

DEPARTMENT OF DEFENSE
OFFICE OF THE ACTUARY



October 5, 2018

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 13, 2018 Board of Actuaries public meeting, the Board announced that the annual assumptions of 5.0% (interest rate) and 2.75% (cost of living adjustment) which create a geometric real interest rate of 2.19% ($1.05/1.0275-1$) would continue at least through fiscal year, 2019.

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", with a long horizontal flourish extending to the right.

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 13, 2018 Board of Actuaries public meeting, the Board announced the annual interest rate assumption of 5.0% for the actuarial valuation of the Military Retirement Fund would be unchanged for fiscal year, 2019. 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 0.4074%. DFAS shall assess interest of 0.4074% 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", written in a cursive style.

Richard Allen

APPENDIX F

SBP/RSFPP PREMIUM ANNUITY TABLE

(Effective October 1, 2017)

Total Payments Due	Premium Annuity Factor	Total Payments Due	Premium Annuity Factor	Total Payments Due	Premium Annuity Factor
1	1.00000	41	42.51694	81	87.14249
2	2.00181	42	43.59376	82	88.29994
3	3.00542	43	44.67252	83	89.45947
4	4.01085	44	45.75324	84	90.62111
5	5.01810	45	46.83590	85	91.78484
6	6.02717	46	47.92052	86	92.95067
7	7.03806	47	49.00710	87	94.11861
8	8.05077	48	50.09565	88	95.28866
9	9.06532	49	51.18616	89	96.46082
10	10.08170	50	52.27864	90	97.63510
11	11.09991	51	53.37309	91	98.81150
12	12.11997	52	54.46952	92	99.99003
13	13.14186	53	55.56794	93	101.17069
14	14.16561	54	56.66834	94	102.35348
15	15.19120	55	57.77072	95	103.53841
16	16.21865	56	58.87510	96	104.72548
17	17.24795	57	59.98147	97	105.91469
18	18.27912	58	61.08984	98	107.10605
19	19.31214	59	62.20022	99	108.29957
20	20.34703	60	63.31260	100	109.49524
21	21.38380	61	64.42699	101	110.69307
22	22.42243	62	65.54339	102	111.89306
23	23.46294	63	66.66181	103	113.09523
24	24.50533	64	67.78225	104	114.29956
25	25.54961	65	68.90472	105	115.50607
26	26.59577	66	70.02921	106	116.71476
27	27.64382	67	71.15574	107	117.92564
28	28.69377	68	72.28430	108	119.13870
29	29.74561	69	73.41490	109	120.35396
30	30.79935	70	74.54754	110	121.57141
31	31.85500	71	75.68223	111	122.79106
32	32.91256	72	76.81897	112	124.01291
33	33.97202	73	77.95777	113	125.23697
34	35.03340	74	79.09862	114	126.46324
35	36.09670	75	80.24153	115	127.69173
36	37.16191	76	81.38650	116	128.92244
37	38.22906	77	82.53355	117	130.15537
38	39.29813	78	83.68267	118	131.39053
39	40.36913	79	84.83386	119	132.62792
40	41.44207	80	85.98714	120	133.86755

Months Since End of Premium Period (MSEPP) 1.00181

Premium Adjustment Factor (PAF) 1.00090

Multiply Current Premium by Factor in Table by

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

Based on 5% Interest Rate, 2.75% COLA yielding 2.19%

Geometric Real Interest Rate = 1.05/1.0275 - 1

APPENDIX F

SBP/RSFPP PREMIUM ANNUITY TABLE

(Effective October 1, 2017)

