



## **Review of Military Death Benefits Final Report**

**20 April 2004**

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## Executive Summary

The Principal Deputy Undersecretary of Defense (Personnel & Readiness) contracted with SAG Corporation to conduct an independent review that assesses the relative value and sufficiency of death benefits provided to survivors of members of the Uniformed Services. The requirement for this report stemmed from the Conference Report on the FY 2004 national Defense Authorization Act. Congress particularly expressed concern that

- the government of the United States properly recognize the significant sacrifice entailed in the loss of life by members;
- the death benefits offered to civilian victims of terrorism may outstrip those offered to military members who are also victims of terrorism;
- the death benefits offered to military members have not kept pace with benefits offered by other employers; and
- Servicemembers' Group Life Insurance (SGLI) requires members to pay premiums and does not provide a guaranteed minimum benefit (participation in SGLI is voluntary).

The study employs a functional categorization of death benefits to compare benefits across military and civilian occupations. Death benefits offer to survivors the following:

- immediate income assistance
- transition assistance
- income replacement
- unpaid compensation
- recognition of sacrifice/employer liability

Using this taxonomy, the report provides an overview of current military benefits and contrasts them with employer-provided death benefits for other occupations. The report next addresses alternative policy options to bring military death benefits more in line with those benefits received by other occupations, where those benefits were considered more appropriate for the sacrifice involved. The report concludes with recommendations for improvements to the military death benefits system and provides estimated costs for those changes.

### ***Overview of Current Military Benefits***

Survivors of members who die on active duty are eligible for a wide variety of survivor benefits. These benefits include immediate assistance to help survivors through the initial period following death and in their transition to civilian life and a combination of lump-sum and annuity cash benefits that help replace the income lost through the member's death.

One aspect of the military benefits system is fundamentally different than the benefits approach employed by all of the other employers that we examined. All active-duty deaths are considered to occur in the line of duty, and survivors are eligible for the same set of benefits regardless of the cause of death.

### ***Immediate Income Assistance***

Survivors receive a tax-free death gratuity of \$12,000, reimbursement for funeral and burial expenses, and a lump-sum Social Security benefit of \$255.

### ***Transition Assistance***

Beginning with the assignment of a Casualty Assistance Officer who helps the survivors through the period immediately following a member's death, the military provides a number of different types of transition assistance. These include counseling services, a variety of tax benefits, medical and dental coverage, reimbursement for a final move, and transitional housing and commissary/exchange benefits.

A full-time staff with representatives at each installation provides casualty assistance for the Air Force. Officers in the other Services provide this assistance as a collateral duty.

### ***Income Replacement***

DoD provides income replacement in the form of Survivor Benefit Plan (SBP) annuities (calculated as if the member had retired with a 100% disability on the day he or she died), and offers voluntary participation in the Servicemember's Group Life Insurance Program (SGLI). Participation in SGLI is nearly universal, and virtually all participants are enrolled at the maximum coverage level (\$250,000). In addition to DoD benefits, survivors may receive Dependency and Indemnity Compensation (DIC) and educational benefits from the Department of Veterans Affairs. Survivors are also eligible for death benefit annuities through the Social Security Program.

### ***Unpaid Compensation***

Survivors receive all pay owed to the member at the time of death. This includes compensation for unused leave and lump-sum payment of any remaining anniversary payments for bonuses or incentive pays.

### ***Recognition of Sacrifice/Employer Liability***

DoD does not provide any benefits specifically tied to deaths that occur as a proximate result of the member's job. All active-duty deaths are considered to have occurred in the line of duty.

## ***Overview of Employer-Provided Death Benefits***

In this study we look at survivor benefits provided to

- Federal civilian employees
- law enforcement officers
- firefighters
- commercial aircrews
- private-sector employees
- Canadian and British military members

Benefits are more generous for survivors of public-sector employees than for private-sector employees in most cases. All of the employee groups in the study received additional benefits for deaths in the line of duty.

Line-of-duty death benefits are most generous for law-enforcement officers and firefighters, largely because of the Public Safety Officer Benefit (PSOB) provided by the Federal government. Although other survivor benefits for these workers vary according to the state in which they live and across individual employers, the PSOB is a substantial lump-sum award that is not offset for any other benefits received by the survivors.

Another survivor benefit that is nearly universal across the groups that we surveyed is employer-funded life insurance. Typical coverage includes a basic policy for which the employer pays and the option for supplemental coverage at the employee's expense. Most life insurance benefits are indexed as a proportion of the employee's salary.

### ***Evaluation of Military Benefits***

Military survivor benefits differ fundamentally from the benefits offered by other employers. The military's benefit system treats all active-duty deaths as line-of-duty deaths. For example, the survivors of a member who dies in hostile action are eligible for the same benefits as the survivors of a member who dies from an illness. None of the other groups we survey provide a uniform level of benefits.

Other key differences include a greater emphasis on transition assistance in the military. We find that this is probably a reasonable difference given the unique aspects of military service for the member and the member's immediate family. This assistance is necessary to help the military family successfully transition to a civilian lifestyle.

Most other employers' cash benefits are indexed in some manner to adjust for changes in general price levels or wages. Many military benefits are as well, but we note two exceptions – SGLI coverage and the death gratuity. Both benefits require a change in law to increase coverage; the result has been extended periods in which the benefit level has eroded in real terms, followed by substantial increases in order to catch up.

We use a hypothetical example to illustrate differences in benefits across the surveyed groups. Our illustration shows that military cash benefits are comparable to other employers' total cash benefits in the case of a line-of-duty death. One exception is the level of benefits for law-enforcement officers and firefighters. In our example, the survivors of a law-enforcement officer killed in the line of duty receive cash benefits (annuity and lump sum) with a present value equal to roughly 21 times the officer's salary at the time of death. Survivors of a military officer and an enlisted member killed in the same situation would receive cash benefits worth about ten times and sixteen times Basic Pay, respectively. Other employers provide line-of-duty benefit levels comparable to the military benefits.

A second example highlights the key difference between military death benefits and other employers' benefits. In a situation that other employers would not consider a line-of-duty death,

the military benefits remain unchanged, but benefits for most other employees are cut in half. Benefits for the law-enforcement officer's survivors fall by about seventy percent.

### ***Alternative Policy Options***

We examine five areas in which military death benefits may be changed:

- a separate, automatic benefit that recognizes the inherent danger and sacrifice of a military career (similar to the PSOB provided to law-enforcement officers and firefighters)
- indexing of cash benefits to the military wage level
- automatic coverage of all members under SGLI at no member cost
- changes to the SBP program, including the offset for DIC payments, the reduction in annuity at age 62, and conversion to SBP Child coverage if a surviving spouse remarries
- dedicated casualty assistance resources

Each option provides potentially beneficial changes to the current Military Survivor Death Benefits system, along with increased taxpayer costs.

Congress established the PSOB because of the hazardous nature of law-enforcement and firefighting jobs and to signify the value that the American people place on that work. A similar benefit would extend that recognition to military members. The main arguments against such a benefit are that the current level of benefits is already adequate; the cost of the program could be tremendous in the case of a major conflict; and the administrative costs of establishing a system for adjudicating claims would be substantial.

Indexing SGLI coverage and the death gratuity to changes in Basic Pay would avoid the need for periodic, large increases in benefits levels and the erosion in benefits in the intervening periods.

The military is one of the few employers who provide no life insurance coverage for employees. The SGLI program is only subsidized to the extent that the Services assume the risks of higher-than-average death rates due to hostile or terrorist actions. One way to address this difference is to provide a basic level of SGLI coverage to all members at no cost. We estimate the costs of either \$50,000 or \$100,000 coverage at no member cost. The maximum coverage (\$250,000) would remain unchanged.

We examine three potential changes to the SBP program. The first is elimination of the DIC offset. The argument in favor of this proposal is that SBP and DIC are different programs providing benefits for different reasons. The chief argument against the proposal is that both DIC and SBP provide a disability annuity to survivors and would therefore constitute dual compensation.

The second SBP proposal eliminates the reduction in SBP annuity from 55% of the pension to 35% of the pension at age 62. Arguments in favor of this change include the rationale that retirees and survivors have paid for the survivor benefit and that it is irrelevant that survivors



are also eligible for other benefits (e.g., Social Security). We find, however, that the offset is consistent with other employer's policies, although other benefits plans may provide surviving spouses with a supplemental annuity prior to normal retirement age, rather than characterizing the change as a reduction in benefits.

The third alternative for SBP is to address what appears to be an oversight in the current law governing spouse and child annuities. For retirees, SBP can revert from the surviving spouse to dependent children if the surviving spouse dies or remarries. For members who die on active duty, the SBP will revert only if the surviving spouse dies.

Finally, we discuss the advantages of establishing dedicated casualty assistance positions to provide full-time, nationwide access for all survivors. We find no evidence of survivor dissatisfaction with the current level of casualty assistance; however, a dedicated casualty assistance staff would ensure that resources are available regardless of survivor relocation and would reduce the burden on members who now provide casualty assistance as a collateral duty.

## ***Recommendations and Conclusions***

Based on this review of military death benefits and a comparison with other occupational groups, we make the following recommendations:

1. We do not believe that a separate benefit analogous to the PSOB is warranted, given the overall adequacy of the military death benefits package and the potentially large cost of such a program. We do note, however, that the rationale Congress applied in establishing the PSOB for law-enforcement officers and firefighters seems to apply equally well to military members.
2. Index SGLI coverage and the death gratuity using the annual average increase in Basic Pay. The increased SGLI coverage option would have no cost to the government, while an initial adjustment to the death gratuity would cost the government \$425,580 annually for normal peacetime deaths.
3. Provide \$50,000 in SGLI coverage to all members at no cost to the member. This will cost about \$55 million annually at current strength levels.
4. Establish full-time casualty assistance positions at every military installation.
5. Maintain the current offset to SBP for DIC payments and the reduction in SBP annuities at age 62.
6. Provide guidance on the proper interpretation of Section 1448(d)(2) of Title 10, United States Code (as amended by P.L. 108-136) to allow SBP Spouse to revert to SBP Child when the surviving spouse remarries.

We also identify two issues that warrant further study. Members who retire on disability and subsequently die as a result of their injuries or illnesses are not active-duty deaths. It would be useful to determine whether their survivors receive a comparable level of benefits. Second, greater use of Reservists in a mobilized status increases the likelihood that they will die on active duty. Reservists may have different survivor benefit needs and concerns. Do the active-duty death benefits provide an adequate package of benefits when the member is an activated Reservist?

## Acknowledgements

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Sarah Jennings of the Congressional Budget Office offered keen insight on issues related to the costs of the Survivor Benefit Plan.

While these individuals provided invaluable assistance and guidance, any errors or omissions are those of the authors alone. The report reflects the views of the authors and does not represent the official position of the Department of Defense on the issues addressed.

## Table of Contents

Executive Summary .....	i
Overview of Current Military Benefits .....	i
Immediate Income Assistance .....	ii
Transition Assistance .....	ii
Income Replacement.....	ii
Unpaid Compensation.....	ii
Recognition of Sacrifice/Employer Liability .....	ii
Overview of Employer-Provided Death Benefits .....	ii
Evaluation of Military Benefits .....	iii
Alternative Policy Options.....	iv
Recommendations and Conclusions .....	v
Acknowledgements.....	vi
Introduction.....	1
Background/Objective of Study.....	1
Purpose of Survivors’ Death Benefits.....	1
Distinction for Line-of-Duty Deaths.....	2
Classification Scheme for Death Benefits .....	3
Outline of the Report .....	4
Overview of Current Military Benefits.....	5
Immediate Income Assistance .....	6
Death Gratuity.....	6
Burial Benefits .....	7
Social Security Lump Sum Death Payment.....	7
Transition Benefits.....	7
Casualty Assistance Officer.....	7
Counseling Services.....	8
Tax Benefits.....	8
Military Health and Dental Care Benefits .....	8
Commissary and Exchange Privileges.....	8
Basic Allowance for Housing .....	9
Personal Effects and Household Goods.....	9
Income Replacement.....	9
Dependency and Indemnity Compensation .....	9
VA Education Benefits .....	10
Social Security Benefits.....	10
Survivor Benefit Plan.....	10
Servicemember’s Group Life Insurance .....	12
Family Servicemember’s Group Life Insurance.....	14
Unpaid Compensation.....	14
Recognition of Sacrifice/Employer Liability.....	14
Pending Military Survivor Benefit Legislation.....	14
Benefits Available from Private Trusts, Foundations and Non-profit Organizations .....	15
Alternative Sources of Life Insurance .....	16
Other Employers’ Programs .....	17

Federal Civilian Employees .....	18
Immediate Income Assistance .....	19
Transition Benefits.....	19
Income Replacement.....	19
Unpaid Compensation.....	21
Recognition of Sacrifice/Employer Liability .....	21
Law Enforcement Officers.....	22
Immediate Income Assistance .....	22
Transition Benefits.....	22
Income Replacement.....	22
Unpaid Compensation.....	22
Recognition of Sacrifice/Employer Liability .....	23
Firefighters.....	23
Immediate Income Assistance .....	24
Transition Benefits.....	24
Income Replacement.....	24
Unpaid Compensation.....	24
Recognition of Sacrifice/Employer Liability .....	24
Commercial Aircrews .....	25
Immediate Income Assistance .....	25
Transition Benefits.....	25
Income Replacement.....	25
Unpaid Compensation.....	25
Recognition of Sacrifice/Employer Liability .....	25
Private-Sector Employees.....	26
Immediate Income Assistance .....	26
Transition Benefits.....	26
Income Replacement.....	27
Unpaid Compensation.....	28
Recognition of Sacrifice/Employer Liability .....	28
Canadian and British Military Members.....	29
Immediate Income Assistance .....	29
Transition Benefits.....	29
Income Replacement.....	29
Unpaid Compensation.....	30
Recognition of Sacrifice/Employer Liability .....	30
Comparison of Military Benefits with Other Programs.....	30
Immediate Income Assistance .....	30
Transition Benefits.....	31
Income Replacement.....	32
Unpaid Compensation.....	34
Recognition of Sacrifice/Employer Liability .....	34
Equity of Benefits Compared to Civilians in Similar Situations .....	34
Alternative Policy Options.....	38
Benefit Recognizing Sacrifice .....	39
Indexing of Cash Benefits.....	40

Minimum No-Cost SGLI Coverage.....	41
Changes to the SBP Program.....	42
Dedicated Casualty Assistance Resources.....	43
Recommendations and Conclusions .....	43
Index SGLI and Death Gratuity.....	45
Provide \$50,000 SGLI to All Members at No Cost.....	45
Establish Full-Time Casualty Assistance Positions.....	45
Changes to SBP.....	45
Conclusions.....	46
References.....	46
Appendix A. Text of Sec. 647 of the FY 2004 NDAA .....	48
Appendix B. Summary of Law-Enforcement Death Benefits by State.....	50
Appendix C. Summary of Firefighter Death Benefits by State.....	61
Appendix D. Hypothetical Comparison of Death Benefits Across Employers.....	66

## Tables

Table 1. Categories of Death Benefits .....	4
Table 2. U.S. Active Duty Military Deaths, 1980 through 2002.....	5
Table 3. Recap of Military Death Benefits by Category .....	6
Table 4. SGLI Monthly and Annual Premiums .....	12
Table 5. SGLI Maximum Coverage Amounts and Effective Dates .....	13
Table 6. SGLI Coverage and Payments by Year .....	13
Table 7. Pending Military Survivor Benefit Legislation .....	15
Table 8. Selected Private Organizations Offering Survivor Support.....	16
Table 9. Extent of FEGLI Coverage, September 2003.....	21
Table 10. Percent of Workers Participating in Survivor Benefits, by Worker and Establishment.....	26
Table 11. Life-Insurance Provisions for Full-Time Employees of Medium and Large Private Establishments (1995).....	28
Table 12. Comparison of SGLI and FEGLI Coverage .....	33
Table 13. Comparison of Cash Benefits by Employee Type (Line-of-Duty Death) .....	37
Table 14. Comparison of Cash Benefits by Employee Type (Not Line-of-Duty Death) .....	38
Table 15. Anticipated Cost of Line-of-Duty Benefit for Historical Conflicts .....	40
Table 16. SGLI Premiums with Automatic Coverage .....	41

## Figures

Figure 1. Actual vs. Wage-Adjusted Death Gratuity by Fiscal Year.....	31
Figure 2. Actual vs. Wage-Adjusted SGLI Coverage by Fiscal Year .....	33



# **Review of Military Death Benefits**

## **Final Report**

### **Introduction**

#### ***Background/Objective of Study***

The Principal Deputy Undersecretary of Defense (Personnel & Readiness) asked SAG Corporation to conduct an independent review that assesses the relative value and sufficiency of death benefits provided to survivors of members of the Uniformed Services. The objective of this study is to survey the current programs and policies affecting military death benefits, compare these benefits to those offered by other employers, assess the adequacy of the military death benefits, and recommend alternatives and enhancements where warranted.

The requirement for this report stemmed from the Conference Report on the FY 2004 National Defense Authorization Act. Congress particularly expressed concern that

- the Government of the United States properly recognized the significant sacrifice entailed in the loss of life by members;
- the death benefits offered to civilian victims of terrorism may outstrip those offered to military members who are also victims of terrorism;
- the death benefits offered to military members have not kept pace with benefits offered by other employers; and
- Servicemembers' Group Life Insurance (SGLI) requires members to pay premiums and does not provide a guaranteed minimum benefit (participation in SGLI is voluntary).

The requirement for this report is explicitly presented in Sec. 647 of Public Law 108-136 (National Defense Authorization Act for Fiscal Year 2004). Appendix A includes the text of Section 647.

#### ***Purpose of Survivors' Death Benefits***

Employers provide death benefits for two main reasons. First, they serve as an insurance policy for the dependents of employees, and are thus an inducement that will attract and retain valued workers. The second reason for providing these benefits is to indemnify survivors for deaths that were a result of the employees' job (i.e., a line-of-duty death). Death benefits may be a combination of cash payments (both lump-sum and annuity) and in-kind assistance (e.g., educational assistance and health insurance).

Most employers provide some type of benefits to the survivors of employees who die. Most also have a greater level of benefits for deaths that are work-related. This section discusses the role of employer-provided death benefits as part of the total compensation package. It includes a functional categorization of death benefits that we use to compare and evaluate benefits.

Before we begin our analysis, we define some basic terms that we use throughout the report.

- **Survivor** – generally refers to the current spouse and natural or adoptive, minor children of the employee who dies. In some cases survivor status may be extended to the employee’s parents. It is possible for an employee to die without survivors.
- **Next of Kin** – are the individuals who are officially notified of the employee’s death. The next of kin may be a spouse, children, parents or siblings and may be designated by the employee.
- **Designated Beneficiaries** – are individuals to whom the employee has assigned certain death benefits (notably life insurance).

