

## Survivor Benefits for Families of Deceased Servicemembers and Overseas Contract Workers

by Virginia P. Reno, Anita Cardwell, and Joni Lavery

### Summary

Social Security is best known as a retirement program, but it is also an important source of income security for families with children, including families of servicemembers who risk their lives in military service. When a member of the armed forces dies, his or her family may qualify for Social Security until the youngest child completes high school. A widowed spouse, with or without children, is entitled to benefits for life (or until remarried) from the Department of Veterans' Affairs when a servicemember dies. Benefits from both sources are paid in full to families eligible for both. Families of Americans who die while working overseas for companies under contract with the U.S. government are eligible for both Social Security and a special workers' compensation program provided under federal law.

Military and reconstruction activities in Iraq and Afghanistan raise the question of what social insurance benefits protect the families of those who lose their lives in these efforts. This brief describes the survivor benefits available to families of servicemembers and civilian contract workers overseas who die during their time of service. Families of deceased military personnel may receive Social Security and benefits paid through the Department of Defense and the Department of Veterans' Affairs. Families of Americans who die working overseas for companies under contract with the U.S. government may be eligible to receive Social Security survivor benefits and benefits through a special workers' compensation program authorized by the Defense Base Act.

### Social Security Survivor Benefits

Social Security is an important source of life insurance for young families. Through the program, a young family – with a 30-year-old worker, a 28-year-old spouse, and two children, age 2 and under the age of 1 – with medium earnings (between \$25,000 and \$30,000) had life insurance protection worth about \$378,000 in 2004 (Nichols and Wade, 2004). In January 2006, the average Social Security benefit paid to a widowed mother with two children was \$2,074 per month (Social Security Administration, 2006a).

### Which Workers Have Survivor Protection?

Social Security covers almost all (96 percent) U.S. jobs, including service in the armed forces, members of the Reserves and National Guard,<sup>1</sup> and American citizens working

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overseas for a company under contract with the U.S. government. To provide life insurance for his or her family, a worker must have been employed long enough in jobs covered by Social Security. No one needs more than ten years of covered work to provide this family protection. Workers under age 24 need to have covered employment in at least six calendar quarters. Other workers have survivor protection if they have worked at least one-fourth of the calendar quarters between age 21 and their date of death and earned a minimum required amount. If workers do not meet this requirement, they would still have life insurance protection for their families if they worked in covered employment for at least 6 calendar quarters in the 13 quarters before they died.

### *Which Family Members Are Eligible?*

Social Security benefits are paid to the following family members of deceased workers:

- Unmarried children under age 18, or under age 19 if still in high school full time;
- Adult children who became disabled before age 22;
- A widowed mother or father caring for an eligible child under age 16 or a disabled adult child;
- A widowed spouse age 60 and older, (or age 50 or older and disabled); and
- Parents age 62 or older who had been receiving at least half their support from the son or daughter before he or she died.<sup>2</sup>

Children of a former marriage and children born out of wedlock are entitled to receive benefits, as is an ex-spouse caring for an eligible child.

### *How Much Does Social Security Pay?*

Social Security benefit amounts for families of deceased workers are based on the worker's prior earnings and the number of eligible family members. To calculate the Social Security benefits surviving families receive, the deceased worker's earnings are averaged over most of his or her working lifetime. The benefit formula is structured to pay higher dollar benefits to higher earners, but the benefits replace a smaller share of past earnings for high earners than for low earners. Additional benefits are paid when more than one family member is eligible. A family maximum caps the total monthly benefits payable based on a worker's record.

Pay ranges for military personnel by rank and tenure in 2006 are shown in Appendix Table A. For example, enlisted personnel in grade E-2 have base pay just under \$18,000 a year and would include a private in the Army, a private first class in the Marines, a seaman apprentice in the Navy, and an airman in the Air Force. Those making about \$24,000 annually (E-6) would include a staff sergeant in the Army or Marine Corps, a technical sergeant in the Air Force, or a petty officer first class in the Navy. Those entering the commissioned officer rank (O-1) have base pay just under \$30,000 a year and would include 2<sup>nd</sup> lieutenants in the Army, Air Force or Marines, and an ensign in the Navy.