Total Payments Due	Premium Annuity Factor	Total Payments Due	Premium Annuity Factor	Total Payments Due	Premium Annuity Factor
121	135.10941	161	186.66789	201	242.08683
122	136.35352	162	188.00515	202	243.52422
123	137.59988	163	189.34483	203	244.96421
124	138.84849	164	190.68693	204	246.40680
125	140.09935	165	192.03145	205	247.85200
126	141.35248	166	193.37841	206	249.29981
127	142.60787	167	194.72779	207	250.75023
128	143.86553	168	196.07962	208	252.20328
129	145.12546	169	197.43389	209	253.65895
130	146.38766	170	198.79060	210	255.11725
131	147.65215	171	200.14977	211	256.57818
132	148.91892	172	201.51139	212	258.04175
133	150.18798	173	202.87547	213	259.50797
134	151.45933	174	204.24202	214	260.97684
135	152.73298	175	205.61103	215	262.44836
136	154.00893	176	206.98252	216	263.92254
137	155.28719	177	208.35649	217	265.39938
138	156.56776	178	209.73294	218	266.87889
139	157.85063	179	211.11187	219	268.36108
140	159.13583	180	212.49330	220	269.84594
141	160.42335	181	213.87722	221	271.33349
142	161.71320	182	215.26365	222	272.82372
143	163.00537	183	216.65258	223	274.31665
144	164.29988	184	218.04401	224	275.81227
145	165.59673	185	219.43797	225	277.31059
146	166.89593	186	220.83444	226	278.81163
147	168.19747	187	222.23343	227	280.31537
148	169.50136	188	223.63495	228	281.82183
149	170.80761	189	225.03900	229	283.33102
150	172.11621	190	226.44560	230	284.84293
151	173.42719	191	227.85473	231	286.35757
152	174.74053	192	229.26640	232	287.87494
153	176.05624	193	230.68063	233	289.39506
154	177.37433	194	232.09742	234	290.91793
155	178.69480	195	233.51676	235	292.44355
156	180.01766	196	234.93867	236	293.97192
157	181.34291	197	236.36314	237	295.50306
158	182.67055	198	237.79019	238	297.03696
159	184.00059	199	239.21982	239	298.57363
160	185.33303	200	240.65203	240	300.11308

Months Since End of Premium Period (MSEPP) 1.00181

Premium Adjustment Factor (PAF) 1.00090

Multiply Current Premium by Factor in Table by

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

Based on 5% Interest Rate, 2.75% COLA yielding 2.19%

Geometric Real Interest Rate = 1.05/1.0275 - 1

APPENDIX F

SBP/RSFPP PREMIUM ANNUITY TABLE

(Effective October 1, 2017)

Total Payments Due	Premium Annuity Factor	Total Payments Due	Premium Annuity Factor	Total Payments Due	Premium Annuity Factor
241	301.65531	281	365.68402	321	434.50692
242	303.20033	282	367.34472	322	436.29196
243	304.74814	283	369.00842	323	438.08024
244	306.29874	284	370.67513	324	439.87174
245	307.85215	285	372.34485	325	441.66648
246	309.40836	286	374.01758	326	443.46446
247	310.96739	287	375.69334	327	445.26570
248	312.52923	288	377.37213	328	447.07018
249	314.09389	289	379.05395	329	448.87793
250	315.66138	290	380.73881	330	450.68894
251	317.23171	291	382.42671	331	452.50323
252	318.80487	292	384.11766	332	454.32079
253	320.38087	293	385.81166	333	456.14163
254	321.95972	294	387.50873	334	457.96577
255	323.54142	295	389.20887	335	459.79320
256	325.12598	296	390.91207	336	461.62394
257	326.71340	297	392.61835	337	463.45798
258	328.30370	298	394.32772	338	465.29533
259	329.89686	299	396.04017	339	467.13601
260	331.49290	300	397.75572	340	468.98001
261	333.09183	301	399.47437	341	470.82734
262	334.69364	302	401.19612	342	472.67801
263	336.29835	303	402.92098	343	474.53202
264	337.90596	304	404.64896	344	476.38939
265	339.51648	305	406.38006	345	478.25010
266	341.12990	306	408.11429	346	480.11418
267	342.74624	307	409.85165	347	481.98163
268	344.36549	308	411.59216	348	483.85246
269	345.98768	309	413.33580	349	485.72666
270	347.61279	310	415.08260	350	487.60425
271	349.24085	311	416.83255	351	489.48523
272	350.87184	312	418.58566	352	491.36961
273	352.50578	313	420.34195	353	493.25739
274	354.14267	314	422.10140	354	495.14859
275	355.78252	315	423.86404	355	497.04320
276	357.42533	316	425.62985	356	498.94124
277	359.07111	317	427.39886	357	500.84270
278	360.71986	318	429.17107	358	502.74760
279	362.37160	319	430.94647	359	504.65594
280	364.02631	320	432.72509	360	506.56773

Months Since End of Premium Period (MSEPP) 1.00181

Premium Adjustment Factor (PAF) 1.00090

Multiply Current Premium by Factor in Table by

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