### ***Distinction for Line-of-Duty Deaths***

Some employer-provided benefits (e.g., life insurance) are not dependent on the cause of death. Other benefits are more directly based on liability. When the employee’s death can be shown to be a direct result of his or her job, additional compensation is usually provided. In the private sector, such compensation is offered through the workers compensation program. Survivors may also choose to sue for damages in order to collect money from the employer.

The definition of *line of duty* varies by employer. The Public Safety Officers’ Benefits (PSOB) program provides a cash benefit to survivors of law-enforcement and firefighting personnel who are killed in the line of duty; the PSOB definition is illustrative. According to 28 CFR 32,

c) *Line of duty* means:

(1) Any action which an officer whose primary function is crime control or reduction, enforcement of the criminal law, or suppression of fires is obligated or authorized by rule, regulations, condition of employment or service, or law to perform, including those social, ceremonial, or athletic functions to which the officer is assigned, or for which the officer is compensated, by the public agency he serves. For other officers, “line of duty” means any action the officer is so obligated or authorized to perform in the course of controlling or reducing crime, enforcing the criminal law, or suppressing fires; and

(2) Any action which an officially recognized or designated public employee member of a rescue squad or ambulance crew is obligated or authorized by rule, regulation, condition of employment or service, or law to perform.

(d) *Direct and proximate, direct, or proximate* means that the antecedent event is a substantial factor in the result.

Benefits will not be paid if the officer was voluntarily intoxicated at the time of death or was performing his or her duties in a grossly negligent manner.

Essentially, a line-of-duty death in this case is any death as a proximate result of the employee’s job responsibilities.



The Department of Defense (DoD) already makes a distinction between deaths due to hostile action and other active-duty deaths, although this distinction does not affect pay or survivor benefits. DoD Instruction 1300.18 states, in part,

E2.1.1.19. Hostile Casualty. A person who is the victim of a terrorist activity or who becomes a casualty “in action.” “In action” characterizes the casualty as having been the direct result of hostile action, sustained in combat or relating thereto, or sustained going to or returning from a combat mission provided that the occurrence was directly related to hostile action. Included are persons killed or wounded mistakenly or accidentally by friendly fire directed at a hostile force or what is thought to be a hostile force. However, not to be considered as sustained in action and not to be interpreted as hostile casualties are injuries or death due to the elements, self-inflicted wounds, combat fatigue, and except in unusual cases, wounds or death inflicted by a friendly force while the individual is in an absent-without-leave (AWOL), deserter, or dropped-from-rolls status or is voluntary absent from a place of duty.

This definition is more restrictive than the line-of-duty distinction in the PSOB program. It is certainly possible for an active duty member of the military to die as a direct and proximate result of performing his or her duties while not in a hostile action.

### ***Classification Scheme for Death Benefits***

Our analysis revealed a wide range of cash and non-cash benefits for survivors of employees who die. In order to make effective comparisons across employers, we organized benefits into categories according to their function. Our classification scheme consists of five separate categories for benefits as outlined in Table 1. In application, some benefits may in fact cross categories.

*Immediate income assistance* usually consists of lump-sum cash payments that are issued to survivors quickly in order to help with extraordinary expenses associated with the employee’s death. These may be for a fixed amount or a multiple of the employee’s salary (e.g., two months’ pay). Immediate income assistance may also include cash or in-kind provision of funeral and burial expenses.

*Transition assistance* benefits help survivors manage over the period in which they must adjust, both financially and emotionally, to the death of the employee. These benefits may include counseling and temporary extension of benefits (e.g., health insurance).

*Income replacement* benefits compensate for the loss of the employee’s earnings. The benefit may take the form of a life insurance policy or a retirement annuity.

*Unpaid compensation* consists of any accrued pays that are owed to the employee at the time of death. This pay often includes reimbursement for unused leave and the remainder of bonuses and special pays owed.

*Recognition of sacrifice/employer liability* benefits are targeted specifically to those instances in which the employee's death is directly attributable to his or her employment (i.e., in the line of duty). The pay may be a lump-sum award or an annuity (e.g., workers compensation death benefit).

**Table 1. Categories of Death Benefits**

<b>Benefits Category</b>	<b>Purpose</b>	<b>Examples</b>
Immediate Income Assistance	Offset any gaps in income and immediate expenses	Death gratuity
Transition Assistance	Help survivors adjust to loss of worker	Grief counseling Financial counseling Medical and dental insurance
Income Replacement	Provide alternative source of money to offset loss of worker's earnings	Life insurance Survivor benefit pensions
Unpaid Compensation	Distribute wages, pension, and other compensation owed to worker at time of death	
Recognition of Sacrifice/ Employer Liability	Compensate survivors for extraordinary sacrifice when worker is killed in the line of duty	Workers compensation death benefit

## ***Outline of the Report***

The study begins with an overview of the benefits currently offered to survivors of members who die on active duty. In this section we also include a brief review of pending legislation and list some of the private, non-profit organizations that provide benefits. Finally, we discuss the provision of life insurance as a death benefit and assess the availability of private life insurance for active-duty military members.

The second section of the report reviews the benefits packages offered to other types of employees, including Federal government civilian employees, law enforcement officers, firefighters, commercial aircrew members, private-sector employees and Canadian and British armed forces' members.

The third section evaluates military benefits by comparing and contrasting current benefits with those offered to other groups of employees. In this section, we also offer a hypothetical comparison of benefits for a group of workers involved in a line-of-duty incident.

Based on the preceding analysis, we examine different policy options for changing the set of death benefits currently offered. In each case, we examine the advantages and disadvantages and, where possible, estimate the cost of implementing the change.

Finally, we offer our recommendations and conclusions regarding the policy options that we examined.

## Overview of Current Military Benefits

Survivors of members of the Uniformed Services who die on active duty are eligible for a number of benefits, ranging from immediate assistance to long-term income replacement annuities. The Department of Defense provides many of the benefits directly; survivors may also receive benefits from the Department of Veterans Affairs (VA) and the Social Security Administration (SSA).

The DoD Actuary estimates that about 865 active-duty members will die each year in the absence of a significant hostile action. Table 2 shows active-duty deaths by type of death for calendar years 1980 through 2002.

**Table 2. U.S. Active Duty Military Deaths, 1980 through 2002**

Calendar Year	Total Military FTE	Total Deaths	Death Rate	Accident	Hostile Action	Homicide /Self Inflicted	Illness	Pending/Undetermined	Terrorist Attack
1980	2,159,630	2,392	0.0011	1,556	0	405	419	11	1
1981	2,206,751	2,380	0.0011	1,524	0	386	457	13	0
1982	2,251,067	2,318	0.0010	1,494	0	362	446	16	0
1983	2,273,364	2,465	0.0011	1,413	18	333	419	19	263
1984	2,297,922	1,999	0.0009	1,293	1	309	374	16	6
1985	2,323,185	2,252	0.0010	1,476	0	386	363	22	5
1986	2,359,855	1,984	0.0008	1,199	2	372	384	27	0
1987	2,352,697	1,983	0.0008	1,172	37	364	383	25	2
1988	2,309,495	1,819	0.0008	1,080	0	375	321	26	17
1989	2,303,384	1,636	0.0007	1,000	23	282	294	37	0
1990	2,236,377	1,508	0.0007	880	0	306	278	43	1
1991	2,129,644	1,787	0.0008	931	147	368	308	33	0
1992	1,953,337	1,293	0.0007	676	0	347	252	17	1
1993	1,849,537	1,213	0.0007	632	0	322	221	9	29
1994	1,746,482	1,075	0.0006	544	0	315	206	10	0
1995	1,661,928	1,040	0.0006	538	0	317	174	4	7
1996	1,613,310	974	0.0006	527	1	240	173	14	19
1997	1,573,995	817	0.0005	433	0	201	170	13	0
1998	1,534,183	826	0.0005	445	0	186	168	24	3
1999	1,519,930	795	0.0005	436	0	182	149	28	0
2000	1,523,876	774	0.0005	400	0	173	124	60	17
2001	1,537,116	890	0.0006	422	0	160	175	78	55
2002	1,564,066	1,007	0.0006	538	17	176	178	98	0

Source: Washington Headquarters Service, Directorate for Information Operations and Reports

This section provides a brief description of each of the current death benefits available to survivors. Where noted, changes in benefits may be pending current legislation. In this discussion, *survivor* refers to the individuals who are beneficiaries for the death benefits. First in

line is the surviving spouse, followed by the member's children without regard to age or marital status (includes natural, adopted or illegitimate children) in equal shares. The member's parents are last in line. Some benefits will depend on the spouse's or children's age and marital status. Note also that survivor is a separate status from *next of kin*. Referring to the definitions section earlier in this report, it is possible for a member to have next of kin without having survivors eligible for benefits.

Our discussion is structured according to the classification scheme presented in the previous section. Table 3 summarizes the military death benefits discussed in this section according to that categorization.

**Table 3. Recap of Military Death Benefits by Category**

<b>Benefit Categories</b>	<b>Military Benefits</b>
<b>Immediate Income Assistance</b>	Death Gratuity Funeral and Burial Benefits Social Security Lump Sum Death Payment
<b>Transition Benefits</b>	Casualty Assistance Counseling Services (family centers) Tax Benefits TRICARE (includes dental) <sup>†</sup> Commissary and Exchange Privileges <sup>†</sup> Basic Allowance for Housing (BAH) Personal Effects and Household Goods
<b>Income Replacement</b>	Dependency and Indemnity Compensation (DIC) VA educational assistance benefits Social Security payments Survivor Benefit Plan (SBP) SGLI FSGLI
<b>Unpaid Compensation</b>	Unpaid Compensation and Leave
<b>Recognition of Sacrifice/ Employer Liability</b>	None

<sup>†</sup>These benefits are classified as transition assistance, but could also be considered income replacement since they may continue for the survivor's lifetime.

## ***Immediate Income Assistance***

### ***Death Gratuity***

An immediate tax-free lump-sum payment of \$12,000 is paid to survivors to help them cover living expenses and immediate needs. The death gratuity will be paid within 24 to 72 hours of notification of the member's death. The current payment level was enacted as part of the

Military Family Tax Relief Act of 2003, signed into law on 11 November 2003, but retroactive to 10 September 2001.

For deaths prior to 10 September 2001, the payment was \$6,000, half of which was tax-free. The gratuity was set effective 2 August 1990 at \$6,000 during the first Persian Gulf War; prior to that, the gratuity had been \$3,000 and was not taxable.

The death gratuity was designed to provide emergency funds for survivors until payment of other cash benefits became available. Originally, the gratuity was set at six months' pay, with a minimum and maximum amount that were periodically adjusted. By the early 1990s, however, six months' pay for all active-duty personnel surpassed the maximum amount (\$3,000).<sup>1</sup>

The OSD Office of the Actuary estimates that approximately 865 members will die on active duty in a typical year (excluding hostile-fire deaths). At current death gratuity levels, the annual cost would be \$10.38 million. The DoD 2004 Budget reports death gratuity expenditures at \$9.06 million for FY 2003 and projects expenditures of \$17.97 million and \$13.75 million, respectively for FY 2004 and FY 2005.

### ***Burial Benefits***

The Department of Defense will process, transport, and inter remains and provide a casket, vault and headstone. In lieu of providing these services directly, the Department will reimburse survivors for expenses, with a maximum reimbursement for funeral and burial expenses of \$6,900. Travel reimbursement is available for the surviving spouse and unmarried children, or the surviving parents if (a) the member had no surviving spouse or child or (b) the surviving spouse and child did not use the benefit.<sup>2</sup>

Burial benefits are not broken out as separate budget items, but the DoD 2004 budget includes a category for survivor benefits (inclusive of burial benefits). The budget cost reported for FY 2003 was \$10.93 million. Estimated costs for FY 2004 and FY 2005 are \$10.09 million and \$11.32 million.

### ***Social Security Lump Sum Death Payment***

Once a survivor contacts the SSA, he or she will receive a \$255 lump sum death payment within 30 to 90 days and other monthly benefits (discussed below) thereafter.

### ***Transition Benefits***

#### ***Casualty Assistance Officer***

The first benefit provided to survivors is the assignment of an active-duty member who will advise and assist the survivors in making funeral and burial arrangements and in applying for other death benefits. This advisor is called the Casualty Assistance Officer (CAO) by the Army, the Casualty Assistance Representative (CAR) by the Air Force and the Casualty Assistance Calls Officer (CACO) by the Navy and Marine Corps.

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<sup>1</sup> Department of Defense (1996), p. 624.

<sup>2</sup> <http://www.Militaryfuneralhonors.osd.mil>

The advisor will answer all questions regarding death benefits and inform survivors of eligible benefits. Officers do this job as a collateral duty in the Army, Navy and Marine Corps; however, the Air Force uses full-time Casualty Assistance Representatives. The CARs are usually civilian Air Force employees either wholly or partially dedicated to casualty assistance. The Air Force does appoint a Family Liaison Officer as a collateral duty.

### ***Counseling Services***

The Services offer a variety of counseling and other programs through their family centers (Army Community Service Centers, Navy and Marine Corps Family Service Centers, and Air Force Family Support Centers). Survivors can use the centers to obtain financial and grief counseling, as well as assistance with job hunting and relocation. One potential weakness of this delivery system is that the centers are necessarily located at military installations. A surviving family may relocate to an area in which there are no convenient centers.

Survivors who receive an SGLI payment are also eligible for financial counseling through the Beneficiary Financial Counseling Service (BFCS), which is discussed below.

### ***Tax Benefits***

If the service member dies in a combat zone, as a result of injuries, wounds or disease contracted in a combat zone or while eligible for imminent danger or hostile fire pay, the member's federal income tax liability is forgiven for the tax year in which he or she died. Tax liability for previous years will also be forgiven if the member was in the combat zone earlier than the last day of that year.<sup>3</sup> Note that all payments made by the VA, as well as the death gratuity, are tax-exempt.

### ***Military Health and Dental Care Benefits***

Eligible spouses and children will retain health-care benefits. For three years after the date of death, survivors receive full active-duty benefits. This transitional health care coverage includes all TRICARE benefits and co-pays for active duty. Once three years have past, the cost of TRICARE and TRICARE co-pays for survivors rise to the rates paid by retirees and remain at that level as long as the survivors are eligible (i.e., benefits will cease for the surviving spouse if he or she remarries and coverage for children ends when they are no longer minors).

Dental-care benefits are similar to health benefits. If survivors are enrolled in the TRICARE dental program for active duty, cost will be premium-free for three years. After three years from the time of death, the family will be notified that active duty coverage has ended. Survivors may reenroll and receive the retiree rate.

### ***Commissary and Exchange Privileges***

Surviving spouses and dependents are still authorized to shop at military commissaries and exchanges so long as the dependents are unmarried and the spouse is not remarried. The same rules apply to spouses and dependents of retired members.

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<sup>3</sup> <http://www.irs.gov/publications/p3/ar02.html#d0e4244>

### ***Basic Allowance for Housing***

Survivors are granted rent-free government housing or tax-free basic housing (BAH) or Overseas Housing Allowance for 180 days. The 180-day privilege can be a mixture of government and private housing. In order for a survivor to receive private housing allowance, the member must have been eligible to receive those allowances for dependents at the time of death. It will take seven to fourteen days after the notification for housing benefits go into effect.

### ***Personal Effects and Household Goods***

Survivors will be relieved of all moving costs if the move is to one of four locations:

- member's last permanent duty station
- the member's home of record
- the home of his or her dependents
- the home of the next of kin, or to other persons legally entitled to receive custody of the member's household goods.

### ***Income Replacement***

#### ***Dependency and Indemnity Compensation***

Dependency and Indemnity Compensation (DIC) is a non-taxable monthly annuity payment administered by the VA. Surviving spouse and dependents must be unmarried in order to receive DIC. However, the surviving spouse will continue to receive DIC if he or she remarries after age 57; also, DIC will resume if the remarriage ends through divorce or death. While this benefit includes the word *indemnity* in its title, surviving spouses and children of any member who dies on active duty are eligible (i.e., all active-duty deaths are presumed to be service-related). DIC payments are as follows:

- basic spouse flat-rate equals \$967 per month; and
- an additional \$241 is given for each dependent child until age 18. The law will also provide the additional amount to dependents with special needs:
  - Between the ages of 18 and 23 and enrolled full-time in a VA-approved school;
  - Over 18 and became incapable of supporting themselves before their 18<sup>th</sup> birthday.

Survivor Benefit Plan payments to the surviving spouse will be offset dollar-for-dollar by the amount of the DIC payment.

According the Veteran's Benefits Administration (VBA), the DIC obligations for the past three years were the following:

- FY 2001: \$3.65 billion
- FY 2002: \$3.75 billion
- FY 2003: \$3.89 billion

Note, however, that this number includes payments to survivors of those who died after leaving active duty as well. The VBA does not provide a separate breakout of costs just for survivors of active-duty members.

### ***VA Education Benefits***

The VA can grant up to 45 months of full-time education benefits to the spouse and dependents of the service member. Survivors of service members who have made contributions to the Veterans Educational Assistance Program (VEAP) will receive a death benefit equal to the amount the service member contributed. In order to qualify for this benefit the death must be determined to be service connected.

### ***Social Security Benefits***

Monthly Social Security payments are based on the length of time the service member has served and the amount of payroll deductions towards the Federal Insurance Contributions Act (FICA). The survivor receives a percentage (usually 75% to 100%) of the basic Social Security benefit. The percentage depends on the age and the type of benefit for which the deceased is eligible. The most typical situations are as follows:

- widow or widower, age 65 or older — 100%
- widow or widower, age 60 to 64 — 71-94%
- widow, any age, with a child under age 16 — 75% or
- children — 75%

However, there is a limit to the amount of money that can be paid each month to a family (surviving spouse plus children). The limit varies, but is generally equal to about 150 to 180 percent of the benefit rate. If the total family benefits are above this limit, the family's benefits will be reduced proportionately.

### ***Survivor Benefit Plan***

Survivors of members who die on active duty may be eligible for a portion of the member's retirement compensation under the Survivor Benefit Plan (SBP). The National Defense Authorization Act for FY 2002 (NDAA02, PL 107-107, 28 Dec 01) retroactively applied this benefit to all active duty deaths occurring on or after 10 September 2001. The SBP is paid to the member's spouse (or children if there is no surviving spouse or the surviving spouse dies). Payments continue until the death or remarriage of the spouse, or until the member's children no longer qualify as dependents.

