

# RETIREMENT BENEFITS

**T**his section describes the retirement benefits accrued by deceased service members that may be available to surviving family members. There are two types of retirement benefits for service members: military-sponsored benefits and private benefits. Many of the private benefits are available only if the service member, such as a reservist, was employed as a civilian.

## **Military Benefits**

*What types of military retirement benefits were available to the service member?*

Military retirement benefits may include the following:

- (1) Survivor Benefit Plan
- (2) Supplemental Survivor Benefit Plan
- (3) Reserve Component Survivor Benefit Plan
- (4) Thrift Savings Plan
- (5) VA Death Pension

## **Survivor Benefit Plan**

*What is the Survivor Benefit Plan?*

The Survivor Benefit Plan (SBP) is a monthly annuity, or regular cash payment, paid to a surviving spouse, and in some cases to the eligible children, of a service member who is retirement-eligible at the time of Dependency and Indemnity Compensation (DIC) payments and death, and who dies while on active duty. The SBP is intended to supplement Social Security benefits.

*How much is paid under the SBP?*

The SBP payment is equal to 55% of the retirement pay to which the service member would have been entitled if the member had retired on the date of death. This is based upon the service member's years of active service. The amount of the cash payment is reduced by the amount of the monthly DIC payment that a surviving spouse receives from the Department of Veterans Affairs (VA). Please see the section on General Financial Assistance for more information on DIC payments.

To begin the SBP application process, contact:

Defense Finance and Accounting Service Center (for members of the Army, Marine Corp, Navy and Air Force)  
DE/FRB  
6760 E. Irvington Place  
Denver, CO 80279-6000  
www.dfas.mil  
(800) 321-1080

or

U.S. Coast Guard Human Resources Service and Information Center  
Commanding Officer (RAS)  
U. S. Coast Guard  
Personnel Service Center  
444 SE Quincy St  
Topeka KS 66683-3591  
www.uscg.mil/hq/psc/  
(800) 772-8724.



When a surviving spouse reaches age 62, the annuity is reduced to 35% because a surviving spouse becomes eligible for individual Social Security benefits. The SBP annuity is paid until the surviving spouse dies.

*How does a surviving family member apply for SBP?*

Generally, the CAO should initiate the process. If the CAO does not initiate the application process, a surviving family member should notify the Defense Finance and Accounting Service Center or the U.S. Coast Guard Human Resources Service and Information Center to begin the application process. This could also include an application for arrears, if any, in basic pay.

*Will anything limit or suspend the SBP payments?*

Yes. If a surviving spouse remarries before age 55, payment will be suspended. The annuity may be reinstated if this marriage later ends in divorce or annulment or the new spouse dies. If a surviving spouse remarries at age 55 or older, however, the spouse will continue to receive the monthly annuity for life.

*Are children eligible for SBP benefits?*

If the service member elected coverage for both a spouse and for children, the full amount of the annuity is payable to the surviving spouse as long as the spouse remains eligible. If the spouse loses eligibility because of remarriage before age 55 or death, the children of the service member are entitled to the full SBP annuity. The annuity is then paid in equal shares to eligible children under age 18, or under age 22 if the children are full-time students. The coverage stops when the children either reach age 22, leave school, become part-time students or marry.

A child who is disabled before age 18, or before age 22 if the child is a full-time student when the disability occurs, is an eligible beneficiary for life so long as the disability continues and the child remains incapable of self-support. The monthly annuity for children is 55%, is payable for life for permanently disabled children, and is not reduced by DIC payments or when a disabled child attains age 62 and the child becomes eligible for individual Social Security retirement benefits.

## **Supplemental Survivor Benefit Plan**

*What is the Supplemental Survivor Benefit Plan?*

The Supplemental Survivor Benefit Plan (SSBP) is an additional benefit that the deceased service member might have elected for the service member's designated beneficiaries. Under the SSBP, a surviving spouse continues to receive higher benefits once the spouse reaches age 62, which is when the SBP annuity would otherwise be reduced to 35%. If the service member elected the SSBP, the total payment

received by surviving family members could be anywhere between 40% to 55% of the eligible retirement pay, depending on the amount of supplemental benefits the member elected.

### **Reserve Component Survivor Benefit Plan**

*What is the Reserve Component Survivor Benefit Plan?*

The Reserve Component Survivor Benefit Plan (RCSBP) is a monthly annuity paid to the surviving spouse or, in some cases, eligible children, of a Reserve Component member. Members become eligible only after accruing twenty “qualifying” years of service, which should be reported to the member in a twenty-year eligibility letter. In order to participate in this program, the member must have made an election within 90 days of receiving notice of eligibility.

The same restrictions that affect the SBP also affect the RCSBP. If a service member is eligible for both SBP and RCSBP benefits, the beneficiary must choose to receive benefits under only one of the plans.

### **Thrift Savings Plan**

*What is the Thrift Savings Plan?*

The Thrift Savings Plan (TSP) is a federal government-sponsored retirement savings and investment plan. In October 2000, the TSP was extended to members of the military. The TSP is a defined contribution plan and is similar to a 401(k) plan.

If a service member dies while on active duty, the entire account balance in the TSP will be distributed to the beneficiary designated by the service member on the Designation of Beneficiary Form.

Under certain circumstances, payments may be subject to tax. Surviving spouses may be able to roll over the payment to another qualified retirement plan or traditional Individual Retirement Account (IRA) without incurring federal income taxes. Payments to beneficiaries other than surviving spouses are not eligible for tax-free rollovers. Designated beneficiaries are strongly encouraged to consult a tax professional concerning the tax consequences of receiving any TSP distributions.