Survivor benefits for families of different sizes and pay levels are illustrated in Table 1. A servicemember making about \$18,000 annually with one child would have survivor income protection for that child of about \$7,740 a year, amounting to approximately 43 percent of the servicemember's prior earnings. If the servicemember had a spouse and two children, survivor protection for the family would be about \$15,820 a year, or about 88 percent of the servicemember's pay.

**Table 1.**  
**Social Security Survivor Benefits and Replacement Rates by Earnings Level and Number of Eligible Family Members, 2006**

Annual earnings <sup>a</sup>	One child survivor	Two eligible survivors	Three or more survivors
<b>Annual Benefit</b>			
\$18,000	\$7,740	\$15,490	\$15,820
\$24,000	\$9,180	\$18,370	\$21,040
\$30,000	\$10,620	\$21,250	\$26,260
\$45,000	\$14,220	\$28,450	\$33,200
\$60,000	\$16,220	\$32,450	\$37,860
\$90,000	\$19,600	\$39,200	\$45,740
<b>Benefits as a Percent of Earnings</b>			
\$18,000	43	86	88
\$24,000	38	77	88
\$30,000	35	71	88
\$45,000	32	63	74
\$60,000	27	54	63
\$90,000	22	44	51

<sup>a</sup> Yearly amount of average indexed monthly earnings. Source: Authors' calculations based on the 2006 Trustees' Report.

At higher earnings levels, Social Security pays higher dollar benefits, but those benefits replace a smaller share of prior earnings. For example, a servicemember who earned approximately \$30,000 a year and had one child would have survivor protection for that son or daughter of about \$10,620 a year, which would replace about 35 percent of the servicemember's pay. If the same servicemember had a spouse and two or more children, Social Security survivor protection would amount to about \$26,260 annually, or about 88 percent of his or her salary. Further up the earnings scale, a servicemember making about \$60,000 a year with a spouse and two or more children would have family survivor protection from Social Security that would pay about \$37,860 a year, which would replace about 63 percent of the servicemember's pay.

American citizens working overseas under contract with the U.S. government often have jobs that pay extra for the risks of working in a war zone. For example, a security guard earning hazardous pay in Iraq might be making more than \$90,000, which is the maximum amount that is taxed and counted toward Social Security benefits. If such a worker died leaving three or more children, Social Security would pay the family up to \$45,740, which is the maximum Social Security family benefit.<sup>3</sup>

Social Security benefits are increased each year to keep pace with inflation, as measured by the consumer price index. Benefits from Social Security are not subject to federal income taxes unless the recipient has significant income from other sources. In such cases, part of Social Security benefits count as taxable income.<sup>4</sup>

Beneficiaries under the full retirement age (age 65-67, depending on year of birth) are subject to a Social Security “earnings test,” which means that part of their benefits are withheld if they have significant income from employment. In 2006, survivor beneficiaries who are below retirement age and earn more than \$1,040 a month (or \$12,480 a year) have \$1 in benefits withheld for each \$2 in earnings above that amount. For example, a widow of a serviceman who prior to his death had earned \$30,000 a year and had one eligible child would be entitled to Social Security of \$10,620 a year for herself and an equal amount for the child. If the widow earned \$20,000 a year from work, her Social Security would be reduced to \$6,860 for the year.<sup>5</sup> Her child’s benefits would not be reduced.

The earnings test applies only to the benefits received by the individual who is working, so that if a widowed father or mother had benefits withheld under the earnings test, the eligible children would still receive full benefits. If three or more children in a family receive benefits, the earnings of the widowed parent would not result in any reduction in family benefits, because the maximum family benefit would be payable on behalf of the children. For example, the family of a serviceman making \$30,000 with three or more children would be entitled to the maximum family payments of \$26,260 on behalf of the children. The widow’s earnings would not reduce the Social Security income for the family.

The Social Security Administration does not have a separate count of benefits paid to families of workers who died in military service or in overseas contract work. In all, 170,000 widowed mothers and fathers and 1,864,000 children received Social Security survivor benefits in August 2006. The children include 1,329,000 children under age 18; 24,000 students under age 19; and 511,000 adults disabled since childhood (Social Security Administration, 2006b).

