

This fact sheet provides information to help you understand the provisions of the Survivor Benefit Plan (SBP), but is not a contract document. The basic statutory provisions of the SBP law are in [Chapter 73, Title 10, United States Code](#).

Phased Elimination of SBP-DIC Offset

The National Defense Authorization Act for Fiscal Year 2020 modified the law that requires an offset of Survivor Benefit Plan payments for surviving spouses who are also entitled to Dependency and Indemnity Compensation, or DIC, from the Department of Veterans Affairs. Under the previous law, a surviving spouse who receives DIC is subject to a dollar-for-dollar reduction of SBP payments, which can result in SBP being either partially or fully offset. The repeal will phase-in the reduction of this offset beginning Jan. 1, 2021, and culminating with elimination of the offset in its entirety on Jan. 1, 2023.

Effective Jan. 1, 2021, survivors subject to the “SBP-DIC Offset” will potentially see a change in their SBP payments.

SBP-DIC offset will phase in the following way:

In 2021: Some spouse SBP annuitants subject to the offset may see the first change in the SBP annuity payment they receive on Feb. 1, 2021. The amount of a surviving spouse's SBP payments, and the presence of dependent children may make a difference in the offset amount. For this reason, the Defense Finance and Accounting Service (DFAS) began sending all affected surviving spouses personalized letters explaining their new payment amounts in December 2020. If you have not received a letter, you most likely aren't eligible for the increased payments.

The following estimates are included in the four categories of letters:

- 2021 Gross SBP annuity - estimate
- 2021 DIC offset (amount of DIC deducted from the gross SBP annuity)
- 2021 SBP annuity payment after DIC offset - estimate (before taxes)
- 2021 SSIA payment – estimate

Letter A: For the spouse SBP annuitants who have a gross amount of SBP that is larger than their full DIC, and will see an increase in their SBP payment beginning February 2021.

Letter B: For the spouse SBP annuitants who have a gross amount of SBP that is larger than two-thirds of their DIC, and will start to see an SBP payment beginning February 2021.

Letter C: For the spouse SBP annuitants who have a gross amount of SBP that is smaller than two-thirds of their DIC, and will NOT see an SBP payment until 2022 or 2023.

Letter D: For the spouse SBP annuitants who have an SBP cost debt (premiums that were not paid during the retiree's lifetime)

In 2022, SBP will be reduced by no more than one-third of the amount of DIC received.

In 2023, the SBP-DIC offset will be eliminated in total, so that surviving spouses eligible for both programs will receive both SBP and DIC in full, effective Jan. 1 (paid as of Feb. 1).

The "Repeal of Authority for Optional Annuity for Dependent Children" and "Restoration of Eligibility for Previously Eligible Spouses" in the NDAA only affect those spouses and children of service members who died on active duty or inactive duty when the surviving spouse previously elected to transfer the SBP annuity to a child or children. (This "optional child annuity" is only allowed when the service member died on active or inactive duty, in the line of duty, after Oct. 7, 2001). They do not affect previous or future SBP elections by retirees or SBP annuities for a retiree's beneficiaries.

While it remains in effect for now, on Jan. 1, 2023, this "optional child annuity" for deaths in the line of duty will go away. In addition, SBP annuities that were directed to a child rather than a surviving spouse will revert to the surviving spouse (if she or he is still eligible) on Jan. 1, 2023. In 2023, the eligible surviving spouse will receive their full DIC payment from the VA and the full SBP payment issued by DFAS. If the child or children lose eligibility because they marry or reach age 18 (or age 22 if a full-time student) prior to Jan. 1, 2023, the annuity will be suspended until Jan. 1, 2023, at which time it will revert to the surviving spouse.

Active Duty/Line of Duty surviving spouses who chose the optional child annuity, will NOT receive an individual estimate letter in December 2020 or December 2021 because the repeal of the "child option" and the reversion of the annuity to the surviving spouse will not take place until Jan. 1, 2023.

The repeal of the optional child annuity, and the reversion of the annuity to the surviving spouse is mandated by the law, so it is not voluntary.

Additional Information is available at:

<https://www.dfas.mil/RetiredMilitary/newsevents/news/Survivor-SBP-Newsletter/Phased-Elimination-SBP-DIC-Offset-January-2021/>

Frequently Asked Questions about the SBP-DIC Offset Phased Elimination:

<https://www.dfas.mil/RetiredMilitary/survivors/SBP-DIC-News/>