### **VA Death Pension**

*What if the service member died outside the line of duty?*

If the service member’s death was determined to be outside of the line of duty by the VA, surviving family members still may be eligible for benefits from a VA Death Pension. Benefits would be payable if the service member completed at least two years of active honorable service. Contact the nearest VA Regional Office for more information.

For more information on the Thrift Savings Plan, call the TSP Thriftline at 1-TSP-YOU-FRST ((877) 968-3778) or visit the TSP website at [www.tsp.gov](http://www.tsp.gov).



## Private Retirement Benefits

Entitlement to private benefits depends on the plan and its eligibility and vesting rules, which are usually based on years of service with the employer or membership with the union. All private plans have standards that must be met in order to qualify for benefits. Only those benefits that the employee has earned and is eligible to take from the plan—the so-called “vested” benefits—are paid.

Under many circumstances, receipt of private retirement benefits is subject to tax. Beneficiaries are strongly encouraged to consult a tax professional before making any decisions related to retirement benefits.

*What types of private retirement benefits may have been available to the service member?*

Private retirement benefits include the following:

- (1) employer-sponsored pensions (also known as defined benefit plans);
- (2) employer-sponsored 401(k) plans (also known as defined contribution plans);
- (3) union or multi-employer sponsored pension or 401(k) plans; and
- (4) individual retirement accounts (also known as IRAs).

*If the service member was employed outside the military, how would a surviving family member determine what benefits may be available?*

Surviving family members should contact the plan administrator or other plan official at the service member’s employer or union office to receive complete information on the benefits that may be available, including how to file claims for these benefits.

For each plan, potential beneficiaries should obtain a copy of the summary plan description (SPD). This is a document that the plan administrator must furnish to each plan participant and beneficiary. It gives a detailed summary of the plan: how it works, what benefits it provides, and how they may be obtained. The SPD is also required to spell out the plan participant’s and beneficiary’s rights and protections under ERISA, the federal law that covers most employer-sponsored benefit plans.

## Pension and 401(k) Plans

*How are retirement benefits paid under a pension plan?*

In a typical pension plan, benefits are payable at retirement age. Some may also become payable in the case of death. These plans also permit the employee to designate a beneficiary other than the spouse to receive benefits upon death, but usually the spouse must have consented to this in writing.



The form of the retirement benefit payments (single lump sum or monthly annuity) will be specified by the plan and is subject to a number of complex rules. The plan administrator will provide detailed information about the various forms of payment. Surviving family members should consult a tax advisor before selecting a form of payment.

*How are retirement benefits paid under a defined contribution plan (a 401(k) plan)?*

Most profit sharing and 401(k) plans permit lump sum payments upon termination of employment or death. These plans also permit the employee to designate a beneficiary other than the spouse to receive benefits upon death, but usually the spouse must have consented to this in writing.

*How are claims made for benefits under pension and 401(k) plans?*

Each plan will have a written procedure for processing claims for benefits and for appealing if the claim is denied. This information will be found in the SPD. If for any reason information has not been provided, surviving family members may make a claim in writing to the employer, union or plan administrator. The prospective beneficiary should keep a copy of the letter.

Generally, claims for benefits are processed within 90 days, although 401(k) plans are typically faster than traditional pension plans. Proof of death may be required. If a claim has been denied, the SPD will contain information about how to appeal the decision. Additional information and assistance can be obtained through the Department of Labor.

## **Individual Retirement Accounts (IRAs)**

*What are the options for a beneficiary of an Individual Retirement Account (IRA)?*

The options for a beneficiary of an IRA will vary depending on a number of factors, including whether the beneficiary was specifically named as such in a beneficiary designation, whether the designated beneficiary is the IRA owner's spouse or another individual or entity, and whether the IRA owner had begun receiving distributions from the IRA prior to his or her death. For example, under most circumstances, a surviving spouse has the option to adopt the IRA as his/her own (by changing the title of the IRA account to his or her name or by rolling over the IRA account into the spouse's own IRA account) or simply to take distributions from the decedent's IRA immediately. An election by a surviving spouse to adopt the IRA as his or her own may permit additional income tax deferral by allowing funds to remain in the IRA until the spouse would be required to take distributions. In contrast, a beneficiary of an IRA who is not the spouse of the deceased service member, such as a child, or a beneficiary who is not a designated beneficiary

*In addition to a retirement plan administrator and/or union representative, the Employee Benefits Security Administration of the Department of Labor is also a good resource for information about beneficiaries' rights in pensions and 401(k) plans under federal law.*

*U.S. Department of Labor  
Employee Benefits Security  
Administration  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210  
(202) 219-8776*

*For more detailed benefits information, see [www.dol.gov/ebsa/welcome.html](http://www.dol.gov/ebsa/welcome.html).*



(i.e., not designated as a beneficiary under the IRA plan) cannot adopt the IRA as his or her own, but will generally be required to commence receiving distributions within a year of the decedent's death.

Decisions about the timing and amounts of IRA distributions may have significant tax consequences. Surviving family members are strongly encouraged to consult a tax professional regarding the alternatives available to the beneficiary of an IRA.

Beneficiaries should contact the bank or brokerage firm holding the IRA assets for more information on how to transfer or roll over the assets of the IRA and on how to obtain a distribution.