## Military Benefits for Surviving Families

When an active duty servicemember is killed in combat or dies due to an illness, injury, or a disability associated with his or her military service, the death is considered service-connected and the deceased servicemember’s family may be entitled to benefits from the Department of Veterans’ Affairs, the Department of Defense, or both. Two types of lump-sum payments are available to surviving families — a death gratuity paid by the Department of Defense and Servicemembers’ Group Life Insurance paid by the Department of Veterans’ Affairs (DVA). Monthly income for surviving families comes

mainly from Dependency and Indemnity Compensation paid by the DVA. The DVA also pays monthly stipends to help widowed spouses and children with educational expenses. The Survivor Benefit Plan administered by the Department of Defense is part of the military retirement pension system and may provide some additional monthly income to widowed spouses of servicemembers who die on active duty. Finally, temporary housing assistance and one-time moving expenses are available to families of servicemembers who die on active duty. Each of these benefits is described briefly here.<sup>6</sup>

### ***Death Gratuity***

When a servicemember dies, the next of kin<sup>7</sup> receives a one-time non-taxable payment intended to meet the immediate expenses of the family, called the death gratuity. This compensation is paid through the Department of Defense and is given to the family as soon as possible, usually within 72 hours of notification of the servicemember's death. By legislation enacted in 2005 and 2006, Congress increased the death gratuity from \$12,420 to \$100,000. This higher amount is retroactive for survivors of servicemembers who died on or after October 7, 2001, regardless of whether their death occurred in a designated combat zone (National Military Family Association, 2006).

### ***Term Life Insurance—Servicemembers' Group Life Insurance***

All members of the armed forces and reservists are automatically enrolled for life insurance coverage through Servicemembers' Group Life Insurance, which is offered through the Department of Veterans Affairs. The monthly premium is \$0.065 for each \$1,000 of coverage, and coverage is available in increments of \$50,000. The maximum available coverage was increased in September 2005 from \$250,000 to \$400,000, and servicemembers are automatically enrolled at the maximum amount unless they decline such coverage in writing (Department of Veterans Affairs, 2006; Epley, 2005). The life insurance payments can be paid to beneficiaries as a lump sum or in 36 equal installments, as specified by the servicemember. Through a private insurance and financial services company, FinancialPoint, the Department of Veterans Affairs offers free personalized financial planning services to recipients of the life insurance payments for one year after the servicemember's death.

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

Unless the death was caused by willful misconduct, survivors of deceased servicemembers are generally eligible for monthly compensation payments, called Dependency and Indemnity Compensation (DIC). These benefits are administered by the Department of Veterans Affairs (DVA) and are not subject to income taxes. Families of reservists and families of federally activated members of the National Guard who die in service can also receive DIC benefits. The monthly compensation is payable to:

- Surviving spouses who have not remarried, or those who remarry after age 57;
- Unmarried children until age 18 (age 19 if still in high school), or between the ages of 18 and 23 who are attending a VA-approved school;
- Disabled adult children; and
- Parents of the deceased service member who are determined to be low income.<sup>8</sup>

Unlike Social Security benefits, DIC payments for deaths that occurred in 1993 and after do not vary according to the servicemember's pay or rank.<sup>9</sup> As of December 2005, the monthly payment for a widowed spouse is \$1,033, with an additional payment of \$257 per month for each eligible child under age 18 (age 19 if in secondary school) living with the widowed spouse. If the child is a student between the ages of 18 and 23, the monthly payment is \$218. If the child is over 18 and disabled, the payment is a lifetime sum of \$438 per month (Table 2).

**Table 2.**  
**Dependency Indemnity Compensation (DIC) Monthly Payments for Families of Servicemembers Who Died of Service-Related Causes, December 2005**

Surviving Spouse and Children	
Type of Family Member	Payment
Spouse only	\$1,033
Each child under age 18	257
Each student child age 18-23	218
Each disabled adult child	438
Eligible Children Only	
Number of Children	Total Payment <sup>a</sup>
One	\$438
Two	629
Three	819
Four	976
Five	1,133
Six	1,290
Seven	1,447
Eight	1,604
Nine	1,761

<sup>a</sup> Payment is divided equally among all eligible children. Source: Department of Veterans Affairs, 2005a.

If an eligible spouse remarries before age 57, the DIC payment is terminated, although DIC will be reinstated if the new marriage ends in death, divorce or annulment. Additionally, surviving spouses with minor children receive transition assistance DIC payments of \$250 per month for the first two years of DIC entitlement<sup>10</sup> (National Military Family Association, 2006).

