

## **Paid-Up Survivor Benefit Plan (SBP)**

President Bush signed the National Defense Authorization Act (NDAA) for Fiscal Year 2008 on January 28, 2008. This became Public Law 110-181. The NDAA did not alter or accelerate the effective date of the Paid-up SBP provision; the effective date remains October 1, 2008. We will continue to provide updates to this Web page as needed.

The Uniformed Services Contingency Option Act (USCOA) of 1953 was the first law to permit military members to receive reduced retired pay during their lifetime in return for ensuring that their widows and eligible children would receive an annuity after their death. Public Law 87-381 of 1961, replaced the provisions of the USCOA with the Retired Serviceman's Family Protection Plan (RSFPP).

On September 21, 1972, Congress passed Public Law 92-425. This law terminated the RSFPP and created the Survivor Benefit Plan (SBP). Existing participants in the RSFPP were permitted to retain their RSFPP coverage, elect to participate in the SBP, or convert their coverage to the SBP. Under SBP, each member entitled to retired or retainer pay with eligible dependents is entitled to participate in the program. Public Law 95-397 extended coverage under the SBP to members of Reserve Components who would be eligible for Reserve (Non-Regular Service) retired pay except for being under 60 years of age.

Under the RSFPP and SBP programs, retired members are required to pay monthly premiums in the form of a deduction from their retired pay. In general, these premiums will be deducted throughout a member's lifetime unless the retiree terminates or withdraws from annuity coverage, or, in the case of SBP coverage, during any period in which the member does not have an eligible beneficiary.

Section 641 of the National Defense Authorization Act for Fiscal Year 1999, Public Law 105-261, amended the SBP with regard to the deduction of SBP monthly premiums.

Effective October 1, 2008, no reduction in the retired pay of a participant in the SBP will be made for any month after the later of (1) the 360th month of paid premiums; and (2) the month during which the participant attains 70 years of age. Section 641 also includes participants who are paying premiums under the Reserve Component SBP (RCSBP). Section 655 of the National Defense Authorization Act for Fiscal Year 2000, Public Law 106-65, extended the paid-up provision to RSFPP participants. The RSFPP provision also becomes effective on October 1, 2008.

These changes allow qualified retirees to stop paying SBP and/or RSFPP premiums while maintaining their current annuity coverage. The change is commonly referred to as "Paid-up SBP." Beginning October 1, 2008, a member who is at least 70 years of age and has made a minimum of 360 months of premium payments is eligible to have their monthly premiums stopped. No action is required by the member to initiate the termination of premiums.

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## Paid-Up SBP FAQs

### 1) What is Paid-up SBP?

Paid-up SBP refers to a provision of the Survivor Benefit Plan (SBP) law passed by Congress in October 1998 and which is due to take effect in October 2008. This change in the law applies to qualified members who will no longer be required to pay SBP premiums once they satisfy certain age and premium payment requirements.

### 2) Who is eligible to have their SBP premiums stopped?

Any retiree who is age 70 or older and whose retired pay has been reduced for SBP premiums for at least 360 months will qualify to have their SBP costs terminated (after 1 October 2008).

**3) Are retirees with Reserve Component SBP (RCSBP) coverage eligible?** Yes. Any reference made to SBP premiums also includes RCSBP premiums.

### 4) Is a retiree who has paid SBP premiums for 360 months or more but has not reached age 70 eligible to have premiums terminated?

No. In order to qualify for the termination of SBP premiums, a retiree must satisfy both requirements of the law. The retiree must be age 70 or older and made payments for at least 360 months of SBP costs.

### 5) Does the termination of premium payments also apply to retirees with RSFPP coverage?

Yes. Congress amended the law in October 1999 to include Retired Serviceman's Family Protection Plan (RSFPP) participants. Any retiree who is age 70 or older and currently enrolled in the RSFPP is eligible to have their RSFPP costs terminated.

### 6) When does Paid-up SBP begin?

The earliest effective date that a qualified retiree may stop paying SBP premiums is October 1, 2008. **The first retired pay payment affected will be the payment dated November 1, 2008.**

### 7) What if the retiree has paid more than 360 months of premiums before October 1, 2008? Will there be a refund?

No. There will be no refund of excess premiums paid prior to the October 1, 2008, effective date of Paid-up SBP.

### 8) When will SBP premiums stop for retirees who reach age 70 and have paid 360 months of premiums after October 1, 2008?

Retirees who fall into this category will not be charged SBP premiums beginning with the month they reach age 70 and have paid 360 months of premiums.

**9) How will the 360 months of paid-up premiums be determined?** The retiree will receive a one-month credit for each month retired pay was reduced. This will be determined by using both current election records and historical records of the initial SBP election.

**10) What if the retiree does not have 360 months of paid-up premiums on October 1, 2008?**

A retiree who does not have 360 months of paid-up premiums on October 1, 2008 is not eligible to have the SBP costs stopped. In these cases the retiree will receive an additional one-month credit for each month retired pay is reduced until 360 months of paid premiums is reached.

**11 What if the retiree does not have SBP costs deducted from retired pay but pays by direct remittance?**

For the purpose of computing the number of months of retired pay reductions, direct remittance payments shall apply as if retired pay was reduced.