



DEFENSE FINANCE AND ACCOUNTING SERVICE
U.S. Military Retired Pay
8899 E 56th Street
Indianapolis, IN 46249-1200
www.dfas.mil/retiredmilitary

Dear Retiree,

This packet contains the form required to process a request to withdraw from the Survivor Benefit Plan (SBP) due to qualifying VA disability, and a fact sheet with important information on withdrawing from SBP.

What you need to know

Retirees who meet one of the following two criteria are eligible to withdraw from SBP:

- A) The retiree has had a service-connected disability rated by the VA as totally disabled for a continuous period of 10 or more years; or
- B) The retiree has had a total disability rating from the VA for at least five continuous years immediately following the last date of active duty.

Before you request to withdraw from SBP, we recommend you read the enclosed fact sheet, speak with your branch of service retiree services organization or a financial advisor, and consider your decision carefully. In addition, you should consider your legal obligations, such as a divorce decree or court order requiring you to maintain SBP coverage, before making your decision.

What you need to do

To request to withdraw from SBP, please fill out, sign and date the SBP Withdrawal Consent Form (DFAS CL Form 1077). A request for withdrawal requires the written consent of the beneficiary or beneficiaries. Consent for a dependent child may be given by a parent, step-parent, foster parent or guardian. Please note that if you have **former spouse** coverage, special rules may apply and you should seek assistance prior to requesting withdrawal.

- ✓ If you have **spouse coverage**, your spouse will need to sign and date the form on or after the date you sign.
- ✓ If you have **child coverage** and any eligible child is over 18 and not incapacitated, the eligible child beneficiary(s) over 18 will need to sign and date the form on or after the date you sign.

Keep a photocopy of your completed form and mail the original to the address above or fax to: 800-469-6559. When we receive your completed form, we will review your request to withdraw and notify you with the results of the review. If you change your mind after sending your form, you may withdraw your request by notifying us in writing within 30 days of the date of your signature on the SBP Withdrawal Consent Form.

If you have questions

We thank you for your service to our country. If you have additional questions about SBP, please visit our website at: www.dfas.mil/retiredmilitary/provide/sbp

You can also contact one of our customer care representatives at 800-321-1080 or 216-522-5955 (8:00 a.m. to 5:00 p.m., Eastern, Monday through Friday) or write to us at the address above.

Sincerely,

Retired and Annuitant Pay

Enclosures:
Survivor Benefit Plan Withdrawal Fact Sheet
DFAS-CL Form 1077

SURVIVOR BENEFIT PLAN WITHDRAWAL FACT SHEET
**ADVANTAGES OF PARTICIPATING IN SBP/
DISADVANTAGES OF WITHDRAWING FROM SBP**

There are a limited number of circumstances in which a military retiree who has elected to participate in the Survivor Benefit Plan may choose to withdraw from the plan. He or she may withdraw from the plan between the 25th and 36th months of his or her coverage. He or she may withdraw from the plan when he or she loses their designated beneficiary due to death or, in some circumstances, due to divorce. Finally, he or she may withdraw from the plan when his or her disability rating remains at 100% for at least 10 years (or 5 years from the date of retirement).

This fact sheet is intended to inform military retirees with 100% disability ratings regarding plan provisions and other considerations affecting a decision to withdraw from the Survivor Benefit Plan.

However, before you begin this decision process, you should consider carefully whether any personal legal obligations, such as a court order or divorce decree requiring you to maintain SBP coverage, limit your ability to withdraw from the plan.

In the event that there are no personal legal obligations limiting your ability to withdraw from the plan, there are three reasons a retiree rated 100% disabled might think withdrawing from SBP could be in his or her interest. These reasons are:

- I. Because future benefit payments to his or her spouse under the Survivor Benefit Plan may be offset by the amount of the benefits paid to his or her surviving spouse under the VA DIC program;
- II. To recover premiums previously paid for SBP coverage in order to address a pressing financial need; and
- III. To increase his or her monthly take home retirement pay by eliminating SBP premium deductions.

We will discuss some of factors affecting each of those situations below. In addition, we will cover a few additional considerations and the steps you would need to take to withdraw.

I. WITHDRAWAL BECAUSE OF THE SURVIVOR BENEFIT PLAN (SBP) DIC OFFSET

Historically, withdrawing from the Survivor Benefit Plan because of the DIC offset made some sense for retirees once their disability rating rose to 100%. However, the trade offs involved changed significantly when Public Law 116-92, the National Defense Authorization Act (NDAA) for Fiscal Year 2020 was passed, creating a phased elimination of the offset to the Survivor Benefit Plan due to receipt of DIC. Now, by the year 2023, surviving spouses will be able to receive an SBP annuity without any offset due to receipt of DIC.

Still, there are pros and cons to be considered, especially during the phase in period currently in effect, running from the present through 2023.