When there is no eligible spouse to receive the DIC payment, the specified amount is divided equally among any children of the servicemember. For example, when there is only one eligible child, the payment is \$438 per month. When there are three eligible

children, the \$819 monthly payment is divided equally among them, with \$273 for each child. DIC payments for widowed spouses and children are automatically adjusted each year to keep pace with inflation.

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

The Survivor Benefit Plan (SBP) is administered through the Department of Defense as part of the military retirement pension system. It originally applied only to survivors of retirement-eligible servicemembers, but effective September 10, 2001, coverage was extended to survivors of servicemembers not eligible for retirement who die while on active duty<sup>11</sup> (Burrelli, 2006). Servicemembers on active duty are automatically enrolled in the SBP and they can elect any of six categories of survivor beneficiaries: spouse; spouse and child; child only; former spouse; former spouse and child; and person with an insurable interest. The SBP annuity for a widowed spouse under the age of 62 of a retired servicemember is 55 percent of the retiree's base pay. When a servicemember dies prior to retirement, the SBP annuity is based on an amount the servicemember would have received if, on the date of death, he or she had retired with a total disability, which is calculated as 75 percent of basic pay. The survivor annuity is then computed as 55 percent of the disability retirement benefit (Chu, 2005; Moakler, 2005). Payments to survivors are adjusted annually for cost of living increases and, unlike DIC payments, are subject to federal income taxes.

By law, if no specific beneficiary is designated, SBP benefits are awarded first to the spouse, and payments continue over the course of the surviving spouse's lifetime unless she or he remarries prior to age 55 (Burrelli, 2006). Benefits provided through the SBP to the surviving spouse are offset dollar for dollar by any DIC payments she or he receives. When the SBP benefit is larger than the DIC payment, the surviving spouse receives the difference between the two amounts. If the SBP benefit is less than the DIC payment, the surviving spouse will not receive any SBP payment. Surviving spouses can avoid this offset by designating that SBP payments be paid to any eligible children, but the SBP benefit will end when the children's eligibility ends (at age 18, or 23 if a full-time student), or when a disabled adult child dies.

Because the amount of the SBP payment is dependent upon the servicemember's rank and length of service, the offset against the DIC nullifies all or most of the SBP entitlement for survivors of servicemembers below the rank of E-6 (See Appendix Table A). Legislation to abolish this offset was introduced in Congress in 2005, as part of the National Defense Authorization Act for Fiscal Year 2006, but this language was dropped by the conference committee (Military Officers Association of America, 2006).

### ***Educational Assistance***

The survivors of a deceased servicemember qualify for educational assistance benefits from the Survivors' and Dependents' Educational Assistance Program (DEA) of the Department of Veterans' Affairs. The program pays up to 45 months of benefits for education in a degree, certificate, or apprenticeship program, or for technical or vocational training. Effective October 1, 2005, benefit rates are \$827 per month for full-time attendance in education programs, and reduced benefits are paid for part-time attendance. The benefit is available to the widowed spouse,<sup>12</sup> and eligible children can utilize the

benefits between the ages of 18-26. The surviving spouse of a veteran or military retiree has 10 years from the date of death to receive educational assistance benefits, and legislation in 2005 extended the eligibility period to 20 years for the surviving spouse of a servicemember killed on active duty (National Military Family Association, 2006).

### *Housing Assistance*

Families of a deceased servicemember receive housing assistance through the Department of Defense for one year after the date of the death, provided through either government housing or Basic Allowance for Housing payments. The amount of the housing allowance varies according to the servicemember’s rank and the geographic location of the family. The government will also pay one-time moving costs for the family.

### *Combined Military and Social Security Benefits*

Families eligible for survivor benefits from Social Security and the veterans’ compensation program are eligible to receive both benefits in full. Table 3 illustrates combined payments for a widowed spouse with three children and for a widowed spouse only.<sup>13</sup>

**Table 3.**  
**Combined Survivor Benefits from Social Security, Veterans’ Compensation, and the Survivor Benefit Plan:**  
**Annual Amounts by Service Member’s Prior Pay and Type of Family**

