

DEPARTMENT OF DEFENSE
OFFICE OF THE ACTUARY



February 11, 2020

REPLY TO DOD OFFICE OF THE ACTUARY

o 4800 Mark Center Dr.
Suite 03E25
Alexandria, VA 22350-4000

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Table for Determining Past SBP Premiums With Interest

The table with premium annuity factors that is used to determine how much a retiree owes for past SBP premiums when accrued interest is an additional cost is unchanged from last fiscal year. Thus, the table, "SBP/RSFPP Premium Annuity Factor Table," in Volume 7B, Appendix F, of the DoD FMR will be valid through at least the end of fiscal year, 2019. According to the *DoD Financial Management Regulation, Volume 7B: Military Pay Policy and Procedures – Retired Pay*, Chapter 43, Section 430601A3;

Interest is compounded monthly using a factor equal to the 12th root of one plus the current annual interest rate used by the DoD Board of Actuaries to calculate the retirement accrual costs.

The formula for determining how much a retiree owes for past premiums is to multiply the current premium that covers the portion of premiums in debt times the factor in the table for the number of premiums that need to be paid. That product is then multiplied by the Months Since End of Premium Period (MSEPP) located at the bottom of the table raised to the power denoted by the number of months since the end of the last premium period. Finally, divide that resulting amount by the Premium Adjustment Factor (PAF) located right below the MSEPP.

In the event that a retiree had non-consecutive periods of premiums due, then separate calculations for each must be performed and added together.

At the July 12, 2019 Board of Actuaries public meeting, the Board announced annual assumptions of 4.75% (interest rate) and 2.75% (cost of living adjustment), creating a geometric real interest rate of 1.95% (1.0475/1.0275-1).

Note that this table does not represent an exact calculation that takes into account actual cost of living adjustments (COLAs) during periods of missed premiums. Rather, it is a computationally less burdensome approximation being provided upon request.

If you have further questions, please contact me at 571-372-1992 or at Richard.S.Allen40.civ@Mail.Mil.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Allen", written in a cursive style.

Richard Allen

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MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Interest Rate to Charge for Delinquent Premiums

When a retiree has unpaid SBP premiums, the Department of Defense shall charge that retiree or their survivor interest on the delinquent premiums. According to the *DoD Financial Management Regulation, Volume 7B: Military Pay Policy and Procedures – Retired Pay*, Chapter 45, Section 4508;

Interest is owed for any delinquent SBP premiums. The interest rate is a percentage that is compounded annually by the DoD Board of Actuaries. Any delinquent Retired Serviceman's Family Protection Plan premiums existing on date of conversion to SBP continue with interest, until paid. Upon the death of a retiree, any delinquency, plus interest, is collected from the annuitant's benefits before payment of any annuity will commence.

At the July 12, 2019 Board of Actuaries public meeting, the Board announced the annual interest rate assumption of 4.75% for the actuarial valuation of the Military Retirement Fund. Although not explicitly set for purposes of charging interest on delinquent SBP premiums, per the FMR this rate is used for that purpose as well. Interest is compounded monthly using a factor equal to the 12th root of one plus the current annual interest rate leading to a monthly rate of 0.3875%. DFAS shall assess interest of 0.3875% each month to any retiree or survivor's unpaid SBP debt. The interest rate will be reviewed and may change at each year's public Board of Actuaries meeting or whenever the Board determines it necessary. If and when the interest rate changes, the retiree or survivor's debt at that time will not change.

Note that this does not apply to retirees who increase their coverage upon acquiring a later spouse. Those additional charges are outlined in a separate memo.

If you have further questions, please contact me at 571-372-1992 or at Richard.S.Allen40.civ@Mail.Mil.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Allen". The signature is written in a cursive style with a large initial "R" and "A".

Richard Allen

APPENDIX F

SBP/RSFPP COMPOUND INTEREST RATE TABLE
(Effective October 1, 2019)

Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor
1	1.00000	41	42.34635	81	86.43680
2	2.00161	42	43.41443	82	87.57577
3	3.00483	43	44.48423	83	88.71657
4	4.00966	44	45.55575	84	89.85920
5	5.01610	45	46.62900	85	91.00368
6	6.02417	46	47.70396	86	92.14999
7	7.03385	47	48.78066	87	93.29815
8	8.04516	48	49.85909	88	94.44815
9	9.05810	49	50.93925	89	95.60000
10	10.07266	50	52.02115	90	96.75370
11	11.08886	51	53.10479	91	97.90926
12	12.10668	52	54.19017	92	99.06667
13	13.12615	53	55.27729	93	100.22595
14	14.14725	54	56.36617	94	101.38709
15	15.17000	55	57.45679	95	102.55010
16	16.19439	56	58.54917	96	103.71497
17	17.22042	57	59.64330	97	104.88172
18	18.24811	58	60.73919	98	106.05035
19	19.27745	59	61.83685	99	107.22085
20	20.30844	60	62.93627	100	108.39324
21	21.34109	61	64.03745	101	109.56751
22	22.37541	62	65.14041	102	110.74367
23	23.41138	63	66.24514	103	111.92172
24	24.44902	64	67.35165	104	113.10166
25	25.48833	65	68.45993	105	114.28350
26	26.52931	66	69.57000	106	115.46724
27	27.57196	67	70.68185	107	116.65289
28	28.61629	68	71.79549	108	117.84044
29	29.66230	69	72.91092	109	119.02990
30	30.70999	70	74.02815	110	120.22127
31	31.75936	71	75.14717	111	121.41456
32	32.81042	72	76.26799	112	122.60976
33	33.86318	73	77.39061	113	123.80689
34	34.91762	74	78.51503	114	125.00595
35	35.97376	75	79.64127	115	126.20693
36	37.03160	76	80.76931	116	127.40984
37	38.09113	77	81.89917	117	128.61468
38	39.15238	78	83.03084	118	129.82146
39	40.21532	79	84.16434	119	131.03019
40	41.27998	80	85.29966	120	132.24085

