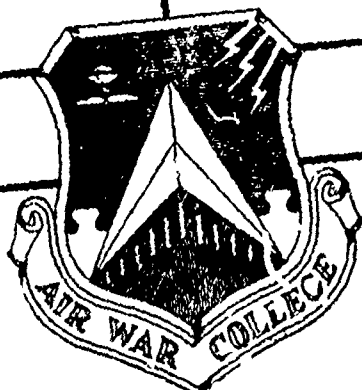


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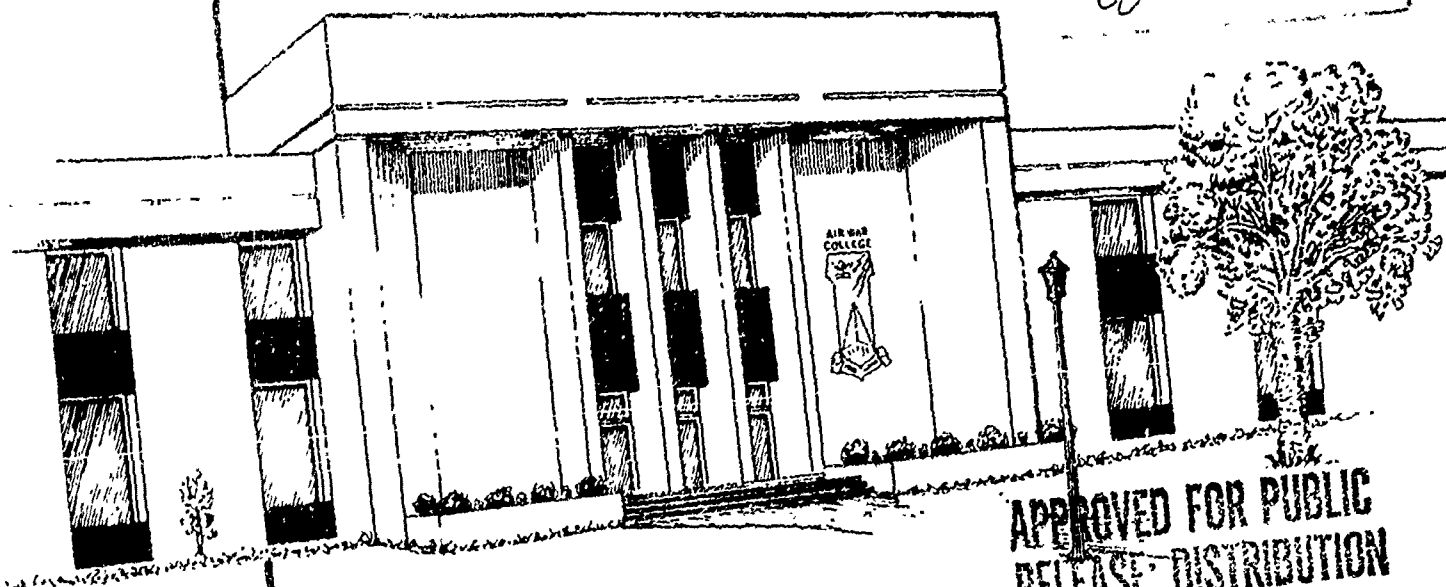
ANALYSIS OF SURVIVOR BENEFIT PLAN--ACCEPTANCE
AND COMPARISON WITH PRIVATE SECTOR

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UNITED STATES AIR FORCE
MAXWELL AIR FORCE BASE, ALABAMA

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ANALYSIS OF SURVIVOR BENEFIT PLAN--ACCEPTANCE
AND COMPARISON WITH PRIVATE SECTOR

by

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A DEFENSE ANALYTICAL STUDY SUBMITTED TO THE FACULTY
IN
FULFILLMENT OF THE CURRICULUM
REQUIREMENT

Advisor: Doctor William F. Snyder

MAXWELL AIR FORCE BASE, ALABAMA

MAY 1990

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EXECUTIVE SUMMARY

TITLE: Analysis of Survivor Benefit Plan (SBP)--Acceptance and Comparison With Private Sector. AUTHORS: John R. Adams, Lieutenant Colonel, USAF; Daniel J. Kohn, Lieutenant Colonel, USAF; Susan K. Nielsen, GM-15.

→ The Survivor Benefit Plan is a voluntary program to provide financial support for a surviving spouse (or children) of a retired military member. The SBP provides cost of living increases and income tax exclusion. However, the participation rate has never reached the original goal of 85 percent, especially for the lower enlisted pay grades. Primary reasons for the lower participation rate include: (1) lack of understanding by the member, (2) perceived high cost, (3) Social Security offset, (4) the need for additional training for SBP counsellors, (5) outdated materials, and (6) no cash surrender value in the case of divorce or when the spouse dies. This study identifies SBP options available outside the military program that should be considered for inclusion in the military plan, and other recommendations, that if adopted, could improve the program. Keywords: Department of Defense, Insurance, Social Security, Retirement (personnel), Theses. (RWJ) ←

CHAPTER 1

INTRODUCTION

Introduction

Only 53 percent of members, who retired in Fiscal Year 1988, elected full or reduced coverage under the Military Survivor Benefit Program (SBP). This is well below the original Department of Defense (DoD) goal of 85 percent. Three possible reasons for the lower than desired participation rate are: (1) The retiree doesn't need insurance, independently wealthy; (2) the retiree believes commercial insurance is cheaper and/or better; or (3) the AF and other military services do a poor job of promoting and explaining the benefits of SBP. In an effort to improve participation in SBP, legislation has recently been enacted to increase the attractiveness of SBP.

This study discusses the history and characteristics of the SBP, including the provisions of this new legislation; compares the SBP with private sector programs; assesses the Air Force administration of SBP provisions and procedures; and recommends changes to improve SBP and the administration of the program.

Assumptions and Constraints

The conduct of this study was based on several assumptions and constraints which limited its scope, as follows:

It was assumed that SBP offers better value than private insurance. This assumption is based on the numerous studies and articles which conclude SBP is the best deal. A 1987 study conducted by Hays/Higgins, under contract to DoD, found in the short term that insurance provides about the same protection as the SBP but, in the long term, insurance is way to expensive to maintain. (1:1) An article in the 6 April 1987 Wall Street Journal states: "Life insurance strategy will almost never make sense for Federal employees and other workers whose pension payments are indexed to inflation."

(2:23) In addition, on 1 September 1988 Ms Toni Hustead, then Chief Actuary for the DoD, prepared an article for the Army and Air Force Mutual Aid Association, the Navy Mutual Aid Association, and the Retired Officers Association. This article also states that, based on studies and in-depth analysis, SBP cannot be matched by commercial life insurance and refutes some of the common inaccuracies and misconceptions concerning the benefits of SBP in comparison with life insurance. (3:1-4) This article is contained in Appendix A.

It was also assumed that the available SBP publicity materials are sufficient to provide an adequate understanding by the member and spouse of the important benefits of the SBP.

This assumption is based on the 1987 DoD study of SBP publicity materials and the resultant SBP information package developed by contract with Resource Consultants and the Hay/Huggins Company. (4:11-11114)

A constraint was placed on this study which prevented surveying a representative sample of retirees, annuitants, and retirement eligible or soon to be retirement eligible active duty members. A set of questionnaires for this survey was prepared and sent to the Air Force Personnel Center (AFMPC) for approval. The personnel at AFMPC, responsible for administering the Air Force SBP, determined that the survey was not needed. Instead, AFMPC provided information it believed represented the responses we would have received if the survey had been conducted. Appendix B contains the questionnaires and AFMPC provided information.

Purpose of the SBP

Congress enacted Public Law 92-425, the Military Survivor Benefit Plan, effective 21 September 1972, to provide financial support for widows or widowers or the children of a member who dies after becoming eligible for retirement. The SBP replaced the voluntary Retired Service Family Protection Plan (RSFPP) which had been in existence since 1961. The RSFPP was very costly and provided a low and fixed annuity. Its participation rate was less than 15 percent and it failed to alleviate the problem of destitute survivors. The purpose of the SBP was to overcome the shortcomings of the RSFPP by

providing an inexpensive, cost effective plan which was indexed to increases in the cost of living consumer price index.

Background

The SBP was modeled after the Civil Service Survivor Plan with the government subsidizing 40 percent of the cost. (5:IV-3) By 1984 the rate of subsidy had dropped to 28 percent. (5:IV-19) This problem was caused by applying cost of living increases to retired pay but not adjusting, for inflation, the subsidized cost for the base minimum amount. This base minimum amount had been established as \$300 in 1972. The cost for coverage on this base minimum amount was only 2.5 percent while the cost for coverage above the base minimum was 10 percent. This problem was brought to Congress's attention by the Fifth Quadrennial Review and legislation was passed in November 1985 to keep the situation from worsening. This legislation provided for indexing the base minimum amount to the same increases for inflation which are applied to the retired pay after 1 October 1985. (6:4-1) The Military Survivor Improvement Act of 1989 eliminates the base minimum amount and replaces the two step percentage computations with a flat 6.5 percent of the base amount. Appendix C and D contain additional information concerning legislated changes to SBP and detailed SBP characteristics.

Participation

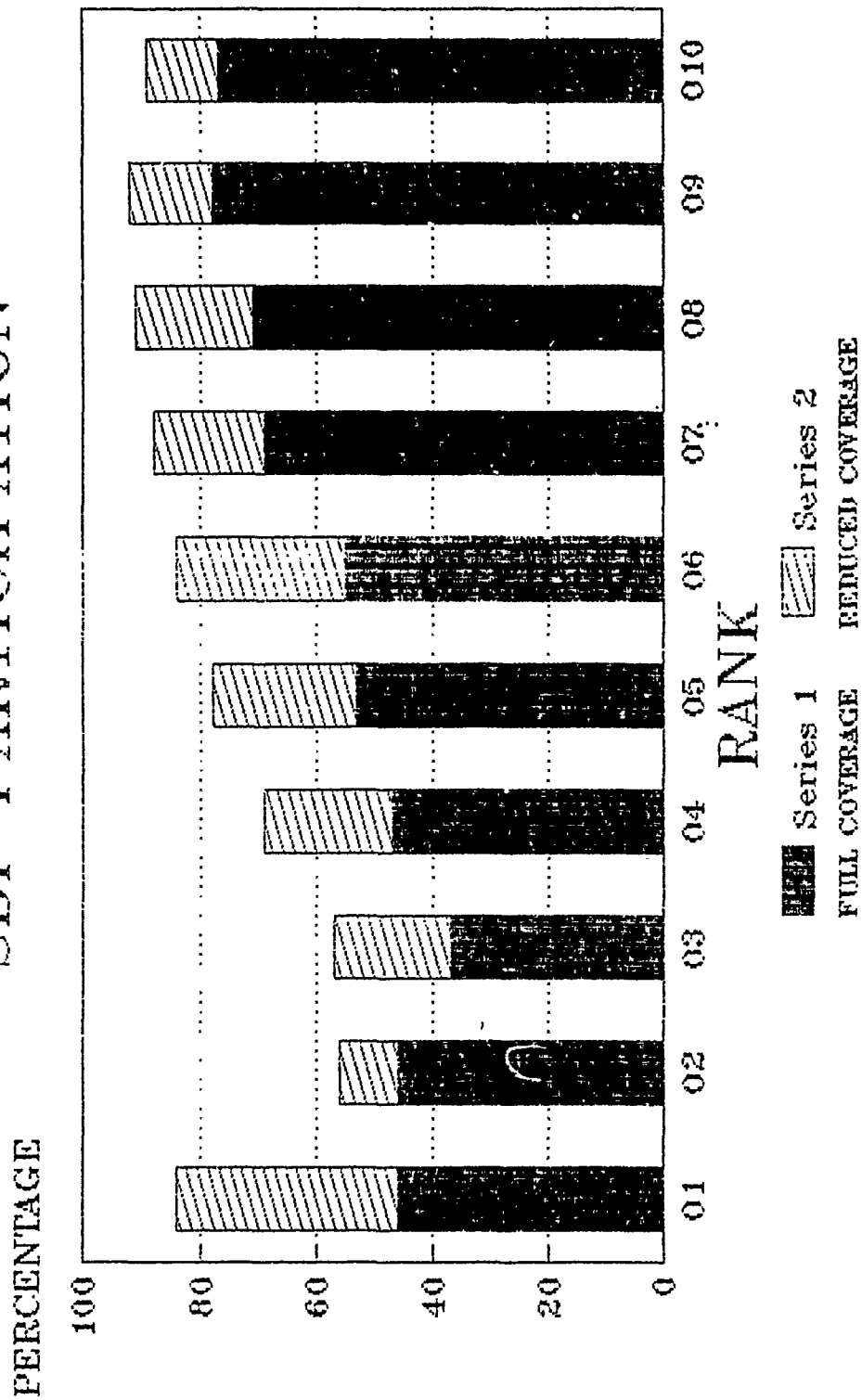
At time of enactment in 1972, the anticipated participation rate in the SBP was 85 percent. (5:IV-3) As of the beginning of Fiscal Year 1989, this goal was far from being obtained. The Department of Defense (DoD) and Air Force participation rate in SBP was 45 percent for all enlisted retirees. For officers the rate was 73 percent for DoD and 74 percent for Air Force. The participation rate for all retirees on the rolls for both the DoD and Air Force was 53 percent. (7:222-225)

In 1985 the rate of participation for enlisted personnel was 44 percent for DoD and 43 percent for Air Force. For officers the rate was 72 percent for DoD and 74 percent for Air Force. (8:222-225) The reasons the rates are slightly higher in 1988 than in 1985 include increased emphasis by the military services, legislation requiring the spouse's signature for those members declining SBP coverage, and legislation indexing the base minimum amount to the inflation rate. Even with these efforts, however, the participation rate is well below the desired rate when the SBP was enacted by Congress. (Appendix E and F contain tables on Air Force and DoD participation rates in SBP and information regarding the number of military members receiving retired pay.)

Because of the low participation rates, there are a lot of spouses and children who are not covered by SBP. Another troubling aspect is that noncoverage of SBP is

especially prevalent among lower income enlisted personnel. The charts, in Figures 1 and 2, show that participation for the lower ranking enlisted Air Force retiree is well below the average for the rest of the retirees. Enlisted personnel who retired in the lowest 3 grades (35,585 retirees or 2.5 percent of the total DoD military members receiving retired pay as of 30 September 1988) have declined SBP coverage over 90 percent of the time. Only the top two grades (E8 and E9) of the enlisted retirees (217,900 or 15 percent of the total DoD military members receiving retired pay as of 30 September 1980) elect SBP coverage over half of the time. Therefore, the families of members, who already are in the lower level of earnings and therefore doubtfully have a reliable estate plan consisting of insurance and/or investments, are also the ones who are least protected financially by SBP coverage.

AF OFFICER SBP PARTICIPATION

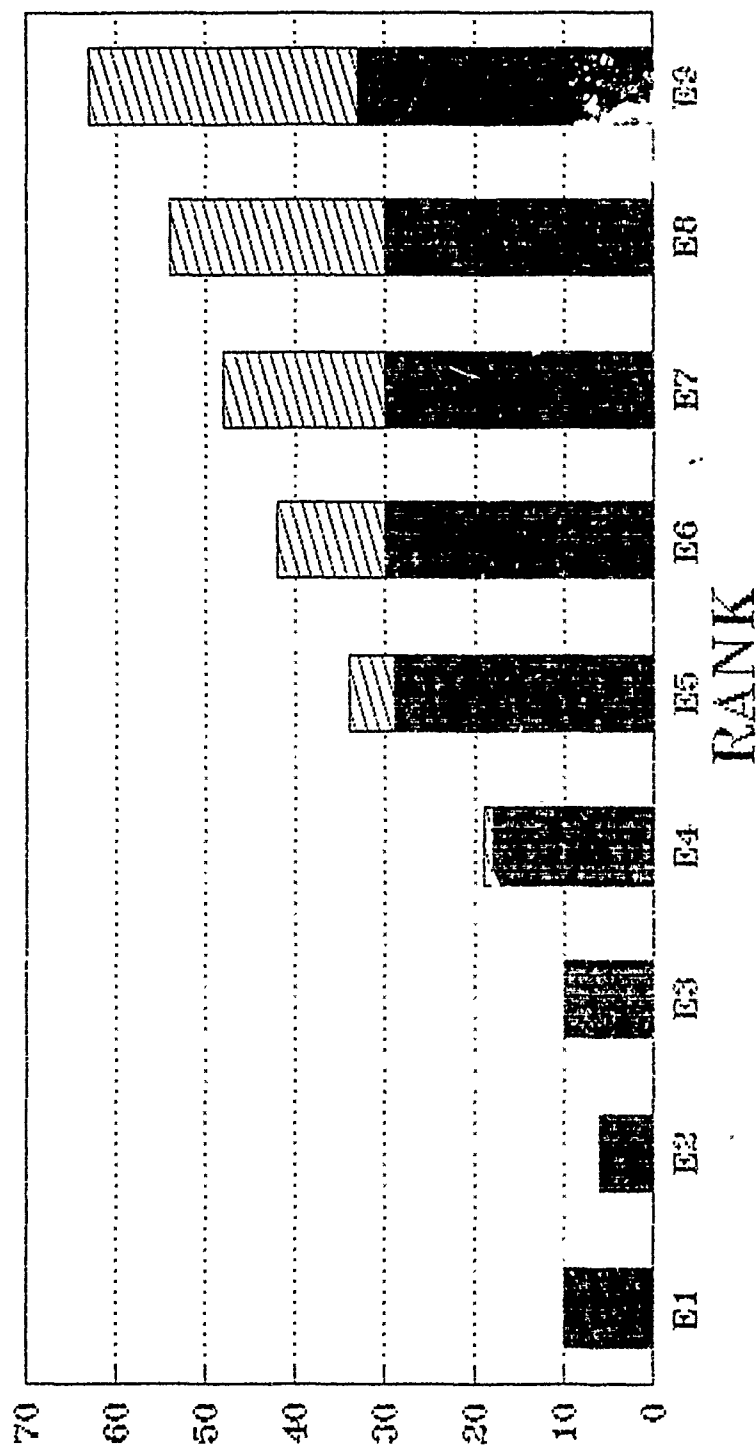


as of 30 September 1986

Figure 1

AF ENLISTED SBP PARTICIPATION

PERCENTAGE



Series 1 Series 2

FULL COVERAGE REDUCED COVERAGE

as of 30 September 1988

Figure 2

CHAPTER II

REVIEW OF NON-DOD RETIREMENT AND SURVIVOR BENEFIT PLANS

This part of the study addresses various survivor benefit programs that are available in the civilian community and how they compare to the military Survivor Benefit Plan. A primary objective of this study is to determine if any of the programs offered in the civilian sector are better than the military's Survivor Benefit Plan. If better programs are identified, then appropriate legislative action might be initiated to improve the military Survivor Benefit Plan.

