunded liabilities.

According to the DOD OOA estimates, the significant SBP program changes⁵³ we reviewed have resulted in the following:

– Eliminating the reduction in surviving spouses’ SBP benefits when such spouses are also eligible for Social Security benefits at age 62 and thereafter increased the SBP liability by an estimated \$25.2 billion as of September 30, 2004. Of this amount, Treasury and DOD will be responsible for an estimated \$23.7 billion and \$1.5 billion, respectively. DOD’s \$1.5 billion liability includes \$1.3 billion in normal costs for current active duty and full-time reservists (full-time employees) and \$0.2 billion in normal costs for current part-time reservists (part-time employees).

⁵⁰ 2006 Retired Military Almanac, (Falls Church, Virginia: Uniformed Services Almanac, Inc., 2004) p. 218.

⁵¹ P.L. 109-163, 119 Stat. 3136, January 6, 2006, sec. 666.

⁵² U.S. GAO, Actuarial Soundness of the DOD Survivor Benefit Plan, GAO-06-837R, July 26, 2006.

⁵³ The DOD OOA estimates the cost of each significant SBP program change as of a specific valuation date. Subsequent to that date, the costs of each SBP program change become part of the baseline actuarial model and are not separately identified. According to the DOD OOA, there have been no significant cost reestimates after the valuation date for the three program changes we reviewed.

– Periodically, Congress has allowed an open season for SBP enrollment, the most current one being during fiscal year 2006. Although the total effects of the SBP open season cannot be fully estimable for at least 2 years, the estimated increase in the SBP liability will likely range from \$31 million to \$86 million.

– Eliminating further SBP premiums to be paid by retirees who are aged 70 or older and who have paid such premiums for 30 years increased the SBP liability by an estimated \$2.5 billion.⁵⁴ Of this amount, Treasury will be responsible for an estimated \$2.4 billion, and DOD will be responsible for \$0.1 billion in normal costs related to current full-time employees.

– Extending SBP surviving spouse or child benefits for all personnel who are killed in the line of duty and are not eligible for retirement at the time of their deaths increased the SBP liability by an estimated \$72 million as of September 30, 2001. Of this amount, Treasury will be responsible for an estimated \$28 million, and DOD will be responsible for \$44 million in normal costs related to current full-time employees.

The two potential changes to SBP benefits mentioned in Section 666 of the National Defense Authorization Act for Fiscal Year 2006 would likely also result in increases to the DOD normal cost payments and the annual Treasury amortization payments to the Fund as follows.

– Currently, an unmarried DOD retiree without dependent children may elect to have another person with an insurable interest as the SBP beneficiary; however, if that beneficiary dies, designation of another insurable interest is not allowed. Using conservative assumptions, the DOD OOA calculated that the SBP liability would increase by an estimated \$2.2 million if retirees were allowed the option of choosing a second insurable interest. Of this increase, Treasury would be responsible for \$2 million and DOD for \$231,000. Of DOD's \$231,000, \$211,000 would be for normal costs related to current full-time employees and \$20,000 for normal costs related to current part-time employees.

– The survivors of veterans who die because of complications resulting from a service-connected disease or injury are entitled to DIC benefits from the Department of Veterans Affairs (VA).⁵⁵ Under current law, SBP benefits for survivors of retired veterans are offset by any DIC payments received. The DOD OOA calculated that eliminating the current offset requirement would increase the SBP liability by an estimated \$12.9 billion. Of this amount, Treasury and DOD would be responsible for \$12.3 billion and \$645 million, respectively. Of DOD's \$645 million, \$617 million would be for normal costs related to current full-time employees and \$28 million for normal costs related to current part-time employees.

Enactment of these legislative changes would require the Board of Actuaries and the DOD OOA to adjust DOD and Treasury payments, subject to future appropriations, by amounts necessary to offset any increased costs related to expanded benefits; for this reason, enactment of these changes should not negatively affect the actuarial soundness of the Fund.

In responding to a draft of this report, DOD did not have any objections or substantive comments. DOD separately provided some technical suggestions, which we incorporated as appropriate.

⁵⁴ The liability estimate for this legislative change was determined as of September 30, 2001, and became effective on October 1, 2008.

⁵⁵ VA's DIC was established in 1956 by the Servicemen's and Veterans' Survivor Benefits Act, P.L. 84-881, 70 Stat. 857, 862 (Aug. 1, 1956) (*codified, as amended, at 38 U.S.C. ch. 13*).

Table 3. Computation of Original Survivor Benefit Plan Cost to the Retiree for Spouse Only Coverage (Work Sheet)

1.	Enter base amount of retired pay. If base amount is \$1,554 or more, use Table 4 below.	\$ _____
2.	Enter \$735 or total retired pay if less than \$735 (see footnote 10). Do not enter less than \$300.	\$ _____
3.	Multiply the figure in line two by 2.5%.	\$ _____
4.	Subtract \$735 from line one. If line one is less than \$735, enter 0.	\$ _____
5.	Multiply line four by 10%.	\$ _____
6.	Add line three and line five.	\$ _____

Note: Line 6 is the cost of survivor protection under Spouse Only coverage.

Table 4. Computation of Flat-Rate Survivor Benefit Plan Cost to the Retiree for Spouse Only Coverage (Work Sheet)

1.	Enter base amount of retired pay	\$ _____
2.	Multiply line one by 6.5%.	x0.065
3.	Cost of Basic SBP protection.	\$ _____

Note: Line 3 is the cost of survivor supplemental protection under Spouse Only coverage.

Table 5. Computation of SBP Costs under Persons with an Insurable Interest Coverage (Work Sheet)

1.	The amount of base military retired pay.	\$ _____
2.	Multiply line one by 10%.	\$ _____
3.	Age of the retiree at his/her last birthday.	\$ _____
4.	Age of prospective beneficiary as of the date of the retiree's last birthday.	_____
5.	Subtract line three from line four. (If line three is less than line four, enter 0.)	_____
6.	Divide the sum in line five by 5 and round the quotient to the lower whole number.	_____
7.	Multiply 5% by line six.	_____ %
8.	Multiply line one by line seven.	\$ _____
9.	Add line two and line eight.	\$ _____
10.	Multiply line one by 40%.	\$ _____
11.	Compare lines nine and ten: enter the lesser.	\$ _____

Note: Line 11 is the cost of survivor protection under the Persons with an Insurable Interest category of coverage.

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