SBP is payable to these survivors if the member who died on active duty was already retirement eligible or if the death is determined to be in the line of duty. The determination of line of duty is outlined in the Department of Defense Financial Management Regulation, Chapter 52:

#### **5206. LINE OF DUTY DETERMINATION**

**520601. Purpose.** For the purpose of determining eligibility for SBP benefits, a member's death will generally be considered to have occurred in Line-of-Duty unless:



- A. the death occurred while the member was not serving on active duty,
- B. the death was the result of the member's own intentional misconduct or willful negligence, or
- C. the death occurred during a period of unauthorized absence.

**520602. Investigation to Determine the Cause of Death.** The military services will conduct an investigation and make a written finding as to whether a member's death on or after September 10, 2001, was in the Line-of-Duty while the member was on active duty. The written finding must describe the circumstances under which the member died, and it must also address whether the death was caused by the member's own intentional misconduct or willful negligence, or whether the death occurred during a period of unauthorized absence.

In cases in which the member dies while on active duty in the line of duty, surviving spouses are entitled to 55 percent of retired pay while under the age of 62, and 35 percent at age 62 and older. The initial, larger annuity is meant to compensate for the fact that the surviving spouse is not yet eligible for Social Security. When the spouse becomes eligible for a Social Security payment at age 62, the SBP annuity decreases.

If the member leaves no surviving spouse, the surviving spouse subsequently dies, or the surviving spouse so elects, the SBP is payable instead to the member's surviving dependent children in equal shares. The National Defense Authorization Act (NDAA) for Fiscal Year 2004 (P.L. 108-136) changed Section 1448(d)(2) of Title 10, United States Code. Previously, the SBP did not revert to dependent children if the active member's spouse remarries.

Dependent child annuity. - The Secretary concerned shall pay an annuity under this subchapter to the dependent child of a member described in paragraph (1) if there is no surviving spouse or if the member's surviving spouse subsequently dies.

P.L. 108-136 changed the wording of this paragraph:

Dependent children.--

- (A) Annuity when no eligible surviving spouse.--In the case of a member described in paragraph (1), the Secretary concerned shall pay an annuity under this subchapter to the member's dependent children under section 1450(a)(2) of this title as applicable.
- (B) Optional annuity when there is an eligible surviving spouse.--In the case of a member described in paragraph (1) who dies on or after the date of the enactment of the National Defense Authorization Act for Fiscal Year 2004 and for whom there is a surviving spouse eligible for an annuity under paragraph (1), the Secretary may pay an annuity under this subchapter to the member's dependent children under section 1450(a)(3) of this title, if applicable, instead of paying an annuity to the surviving spouse under paragraph (1), if the Secretary concerned, in consultation with the surviving spouse, determines it appropriate to provide an annuity for the dependent

children under this paragraph instead of an annuity for the surviving spouse under paragraph (1).

Section 1450(a)(2) of Title 10 previously applied to coverage for retirees' survivors only:

Surviving children. - The surviving dependent children in equal shares, if the eligible surviving spouse or the eligible former spouse is dead, dies, *or otherwise becomes ineligible under this section*[emphasis added].

Therefore, survivors of a member who dies while on active duty may choose child-only coverage even if an eligible spouse survives. Moreover, if the survivors choose spouse coverage, SBP will revert to child coverage in any circumstance in which a surviving spouse is no longer eligible to receive SBP.

### ***Servicemember's Group Life Insurance***

Every active duty service member is automatically provided \$250,000 coverage through the SGLI program. The member must pay a monthly premium, but the government subsidizes the program by paying the costs of any death claims above the normal rate expected in peacetime. In effect, the government (the four Services) pays the cost of wartime deaths. A member may decline coverage or purchase lower levels of coverage. The cost of coverage is the same for all pay grades. The designated beneficiary on the member's SGLI election and certificate form will be paid SGLI in a lump sum or in 36 equal monthly installments. If there is no beneficiary selected, the proceeds will go to the next of kin.

Table 4 shows the monthly and annual premiums paid by members participating in the SGLI program. The maximum cost (for \$250,000 coverage) is \$195 per year. These premiums were set at the current level effective 1 July 2003. SGLI costs \$0.065 per \$1,000 of coverage each month.

**Table 4. SGLI Monthly and Annual Premiums**

<b>Coverage Amount</b>	<b>Monthly Premium</b>	<b>Annual Premium</b>
\$10,000	\$0.65	\$7.80
\$20,000	\$1.30	\$15.60
\$30,000	\$1.95	\$23.40
\$40,000	\$2.60	\$31.20
\$50,000	\$3.25	\$39.00
\$100,000	\$6.50	\$78.00
\$150,000	\$9.75	\$117.00
\$200,000	\$13.00	\$156.00
\$250,000	\$16.25	\$195.00

Source: VA Insurance website (<http://www.insurance.va.gov/sgliSite/SGLI/sgliPremiums.htm>)

The SGLI program became effective on 29 September 1965. Table 5 shows that Congress has sporadically increased the maximum coverage (initially set at \$10,000 and currently \$250,000).

**Table 5. SGLI Maximum Coverage Amounts and Effective Dates**

<b>Effective Date</b>	<b>Maximum Coverage</b>
29 September 1965	\$10,000
25 June 1970	\$15,000
24 May 1974	\$20,000
1 December 1981	\$35,000
1 January 1986	\$50,000
6 April 1991	\$100,000
1 December 1992	\$200,000
1 April 2001	\$250,000

Source: Servicemembers' and Veterans' Group Life Insurance Handbook (April 2003)

The Department of Veterans Affairs Regional Office and Insurance Center manages the SGLI program. The Office of Servicemember's Group Life Insurance (OSGLI), a division of Prudential Insurance, administers the SGLI program. Participation is voluntary, but nearly universal, as shown in Table 6.<sup>4</sup> Average payouts increased across the 2001-2002 policy years, reflecting the increase in maximum coverage from the previous level of \$200,000 to the current level of \$250,000. As a related benefit, the beneficiary is offered access to the BFCS. This service provides objective financial advice to the beneficiary.

**Table 6. SGLI Coverage and Payments by Year**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>Death Claims Paid (policy year)</b>					
<b>Number of Claims</b>	1,210	1,053	961	963	955
<b>Total Paid (\$M)</b>	\$295.5	\$257.3	\$194.9	\$182.8	\$182.9
<b>Average Payment</b>	\$244,254	\$244,307	\$202,805	\$189,865	\$191,546
<b>Max. Coverage Available</b>	\$250,000	\$250,000	\$250,000	\$200,000	\$200,000
<b>SGLI Participation (fiscal year)</b>					
<b>Total Participants</b>	1,475,732	1,434,429	1,411,441	1,420,539	1,457,085
<b>Participation Rate</b>	98%	99%	97%	98%	98%
<b>% with Max. Coverage</b>	94%	97%	90%	92%	93%
<b>SGLI Premiums (fiscal year)</b>					
<b>Total Premiums Paid (\$M)</b>	\$339.0	\$343.8	\$291.7	\$252.7	\$260.4
<b>Average per person per Year</b>	\$230	\$240	\$207	\$178	\$179

Source: OSGLI

<sup>4</sup> The average cost for the historical data exceeds the current maximum annual premium of \$195. However, these costs predate the most recent reduction in SGLI premiums.

### ***Family Servicemember's Group Life Insurance***

The Family Servicemember's Group Life Insurance (FSGLI) is a program designed for spouses and dependent children of members insured under the SGLI program. FSGLI provides the following:

- maximum of \$100,000 of insurance coverage for spouses ; and
- \$10,000 for dependent children.

If a servicemember is married to another member, both can be insured under the FSGLI and SGLI programs at the same time, for a maximum coverage amount of \$350,000 each.

### ***Unpaid Compensation***

The designated beneficiary will collect all unpaid compensation that was due to the service member on the date of death. This compensation will include any remaining bonus annuity payments and payment for unused accrued leave. If the designated beneficiary is unavailable to collect, then unpaid compensation will be given to the next of kin.

### ***Recognition of Sacrifice/Employer Liability***

All deaths while on active duty (except in a very narrow set of circumstances described above in the Survivor Benefit Plan section) are considered "line of duty." Accordingly, there are no additional benefits for certain active-duty deaths. The philosophy behind this approach is that the government will provide a substantial level of survivor benefits regardless of the cause of death. As a result, members' survivors should receive a level of benefits comparable to benefits accorded to other workers' survivors when the employee death occurred on the job.

Part of our evaluation presented below addresses this philosophy. We construct a hypothetical example that allows us to compare the total package of benefits accruing to survivors of military with survivors of other employees killed in similar circumstances.

### ***Pending Military Survivor Benefit Legislation***

Survivor benefits are an area in which Congress has demonstrated a high level of interest. A number of bills are active in the House and Senate that affect various aspects of benefits provided to survivors of members who die while on active duty. Table 7 highlights some pending legislation initiatives.

**Table 7. Pending Military Survivor Benefit Legislation**

		<b>Purpose</b>	<b>Status</b>
Military Survivor Benefits Improvement Act of 2004	H.R. 3763 S.1916	Would increase SBP Annuity from 35% to 55% for those age 62 or above (phased-in implementation)	Both bills referred to respective Armed Services Committees
Military Retiree Survivors Relief Act of 2003	H.R. 1726 S. 585	Would repeal DIC offset to SBP payments	Both bills referred to respective Armed Services Committees
Continue DIC for spouses who remarry after age 55	H.R. 36 S. 249	Would continue DIC payments to spouses who remarry after age 55 (extend current policy for remarriage after age 57)	Both bills referred to respective Veterans Affairs Committees

In March 2004, the Senate adopted by “unanimous consent” a budget resolution amendment that would authorize budget headroom to phase out the Survivor Benefit Plan (SBP) policy that reduces surviving spouses’ SBP annuities after age 62. However, the House did not provide a similar authority in its version of the Budget Resolution.

### ***Benefits Available from Private Trusts, Foundations and Non-profit Organizations***

Survivors may also receive assistance from non-governmental sources. There are a variety of private (generally non-profit) organizations that offer counseling services, financial aid and other help to families of members killed on active duty. These groups also may act as survivor advocates, lobbying the Federal government for changes in benefits.

As the level and types of benefits offered varies across organizations, so too do the eligibility requirements. We did not consider these benefits as a part of the DoD benefits package when assessing the overall adequacy of survivor death benefits. The DoD cannot rely on these private organizations to provide the benefits because it exerts no control over the program features and eligibility requirements.

Table 8 offers a list of selected organizations that offer this type of support, along with a brief description of the services and benefits available from each. Other organizations that are not included on this list but that may also provide some benefits include veterans advocacy organizations like the Military Officers Association of America (MOAA), the Retired Enlisted Association (TREA), and the Association of the United States Army (AUSA).

**Table 8. Selected Private Organizations Offering Survivor Support**

<b>Organizations</b>	<b>Descriptions</b>
Army Emergency Relief Navy-Marine Corps Relief Society Air Force Aid Society	Offer emergency assistance for dependents/survivors of active-duty members. Assistance includes money loans, help applying for pensions, insurance and other death benefits.
Tragedy Assistance Program for Survivors Inc. (TAPS)	Offers support, free of charge, to anyone affected by a active duty death. TAPS' services include a national peer support network, grief-counseling referral service, crisis intervention, and caseworker assistance.
The Society of Military Widows (SMW)	Serves the interests of women whose husbands died while on active duty.
Gold Star Wives of America	Provides support services, not including financial, to the wives of deceased service members. Also acts as a lobbyist group.
Veterans' Widows International Network, Inc.	Supports veterans and retiree widows.
The Military Widows Gazette	A newspaper for widows that provides legislative news and information regarding death benefits.
The Widowed Information and Consultation Service	Provides grief counseling to widows.
American Red Cross	Provides assistance in applying for federal and state benefits for survivors.

### ***Alternative Sources of Life Insurance***

Employer-provided life insurance is a fairly common death benefit. Typically, an employer provides term life insurance to cover the employee (and, often, family members). The premiums may be paid in full by the employer or partially subsidized. The military death benefit is subsidized only in the sense that the Services directly reimburse the insurance fund for any deaths above the normal rate (e.g., combat-related deaths) under the extra-hazard provisions.

The primary purpose of life insurance is income-replacement. Accordingly, many employers tie the level of insurance to the employee's salary. SGLI coverage does not vary with salary or paygrade, although members may opt for lower levels of coverage.

One rationale for providing the SGLI coverage is that the nature of a member's employment may adversely affect his or her ability to obtain life insurance coverage. Because military service may be riskier than civilian jobs, the member may find it difficult to find coverage, or may have to pay a higher rate than an otherwise similar civilian. Moreover, commercially available life insurance might have a war-exclusion clause (no benefits payable if the death is the result of a hostile action).

We contacted some alternative life insurance providers to determine how active-duty service is considered in the insurability process. Several organizations specifically target military members, veterans and retirees; we focused on these sources.

The Navy Mutual Aid Association (NMAA) offers individual term insurance to members. Plans vary depending on the member's health status, tobacco use and age. However, coverage is available up to \$750,000. NMAA insurance has no war exclusion clause and does not charge a higher premium to flight-crew members.<sup>5</sup> Life insurance offered by the Army and Air Force Mutual Aid Association (AAFMA) is virtually identical. There are no war exclusion clauses or additional premiums for flight-crew members. Maximum coverage is \$600,000 and premiums vary by age, risk category and tobacco use.<sup>6</sup>

USAA provides members with "No War Exclusion" coverage —policies that will pay beneficiaries for deaths that occur as a result of war. USAA underwrites each policy depending on (1) member's age, (2) member's health, (3) the hazardous duty military occupation, and (4) off-duty/civilian hobbies. Those in hazardous military occupations will pay higher rates for a given level of coverage. USAA does not consider flight crew status *per se* to be hazardous duty, but certain types of pilots (e.g., fighter pilots) may have to pay a higher rate.<sup>7</sup>

AFBA is another organization that provides life insurance primarily to military members and their families. Like USAA, AFBA does not include a war clause in its life insurance policies. Generally, an active-duty member will not pay a higher premium than an otherwise comparable civilian. The sole exception for AFBA is for any individuals receiving military flight crew pay. These individuals will pay an additional four dollars per month for each \$50,000 in coverage as long as they are under the age of 40.<sup>8</sup>

The Uniformed Services Benefit Association (USBA) is the fifth organization we surveyed. Their policies also have no war clause. However, deaths that occur as a result of service as a pilot or aircrew member (including training) are paid at one-half of the covered amount if the death occurs prior to age 36. All other deaths are covered at the full value of the policy.<sup>9</sup>

## Other Employers' Programs

This section provides comparative information on the death benefits offered by other employers. The groups were selected to give a representative look at death benefits across many sectors of the labor market. We include a discussion of death benefits for

- Federal civilian employees
- law enforcement officers
- firefighters
- commercial aircrews (pilots, flight attendants)
- private sector employees

<sup>5</sup> <http://www.nmaa.org/services/lifeinsurance/term.aspx>

<sup>6</sup> <http://www.aafmaa.com/LifeInsurance/LevelTermL.asp>

<sup>7</sup> USAA information is based on a telephone conversation with Scott Mussey, a USAA representative, on 14 November 2003.

<sup>8</sup> AFBA information is based on a conversation with Kerry Neumann, an AFBA representative, on 30 December 2003.

<sup>9</sup> USBA information was obtained from the USBA website: <http://www.usba.com>.

- Canadian and British military members

In general, we found that private-sector employers provide lower levels of death benefits than public-sector employers. In particular, survivors of law-enforcement and firefighting personnel killed in the line of duty may be eligible for substantially larger packages of benefits than are survivors of other types of workers.

The U.S. military is alone among the employers we surveyed in not distinguishing between line-of-duty and other employee deaths. Virtually all deaths while on active duty are considered in the line of duty; consequently, the death benefits package is identical.<sup>10</sup> In every other case, benefits are larger when the death is as a proximate result of the employee's job.

We also found that military transition benefits are usually better than those offered by other employers. One reason for having a more generous set of transition benefits is the nature of military service. Survivors are more likely to be located somewhere other than their "permanent" homes; the transition from the military to a civilian lifestyle undoubtedly requires a greater adjustment.

Another constant across most employers is that most benefits are automatically indexed, either to the general level of prices or to wages. For example, most employer-provided life insurance is a function of the employee's salary. Likewise, pensions are usually based on the employee's salary at the time of death.

Most employers provide some basic level of life insurance at no cost to the employee. Often, employees may purchase supplemental life insurance. Also, most benefits packages include Accidental Death & Dismemberment insurance. When the death is the result of an accident, the life insurance award is usually doubled.

### ***Federal Civilian Employees***

Survivors of Federal civilian employees are also eligible for a variety of death benefits depending on the status of the employee and the circumstances of death. These employees have a life insurance program called Federal Employees Group Life Insurance Program (FEGLI). Like SGLI, FEGLI automatically enrolls all Federal employees unless they waive coverage. However, employees have to pay a portion of the premium to continue coverage.<sup>11</sup> Additional benefits are payable under the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS) in certain cases. For work-related deaths, the government pays survivor benefits under the Federal Employees Compensation Act (FECA), which provides workers' compensation coverage for Federal employees.

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<sup>10</sup> The sole exception concerns the narrow set of circumstances, discussed above, in which survivors would not be eligible for SBP annuities.

<sup>11</sup> One exception is the U.S. Postal Service, which pays 100% of the premium for its employees.



### ***Immediate Income Assistance***

Federal agencies may pay up to \$10,000 minus the amount payable under FECA when a civilian employee dies from an injury sustained in the line of duty on or after August 2, 1990. The FECA payment is generally \$1,000.

When the death is work-related, the government will pay burial expenses up to \$800, although any burial allowance provided by the VA will be deducted. The government will also fully pay the cost of transporting the employee's body if the death occurs away from home. In addition, a \$200 allowance will be paid for terminating the deceased's status as a Federal employee.

### ***Transition Benefits***

Individual personnel offices of Federal agencies may provide counseling services to survivors of employees who died. This counseling may include both grief counseling and financial counseling. If the deceased employee was enrolled for self and family coverage in the Federal Employee Health Benefits Program (FEHB) and at least one family member is entitled to a monthly annuity, health insurance coverage is continued.

### ***Income Replacement***

Income-replacement benefits come in three forms. First, the survivors may be entitled to a portion of the employee's retirement benefits through the CSRS, the FERS and/or through the employee's Social Security coverage. Second, survivors may receive the proceeds from the employee's FEGLI policy. Finally, the government provides an annuity to survivors of an employee who dies of a work-related injury under FECA. Survivors may not receive both a CSRS/FERS benefit and a FECA annuity (the survivor may choose the more advantageous of the two).