Much of the data for this portion of the study is derived from pamphlets and brochures produced by various corporations, businesses, state governments, and municipalities, which outline their respective retirement programs. While limited in number, the plans reviewed represent a wide variety of companies and government programs.

Types of Retirement Plans

Retirement plans can be broadly categorized as Defined Benefit Plans, Defined Contribution Plans/Capital Accumulation Plans, and combination or hybrid plans.

Traditionally, the most prevalent form of retirement plan in American industry is the Defined Benefit Plan.

According to a 1986 Hay/Huggins Benefits Comparison study, 91% of the plans reported were Defined Benefit Plans.

(11:45) However, since 1983, capital accumulation plans have grown from less than 2% of the plans offered by large and medium-size employers to 82% in 1988. (12:78)

In a Defined Benefit Plan the sponsoring employer promises to provide a benefit, determined by a definite formula, at the employee's retirement date. This is the principal characteristic that distinguishes this plan from other types of retirement programs. For most Defined Benefit Plans (89%), employers defined the benefit in relation to final average earnings over a period which ranged anywhere from 3 to 10 years, with the most common being from 3 to 5 years. This is done in an effort to maintain retirement purchasing power. Defined benefit plans provide the employer great flexibility in designing the company's program. Benefits can be customized to include past credits, make adjustments for future compensation gains, and provide for cost of living adjustments. Customizing also allows for providing early retirement benefits to satisfy changing corporate business strategies. Other advantages of this type of program for the employer include: 1) gains from forfeitures realized

due to employee termination are used to reduce future employer costs; 2) investment gains reward management, providing an option for reduced future contributions; 3) overfunded programs provide the flexibility to take advantage of asset reversions to reduce or eliminate annual pension costs if financial circumstances require it.

(11:46) Disadvantages are: 1) Plan administration.

These plans are expensive and difficult to maintain. They require periodic actuarial valuations of plan liabilities, annual filing with the Pension Benefit Guarantee Corporation, annual payment of a premium based on the number of covered plans, as well as significant legislative compliance requirements for maintaining a minimum funding level and benefits security for covered employees. 2)

Plan communication. Defined Benefit Plans are difficult to explain to employees since the benefit is based on some future earnings which will be determined 20 or 30 years in the future, and will be based on the situation at the time; i.e., death, disability, early retirement, or other option like survivor benefits that may be elected. 3) Employer

Cost. The cost is based on the benefits paid plus administrative expenses less investment earnings. These plans generally cost more than other types of retirement programs because of funding required for past service credits and advance funding of anticipated salary increases. (11:47)

Defined Contribution Plans differ from Defined Benefit Plans in that Defined Contribution Plans are based on a fixed or known annual contribution as opposed to provision of a known benefit. (11:47) Defined Contribution Plans include: thrift or savings plans, stock purchase plans, employee stock ownership plans, profit sharing plans, cash or deferred plans (401k), Individual Retirement Arrangements (IRAs), and Simplified Employee Pensions (SEP). (11:48-50,53) Contributions to these plans are made on a monthly, quarterly, semi-annual, or annual basis to the participant's account and the account accrues investment earnings. Normally, the account is converted into an annuity that provides the retirement benefits at the employee's retirement date. In these plans, ultimate benefits are directly related to investment performance with the employee retaining the investment risk and reward. Advantages to the employer include: 1) Plan Administration. Unlike Defined Benefit Plans, Defined Contribution Plans are the easiest and least expensive for the employer to administer. Primary reasons are: no need for a plan actuary to value benefits, no Pension Benefit Guarantee Corporation (PBGC) filing or premium payments, and less legislative compliance than is required for Defined Benefit Plans. 2) Plan Communication. Plan performance is easy to communicate to employees through

annual statements that show their share in the program.

These plans also tend to boost employee morale and

identity. (11:48) 3) Employer Cost. Defined

Contribution Plans are attractive to employers because they

have a fixed cost which is typically a percentage of

payroll. 4) Employee Demographics. Defined Contribution

Plans appeal to younger employees because of the

opportunity for significant investment gains over a long

career. These plans also appeal to employees because of

their transferability from one company to another.

Following are highlights of different types of defined contribution/capital accumulation plans:

1. Thrift/Savings Plans. These plans typically guarantee an employer contribution as a percentage of the employee contribution. Fifty-six percent of the companies in the 1986 Hays/Huggins Benefits Comparison Survey offered thrift or savings plans. (11:48)

2. Stock Purchase Plans/Employee Stock Ownership Plans (ESOPs). In these plans the employer contribution is typically a percentage of payroll given in company stock. Sixty-four percent of the survey participant stock companies sponsor stock purchase or employee stock ownership plans. These programs provide an excellent means of creating employee identity with the company. (11:49)

3. Profit Sharing Plans. In profit sharing plans the employer's contribution is discretionary based on corporate profitability. Eighteen percent of the Hay/Huggins survey participants sponsor profit sharing plans. The obvious disadvantage to profit sharing plans is the lack of employer contribution when there are no profits. This fact gives profit sharing plans the poorest level of benefit security for covered employees. The employee carries the entire risk/reward load. (11:49)

A third type of retirement plan is the combination or combination hybrid plan. Combination plans are usually retirement programs consisting of a basic fixed benefit retirement plan with supplemental capital accumulation plans described above. Sixty-three percent of the Hay/Huggins survey participants sponsored combination programs. Combination plans offer the employer the following advantages: 1) Benefit Levels. Employers have the flexibility of both defined benefit and defined contribution plans. 2) Plan Funding. The funding of combination plans has the advantages of both defined benefit plans (i.e., anticipating experience, amortizing gains and losses, and establishing a funding policy to conform with the company's financial experience) and defined contribution plans (i.e., discretion in setting

contribution levels). 3) Employee Demographics.

Combination programs provide a balance in plan appeal to both young and older employees. (11:50-51)

Combination Hybrid Plans. These plans are also known as "cash balance plans" or "pension equivalent reserve credits." They are defined benefit plans with many of the features of defined contribution plans. The typical program guarantees a fixed benefit expressed in the accrual of dollars in an account. Each participant is allocated an account that accumulates at a predetermined fixed rate of interest. At retirement, the account is converted to an annuity or distributed in a lump sum. Less than 1% of the Hay/Huggins survey participants sponsored combination hybrid plans. (11:52)

Examples of Retirement and Survivor Benefit Plans

The Hilton Corporation

The retirement program provided by the Hilton Corp. is an outstanding example of a Defined Benefit Plan. The general provisions of this plan are outlined below:
(13:1-9)

A. Cost. Hilton pays the entire cost of the retirement plan.

B. Eligibility and Participation.

Participation is automatic if you are at least 21-years-old and have completed one year of full time service in which you have worked 1,000 hours.

C. Prior Service Credit. If you leave Hilton and are re-employed at a later date you will receive credit for prior service. There are conditions which have to be met and they are spelled out in the employee brochure.

D. Final Average Salary. This is the average salary of the employee's five highest paid consecutive years in the 10 year period immediately preceding the retirement, termination, or death, or the average salary for the last 60 months of employment, if greater.

E. Normal Retirement. Age 65 + 10 years of service.

F. Early Retirement. Age 55 + 20 years of service. If early retirement is elected, the normal retirement benefit will be reduced to compensate for the longer payout period.

G. Disability Retirement. Any age + 15 years of service. Provided if employee becomes totally and permanently disabled while an employee of the Hilton Corp. Like early retirement, the benefit is reduced if payments are begun before age 65 to compensate for the longer payout period.

H. Determining Benefit Payments. The amount actually paid by the plan depends on several factors:

- age upon retirement or termination
- earnings history
- length of service
- Social Security benefits
- other sources of pension benefits to

which Hilton has contributed.

(1) Benefit Formula. Assuming an employee retires with 30 years of service with the last 10 years in a nonunion position and the average monthly salary over the last 5 years was \$2,082 the benefit would be calculated by taking 2% of the years of benefit service (maximum 50%) x the final average salary (\$2,082) - 50% of primary social security benefit (\$348.50) - 100% of integrated benefits (union pension to which Hilton made the contributions) (\$120) = \$572.50 monthly retirement from the Hilton retirement plan.

(2) Early Retirement Benefit.

Retirement benefits for early retirement are calculated the same way as normal retirement. However, benefits are reduced 3% for each year of early retirement between the ages of 60 and 64. Retirement prior to age 60 calls for an additional reduction of 5% per year to account for earlier commencement of benefits. Therefore, individuals who choose to retire at age 62 would receive 91% of their

normal retirement benefit. Using \$572.50 as the base from the example outlined in para. H.(1) the formula to determine the early retirement benefit would be: \$572.50 (normal retirement benefit at age 65) \times 91% (reduction factor/3 years early) = \$520.98 monthly retirement benefit at age 62.

I. Disability Retirement. If an individual retires due to total and permanent disability after 15 years of credited service, the benefit will be calculated as though the individual had retired early. It is the individuals choice whether to begin benefits at age 65 or earlier at a reduced rate.

J. Deferred Vested Benefits. Once 10 years of credited service are accumulated, the individual is vested in the program and can receive a benefit even if they leave the company before being eligible to retire.

K. Benefit Payment Options. The Hilton retirement program offers three benefit payment options:

(1) Straight Life Annuity. This option pays a monthly amount for life and is primarily designed for the unmarried employee. A married employee may select this option but both the employee and the spouse must sign a waiver form in order to receive the full straight life annuity.

(2) 50% Joint and Survivor

Annuity. The 50% Joint and Survivor Annuity pays a monthly benefit slightly lower than the Straight Life Annuity and then pays the surviving spouse a benefit equal to 50% of the reduced benefit in the event of the employee's death. If the spouse dies first, the employee continues to receive the reduced benefit. The amount the benefit is reduced depends on 1) the difference between the employee's age and the spouse's age and 2) the employee's age when benefit payments start.

(3) 66 2/3% Joint and Survivor

Annuity. This option pays the spouse 66 2/3% instead of only 50% of the reduced monthly benefit.

NOTE: Once a payment option has been selected and the first payment made, the retiree may not later change to any other payment option.

The above provides a comprehensive outline of a standard defined benefit pension plan. Details of additional Defined Benefit Plans will not be as extensive.

American Airlines, Inc.

Another example of a Defined Benefit Plan is The Retirement Benefit Plan of American Airlines, Inc. for Officer, Management and Specialist, and Non-Management Salaried Personnel. A fixed benefit plan, American Airlines pays the entire cost. This program provides vesting beginning with only 5 years of employment, benefits if

permanently disabled, pre-pension spouse benefits, post-pension death benefits, early commencement of benefits at age 50, and late commencement of benefits to age 70 1/2.

This program also has an extensive Joint and Survivor Annuity provision. A married employee's benefit is automatically paid as a joint and survivor annuity. Under this plan, a spouse is the employee's husband or wife to whom the participant has been married for at least 1 year at the earlier of the participant's date of death or the date benefits begin. Under the normal program, the participant receives a reduced benefit payment every month for life. In the event of death, the employee's spouse continues to receive 50% of the monthly benefit for the rest of his or her life.

An employee may select survivor benefit payments of 50%, 66 2/3%, or 75%. The amount of an employee's monthly retirement benefit is reduced as determined by the option selected and the age of the beneficiary. The following table was extracted from the American Airlines Employee Handbook.

Percentage of Benefit Payable
Under a 50%, 66 2/3 or 75% Survivor Option

Age of Beneficiary				
Age of Participant	5 Years Older	Same Age	5 Years Younger	10 Years Younger

Annuity Continuing at 50% Rate to Beneficiary

65	89.94%	86.90%	83.79%	80.81%
60	91.22%	88.77%	86.29%	83.90%
55	92.46%	90.51%	88.54%	86.65%

Annuity Continuing at 66 2/3% Rate to Beneficiary

65	87.03%	83.29%	79.52%	75.98%
60	88.63%	85.58%	82.53%	79.64%
55	90.20%	87.74%	85.29%	82.97%

Annuity Continuing at 75% Rate to Beneficiary

65	85.65%	81.59%	77.55%	73.78%
60	87.40%	84.07%	80.77%	77.67%
55	89.11%	86.42%	83.76%	81.25%

Using the chart and assuming a normal monthly retirement benefit of \$1,000, a retiree at age 65 whose beneficiary was the same age who selects the 50% survivor annuity would receive a monthly retirement benefit of $\$1,000 \times 86.90\% = \869 . Upon death of the retiree, the spouse would continue to receive \$434.50. To provide a 75% survivor benefit under the same circumstances, the retiree would receive $\$1,000 \times 81.59\% = \815.90 . The survivor benefit would be \$611.93.

Another unique option of the American Airlines plan is the Guaranteed Period and Life Option - 120, 180, or 240 Payments. Under this option, the retiree selects the number of guaranteed payments desired; i.e., 120 (10 years), 180 (15 years), or 240 (20 years). If the retiree dies before all payments are made, the beneficiary receives the same monthly income until all the payments are made. The following chart outlines the percentages payable under this option.

Percentage of the Age 65 Benefit Payable

Under the Guaranteed Period and Life Option

Age of Participant at Date Payments Begin	Percentage of Benefit Otherwise Payable at Age 65 or Earlier
---	--

	120 Months	180 Months	240 Months

65	90.29%	82.58%	74.60%
64	91.15%	84.00%	76.35%
63	91.96%	85.34%	78.04%
62	92.69%	86.59%	79.65%
61	93.37%	87.75%	81.18%
60	93.98%	88.84%	82.64%
59	94.53%	89.84%	84.01%
58	95.03%	90.76%	85.30%
57	95.48%	91.61%	86.50%
56	95.89%	92.38%	87.62%
55	96.25%	93.09%	88.67%

Selection of this option would provide the retiree a larger monthly benefit and a larger benefit for his survivor but for a specified period as opposed to a guaranteed payment for life.

This program also provides for Pre-Pension Spouse Benefits. Unless specifically waived, the spouse is entitled to a monthly benefit payable for life beginning on what would be the retiree's early benefit commencement date under the program. The amount payable to the spouse is equal to one-half of the amount the employee would have

received. Cost for this benefit is minimal and is based on the employee's total years of coverage, age, and credited service. Payment is made through a permanent reduction in the monthly retirement benefit.

The numerous benefit payment options offered by the American Airlines retirement plan distinguish it among similar plans. (15:R1-R22)

South Central Bell

In contrast to the American Airlines program is the program provided by South Central Bell. The survivor benefit option provided is a straight 50% of the retiree's monthly benefit. The cost is a flat 10% of the retiree's full monthly benefit. (14:1)

Dow Chemical Co & The Associates Corp of North America

The survivor benefit options provided by Dow Chemical Company (16:67) and The Associates Corp of North America (17:17-18) are similar in that they both provide the option to select a survivor benefit of 100%, 75%, or 50% of the retiree's normal monthly retirement benefit. The formulas used by these companies to calculate the cost of providing a 75 or 100 percent option were not available.

State and Municipal Government Programs

The retirement programs offered by state, county, and city governments differ significantly from those offered by commercial enterprises. All of the state and

local government programs reviewed were Defined Contribution Plans in which the individual and the government agency make contributions to the retirement program. Since these programs are usually established by public law, they tend to be complicated and cumbersome in the way they are presented in pamphlets and brochures.

