Hill Air Force Base
Airman & Family Readiness Center

Survivor Benefit Plan (SBP)
What is SBP?

- Retired pay stops when you die!
  - Many widows were being left destitute
  - 21 Sep 72 Congress implemented the SBP
  - Government subsidized annuity program
  - Patterned after the Civil Service annuity plan
- SBP is only way your survivors may continue to receive a portion of retired pay
Who can be a beneficiary and receive the payments?

- **Spouse only**
  - Receives payments for life
    - Remarriage after 55 does not suspend payments

- **Child(ren) only**
  - Eligible until age 18 or until 22 if unmarried and a fulltime student
  - Permanently disabled child receives for life
  - All eligible children receive the annuity in equal shares
Who can be a beneficiary and receive the payments? (cont.)

• Spouse and Child
  ▫ Spouse is primary beneficiary
  ▫ All eligible children receive the annuity in equal shares only if spouse becomes ineligible due to death or remarriage before age 55

• Former Spouse only

• Former Spouse and Child
  ▫ Only the member’s and that former spouse’s children can be covered under this option
Who can be a beneficiary and receive the payments? (cont.)

- Insurable Interest Person
  - Only when no spouse or children at retirement
  - Can be a relative
    - If related closer than a cousin, no financial justification required
  - Can be non-related person with financial interest in retiree
    - Proof must be provided: life insurance beneficiary, joint property owners
What is a Base Amount?

- Base amount is the amount that determines:
  - The monthly cost to the member
  - The annuity paid to the eligible survivor
- Retiree selects the base amount:
  - Highest -- full gross retired pay
  - Lowest -- $300
How much does SBP cost?

- Monthly spouse costs are usually 6.5 percent of base amount
- Child only cost is based on age of member and youngest child
  ▫ Less expensive than spouse coverage
- Spouse and child coverage:
- Spouse cost plus additional amount for the children
  ▫ Additional child cost is based on age of member, spouse and youngest child (less than the cost of child only coverage)
Cost Examples

• Assume the base amount is $1700 and ages are:
  ▫ Retiring member: 43; Spouse: 41; Youngest child: 7

• Assume full coverage is elected
  ▫ Spouse only coverage costs $110.50 per month
  ▫ Child only coverage costs $5.78 per month
  ▫ Spouse and child coverage costs $110.99
    • Additional cost for child’s portion is only 49 cents
How much does a spouse receive?

- Example of annuity payable upon member’s death:
  - If base amount selected is: $1700
  - 55% of base amount: \( \times \ 0.55 \)
  - Monthly annuity: $935
How much does a child receive?

• Example of annuity payable upon member’s death:
  ▫ If base amount selected is: $1700
  ▫ 55% of base amount: $1700 \times 0.55 = $935
  ▫ Monthly annuity: $935

• Benefit split equally among all eligible children
  ▫ 2 eligible children receive $467.50 each

• Caution: Child coverage, is less expensive, but it can’t replace spouse coverage
Different than Insurance

- SBP premiums are non-taxable
- SBP coverage can’t be canceled due to ill health or advanced age
- Government pays portion of SBP premiums
- Insurance provides lump sum payments, however-
  - Pay-out usually decreases with age or premiums rise
  - When lump sum is gone, that’s it!
- SBP provides life-time payments to spouse
- SBP annuity increases with COLAs
Mandatory Retirement Processing

Actions

• It is the member’s responsibility to use available resources and decide on an SBP coverage election prior to the one-on-one mandatory briefing
  ▫ Briefing is for you and your spouse
    • Not mandatory for spouse
• Member will not be allowed to complete final out processing without attending one-on-one briefing
  ▫ Member and spouse are sent information, form, and appointment date/time
    • By law, spouse must be informed of the options and effects of the SBP
Mandatory Retirement Processing
Actions (cont.)

• EVERY retiring member MUST complete the DD Form 2656, Data for Payment of Retired Personnel, PRIOR to their appointment
  ▫ Properly establishes member’s retired pay account
    • SBP election / Tax status / Correspondence address / Arrears of pay beneficiary information
  ▫ Failure to complete DD 2656 prior to retirement establishes automatic full SBP spouse coverage
  ▫ Spouse must concur in any election of less than full SBP spouse coverage, sign the DD Form 2656, and have signature notarized
QUESTIONS?