For employees covered under the CSRS who completed at least eighteen months of civilian service and died while subject to CSRS deductions, a monthly annuity will be paid to a surviving spouse. The spouse must have been married to the employee for at least nine months or have a child through the marriage. However, the marriage requirement is waived in the case of an accidental death. The guaranteed minimum amount of the annuity is based on the lesser of 40 percent of the employee's high-3 average salary at the time of death and the amount that the annuity would have been for the employee had he or she worked until the age of 60 under the same average pay. The surviving spouse receives the greater of 55 percent of this annuity and 55 percent of an annuity based on the employee's actual service. There is no offset to the annuity at age 62 because CSRS employees do not participate in the Social Security program and surviving spouses will not be eligible at age 62 for any Social Security benefits related to the employee's Federal service. Children receive an annuity as well, generally until they marry or become 18 years old. They may continue to receive an annuity after the age of 18 if they are attending school full time or are disabled.<sup>12</sup>

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<sup>12</sup> Source: Office of Personnel Management (1999).

Eligibility for survivor benefits under FERS is similar, using the same marriage criteria. If the employee had at least eighteen months of civilian service, the surviving spouse receives a lump-sum payment equal to one half of the employee's annual salary plus an additional payment equal to \$15,000 adjusted upward by the CSRS cost-of-living adjustments since December 1987. Additionally, the surviving spouse and minor children are eligible for a survivor annuity if the employee had at least ten years of service at the time of death. The spouse annuity is equal to fifty percent of the employee's basic FERS annuity. Any children's annuities will be offset by any Social Security benefit that they receive.<sup>13</sup>

FERS and CSRS-Offset employees may also participate in the Social Security program. If so, their survivors may be eligible for a Social Security death benefit as well.

Beneficiaries of employees enrolled in the FEGLI program receive a payment equal to the face value of the insurance. The basic FEGLI coverage is equal to the employee's salary (rounded up to the nearest thousand dollars) plus \$2,000. The minimum coverage is \$10,000. Additionally, all enrolled employees under the age of 45 automatically receive an extended benefit at no additional premium. Those age 35 or younger receive twice the basic coverage amount. The extended coverage gradually falls to zero at age 45. Employees may also elect optional coverage (at an additional premium). Basic coverage also automatically includes an Accidental Death and Dismemberment (AD&D) provision. In the case of death resulting from an accident, the employee's survivor will receive a payment equal to the policy's principal amount (basically doubling the size of the benefit). Deaths that result from the employee's negligence or that occur while the employee is engaged in war as a combatant are excluded from this coverage.

Employees may supplement the basic coverage. Option A adds \$10,000 in coverage, while Option B adds a multiple of 1, 2, 3,4, or 5 to annual basic pay. Under Option B, an employee could conceivably have as much as \$750,000 in FEGLI coverage.<sup>14</sup> Option C adds family coverage. Proceeds of FEGLI policies are not taxable as income to the beneficiary. According to the Office of Personnel Management, about 83 percent of all Work Schedule employees have Basic FEGLI coverage. About 33 percent of employees take Option A coverage and nearly 42 percent take Option B. About 22 percent of the employees take the maximum option (a total of six times annual salary). Average coverage for enrolled employees is about \$83,000. Table 9 provides a breakdown of this information.

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<sup>13</sup> Source: Office of Personnel Management (1997).

<sup>14</sup> This level is possible for an SES executive earning \$125,000 and choosing the maximum multiplier under Option B.

**Table 9. Extent of FEGLI Coverage, September 2003**

<b>Type of FEGLI Coverage</b>	<b>Number of Work Schedule Employees</b>	<b>Percentage of Total Work Schedule Employees</b>
<b>Basic</b>	2,218,925	83.25%
<b>Ineligible</b>	202,872	7.61%
<b>Waived</b>	243,213	9.13%
<b>Standard (Option A)</b>	891,074	33.43%
<b>Family (Option C)</b>	881,912	33.09%
<b>Additional (Option B)</b>	1,115,866	41.87%
<b>Additional X1</b>	131,097	4.92%
<b>Additional X2</b>	168,413	6.32%
<b>Additional X3</b>	157,599	5.91%
<b>Additional X4</b>	66,725	2.50%
<b>Additional X5</b>	592,032	22.21%
<b>FEGLI Unspecified</b>	260	0.01%
<b>Total</b>	2,665,270	100.00%

Source: Office of Personnel Management

### ***Unpaid Compensation***

Survivors are paid all unpaid compensation, including a lump-sum payment for unused, accrued annual leave. Unused sick leave is not paid, but is applied in the calculation of a survivor annuity if the employee was enrolled in CSRS.

### ***Recognition of Sacrifice/Employer Liability***

If the death occurs as a result of an injury in the performance of duty, the employee's survivors are entitled to tax-exempt compensation under FECA. A surviving spouse will receive 50 percent of the employee's pay at the time of death. If there are also eligible children, the spouse instead will receive 45 percent of the employee's pay and each child will receive 15 percent (to a maximum of 75 percent for the family). When there is no surviving spouse, compensation for the first eligible child is forty percent of pay, with an additional fifteen percent for each remaining child, up to a maximum of 75 percent (the child annuity is divided equally among the children). Compensation for spouses will terminate if the spouse remarries before age 55, but the spouse will receive a lump-sum payment of 24 months' compensation at the time of termination. Children's benefits are terminated under the same conditions as the FERS and CSRS annuities discussed above.

Because survivors cannot receive both a CSRS/FERS annuity and FECA benefits, the survivors must choose one. FECA payments are untaxed and may be more generous than other benefits.

The survivor of a Foreign Service member who dies as a result of injuries sustained in the performance of duty abroad (outside the United States) is entitled to a death gratuity equal to one year's salary of the employee at the time of death provided that the survivor is entitled to elect monthly compensation benefits under FECA.

## ***Law Enforcement Officers***

Death benefits for law enforcement officers are provided at several different levels. First, some benefits are provided directly by the officer's employer (e.g., a police department). Second, there are a significant number of death benefits provided by individual states. Third, the Federal government offers additional compensation and education benefits to survivors of those officers killed in the line of duty.

In this section we provide some summary discussion of typical benefits provided to survivors of law enforcement officers. We also offer a state-by-state comparison in Appendix B.

### ***Immediate Income Assistance***

Law enforcement officers' survivors may receive a one-time death benefit, ranging in amount from \$1,000 to \$150,000. This benefit is offered in 34 states, while 16 states offer none. Nearly every state provides a funeral benefit, ranging from \$700 to \$10,000.

### ***Transition Benefits***

Benefits vary by employer and state, but some states offer tax exemptions on some or all of survivor death benefits. Many also provide continued health and dental insurance to survivors.

Counseling services are available nationwide through a nonprofit organization called Concerns of Police Survivors, Inc. (COPS). COPS works with law enforcement agencies, police organizations, mental health professionals and local peer-support organizations to provide assistance to the surviving families of officers killed in the line of duty. COPS also aids survivors in applying for and receiving death benefits.

Almost all states provide health and dental coverage for survivors, but few states provide tax exemption on all or some death benefits. Various states provide cost-of-living adjustment or allowance benefit. One state (Oregon) provides a mortgage benefit that provides up to 12 monthly mortgage payments

### ***Income Replacement***

Nearly every state offers either a pension or retirement plan to survivors. Most states offer an educational assistance benefit to children and spouses. This benefit generally provides (for a limited time) full tuition reimbursement to in-state colleges and universities.

A survivor or beneficiary receives a monthly pension ranging from \$50 a month to 25 percent to 75 percent of the employees' final monthly wage. If the employee dies at retirement age, the survivor receives the employee's monthly retirement pension. In some cases the pension will be a larger amount equal to a full disability pension. Most states provide the beneficiary with 50 percent of the deceased member's average final salary.

### ***Unpaid Compensation***

There are no special provisions for unpaid compensation, but all employers routinely award any outstanding pay (and often unused leave) to an employee's designated beneficiary.

### ***Recognition of Sacrifice/Employer Liability***

Congress established the Public Safety Officers' Benefits (PSOB) Act in 1976 to partially offset the negative impact of the hazards inherent to these jobs on recruiting and retention. Congress was concerned about low levels of state and local benefits. Another objective of the program is to recognize the importance of the dangerous job these public safety officers perform:

The PSOB Act was designed to offer peace of mind to men and women seeking careers in public safety and to make a strong statement about the value American society places on the contributions of those who serve their communities in potentially dangerous circumstances.<sup>15</sup>

The main benefit is a lump-sum payment to the survivors of public safety officers (law enforcement personnel, firefighters, paramedics) who are killed in the line of duty. The initial payment level was \$50,000, but Congress raised the benefit to \$100,000 in 1988 and subsequently tied future increases to the change in the Consumer Price Index. The benefit level changed in October 2003 to its current level of \$267,494.

The related Public Safety Officers' Education Act (PSOEA) reimburses the educational expenses of surviving children. The Bureau of Justice Assistance within the Department of Justice administers both programs. The Bureau of Justice Assistance also contracts with two nonprofit organizations — COPS and the National Fallen Firefighters Foundation — to provide education to public safety agencies on the programs and to help survivors apply for benefits.

Survivors are also eligible for workers' compensation benefits for line-of-duty deaths. In many jurisdictions, the pension and/or lump-sum benefits are substantially larger if the death was in the line of duty. Police officers in Arlington County, Virginia offer one example. Under changes enacted at the beginning of 2003, survivors of an officer killed in the line of duty receive an immediate benefit equal to two times the officer's annual salary. In addition, they receive a pension annuity as if the officer had worked until normal retirement age. At the time at which the employee would have reached retirement, the annuity reduces to a full survivor annuity. The survivors also receive a \$75,000 lump-sum payment from the Commonwealth of Virginia and the PSOB described above.

### ***Firefighters***

Death benefits for the survivors of firefighters are similar to those provided to survivors of law enforcement officers. State and local benefits vary. Survivors of firefighters killed in the line of duty are eligible for the same Federal benefits as survivors of law-enforcement personnel.

In this section we summarize typical benefits provided to survivors of firefighters. We also offer a state-by-state comparison in Appendix C.

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<sup>15</sup> Bureau of Justice Assistance (2001), p. 1.

### ***Immediate Income Assistance***

Thirty-two states offer a one-time death benefit, ranging as high as \$200,000. Typical payments are in the \$25,000 to \$50,000 range. Almost all states also offer a funeral/burial benefit, usually about \$5,000.

### ***Transition Benefits***

The National Fallen Firefighters Foundation ([www.firehero.org](http://www.firehero.org)) provides counseling services to the survivors of firefighters who die in the line of duty. Like the law-enforcement group COPS, this foundation assists local departments and individuals in applying for benefits under the PSOB and the PSOE A.

Some states also provide continuing health and dental coverage for survivors. Also, various states offer tax exemptions on some or all death benefits provided to survivors.

### ***Income Replacement***

Almost all states (except Nebraska and South Carolina) offer a retirement or pension plan to survivors. Most states also offer educational benefits to children and spouses. Children's educational benefits are not offered in eight states and spouse educational benefits are not available in 22 states. Generally, the education benefit pays all tuition at in-state schools. Children must be under 21 years old at the time of death and spouses must not be remarried.

### ***Unpaid Compensation***

There are no special provisions for unpaid compensation, but all employers routinely award any outstanding pay (and often unused leave) to an employee's designated beneficiary.

### ***Recognition of Sacrifice/Employer Liability***

Firefighters (including volunteers) are eligible for the same PSOB benefit available to law-enforcement personnel. If firefighters are killed in the line of duty, their survivors receive a lump-sum payment, currently \$267,494. The survivors are also eligible for educational assistance. Changes to the governing law in 2003 extended coverage to personnel who die of a heart attack or stroke while on duty. Previously, such a death may not have qualified if a medical review determined that the heart attack or stroke was largely due to inherent health factors.

Survivors are also eligible for workers' compensation benefits for line-of-duty deaths. As is the case for law-enforcement officers, line-of-duty deaths usually result in a larger set of survivor benefits. For example, if a member of the New York Fire Department dies in the line of duty, his survivors receive an ordinary death benefit equal to three times the member's salary plus any contributions made to the pension fund. Additionally, the surviving spouse or children will receive pension benefits equal to 100 percent of the firefighter's final annual salary, adjusted for any Social Security payments.

Similarly, survivors of a Chicago firefighter killed in the line of duty will receive a pension equal to 75 percent of the member's salary until the age at which the firefighter would have been retirement-eligible; after that, the pension drops to 40 percent of salary. The survivors

would also receive a lump-sum benefit that is worth approximately \$260,000 (in addition to the Federal PSOB).

### ***Commercial Aircrews***

We also examined the survivor benefits provided by employers of commercial aircrews. Aircrews face some additional risks in their jobs from flying, although it is important to note that many insurers do not charge an additional premium for this occupation. To get an idea of typical benefits packages, we looked at those offered by four airlines: United Airlines, Southwest Airlines, SkyWest Airlines and Atlantic Coast Airlines.

Airline death benefits did not appear to differ substantially from the benefits offered by other private employers. The chief benefit is employer-provided life insurance. Most also provide accidental death and dismemberment insurance. Finally, U.S. employees are covered for workers' compensation benefits when the death is job-related.

### ***Immediate Income Assistance***

The employers we surveyed did not provide immediate income assistance, although both SkyWest and Atlantic Coast provide automatic AD&D life insurance that gives employees' survivors extra cash (\$20,000 and \$10,000, respectively) when the death is from an accident (on or off of the job). Additionally, many pilot unions establish mutual aid societies for their members. The members' survivors may receive a one-time death benefit (e.g., \$5,000) or the proceeds from an additional life insurance policy.

### ***Transition Benefits***

The airlines surveyed do not have specific programs designed to aid survivors during a transition period, but most have employee assistance programs available to employees and their household members.

### ***Income Replacement***

Life insurance is the most common death benefit for survivors of aircrew. All of the employers we looked at offer at least a basic life insurance policy, paid for by the employer. Coverage ranges from \$10,000 (Atlantic Coast Airlines) to a multiple of salary (Southwest and United Airlines). Employees may also buy supplemental coverage through the group insurance policy.

### ***Unpaid Compensation***

There are no special provisions for unpaid compensation, but all employers routinely award any outstanding pay (and often unused leave) to an employee's designated beneficiary.

### ***Recognition of Sacrifice/Employer Liability***

U.S. employees are covered by workers compensation programs that vary by state. Survivors of employees killed on the job (or through a job-related illness) may receive a workers' compensation death benefit.

## **Private-Sector Employees**

Private-sector employers offer a wide range of benefits to the survivors of employees who die. The Bureau of Labor Statistics periodically surveys employers to keep track of the incidence of benefits. Their surveys show that life insurance coverage is the most prevalent benefit, followed by AD&D insurance. Few employers offer survivor income benefits (other than vested retirement benefits). Table 10 shows the most recent data on incidence of survivor benefits in private industry.

**Table 10. Percent of Workers Participating in Survivor Benefits, by Worker and Establishment**

	Survivor Benefits		
	Life Insurance	AD&D	Survivor Income Benefits
<b>Characteristics</b>			
<b>Total</b>	54	41	2
<b>Worker characteristics:</b>			
<b>Professional/technical/related employees</b>	76	58	3
<b>Clerical/sales employees</b>	52	39	2
<b>Blue-collar/service employees</b>	47	36	2
<b>Full time</b>	65	50	2
<b>Part time</b>	11	8	1
<b>Establishment characteristics:</b>			
<b>1-99 workers</b>	37	24	2
<b>100 workers or more</b>	75	62	3

Source: National Compensation Survey (2000).

### **Immediate Income Assistance**

Table 10 shows that only about two percent of employees in private industry are covered by a survivor income plan. These plans may provide a payment in the form of a flat dollar amount or a factor of the employee's salary. The benefits may be for a fixed period (e.g., 24 months) or tied to a specific event (death of the surviving spouse or remarriage).<sup>16</sup>

### **Transition Benefits**

Accidental Death and Dismemberment insurance is the most common employer-provided benefit in this category. About 41 percent of all employees are covered by this insurance, but the coverage rate is substantially higher (62 percent) for establishments with 100 or more workers. This benefit provides transition assistance by paying an additional benefit, generally equal to the face value of the standard life insurance policy (thus, "double indemnity") when the death is due

<sup>16</sup> Bureau of Labor Statistics (1998), p. 92.



to an accident (i.e., the death was sudden and the survivors did not have time to prepare for the employee's death).

### ***Income Replacement***

Virtually all private-sector employees should be covered by the Social Security system. Once a survivor contacts the SSA, he or she will receive a \$255 lump sum death payment within 30 to 90 days and other monthly benefits thereafter. The monthly payments are based on the length of time and amount the employee has contributed towards Federal Insurance Contributions Act (FICA).

Table 10 demonstrates that the most common survivor benefit for private-sector employees is life insurance. Over half of all employees receive some sort of life insurance benefit; for establishments with 100 or more workers, the coverage rate is 75 percent.

Table 11 provides some more detailed coverage data for full-time employees of medium and large private establishments. The Bureau of Labor Statistics (BLS) survey data reported here are for 1995; they show that about 29 million employees of these establishments had at least a basic life insurance benefit. Over half (57 percent) received a coverage amount based on a multiple of salary and wages. The rest were covered for a flat dollar amount. Most also had supplemental coverage available, but few (13 percent) required an employee contribution.

Of those employees whose coverage is a multiple of earnings, most (55 percent) have coverage at a multiple of 1.0. Virtually all employees in this category have a multiple between 1.0 and 2.0; the average is 1.4. For those with flat dollar amount coverage, the coverage typically ranges from \$5,000 to \$25,000, although about 18 percent of professional and technical employees have coverage of at least \$50,000. The average flat-dollar coverage is about \$22,000, but is nearly \$43,000 for professional and technical workers.

**Table 11. Life-Insurance Provisions for Full-Time Employees of Medium and Large Private Establishments (1995)**

<b>Item</b>	<b>All employees</b>	<b>Prof., tech., &amp; related employees</b>	<b>Clerical and sales employees</b>	<b>Blue-collar and service employees</b>
Number (in thousands) with basic life insurance	29,078	8,721	7,227	13,130
Percent with				
Multiple of earnings benefit	57	74	72	36
Dollar amount benefit	43	25	27	63
Supplemental coverage available	59	71	67	47
Required employee contribution	13	13	16	11
Number (in thousands) with multiple of earnings formula	16,430	6,474	5,237	4,719
Average multiple	1.4	1.5	1.4	1.4
Percent with multiples of:				
< 1.0	4	3	5	3
1.0	55	49	58	61
1.1 – 1.9	13	14	11	13
2.0	20	22	20	16
> 2.0	8	10	6	6
Number (in thousands) with flat dollar amount of insurance	12,375	2,200	1,958	8,217
Average flat dollar amount	\$22,281	\$42,766	\$22,792	\$16,560
Percent with dollar amount:				
< \$5,000	4	1	2	5
\$5,000 – \$9,999	17	10	19	19
\$10,000 – \$14,999	27	34	32	23
\$15,000 – \$19,999	13	7	10	15
\$20,000 – \$24,999	14	8	12	17
\$25,000 – \$49,999	9	13	11	6
\$50,000 or greater	6	18	6	3

Source: Bureau of Labor Statistics (1998).