State of Alabama

The Employee's Retirement System of Alabama provides a retiree four options under which retirement benefits could be calculated to provide a survivor benefit.

1. Option 1. This option provides for a lump sum payment to a beneficiary. The amount of lump sum payment is what is left in the retiree's annuity reserve. The cost of this option to the retiree is minimal.

2. Option 2. Option two provides a 100% survivor benefit of a reduced regular monthly benefit. The retiree's maximum monthly benefit would be reduced approximately 25%. Therefore, if a retiree's normal monthly benefit is \$1000 then he would receive \$750 per month for the rest of his life and the designated beneficiary would receive \$750 per month for life.

3. Option 3. This is the 50% option. The retiree's monthly benefit is reduced approximately 14%. This option provides the retiree a monthly benefit of \$860 and the designated survivor \$430 per month.

4. Option 4. This option is unique in that it offers the retiree the opportunity to write his own retirement benefit that would be the actuarial equivalent of the regular retirement allowance if approved by the retirement system control board. (18)

Montgomery County

In contrast to the four options provided under the Alabama state plan, the Montgomery County retirement system provides only one option for a retiree to select for survivor benefits. This option provides for a 75% monthly benefit to the beneficiary. The retiree receives 90% of his normal monthly benefit. (19:501-502) Other programs reviewed provide only a 50% monthly benefit for a 10% reduction in the retiree's monthly check.

State of Louisiana

The State of Louisiana's retirement system is similar to Alabama's in that it offers a number of options for the retiree to choose from. Survivor benefit options range from 100% to 50% of the retiree's monthly benefit. One significant difference with the Louisiana plan is its Option IV-A and IV-B. Option IV-A provides the retiree a 90% monthly allowance and the spouse receives a 55% benefit provided the retiree and spouse are married at least 2 years at time of retirement. Most retirement programs only

require the retiree to be married 1 year at time of retirement. Option IV-B also provides the designated beneficiary of 55% of the retiree's benefit after the retiree's death. The retiree receives a reduced benefit based on the ages of the retiree and beneficiary as shown below:

Difference In Age Members & Beneficiary	Member receives % Of Maximum Benefit
-----	-----
Older or 0 to 4 years younger	90%
5 to 9 years younger	85%
10 to 14 years younger	80%
15 to 19 years younger	75%
20 to 24 years younger	70%
25 to 29 years younger	65%
30 or more years younger	60%

The above chart clearly shows the actuarial costs of providing a 55% survivor benefit when the designated beneficiary is considerably younger than the retiree. (20:12) This makes selection of this option a very expensive choice. (Note: The beneficiary may be the

spouse to whom the retiree is married less than 2 years at the time of retirement or any other designated person. The beneficiary may not be changed after retirement.)

State of Nevada

The retirement system provided for teachers in the state of Nevada has provisions for seven different options to choose from at retirement. Apart from the normal choices of providing survivor benefits at the retiree's death, this program includes options which provide survivor benefits which begin at age 60 for the beneficiary as opposed to beginning at time of death of the retiree. Following are the options under the Nevada program. Percentages assume a 60 year old retiree and a 55 year old beneficiary:

1. Option 1. Retiree receives maximum allowed benefit but provides no protection for beneficiary.

2. Option 2. Monthly benefit reduced 18.6%. Provides beneficiary same allowance for life upon retiree's death.

3. Option 3. Monthly benefit reduced 10.5% for lifetime of employee. Provides survivor benefit of 50% for life upon retiree's death.

4. Option 4. Retiree's monthly allowance reduced 17.9%. Provides same allowance to beneficiary when he/she reaches age 60.

5. Option 5. Retiree's monthly allowance reduced 9.8%. Provides 50% of retiree's monthly allowance when beneficiary reaches age 60.

6. Option 6. Provides the retiree the option of identifying a specific sum to be provided the beneficiary upon death of the retiree.

7. Option 7. This is the same as option 6 except that benefits begin upon the beneficiary reaching age 60. (21:9-13)

State of Texas

The Teachers Retirement System of Texas is another program that offers a variety of options for the retiree to provide survivor benefits for a designated beneficiary. Following are the options under the Texas program.

1. Standard Annuity. Retiree receives maximum monthly benefit with payments ending upon death.

2. Option 1. 100% Joint Life Annuity. Retiree's monthly benefit is actuarially reduced to reflect the retiree's age and the age of the designated beneficiary. For example, a 61 year old retiree with a 61 year old beneficiary would receive 87.87% of the standard annuity. Of special note is the provision of a "pop-up" feature. If the primary beneficiary dies before the retiree, the retiree's future monthly payments will increase to the amount of the standard annuity as if the member had elected it at retirement.

3. Option 2. 50% Joint Life Annuity.

Provides the survivor 50% of a reduced monthly benefit.

This option would provide our 61/61 example 93.54% of the standard annuity. This option also provides the "pop-up" feature.

4. Option 3. Guaranteed Payments - 60

Months. Provides guaranteed monthly payments to the retiree for 60 months. If retiree dies before 60 months, payments continue to the beneficiary until remainder of 60 payments have been made.

5. Option 4. Guaranteed Payments - 120

Months. Same as Option 3 except that payments continue for 10 years as opposed to 5. (22:12-13)

CONCLUSIONS

A review of the Survivor Benefit Plans offered by the private sector, state governments, and municipalities reveals a few options that are not available to the military. These include:

a. Greater flexibility in selecting a higher percentage of retired pay for SBP. For example, the most a military member can provide a spouse is 55 percent of total retired pay. As shown above, it is not uncommon for an individual to be able to select percentages of 100, 75, 66 2/3, 60, or 50 percent. One plan outlined even allowed the retiree to designate a date other than the retiree's death upon which to start SBP payments.

b. All of the plans reviewed contained some kind of vesting provision. The most common vesting provision being 10 years in which the individual was fully vested. The military member does not become invested until a minimum of 20 years are served.

c. No Social Security offset. Many retirement programs and SBPs do not have Social Security offsets. At age 62, the monthly benefit provided the surviving spouse of a deceased retiree decreases to 35 percent.

d. Guaranteed Period Payments. An option that some may find attractive is the Guaranteed Period and Life Option Payments. This payment option allows a retiree to select a designated period of time to receive benefits. Choices are normally 10, 15, or 20 years. If the retiree dies prior to completion of the designated period, the payments continue to the spouse until the period is completed.

In summary, there are only a few survivor benefit plan options available outside the military that should be considered for inclusion in the military Survivor Benefit Plan. Utmost of these is the opportunity to provide a larger benefit than the current 55 percent. Next should be elimination of the Social Security offset.

In Chapter III we continue our analysis of SBF by assessing the current program as it is administered by CBFO.

Chapter III

ASSESSMENT OF THE CURRENT PROGRAM

The objective of this portion of the assessment is to look at the Air Force SBP program and to suggest actions that would improve the participation rate. In talking with MPC, it was their contention that the problem did not center with the handout materials. In 1987, DoD had contracted with Resource Consultants, Inc., (RCI) to complete a study of the effectiveness of SBP informational and publicity materials. Deficiencies were found, and a new pamphlet written and studied. Therefore, we have not included this area in our study. It should be mentioned, however, that several base CBPOs in our survey did feel that the topic of handout materials needs to be addressed, with the focus being on making them easier for the member to understand.

Having eliminated resource materials from consideration we focused on the administration of the SBP program. In general, we found the service to be good, especially from the Retiree Activities Branch at MPC (AFMPC/DPMARA). Air Force participation rates fared well when compared to the other services (see Appendix F). We attempted to conduct a survey of active duty members, retirees, and annuitants, to access their knowledge, preferences, and motivations toward SBP. Three questionnaires were prepared. Each was tailored to a specific group: the active duty member near retirement

or retirement eligible, the retiree, and the annuitant. After discussions with the Retiree Activities Branch and the Personnel Measurement Division (Air Force questionnaire OPR) at MPC, they disapproved our request to conduct the surveys based on the results of the 1987 contract study and the fact that they have a retiree council that brings in retirees from around the United States to advise them on retiree concerns and suggestions, including SBP. MPC felt that through this council and their frequent contact with the base CBPOs, they already had a very good understanding of the results these surveys would produce, and felt that there would be marginal benefit from the effort. The Retiree Activities Branch at MPC did complete our surveys using the information they have received from that retiree council. The survey and results are in Appendix B. We have included their conclusions as a basic assumption of this study and have not pursued this issue.

A second survey was directed to local CBPOs involvement with and commitment to SBP (Appendix G). Fourteen CONUS CBPOs were randomly selected and a telephone interview with an individual in the Personnel Affairs Office was conducted between 19-22 December 1989. In each case the interviewer asked to speak with the SBP "expert" of the office. The telephone method was selected to expedite the completion of the survey and to have the opportunity to get a feel for the knowledge and interest of the interviewee.

In all cases the interviewees were knowledgeable. As would be expected, that knowledge varied with the experience of the individual. There was also a wide range of interest and commitment to SBP expressed or implied by the interviewees. The range went from not committed (the interviewee felt that other options, such as insurance, were as good as or better than SBP and stated that he would not select SBP for himself if he was retiring) to very committed. The majority felt that SBP was good, but that the level of coverage selected depended on the individual's personal situation.

The interviewer felt that some respondents were very strongly committed to be "unbiased." It sounded as though they were unbiased almost to the point of being negative, as though they didn't want to promote SBP. They gave the impression that after they fulfilled their commitment to present information about SBP through the periodic retirement briefings or the personal counseling session that their job was finished and the member would have to actively work to get needed additional information or clarification from them. Happily, these were a small minority. Most counselors appeared to represent SBP well.

A strong theme with all the interviewees was the feeling that the Retiree Activities Branch at MPC was doing a great job, especially in terms of telephone support. All felt that they got great service from MPC when they called

with questions or problems. When asked to compare the support they received from their MAJCOM and MPC, MPC was the strong favorite. Most interviewees saw their MAJCOM as primarily interested in their enrollment statistics, but not involved or interested with the actual work of the SBP counselor.

Our research has produced several findings and recommendations we feel will be valuable to MPC in their efforts to improve their service to the member. Findings will be addressed in this chapter and the recommendations will be addressed in Chapter IV.

Finding: Training SBP counselors and keeping them informed and up-to-date on the program is a continuing challenge. SBP counselors all had duties other than SBP. In fact, none claimed SBP as their primary duty. Several stated that they felt they needed additional SBP training. The training they did receive was mainly on-the-job-training (OJT). Some mentioned their initial technical training, and some had been to a seminar. Most wanted to be brought up-to-date on the SBP program and to receive refresher training. Potential training topics include: why SBP has no cash surrender value, the government subsidy, the tax break, insurability guarantee, lifetime income, relation to inflation, comparison to commercial insurance, techniques for presentation, the counselor's role--are they a salesman or provider of information, etc.

Finding: The SBP regulation is outdated. Therefore, associated with training is the need to update the SBP regulation and eliminate a large volume of messages and newsletters that provide updates to the old regulation. Many Personnel Affairs Offices are keeping this clumsy and difficult file as their primary reference file (others have discarded them in favor of handouts from an SBP workshop). They need an up-to-date reference manual free of clutter from the many updates.

Finding: Another major deficiency is the lack of understanding of SBP by the active duty member. Few members come to Personnel Affairs Offices with a good understanding of SBP. Generally they know little to nothing. Often what they do know is incorrect or outdated. Frequently members come with a decision to not take SBP. This decision is the result of bad or misinformation received from friends or insurance agents. Often a member will change his mind and elect some level of SBP after discussions with the SBP counselor. Typically, a member finds SBP too difficult to quickly understand and decides to wait until he puts in his retirement papers. However, at that time the member finds himself with several other tough decisions and problems: trying to find a job, deciding how to adjust to the lower retirement income in the interim, where to live, financing children in college, etc. What is needed is a career long

effort to correctly inform the member about SBP and help them compare SBP with insurance and other options.

Finding: At some bases the retirees provide a valuable service through their Retiree Affairs Office. This assistance has taken the form of briefings on SBP in the periodic retirement briefing, and in some cases personal counseling. It seems as though this service is contingent upon finding a willing and knowledgeable retiree. Even with this limitation, its success would warrant an attempt to export this idea to the other bases.

Finding: Interviewees in our survey were not sure if the Air Force had a policy on whether they should try and "sell" the prospective retiree on SBP. A few were excited with SBP and were very positive about it. Most just tried to present the pros and cons. Some were negative or appeared to be negative.

Finding: One interviewee had just returned from a tour overseas. Her feeling was that overseas offices don't get the current information or material as quickly as CONUS bases. It was her strong feeling that SBP was not given much priority overseas.

Finding: All of the interviewees stated that they did not provide separate counseling to spouses unless they were specifically asked. We were surprised that this is the case in light of the emphasis on the spouse's concurrence. If

this is working well then no change is recommended, but this fact should be noted.

Finding: When asked which factors were obstacles for a potential retiree in electing full SBP coverage several were listed. Cost was the most prominent factor given, although several thought that the new Glenn Amendment increasing the government subsidy would encourage more officers to participate. They did not expect much improvement in the statistics for enlisted members, especially those retiring at the lower grades. The second most noted obstacle was the lack of a cash surrender value when the spouse died or divorced. This perception is the result of a lack of understanding and could be minimized through education. The third obstacle was the Social Security offset. This is perceived as a loss in benefit. Potential retirees feel that they pay into Social Security and also into SBP, and that it isn't right that SBP be reduced. Apparently explanations that SBP is paying for a 35% rate, with an added bonus of 55% up until the time the spouse qualifies for Social Security doesn't change this negative opinion. Increased efforts at education might improve this perception.

Finding: There was almost universal concern that with the Glenn Amendment many of the lower ranking enlisted members would not take SBP or would take a small amount of coverage. The crux of the problem centered around the cost of the coverage, the reduction of income from active duty

pay, the uncertainty of getting a new job in retirement, and the necessity of making a firm decision before retirement.

The next, and final chapter, presents the recommendations that resulted from the research and findings presented in Chapters II and III.

Chapter IV

RECOMMENDATIONS

Our research produced several recommendations we believe would be valuable to MPC, SBP counselors, and the Air Force community. Education is a serious concern for most of the SBP counselors. The changes produced by the passage of the Glenn Amendment underscores the need to update the SBP regulation and training materials. We recommend either a workshop that would bring representatives from all CBPOs to MPC, or two regional workshops at MPC, USAFE and PACAF. Attendees should be sent home with material that they could use to then provide training to others in their office and use in their briefings and counseling.

SBP counselors need an up-to-date reference manual free of clutter from the many updates that update the current manual.

Another major deficiency is the lack of understanding of SBP by the active duty member (and many retirees). What is needed is a career long effort to correctly inform the member about SBP and help them compare SBP with insurance and other options. We recommend that a 30 to 90 second segment be devoted to SBP in every "Air Force Now" film. This would provide an opportunity to have short, high quality presentations made regularly to Air Force members, especially the enlisted member (our lowest rate of participa-

tion). Over time, they would have a fairly good understanding of its benefits and comparison to other options and would gain a positive attitude about SBP. In addition, articles should be published in the Airman Magazine and news clips sent out through the Air Force News Service (AFNS). The topics should include: myths about SBP (i.e., continue to pay premiums even though there is no longer a spouse), facts versus fiction (insurance is better because it has a cash surrender value), strengths of SBP (government subsidy, tax advantage, inflation protection, lifetime income, etc.). We could also show how SBP is doing what it was designed to do (success stories), and the sad situations that result from not electing to take SBP through actual stories.

An aid to help reduce the gap between the complex SBP program and the member's understanding would be the development of an Expert System. An Expert System is a very user friendly computer program using the principles of artificial intelligence that is built from input provided by a number of "experts." We recommend using experts from all of DoD, and making the final product available to them. This program is then used by a non-expert, a potential retiree, and through simple English language questions and answers, produces easy to understand SBP information that is tailored to the potential retiree. Besides providing the information that is available now, it would be able to take data provided by insurance agents and others and make proper compari-

sons with SBP, matching apples with apples rather than the typical oranges. We have contacted the Air Force Cost Center, who build Expert Systems, and explained the problem and our ideas for building an Expert System on SBP. We were told that SBP is an excellent candidate for an Expert System and they would be very interested in working with MPC to develop one. If MPC is interested, we have prepared a letter, Appendix H, that would make the official request and begin the process of developing an SBP Expert System. This Expert System would then be made available for use in CBPOs world wide. It runs on an IBM compatible personal computer (PC), which most Personnel Affairs Offices already have. The cost would be limited to a small one-time fee to use the software and possibly the cost to purchase additional hardware, depending on the configuration of the PC on hand.

Not only do we need to inform the member on active duty, we also need to continue to inform the retiree of the benefits and advantages of SBP. This could be through notices on their monthly pay statement, or separate mailings. This could be especially effective in helping them feel good about their decision if they were notified after they passed the break even point with term insurance and where SBP is less expensive. This campaign would reduce the bad information retirees pass on to their friends still on active duty, and also help them feel better about their selection of SBP.