Survivor Benefit Plan (SBP) DIC Offset

In order to make an informed decision in this matter, you will need to consider both the potential VA award of Dependency and Indemnity Compensation (DIC) and the amount of the SBP annuity

Prior to Public Law 116-92, Spouse SBP annuitants – except for those who remarry after age 57 (or in other specific circumstances) – could not receive full SBP and DIC at the same time. When we are informed by the VA that a spouse annuitant is receiving DIC, the law required that DFAS deduct the amount of DIC received

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from the amount of SBP payable and pay the remaining amount of the SBP to the annuitant. This is called the SBP/DIC offset.

Dependency and Indemnity Compensation (DIC)

Dependency and Indemnity Compensation (DIC) is a tax-free, monetary benefit paid by the VA under 38 U.S.C. § 1311(a) to eligible survivors of military service members who die in the line of duty or eligible survivors of veterans whose death resulted from a service-related injury or disease. The benefit is paid monthly. The DIC benefit may be increased by cost-of-living adjustments (COLAs) after the member's death.

Survivor Benefit Plan (SBP)

SBP provides up to 55 percent of a service member's retired pay as an annuity to an eligible beneficiary upon the death of the member. The amount of the SBP annuity is a percentage of retired pay. The percentage depends upon whether the member chooses full or reduced coverage at the time of election (generally at retirement or at 20-year qualification). The annuity is paid monthly. The SBP annuity may be increased by cost-of-living adjustments (COLAs) after the member's death.

Withdrawal from SBP will result in no SBP annuity monthly payments after the member's death, even if there is no DIC benefit.

Spouse SBP Coverage

The amount of the SBP annuity and the DIC benefit that would be paid to a surviving spouse should be carefully considered before requesting withdrawal.

For example, if an annuitant receives a monthly SBP annuity of \$500 from DFAS and becomes eligible to receive a monthly DIC award of \$400 from the VA, DFAS would deduct the \$400 DIC amount from the \$500 SBP amount and pay the remaining \$100 to the annuitant.

If the SBP payment was greater than the DIC payment, a partial refund of premiums paid into the program during the service member's retirement would be made to the spouse.

If the DIC payment was greater than the SBP payment, SBP would be stopped completely and the eligible basic spouse premiums paid into the program during the service member's retirement would be refunded.

Phase Out of the Offset

However, as mentioned above, Public Law 116-92 now requires the DIC offset to be phased out beginning on January 1, 2021, until it is eventually eliminated in January 2023. This means that the offset described above would only apply to an SBP annuity if the member dies before January 2023. After January 2023, all surviving spouse annuitants, regardless of when the member died, will be able to receive their SBP entitlement and their DIC entitlement without any offset. There will be no retroactive payments made due to the elimination of the DIC offset commencing in January 2023 for periods of prior entitlement.

Refunds of premiums for members who die between January 1, 2020 and December 31, 2022 will be pro-rated if the DIC does not fully offset the SBP annuity to take into account the expectation that the annuitant will receive the full benefit of the SBP without any offset once the offset is fully repealed beginning in 2023.

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The Special Survivor Indemnity Allowance (SSIA)

When a spouse is eligible to receive SBP and DIC, and is not receiving the full amount of SBP due to the SBP/DIC offset, the spouse may also receive the Special Survivor Indemnity Allowance (SSIA). SSIA is a separate fixed monthly entitlement which may not exceed the amount of the SBP annuity in any month that the annuity is subject to the SBP/DIC offset. SSIA is increased by the same cost of living adjustments as SBP and military retired pay. SSIA is not authorized for your surviving spouse if you have withdrawn from SBP. When the DIC offset is completely phased out in January 2023, SSIA payments will no longer be made.

How Remarriage May Impact a Spouse SBP Annuity

Remarriage before age 55

Spouses maintain their eligibility for an SBP annuity until death, as long as they do not remarry before the age of 55. If the annuitant remarries before age 55, annuity payments will stop. Eligibility for DIC payments would also end. However, if the annuitant's marriage later ends for any reason, even after age 55, the annuity payment will restart from the date the marriage ends, once DFAS is notified.

Remarriage after age 55 but prior to age 57

When a surviving spouse remarries after age 55, but prior to age 57, DIC payments stop. If the spouse's SBP payment was previously reduced or eliminated because of DIC, the full SBP payment may resume. The spouse must first repay all of the SBP premiums that were refunded when DIC first began. These premium repayments may be made out of the SBP annuity payments the spouse would otherwise receive, however, the entire repayment must be made before a spouse annuitant will receive any SBP annuity funds.

II. WITHDRAWAL TO RECOVER PREVIOUSLY PAID PREMIUMS

If SBP coverage is withdrawn due to disability, a refund of previously paid premiums is not immediately given. The reason for this is a withdrawal from the Plan remains in effect as long as you are rated as totally disabled. If your rating is reduced, the coverage can be reinstated by you **only** if you request it within one year of the effective date of the reduction of VA disability rating to less than 100% (total). If you do not request the coverage to be reinstated, or if your disability rating is never decreased, then the surviving spouse will be entitled to a refund of spouse premiums paid at the time of the member's death and they will not be entitled to a monthly annuity payment under SBP.