### ***Unpaid Compensation***

Unused annual and sick leave is usually paid to an employee's survivors. Additionally, vested contributions to a defined contribution plan (e.g., 401-K) are paid to the employee's designated beneficiary.

### ***Recognition of Sacrifice/Employer Liability***

Individual states regulate the workers' compensation programs that cover private-sector employees. Survivors of employees killed in a job-related accident or due to a work-related illness are entitled to a death benefit.

## **Canadian and British Military Members**

We looked at the death benefits provided to survivors of members of the Canadian and British military. Both offer a combination of lump sum and annuity payments to survivors of members who die on active duty. Canadian Forces also offer some transition benefits in the form of relocation expenses and health insurance.

### ***Immediate Income Assistance***

Survivors of Canadian military personnel who die on active duty will receive a lump-sum severance payment equal to one week of pay for each year of service. Additionally, the Canadian Forces will pay for funeral and burial expenses. The United Kingdom also pays a lump sum to survivors of active duty members who die. The payment is equal to two times annual pay.

### ***Transition Benefits***

Canadian survivors are reimbursed for moving household goods and effects to any location in Canada. They are also eligible for continued health and dental insurance if they are receiving a pension, as explained below under *Income Replacement*.

The UK Ministry of Defence provides casualty assistance through a system that appears to be similar to that employed in the United States. The UK Army, for example, provides assistance through the member's unit and the Casualty Visiting Officer (CVO) system. Continued assistance is available from the Regimental/Corps Headquarters at an appropriate point after the funeral.<sup>17</sup>

### ***Income Replacement***

The Canadian Forces provide a Supplementary Death Benefit (SDB) to survivors of members who die on active duty. The benefit is equal to twice the member's annual pay. Members must contribute to the SDB program, but participation is mandatory. Additionally, the survivors are eligible for a benefit under the Canadian Forces Superannuation Act (CFSA). For members with less than five years of service, the CFSA benefit is a lump sum cash termination allowance. Survivors receive one month's pay for each year of service. Spouses of members with over five years of service receive an annual allowance. This annual allowance is equal to the average of five years' pay times years of service divided by 100. An allowance for minor children is equal to one-fifth of the spouse allowance times the number of children (to a maximum of four). Spouses will also receive payments through the Canadian Pension Plan (CPP) after age 65, although the CFSA allowance will be partially offset to account for the additional pension.

Survivors of UK members who die in service are also eligible for a pension. The short-term family pension applies to the surviving spouse and minor children. It is based on the member's pay at the time of death. A long-term pension following a different calculation method becomes effective when the short-term pension expires.

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<sup>17</sup> Source: UK Army website ([http://www.army.mod.uk/soldierwelfare/aftercare/intro/sw\\_after\\_intro\\_w.html](http://www.army.mod.uk/soldierwelfare/aftercare/intro/sw_after_intro_w.html)).

### ***Unpaid Compensation***

Both nations' military forces will distribute unpaid compensation to the member's estate. The Canadian Defence Force also pays an unused leave entitlement.

### ***Recognition of Sacrifice/Employer Liability***

The UK's Army Personnel Centre (APC) is responsible for the assessment of widow(er) pensions and passes all cases to the War Pensions Agency which assesses whether the death was attributable to service. If so, the widow(er) will be awarded a War Widow's Pension and may be eligible to an enhanced Ministry of Defence (MOD) Armed Forces Attributable Family's Pension. Full details of the support provided can be found at Section 3 of the After Care Guide and Part 2 of the Casualty Procedures 2000. Bereavement support is also available from the Federation of Army Widows.

## **Comparison of Military Benefits with Other Programs**

While survivors of active-duty members who die are eligible for a wide array of benefits, there are some significant differences from the other groups with which we compared them. None of the comparison groups are identical to the U.S. military, so strict comparability should not be a goal in evaluating the total benefits package. However, the comparison does highlight some potential areas for improvement.

There is no available empirical evidence linking the level of survivor benefits to recruiting and retention behavior. These benefits are part of total non-cash compensation; as such, improvements in the scope, level or delivery of survivor benefits could have a positive effect on both retention and recruiting. Another important consideration is the potential negative impact of a benefits system that does not measure up to a common standard.

The analysis of benefits offered by other employers showed that, while there is some variation across sectors of the labor market, most employers offer similar types of benefits. Exceptions noted above include law-enforcement and firefighting personnel, who generally receive substantially more generous benefits in the case of line-of-duty deaths. Also, public-sector employers usually offer more generous benefits than do private-sector employers.

This section offers a comparison of the benefits for survivors of active-duty members with the survivor benefits offered by other employers. We pay particular attention to areas in which the military benefits do not appear to match typical benefits provided elsewhere.

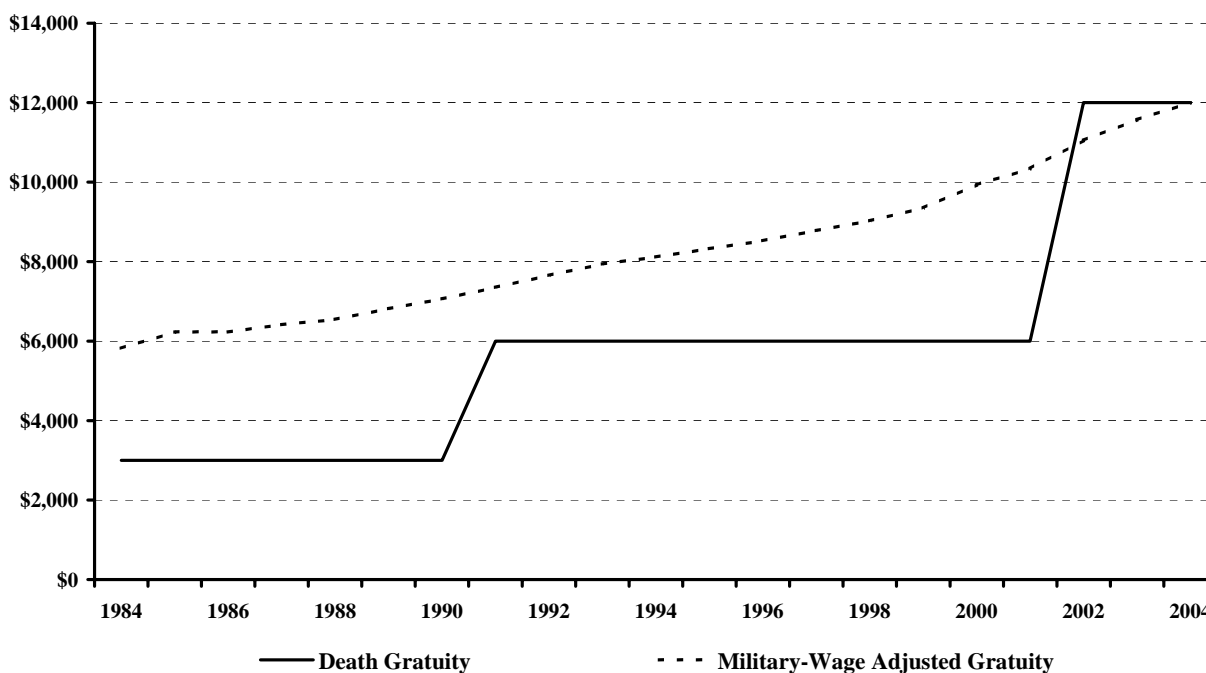
### ***Immediate Income Assistance***

Military benefits providing immediate income assistance to survivors compare favorably with other employers' benefits. The death gratuity (recently increased from \$6,000 to \$12,000) and funeral and burial benefits will help the family with higher-than-normal expenses during the period following the member's death.

Other military organizations like Canada's armed forces tie the lump-sum payment to the member's annual pay. One advantage of this approach is that the annuity will keep pace with

military compensation. A disadvantage is that the formula would pay a higher gratuity to survivors of members at higher paygrades. Historically, Congress has determined that the death gratuity is an emergency fund and is effectively unrelated to the member's pay. If DoD would rather maintain a single gratuity amount, the annuity could simply be adjusted annually to reflect the increase in either consumer prices or civilian wages.

Figure 1 illustrates the impact of tying the death gratuity to increases in Basic Pay. Assuming that the latest adjustment to \$12,000 was the "correct" level when established at the beginning of FY 2004, we constructed a gratuity level that has grown with Basic Pay since 1984. Note that actual increases occur infrequently. Consequently, the real value of the gratuity declines substantially between adjustments.



**Figure 1. Actual vs. Wage-Adjusted Death Gratuity by Fiscal Year**

### ***Transition Benefits***

Military transition benefits also compare favorably with those offered by other employers. All Services immediately assign another member as the Casualty Assistance Officer who will help the survivors navigate through the initial period of adjustment after the death of a member. Additionally, survivors receive housing allowance or in-kind housing for a transition period. They are also eligible for reimbursement of moving costs and for continued medical and dental coverage under the TRICARE program.

The array of transition benefits for military survivors are, generally, more extensive than those offered to other survivors. However, there are unique aspects to military service that must be accounted for in this comparison. For example, survivors are more likely to be located away

from what they consider to be their “permanent” homes. The nature of military service may also make it more likely that the death was unexpected, leaving survivors no time prior to the death in which to adjust to changed circumstances.

### ***Income Replacement***

Other employers offer a range of income-replacement benefits: lump-sum payments, life-insurance awards or annuities. The survivors of military members who die on active duty may also receive a combination of these payments. Most survivors will be eligible for a combination of SBP and DIC payments. In many cases the SBP annuity will be offset dollar-for-dollar by the tax-free DIC payment.

The DIC/SBP offset is consistent with the benefits offered by other employers. Where more than one annuity is available to survivors, the survivors must generally choose one, or the annuities are sequential (e.g., one annuity commences when another stops). Note, however, that payouts of vested retirement savings from a defined contribution plan are not subject to the same limitations. Contributions to a Thrift Savings Plan, 401-K or other defined contribution plan by the employee are essentially assets of the estate and will be paid to the designated beneficiary regardless of any other payments or annuities.

The SGLI benefit equates to insurance benefits offered by many other employers. Some (like SGLI) are subsidized by the employer, while others are paid in full by the employer. A typical plan might offer a combination of the two, in which the employer pays for a basic level of coverage and offers employees the opportunity to purchase additional coverage.

A key difference between SGLI and almost every other insurance benefit we examined is that SGLI is not tied directly to the member’s pay. This has two effects. First, the level of coverage does not automatically keep pace with the level of military pay. Second, the degree of income replacement possible under full SGLI declines as paygrade increases. The upper limit of SGLI coverage is \$250,000, regardless of paygrade. FEGLI coverage for civilian employees of the Federal government may be as high as \$750,000 under the most extensive optional coverage.

If military members were eligible for FEGLI rather than SGLI, senior members would be eligible for higher levels of insurance, while many enlisted personnel would face substantially lower caps. Table 12 contains a hypothetical illustration for two active-duty members – an O5 at Years of Service (YOS) 18 and an E6 at YOS 14. The O5 could conceivably buy coverage to a maximum of \$503,500 under FEGLI. However, the E6 could only purchase \$242,000 of insurance. Also, the cost per \$1,000 of coverage would be significantly higher under FEGLI.

Table 12. Comparison of SGLI and FEGLI Coverage

	Officer Example		Enlisted Example	
<b>Paygrade</b>	O5		E6	
<b>YOS</b>	18		14	
<b>Annual Pay</b>	\$76,676		\$33,160	
	<b>SGLI</b>	<b>FEGLI</b>	<b>SGLI</b>	<b>FEGLI</b>
<b>Max. Coverage</b>	\$250,000	\$503,500	\$250,000	\$242,000
<b>Max. Coverage as % of Salary</b>	326%	657%	754%	730%
<b>Monthly Premium</b>	\$16.25	\$75.73	\$16.25	\$13.65

As we saw earlier in the discussion about the death gratuity, SGLI coverage levels have changed only sporadically over time. The real level of income coverage will decay substantially between adjustments, as illustrated in Figure 2. Again assuming that the latest SGLI coverage adjustment in 2001 set it to the “correct” level, we estimated what the coverage level should have been across fiscal years to provide the same level of income replacement. The 2004 level under an automatic adjustment tied to average Basic Pay increases would be \$290,164.

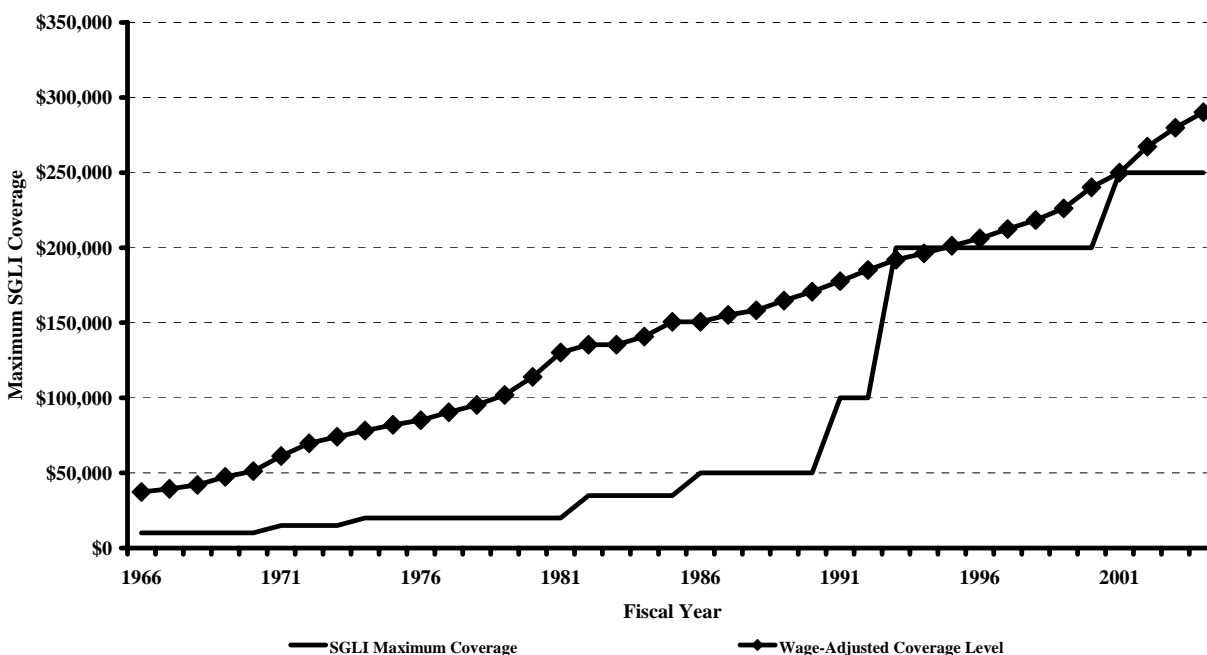


Figure 2. Actual vs. Wage-Adjusted SGLI Coverage by Fiscal Year

Another key difference between SGLI and other employer-provided life insurance benefits is that SGLI participation is voluntary. Many employers provide a basic level of life insurance at no cost to the employee. Employees may opt for additional levels.

A final difference concerns the distinction between line-of-duty deaths and other deaths. Virtually every other type of employee group we looked at receives some sort of additional

benefit if the death is work-related. In many cases, the additional benefit is a workers' compensation death benefit. There is no such distinction for survivors of members who die while on active duty, since all such deaths (with very few exceptions) are considered to be duty-related.

### ***Unpaid Compensation***

There do not appear to be any substantive differences across employers regarding payment of the deceased employee's unpaid compensation. Employers pay out remaining compensation immediately.

### ***Recognition of Sacrifice/Employer Liability***

Survivors of members who die on active duty receive no additional compensation that is a special recognition of the sacrifice made by members. The Federal government currently provides PSOB benefits to law-enforcement personnel and firefighters killed in the line of duty. The rationale for the PSOB program would appear to apply equally well to members of the Armed Forces who go in harm's way:

The PSOB Act was designed to offer peace of mind to men and women seeking careers in public safety and to make a strong statement about the value American society places on the contributions of those who serve their communities in potentially dangerous circumstances.<sup>18</sup>

The PSOB program has the following key features:

1. ***Universal coverage*** — all law enforcement, firefighting and paramedic personnel in the United States are covered for line-of-duty deaths.
2. ***No cost to employee*** — the program is not insurance; neither the employee nor his or her employer contributes to the cost of the program benefits.
3. ***Additive*** — the program benefits are not offset by any other benefits the employee's survivors might receive.
4. ***Duty-related*** — the program imposes conditions that the death must be directly related to the employee's job. Not all deaths of employees who are currently working as law-enforcement officers, firefighters or paramedics qualify.

Programs such as the PSOB send a strong positive message to people who are considering careers in law enforcement and firefighting about the value of those professions to society.

### ***Equity of Benefits Compared to Civilians in Similar Situations***

Another way to compare survivor benefits is to construct a hypothetical situation in which military members and civilians are all killed, then contrast the benefits provided to survivors. In this case we assumed that an event occurred at the Pentagon in Arlington, Virginia. This event resulted in the deaths of six people:

- an O5 with 18 years of service

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<sup>18</sup> Bureau of Justice Assistance (2001), p. 1.



- an E6 with 14 years of service
- a GS-11 Federal government employee with 18 years of service
- a GS-5 Federal government employee with 14 years of service
- a civilian contractor employee
- an Arlington County, Virginia police officer with 15 years of service

Also, we assume that all of these individuals were married with two minor children at the time of death.

We also made two other important assumptions in constructing this comparison. First, we did not include any estimate of awards that survivors might have recouped from a civil suit. Instead, we assume that survivors would have accepted workers' compensation death benefits. Second, we did not factor in any special compensation tied to a specific incident. The Federal government and other organizations have, in the past, provided such special benefits to victims of terrorist attacks (e.g., the September 11, 2001 attacks and the Oklahoma City bombing). These benefits are not part of the usual death benefits package and cannot be anticipated *a priori*.