The value of the active involvement of interested and enthusiastic retirees has proved to be very beneficial at a few bases. CBPOs at all bases should be strongly encouraged to recruit similar volunteers, and information about successful programs shared between CBPOs.

SBP Counselors were unsure if the Air Force had a policy outlining the extent they are allowed to "sell" SBP to potential retirees. If the Air Force goal is to increase the SBP participation, if SBP is that good and the benefit needed, then the Air Force should establish a policy of "selling" it. This would allow the SBP counselor, when asked by the member, to say that they would personally take SBP and would recommend that the potential retiree strongly consider it for themselves. This is not intended to be a "hard" sell, but an advocacy of SBP. In any case, SBP counselors should be telling prospective retirees, in clear, firm and positive terms, that commercial insurance is always more costly than SBP (per the DoD actuary). If this policy is already established it was not understood by the SBP counselors we interviewed.

Some SBP counselors overseas feel as though they aren't being serviced as well as they should, or as well as when they are in the CONUS. This might be a case where more involvement by the MAJCOM/DP should be encouraged. It might also be advisable for the overseas MAJCOMS to develop unique materials.

None of the CBPOs surveyed were providing individual counseling to spouses unless specifically asked. If this is intended to be the case no recommendation is offered. If the intent of requiring their signature is not best served with this procedure we would recommend a separate counseling session be scheduled as a routine part of the program.

The effects of the Glenn Amendment and the pressures that surround retirement make it hard for many to select SBP, especially the lower ranking enlisted members. It seems that if we really want families to sign up for SBP, preferably at the maximum amount, then we would be willing to change the law and reduce the financial pressure of paying for SBP during the stressful transition from active duty to retirement. We propose that the law be changed so those members that select SBP would be covered by SBP at no cost (like was the case when they were on active duty) for a period of time commensurate with their active duty service. We would suggest a month of free SBP for every full year of active duty for those who sign up to take SBP. This would give retirees who enrolled in SBP 20 to 30 months of SBP coverage free before the first premium payment. There would be a loss of revenue, but this suggestion would give retirees time to adjust to their retirement and get settled before they start paying for their SBP coverage. This would remove a major obstacle for many, especially lower rank enlisted members, who do not now elect to take SBP.

In light of the many good Survivor Benefit Plans offered outside DoD, we recommend a nation-wide survey of state and municipal governments and the private sector to determine if there are additional variables in SBP that would be appropriate for inclusion in DoD's SBP. This study, although limited in scope, identified enough variables to justify a complete nationwide review.

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DOD ACTUARY ARTICLE

On 1 September 1988, the attached article was sent by Toni Hustead, Chief Actuary, DoD Office of the Actuary, to the Army and Air Force Mutual Aid Association, the Navy Mutual Aid Association, and the Retired Officers Association. This article states that SBP cannot be matched by commercial life insurance and refutes some of the common inaccuracies and misconceptions concerning the benefits of the SBP in comparison with commercial life insurance.

BEWARE OF ALTERNATIVES TO SBP

We firmly believe that the Survivor Benefit Plan (SBP) is the best insurance that a retiring military member can buy. SBP is guaranteed, protected against inflation, and is heavily subsidized. There is simply no way that an insurance policy can beat this deal. Nevertheless, insurance agents have spent a good deal of effort trying to convince newly retiring members of the Armed Services to decline SBP and purchase their plan.

The responsible agent will offer supplemental insurance that builds on SBP. The irresponsible agent will try to direct all of those SBP dollars to his company. The high commission received for each transaction paid from your premium may influence the presentation.

The agent is required under law to present the guaranteed arrangement. This compares so unfavorably to SBP that your attention will quickly be directed to optimistic projections that depend on interest rates never declining. Additionally, the agent typically obscures the drawbacks of the commercial product through half truths and by ignoring critical facts.

A favorite area of attack is the CASH VALUE front:

"Unlike SBP, my product builds large cash values over time. So, if the little woman dies before you, or if you both live to a ripe old age (as I expect since you have been classified as a good risk by my actuaries), you will have something to pass on to those lovely children of yours. Under SBP you could pay hundreds of dollars for practically nothing if you both live to your life expectations."

Anytime you buy insurance with cash values you pay for this option. Nothing is free. If the insurance has a cash value then it came from your own money. SBP is comparable to term insurance. There is no cash value and this reduces the cost of the plan. If the beneficiary becomes ineligible before the member's death, premiums have not been in vain. The member was insured against death in those years. When you buy term life insurance and do not die or car insurance and do not crash do you look back with resentment? Do you add the past premiums and complain that you've received nothing for your money? Do you look at your life expectation and decide not to buy insurance since you don't plan to die in the near term? SBP guarantees that a portion of your retired pay will continue to your spouse should you die at any time. That amount is not dependent on the cash value levels of a side fund.

A critical fact is that SBP IS GUARANTEED PROTECTION AGAINST INFLATION. You and your spouse do not have to worry about the subjective speculation of inflation and interest used by the actuaries or the insurance salesperson. This feature is not available in the marketplace because no company can afford to sell a product that transfers the risk of inflation and interest income from the customer to the corporation. Go ahead and try to purchase the coverage. Ask the agent to sell you the same benefit that the "Government force feeds on the military family." Why isn't this benefit out there? Why can't you buy this guaranteed benefit at any cost, be it less than or greater than "the absurdly high SBP premium reductions?" The commercial product assumes the risk of death but won't assume the risk of inflation because it simply can not afford to. Can you afford to turn down coverage that is so good that it is not available in the marketplace?

Another area of attack is the SPOUSE REDUCTION AT AGE 62, better known as the Social Security Offset.

"Unlike SBP, my product does not reduce the benefit to the spouse at age 62 when she most needs that protection. The SBP benefit is reduced by 36% to 40%."

Most agents will raise the specter of the offset without showing you how much effect the offset has. There is a good reason for this. When even a low rate of inflation is factored in, the SBP benefit after the offset, is higher than the private insurance benefit in almost every year. If, for instance, inflation is as low as 4% a year, the typical SBP benefit will be 2.3 times greater than the initial benefit in the year before the offset. Since the insurance benefit does not grow at all, your widow would be receiving less than half the SBP benefit under the insurance plan.

In the year after the offset, the indexed SBP benefit will be about 1.5 times greater than the insurance benefit. The distance between the two benefits will increase with each additional inflation increase of the SBP benefit.

Because of the SBP inflation protection, the initial face amount of term insurance necessary for a typical new retiree to replace SBP would range between 299 to 310 times the initial monthly survivor benefit. The next surprise is that these face values must increase each year until the member and the spouse are in their mid-seventies. Consequently, one would need increasing term insurance for about thirty-five years to replace SBP. In your mid-seventies, even after the spouse reduction at 62 has kicked in, the annual benefit to the spouse will be 2.2 times greater and the necessary face amount of insurance 1.2 times greater than they were at retirement. Will the agent sell you guaranteed increasing term insurance for these amounts cheaper than you can purchase SBP?

SBP is a subsidized program. The government picks up the tab for about 44% of the benefits. SBP premiums are not taxed, so the government subsidy increases to well over 50% when this is considered. No private benefit is subsidized. As a matter of fact, the insurance industry has commissions, other expenses, taxes and profits that must be built into the premiums.

Recently, we have seen all kinds of inaccurate propaganda being used to persuade the military member to buy other products. One "good old buddy" is even sending cassettes and letters to all General Officers packed full of the half truths and with the omissions that we have outlined. We like to think that those trying to sell alternatives to SBP are unaware of the true value of the benefit. SBP can be supplemented with other insurance and financial vehicles, but it can never be replaced.

If you are approached by an agent, and are not willing to accept the simple truth that a subsidized inflation-protected annuity cannot be replaced, then try this simple step. Have the agent write down and sign a one-page letter stating the terms of the guaranteed benefits and premiums in 'black and white.' No ifs, ands or buts. Now compare this guarantee to the guaranteed terms of the SBP plan. Because the benefits and terms of the guaranteed insurance plan will fall far short of those of SBP, the agent will try to camouflage the facts with much hand waving and speculation. In every policy we have seen, we have easily found ten situations in which SBP is better for every one situation in which the insurance plan would be better - even if we were to accept the speculative assumptions about the future.

SBP provides guaranteed lifetime protection that is much higher and much less expensive than the guaranteed protection offered by any insurance company. If your spouse is dependent on your income then you should make this guaranteed protection the cornerstone of your estate. If you can afford and need more protection then by all means buy a supplementary policy. But, do not throw away the most valuable insurance you can buy for insurance that might some day in some situation provide better income.

Do not make a mistake that you will regret beyond a lifetime.

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September 1988

SURVIVOR BENEFIT PLAN SURVEY

The attached surveys were intended to be sent to a representative sample of Air Force retirees, annuitants, and retirement eligible or soon to be eligible active duty members. However, personnel at AFMPC, responsible for administering the Air Force SBP, determined that the survey was not needed. Instead, AFMPC provided the information annotated in bold on the attached survey. They believe this information represents the responses we would have received had the survey been conducted in November 1989.

RETIREE
SURVIVOR BENEFIT PLAN (SBP) SURVEY
November 1989

Please circle applicable answer (Yes (Y) or No (N)) or enter information as appropriate, use back of survey if additional space is needed to respond.

GRADE/DATE OF RETIREMENT: 1. GRADE _____
DOR _____

CBPO PRESENTATION ON SBP:

- | % | % | |
|----------|-----|---|
| Y.7 | N.3 | 2. Were you provided helpful and easy to understand information on SBP? Were the following helpful: |
| Y.5 | N.5 | a. Briefing? |
| Y.7 | N.3 | b. Handouts? |
| Y.6 | N.4 | 3. Did the presentation sufficiently cover the information and alternatives for providing for the financial concerns of your surviving dependents and the role of SBP? |
| Y.6 | N.4 | 4. Did the personnel in the CBPO answer your questions correctly? If not, explain: _____ |
| Yna | Nna | 5. Did the presentation explain clearly the tax benefits of SBP? |
| Y.6 | N.4 | 6. Did the CBPO personnel offer advice concerning your participation in the SBP? |
| Y.2 | N.8 | 7. If the answer to "6" is yes, did they discourage participation in SBP? If yes, what reason did they give? <u>Cost, age 62 reduction.</u> |
| Y.7 | N.3 | 8. Did you get information on SBP from other sources? If yes, what were the sources (ie. friend)? <u>Other retirees, insurance agents.</u> |
| Y.75N.25 | | 9. Do you feel you had enough information to make an informed decision on electing or not electing SBP? If not, what additional information would you like? <u>Better guidance in comparing with commercial alternatives.</u> |
| | | 10. Other suggestions or comments concerning information available from the CBPO or elsewhere: <u>na</u> |

SBP ELECTION:

- | | | |
|---|---|--|
| Y | N | 11. At time of retirement did you elect SBP coverage? (See Appendix 1 for statistical information) |
| | | 12. If you did not elect coverage, what was the reason? (Mark all that are applicable) |

- .75 a. Believed coverage too costly.
- .17 b. No spouse, children, former spouse, etc.
- .8 c. Providing for dependents using other means. If so, what? Term insurance
- .5 d. Concern about reduction to the annuity, such as social security at age 62, Dependency Indemnity Compensation.
- .05 e. Feared future changes to the program would reduce the benefit.
- .7 f. Could not afford coverage.
- .4 g. Advised not to by friends or co-workers.
- .1 h. Advised not to elect coverage by personnel in the CBFO or other military organization. Who?
- .8 i. Other: Insurance salesman advised against
13. If you elected SBP, what type (enter code from below)? _____
(a) Spouse only; (b) Spouse and children; (c) Former spouse only; (d) Former spouse and children; (e) Insurable Interest (See Figure 1 for statistical information)
- Y N 14. Did you elect SBP full coverage? If not, enter dollar amount or percentage of retired pay: (See Figure 1)
15. If you took SBP coverage, what were the main reason(s) (Mark all that are applicable)?
- .9 a. Provided coverage not available elsewhere:
- .5 b. More cost effective than private life insurance.
- .01 c. Spouse would not sign waiver for noncoverage.
- .9 d. Supplemented private insurance coverage.
- e. Other: _____
- Y.8 N.2 16. Do you believe you made the correct decision to elect or not elect SBP? Why?

17. What changes would you like to see to the SBP? Lower cost, no age 62 reduction
- Y.5 N.5 18. Is there any area of SBP you would like to have known about before making the decision or now after participating in the SBP? If so, what information and how would it have impacted your decision? Would have taken more coverage if I had known high cost of commercial alternatives as I aged.
19. If given the opportunity would you now change your SBP coverage? If so, how (Mark letter as appropriate)?
- .75 a. Start coverage. If so, for who (ie. spouse):
- .1 b. Stop coverage. Why? _____
- .15 c. Increase base amount of coverage.
- d. Decrease base amount of coverage. Why? _____

20. What do you like about the SBP? Lifetime coverage of spouse and COLAs.

21. What do you dislike about the SBP? Age 62 reduction-----

Y.5 N.5 22. Would you recommend SPB to you friends?

Y.35N.65 23. Did you discuss SBP coverage with an insurance or investment counselor? If yes what did they recommend: Taking minimum coverage and buying their product-----

24. Other comments:-----

ACTIVE DUTY
SURVIVOR BENEFIT PLAN (SBP) SURVEY
November 1989

Please circle applicable answer (Yes (Y) or No (N)) or enter information as appropriate, use back of survey if more space is needed to respond:

GRADE/DATE OF RETIREMENT: 1. GRADE_____ Planned DOR_____

- % % Y.75N.25 2. Have you received the presentation or other information on SBP from the CBFO? If so, please complete the following section, otherwise go to the section on SBP election.

CBFO PRESENTATION ON SBP:

- Y.5 N.5 3. Were you provided helpful and easy to understand information on SBP? Were the following helpful:
Y.7 N.3 a. Briefings?
Y.6 N.4 b. Handouts?
- Y.6 N.4 4. Did the presentation sufficiently cover the information and alternatives for providing for the financial concerns of your surviving dependents and the role of SBP?
- Y.6 N.4 5. Did the personnel in the CBFO answer your questions correctly? If not, explain: Couldn't adequately compare with commercial alternatives.
- Yna Nna 6. Did the presentation explain clearly the tax benefits of the SBP deduction?
- Y.6 N.4 7. Did the CBFO personnel offer advice concerning your participation in the SBP?
- Y.1 N.9 8. If the answer to "7" is yes, did they discourage participation in SBP? If yes, what reason did they give? Cost, age 62 reduction
- Y.7 N.3 9. Did you get information on SBP from other sources? If yes, what were the sources (ie. friend)? Other retirees and insurance agents.
- Y.8 N.2 10. Do you feel you have enough information to make an informed decision on electing or not electing SBP? If not, what additional information would you like to receive? More information on SBP's estate value
11. Other suggestions or comments concerning information available from the CBFO or elsewhere: How do I know it really is a good buy?

SBP ELECTION:

21. What do you dislike about the SBP? Age 62
reduction.-----

Y.3 N.2 22. Would you recommend SBP to a friend?
Don't know .5

Yna Nna 23. Did you discuss SBP coverage with an insurance or
investment counselor? If yes what did they
recommend: Taking minimum coverage and buying their
product.-----

24. Other comments: -----

ANNUITANT
SURVIVOR BENEFIT PLAN (SBP) SURVEY
November 1989

Please circle applicable answer (Yes (Y) or No (N)) or enter information as appropriate, use back of survey if more space is needed to respond:

CBPO PRESENTATION ON SBP:

% %

Y.05N.95 1. Did you attend a briefing in the CBPO? If the answer is yes, then please answer questions 2-10)

Y.5 N.5 2. Were you provided helpful and easy to understand information on SBP? Were the following helpful:

Y.4 N.6 a. Briefings?

Y.6 N.4 b. Handouts?

(Doubtful if annuitants could answer questions 3-10. Deceased spouses probably made their elections years ago at which time spouse attendance at briefings wasn't stressed. Even though spouses are now encouraged to attend these briefings, few do.)

Yna Nna 3. Did the presentation sufficiently cover the information and alternatives for providing for the financial concerns as a surviving dependents and the role of SBP?

Yna Nna 4. Did the personnel in the CBPO answer your questions correctly? If not, explain: _____

Yna Nna 5. Did the presentation explain clearly the tax considerations of the SBP deductions and annuity?

Yna Nna 6. Did the CBPO personnel offer advice concerning your spouses participation in the SBP?

Yna Nna 7. If the answer to "6" is yes, did they discourage participation in SBP? If yes, what reason did they give? _____

Yna Nna 8. Did you get information on SBP from other sources? If yes, what were the sources (i.e. friend)?_ _ _

Yna Nna 9. Do you feel you had enough information to make an informed decision on electing or not electing SBP? If not, what additional information would you have liked to receive?

