DEFENSE FINANCE AND ACCOUNTING SERVICE

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MAR 17 1997

DFAS-HQ/FMM

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, Survivor Benefit Plan (SBP) Cost Increase with Payment of Increased Retired Pay (DFAS Item G-6)

This is an Interim Change Number R11 - 97 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.

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

Attachment:
As stated

cc: ASD (FMP)
DGC (F)
DFAS-DE/DG
DFAS-IN
DFAS-KC/FSP
Service Liaisons
USCG/NOAA PHS Liaisons

1. Change paragraph 90405c(7) to read:

"(7) Retired or retainer pay increases under 10 U.S.C. 1401a.

(a) SBP costs normally increase at the same time and by the same percentage that retired pay increases by cost-of-living adjustment (COLADJ).

(b) When the payment of increased retired pay due to COLADJ is delayed, the increase to SBP costs will occur at the same time the retired pay is increased rather than the effective date of the COLA increase (or the date that the retired pay payment would have increased if the member were currently in receipt of retired pay)."

2. Change paragraph 90803 to read:

"a. 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. **EXCEPTION:** When the payment of increased retired pay due to a COLADJ is delayed by law, the increased annuity due to a COLADJ is not delayed.

(1) The COLADJ applies to the monthly gross annuity amount (that is, before any reductions such as DIC).

(2) Annuities which were initially effective on the same day as the COLADJ before 1 Dec 1980 were not entitled to the COLADJ as the law required that an annuity be payable on the day before the effective date of the COLADJ. Effective 1 Dec 1980, annuities were recomputed to include the previously denied COLADJ; however, no retroactive payment was made for the period before 1 Dec 1980.

(3) In April 1983, costs which normally would have increased by the full COLADJ were increased by 3.3 percent (one-half of an assumed COLADJ) for members under age 62 effective 1 Mar 1983. Costs increased by 3.9 percent for members age 62 or older on 1 Mar 1983, or any age if retired for disability. All base amounts for computing SBP annuity increased by 3.9 percent. See paragraph 20404bb.

b. See paragraph 91002b on cost-of-living adjustments for Minimum Income Widow annuities."

3. Change paragraph 100405e(2) to read:

"(2) RC-SBP and RC-SSBP costs increase at the same time and by the same percentage as retired pay COLADJs. When the payment of a COLADJ is delayed by law, the increase to costs will be applied at the same time payment of increased retired pay is payable."

4. Bibliography Changes/Additions:

Paragraph		Citation
"90405c(7)	(new)	10 U.S.C. 1452(h) Public Law 104-201, Sec. 635, 23 Sep 1996
90803 90803a(2)	(add)	10 U.S.C. 1452(h) Public Law 96-402, 9 Oct 1980
100405e(2)	(new)	10 U.S.C. 1452(h)