Appendix D presents a summary of the comparison across death benefit categories. Across all employee types, there are common "life events" that generally change the level of benefits. These include the maturation of dependent children (we have assumed in all cases coverage until age 22); remarriage of the surviving spouse; and the surviving spouse reaching normal retirement age. One exception to this general rule is for workers' compensation. The death benefit for workers' compensation is an annuity paid in monthly installments for roughly ten years.

What this comparison shows is that military death benefits are as good as (or better than) benefits offered to other employees in some categories. In others, however, they fall short. Survivors of the military members would fare well in the area of immediate income assistance, receiving \$12,000 tax-free death gratuity, funeral expenses and a Social Security lump sum death payment. The death gratuity for the GS employees would be smaller, and funeral benefits would not be as generous. The contractor employee would receive no death gratuity or funeral expenses. Finally, the Arlington police officer would receive a one-time death benefit of \$75,000 from the state of Virginia, and funeral expenses.

Likewise, the military member's survivors would receive a great deal more transition assistance than the other victims' survivors. These benefits include casualty assistance, tax benefits and continuation of certain military benefits (including housing, TRICARE and commissary and exchange privileges). The O-5's survivors would receive \$13,956 in BAH; the survivors of the E-6 would receive \$10,548. The GS and police officer survivors would also receive tax benefits and health care coverage, but the contractor's survivors are likely to receive neither.<sup>19</sup>

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<sup>19</sup> Most company group health insurance policies allow continuation of coverage under COBRA provisions, usually at the survivor's expense.

For income replacement, the military members' survivors would receive DIC payments (tax free) of \$17,388 per year; DIC will drop to \$11,604 per year when the dependent children are no longer eligible. The O-5's survivors would receive Social Security death benefits of about \$36,700 per year (this amount would drop to about \$16,000 once the minor children were no longer eligible for benefits). The O-5's spouse would also receive an annuity under SBP, although the annuity is partially offset by the DIC payment. The net SBP payment would be about \$20,025 per year. The E-6's survivors would receive the same level of DIC (\$17,388/\$11,604), but would only receive about \$23,000 per year in Social Security payments (dropping to about \$9,500 per year once the minor children are no longer eligible). While the E-6's spouse would be eligible for an SBP annuity, the net payment (after DIC offset) would only be about \$2,100 per year. Other income-replacement benefits that each will receive include VA educational assistance and a lump sum payment of \$250,000 under SGLI.

The survivors of the GS-11 would receive a lump-sum FERS payment of \$54,723, a FEGLI award of \$107,500 plus an AD&D award of \$107,500 and about \$32,400 per year in Social Security payments. The GS-5's survivors would receive a FERS lump sum of \$40,030. The police officer's spouse would receive an annual pension of \$30,030 from Arlington County, as well as a Social Security payment of \$30,059 per year. Arlington County-provided life insurance would pay \$50,000 to the survivors plus an additional \$50,000 under AD&D provisions. The police officer's survivors would also be eligible for educational benefits through the state.

For purposes of comparison, we assumed that the contractor employee earned the same annual salary as the GS-11 (\$56,076). The survivors would receive annual Social Security payments of \$32,400 per year. Assuming a typical company-provided life insurance policy (coverage at a multiple of 1.4 times annual salary), life-insurance awards would be about \$80,000. AD&D coverage would also double this award.

Survivors of military members would receive no additional compensation based on the fact that the deaths occurred on the job. These survivors would have received the same set of benefits if the members had been killed in an automobile accident on the way to the grocery store. The survivors of the GS-11 would receive an annual payment of \$47,005 under FECA. Likewise, both the contractor's and the police officer's survivors would receive workers compensation death benefits from their employers. Under the workers compensation rules for the Commonwealth of Virginia, the surviving spouse will receive a payment equal to at least two-thirds of the employee's salary at the time of death. This payment is made for a total of 500 weeks. The payment to the contractor's spouse would be about \$37,400 per year; the police officer's spouse would receive about \$33,400 per year.

Table 13 shows the cash compensation for each hypothetical employee's survivors. Benefits are grouped by category; the benefit type column denotes whether it is a lump sum or an annuity.<sup>20</sup> We assumed in each case that spouses do not remarry, in order to see what the maximum level of benefits over a lifetime would be. We discount all future-year benefits by 15%; we did not attempt to attach a monetary value to non-cash benefits or tax benefits.

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<sup>20</sup> BAH is treated as a lump sum payment even though it is paid in six monthly installments.

**Table 13. Comparison of Cash Benefits by Employee Type (Line-of-Duty Death)**

	Type	O5	E6	GS-11	GS-5	Contractor	Arlington Cty Police
<b>Employee Characteristics</b>							
Annual Salary		\$76,676	\$33,160	\$62,673	\$33,286	\$56,076	\$50,050
Age		40	32	40	32	40	40
DOB		1964	1972	1964	1,972	1964	1964
YOS		18	14	18	14		15
Spouse Age		38	30	38	30	38	38
Spouse Life Expectancy		45.2	52.4	45.2	52.4	45.2	45.2
Children Age		10.9	8.9	10.9	8.9	10.9	10.9
<b>Immediate Income Assistance</b>							
Death Gratuity	L	\$12,000	\$12,000	\$6,500	\$6,500		\$75,000
Funeral Benefits	L	\$7,150	\$7,150	\$1,000	\$1,000		\$11,000
Soc Sec Lump Sum	L	\$255	\$255	\$255	\$255	\$255	\$255
<b>Transition Benefits</b>							
BAH	L	\$13,956	\$10,548				
<b>Income Replacement</b>							
<b>DIC</b>							
With Children	A	\$17,388	\$17,388				
Without Children	A	\$11,604	\$11,604				
<b>Social Security</b>							
Child	A	\$1,309	\$794	\$1,204	\$796	\$1,155	\$1,063
Spouse & Child	A	\$1,309	\$794	\$1,204	\$796	\$1,155	\$1,063
Spouse at Retirement	A	\$1,746	\$1,059	\$1,606	\$1,062	\$1,540	\$1,418
Family Maximum	A	\$3,056	\$1,928	\$2,812	\$1,936	\$2,697	\$2,505
Annual	A	\$36,671	\$23,136	\$33,742	\$23,227	\$32,358	\$30,059
Annual (no kids)	A	\$15,708	\$9,528	\$14,448	\$9,552	\$13,860	\$12,756
Annual 62+	A	\$20,952	\$12,708	\$19,272	\$12,744	\$18,480	\$17,016
Retirement Lump Sum	L			\$54,723	\$40,030		\$100,100
<b>SBP</b>							
Spouse	A	\$20,025	\$2,074				\$30,030
Spouse 62+	A	\$8,523	\$0				
Life Insurance	L	\$250,000	\$250,000	\$107,500	\$64,000	\$78,506	\$100,000
AD&D Insurance	L			\$75,000	\$46,000	\$78,506	
<b>Recogn. Sac./Liability</b>							
Workers' Comp.	A					\$37,384	\$33,367
<b>FECA</b>							
With Children	A			\$47,005	\$24,965		
Without Children	A			\$28,203	\$14,979		
PSOB	L						\$267,494
<b>Totals</b>							
Lump Sum Payments		\$283,361	\$279,953	\$244,978	\$157,785	\$157,267	\$553,849
<b>Annuities</b>							
w/ Children		\$74,084	\$42,598	\$80,746	\$48,192	\$32,358	\$30,059
w/o Children		\$47,337	\$23,206	\$42,651	\$24,531	\$13,860	\$12,756
62+		\$41,079	\$24,312	\$47,475	\$27,723	\$18,480	\$17,016
<b>Present Value of Benefits</b>		<b>\$742,760</b>	<b>\$544,879</b>	<b>\$766,064</b>	<b>\$473,697</b>	<b>\$536,135</b>	<b>\$1,084,609</b>
<b>PV as % of Annual Salary</b>		<b>969%</b>	<b>1,643%</b>	<b>1,222%</b>	<b>1,423%</b>	<b>956%</b>	<b>2,167%</b>

The present value of benefits (using our assumptions) provides the equivalent of a total lump-sum benefit and allows for an even comparison across employers. While the military

provides no recognition of sacrifice/liability benefits, other benefits in most cases more than make up for this. The O-5's benefits (PV of about \$745K) are close to the benefits for the survivors of the GS-11. The E-6 survivor benefits are smaller than the O-5's (\$547K) but are larger proportional to the E-6's final salary.

The police officer's survivor benefits are substantially greater – both in absolute and relative terms – than those available to the survivors of any other group of employees. Most of this difference is attributable to more generous lump-sum benefits; the survivor's annuities are among the lowest, but the lump-sum payments are high — from Arlington County (\$100K), the Commonwealth of Virginia (\$75K), and the Federal government (\$267K) — and in addition to \$100K in life insurance.

How do military survivor benefits compare in cases that would not be considered line-of-duty deaths by other employers? Survivors would not receive workers compensation death benefits, AD&D insurance and, in some cases, would receive a lower pension annuity. Additionally, the police officer's survivors would not receive the PSOB benefit or the lump-sum payments from Arlington County or the Commonwealth of Virginia. Table 14 illustrates that, while military benefits are unchanged, each of the other employers provides reduced benefits. The present value of cash benefits in our examples drops to between \$253 K (private contractor) to \$369 K (GS-11). For most employees, the total level of benefits was cut approximately in half; the Arlington County police officer's survivors, however, would see about a 70% reduction in benefits.

**Table 14. Comparison of Cash Benefits by Employee Type (Not Line-of-Duty Death)**

Pay Grade	O5	E6	GS-11	GS-5	Contractor	Arlington County Police
<b>Present Value of Benefits</b>	\$742,760	\$544,879	\$369,397	\$252,926	\$270,008	\$310,187
<b>PV as % of Annual Salary</b>	969%	1643%	589%	760%	482%	620%
<b>Reduction in PV from Line-of-Duty Benefits</b>	0%	0%	-52%	-47%	-50%	-71%

## Alternative Policy Options

We evaluate five areas in which military death benefits may be changed. They areas follows:

- a separate, automatic benefit that recognizes the inherent danger and sacrifice of a military career (similar to the PSOB provided to law-enforcement officers and firefighters);
- indexing of cash benefits to the military wage level;
- automatic coverage of all members under SGLI at no member cost;
- changes to the SBP program, including the offset for DIC payments, the reduction in annuity at age 62, and conversion to SBP Child coverage if a surviving spouse remarries; and
- dedicated casualty assistance resources.

This section examines alternative solutions that address these areas for improvement. For each option we estimate the additional cost and also summarize the advantages and disadvantages of each.

Costs of death benefits are based on data for the number of survivors currently drawing benefits and on estimates of the annual number of active-duty deaths provided by the DoD Office of the Actuary. Except where noted, we do not attempt to project costs for periods of above-normal hostile-action deaths.

### ***Benefit Recognizing Sacrifice***

None of the benefits available to survivors of members who die on active duty recognize deaths directly related to the hazardous nature of military service. The survivors of a member who dies of an illness are eligible for the same benefits as the survivors of a member who is killed in action. Military members are also not eligible for any sort of workers' compensation death benefit. Instead, the survivors benefit package compensates for active-duty deaths at a level that is comparable to the level of benefits that other employers pay in the case of deaths in the line of duty.

Exposure to hostile action is a particular hazard for military members. The Federal government already recognizes a particular hazard for Foreign Service employees who are killed abroad in the line of duty. Their survivors are eligible for a death gratuity equal to one year's salary (in addition to FECA compensation). Likewise, the Federal government pays the PSOB to the survivors of firefighters and law-enforcement personnel killed in the line of duty.

A line-of-duty benefit for the military would give military members headed into harm's way additional peace of mind and send a strong message about the value that society places on military service. Also, such a benefit could conceivably improve recruiting and retention into the military's most hazardous front-line jobs. We have found no empirical evidence of such a relationship, however.

The Federal government could establish a cash benefit identical to the PSOB for members of the military who die as a result of hostile or terrorist actions. This benefit would also be inflation-adjusted. Additional advantages of the benefit would be that it offers universal coverage to all military members; is available at no cost to the member; is additive to other survivor benefits; and is directly related to hazardous military duty.

The chief arguments against such a new benefit are that the current level of benefits is already adequate and comparable to line-of-duty benefits offered to most other workers. Another disadvantage of adding this new benefit is cost. For example, if the members killed in hostile action under Operation Iraqi Freedom (363 hostile-action deaths as of 2 February 2004) had been eligible for this benefit, the cost to the government would have been about \$97.1 million ( $\$267,494 * 363$ ). Obviously, costs during a major hostile action could be substantially higher. Table 15 illustrates that costs could vary widely. For a conflict similar to the Persian Gulf War, costs (in today's dollars) would be about \$39 million. However, a conflict similar to the Vietnam Conflict (over 47,000 deaths) would result in a benefit cost of nearly \$13 billion.

**Table 15. Anticipated Cost of Line-of-Duty Benefit for Historical Conflicts**

<b>Conflict</b>	<b>Total Hostile Deaths</b>	<b>Benefit Cost (\$ Million)</b>
Persian Gulf War	147	\$39.32
Vietnam Conflict	47,143	\$12,610.47
Korean War	33,741	\$9,025.52

Source: Washington Headquarters Service, Directorate for Information Operations and Reports

Another potential problem relates to the restriction of the benefit to deaths due to hostile actions or terrorist attacks. One could argue that other aspects of military service are inherently hazardous (e.g., working on the flight deck of an aircraft carrier, many types of training exercises) and should be included in the benefit. However, expanding the benefit in this manner would undoubtedly increase administrative costs substantially. An expanded benefit would necessitate additional administrative procedures for classifying deaths in a manner in which they are not now classified. This classification might be called “performance-of-duty” deaths.

It is difficult to predict the overhead cost of administering a new pay in which a performance-of-duty determination must be made for each death. However, we can look at the administration of the PSOB program as a starting point. The Office of Justice Assistance has a staff of eight Full Time Equivalent (FTE) employees – budgeted at a cost of \$827,000 in 2004 – devoted to the PSOB.<sup>21</sup> The office handled about 250 claims in 2003 and awarded about 200 PSOB payments. If all active-duty deaths were automatically reviewed, the volume of claims would be about 3.5 times the PSOB volume (about 865 deaths per year, excluding extraordinary deaths from hostile actions). Administration costs could easily reach \$3 million annually.

### ***Indexing of Cash Benefits***

As our previous discussion has shown, two cash benefits – SGLI and the death gratuity – are not indexed to changes in price levels or wages. As a result, the value of the benefits erodes dramatically over time until Congress adjusts the rates.

A system whereby these two benefits were indexed to automatically adjust would be both simpler (no longer requiring legislation for adjustment) and more equitable to survivors. DIC is already indexed in this manner (using the Consumer Price Index). Both SGLI and the Death Gratuity are meant to offset lost income, so a wage index would appear to be more appropriate in this case.

Under the current program, indexing SGLI coverage would impose no explicit cost on the Department of Defense. However, government costs under the “extra hazards” provisions would be higher if average coverage increased. Members could be given the option to “freeze” coverage at a particular level or to have the coverage amount and premiums automatically adjust annually with the average increase in Basic Pay.

<sup>21</sup> Other employees in the office administer the PSOE and other related programs.

Likewise, the death gratuity was initially enacted as a cash benefit to provide a “bridge” until other survivor benefits became available. It was originally equal to six months’ pay. An indexed gratuity could adjust annually with the average increase in Basic Pay and avoid the need to make large adjustments.

The cost of a death gratuity adjustment depends to a certain extent on future military pay raises. The immediate cost (if the gratuity were adjusted for the average Basic Pay increase in January 2004) would be \$492 per gratuity. The DoD Actuary estimates that about 865 members die annually. The total additional cost of this change (for FY 2004) would be \$425,580.<sup>22</sup>

### **Minimum No-Cost SGLI Coverage**

Most medium- and large-sized employers in the United States offer a basic level of life insurance at no cost to their employees. Military benefits could be brought more into line with private-sector practices by offering some amount of SGLI automatically and at no cost to the member.

A life insurance benefit roughly comparable to private-sector offerings would be somewhere in the range of \$50,000 to \$100,000. The simplest implementation would be for the Services to simply pay the premium for the automatic coverage, thus preserving other important aspects of the SGLI program (universal coverage without underwriting, conversion of coverage to Veterans Group Life Insurance).

Table 16 illustrates how this option might work. With \$50,000 automatic coverage, all members would receive coverage to \$50,000 at no cost. They could still opt for coverage up to the current maximum, but the overall cost would fall. Essentially, a member could get \$250,000 coverage for the (current) cost of \$200,000 coverage. The process is analogous if the automatic coverage is extended to the first \$100,000 of coverage. The marginal annual cost of automatic coverage ranges from about \$55 million for \$50,000 coverage to \$110 million for \$100,000 coverage.<sup>23</sup>

**Table 16. SGLI Premiums with Automatic Coverage**

Coverage Amount	Annual Premium with	
	\$50,000 Automatic Coverage	\$100,000 Automatic Coverage
\$50,000	\$0.00	-----
\$100,000	\$39.00	\$0.00
\$150,000	\$78.00	\$39.00
\$200,000	\$117.00	\$78.00
\$250,000	\$156.00	\$117.00
<b>Marginal Annual Cost to DoD (\$M)</b>	<b>\$55.2</b>	<b>\$110.4</b>

<sup>22</sup> This number excludes costs associated with deaths in Operation Iraqi Freedom, which is likely to increase the number of deaths in 2004 above actuarial rates.

<sup>23</sup> Estimate is based on total active strength equal to 1,415,999 as of June 2003.

The chief advantage of this option is that it brings the military life insurance benefit into line with private-sector benefits. There are two potential disadvantages. The first is the cost of the program. The second is that an automatic coverage level could potentially discourage members from selecting the top levels of coverage. However, the program could be managed exactly as it is now (members are automatically enrolled for the full amount, but may elect a lower amount to a minimum of the no-cost coverage).

### **Changes to the SBP Program**

There are three potential changes to the SBP program:

- eliminate the DIC offset
- eliminate the reduction in benefits when a surviving spouse reaches age 62
- amend current law to allow dependent children to receive SBP if a surviving spouse remarries

Survivors of members who die while on active duty may not draw both DIC and an SBP annuity. In practice, the SBP annuity is offset dollar-for-dollar by the amount of the DIC payment. Survivors will generally choose DIC since it is tax-free.

The argument in favor of eliminating the offset is that the two benefits are for different purposes. However, in each case, the government is providing an annuity to survivors of active-duty members. The SBP is, in effect, a disability pension.<sup>24</sup> As such, it compensates the survivors in the same manner that the DIC payment does.