Type of Benefit and Family Type	Servicemember’s Prior Pay <sup>14</sup>			
	\$18,000	\$30,000	\$60,000	\$90,000
<b>Widowed Spouse and Three Children</b>				
Social Security	\$15,820	\$26,260	\$37,860	\$45,740
Dependency Indemnity Compensation <sup>15</sup> (DVA)	24,648	24,648	24,648	24,648
Survivor Benefit Plan (DoD)	0	0	12,354	24,729
<b>Total</b>	<b>\$40,468</b>	<b>\$50,908</b>	<b>\$74,862</b>	<b>\$95,117</b>
(Total as percent of prior pay)	225%	170%	125%	106%
<b>Widowed Spouse, No Children</b>				
Social Security	0	0	0	0
Dependency Indemnity Compensation (DVA)	\$12,396	\$12,396	\$12,396	\$12,396
Survivor Benefit Plan (DoD)	0	0	12,354	24,729
<b>Total</b>	<b>\$12,396</b>	<b>\$12,396</b>	<b>24,750</b>	<b>37,125</b>
(Total as percent of prior pay)	69%	41%	41%	41%



A family with three eligible children would receive Social Security benefits that replace a substantial portion of the deceased servicemember's pay. The family of a private who had made about \$18,000 would have benefits of \$15,820—or about 88 percent of prior pay—while the same size family of an officer who had made about \$60,000 would have Social Security benefits of \$37,860, which replace about 63 percent of prior pay.

Veterans' compensation (or DIC) pays these families the same amount regardless of the servicemember's rank or pay. The widowed spouse would receive a monthly payment of \$1,033, plus a transition assistance payment of \$250 for the first two years, for an annual total of \$15,396. The three children together would receive \$9,252 a year, bringing the total family payment to \$24,648 a year for each family. Social Security and veterans' compensation together would pay roughly \$40,000 to the widowed spouse and three children of a servicemember who had an annual salary of \$18,000, while combined benefits would be just over \$50,000 for a similar family of a servicemember who had earned \$30,000 a year.

The Survivor Benefit Plan would pay a partial benefit to surviving families of higher paid servicemembers. If the servicemember had made \$60,000, the SBP of \$24,750 would be reduced by the amount the widowed spouse received in veterans' compensation (\$15,396 including the transition payment in the first two years), for an annual SBP payment of \$12,354. Total payments to the widowed spouse and three children of a servicemember making \$60,000 would be just over \$74,000 from the combination of Social Security, veterans' compensation and the SBP.

When only a widowed spouse is eligible, total benefits are smaller because monthly Social Security benefits are not paid to young widowed spouses without children. Widowed spouses would receive monthly veterans' compensation of \$1,033 (but not the \$250 yearly transition assistance for those with minor children) for a total of \$12,396 a year. A partial SBP would supplement the veterans' compensation for widowed spouses of higher paid servicemembers.

### *How Many Surviving Children and Spouses Receive Veterans' Compensation?*

In September 2006, some 12,293 children and 12,530 widowed spouses were receiving monthly compensation as dependents of 14,939 deceased members of the armed forces who were injured or killed on active duty in the Gulf War period, according to the Department of Veterans' Affairs. For DVA purposes, the Gulf War period extends from August 2, 1990, through a date yet to be set by law or Presidential proclamation (Department of Veterans Affairs, 2006a). The deceased include those who died on active duty and others who died after returning to civilian life with a service-connected disability sustained in the Gulf War period.

It is quite likely that almost all of the children under age 18 (and the disabled adult children) receiving veterans' compensation would also receive Social Security. Widowed spouses receiving veterans' compensation would also receive Social Security only if they had entitled children in their care, or were over age 60 (or over age 50 and disabled).

The number of deceased servicemembers from the Gulf War period whose families receive veterans' compensation far exceeds the number of servicemember deaths that are attributed solely to military operations in Afghanistan that began on October 7, 2001 (Operation Enduring Freedom), and in Iraq, that began on March 19, 2003 (Operation Iraqi Freedom).

The Department of Defense statistics state that 2,706 military deaths have occurred during Operation Iraqi Freedom and 334 deaths have occurred in Operation Enduring Freedom (through September 2006). Of these servicemembers who lost their lives, 76 percent were age 30 or younger; 56 percent were in the enlisted personnel ranks of E1-E4, 22 percent were members of the Reserve or National Guard, and 24 percent were African American, Hispanic, Asian, Pacific Islander, or American Indian (see Appendix Table b).