10. Other suggestions or comments concerning information available from the CBPO or elsewhere: _ _ _

SBP COVERAGE:

11. What were the main reasons your spouse elected to cover you on SBP? (Mark all that are applicable):
- a. Provided coverage not available elsewhere:
 - b. More cost effective than private life insurance.
 - c. I would not sign waiver for noncoverage.
 - .1 d. Supplemented private insurance coverage.
 - e. Other:_____
 - .9 f. Don't know.
- Y.98N.02 12. Do you believe you made the correct decision to elect or not elect SBP? Why?
13. What changes would you like to see to the SBP? Level 55% annuity for life.
- Y.5 N.5 14. Is there any area of SBP you would liked to have known about before making the decision or now after participating in the SBP? If so, what information? Age 62 reduction.
- Y.4 N.6 15. If given the opportunity would you now change your SBP coverage? If so, how (circle letter as appropriate):
- 1.0 a. Increase base amount of coverage. How much? Maximum
 - b. Decrease base amount of coverage.
 - c. Other
16. What do you like about the SBP?_____
17. What do you dislike about the SBP?_____
- Y.98N02 18. Would you recommend SBP to a friend?
- Y.1 N.9 19. Did you discuss SBP coverage with an insurance or investment counselor? If yes what did they recommend? My spouse made all the financial decisions.
20. Other comments:_____

SBP LEGISLATION

Legislation Establishing SBP

Public Law (PL) 92-425 established SBP with the following major provisions: The SBP annuity, payable to the surviving spouse, was set at 55 percent of the base amount until age 62. At age 62, the annuity entitlement was reduced, dollar for dollar, by the amount the spouse was entitled to Social Security payment based on active duty wages of the deceased retiree. Cost of living adjustments were applied to the base amount, premium (cost of coverage to the retiree), and the annuity. The spouse was required to be notified of the SBP options and benefits. Coverage was automatically provided for surviving spouses of retirement eligible members who died on active duty. Remarriage of an annuitant before age 60 suspended the annuity payments. There was a 2 year waiting period for coverage under the program for a spouse acquired by the retiree after retirement.

Changes

Since initial enactment of the SBP there have been numerous legislated changes to the SBP, most of which were intended to improve the program and increase participation. The following are some of the major provisions of this legislation:

PL 93-406, 2 September 1974, exempted SBP costs from the Federal income tax.

PL 94-496, 14 October 1976, effective 1 October 1976, suspended SBP cost coverage for a spouse if the retiree got divorced or the spouse died. The waiting period for starting coverage for a new spouse was reduced to 1 year. This PL allowed children to be covered without spouse coverage even if the retiree was married.

PL 95-397, 30 September 1978, eliminated the social security offset for those spouses who were working and not drawing social security. This PL allowed spouses, who had been receiving payment from the Veterans Administration (VA) instead of SBP but lost that VA entitlement due to remarriage, to receive SBP if the remarriage occurred after age 60. This PL also provided SBP coverage for retirees from the military reserve components, such as the Air Force Reserve and the Air National Guard.

PL 96-402, 9 October 1980, limited the social security offset to 40 percent of the annuity entitlement. This PL allowed totally service related disabled retirees to withdraw from SBP coverage; since the surviving spouse would receive payments from the VA, based on the retirees grade, which are usually as much as the SBP annuity entitlement.

PL 98-94, 24 September 1983, allowed members to elect to cover former spouses under the same provisions as that allowed for insurable interest coverage.

PL 98-525, 19 October 1984, allowed SBP annuity to be paid on coverage of retirees presumed to be dead. The

Thurmond amendment eliminated or significantly reduced the social security offset, if the surviving spouse was entitled to social security in his or her own behalf.

PL 99-145, 8 November 1985, effective 1 March 1986, provided for SBP coverage for former spouses, with a court order, of members who died on active duty. This law also allowed for coverage of former spouse and children. It provided former spouses with coverage under the same provisions as spouses rather than the insurable interest coverage provisions. The Thurmond amendment, in PL 98-525, was repealed. The minimum base, for computing premiums at the reduced rate, was indexed to the cost of living increases applied to the base, premium, and annuity. In addition, the retiree was given the option to resume, increase, or decline coverage within 1 year of remarriage. Perhaps the most important provision in this law required the signature of the spouse if the member declined or elected coverage for the spouse at less than the maximum amount.

PL 99-661, 14 November 1986, suspended coverage if the annuitant spouse remarried before age 55.

PL 100-180, 4 December 1987, allowed retirees to voluntarily withdraw from the SBP, during the period 3 March 1988 through 2 March 1989, if they had remarried prior to 1 March 1986 and had been required to reinstate spouse coverage. (This law provided a grandfather option for the associated provision in PL 99-145.)

Military Survivor Benefit Improvement Act of 1989 (MSBIA)

The MSBIA contains a number of provisions intended to improve the participation rate in SBP. The MSBIA attacks two of the most often heard objections to the SBP; the cost of the SBP coverage and the offset to the annuity entitlement for Social Security at age 62. The following are some of the key provisions of the MSBIA of 1989: (9:14786-14787)

Cost Computation

The two step cost computation, 2.5 percent of the first \$337 covered and 10 percent on the remaining amount of coverage, is replaced by a flat 6.5 percent premium. This provision is intended to restore the Government subsidy to 40 percent. The prior computation formula was geared more to providing assistance to the lower income retiree or those who elected a reduced annuity. This new formula applies the same percentage across the board and favors the retiree who has a higher coverage level. However, less than 5.5 percent of the retirees will see an increase in the cost for SBP. (10:4-5) Unfortunately this increased cost applies to the lower level enlisted personnel, who already are participating at unacceptably low levels. The cost for reservists may also increase. The charts in Figures 3 and 4, provided by Lt Col Dave Oles, AG/DPXEL, depict the change in coverage cost between the prior formula and the new MSBIA formula. This provision is scheduled to become effective on 1 March 1990.

Social Security Offset-Supplemental Coverage

SBP PROPOSAL FOR FY90

(OFFICERS)

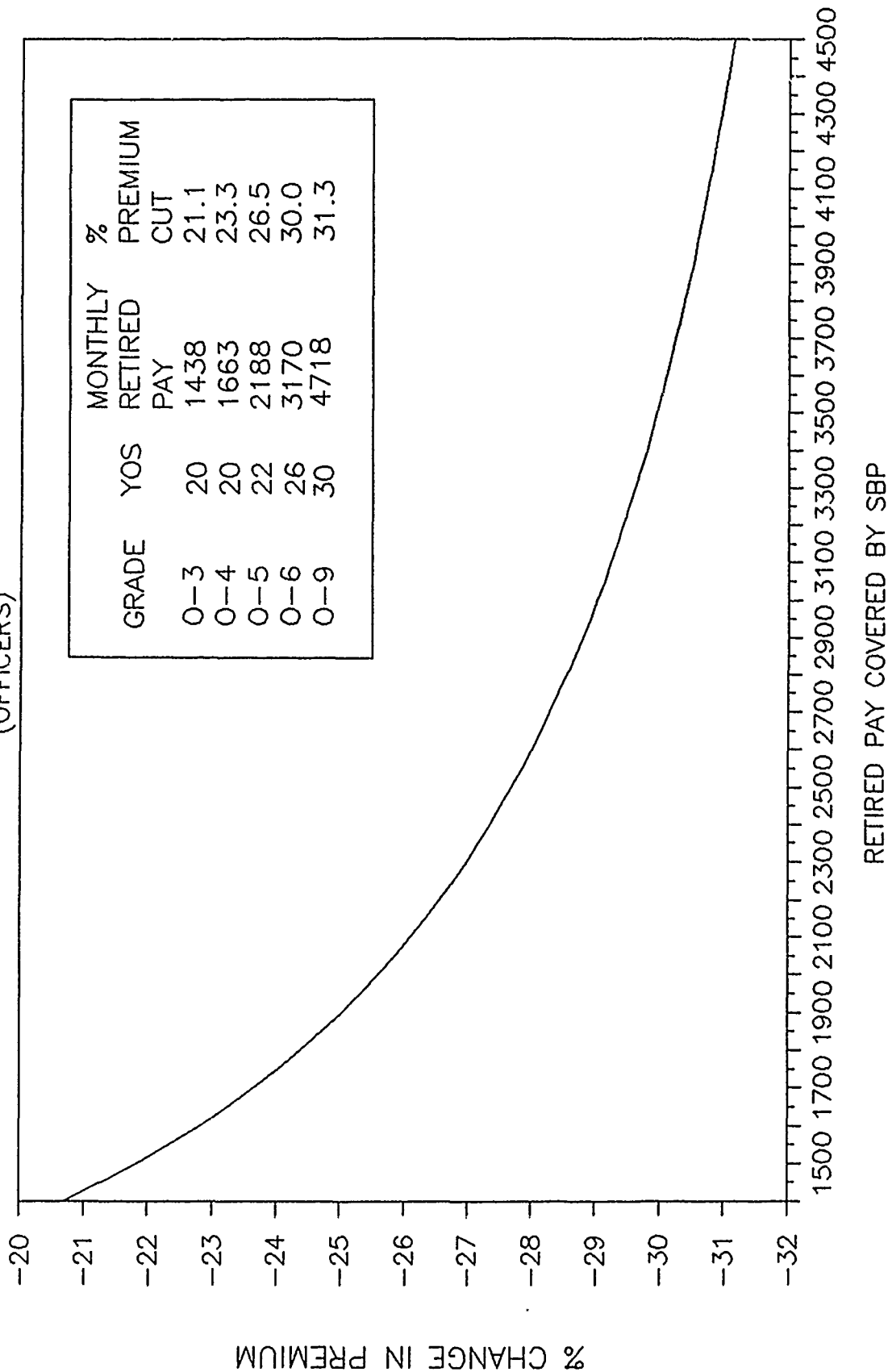


Figure 3

SBP PROPOSAL FOR FY90

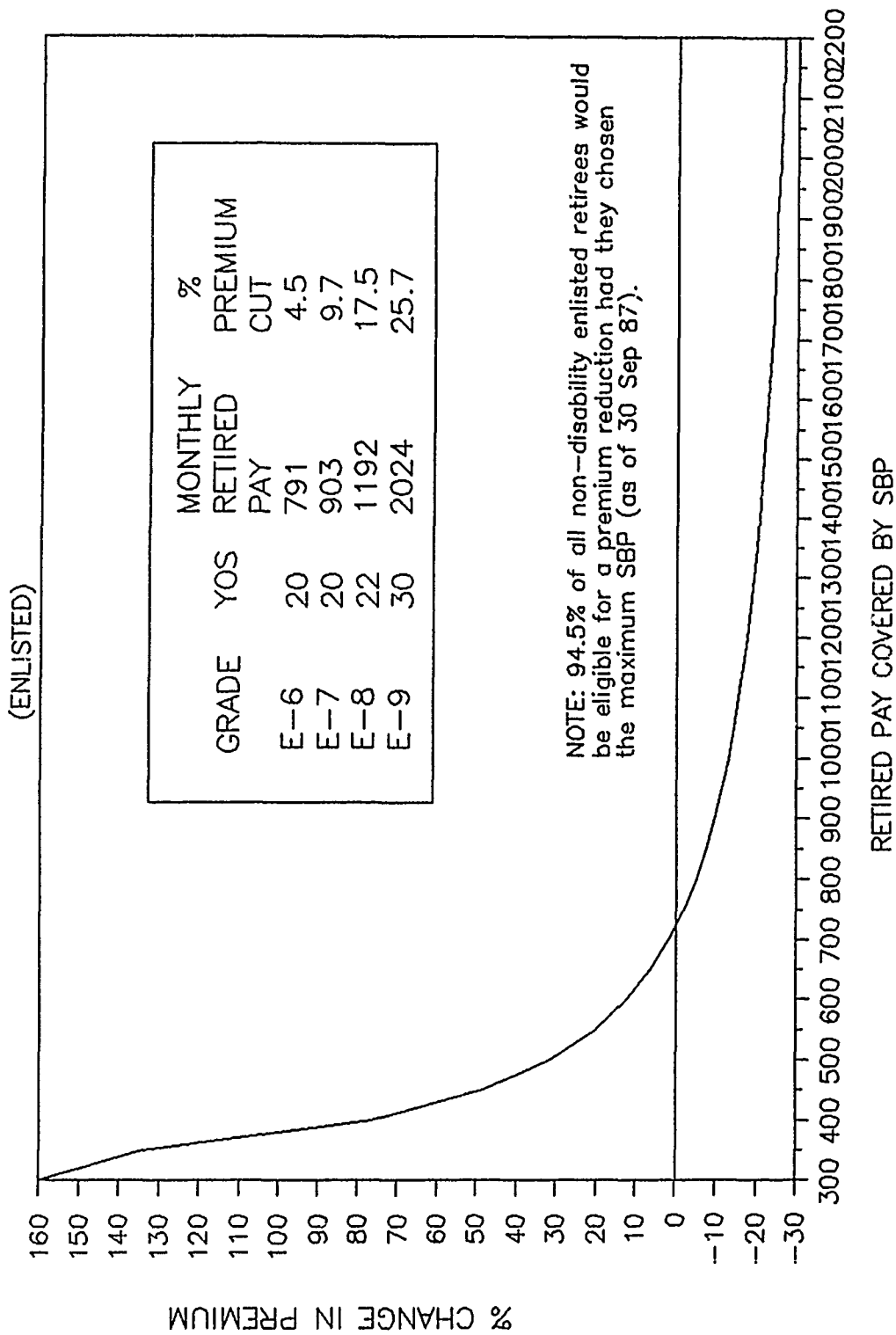


Figure 4

C-5a

This provision allows the retiree to elect a supplemental coverage which adds a flat 20 percent to the SBP annuity base entitlement when the annuitant reaches age 62. The cost for this supplemental coverage is to be borne by the retiree with no government subsidy. The cost is determined based on the retiree's age and base amount. Cost of living adjustments for inflation are applied against the supplemental portion at the same rate as applied to the SBP annuity. Election for this supplemental coverage is voluntary and does not require signature of the spouse. The decision concerning participation in this program is irrevocable and must be made at time of retirement. This provision is not scheduled to take effect until 1992. This is to allow the services time to evaluate the impact and feasibility of this provision.

PROVISIONS OF SBP

General

The following information is based on the provisions of the SBP covered in the DoD Directive 1332.27, Survivor Benefit Plan for Members of the Uniformed Services, draft 1 June 1989, as well as the provisions and changes contained in the 1990 Authorization Bill, the Military Survivor Benefit Improvement Act of 1989 (MSBIA). The SBP provisions are very complex. This chapter highlights some of the more important aspects of the SBP.

Election

Just prior to retirement, service members are allowed to elect not to participate or to participate at less than the maximum level but above the minimum level. The minimum level is \$300 plus increases factored in to cover the inflation index since 1 October 1986. However, if married and the retiree elects not to cover the spouse at the maximum level, the spouse must concur in writing or the retiree must prove to the satisfaction of the Service Secretary that the spouse cannot be located or it is otherwise inappropriate to require the signature. Otherwise, the election is automatic for the spouse at full coverage. The privilege to elect into the SBP program is provided to all member's who are retirement eligible, regardless of their current health, age, or age of their spouse.

Changes in Election

The election is irrevocable with just a few exceptions. For instance, if at the time of retirement, there is no spouse or dependent children, but a spouse and/or children are acquired after retirement, the retiree can, within 1 year, elect SBP coverage. Coverage and payment stops if the spouse dies or in case of divorce. Upon remarriage the member can elect not to cover the new spouse or the spouse coverage can be reinstated or increased, up to the maximum, within 1 year of the remarriage. (However, if increased coverage is elected, the retiree owes the difference in the cost for the original reduced coverage and the new coverage amount since the date of first participation in SBP.) In addition, there have been several instances where Congress has passed special legislation allowing retirees to elect into the SBP during special "Open Season" periods. Recall to active duty does not entitle the retiree to change the SBP election.

The coverage for a child or children stops when the youngest eligible child marries or reaches age 18 or, if attending school full-time, age 22. However, if the child becomes incapacitated while covered by SBP, SBP coverage continues as long as the person is incapable of self-support.

A member who is considered totally disabled by the VA can elect to withdraw from the SBP. In this case, a refund of costs paid into the plan is given to the surviving spouse upon the death of the retiree. If the retiree elects to discontinue

coverage and is later deemed by the VA to be less than totally disabled, the retiree can resume participation in the SBP. However, the retiree is required to pay premiums for prior periods for which premium payments were suspended or refunded.

Base Amount

The retiree can designate any amount as the base for the SBP coverage that is equal to or greater than the minimum (which is \$300 plus indexed increases for inflation since 1 October 1986) or equal to or less than the maximum (which is the monthly retired gross pay entitlement of the member).

