

Retirement Pay Formula

Calculate the approximate RC-SBP costs by using the following steps:

1. Compute retired pay using the retired pay formula:
[(Total retirement points / 360) x 0.025] x monthly active duty pay for rank and years of service = monthly gross retired pay

RC-SBP is comprised of two costs:

The base SBP cost that all active and reserve pay (called the BASE cost)

The RC cost which is the cost for carrying the annuity without payment until age sixty.

2. BASE cost is: 0.025 of the first \$616 (threshold amount *) of retired pay (\$15.40), plus 10 percent of all remaining retired pay over \$616, if projected retired pay will be \$1,320 or less per month (See Example 1).

Example 1:

(Use paragraph 1)

Projected retired pay will be \$800 a month.

(Use paragraph 2)

BASE cost will be \$15.40 for the first \$616 of retired pay and 10% of all pay over \$616.

$$\begin{array}{r} \$800 - \$616 = \\ \$184 \end{array} \quad \begin{array}{r} \$184 \times 0.10 = \$18.40 \\ \\ \end{array} \quad \begin{array}{r} \$15.40 + \$18.40 = \\ \$33.80 \\ \text{Base SBP Cost} \end{array}$$

If your retired pay is projected to be more than \$1,320 per month, the BASE cost will be 0.065% of the projected monthly pay (See Example 2).

Example 2:

Projected monthly retired pay will be more than \$1,320 each month.

$$\$1400 \times 0.065 = \$91.00$$

Base SBP Cost

3. The second part of the RCSBP cost is again based on monthly retired pay, as well as age and the age(s) of annuitant(s) at the time election.

There are too many formulas and variables to be inserted in this brief descriptive area. Refer to the RC-SBP Fact Sheet located by clicking on the Resources Button on the toolbar and selecting RC-SBP Fact Sheet. You should always consult the latest regulations and fact sheets when counseling soldiers and retirees. For the latest version of this Fact Sheet go to www.armyg1.army.mil and navigate to the retirement services section.