



MANPOWER AND
RESERVE AFFAIRS

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MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR HUMAN
RESOURCES
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
MILITARY PERSONNEL POLICY
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE FOR
FORCE MANAGEMENT AND PERSONNEL
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Enabling Payment of Survivor Benefit Plan Annuities to a Special Needs Trust

This memorandum establishes the policy required for implementing section 624 of the Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (FY 15 NDAA), Public Law 113-291, which amends title 10, United States Code (U.S.C.), sections 1448, 1450, and 1455. The amendments allow a person who has established a Special Needs Trust (SNT) in accordance with either title 42, U.S.C., section 1396p(d)(4)(A) or (C), to direct payment of a dependent child Survivor Benefit Plan (SBP) annuity directly to the SNT as an add-on election to a member or retiree’s SBP election for coverage of a dependent child.¹ In general, members entitled to receive retired pay make an irrevocable decision when they elect to provide SBP coverage for a beneficiary.

The FY 15 NDAA gives military members and retirees the option to direct payment of a SBP annuity for a dependent child to a SNT for the benefit of a disabled child when they elect or elected coverage for that dependent child as a SBP beneficiary (the statute does not apply to disabled spouses). Generally speaking, a SNT is a legal instrument specifically designed solely for the benefit of a person with a disability by providing a set of instructions for managing money set aside to help a disabled person. Unlike many other types of trusts, a SNT is governed by State law. In accordance with the SBP statute, a SNT must also be in accordance with Federal statute (i.e., title 42, U.S.C., section 1396p(d)(4)(A) or (C)). In addition, once created, it must be irrevocable.

As a result of the legislation, a member or retiree who elects SBP coverage that includes coverage for a dependent child may now, at any time, irrevocably decide to substitute a SNT created for the benefit of a disabled dependent child as the SBP beneficiary to receive any SBP annuity payments that would otherwise be payable to or on behalf of the disabled dependent child. This irrevocable decision may be made during the life of the member through a written statement that designates future SBP payments to the SNT (designation in Section X- Remarks of the DD Form 2656 Data for Payment of Retired Personnel will also suffice). In situations

¹ Hereinafter the term “dependent child” means a dependent child as defined in 10 U.S.C. § 1447(11). The dependent child must also be “disabled” as defined in 42 U.S.C. § 1382c(a)(3) (e.g., unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months). Thus, a “disabled dependent child” means a child who is a dependent child pursuant to 10 U.S.C. 1447(11) and “disabled” pursuant to 42 U.S.C. § 1382c(a)(3).

where SBP payments are made to more than one dependent child, the SNT shall be treated as a dependent child for purposes of determining the shares payable to each of the children.

1. During the life of the member or retiree. A member or retiree who elects or elected SBP coverage that includes coverage for a dependent child may designate a SNT created for the benefit of the disabled dependent child to receive SBP payments that would otherwise have been payable to the disabled dependent child. To irrevocably elect to substitute a SNT for the benefit of a disabled dependent child as a SBP beneficiary in lieu of the dependent child, the member or retiree must submit a statement of the decision to have the annuity paid to the SNT with the name and tax identification number for the SNT. Further, the member or retiree must either submit a separate statement using the attached template from an actively licensed attorney certifying that the trust is a SNT created for the benefit of the disabled dependent child and is in compliance with all applicable Federal and State laws or a certification from the Social Security Administration that the trust qualifies as a SNT pursuant to title 42 of the U.S.C.

2. Upon or after the death of a member or retiree.

a. Upon the death of a retiree. If SBP coverage for the dependent child has been elected, then the disabled dependent child's surviving parent, grandparent, or court appointed legal guardian may irrevocably elect to have SBP annuity payments made to a SNT established for the disabled dependent child by the member, or the disabled dependent child's surviving parent, grandparent, or court appointed legal guardian.

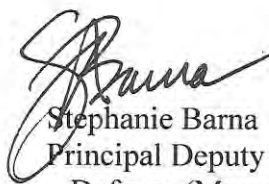
b. Upon the death of a member on Active Duty in the line of duty. If SBP coverage for the dependent child has been elected by the Secretary concerned due to a member's death on Active Duty while in the line of duty, then a disabled dependent child's surviving parent, grandparent, or court appointed legal guardian may irrevocably elect to have SBP annuity payments made to a SNT established for the disabled dependent child by the member, or the disabled dependent child's surviving parent, grandparent, or court appointed legal guardian.

c. Upon the death of a member during inactive duty training. If a member dies during inactive duty training and leaves no surviving spouse and the SBP becomes payable to the surviving dependent children, then the disabled dependent child's surviving parent, grandparent, or court appointed legal guardian may irrevocably elect to have SBP annuity payments made to a SNT established for the disabled dependent child by the member, or the disabled dependent child's surviving parent, grandparent, or court appointed legal guardian.

d. Requirements for a qualifying SNT designation under 2.a.-c. To make this SNT designation under paragraphs 2.a.- c., the surviving parent, grandparent, or court-appointed legal guardian shall submit a statement of the decision to have the annuity paid to the SNT with the name and tax identification number for the SNT, and a separate statement using the attached template from an actively licensed attorney certifying that the trust is a SNT created for the benefit of the disabled dependent child and is in compliance with all applicable Federal and State laws or certification from the Social Security Administration that the trust is a SNT pursuant to title 42 of the U. S.C.

If the SNT is found to be invalid or otherwise fails, then payment of the SBP annuity shall revert back to being made directly to the dependent child. If this occurs, the dependent child's entitlement to other Federal benefits such as Supplemental Security Income and Medicaid may be impacted. Since there are serious consequences if a SNT is found to be invalid, those seeking to have a SNT created need to exercise due diligence to ensure that they consult with an attorney well-versed in this specialized and complex area of law.

This policy and operational guidance will be included in subsequent updates of the Department of Defense Financial Management Regulation Volume 7B and the Survivor Annuity Program Administration, Department of Defense Instruction 1332.42. Further, this policy regarding the use of SNT supplements currently existing SBP policy, which otherwise remains in effect. If you have any questions, my point of contact is Pat Mulcahy at (703) 693-1059.



Stephanie Barna
Principal Deputy Assistant Secretary of
Defense (Manpower and Reserve Affairs),
Performing the Duties of the Assistant
Secretary of Defense (Manpower and
Reserve Affairs)

Attachment:
As stated

cc:
Deputy Assistant Secretary Defense for
Military Personnel Policy)
Deputy Chief of Staff for Personnel, U.S. Army
Deputy Chief of Naval Operations
for Manpower, Personnel, Training and
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Deputy Chief of Staff for Personnel, U.S. Air Force
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