Coverage Categories

Spouse or Spouse and Children, or Children

There are a number of different categories of coverage. The most common is spouse coverage at the maximum or reduced base amount levels. Also fairly common is coverage for both the spouse and children at the maximum or reduced base level. There also is a provision for child coverage only at the maximum or at a reduced base amount. The election for spouse or children must be made at the time of retirement if the retiree is married or has dependent children. Otherwise, the retiree has 1 year after acquiring a spouse or dependent children to elect SBP coverage. If the retiree is married and has children and elects to cover only the children or no coverage, the spouse must sign a consent form.

Former Spouse or Former Spouse and Children

There are several provisions for voluntary and involuntary coverage of former spouses. The legislation in this area is significant and complex. The following are some of the more important provisions for former spouse coverage. After 1 March 1986, all elections for former spouse or former spouse and children are subject to the same provisions as those for spouse coverage. For voluntary election, the retiree must elect the coverage at time of retirement, if already divorced, or must have elected coverage for the spouse which can be converted to former spouse coverage upon divorce. A retiree can elect to change a former spouse election to spouse election, with the concurrence of the former spouse. A court order requiring coverage for a former spouse under SBP is considered a deemed election which applies to the retiree regardless of his nonelection of former spouse coverage.

Insurable Interest Person

Another type of coverage is for a person with an insurable interest. This option is available to unmarried members with no dependent children or with only one child and the insurable interest is for that child. The coverage must be at the maximum level.

Cost Computations

Costs for SBP are normally deducted directly from the retirees pay. If the retiree has insufficient retired pay, due to offset for VA compensation, etc., then the retiree must directly reimburse the government for the cost. Cost of

living adjustments are applied to the base amount used in computing the cost for SBP. The base amount and costs are rounded to the nearest penny.

Spouse or Former Spouse

Cost for the spouse or former spouse coverage was computed in three steps using the base amount. The first step multiplies the minimum base amount (\$300 plus increases based on the indexed inflation factors since 1 October 1986) times 2 1/2 percent. In step two, the base amount of coverage elected by the retiree less the minimum base is multiplied by 10 percent. The amounts computed in step one and two are then added together for the total monthly cost of SBP. Under the MSRTA of 1987, effective 1 March 1990, the cost computation is changed to a one step, flat 6.5 percent of base.

Child or Children

The cost for the child or children is based on the age of the retiree and the date of birth of the youngest child. This actuarially determined factor is multiplied against the base amount to determine the cost of the election. A rough estimate of the cost can be computed as follows. Divide the base amount by 100 and multiply by 5 percent.

Spouse or Former Spouse and Child or Children

The cost of this type of coverage includes the cost for the spouse or former spouse, as discussed above, plus an additional cost which is based on the age of the retiree and spouse or former spouse and the date of birth of the youngest

child. This additional cost, for the child or children, is computed using this actuarially determined factor multiplied by the base amount of coverage. This additional cost for child or children stops when the youngest child is no longer eligible. When there is no longer an eligible child the retiree's premium for SBP is based only on the cost for spouse or former spouse coverage.

Insurable Interest Person

The cost for insurable interest is computed by multiplying the base amount (the amount of the retiree's gross pay) by 10 percent plus 5 percent for each full 5 years age difference between the retiree and the insurable interest person if this person is younger than the retiree. The total cost cannot exceed 40 percent of the base amount.

Taxes

Cost for SBP Coverage

SBP cost is deducted from the retirees pay prior to computation of taxes. Therefore, the portion of the retiree's entitlement to gross retired pay, which is used to cover the cost for SBP, is not taxable income for either state or Federal income taxes.

Annuity Benefits

Amounts paid to the annuitant are subject to both state and Federal income taxes. However, the value of the SBP

is usually not subject to Federal estate taxes, unless the payment was made directly by the deceased retiree rather than as a deduction from the retired pay entitlement.

Annuity Entitlement

The standard entitlement is 55 percent of the base amount rounded down to the nearest dollar. However there are a number of conditions which effect or reduce this entitlement. The following are some of the conditions which can affect the annuity entitlement:

Remarriage

If a surviving spouse remarries prior to reaching the age of 55 then entitlement to SBP terminates. If the annuity entitlement is terminated due to remarriage and that marriage is later terminated due to death or divorce, then the annuity entitlement is reinstated. If the annuity is reinstated and the annuitant is eligible for another annuity, the spouse must elect the annuity to be received. (The reinstated annuitant is only eligible for one annuity.) This remarriage provision does not pertain to insurable interest annuitants.

Dependent Children

If the spouse is no longer eligible or the election was for children only, then the dependent children or child is eligible for the annuity benefit. The annuity for a child or children stops when the youngest eligible child marries or reaches age 18, or 22 if attending school full-time. However, if the child becomes incapacitated while covered by SBP, SBP

entitlement continues as long as the person is incapable of self-support. If there is more than one dependent child, the annuity is divided equally among the eligible dependent children.

Dependency and Indemnity Compensation (DIC)

The spouse or former spouse SBP annuity is reduced by the amount of payment of DIC by the VA. However, if the amount of DIC ever exceeds the amount of SBP, the SBP entitlement is suspended and only reinstated if the DIC entitlement is terminated. If the SBP annuity is reduced or terminated by DIC, a refund is given to the annuitant based on the amount of costs actually deducted and what would have been deducted based on the recalculated annuity, SBP reduced by DIC entitlement. If the SBP annuity is terminated because of DIC, all costs for SBP are refunded to the surviving or former spouse without interest. If the DIC is terminated and the SBP cost has been refunded to the annuitant, the annuitant must repay the applicable portion of the refund to reinstate the SBP coverage. If the annuitant is receiving SBP and DIC on behalf of different members there is no offset. Also, if the surviving spouse remarries or dies and is no longer eligible for SBP or DIC, and the election for SBP had included children, then the full amount of the SBP annuity is payable to the children.

Social Security Offset

At age 62, the spouse or former spouse SBP annuity is reduced from 55 percent to 35 percent. However, there are provisions for a most favorable annuity which can provide for a smaller reduction of SBP by social security. The amount of reduction should not exceed the entitlement to social security based solely on the member's post 1956 active military service or 40 percent of the SBP annuity payable after required DIC reduction, whichever is less. Also, the social security offset amount will not be more than the social security widow or widower's benefit amount to which the surviving spouse is entitled. The offset to SBP is proportionately reduced if a working spouse is disqualified from receiving some or all of the social security payment.

Cost of Living Adjustments

The SBP annuity is increased by the same factor as would have been applied to retired pay and cost, if the member had still been living. This provision is important because it protects the annuity from inflation erosion.

AIR FORCE - SBP ELECTION BY GRADE

The attached Tables contain detailed information regarding Air Force retiree's participation in the SBP. The Tables are generated from information extracted from the AF retired pay files by AFAFC/RP, Denver, Colorado. The first attachment contains SBP election information for all current Air Force retirees. The second attachment contains information for those members who retired in Fiscal Year 1988.

The rows contain information by grade: Number of participants and percentage. The columns contain information regarding type of SBP election: Spouse or former spouse full coverage; spouse or former spouse reduced coverage; spouse or former spouse and child full coverage; spouse or former spouse and child reduced coverage; child only full coverage; child only reduced coverage; insurable interest; declined coverage; and total.

Grades 01 to 10 are officers, 21 through 24 are warrant officers, 31 through 39 and 51 to 52 are enlisted personnel.

AIR FORCE - SBP ELECTION BY GRADE (ALL RETIREES)

as of 30 September 1988

	SPOUSE FULL	SPOUSE REDUCED	SPOUSE & CHILD FULL	SPOUSE & CHILD REDUCED	CHILD FULL	CHILD REDUCED	INSURABLE INTEREST PERSON	DECLINED	TOTAL
GRADE									
01	368	37	134	5	17	1	0	559	1121
%	0.328278	0.033006	0.119536	0.00446	0.015165	0.000892	0	0.4986619	1
02	992	257	327	47	20	1	6	1304	2954
%	0.335816	0.087001	0.110697	0.015911	0.00677	0.000339	0.002031	0.4414353	1
03	1721	1167	1078	606	615	30	11	3968	9196
%	0.187147	0.126903	0.117225	0.065898	0.066877	0.003262	0.001196	0.431492	1
04	11751	5923	5179	2954	2153	208	79	12927	41174
%	0.285399	0.143853	0.125783	0.071744	0.05229	0.005052	0.001919	0.3139603	1
05	24446	11965	8931	4450	2436	344	166	15013	67751
%	0.360821	0.176603	0.131821	0.065682	0.035955	0.005077	0.00245	0.2215908	1
06	9482	5639	4022	1733	674	91	63	4417	26111
%	0.363142	0.215963	0.154035	0.06637	0.025813	0.003102	0.002413	0.1691624	1
07	427	133	151	29	8	0	5	101	854
%	0.5	0.155738	0.176815	0.033958	0.009368	0	0.005855	0.118267	1
08	413	129	105	18	9	1	1	71	747
%	0.552878	0.172691	0.140562	0.024096	0.012048	0.001339	0.001339	0.0950469	1
09	113	24	32	2	1	0	0	15	187
%	0.604278	0.128342	0.171123	0.010695	0.005348	0	0	0.0802139	1
10	44	7	7	1	0	0	0	7	66
%	0.666667	0.106061	0.106061	0.015152	0	0	0	0.1060606	1
OFFICER	49757	25281	19964	9845	5933	666	331	38387	150161
%	0.331358	0.168359	0.132964	0.065563	0.039511	0.004435	0.002204	0.2556056	1
21	314	68	79	8	4	0	0	432	905
%	0.346961	0.075138	0.087293	0.00884	0.00442	0	0	0.4773481	1
22	264	96	50	11	2	0	3	264	690
%	0.362609	0.13913	0.072464	0.015942	0.002899	0	0.004348	0.3826087	1
23	336	162	81	24	3	0	3	293	902
%	0.372506	0.179601	0.0898	0.026608	0.003326	0	0.003326	0.3248337	1
24	787	517	171	75	10	6	4	504	2074
%	0.37946	0.249277	0.082449	0.036162	0.004822	0.002893	0.001929	0.2430087	1
OFFICER	51458	26124	20347	9763	5952	672	341	39875	154732
TOTAL %	0.332562	0.168834	0.131498	0.064389	0.038467	0.004343	0.002204	0.2577036	1
31	14	0	16	0	9	0	6	412	457
%	0.030635	0	0.035011	0	0.019694	0	0.013129	0.9015317	1
32	37	1	39	0	12	0	12	1727	1828
%	0.020241	0.000547	0.021335	0	0.006565	0	0.006565	0.9447484	1
33	169	10	172	6	83	0	30	4259	4729
%	0.035737	0.002115	0.036371	0.001269	0.017551	0	0.006344	0.9006132	1
34	606	56	549	20	305	5	36	6575	8152
%	0.074338	0.006869	0.067345	0.002453	0.037414	0.000613	0.004416	0.8065505	1
35	6726	1202	5704	687	1342	79	35	31485	47260
%	0.142319	0.025434	0.120694	0.014537	0.028396	0.001672	0.000741	0.6662082	1
36	16772	8294	14463	5525	4545	421	59	68304	118383
%	0.141676	0.070061	0.122171	0.046671	0.038392	0.003556	0.000498	0.5769747	1

37	22785	16257	14591	9422	7485	497	107	76845	147989
%	0.153964	0.109853	0.098595	0.063667	0.050578	0.003358	0.000723	0.5192616	1
38	7160	7188	3977	3239	1991	174	26	19812	43567
%	0.164345	0.164987	0.091285	0.074345	0.0457	0.003994	0.000597	0.4547479	1
39	5622	5994	2386	2047	1000	100	28	10353	27530
%	0.204214	0.217726	0.086669	0.074355	0.036324	0.003632	0.001017	0.3760625	1
51	0	0	0	0	0	0	0	11	11
%	0	0	0	0	0	0	0	1	1
52	0	0	0	0	0	0	0	0	0
%	0	0	0	0	0	0	0	0	0
ENLISTED	59891	39002	41897	20946	16772	1276	339	219783	399906
TOTAL	0.149763	0.097528	0.104767	0.052377	0.04194	0.003191	0.000848	0.5495867	1

GRAND	111349	65126	62244	30909	22724	1948	680	259656	554638
TOTAL	0.20076	0.117421	0.112225	0.055728	0.040971	0.003512	0.001226	0.4681576	1

AIR FORCE - SBP ELECTION BY GRADE (RETIRE IN FY 1988)

GRADE	SPOUSE FULL	SPOUSE REDUCED	SPOUSE & CHILD FULL	SPOUSE & CHILD REDUCED	CHILD FULL	CHILD REDUCED	INSURABLE INTEREST PERSON	DECLINED	TOTAL
01	0	0	0	0	1	0	0	2	3
%	0	0	0	0	0.333333	0	0	0.666667	1
02	1	0	1	0	3	0	0	8	13
%	0.076923	0	0.076923	0	0.230769	0	0	0.615384	1
03	32	52	71	62	55	1	1	127	401
%	0.0798	0.129676	0.177057	0.154613	0.137157	0.002494	0.002494	0.3167082	1
04	147	176	226	261	238	6	6	363	1423
%	0.103303	0.123682	0.158819	0.183415	0.167252	0.004216	0.004216	0.2550949	1
05	325	250	333	322	212	3	2	374	1826
%	0.177985	0.136911	0.182366	0.176342	0.116101	0.001643	0.001095	0.2075575	1
06	202	205	167	132	43	2	2	167	920
%	0.219565	0.222826	0.181522	0.143478	0.046739	0.002174	0.002174	0.1815217	1
07	17	3	13	0	0	0	0	3	36
%	0.472222	0.083333	0.361111	0	0	0	0	0.0833333	1
08	19	2	4	0	0	0	1	1	27
%	0.703704	0.074074	0.148148	0	0	0	0.037037	0.037037	1
09	6	0	3	0	0	0	0	0	9
%	0.666667	0	0.333333	0	0	0	0	0	1
10	1	0	1	0	0	0	0	0	2
%	0.5	0	0.5	0	0	0	0	0	1
OFFICER	750	688	819	777	552	12	12	1050	4660
%	0.160944	0.147639	0.175751	0.166738	0.118455	0.002575	0.002575	0.2253219	1
21	0	0	0	0	0	0	0	0	0
%	0	0	0	0	0	0	0	0	0
22	0	0	0	0	0	0	0	0	0
%	0	0	0	0	0	0	0	0	0
23	0	0	1	0	0	0	0	0	1
%	0	0	1	0	0	0	0	0	1
24	1	0	0	0	0	0	0	0	1
%	1	0	0	0	0	0	0	0	1
OFFICER	751	688	820	777	552	12	12	1050	4662
TOTAL %	0.16109	0.147576	0.17589	0.166667	0.118404	0.002574	0.002574	0.2252252	
31	2	0	0	0	1	0	0	1	4
%	0.5	0	0	0	0.25	0	0	0.25	1
32	3	0	0	0	0	0	0	11	14
%	0.214286	0	0	0	0	0	0	0.7857143	1
33	5	4	3	1	5	0	3	100	121
%	0.041322	0.033058	0.024793	0.008264	0.041322	0	0.024793	0.8264463	1
34	18	7	32	0	26	0	2	147	232
%	0.077586	0.030172	0.137931	0	0.112069	0	0.008621	0.6336207	1
35	62	39	170	24	115	1	2	237	650
%	0.095385	0.06	0.261538	0.036923	0.176923	0.001538	0.003077	0.3646154	1
36	220	136	451	177	362	4	1	776	2127
%	0.103432	0.06394	0.212036	0.083216	0.170193	0.001881	0.00047	0.3648331	1

37	592	557	883	596	901	12	7	2132	5680
%	0.104225	0.098063	0.155458	0.10493	0.158627	0.002113	0.001232	0.3753521	1
38	221	245	243	222	243	5	1	621	1801
%	0.12271	0.136036	0.134725	0.123265	0.134925	0.002776	0.000555	0.3448084	1
39	197	221	128	128	105	2	2	302	1085
%	0.181567	0.203687	0.117972	0.117972	0.096774	0.001843	0.001843	0.278341	1
51	0	0	0	0	0	0	0	0	0
%	0	0	0	0	0	0	0	0	0
52	0	0	0	0	0	0	0	0	0
%	0	0	0	0	0	0	0	0	0
ENLISTED	1320	1209	1910	1148	1758	24	18	4327	11714
TOTAL	0.112686	0.10321	0.163053	0.098002	0.150077	0.002049	0.001537	0.3693871	1
<hr/>									
GRAND	2071	1897	2730	1925	2310	36	30	5377	16376
TOTAL	0.126466	0.11584	0.166707	0.11755	0.14106	0.002198	0.001832	0.3283464	1

[illegible]

AMERICAN INDIAN - 5th grade

DEPARTMENT OF DEFENSE PARTICIPATION INFORMATION

The attached Tables are extracted from the "Department of Defense Report on the Military Retirement System" for 1986 and 1988. They contain information concerning the SBF participation of service members, both enlisted and officers, for 1985, 1986, 1987, and 1988.

