**The SBP-DIC Offset Phased Elimination - Special Information for Active Duty/Line of Duty Surviving Spouses**

***By DFAS Cleveland***

***What Surviving Spouses Need to Know***

 The Department of Defense Survivor Benefit Plan (SBP) provides financial support to military spouses and/or children when a military member dies on active duty or inactive duty in the line of duty, or after retirement.

 The Survivor Benefit Plan (SBP) provides eligible beneficiaries with a monthly payment known as an annuity. The recipient of an SBP annuity is referred to as the annuitant.

 For years, the law required that SBP payments for surviving spouses entitled to Dependency and Indemnity Compensation (DIC) from the Department of Veterans Affairs (VA) be offset (reduced) by the full amount of their DIC payments. That meant, under the previous law, a surviving spouse who received DIC was subject to a dollar-for-dollar reduction of SBP payments. This is referred to as the “SBP-DIC Offset.”

 Because of the requirement for SBP payments to be offset by DIC payments, when a currently-serving member dies in the line of duty on active or inactive duty, the surviving spouse has the option, in consultation with the Secretary of the Military Department, to have the Survivor Benefit Plan (SBP) annuity paid directly to an eligible dependent child or children instead. This is called the “Optional Annuity for Dependent Children.” SBP paid to a child or children is not required to be offset (reduced) by DIC.

 The National Defense Authorization Act for Fiscal Year 2020 modified the law that required an offset of Survivor Benefit Plan (SBP) payments for surviving spouses who are also entitled to DIC from the VA. It directed a phase-out period that will eventually eliminate the entire offset for surviving spouses who are also receiving DIC payments from the VA. That means beginning January 1, 2023, surviving spouses can receive full SBP payments in addition to their full DIC payments.

 The National Defense Authorization Act for Fiscal Year 2020 also directed that as of January 1, 2023, the Optional Annuity for Dependent Children will be eliminated and the SBP annuity payment must revert back to the surviving spouse (if the spouse applies and is eligible).

 Below is an overview of the upcoming changes.

**Spouse and Child SBP Coverage**

 Survivor Benefit Plan (SBP) coverage for service members who die in the line of duty is generally for spouse and child (if the service member was married and had a dependent child or children).

 For most SBP beneficiaries, spouse and child coverage means the spouse receives the SBP annuity unless the spouse loses eligibility. The dependent child or children only receive the SBP annuity payment if the spouse loses eligibility. If there is more than one eligible child, the annuity is split equally among the eligible children.

 **The Optional Annuity for Dependent Children**

 However, when a currently-serving member dies in the line of duty on active or inactive duty, the surviving spouse has the option, in consultation with the Secretary of the Military Department, to have the Survivor Benefit Plan (SBP) annuity paid directly to an eligible dependent child or children instead.

 The Optional Annuity for Dependent Children, often called the “Optional Child Annuity,” is only allowed when the service member died on active or inactive duty, in the line of duty, after October 7, 2001.

 This option allows the surviving spouse to receive Dependency and Indemnity Compensation (DIC) from the VA without it affecting the SBP payments. This is because SBP paid to a child or children is not offset.

 **“Optional Child Annuity” Reversion to Surviving Spouse in 2023**

 SBP annuities that were directed to a child rather than a surviving spouse will revert to the surviving spouse (if she or he is eligible and has applied to receive the benefit) as of January 1, 2023.

 Please watch for additional information coming in the fall of 2021 about the application process for the reversion of the SBP annuity for surviving spouses who previously chose the Optional Annuity for Dependent Children.

 It is important to note that 2023 is the third and final phase of the SBP-DIC Offset Phased Elimination. Beginning January 1 of 2023, the offset is eliminated, so spouses receive their full SBP payment issued by DFAS in addition to their full DIC payment from the VA.

 If the member’s child or children are the designated SBP beneficiaries because of the optional child annuity, they will continue to receive the SBP payments (if they are eligible) until the SBP-DIC offset is fully eliminated in January of 2023.

 As long as the surviving spouse is alive and did not remarry prior to age 55 **AND applies to receive the benefit**, the annuity will revert to the surviving spouse on January 1, 2023. If the surviving spouse **provides documentation they are ineligible** because they remarried prior to age 55, or documentation is provided to DFAS that the surviving spouse is **ineligible because they are deceased**, the annuity will continue to be paid to the eligible children. Please note that the annuity cannot continue to be paid to the eligible child or children unless DFAS receives the documentation that the surviving spouse is ineligible.

 *If there is no application or documentation for the surviving spouse, the SBP annuity will be suspended until the application is submitted and approved OR the ineligibility of the surviving spouse is documented.*

 If the child or children lose eligibility because they marry or reach age 18 (or age 22 if a full-time student) prior to January 1, 2023, the annuity will be suspended until January 1, 2023, at which time it will revert to the surviving spouse (if she or he is eligible and has applied to receive the benefit).

 The repeal of the Optional Annuity for Dependent Children and the reversion of the annuity to the surviving spouse is mandated by the law, so it is not voluntary.

***What Survivors Need to Do***

 Surviving spouses and child annuitants do not need to contact DFAS at this time to notify us that they are impacted by the SBP-DIC Offset Phased Elimination or the reversion of the optional child annuity in 2023. DoD, DFAS, and the military services are working together to facilitate a smooth transition.

 **Watch for Communications Beginning Fall of 2021**

 In the fall of 2021, DFAS will begin sending letters via postal mail to the surviving spouses who are affected by the repeal of the optional child annuity to explain the transition and to gather the information needed to make the necessary changes in payments.

 DFAS is asking surviving spouses to please watch for this mailing and respond promptly when they receive it.

 **Check this Special Webpage for News**

 DFAS also developed a **special focus webpage to provide news** and information regarding the repeal of the optional child annuity and the transition. We will **post updates** on this webpage, so please plan to check it for news and information and encourage those in the survivor community to check it: <https://www.dfas.mil/sbp2023childoptrev>

***Questions?***

 Check out the full range of Frequently Asked Questions on the **SBP-DIC News webpage**: <https://www.dfas.mil/sbpdicnews>

 There is also have a webpage **explaining SBP, DIC and SSIA**: <https://www.dfas.mil/sbpdicssia>