

DEPARTMENT OF DEFENSE  
OFFICE OF THE ACTUARY



September 22, 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

Attached is the table that is used to determine how much a retiree owes for past SBP premiums when accrued interest is an additional cost. The table attached should replace Volume 7B, Appendix F, "SBP/RSFPP Compound Interest Table," of the DoD FMR effective October 1, 2020. According to the *DoD Financial Management Regulation, Volume 7B: Military Pay Policy – Retired Pay*, Chapter 43, Section 430601.A.3;

***Interest is compounded monthly using a factor equal to the 12th root of one plus the current annual interest rate approved 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.

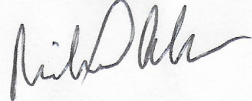
In the event that a retiree had non-consecutive periods of premiums due, then separate calculations for each must be performed and added together.

At the June 26, 2020 DoD Board of Actuaries public meeting, the Board announced annual assumptions of 4.25% (nominal interest rate) and 2.5% (cost of living adjustment), creating a geometric real interest rate of 1.71% ( $1.0425/1.025-1$ ).

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](mailto:Richard.S.Allen40.civ@Mail.Mil).

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard Allen".

Richard Allen

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OFFICE OF THE ACTUARY



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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 – Retired Pay*, Chapter 45, Section 4508;

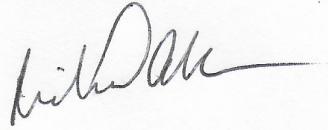
***Interest is owed for any delinquent SBP premiums. The interest rate is a percentage that is compounded annually and based on assumptions approved by the DoD Board of Actuaries for the Valuation of the Military Retirement Fund. Any delinquent Retired Serviceman's Family Protection Plan premiums existing 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 June 26, 2020 DoD Board of Actuaries public meeting, the Board announced the annual nominal interest rate assumption of 4.25% 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 0.3474%. DFAS shall assess interest of 0.3474% each month, effective October 1, 2020, to any retiree or survivor's unpaid SBP debt. The interest rate will be reviewed and may change at each year's public DoD 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](mailto:Richard.S.Allen40.civ@Mail.Mil).

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Allen", with a long horizontal flourish extending to the right.

Richard Allen

APPENDIX F

SBP/RSFPP COMPOUND INTEREST RATE TABLE  
(Effective October 1, 2020)

Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor
1	1.00000	41	42.17917	81	85.74890
2	2.00141	42	43.23872	82	86.86996
3	3.00424	43	44.29976	83	87.99260
4	4.00848	44	45.36230	84	89.11682
5	5.01414	45	46.42634	85	90.24263
6	6.02122	46	47.49188	86	91.37003
7	7.02972	47	48.55893	87	92.49902
8	8.03964	48	49.62748	88	93.62961
9	9.05099	49	50.69754	89	94.76179
10	10.06377	50	51.76911	90	95.89557
11	11.07798	51	52.84220	91	97.03095
12	12.09362	52	53.91680	92	98.16794
13	13.11069	53	54.99292	93	99.30652
14	14.12920	54	56.07055	94	100.44672
15	15.14914	55	57.14971	95	101.58853
16	16.17053	56	58.23039	96	102.73194
17	17.19336	57	59.31260	97	103.87698
18	18.21763	58	60.39633	98	105.02362
19	19.24335	59	61.48160	99	106.17189
20	20.27052	60	62.56839	100	107.32178
21	21.29914	61	63.65673	101	108.47329
22	22.32920	62	64.74659	102	109.62643
23	23.36073	63	65.83800	103	110.78119
24	24.39371	64	66.93095	104	111.93759
25	25.42815	65	68.02544	105	113.09562
26	26.46404	66	69.12147	106	114.25528
27	27.50140	67	70.21905	107	115.41658
28	28.54023	68	71.31818	108	116.57952
29	29.58052	69	72.41887	109	117.74410
30	30.62228	70	73.52111	110	118.91033
31	31.66551	71	74.62490	111	120.07820
32	32.71022	72	75.73025	112	121.24772
33	33.75639	73	76.83716	113	122.41889
34	34.80405	74	77.94564	114	123.59171
35	35.85318	75	79.05568	115	124.76620
36	36.90380	76	80.16728	116	125.94233
37	37.95590	77	81.28046	117	127.12013
38	39.00948	78	82.39521	118	128.29960
39	40.06456	79	83.51153	119	129.48072
40	41.12112	80	84.62943	120	130.66352

Months Since End of Premium Period (MSEPP) 1.00141

Premium Adjustment Factor (PAF) 1.00071

Multiply Current Premium by Factor in Table by

MSEPP Raised to the Number of Months Since Last Premium Divided by PAF

Based on 4.25% Interest Rate, 2.5% COLA yielding 1.71%

Geometric Real Interest Rate = 1.0425/1.025 - 1

APPENDIX F

SBP/RSFPP COMPOUND INTEREST RATE TABLE  
(Effective October 1, 2020)

Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor
121	131.84798	161	180.62324	201	232.23003
122	133.03412	162	181.87823	202	233.55788
123	134.22193	163	183.13500	203	234.88761
124	135.41142	164	184.39354	204	236.21921
125	136.60258	165	185.65386	205	237.55270
126	137.79543	166	186.91596	206	238.88806
127	138.98997	167	188.17983	207	240.22531
128	140.18618	168	189.44550	208	241.56445
129	141.38409	169	190.71295	209	242.90548
130	142.58369	170	191.98219	210	244.24840
131	143.78498	171	193.25322	211	245.59322
132	144.98797	172	194.52604	212	246.93993
133	146.19266	173	195.80066	213	248.28855
134	147.39905	174	197.07709	214	249.63907
135	148.60714	175	198.35531	215	250.99150
136	149.81693	176	199.63534	216	252.34584
137	151.02844	177	200.91717	217	253.70209
138	152.24165	178	202.20082	218	255.06025
139	153.45658	179	203.48628	219	256.42033
140	154.67322	180	204.77355	220	257.78234
141	155.89158	181	206.06264	221	259.14626
142	157.11166	182	207.35355	222	260.51211
143	158.33347	183	208.64628	223	261.87989
144	159.55699	184	209.94083	224	263.24960
145	160.78225	185	211.23722	225	264.62124
146	162.00923	186	212.53543	226	265.99482
147	163.23795	187	213.83548	227	267.37034
148	164.46840	188	215.13736	228	268.74780
149	165.70059	189	216.44108	229	270.12720
150	166.93452	190	217.74664	230	271.50856
151	168.17019	191	219.05405	231	272.89186
152	169.40760	192	220.36330	232	274.27711
153	170.64676	193	221.67440	233	275.66432
154	171.88767	194	222.98734	234	277.05349
155	173.13034	195	224.30215	235	278.44462
156	174.37475	196	225.61881	236	279.83772
157	175.62093	197	226.93732	237	281.23278
158	176.86886	198	228.25770	238	282.62981
159	178.11855	199	229.57994	239	284.02881
160	179.37001	200	230.90405	240	285.42979

Months Since End of Premium Period (MSEPP) 1.00141

Premium Adjustment Factor (PAF) 1.00071

Multiply Current Premium by Factor in Table by

MSEPP Raised to the Number of Months Since Last Premium Divided by PAF

Based on 4.25% Interest Rate, 2.5% COLA yielding 1.71%

Geometric Real Interest Rate = 1.0425/1.025 - 1

APPENDIX F

SBP/RSFPP COMPOUND INTEREST RATE TABLE  
(Effective October 1, 2020)

Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor
241	286.83275	281	344.60530	321	405.73171
242	288.23768	282	346.09179	322	407.30450
243	289.64460	283	347.58039	323	408.87951
244	291.05351	284	349.07109	324	410.45675
245	292.46440	285	350.56389	325	412.03621
246	293.87729	286	352.05880	326	413.61790
247	295.29217	287	353.55582	327	415.20183
248	296.70905	288	355.05495	328	416.78799
249	298.12793	289	356.55620	329	418.37639
250	299.54881	290	358.05957	330	419.96703
251	300.97170	291	359.56506	331	421.55992
252	302.39660	292	361.07267	332	423.15506
253	303.82351	293	362.58242	333	424.75245
254	305.25243	294	364.09429	334	426.35209
255	306.68337	295	365.60830	335	427.95400
256	308.11633	296	367.12445	336	429.55816
257	309.55131	297	368.64274	337	431.16459
258	310.98832	298	370.16317	338	432.77329
259	312.42736	299	371.68575	339	434.38425
260	313.86843	300	373.21048	340	435.99750
261	315.31153	301	374.73736	341	437.61302
262	316.75668	302	376.26639	342	439.23082
263	318.20386	303	377.79759	343	440.85090
264	319.65308	304	379.33094	344	442.47327
265	321.10435	305	380.86647	345	444.09793
266	322.55767	306	382.40415	346	445.72489
267	324.01304	307	383.94401	347	447.35414
268	325.47047	308	385.48605	348	448.98569
269	326.92995	309	387.03026	349	450.61955
270	328.39149	310	388.57665	350	452.25571
271	329.85510	311	390.12522	351	453.89419
272	331.32078	312	391.67598	352	455.53497
273	332.78852	313	393.22893	353	457.17807
274	334.25833	314	394.78407	354	458.82349
275	335.73022	315	396.34141	355	460.47124
276	337.20419	316	397.90094	356	462.12131
277	338.68024	317	399.46268	357	463.77371
278	340.15837	318	401.02662	358	465.42844
279	341.63859	319	402.59277	359	467.08551
280	343.12090	320	404.16113	360	468.74492

Months Since End of Premium Period (MSEPP) 1.00141  
 Premium Adjustment Factor (PAF) 1.00071

Multiply Current Premium by Factor in Table by  
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