



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUL - 9 1996

DFAS-HQ/F

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER

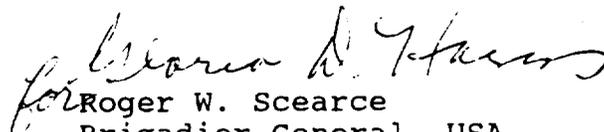
SUBJECT: Update to the Department of Defense Financial
Management Regulation (DoDFMR), Volume 7, Part B,
Termination of SBP Coverage for a Natural Person With
an Insurable Interest (DFAS Item F-36)

This is an Interim Change Number R5 - 96 to the DoDFMR,
Volume 7B. This change is effective immediately.

We have evaluated your comments on the draft change to the
DoDFMR, Volume 7B. The attached final version of the change
includes your comments where appropriate. Assignment of an
interim change number is your authority to initiate a procedural
modification to facilitate this change.

We have determined that this policy change does not require
a change to the current pay system. For the Denver Center, use
the attached to initiate the formal printed change to the DoDFMR.

Our point of contact, Mr. Fiti Malufau, may be contacted at
DSN 327-5061 or Commercial (703) 607-5061. Our Fax number is
DSN 332-5271 or Commercial (703) 602-5271.

for 
for Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: OASD (MMP) COMP
ODGC (F)
DFAS-DE/DG
DFAS-IN
DFAS-KC/FSP
Service Liaisons
USCG/NOAA PHS Liaisons

Proposed Change to Volume 7, Part B, on Termination of SBP Coverage for a Natural Person with an Insurable Interest

1. Add a new subparagraph 90204a(6) to read:

"(6) Member voluntarily terminates SBP coverage for a natural person with an insurable interest (not a former spouse)."

2. Change subparagraph 90205c(3) (a) to read:

"(a) The former spouse will provide a certified copy of the court order, regular on its face, which requires such election, or incorporates, ratifies, or approves the written agreement of the member; a statement from the clerk of the court (or other appropriate official) that such agreement has been filed with the court in accordance with applicable state law; or, for a deemed SBP election only, a copy of the court order which requires the SBP election. A court order which requires the member to elect (or to enter into an agreement to elect) SBP for a former spouse or former spouse and child must be issued on or after 14 Nov 1986. If the member was ordered by a court to elect former spouse coverage before 14 Nov 1986, a second court order, issued on or after 14 Nov 1986, enforcing the original order which requires a former spouse election, constitutes a modification of the previous order and establishes a new one-year period during which a request for a deemed election may be filed.

3. Change paragraph 90208, Discontinuance of Participation, to read:

"90208. Discontinuance of Participation

a. Withdrawal by a Totally Disabled Member.

(1) Any person who elects to participate in SBP with a service-connected disability rated by the Department of Veterans Affairs (VA) as totally disabling and is so rated for 10 or more continuous years (or, if so rated for a lesser period, at least 5 years from the date of last discharge or release from active duty) may request to discontinue participation in the Plan by submitting a request to the Secretary concerned. The initial date for determining the 5- or 10-year period is the effective

date of the VA rating of total disability. Validation must be obtained from the VA if not available from the individual.

(a) The request for discontinuance must be with the written consent of the beneficiary or beneficiaries under the Plan. Should that beneficiary be a dependent child or children, written consent may be accepted from a parent, stepparent, foster parent, guardian, or an individual appointed by a court of competent jurisdiction.

(b) The Secretary concerned shall furnish a written statement of the advantages of participating and the possible disadvantages of discontinuing participation or the provisions of Title 10, U.S.C., section 1452(g) to each person requesting discontinuance.

(c) A person may withdraw the discontinuance request within 30 days of submission to the Secretary concerned.

(d) Participation in the Plan and cost of SBP and SSBP coverage is discontinued on the first day of the month after receipt of the request by the Secretary concerned. This provision is effective 1 Dec 1980.

(e) If a member dies after the date that the request for withdrawal has been received by the Secretary concerned but before the effective date of that request, the beneficiary is entitled to the annuity.

(2) Upon the death of a person who has discontinued participation in the Plan under this section, a refund of SBP and SSBP amounts deducted from retired or retainer pay without interest shall be made to the widow or widower.

(3) Any person who has discontinued participation in the Plan may again elect to participate if: (a) the VA reduces the disability rating to less than total; and (b) the person applies within 1 year to participate in the Plan and includes the required information determined by the Secretary concerned.

(a) Participation in the Plan and reduction in pay is effective the first day of the month after receipt of the application to the Secretary concerned on DD Form 1883, SBP Election Certificate. Documentation attesting to the less than total disability rating must accompany the application.

(b) If the member who applies for resumption of participation dies before the effective date, the beneficiary is

entitled to an annuity on the date the election would have been effective.

(c) Resumption of participation shall be limited to the type and level of coverage initially elected allowing for beneficiary changes as otherwise provided for in this Part.

b. Voluntary Termination of Coverage for a Natural Person With an Insurable Interest.

(1) A member who is participating in SBP with coverage for a natural person with an insurable interest (not a former spouse) may voluntarily terminate their participation in SBP. No request for termination is effective before 1 Nov 1994.

(2) If a member is considering termination of insurable interest coverage, the member should contact the responsible agent: DFAS-CL, or the Service Reserve Component Personnel Center for members not yet age 60 (or an appropriately determined office for non-DoD Uniformed Services).