## Survivor Benefits for Families of Civilian Contract Workers Overseas

Members of the armed forces are not the only Americans at risk of losing their lives in hostile actions overseas. The number of contractors working on behalf of military operations in Iraq is estimated to be more than 20,000, and as of October 25, 2006, 367 non-Iraqi civilian contractors had been killed since Operation Iraqi Freedom began March 19, 2003 (Brookings Institution, 2006).

American citizens who are employed overseas by a company under a U.S. government contract are covered by Social Security, and their families have the survivor protection Social Security provides. In addition, a special workers' compensation program covers civilians who work outside the United States for companies under contract with the U.S. government. When a U.S. worker is injured or killed on assignment with a company under contract with the U.S. government, the death is generally considered work-related even if the injury or death occurred outside of normal work hours.

In general, workers' compensation pays cash and medical benefits to workers who are injured on the job and compensates families of workers who die of injuries or illness caused on the job. Workers' compensation began in the United States early in the 20<sup>th</sup> century before any precedent existed for federal involvement in social insurance. Consequently, workers' compensation programs were set up by states without any federal participation. The first state workers' compensation law was enacted in 1911. By 1920, all but seven states had adopted workers' compensation programs and a federal program covered all federal civilian employees. Today, each state has its own program.

In 1927, Congress enacted the federal Longshore and Harbor Workers Compensation Act (LHWCA) to provide workers' compensation coverage to maritime workers who fell outside the jurisdiction of any state program. In 1941, Congress passed the Defense Base Act (DBA), which extended the benefits of the LHWCA to employees on overseas military, air, or naval bases or other areas overseas under a public works contract with the U.S. government. This expansion of coverage applies to overseas employees of companies that are under contract with any federal agency.

## *What Must Employers Do?*

The Defense Base Act requires companies under contract with the U.S. government to purchase private workers' compensation insurance or be approved to self-insure in order to pay workers' compensation benefits for their employees working overseas. The act applies to both U.S. and foreign companies, as well as to any subcontractors. Companies subject to the Defense Base Act must cover all their employees, regardless of nationality. For example, in Iraq, Iraqis and citizens of other nations who work for companies under contract with the U.S. government are covered under the Defense Base Act.

The Office of Workers' Compensation Programs in the U.S. Department of Labor approves insurance carriers and self-insured employers. More than 700 insurance companies and self-insured employers are approved under the overall Longshore and Harbor Workers' program, and 209 companies are authorized to provide Defense Base Act coverage, but the majority of the coverage is administered through companies in three groups, ACE-USA, AIG, and CNA.

Under terms of the War Hazards Compensation Act of 1942, the U.S. government will reimburse insurance companies or self-insured employers for compensation they pay under the Defense Base Act for injuries or deaths resulting from war-risk hazards. Thus, the insurance companies cover all non-war risk injuries, and are responsible for initial payments of compensation for war risks. The federal government ultimately bears the cost of compensation for war-risk hazards, including reimbursement of the initial payments.

## *Who Is Eligible for Survivor Benefits?*

Benefits under the Defense Base Act are available to the widowed spouse and children of the deceased worker as follows:

- A widowed spouse for life or until she or he remarries;
- Unmarried children under age 18, and children ages 18-23 if full-time students;
- Children age 18 or older who are incapable of self-support due to mental or physical disabilities; and
- If there is no eligible spouse or child, survivor benefits are available to parents, grandparents, siblings, grandchildren and other dependents.

## *How Much Is Paid to Surviving Families?*

The Defense Base Act specifies the disability, medical, and death benefits to be paid to covered employees. The weekly benefits are 50 percent of the employee's recent average weekly earnings for a widowed spouse or one surviving child. If there are two or more eligible survivors, the benefit is 66 and 2/3 percent of the worker's average weekly wage, subject to a maximum of \$1,073.64 per week (effective October 1, 2005 through September 30, 2006) or about \$55,800 a year. Like Social Security and veterans' compensation, survivor payments under the DBA are adjusted each year to keep pace with the cost of living.

U.S. citizens may be covered by both Social Security and workers' compensation payments under the Defense Base Act. If so, their families are entitled to both payments in full as shown in Table 4.