SURVIVOR BENEFIT PLAN (SBP) PARTICIPATION RATES OF ALL MILITARY
RETIREEES FOR ALL RETIREEES ON ROLLS AS OF SEPTEMBER 30, 1988

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.50	.44	.40	.46	.46
Nondisabled Officers Without Reserve Ret	.71	.65	.63	.72	.69
Disabled Enlisted	.27	.31	.15	.31	.27
Disabled Officers	.64	.56	.55	.66	.63
Reserve Retired Enlisted Only	.86	.80	.80	.86	.84
Reserve Retired Officers Only	.89	.81	.88	.87	.87
All Enlisted	.47	.44	.31	.45	.45
All Officers	.76	.69	.65	.74	.73
All	.57	.50	.40	.53	.53

FOR ALL RETIREEES ON ROLLS AS OF SEPTEMBER 30, 1987

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	
Nondisabled Enlisted Without Reserve Ret	.50	.45	.41	.45	.46
Nondisabled Officers Without Reserve Ret	.71	.66	.63	.71	.69
Disabled Enlisted	.26	.31	.15	.31	.27
Disabled Officers	.64	.57	.56	.66	.63
Reserve Retired Enlisted Only	.86	.80	.79	.86	.84
Reserve Retired Officers Only	.89	.81	.87	.87	.87
All Enlisted	.47	.45	.31	.44	.44
All Officers	.76	.70	.65	.74	.73
All	.57	.51	.40	.53	.53

Numerous automated pay records contain a deduction for SBP, but do not indicate a SBP election. Starting in FY 87, these records were assumed to have a SBP election and have been included in the totals. Prior year figures are displayed for comparison purposes.

RATIO OF BASE AMOUNT SELECTED FOR SBP TO GROSS AMOUNT OF RETIRED PAY
FOR ALL RETIREES ON ROLLS AS OF SEPTEMBER 30, 1988

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.86	.83	.86	.83	.84
Nondisabled Officers Without Reserve Ret	.85	.78	.77	.78	.80
Disabled Enlisted	.93	.90	.93	.91	.92
Disabled Officers	.93	.87	.87	.89	.90
Reserve Retired Enlisted Only	1.00	.98	.98	.98	.99
Reserve Retired Officers Only	.98	.97	.97	.97	.98
All Enlisted	.88	.84	.87	.84	.85
All Officers	.88	.82	.79	.81	.84
All	.88	.83	.82	.82	.84

FOR ALL RETIREES ON ROLLS AS OF SEPTEMBER 30, 1987

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.87	.84	.86	.83	.85
Nondisabled Officers Without Reserve Ret	.85	.79	.78	.79	.81
Disabled Enlisted	.93	.90	.93	.92	.92
Disabled Officers	.94	.88	.87	.89	.90
Reserve Retired Enlisted Only	1.00	.98	.98	.99	.99
Reserve Retired Officers Only	.98	.97	.97	.97	.98
All Enlisted	.88	.85	.87	.84	.86
All Officers	.89	.83	.80	.82	.84
All	.88	.84	.83	.83	.85

Numerous automated pay records contain a deduction for SBP, but do not indicate a SBP election. Starting in FY 87, these records were assumed to have a SBP election and have been included in the totals. Prior year figures are displayed for comparison purposes.

SURVIVOR BENEFIT PLAN (SBP) PARTICIPATION RATES OF ALL MILITARY
RETIREES FOR THOSE RETIRED IN FISCAL YEAR 1988 ONLY

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.53	.37	.34	.62	.53
Nondisabled Officers Without Reserve Ret	.73	.62	.63	.77	.72
Disabled Enlisted	.43	.37	.40	.45	.41
Disabled Officers	.48	.42	.41	.63	.50
Reserve Retired Enlisted Only	.85	.83	.83	.84	.84
Reserve Retired Officers Only	.85	.89	.88	.80	.85
All Enlisted	.56	.41	.38	.63	.54
All Officers	.76	.68	.67	.78	.75
All	.62	.48	.47	.67	.60

FOR THOSE RETIRED IN FISCAL YEAR 1987 ONLY

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.52	.41	.39	.62	.53
Nondisabled Officers Without Reserve Ret	.72	.62	.58	.76	.71
Disabled Enlisted	.39	.40	.39	.49	.41
Disabled Officers	.49	.58	.52	.55	.53
Reserve Retired Enlisted Only	.86	.87	.79	.83	.85
Reserve Retired Officers Only	.83	.89	.83	.82	.84
All Enlisted	.54	.45	.41	.62	.54
All Officers	.74	.70	.61	.76	.73
All	.60	.52	.47	.66	.60

Numerous automated pay records contain a deduction for SBP, but do not indicate a SBP election. Starting in FY 87, these records were assumed to have a SBP election and have been included in the totals. Prior year figures are displayed for comparison purposes.

SURVIVOR BENEFIT PLAN (SBP) PARTICIPATION RATES OF ALL MILITARY
RETIREES FOR THOSE RETIRED IN FISCAL YEAR 1988 ONLY

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.53	.37	.34	.62	.53
Nondisabled Officers Without Reserve Ret	.73	.62	.63	.77	.72
Disabled Enlisted	.43	.37	.40	.45	.41
Disabled Officers	.48	.42	.41	.63	.50
Reserve Retired Enlisted Only	.85	.83	.83	.84	.84
Reserve Retired Officers Only	.85	.89	.88	.80	.85
All Enlisted	.56	.41	.38	.63	.54
All Officers	.76	.68	.67	.78	.75
All	.62	.48	.47	.67	.60

FOR THOSE RETIRED IN FISCAL YEAR 1987 ONLY

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.52	.41	.39	.62	.53
Nondisabled Officers Without Reserve Ret	.72	.62	.58	.76	.71
Disabled Enlisted	.39	.40	.39	.49	.41
Disabled Officers	.49	.58	.52	.55	.53
Reserve Retired Enlisted Only	.86	.87	.79	.83	.85
Reserve Retired Officers Only	.83	.89	.83	.82	.84
All Enlisted	.54	.45	.41	.62	.54
All Officers	.74	.70	.61	.76	.73
All	.60	.52	.47	.66	.60

Numerous automated pay records contain a deduction for SBP, but do not indicate a SBP election. Starting in FY 87, these records were assumed to have a SBP election and have been included in the totals. Prior year figures are displayed for comparison purposes.

RATIO OF BASE AMOUNT SELECTED FOR SBP TO GROSS AMOUNT OF RETIRED PAY
FOR THOSE RETIRED IN FISCAL YEAR 1988

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.75	.63	.77	.75	.73
Nondisabled Officers Without Reserve Ret	.68	.57	.60	.62	.63
Disabled Enlisted	.94	.84	.95	.91	.91
Disabled Officers	.88	.75	.83	.81	.83
Reserve Retired Enlisted Only	.99	.98	.99	.98	.99
Reserve Retired Officers Only	.98	.95	.97	.96	.97
All Enlisted	.81	.68	.82	.77	.77
All Officers	.75	.64	.65	.65	.69
All	.78	.66	.72	.71	.72

FOR THOSE RETIRED IN FISCAL YEAR 1987 ONLY

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.75	.64	.76	.73	.72
Nondisabled Officers Without Reserve Ret	.68	.60	.53	.60	.63
Disabled Enlisted	.92	.86	.94	.93	.91
Disabled Officers	.84	.77	.77	.86	.82
Reserve Retired Enlisted Only	.99	.97	.98	.99	.99
Reserve Retired Officers Only	.98	.96	.97	.98	.97
All Enlisted	.81	.70	.81	.75	.76
All Officers	.75	.67	.58	.63	.68
All	.77	.68	.69	.69	.72

Numerous automated pay records contain a deduction for SBP, but do not indicate a SBP election. Starting in FY 87, these records were assumed to have a SBP election and have been included in the totals. Prior year figures are displayed for comparison purposes.

SURVIVOR BENEFIT PLAN (SBP) PARTICIPATION RATES OF ALL MILITARY RETIREES
FOR ALL RETIREES ON ROLLS AS OF SEPTEMBER 30, 1986

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.48	.45	.41	.44	.46
Nondisabled Officers Without Reserve Ret	.67	.67	.63	.71	.68
Disabled Enlisted	.25	.31	.14	.31	.26
Disabled Officers	.60	.58	.56	.66	.61
Reserve Retired Enlisted Only	.82	.80	.79	.86	.82
Reserve Retired Officers Only	.83	.81	.87	.87	.84
All Enlisted	.44	.45	.31	.44	.44
All Officers	.71	.70	.65	.7	.72
All	.54	.52	.40	.52	.52

FOR ALL RETIREES ON ROLLS AS OF SEPTEMBER 30, 1985

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.48	.46	.41	.44	.46
Nondisabled Officers Without Reserve Ret	.68	.67	.64	.71	.69
Disabled Enlisted	.25	.31	.14	.30	.26
Disabled Officers	.61	.59	.57	.66	.62
Reserve Retired Enlisted Only	.82	.79	.77	.85	.82
Reserve Retired Officers Only	.84	.81	.87	.87	.84
All Enlisted	.44	.46	.32	.43	.44
All Officers	.72	.70	.65	.74	.72
All	.54	.52	.40	.52	.52

NOTE: A policy change was made in FY84 to include all retirees entitled to retired pay. Prior year tabulations did not include retirees entitled to but not receiving retired pay from DoD.
For comparison purposes current and prior fiscal year figures are shown.

RATIO OF BASE AMOUNT SELECTED FOR SBP TO GROSS AMOUNT OF RETIRED PAY
FOR ALL RETIREES ON ROLLS AS OF SEPTEMBER 30, 1986

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.87	.84	.87	.84	.85
Nondisabled Officers Without Reserve Ret	.86	.80	.78	.80	.82
Disabled Enlisted	.93	.91	.93	.92	.92
Disabled Officers	.94	.88	.87	.89	.91
Reserve Retired Enlisted Only	.99	.98	.98	.98	.99
Reserve Retired Officers Only	.98	.97	.97	.97	.98
All Enlisted	.88	.85	.88	.85	.86
All Officers	.89	.83	.81	.82	.85
All	.89	.84	.84	.83	.85

FOR ALL RETIREES ON ROLLS AS OF SEPTEMBER 30, 1985

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.88	.85	.87	.84	.86
Nondisabled Officers Without Reserve Ret	.87	.81	.79	.80	.82
Disabled Enlisted	.93	.91	.93	.92	.92
Disabled Officers	.94	.88	.87	.89	.91
Reserve Retired Enlisted Only	.99	.98	.98	.98	.99
Reserve Retired Officers Only	.98	.97	.97	.97	.98
All Enlisted	.89	.86	.88	.85	.87
All Officers	.90	.84	.81	.83	.85
All	.89	.85	.84	.84	.86

NOTE: A policy change was made in FY84 to include all retirees entitled to retired pay. Prior year tabulations did not include retirees entitled to but not receiving retired pay from DoD.
For comparison purposes current and prior fiscal year figures are shown.

SURVIVOR BENEFIT PLAN (SBP) PARTICIPATION RATES OF ALL MILITARY RETIREES
FOR THOSE RETIRED IN FISCAL YEAR 1986 ONLY

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.48	.39	.37	.55	.48
Nondisabled Officers Without Reserve Ret	.69	.65	.61	.73	.69
Disabled Enlisted	.40	.40	.36	.45	.40
Disabled Officers	.51	.55	.52	.51	.52
Reserve Retired Enlisted Only	.87	.89	.89	.84	.87
Reserve Retired Officers Only	.83	.89	.88	.81	.85
All Enlisted	.51	.46	.39	.56	.51
All Officers	.72	.75	.65	.73	.73
All	.58	.55	.47	.61	.57

FOR THOSE RETIRED IN FISCAL YEAR 1985 ONLY

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.46	.36	.28	.46	.43
Nondisabled Officers Without Reserve Ret	.68	.63	.53	.67	.66
Disabled Enlisted	.38	.36	.37	.40	.38
Disabled Officers	.48	.57	.52	.52	.51
Reserve Retired Enlisted Only	.80	.87	.84	.83	.83
Reserve Retired Officers Only	.78	.90	.91	.85	.84
All Enlisted	.48	.44	.35	.48	.46
All Officers	.71	.75	.62	.73	.72
All	.55	.54	.43	.56	.54

NOTE: A policy change was made in FY84 to include all retirees entitled to retired pay. Prior year tabulations did not include retirees entitled to but not receiving retired pay from DoD.
For comparison purposes current and prior fiscal year figures are shown.

*
RATIO OF BASE AMOUNT SELECTED FOR SBP TO GROSS AMOUNT OF RETIRED PAY
FOR THOSE RETIRED IN FISCAL YEAR 1986

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.74	.65	.78	.74	.72
Nondisabled Officers Without Reserve Ret	.71	.64	.62	.63	.66
Disabled Enlisted	.91	.86	.96	.90	.90
Disabled Officers	.86	.81	.74	.85	.84
Reserve Retired Enlisted Only	.99	.98	.99	.99	.99
Reserve Retired Officers Only	.99	.97	.98	.98	.98
All Enlisted	.80	.71	.82	.76	.76
All Officers	.77	.73	.66	.66	.72
All	.78	.72	.73	.71	.74

FOR THOSE RETIRED IN FISCAL YEAR 1985 ONLY

	<u>Army</u>	<u>Navy</u>	<u>Marines</u>	<u>Air Force</u>	<u>Total</u>
Nondisabled Enlisted Without Reserve Ret	.76	.63	.75	.72	.72
Nondisabled Officers Without Reserve Ret	.74	.63	.58	.61	.66
Disabled Enlisted	.90	.82	.95	.91	.88
Disabled Officers	.88	.81	.86	.90	.86
Reserve Retired Enlisted Only	.99	.97	.96	.99	.98
Reserve Retired Officers Only	.98	.96	.98	.96	.97
All Enlisted	.81	.71	.81	.74	.76
All Officers	.79	.73	.66	.68	.73
All	.80	.72	.73	.71	.74

NOTE: A policy change was made in FY84 to include all retirees entitled to retired pay. Prior year tabulations did not include retirees entitled to but not receiving retired pay from DoD.
For comparison purposes current and prior fiscal year figures are shown.

SUMMARY OF MILITARY PERSONNEL DURING FY1988 AND RECEIVING RETIRED PAY AS OF SEPT 30, 1988 BY RANK AND RETIRED AGE

ALL RETIERS INCLUDING REVERSE RPT.