The cost of eliminating the offset would be equal to the number of annual deaths times the expected present value of additional benefits received by survivors. Additionally, the change would affect any survivors currently receiving both DIC and SBP.<sup>25</sup> We were able to estimate the annual cost of this change (i.e., the present value of increased SBP payments accruing to one year's worth of survivors). To do so, we used the OSD Actuary's estimate of the number of active-duty deaths per year; this estimate also includes the ages and life expectancy of surviving spouses. We calculated the difference in the SBP annuity if the DIC offset were eliminated. For each year's new cohort of surviving spouses, the cost would be about \$35 million.

Eliminating the reduction in SBP at age 62 is not nearly as expensive as eliminating the DIC offset. Using the same methodology employed for the DIC offset proposal, we estimated the annual program cost of eliminating the reduction at 62 to be about \$916 K annually. The argument in favor of this proposal is that the SBP is a benefit earned by the member and should not depend on other benefits that a survivor might receive. However, this argument ignores the fact that the benefit earned is explicitly defined to include the reduction at age 62 because of the surviving spouse's eligibility for Social Security. Other employers use similar provisions, although the offset is sometimes stated as a *supplement* to the normal pension prior to normal retirement age, rather than an offset (reduction) after normal retirement age. For example,

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<sup>24</sup> We refer here only to SBP annuities resulting from an active-duty death.

<sup>25</sup> Some of the affected may be survivors of members who died after retirement, and not on active duty.



survivors of FERS annuitants will receive a supplement that expires when they reach eligibility for Social Security benefits.<sup>26</sup>

The final potential change in SBP rules involves coverage for dependent children when the surviving spouse remarries. Amendments to Title 10 enacted in the 2004 NDAA appear to have changed the relevant section of Title 10 of the United States Code such that, if the surviving spouse becomes ineligible to receive SBP for any reason, eligible children will receive the annuity instead.

### ***Dedicated Casualty Assistance Resources***

We saw no evidence that survivors are dissatisfied with the level of assistance that they receive from the Services. However, there are at least two aspects of the casualty assistance process that might argue for adapting an approach similar to the Air Force system (Casualty Assistance Representatives assigned to each survivor family). First, Casualty Assistance Officers (CACO, CAO or Family Liaison Officer, depending on the Service) perform their jobs as a collateral duty. They are not experts in the areas of survivor benefits or counseling. Second, survivor families may move away from the military installation to which the member was assigned. Facilities at the family's new location may be harder to get to or simply unfamiliar to the family.

Under the Air Force system, the CARs handle all aspects of the assistance process. They are also responsible for training Family Liaison Officers. If a surviving family moves to a new location, responsibility is transferred to a CAR at the nearest facility to the new location.

Adding dedicated casualty assistance resources at each military location may offer a number of benefits:

- it would create a uniform system of casualty assistance available to survivors at all locations;
- it would reduce collateral responsibilities on CAOs and CACOs; and
- survivors might be able to use other Services' casualty assistance resources if the location is more convenient.

The main cost of this option would be the establishment and funding of casualty assistance positions in centrally located, regional locations to provide a professional CAR staff accessible to all survivors. The Air Force has at least one full-time civilian employee at each location; at larger installations there may be multiple CARs. Also, each location has at least one backup CAR who performs casualty assistance as part (but not all) of his or her duties.

## **Recommendations and Conclusions**

Our analysis examined the benefits available to survivors of military personnel who die on active duty. We found that the Services and other government agencies (e.g., the Department of Veterans Affairs) do a good job assisting survivors in the immediate aftermath of the member

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<sup>26</sup> Survivors of FERS enrollees who die while still employed do not receive a similar supplement.

death and during the transition period as the survivors adjust to civilian life. Income replacement benefits are substantial, but could be improved in some areas.

Military survivor benefits do not provide a separate level of benefits in cases that other employers would consider line-of-duty deaths. However, the overall level of benefits in such cases equal or exceed the level of benefits offered by other employers. The sole exception appears to be for line-of-duty deaths of law-enforcement personnel, firefighters and other public safety officers. Primarily because of the PSOB, survivors in these cases often receive substantially larger total benefits.

We were not able to find any evidence in the economics or compensation literature directly linking the level of death benefits to recruiting, retention or performance of personnel. The rationale that we applied in our analysis was that the level of death benefits should

- be comparable to the set of benefits offered by other employers in order to maintain competitiveness
- be easy to understand and avoid needless duplication of benefits
- offer a consistent, predictable level of benefits
- properly reflect the value that society places on military service
- reimburse survivors adequately for the loss of the member

Based on these criteria, we offer the following recommendations to improve military survivor death benefits:

1. We do not believe that a separate benefit analogous to the PSOB is warranted, given the overall adequacy of the military death benefits package and the potentially large cost of such a program. We do note, however, that the rationale Congress applied in establishing the PSOB for law-enforcement officers and firefighters seems to apply equally well to military members.
2. Index SGLI coverage and the death gratuity using the annual average increase in Basic Pay. The increased SGLI coverage option would have no cost to the government, while an initial adjustment to the death gratuity would cost the government \$425,580 annually for normal peacetime deaths.
3. Provide \$50,000 in SGLI coverage to all members at no cost to the member. This will cost about \$55 million annually at current strength levels.
4. Establish full-time casualty assistance positions at every military installation.
5. Maintain the current policy that reduces SBP payments when the surviving spouse reaches age 62.
6. Provide guidance on the proper interpretation of Section 1448(d)(2) of Title 10, United States Code (as amended by P.L. 108-136) to allow SBP Spouse to revert to SBP Child when the surviving spouse remarries.

We do not recommend the establishment of a separate benefit like PSOB payable only for certain types of deaths. The cost of such a benefit would be prohibitive, without any solid evidence of an offsetting benefit. Moreover, the current benefits philosophy that treats all active-duty deaths as line-of-duty deaths appears to provide comparable coverage for all cases.

However, we note that Congress, through the PSOB program, has expressly targeted a set of hazardous occupations (firefighting and law enforcement) as worthy of a separate survivor benefit.

### ***Index SGLI and Death Gratuity***

Because SGLI coverage limits and the death gratuity are set in law, substantial erosion in the effective level of benefit can occur between adjustments. We recommend that both programs be changed to include an automatic, annual adjustment based on the average change in Basic Pay. For SGLI, members can be offered the option to automatically index coverage or keep it fixed at a particular level. This change will maintain the effective benefit level for both SGLI and death gratuity without requiring intervention by Congress. The cost of the SGLI indexing would be reflected in the premiums, although the Services would realize an increased cost in the years in which the “extra hazards” provision applies.

### ***Provide \$50,000 SGLI to All Members at No Cost***

We also recommend government funding of an automatic level of SGLI coverage for all members. Although participation is already very high, with almost all members choosing maximum coverage, most large employers provide life insurance coverage at no cost to the employees. An automatic coverage of \$50,000 would be comparable to private sector benefits; we estimate that the annual cost of providing such coverage would be about \$55 million.

### ***Establish Full-Time Casualty Assistance Positions***

The personnel who handle casualty assistance duties when an active-duty member dies do a commendable job. We saw no evidence of survivor dissatisfaction with casualty assistance. However, only the Air Force has personnel dedicated to casualty assistance (their CARs). Representatives for the other Services perform casualty assistance as a collateral duty. We recommend that the other Services investigate the Air Force model and consider establishing civilian positions at each installation. These representatives could provide dedicated support to survivors as well as training to the members who would continue to act as family liaisons. Additionally, a full-time, dedicated network of casualty assistance experts would increase the likelihood that surviving families that move away from the last duty location will be able to find assistance close to their new homes.

### ***Changes to SBP***

Our final recommendation is to maintain the current SBP policy. However, we feel that it would be useful to provide a clear set of guidelines interpreting the sections of the law that pertain to dependent children to show how SBP coverage will revert from SBP Spouse to SBP Child if the surviving spouse becomes ineligible due to marriage. We recommend that the current policies of offsetting SBP payments for any DIC that survivors receive and a reduction in the SBP percentage at age 62 remain unchanged. Both SBP and DIC replace income lost to the family because of a service-connected disability resulting in the death of the member.<sup>27</sup> We found no evidence that other employers provide overlapping benefits in such a manner.

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<sup>27</sup> We did not look at the issue of DIC/SBP offsets for survivors of retirees and offer no recommendations in this area.

Moreover, the policy of reducing benefits when the surviving spouse reaches Social Security eligibility appears to be consistent with the practices of other employers, although the differential often appears as a supplement prior to age 62, rather than a reduction after 62.

## **Conclusions**

We found the system of benefits provided to survivors of members who die on active duty to be adequate, substantial and comprehensive. While the military system does not provide increased survivor benefits in cases which other employers traditionally consider line-of-duty deaths, the benefits package is comparable to what other groups of employees receive when a death is in the line of duty.

We identified several areas in which improvements could help make the benefits more comparable to the standard set of benefits offered by other employers. These include indexing of SGLI coverage and the death gratuity to the average annual increase in Basic Pay; establishment of regional casualty assistance offices; provision of \$50,000 SGLI coverage at no cost to the member; and changes to the rules governing SBP annuities for spouse and child.

There are two related issues outside the scope of this study that warrant analysis. First, the increasing mobilization of Reservists, particularly during conflicts, may have a significant impact on the costs of survivor benefits programs. Demographically, Reservists are older than active-duty members; consequently, they may die at higher rates and their survivors may receive benefits for shorter periods. It would be useful to evaluate the adequacy of survivor benefits for the survivors of activated Reservists who die.

The second issue deserving further study is the adequacy of survivor benefits for survivors of members who retired with a severe disability and subsequently died as a result of a service-connected illness or injury.

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## Appendix A. Text of Sec. 647 of the FY 2004 NDAA

### SEC. 647. DEATH BENEFITS STUDY.

(a) SENSE OF CONGRESS.—It is the sense of Congress that—

(1) The sacrifices made by the members of the Armed Forces are significant and are worthy of meaningful expressions of gratitude by the United States, especially in cases of sacrifice through loss of life;

(2) the tragic events of September 11, 2001, and subsequent worldwide combat operations in the Global War on Terrorism and in Operation Iraqi Freedom have highlighted the significant disparity between the financial benefits for survivors of deceased members of the Armed Forces and the financial benefits for survivors of civilian victims of terrorism;

(3) the death benefits system composed of the death gratuity paid by the Department of Defense to survivors of members of the Armed Forces, the subsequently established Servicemembers' Group Life Insurance (SGLI) program, and other benefits for survivors of deceased members has evolved over time, but there are increasing indications that the evolution of such benefits has failed to keep pace with the expansion of indemnity and compensation available to segments of United States society outside the Armed Forces, a failure that is especially apparent in a comparison of the benefits for survivors of deceased members with the compensation provided to families of civilian victims of terrorism; and

(4) while the Servicemembers' Group Life Insurance (SGLI) program provides an assured source of life insurance for members of the Armed Forces that benefits the survivors of such members upon death, that program requires servicemembers to pay for that life insurance coverage and does not provide an assured minimum benefit.

(b) STUDY REQUIRED.—The Secretary of Defense shall carry out a study of the totality of all current and projected death benefits for survivors of deceased members of the Armed Forces to determine the adequacy of such benefits. In carrying out the study, the Secretary shall—

(1) compare the Federal death benefits for survivors of deceased members of the Armed Forces with—

(A) commercial and other private sector death benefits plans for segments of United States society outside the Armed Forces; and

(B) the benefits available under Public Law 107–37 (115 Stat. 219) (commonly known as the ‘‘Public Safety Officer Benefits Bill’’);

(2) assess the personnel policy effects that would result from a revision of the death gratuity benefit to provide a stratified schedule of entitlement amounts that places a premium on deaths resulting from participation in combat or from acts of terrorism;

(3) assess the adequacy of the current system of Survivor Benefit Plan annuities under title 10, United States Code, and dependency and indemnity compensation under title 38, United States Code, and the anticipated effects (if any) of an elimination of the offset of Survivor Benefit Plan annuities by dependency and indemnity compensation payments;

(4) examine the commercial insurability of members of the Armed Forces in high-risk military occupational specialties; and

(5) examine the extent to which private trusts and foundations engage in fundraising or otherwise provide financial benefits for survivors of deceased members of the Armed Forces.

(c) REPORT.—Not later than March 1, 2004, the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the results of the study under subsection (b). The report shall include the following:

(1) The assessments, analyses, and conclusions resulting from the study.

(2) Proposed legislation to address the deficiencies in the system of Federal death benefits for survivors of deceased members of the Armed Forces that are identified in the course of the study.

(3) An estimate of the costs of the system of death benefits provided for in the proposed legislation.

(d) COMPTROLLER GENERAL STUDY.—The Comptroller General shall conduct a study to identify the death benefits that are payable under Federal, State, and local laws for employees of the United States, State governments, and local governments. Not later than March 1, 2004, the Comptroller General shall submit a report containing the results of the study to the Committees on Armed Services of the Senate and the House of Representatives.

## Appendix B. Summary of Law-Enforcement Death Benefits by State

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
Alabama	One-time death benefit payment ranging from \$1,000 – \$50,000 for the survivors of officers killed in line of duty.  Maximum \$3,000 funeral expense	Peer Counseling: Concerns of Police Survivors, Inc (COPS)	State Pension Benefits Education benefits  State Life Insurance: based on double annual salary figures calculated at double indemnity rate	Alabama Peace Officer's Annuity and Benefit Fund Alabama Peace Officers' Association death benefit Fraternal Order of Police Benefit The 100 Club benefit Alabama Crime Victims Compensation Fund Southern States Police Benevolent Association, Inc. benefit
Alaska	One-time death benefit	Peer Counseling: Concerns of Police Survivors, Inc (COPS)  PERS provides major medical insurance coverage  Cost of Living Allowances	State Pension Benefits: If survivor remarries, pension is reduced to 50% and 16 2/3% is reverted to dependent children Education Benefits: provides scholarships through Police Corps Scholarships Funds Tax Benefit State Life Insurance-	Crime Victim Compensation
Arizona	One-time death benefit	Peer Counseling: Concerns of Police Survivors, Inc (COPS) PERS provides major medical insurance coverage	State Pension Benefits Education benefits Personal Life Policy	The 100 club Benefit Victims' Compensation Benefit
Arkansas	One-time death benefit  Payment of Claim to Survivors of Certain Officers Killed on Duty-Funds	Health Benefits Peer Counseling: Concerns of Police Survivors, Inc (COPS)	State Pension Benefits Educational Benefits: children and spouse shall be entitled to an eight-semester (8) scholarship Personal Life Policy	Southern States Police Benevolent Association, Inc. benefit Police Corps Scholarship funds



State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
California		Health Benefits Peer Counseling: Concerns of Police Survivors, Inc (COPS)	State Pension Benefits Educational Benefits: no fees or tuition of any kind shall be required  Personal Life Policy	Scholarships: Peace Officers Research Association of California (PORAC), California Peace Officers Memorial Foundation, And California Correctional Peace Officers Association Victims Assistance Program 100 Clubs exist in some California counties
Colorado <sup>28</sup>	One-time death benefit: 25 to 50 percent of the annual base salary paid to the member immediately proceeding death	Peer Counseling: Concerns of Police Survivors, Inc (COPS) Health Benefits Cost-of-living Adjustments	Educational Benefits: Tuition only is paid for 4 years or 8 semesters to a state funded Colorado college or university.  Personal Life Policy	Police Corps Scholarship Funds
Connecticut <sup>29</sup>	One-time death benefit: sum of 7,500 paid within 5 years in equal monthly installments, additional \$20 for each dependent. Sum of 4000 to spouse with no dependents, or dependent with no spouse	Peer Counseling: Concerns of Police Survivors, Inc (COPS) Health Benefits  Allowances for survivors	State Pension  Personal Life Policy	Police Corps Scholarship Funds Private Support Organizations
District of Columbia	One-time death benefit: lump sum equal to the member contributions to pension payments with interest	Peer Counseling: Concerns of Police Survivors, Inc (COPS) Health Benefits	State Pension  Tax Exemption For Payments	

<sup>28</sup> Benefits will not be awarded if the member was eligible to retire normally at the time of death. In this case, normal retirement benefits would be paid.

<sup>29</sup> There are no special state benefits for police officers killed in the line of duty, although benefits are provided from other sources, such as unions and the federal government.

<b>State</b>	<b>Immediate income assistance</b>	<b>Transition Benefits</b>	<b>Income Replacement</b>	<b>Miscellaneous Benefits</b>
Delaware	One-time death benefit: lump sum equal to the member contributions to pension payments with interest	Health Benefits Peer Counseling: Concerns of Police Survivors, Inc (COPS)	State Pension Tax Exemption For Payments Education Benefits: Free tuition Personal Life Policy	
Florida	One-time death benefit	Peer Counseling: Concerns of Police Survivors, Inc (COPS)  Health Benefits for State and Non-State employees  Cost of Living Adjustment	State Pension: lifetime monthly benefit equal to one-half of your last monthly salary. Note: shall not lose pension benefits if the spouse remarries Educational Benefit: full waiver of tuition, matriculation and registration fees for a total of 120 credit hours at state community colleges or state universities, Benefits are limited to 12 quarters, 8 semesters, or 8 trimesters. Personal Life Policy	Police Corps Scholarship funds F.O.P. Police Benevolent Association
Georgia	Non-taxable \$75,000 if elected in equal installments of \$1,250 per month over a five year period, or in a one-time payment this is reduced to its present value of \$56,047	Peer Counseling: Concerns of Police Survivors, Inc (COPS)  Health Benefits	Educational Benefit: non-repayment grants of up to \$2,000 per academic year to eligible Georgia residents who are the dependent children	Additional Assistance: Peace Officers Annuity & Benefit Fund of Georgia, The Hundred Clubs of Georgia, Human Affairs International, Inc., Georgia's P.O.R.C.H., Southern States Police Benevolent Association Scholarship programs: Kid's Chance, Inc., Atlanta Bar Association Police Scholarship Fund, The Burt Reynolds Scholarship Fund, Police Corps Scholarship Fund

<b>State</b>	<b>Immediate income assistance</b>	<b>Transition Benefits</b>	<b>Income Replacement</b>	<b>Miscellaneous Benefits</b>
Hawaii <sup>30</sup>	One-time funeral expense of \$100	COPS Health Benefits	Monthly Pension	200 Club Police Relief Associations
Idaho	One-time death benefit payment	Health Benefits	State Pension benefits Educational Benefits Personal Life Insurance	Police Corps Scholarship Fund
Illinois	One-time death benefit payment  Burial benefit: covers up to \$10,000	COPS  Health Benefits	Personal Life Insurance Benefits Educational Benefits: hours children, under age 25, and the surviving spouse a waiver of tuition and matriculation and registration fees for a total of 120 credit Personal Life Insurance Police and Firefighters Pension	Fraternal Organizations 100 Clubs Illinois State Lodge FOP Police Corps Scholarship Funds
Indiana	One-time death benefit  Line of Duty Death Benefit	COPS  Health Benefits  Tax Withholding	State Pension Benefits Educational Benefits: dependents under the age of 23 shall not be required to pay tuition or other required fees Personal Life Insurance	1977 Fund Coverage Police Corps Scholarship Funds
Iowa	One-time death benefit	Health Benefits	State Pension Benefits Personal Life Insurance	Trooper Benefits Homicide Victim 910 Victim Restitution
Kansas		Health Benefits  COPS	State Pension Benefits Educational Benefit: payment of tuition/fees for eight semesters Personal Life Insurance Optional Group Life Insurance	

<sup>30</sup> No state benefits available.