(3) A member who is eligible to terminate coverage sends a written request to DFAS-CL or other responsible agent shown in subparagraph b(2). The request, signed by the member, must identify the member and state that the member wants to terminate SBP participation. A request for information is not a request to terminate SBP participation.

(4) When the responsible agent receives a request from an SBP participant eligible to terminate coverage, the agent will determine whether the request is for information or is actually a request to terminate participation. In either case, the member will be mailed two fact sheets which explain: the procedures for terminating participation; and the advantages and disadvantages of participation and the disadvantages of terminating participation. If the request is determined to be a request for termination, the member will be advised in the cover letter that a request for termination can be withdrawn within 30 days of the date of that letter.

(5) No premiums are refunded as a result of terminating coverage. No premiums will be charged after the effective date of termination unless the member had Reserve Component Survivor Benefit Plan (RCSBP) coverage. See paragraph 100403e for recomputation of the original "tack-on" portion of the RCSBP premium when member terminates coverage before age 60.

(6) A member who wishes to withdraw the request to terminate participation must notify the Secretary in a legible,

signed written notice to their responsible agent in b(2). The notice must identify the member's name and social security number and state that the member no longer wants to discontinue SBP participation. If the member withdraws the request to discontinue participation within the prescribed 30-day period, the SBP participation is not terminated. If the withdrawal notice is received after the prescribed date, it has no effect and the member is notified within 30 days. However, if the member provides proof of the date of the mailing and such date is favorable to honoring the member's withdrawal request, that date of mailing serves as the date submitted. If the member effectively withdraws a request to discontinue participation, the member is notified within 30 days. If participation was already discontinued, it will be reinstated as if no break in coverage occurred. Any premiums not collected or paid, or premiums that were refunded, will be collected from the member and the member notified of the final action concerning participation.

(7) The member may only resume SBP participation by electing coverage for a spouse or dependent child within one year of acquiring a family member."

4. Change subparagraph 90405a to read:

"a. Suspend cost for spouse or former spouse coverage when there is no longer an eligible beneficiary during any period after:

(1) SBP - 1 Oct 1976;

(2) SSBP - 1 Apr 1992.

Suspend child cost when there is no eligible child beneficiary."

5. Change subparagraph 90405d to read:

"d. Terminate SBP cost for a natural person with an insurable interest when the beneficiary dies, when the member terminates coverage for the natural person with an insurable interest, or on the date a spouse or child acquired after retirement becomes the eligible beneficiary. The SBP cost is terminated as of the date shown in Table 9-4-4, Suspension and Termination of Cost. See paragraph 90208 for termination procedures."

6. Add a new Rule 9 to Table 9-4-4, Suspension and Termination of Cost.

R U L E	A If a member	B then cost is <u>terminated</u> <u>suspended</u>	C with an effective date	D and member is
9	elected coverage for a natural interest person (not a former spouse) and member discontinues participation from the Plan (see 100403e for the RCSBP participant)	x	first day of month after receipt of election	(blank)"

7. Add a new subparagraph 100203i to read:

"i. Member voluntarily terminates RCSBP coverage for a natural person with an insurable interest (not a former spouse)."

8. Add a new subparagraph 100403e to read:

"e. An RCSBP participant who voluntarily terminates coverage for a natural person with an insurable interest (not a former spouse) will pay the Reserve Component premium "tack-on" for the lifetime of the member. However, if the member terminates the coverage before age 60, the premium "tack-on" is pro-rated. Multiply the original "tack-on" rate by the number of full months during which the member had coverage, dividing the result by the number of full months the member would have had coverage if coverage had not terminated before age 60. The result, rounded to 4 decimal places, shall serve as that member's pro-rated "tack-on" premium rate."

Revised	=	Original	X	No. of Months	÷	No. of months
Premium		RCSBP cost		member had		member would
tack-on		factor		pre-age 60		have had pre-age
				coverage		60 coverage

9. Add a new subparagraph 100405b(4) to read:

"b(4) Natural Person With an Insurable Interest (Not a former spouse). The member will pay the Reserve Component premium tack-on for the lifetime of the member. The Reserve Component premium add-on ("tack-on") rate is recomputed under subparagraph 100403e when a member terminates coverage before age 60. Any SBP portion of the RCSBP premium terminates effective the first day of the month after member terminates coverage."

10. Bibliography changes/additions:

	<u>"Paragraph</u>	<u>Citation</u>
(Add)	90204a(6)	Public Law 103-337, 5 Oct 1994, Sec. 638
(Add)	90205c(3)	MS Comp Gen B-232319, 23 Mar 1990
(Add)	90208a(1) (d)	10 U.S.C. 1458(i) 10 U.S.C. 1460a
(Add)	90208a(2)	10 U.S.C. 1452(g)
(Delete)	90208a(4)	10 U.S.C. 1458(i) 10 U.S.C. 1460a
(Change)	90208b	Public Law 103-337, 5 Oct 1994, Sec. 638 10 U.S.C. 1448(b)(1) OASD/FM&P (MPP) Memo, 17 Mar 1995
(Change)	90405a	10 U.S.C. 1452(a) and (b) 10 U.S.C. 1460(c)
(Change)	90405d	10 U.S.C. 1452(c)
(Add)	Table 9-4-4, Rule 9	10 U.S.C. 1448(b)(1)(B)
(Add)	100203i	10 U.S.C. 1448(b)(1)(B)
(Add)	100403e	10 U.S.C. 1448(b)(1)(B) OASD/FM&P (MPP) Memo, 17 Mar 1995
(Add)	100405b(4)	OASD/FM&P (MPP) Memo, 17 Mar 1995