		1-1	1-2	1-3	1-4	1-5	1-6	1-7	1-8	1-9	2-1	2-2	2-3	2-4	2-5	2-6	2-7	2-8	2-9	3-1	3-2	3-3	3-4	3-5	3-6	3-7	3-8	3-9	3-10	3-11	3-12	3-13	3-14	3-15	3-16	3-17	3-18	3-19	3-20	3-21	3-22	3-23	3-24	3-25	3-26	3-27	3-28	3-29	3-30	3-31	3-32	3-33	3-34	3-35	3-36	3-37	3-38	3-39	3-40	3-41	3-42	3-43	3-44	3-45	3-46	3-47	3-48	3-49	3-50	3-51	3-52	3-53	3-54	3-55	3-56	3-57	3-58	3-59	3-60	3-61	3-62	3-63	3-64	3-65	3-66	3-67	3-68	3-69	3-70	3-71	3-72	3-73	3-74	3-75	3-76	3-77	3-78	3-79	3-80	3-81	3-82	3-83	3-84	3-85	3-86	3-87	3-88	3-89	3-90	3-91	3-92	3-93	3-94	3-95	3-96	3-97	3-98	3-99	3-100	3-101	3-102	3-103	3-104	3-105	3-106	3-107	3-108	3-109	3-110	3-111	3-112	3-113	3-114	3-115	3-116	3-117	3-118	3-119	3-120	3-121	3-122	3-123	3-124	3-125	3-126	3-127	3-128	3-129	3-130	3-131	3-132	3-133	3-134	3-135	3-136	3-137	3-138	3-139	3-140	3-141	3-142	3-143	3-144	3-145	3-146	3-147	3-148	3-149	3-150	3-151	3-152	3-153	3-154	3-155	3-156	3-157	3-158	3-159	3-160	3-161	3-162	3-163	3-164	3-165	3-166	3-167	3-168	3-169	3-170	3-171	3-172	3-173	3-174	3-175	3-176	3-177	3-178	3-179	3-180	3-181	3-182	3-183	3-184	3-185	3-186	3-187	3-188	3-189	3-190	3-191	3-192	3-193	3-194	3-195	3-196	3-197	3-198	3-199	3-200	3-201	3-202	3-203	3-204	3-205	3-206	3-207	3-208	3-209	3-210	3-211	3-212	3-213	3-214	3-215	3-216	3-217	3-218	3-219	3-220	3-221	3-222	3-223	3-224	3-225	3-226	3-227	3-228	3-229	3-230	3-231	3-232	3-233	3-234	3-235	3-236	3-237	3-238	3-239	3-240	3-241	3-242	3-243	3-244	3-245	3-246	3-247	3-248	3-249	3-250	3-251	3-252	3-253	3-254	3-255	3-256	3-257	3-258	3-259	3-260	3-261	3-262	3-263	3-264	3-265	3-266	3-267	3-268	3-269	3-270	3-271	3-272	3-273	3-274	3-275	3-276	3-277	3-278	3-279	3-280	3-281	3-282	3-283	3-284	3-285	3-286	3-287	3-288	3-289	3-290	3-291	3-292	3-293	3-294	3-295	3-296	3-297	3-298	3-299	3-300	3-301	3-302	3-303	3-304	3-305	3-306	3-307	3-308	3-309	3-310	3-311	3-312	3-313	3-314	3-315	3-316	3-317	3-318	3-319	3-320	3-321	3-322	3-323	3-324	3-325	3-326	3-327	3-328	3-329	3-330	3-331	3-332	3-333	3-334	3-335	3-336	3-337	3-338	3-339	3-340	3-341	3-342	3-343	3-344	3-345	3-346	3-347	3-348	3-349	3-350	3-351	3-352	3-353	3-354	3-355	3-356	3-357	3-358	3-359	3-360	3-361	3-362	3-363	3-364	3-365	3-366	3-367	3-368	3-369	3-370	3-371	3-372	3-373	3-374	3-375	3-376	3-377	3-378	3-379	3-380	3-381	3-382	3-383	3-384	3-385	3-386	3-387	3-388	3-389	3-390	3-391	3-392	3-393	3-394	3-395	3-396	3-397	3-398	3-399	3-400	3-401	3-402	3-403	3-404	3-405	3-406	3-407	3-408	3-409	3-410	3-411	3-412	3-413	3-414	3-415	3-416	3-417	3-418	3-419	3-420	3-421	3-422	3-423	3-424	3-425	3-426	3-427	3-428	3-429	3-430	3-431	3-432	3-433	3-434	3-435	3-436	3-437	3-438	3-439	3-440	3-441	3-442	3-443	3-444	3-445	3-446	3-447	3-448	3-449	3-450	3-451	3-452	3-453	3-454	3-455	3-456	3-457	3-458	3-459	3-460	3-461	3-462	3-463	3-464	3-465	3-466	3-467	3-468	3-469	3-470	3-471	3-472	3-473	3-474	3-475	3-476	3-477	3-478	3-479	3-480	3-481	3-482	3-483	3-484	3-485	3-486	3-487	3-488	3-489	3-490	3-491	3-492	3-493	3-494	3-495	3-496	3-497	3-498	3-499	3-500	3-501	3-502	3-503	3-504	3-505	3-506	3-507	3-508	3-509	3-510	3-511	3-512	3-513	3-514	3-515	3-516	3-517	3-518	3-519	3-520	3-521	3-522	3-523	3-524	3-525	3-526	3-527	3-528	3-529	3-530	3-531	3-532	3-533	3-534	3-535	3-536	3-537	3-538	3-539	3-540	3-541	3-542	3-543	3-544	3-545	3-546	3-547	3-548	3-549	3-550	3-551	3-552	3-553	3-554	3-555	3-556	3-557	3-558	3-559	3-560	3-561	3-562	3-563	3-564	3-565	3-566	3-567	3-568	3-569	3-570	3-571	3-572	3-573	3-574	3-575	3-576	3-577	3-578	3-579	3-580	3-581	3-582	3-583	3-584	3-585	3-586	3-587	3-588	3-589	3-590	3-591	3-592	3-593	3-594	3-595	3-596	3-597	3-598	3-599	3-600	3-601	3-602	3-603	3-604	3-605	3-606	3-607	3-608	3-609	3-610	3-611	3-612	3-613	3-614	3-615	3-616	3-617	3-618	3-619	3-620	3-621	3-622	3-623	3-624	3-625	3-626	3-627	3-628	3-629	3-630	3-631	3-632	3-633	3-634	3-635	3-636	3-637	3-638	3-639	3-640	3-641	3-642	3-643	3-644	3-645	3-646	3-647	3-648	3-649	3-650	3-651	3-652	3-653	3-654	3-655	3-656	3-657	3-658	3-659	3-660	3-661	3-662	3-663	3-664	3-665	3-666	3-667	3-668	3-669	3-670	3-671	3-672	3-673	3-674	3-675	3-676	3-677	3-678	3-679	3-680	3-681	3-682	3-683	3-684	3-685	3-686	3-687	3-688	3-689	3-690	3-691	3-692	3-693	3-694	3-695	3-696	3-697	3-698	3-699	3-700	3-701	3-702	3-703	3-704	3-705	3-706	3-707	3-708	3-709	3-710	3-711	3-712	3-713	3-714	3-715	3-716	3-717	3-718	3-719	3-720	3-721	3-722	3-723	3-724	3-725	3-726	3-727	3-728	3-729	3-730	3-731	3-732	3-733	3-734	3-735	3-736	3-737	3-738	3-739	3-740	3-741	3-742	3-743	3-744	3-745	3-746	3-747	3-748	3-749	3-750	3-751	3-752	3-753	3-754	3-755	3-756	3-757	3-758	3-759	3-760	3-761	3-762	3-763	3-764	3-765	3-766	3-767	3-768	3-769	3-770	3-771	3-772	3-773	3-774	3-775	3-776	3-777	3-778	3-779	3-780	3-781	3-782	3-783	3-784	3-785	3-786	3-787	3-788	3-789	3-790	3-791	3-792	3-793	3-794	3-795	3-796	3-797	3-798	3-799	3-800	3-801	3-802	3-803	3-804	3-805	3-806	3-807	3-808	3-809	3-810	3-811	3-812	3-813	3-814	3-815	3-816	3-817	3-818	3-819	3-820	3-821	3-822	3-823	3-824	3-825	3-826	3-827	3-828	3-829	3-830	3-831	3-832	3-833	3-834	3-835	3-836	3-837	3-838	3-839	3-840	3-841	3-842	3-843	3-844	3-845	3-846	3-847	3-848	3-849	3-850	3-851	3-852	3-853	3-854	3-855	3-856	3-857	3-858	3-859	3-860	3-861	3-862	3-863	3-864	3-865	3-866	3-867	3-868	3-869	3-870	3-871	3-872	3-873	3-874	3-875	3-876	3-877	3-878	3-879	3-880	3-881	3-882	3-883	3-884	3-885	3-886	3-887	3-888	3-889	3-890	3-891	3-892	3-893	3-894	3-895	3-896	3-897	3-898	3-899	3-900	3-901	3-902	3-903	3-904	3-905	3-906	3-907	3-908	3-909	3-910	3-911	3-912	3-913	3-914	3-915	3-916	3-917	3-918	3-919	3-920	3-921	3-922	3-923	3-924	3-925	3-926	3-927	3-928	3-929	3-930	3-931	3-932	3-933	3-934	3-935	3-936	3-937	3-938	3-939	3-940	3-941	3-942	3-943	3-944	3-945	3-946	3-947	3-948	3-949	3-950	3-951	3-952	3-953	3-954	3-955	3-956	3-957	3-958	3-959	3-960	3-961	3-962	3-963	3-964	3-965	3-966	3-967	3-968	3-969	3-970	3-971	3-972	3-973	3-974	3-975	3-976	3-977	3-978	3-979	3-980	3-981	3-982	3-983	3-984	3-985	3-986	3-987	3-988	3-989	3-990	3-991	3-992	3-993	3-994	3-995	3-996	3-997	3-998	3-999	3-1000	3-1001	3-1002	3-1003	3-1004	3-1005	3-1006	3-1007	3-1008	3-1009	3-1010	3-1011	3-1012	3-1013	3-1014	3-1015	3-1016	3-1017	3-1018	3-1019	3-1020	3-1021	3-1022	3-1023	3-1024	3-1025	3-1026	3-1027	3-1028	3-1029	3-1030	3-1031	3-1032	3-1033	3-1034	3-1035	3-1036	3-1037	3-1038	3-1039	3-1040	3-1041	3-1042	3-1043	3-1044	3-1045	3-1046	3-1047	3-1048	3-1049	3-1050	3-1051	3-1052	3-1053	3-1054	3-1055	3-1056	3-1057	3-1058	3-1059	3-1060	3-1061	3-1062	3-1063	3-1064	3-1065	3-1066	3-1067	3-1068	3-1069	3-1070	3-1071	3-1072	3-1073	3-1074	3-1075	3-1076	3-1077	3-1078	3-1079	3-1080	3-1081	3-1082	3-1083	3-1084	3-1085	3-1086	3-1087	3-1088	3-1089	3-1090	3-1091	3-1092	3-1093	3-1094	3-1095	3-1096	3-1097	3-1098	3-1099	3-1100	3-1101	3-1102	3-1103	3-1104	3-1105	3-1106	3-1107	3-1108	3-1109	3-1110	3-1111	3-1112	3-1113	3-1114	3-1115	3-1116	3-1117	3-1118	3-1119	3-1120	3-1121	3-1122	3-1123	3-1124	3-1125	3-1126	3-1127	3-1128	3-1129	3-1130	3-1131	3-1132	3-1133	3-1134	3-1135	3-1136	3-1137	3-1138	3-1139	3-1140	3-1141	3-1142	3-1143	3-1144	3-1145	3-1146	3-1147	3-1148	3-1149	3-1150	3-1151	3-1152	3-1153	3-1154	3-1155	3-1156	3-1157	3-1158	3-1159	3-1160	3-1161	3-1162	3-1163	3-1164	3-1165	3-1166	3-1167	3-1168	3-1169	3-1170	3-1171	3-1172	3-1173	3-1174	3-1175	3-1176	3-1177	3-1178	3-1179	3-1180	3-1181	3-1182	3-1183	3-1184	3-1185	3-1186	3-1187	3-1188	3-1189	3-1190	3-1191	3-1192	3-1193	3-1194	3-1195	3-1196	3-1197	3-1198
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Survey - CBPO

This survey was developed to assess local CBPOs involvement with and commitment to SBP. Fourteen CONUS CBPOs were randomly selected and a telephone interview with an individual in the Personnel Affairs Office was conducted between 19-22 December 1989. In each case the interviewer asked to speak with the SBP "expert" of the office. The telephone method was selected to expedite the completion of the survey and to have the opportunity to get a feel for the knowledge and interest of the interviewee. The questionnaire with a summary of the results is presented below.

Appendix G-1

Base: _____ Individual: _____

Date: 19-22 December 1989 Time: _____

1. How long have you been in Personnel Affairs? - Ave 8.7
years, range 1.5 to 25 years

2. How long have you been working with SBP? - Ave 6.7
years, 9 months to 17 years

3. What kind of training have you received in SBP?

OJT

Tech School

Seminar/Workshop (for some)

4. How qualified do you feel you are to compare SBP with
insurance programs offered by insurance agents and
investment counselors?

Most felt qualified. The determinant was the
amount of experience they had.

5. What advantages are there in SBP?

Inflation proof - 64%

Tax advantage - 64%

Government subsidy - 14 %

Other - Lifetime income - 64%

Can't cancel

G-2

No health requirement

6. What kind of material on SBP do you have:

Resource material for you?

RCI Study on SBP handouts - one mentioned

DoD Office of the Actuary memo on

alternatives to SBP - none

Other: Regulation, MPC letters/messages,
brochures, material acquired on their own.

Handouts for prospective retirees?

TROA, "SBP Made Easy"

Other: SBP: "It's Your Choice"

Homemade packages

How effective are these handouts? Response varied from very effective to out of date. The general opinion was that they are okay, but require personal counseling by them to be fully useful. Some recommended that a simple handout or brochure be made. One individual wanted a shorter video that was strictly oriented to SBP. Since they are competing with private companies they felt that the handouts should be of higher quality material.

7. Which computer programs do you have to assist the prospective retiree make the SBP decision?

Office of the Actuary 8/88 - 71% were using, some didn't understand how to use it, or didn't understand or

couldn't explain the product, one didn't have the computer available.

Others - one base had another program they were using

8. What other kind of information do you provide prospective retirees and their spouses?

Briefings - Typically given monthly

Personal counseling - 79% required all to attend personal counseling

Other - Most were willing to work with the member or spouse as much as necessary

9. Is your service in helpful to the prospective retiree and spouse in making their SBP decision? All felt that they were doing a good job.

What would help improve your service? (If the "world were perfect") Most didn't seem to have thought much about it. The largest number said that they felt they needed better training and periodic workshops to keep them up to date. Several wanted better, more professional looking materials and video. Several recommended more effort be expended on educating the military population. One wanted training on insurance so they could better help members compare.

10. What obstacles do you see that discourages a member from electing full SBP coverage?

SS offset - 50% mentioned this obstacle

cost - 71% mentioned this obstacle

Complexity of the program - none mentioned this

No cash surrender value - 57% mentioned this

11. Do you feel that members come to you with their mind already made up about SBP? All mentioned that some did

12. What factors influence prospective retirees' SBP decision? This question was asked in the context of question 11. Friends with bad or outdated information was most frequently mentioned. Insurance salesmen were also mentioned, but some said that they are now finding some salesmen that recommend minimum or some SBP coverage in addition to their insurance.

Salesmen/agents

Friends

13. Are you asked whether you recommend SBP? Only one base answered no. What recommendation do you give? The majority of respondents stated that they provided the pros and cons of SBP, leaving the members to make their own decision. Some were oriented toward "selling" SBP while there were those who seemed to take special care not to

appear as selling. One individual would tell the member that SBP wasn't for everyone, that there are better commercial alternatives available.

14. What other kind of support do you feel you need from MPC or your MAJCOM?

Generally the MAJCOMS were not credited with much interest or involvement in SBP. MPC received high marks for help and assistance. Several thought that MPC couldn't do more to help them. Recommendations were: 1) Give us more and better formal training. 2) Recognize progress and success in addition to statistics (directed to MAJCOM). 3) Develop better pamphlets (easier to read and understand, shorter). 4) Update the regulation, consolidate the many messages and newsletters. 5) Provide better computer support. 6) Provide more and better general information to the member over their career so they can be better informed about SBP.

15. What instructions has your supervisor or others in your chain of command given you in regard to SBP?

Generally the answer was that they were given little to no instruction. One felt pressure to increase the number enrolling, to meet goals. Others were instructed not to "sell" SBP.

16. How has your command shown interest in SBP? ie on IG inspection item? MAJCOM interest was limited to inspections and interest in statistics. AFAFC was mentioned as being on top of things to ensure that the administrative aspects were correct.

17. Does your command support you with SBP material?
Or with personal assistance?

Other than statistics, MAJCOMS were not credited with providing bases much support. Almost all stated that they referred questions to MPC rather than their MAJCOM.

18. How do your local retirees show an interest in SBP?

Generally retirees were not getting involved with the Personnel Affairs offices in supporting SBP. In some cases they were helping with the monthly briefings. When asked they seemed to support SBP.

19. What other jobs do you do beside SBP?

In all cases, the SBP counselors were involved in other duties. Typically, SBP was only a secondary duty.

20. How much time a week are you able to devote to SBP?
12-15 hours a week average.

21. Who takes over you job when you are away? Another

person in the office

How well trained are they? Generally less trained. In some cases it was the person that provided JT to the SBP counselor.

22. Have local insurance agents or financial counselors advised you regarding SBP?

Generally they had not been contacted. Some had been contacted to get information on SBP.

23. Now that spouses are required to sign the SBP form, what do you provide to the spouse to help them make their decision?

Typically a letter is sent explaining retirement processing and providing SBP information. A large percentage of spouses attend the monthly briefings and the individual counseling.

Do you do this separately? No, not unless asked to.

Who briefs?

24. If you were retiring, would you elect SBP? All said yes except two. One would not, the other wasn't sure. With what coverage? The coverage would typically be the max, with some getting the minimum and others something less than

max.

25. Generally speaking, do you feel a member should elect SBP? At what coverage?. They felt that generally a member should elect SBP. The amount of coverage should be determined based on the family's situation.

FROM: AFMPC/

SUBJECT: Development of an Expert System for the Survivor Benefit Plan (SBP)

TO: AFCSTC/CC (Col Olsen)
1111 Jeff Davis Highway
Arlington, VA 22202

1. Air Force participation rates in the SBP program are below the level planned when Congress established the program. At our request, a study on this problem was conducted by students at the Air War College. One of the key deficiencies discovered during their research is a difficulty in providing prospective retirees easily understandable SBP information that is tailored to the individual. During their research, the students contacted members of your staff about the applicability of an Expert System to this problem. The conclusion was that it would be an excellent prospect.

2. Our objective would be to develop an Expert System that provides tailored SBP information to an individual potential retiree. The output would be easy to understand benefits and cost information, along with options for the member to input data on commercial insurance and investments that would be compared with their SBP costs and benefits. The value of this output is that DoD actuarial factors could be used, and the comparisons with SBP would be accurate and not slanted to a salesman's product. This program would be run on IBM compatible personal computers in every CBPO worldwide. The audience is every member who is preparing for retirement. The potential benefit is great.

3. We request that you develop, in concert with my staff, an Expert System on SBP for use in Personnel Affairs Offices worldwide. My point of contact is Ms Mary Holter, AUTOVON 487-4861, AFMPC/DPMARA.

Appendix H