III. WITHDRAWAL TO ELIMINATE ONGOING SURVIVOR BENEFIT PLAN PREMIUMS

If you withdraw from the plan, your premium deduction will in fact stop. However, you will irrevocably lose a monthly annuity payment for your spouse or children that is inflation-protected, and for eligible spouses is a benefit that would be paid for the rest of their life. You should carefully consider your total estate planning to ensure that your family will have adequate financial protection in the future. For this reason, an election to withdraw requires consent from all beneficiaries.

If, once you have read this fact sheet, you would like further assistance in making your decision about withdrawing, please contact your branch of service retiree services organization.

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IV. ADDITIONAL CONSIDERATIONS

Spouse and Child SBP Coverage

With SBP Spouse and Child coverage, the annuity is payable first to the surviving spouse. If the surviving spouse dies or otherwise becomes ineligible for the annuity (such as when the spouse remarries before age 55), eligible children equally divide the monthly annuity.

A child is generally eligible for the SBP annuity through age 18, if unmarried; or through age 22 if unmarried and attending school full-time. Incapacitated or disabled children are eligible under special rules.

A child's annuity is not reduced by any DIC benefit that may be awarded to the child.

Child Only Coverage

The cost for child only coverage is, in most cases, a minimal amount.

The child may be awarded a DIC benefit in his or her own right and, as stated above, the payments are not reduced by the amount of the DIC.

It is especially important to consider continued participation in the Plan when spouse and child or child only coverage includes an incapacitated child.

V. SUBMITTING YOUR REQUEST TO WITHDRAW

To withdraw, please see the instructions in the cover letter to this packet and on the form. A request for withdrawal requires the written consent of the beneficiary or beneficiaries.

If you change your mind after you have submitted your SBP Withdrawal Consent Form, you may withdraw the request by notifying us in writing within 30 days of the date of your signature on the SBP Withdrawal Consent Form.

IMPORTANT NOTE: Withdrawal from the Plan remains in effect as long as you are rated as totally disabled. If your rating is reduced, the coverage will be reinstated **only** if you request it within one year of the effective date of the reduction of VA disability rating to less than 100% (total).

SURVIVOR BENEFIT PLAN (SBP) WITHDRAWAL CONSENT

PRIVACY ACT STATEMENT

AUTHORITY: Executive Order 96-402, 10 U.S.C. Sections 1448a, 1450, and 1452.

PURPOSE: The purpose is to obtain the applicable signatures from the member, his/her spouse, former spouse, and/or child over 18 years of age, when the member has decided to withdraw from the Survivor Benefit (SBP) Plan, and the Defense Finance and Accounting Service needs to obtain the member's disability rating from the Department of Veterans Affairs (VA).

ROUTINE: The information on this form may be disclosed as generally permitted under 5 U.S.C. Section 552(a)(b) of the Privacy Act of 1974, as amended. It may also be disclosed outside of the Department of Defense (DoD) to the VA, to the spouses or former spouses of the member who are designated either by the member or by a court order or filing under 10 U.S.C. Sections 1448(a) or 1450(f)(2) to be the recipient of the retiree's SBP annuity. In addition, other Federal, State, or local government agencies which have identified a need to know, may obtain this information for the purpose(s) identified in the DoD Blanket Routine uses as published in the Federal Register.

DISCLOSURE: Disclosure is voluntary; however, failure to provide the information may result in the delay in processing the SBP withdrawal request.

MEMBER'S NAME *(Print Last, First, MI)*

SOCIAL SECURITY NUMBER

PART I - CONSENT FOR VA DISABILITY RATING

I HEREBY GIVE MY CONSENT FOR THE DEFENSE FINANCE AND ACCOUNTING SERVICE - CLEVELAND TO REQUEST FROM THE DEPARTMENT OF VETERANS AFFAIRS (VA) INFORMATION CONCERNING MY DISABILITY RATING BY THAT OFFICE.

MEMBER'S SIGNATURE

DATE *(YYYYMMDD)*

PART II - CONSENT FOR SBP WITHDRAWAL

AFTER HAVING REVIEWED THE SURVIVOR BENEFIT PLAN WITHDRAWAL FACT SHEET (DFAS-CL 1741/115A) ON THE ADVANTAGES IN PARTICIPATING IN THE PLAN AND DISADVANTAGES IN WITHDRAWING FROM THE PLAN, I HEREBY REQUEST WITHDRAWAL FROM THE PLAN.

MEMBER'S SIGNATURE

DATE *(YYYYMMDD)*

I HEREBY GIVE MY CONSENT FOR THE WITHDRAWAL FROM THE SURVIVOR BENEFIT PLAN

SPOUSE'S AND/OR CHILD'S (OVER 18 YEARS OF AGE) SIGNATURE

DATE *(YYYYMMDD)*

DFAS-CL 1077, AUG 06, (EF)

(REPLACES DFAS-CL 1741/117)