Months Since End of Premium Period (MSEPP) 1.00161
 Premium Adjustment Factor (PAF) 1.00080

Multiply Current Premium by Factor in Table by
 MSEPP Raised to the Number of Months Since Last Premium Divided by PAF

Based on 4.75% Interest Rate, 2.75.0% COLA yielding 1.95%
 Geometric Real Interest Rate = 1.0475/1.0275 - 1

APPENDIX F

SBP/RSFPP COMPOUND INTEREST RATE TABLE
(Effective October 1, 2019)

Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor
121	133.45347	161	183.59056	201	237.05519
122	134.66803	162	184.88573	202	238.43632
123	135.88454	163	186.18299	203	239.81967
124	137.10301	164	187.48232	204	241.20524
125	138.32344	165	188.78375	205	242.59304
126	139.54583	166	190.08727	206	243.98307
127	140.77019	167	191.39289	207	245.37534
128	141.99652	168	192.70060	208	246.76985
129	143.22481	169	194.01042	209	248.16660
130	144.45509	170	195.32235	210	249.56559
131	145.68734	171	196.63638	211	250.96683
132	146.92157	172	197.95252	212	252.37033
133	148.15778	173	199.27078	213	253.77608
134	149.39599	174	200.59117	214	255.18410
135	150.63618	175	201.91367	215	256.59437
136	151.87837	176	203.23830	216	258.00692
137	153.12255	177	204.56506	217	259.42173
138	154.36874	178	205.89395	218	260.83882
139	155.61693	179	207.22498	219	262.25819
140	156.86712	180	208.55815	220	263.67984
141	158.11933	181	209.89346	221	265.10377
142	159.37355	182	211.23092	222	266.53000
143	160.62978	183	212.57053	223	267.95852
144	161.88804	184	213.91230	224	269.38933
145	163.14832	185	215.25622	225	270.82245
146	164.41062	186	216.60230	226	272.25787
147	165.67495	187	217.95055	227	273.69559
148	166.94132	188	219.30096	228	275.13563
149	168.20972	189	220.65354	229	276.57799
150	169.48017	190	222.00830	230	278.02266
151	170.75265	191	223.36524	231	279.46965
152	172.02718	192	224.72436	232	280.91898
153	173.30376	193	226.08566	233	282.37063
154	174.58239	194	227.44916	234	283.82461
155	175.86308	195	228.81484	235	285.28094
156	177.14583	196	230.18272	236	286.73960
157	178.43064	197	231.55280	237	288.20061
158	179.71751	198	232.92509	238	289.66397
159	181.00645	199	234.29958	239	291.12968
160	182.29747	200	235.67627	240	292.59775

Months Since End of Premium Period (MSEPP) 1.00161
 Premium Adjustment Factor (PAF) 1.00080

Multiply Current Premium by Factor in Table by
 MSEPP Raised to the Number of Months Since Last Premium Divided by PAF

Based on 4.75% Interest Rate, 2.75.0% COLA yielding 1.95%
 Geometric Real Interest Rate = 1.0475/1.0275 - 1

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SBP/RSFPP COMPOUND INTEREST RATE TABLE
(Effective October 1, 2019)

Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor
241	294.06818	281	354.86505	321	419.69692
242	295.54098	282	356.43559	322	421.37169
243	297.01614	283	358.00865	323	423.04916
244	298.49367	284	359.58425	324	424.72932
245	299.97358	285	361.16238	325	426.41219
246	301.45586	286	362.74304	326	428.09776
247	302.94053	287	364.32625	327	429.78604
248	304.42759	288	365.91200	328	431.47704
249	305.91704	289	367.50030	329	433.17075
250	307.40888	290	369.09115	330	434.86719
251	308.90313	291	370.68457	331	436.56635
252	310.39977	292	372.28054	332	438.26825
253	311.89882	293	373.87908	333	439.97288
254	313.40028	294	375.48019	334	441.68026
255	314.90416	295	377.08388	335	443.39037
256	316.41045	296	378.69014	336	445.10324
257	317.91916	297	380.29898	337	446.81886
258	319.43030	298	381.91042	338	448.53725
259	320.94387	299	383.52444	339	450.25839
260	322.45987	300	385.14106	340	451.98230
261	323.97831	301	386.76027	341	453.70898
262	325.49920	302	388.38209	342	455.43844
263	327.02252	303	390.00652	343	457.17068
264	328.54830	304	391.63356	344	458.90570
265	330.07653	305	393.26322	345	460.64351
266	331.60721	306	394.89549	346	462.38412
267	333.14036	307	396.53039	347	464.12753
268	334.67597	308	398.16792	348	465.87374
269	336.21405	309	399.80808	349	467.62275
270	337.75461	310	401.45088	350	469.37458
271	339.29764	311	403.09632	351	471.12923
272	340.84315	312	404.74440	352	472.88669
273	342.39114	313	406.39514	353	474.64698
274	343.94163	314	408.04853	354	476.41010
275	345.49461	315	409.70457	355	478.17606
276	347.05008	316	411.36328	356	479.94486
277	348.60806	317	413.02466	357	481.71650
278	350.16854	318	414.68870	358	483.49098
279	351.73153	319	416.35543	359	485.26832
280	353.29703	320	418.02483	360	487.04852

Months Since End of Premium Period (MSEPP) 1.00161
 Premium Adjustment Factor (PAF) 1.00080

Multiply Current Premium by Factor in Table by
 MSEPP Raised to the Number of Months Since Last Premium Divided by PAF

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