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
Kentucky	One-time death benefit (25,000) <sup>31</sup>  Funeral Benefit (up to \$200)	COPS  Health Benefits	State Pension Benefits  Educational Benefit: Free Tuition at state-supported school for survivor of police officer, fire fighter, or volunteer firefighter killed in line of duty- limitation.  Personal Life Insurance	Southern States Police Benevolent Association, Inc. Police Corps Scholarship Funds
Louisiana	One-time death benefit	COPS	State Pension benefits Educational benefits: free tuition, books and all other charges.Scholarship will not exceed eight semesters Personal Life Policy	Southern States Police Benevolent Association, Inc.
Maine <sup>32</sup>	Chief's of Police Association: provides one time payment of \$2,000	Health Benefits	Educational benefits: Tuition is paid, up to 5 years per child State Payroll	MI-COPS Chapter benefit
Maryland	One-time death benefit  Funeral Benefit: provide reasonable funeral expenses up to \$10,000.	State Income Tax Benefit Health Benefits COPS Property Tax Credit	State Pension Benefits County Pension Benefits  Personal Life policy	Police Corps Scholarship Funds STATE FLAG (4-1003 Annotated Code of Maryland) HEROES, Inc.
Massachusetts	One-time death benefit  Funeral benefit: not exceeding \$2,000 of funeral	COPS Health Benefits Real Estate Tax Exemption	State Pension Benefits Educational benefits: free tuition Personal Life Policy Group Accidental & Death Insurance	Police Corps Scholarship Funds Crime Victim Reparations Board Minnesota 100 Club

<sup>31</sup> Also offers Discretionary payment (lump sum of 25,000 covers officers who are ineligible for death benefits under pension plan)

<sup>32</sup> No state level benefits are available other than what Social Security or workers' compensation would pay.

<b>State</b>	<b>Immediate income assistance</b>	<b>Transition Benefits</b>	<b>Income Replacement</b>	<b>Miscellaneous Benefits</b>
Michigan	One-time death benefit	COPS Health Benefits	State Pension Benefits Educational benefits: waiver of tuition Personal Life Policy	Police Corps Scholarship Funds MPPOA
Minnesota	One-time death benefit Funeral benefits: A funeral benefit of \$1,000.	COPS Health Benefits	State Pension Benefits Educational benefits: waiver of tuition, benefit does not extend to colleges outside of Minnesota.	Mississippi State Troopers Association Southern States Police Benevolent Association, Inc. Police Corps Scholarship Funds
Mississippi	One-time death benefit	Health Benefits	State Pension Benefits Educational benefits: Mississippi Law Enforcement Officers and Firemen Scholarship Program: 8 semesters of full scholarship assistance Personal Life Policy	Police Corps Scholarship Funds
Montana	One-time Death Benefit	Health Benefits	State Pension Benefits Educational benefits: University tuition waivers for survivors of deceased law enforcement officers Personal Life Policy	
Missouri	One-time death benefit	Health Benefits	State Pension Benefits Educational benefits: Mississippi Law Enforcement Officers and Firemen Scholarship Program: 8 semesters of full scholarship assistance Personal Life Policy	Police Corps Scholarship Funds

<b>State</b>	<b>Immediate income assistance</b>	<b>Transition Benefits</b>	<b>Income Replacement</b>	<b>Miscellaneous Benefits</b>
Nebraska		Health Benefits	State Pension Benefits	
Nevada	Funeral benefit: reimbursable funeral benefit is \$5,000	COPS Health Benefits	State Pension Benefit Educational benefits: Free tuition for students at the U. of Nevada Personal Life Policies	Police Corps Scholarship Funds
New Hampshire <sup>33</sup>		COPS Health Benefits	State Pension Benefits	
New Jersey		COPS Health Benefits	State Pension Benefits Educational benefits: tuition paid by the State 8 years following graduation Personal Life Policies	200 Clubs
New Mexico	One time state death benefit	COPS Health Benefits	State Pension Benefit Educational benefits: scholarship shall be equal to the amount of tuition charged Personal Life Policies	Crime Victims Board compensation Fraternal Order of Police New Mexico Grief Intervention Program
New York	One time state death benefit Funeral Benefit: not to exceed \$3,000	COPS Health Benefits	State Pension Benefit Educational benefits: Memorial scholarships for families of deceased police officers and firefighters supplement. Personal Life Policies	

<sup>33</sup> No state benefit is currently available.

<b>State</b>	<b>Immediate income assistance</b>	<b>Transition Benefits</b>	<b>Income Replacement</b>	<b>Miscellaneous Benefits</b>
North Carolina	One time state death benefit	COPS Health Benefits	State Pension Benefit  Educational benefits: offers scholarships to children of law enforcement officers killed in the line of duty  Personal Life Policy	Police Corps Scholarship Funds Fraternal Order of Police Southern States Police Benevolent Association, Inc. North Carolina State Law Enforcement Officers' Association North Carolina Law Enforcement Officers' Association
North Dakota	One time state death benefit	Health Benefits	State Pension Benefit: Varies among cities and counties Educational benefits: Free tuition is available Personal Life Policies	North Dakota Peace Officers Association
Ohio		COPS Health Benefits	State Pension Benefit Educational benefits: shall not be required to pay any tuition or any student fee for up to four years of education, which shall be at an undergraduate level. Personal Life Policies	Buckeye State Sheriffs' Association Fraternal Order of Police Ohio Victims of Crime Compensation Program Police Corps Scholarship Funds
Oklahoma	One-time death payment.	COPS Health Benefits	State Pension Benefit Free tuition  Personal Life Policies	Oklahoma State Troopers Association Oklahoma State Lodge of the FOP Police Corps Scholarship Funds

<b>State</b>	<b>Immediate income assistance</b>	<b>Transition Benefits</b>	<b>Income Replacement</b>	<b>Miscellaneous Benefits</b>
Oregon	One-time death payment- The Public Safety Memorial Fund Board may pay 25,000  Funeral Benefit: up to 3,000	COPS  Health Benefits  Mortgage Benefit: provides up to 12 monthly mortgage payments	State Pension Benefits Educational Benefits: free tuition and all other fees involved  Personal Life Policies	Police Corps Scholarship Funds
Pennsylvania	One-time state death benefit	COPS  Health Benefits	State Pension Benefit Educational benefits: educational gratuity for any child  Personal Life Policies	The Pennsylvania State Troopers Association Scholarship Fund Pennsylvania State FOP State Memorial for Law Enforcement
Puerto Rico	A \$3,000 Funeral and Burial Benefit	COPS  Health Benefits: Municipal Hospital free of charge	State Pension Benefit Educational benefits  Personal Life Policies	Duty Weapon and Badge, Burial with Uniform 100 CLUB, Inc. Sistema de Retiro, and the Asociacion de Empleados del E.L.A.
Rhode Island		COPS  Health Benefits	Personal Life Policies Educational benefits: Tuition is paid  State Pension Benefit	
South Carolina	Funeral Benefit: maximum of \$3,000	COPS  Health Benefits  Property Tax Exemption	State Pension Benefit Educational benefits: College tuition is not charged for 4 years at a state supported college for all children  Personal Life Policies	Southern States Police Benevolent Association, Inc. Police Corps Scholarship funds



State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
South Dakota		Health Benefits	State Pension Benefit Educational benefits: tuition-free attendance at South Dakota state-supported universities and vocational schools for the surviving children Personal Life Policies	Fraternal Order of Police South Dakota State Lodge Local lodge of the F.O.P. South Dakota Peace Officers Association Police Corps Scholarship funds
Tennessee		COPS Health Benefits	State Pension Benefit Personal Life Policies Educational benefits: The Dependent Children Scholarship Act	Southern States Police Benevolent Association, Inc. Tennessee State FOP Lodge Tennessee State Fraternal Order of Police Police Corps Scholarship funds
Texas	One-time state death benefit Funeral Benefit: up to \$2,500	COPS Health Benefits	State Pension Benefit Educational benefits: exempt from tuition/fees Personal Life Policies	Police Corps Scholarship funds
Utah	One-time state death benefit	Health Benefits COPS	State Pension Benefit Educational benefits: exempt from tuition and fees Personal Life Policies	Police Corps Scholarship funds
Vermont	One-time state death benefit	Health Benefits	State Pension Benefit	Police Corps Scholarship funds
Virginia	One-time state death benefit	COPS Health Benefits	State Pension Benefit Educational benefits: Free tuition and required fees for children and surviving spouses of law enforcement officers. Personal Life Policies	Police Corps Scholarship funds Southern States Police Benevolent Association, Inc. HEROES, Inc. The Virginia Public Safety Foundation

<b>State</b>	<b>Immediate income assistance</b>	<b>Transition Benefits</b>	<b>Income Replacement</b>	<b>Miscellaneous Benefits</b>
Washington	One-time state death benefit	COPS Health Benefits	State Pension Benefit Educational benefits: Exemption from payment of fees at state universities. Spouses of law enforcement officers.	Police Corps Scholarship funds
West Virginia		Health Benefits	State Pension Benefit  Educational benefits	Southern States Police Benevolent Association, Inc. West Virginia Troopers' Association Crime Victims Compensation Act
Wisconsin	One-time state death benefit	COPS Health Benefits	State Pension Benefit Educational benefits: waives tuition and fees for surviving children at various state campuses	Police Corps Scholarship Fund
Wyoming	One-time state death benefit	COPS Health Benefits	State Pension Benefit	Police Corps Scholarship Fund Victim of violent crime

## Appendix C. Summary of Firefighter Death Benefits by State

State	Immediate income assistance	Transition Benefits	Income Replacement
Alabama	One-time death benefit: 25,001-50,000 Funeral Benefit: 3,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Alaska	One-time death benefit: 1-10,000 Funeral Benefit: 2,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Arizona	Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Arkansas	One-time state death benefit: 75,001-100,000 Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
California	One-time death benefit: 100,001-200,000 Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Colorado	Funeral Benefit: 7,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Connecticut	Funeral Benefit: 4,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
District of Columbia	One-time death benefit: 100,001-200,000 Funeral Benefit: 3,500	National Fallen FireFighters Foundation	Retirement/Pension Plan
Delaware	One-time death benefit: 100,001-200,000 Funeral Benefit: 3,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Florida	One-time death benefit: 25,001-50,000 Funeral Benefit: 5,000	National Fallen FireFighters Foundation Health Insurance	Retirement/Pension Plan Education benefits: spouse Education benefits: children

<b>State</b>	<b>Immediate income assistance</b>	<b>Transition Benefits</b>	<b>Income Replacement</b>
Georgia	One-time death benefit: 50,001-75,000 Funeral Benefit: 7,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Hawaii	Funeral Benefit	National Fallen FireFighters Foundation	Retirement/Pension Plan
Idaho	Funeral Benefit	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Illinois	One-time state death benefit: 75,001-100,000 Funeral Benefit: 10,000	National Fallen FireFighters Foundation Health Insurance	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Indiana	One-time death benefit: 100,001-200,000 Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Iowa	One-time state death benefit: 75,001-100,000 Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan
Kansas	Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Kentucky	One-time death benefit: 25,001-50,000 Funeral Benefit	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Louisiana	One-time death benefit: 25,001-50,000 Funeral Benefit: 3,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Maine	One-time death benefit: 25,001-50,000 Funeral Benefit: 4,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Maryland	One-time death benefit: 50,001-75,000 Funeral Benefit: 10,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Massachusetts	One-time state death benefit: 75,001-100,000 Funeral Benefit: 2,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children

<b>State</b>	<b>Immediate income assistance</b>	<b>Transition Benefits</b>	<b>Income Replacement</b>
Michigan	Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Minnesota	One-time death benefit: 100,001-200,000 Funeral Benefit: 15,000	National Fallen FireFighters Foundation Health Insurance	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Mississippi	One-time death benefit-10,001-25,000 Funeral Benefit: 2,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Montana	One-time Death Benefit: 10,001-25,000 Funeral Benefit: 4,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Missouri	One-time death benefit-10,001-25,000 Funeral Benefit: 2,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Nebraska	Funeral Benefit: 6,000	National Fallen FireFighters Foundation	
Nevada	Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
New Hampshire	Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan
New Jersey	Funeral Benefit: 3,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
New Mexico	Funeral Benefit: 7,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
New York	One time state death benefit: 25,001-50,000 Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children

<b>State</b>	<b>Immediate income assistance</b>	<b>Transition Benefits</b>	<b>Income Replacement</b>
North Carolina	One time state death benefit: 10,001-25,000 Funeral Benefit: 3,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
North Dakota	Funeral Benefit: 6,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Ohio	One-time death payment : 1 - 10,000 Funeral Benefit: 3,200	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Oklahoma	One-time death payment: 10,001-25,000 Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Oregon	One-time death payment- 10,001-25,000 Funeral Benefit	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Pennsylvania	One-time state death benefit: 50,001-75,001 Funeral Benefit: 3,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Puerto Rico	Funeral Benefit	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Rhode Island	One-time death benefit: 100,001-200,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
South Carolina	Funeral Benefit: 2,500	National Fallen FireFighters Foundation	Education benefits: children
South Dakota	Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Tennessee	Funeral Benefit: 7,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Texas	One-time death benefit: 200,000 + Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children

<b>State</b>	<b>Immediate income assistance</b>	<b>Transition Benefits</b>	<b>Income Replacement</b>
Utah	Funeral Benefit: 8,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Vermont	One-time state death benefit: 25,001-50,000 Funeral Benefit: 5,500	National Fallen FireFighters Foundation	Retirement/Pension Plan
Virginia	One-time state death benefit: 50,001-75,001 Funeral Benefit: 10,000	National Fallen FireFighters Foundation Health Insurance	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Washington	One-time death benefit: 100,001-200,000 Funeral Benefit: 2,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
West Virginia	Funeral Benefit: 8,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Wisconsin	One-time state death benefit: 25,001-50,000 Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Wyoming	Funeral Benefit: 2,500	National Fallen FireFighters Foundation	Retirement/Pension Plan

## Appendix D. Hypothetical Comparison of Death Benefits Across Employers

	O5 at YOS 18 <sup>a</sup>		E6 at YOS 14 <sup>b</sup>		GS-11 at YOS 18 <sup>c</sup>		GS-5 at YOS 14 <sup>d</sup>		Contractor Employee <sup>e</sup>		Arlington County Police Officer at YOS 15 <sup>f</sup>	
<b>Immed. inc. assistance</b>	Death Gratuity	\$12,000	Death Gratuity	\$12,000	Death Gratuity	\$6,500	Death Gratuity	\$6,500			State Lump Sum	\$75,000
	Funeral Benefits	\$7,150	Funeral Benefits	\$7,150	Funeral Benefits	\$1,000	Funeral Benefits	\$1,000			Funeral Benefits <sup>g</sup>	\$11,000
	Soc. Sec. Lump Sum	\$255	Soc. Sec. Lump Sum	\$255	Soc. Sec. Lump Sum	\$255	Soc. Sec. Lump Sum	\$255	Soc. Sec. Lump Sum	\$255	Soc. Sec. Lump Sum	\$255
<b>Transition Benefits</b>	Casualty assistance		Casualty assistance								COPS	
	Tax Ben.		Tax Ben.		Tax Ben.		Tax Ben.				Tax Ben.	
	TRICARE		TRICARE		Health Care		Health Care				Health Care	
	Comm./Ex. Privileges		Comm./Ex. Privileges									
	ID Card		ID Card									
<b>Income Replacement</b>	BAH <sup>h</sup>	\$13,956	BAH <sup>i</sup>	10,548								
	DIC	\$17,388 /year	DIC	\$17,388 /year							Retirement <sup>j</sup>	\$30,030 /year
	VA Educ. benefits	N/A	VA Educ. benefits	N/A	AD&D Insurance	\$107,500	AD&D Insurance	\$64,000			Education Benefits	N/A
	Soc. Sec. Payments	\$36,671 /year	Soc. Sec. Payments	\$23,136 /year	Soc. Sec. Payments	\$32,358 /year	Soc. Sec. Payments	\$23,277 /year	Soc. Sec. Payments	\$32,358 /year	Soc. Sec. Payments	\$30,059 /year
	Survivor Benefit Plan	\$20,025 /year	Survivor Benefit Plan	\$2,074 /year	FERS lump sum	\$54,723	FERS lump sum	\$40,030	AD&D Insurance	\$78,506	AD&D Insurance	\$50,000
<b>Rec. of Sacr./Emp. Liability</b>	SGLI	\$250,000	SGLI	\$250,000	FEGLI <sup>k</sup>	\$107,500	FEGLI <sup>k</sup>	\$64,000	Life Ins. <sup>l</sup>	\$78,506	Life Ins.	\$50,000
					FECA	\$47,005 /year	FECA	\$24,965 /year	Workers Comp.	\$37,384 /year	Workers Comp.	\$33,367 /year
											PSOB	\$267,494
											Arlington Lump Sum	\$100,100

<sup>a</sup> Annual Salary = \$76,676, DOB: 1964  
<sup>b</sup> Annual Salary = \$33,160, DOB: 1972.  
<sup>c</sup> Annual Salary = \$62,617, DOB: 1964.  
<sup>d</sup> Annual Salary = \$33,286, DOB: 1972.  
<sup>e</sup> Annual Salary = \$56,076, DOB: 1964.

<sup>f</sup> Annual Salary = \$50,050, DOB: 1964.  
<sup>g</sup> <http://www.cardinalacademy.org/Reports/death.htm>  
<sup>h</sup> h.htm  
<sup>i</sup> Rate for Washington DC is \$2,326 monthly.  
<sup>j</sup> Rate for Washington DC is \$1,758 monthly.

<sup>k</sup> [http://www.co.arlington.va.us/retirement/pdf\\_chapter46/duty\\_death\\_benefits.pdf](http://www.co.arlington.va.us/retirement/pdf_chapter46/duty_death_benefits.pdf)  
<sup>l</sup> <http://www.opm.gov/calculator/worksheet.asp>  
<sup>m</sup> Amount equal to 1.4 times annual earning