

**SUMMARY OF MAJOR CHANGES TO
DOD 7000.14-R, VOLUME 7B, CHAPTER 49
"SURVIVOR BENEFIT PLAN (SBP) – COST-OF-LIVING ADJUSTMENT"**

All changes are denoted by blue font

Substantive revisions are denoted by a ★ preceding the section, paragraph, table
or figure that includes the revision

Hyperlinks are denoted by *underlined, bold, italic, blue font*

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
490204 490301	Interim change R04-06 implements the gradual phase-out of Supplemental Survivor Benefit Plan (SSBP) Annuity and terminates the reduction in retired pay for SSBP premiums.	Update
Table 49-1	The Office of the Under Secretary of Defense (Personnel and Readiness) recommended that table be deleted.	Delete

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CHAPTER 49

SURVIVOR BENEFIT PLAN (SBP) – COST-OF-LIVING ADJUSTMENT4901 BASE AMOUNTS

All Survivor Benefit Plan (SBP) base amounts are increased by cost-of-living adjustments. The adjustment to the base amount is made at the same time and by the same total percentage that retired or retainer pay is increased. If a member before retirement elects a base amount that is less than full gross pay, then the elected base amount is established as the initial base amount regardless of the cost-of-living adjustment that applies to the initial computation of retired pay, excluding Reserve Component Survivor Benefit Plan elections effective July 1, 1986. See [Chapter 57, Section 570302](#) of this Volume for information pertaining to the computation of the Reserve Component Survivor Benefit Plan.

4902 THRESHOLD AND PREMIUMS FOR COVERAGE

490201. Before March 1, 1986, initial SBP cost was computed on a standard formula of 2.5 percent of the first \$300 of the base amount and 10 percent of the base amount in excess of \$300. When retired pay increased by a cost-of-living adjustment under [10 U.S.C. 1401a](#), the SBP premium was recomputed under the standard cost formula. Effective December 1, 1980, and beginning with the March 1981 cost-of-living adjustment, the percentage increase applies directly to the premium.

490202. Beginning March 1, 1986, members who elect SBP and have retired pay computed on active duty basic pay rates in effect October 1, 1985 or later will have initial SBP premium computed using the standard formula described in paragraph 490201, except that the \$300 threshold amount is indexed by active duty basic pay rates effective October 1, 1985, or later. For example, a member retires on May 1, 1986. Active duty basic pay rates were increased by 3 percent effective October 1, 1985. The initial SBP premium is computed on 2.5 percent of the first \$309 (\$300 threshold * 1.03 increase October 1985), plus 10 percent of the base amount in excess of \$309. If the member's initial computation of retired pay includes a cost-of-living adjustment effective October 1, 1985 or later, then the threshold amount will be adjusted by the same cost-of-living adjustment percentage. After retirement, cost increases on cost-of-living adjustments as in paragraph 490201.

490203. On March 1, 1990, the formula for spouse and former spouse coverage changed to a flat-rate reduction of 6.5 percent of the base amount. An individual who entered a Uniformed Service before March 1, 1990, or a member who is entitled to retired pay under [10 U.S.C., Chapter 61](#) (disability) or [Chapter 1223](#) (non-Regular service retirement) is entitled to use whichever formula is more favorable to the member.

★ 490204. Effective November 1, 2004, the reduction in retired pay for Supplemental Survivor Benefit Plan (SSBP) premiums is terminated. See [section 4603](#) for further information.

490205. Members who elect spouse or former spouse coverage or who increase the base amount of spouse or former spouse coverage during the open enrollment period April 1, 1992, through March 31, 1993 are subject to a premium addition as shown on Table 45-6. The additional premium is based on the number of years the member had been retired. The premium addition does not apply to members who have made an open-season election and are currently paying Retired Serviceman's Family Protection Plan (RSFPP) premiums for spouse coverage. Similarly, the premium addition does not apply to members who have elected SBP coverage for their spouse and have previously participated in SBP but who later withdrew participation under the provision for totally disabled members.

4903 ANNUITIES

★ 490301. Normally, SBP and SSBP annuities increase under [10 U.S.C. 1401a](#) at the same time and by the same percentage that retired pay increases by cost-of-living adjustment. See subparagraph [460304.C](#) regarding the phase-out of SSBP payments. "Exception: When the payment of increased retired pay due to a cost-of-living adjustment is delayed by law, the increased annuity due to a cost-of-living adjustment is not delayed."

A. The cost-of-living adjustment applies to the monthly gross annuity amount before any reductions, such as Dependency and Indemnity Compensation.

B. Annuities that initially were effective on the same day as the cost-of-living adjustment before December 1, 1980 were not entitled to the adjustment as the law required that an annuity be payable on the day before the effective date of the adjustment. Effective December 1, 1980, annuities were recomputed to include the previously denied cost-of-living adjustment; however, no retroactive payment was made for the period before December 1, 1980.

C. In April 1983, costs that normally would have increased by the full cost-of-living adjustment were increased by 3.3 percent (one-half of an assumed cost-of-living adjustment) for members under age 62, effective March 1, 1983. Costs increased by 3.9 percent for members age 62 or older on March 1, 1983, or any age if retired for disability. All base amounts for computing SBP annuity increased by 3.9 percent. See paragraph [080454](#) for further information.

490302. See paragraph [510202](#) regarding cost-of-living adjustments for Minimum Income Widow annuity.

BIBLIOGRAPHY

**CHAPTER 49 - SURVIVOR BENEFIT PLAN (SBP) – COST-OF-LIVING
ADJUSTMENT**

4902 - THRESHOLD AND PREMIUMS FOR COVERAGE

	10 U.S.C. 1452(a), (h)
	Public Law 101-189, November 29, 1989
490204	10 U.S.C. 1460(b), (d)
490205	Public Law 102-190, December 5, 1991

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	10 U.S.C. 1451(g)
	OASD Memorandum, February 28, 1983
	10 U.S.C. 1457(d)
	10 U.S.C. 1452(h)
490301	Public Law 96-402, October 9, 1980