**Table 4.**  
**Survivor Benefits from Social Security and Compensation under the Defense Base Act for Americans Working Overseas for Companies Under Contract with the U. S. Government: Annual Amounts by Employee's Prior Pay and Type of Family**

	Employee's Prior Pay			
	\$18,000	\$30,000	\$60,000	\$90,000
<b>Widowed Spouse and Three Children</b>				
Social Security	\$15,820	\$26,260	\$37,860	\$45,740
Defense Base Act	12,000	\$20,000	40,000	\$55,800
Total	\$27,820	\$46,260	\$77,860	\$101,540
(Total as percent of prior pay)	155%	154%	130%	113%
<b>Widowed Spouse, No Children</b>				
Social Security	0	0	0	0
Defense Base Act	\$9,000	\$15,000	\$30,000	\$45,000
Total	\$9,000	\$15,000	\$30,000	\$45,000
(Total as percent of prior pay)	50%	50%	50%	50%

For example, if a truck driver making \$60,000 died leaving a wife and three eligible children, the family would be entitled to about \$37,860 in Social Security benefits. The family would also be entitled to 67 percent of the worker's pay, or about \$40,000 a year for a total of \$77,860 a year. A worker with a spouse and three children who made over \$90,000 a year would have Social Security survivor protection of up to \$45,740, plus the maximum DBA payment of \$55,800 a year for a combined annual payment of just over \$100,000.

### Summary

While Social Security is best known as a retirement program, it is also an important source of income security for families with children, including families of servicemembers who risk their lives in national service. When a member of the armed forces dies, his or her family may qualify for Social Security until the youngest child completes high school. A widowed spouse, with or without children, is entitled to benefits for life (or until remarried) from Department of Veterans' Affairs when a servicemember dies. Benefits from both sources are paid in full to families eligible for both.

Social Security and a special workers' compensation program under the federal Defense Base Act cover Americans working overseas for companies under contract with the United States government. When those workers die during their employment, their families may receive both Social Security and Defense Base Act benefits.

Families with three or more eligible children receive the maximum Social Security benefit payable on one worker's record in addition to any benefits payable from other sources. While income can never replace the lost life of the father or mother, the benefits protect the families against financial hardship related to their sacrifice. The widowed spouse and three children of a deceased servicemember making about \$30,000 would have combined monthly income from Social Security, veterans' and military benefits of about \$51,000 a year. If the deceased individual had been working overseas for a company under contract with the U.S. government and had earned about \$60,000 annually, a widowed spouse and three or more children would receive nearly \$78,000 a year in combined Social Security and compensation payments under the Defense Base Act.

**Appendix Table A.  
Military Rank, Employment, and Pay Scales for Active Duty Personnel,  
January 2006**

Grade	Army	Navy	Air Force	Marine Corps	Total Number Employed (Jan 2005)	Basic Pay, Jan 2006 (Estimated annual pay calculated from monthly basic pay rates)	
						Under 2 yrs.	Over 4 yrs.
E-1	Private	Seaman Recruit	Airman Basic	Private	48,818	\$15,282	\$15,282
E-2	Private	Seaman Apprentice	Airman	Private 1 <sup>st</sup> Class	82,008	\$17,129	\$17,129
E-3	Private 1 <sup>st</sup> Class	Seaman	Airman 1 <sup>st</sup> Class	Lance Corporal	216,321	\$18,014	\$20,304
E-4	Corporal	Petty Officer 3 <sup>rd</sup> Class	Senior Airman	Corporal	260,631	\$19,955	\$23,231
E-5	Sergeant	Petty Officer 2 <sup>nd</sup> Class	Staff Sergeant	Sergeant	249,816	\$21,769	\$25,498
E-6	Staff Sergeant	Petty Officer 1 <sup>st</sup> Class	Technical Sgt.	Staff Sergeant	174,467	\$23,756	\$28,411
E-7	Sergeant 1 <sup>st</sup> Class	Chief Petty Officer	Master Sgt.	Gunnery Sgt.	100,458	\$27,464	\$32,648
E-8	1 <sup>st</sup> Sgt./Master Sgt.	Snr. Chief Petty Officer	Senior Master Sgt.	1 <sup>st</sup> Sgt./ Master Sgt.	27,229	N/A	\$41,260 <sup>a</sup>
E-9	Sergeant Major	Mstr. Chief Petty Of.	Chief Master Sgt.	Sgt. Major/ Master Gunner Sgt.	10,704	N/A	\$48,265 <sup>a</sup>
O-1	2 <sup>nd</sup> Lieutenant	Ensign	2 <sup>nd</sup> Lieutenant	2 <sup>nd</sup> Lieutenant	24,948	\$28,995	\$36,475
O-2	1 <sup>st</sup> Lieutenant	Lieutenant (JG)	1 <sup>st</sup> Lieutenant	1 <sup>st</sup> Lieutenant	30,853	\$33,397	\$45,292
O-3	Captain	Lieutenant	Captain	Captain	70,500	\$38,657	\$51,570
O-4	Major	Lt. Commander	Major	Major	43,846	\$43,967	\$55,051
O-5	Lt. Colonel	Commander	Lt. Colonel	Lt. Colonel	28,378	\$50,958	\$62,125
O-6	Colonel	Captain	Colonel	Colonel	11,483	\$61,128	\$71,561
O-7	Brigadier General	Rear Adm. Lower	Brigadier Gen.	Brigadier Gen.	439	\$82,472	\$89,485
O-8	Major General	Rear Adm. Upper	Major General	Major General	276	\$99,252	\$105,264
O-9	Lt. General	Vice Adm.	Lt. General	Lt. General	125	N/A	\$140,268 <sup>b</sup>
O-10	General	Admiral	General	General	34	N/A	\$160,380 <sup>b</sup>

<sup>a</sup> Over ten years of service.

<sup>b</sup> Over 20 years of service.

Source: Department of Labor, Occupational Outlook Handbook, 2006-07 Edition & Department of Defense Basic Pay Chart, Effective January 1, 2006

**Appendix Table B.  
Military Deaths in Operation Enduring Freedom (OEF)  
and Operation Iraqi Freedom (OIF),  
Through September 30, 2006**

	<b>Total</b>	<b>OEF</b>	<b>OIF</b>
Onset of Operations		10/7/2001	3/19/2003
Total Military Deaths	3040	334	2706
Total Percent	100%	11%	89%
<b>CASUALTY TYPE</b>			
Hostile	76	53	80
Nonhostile	24	47	20
<b>GENDER</b>			
Male	98	97	98
Female	2	3	2
<b>RANK</b>			
Officers	11	15	10
E5-E9	33	48	32
E1-E4	56	37	58
<b>AGE</b>			
Under age 22	28	19	30
Age 22-30	48	44	48
Age 31-35	11	17	10
Over age 35	13	20	12
<b>COMPONENT</b>			
Active	77	81	77
Reserves and National Guard	23	19	23
<b>RACE/ETHNICITY</b>			
American Indian or Alaska Native	1	1	1
Asian American	2	<1	2
Black or African-American	10	7	10
Hispanic or Latino	11	9	11
Multiple Races, pending or unknown	1	<1	1
Native Hawaiian or Pacific Islander	1	1	1
White, non-hispanic	75	81	74

Source: Department of Defense, Statistical Information and Analysis Division, 2006.

## Endnotes

<sup>1</sup> Active duty military service has been covered by Social Security since 1957, and inactive duty military service in the reserves has been covered since 1998 (Military Service and Social Security Fact Sheet, Social Security Administration, 2005).

<sup>2</sup> Parents' benefits are offset by any Social Security the parents receive based on their own work records. Because most Americans age 62 and older receive Social Security as retired workers, or as spouses or widowed spouses of insured workers, very few receive benefits as dependents of a deceased son or daughter.

<sup>3</sup> Because Social Security benefits are based on earnings averaged over most of the worker's lifetime, the workers' final earnings might be higher than his or her average earnings that determine the benefit amount.

<sup>4</sup> Part of Social Security benefits are subject to federal income taxes if the beneficiary's taxable income from other sources, plus half of Social Security benefits, exceed \$25,000 a year for an unmarried beneficiary, or \$32,000 for a married couple.

<sup>5</sup> Her Social Security benefit income for the year (\$10,620) is reduced by half of her earnings in excess of \$12,480 ( $\$20,000 - \$12,480 = \$7,520 / 2 = \$3,760$ ) or \$3,760, which leaves \$6,860 in Social Security income. A different earnings test applies in the year the beneficiary attains the full retirement age. For months before attaining full retirement age, \$1 out of \$3 in earnings in excess of \$2,770 (in 2006) reduces the Social Security benefit.

<sup>6</sup> Additional benefits for survivors not discussed in this brief include the continuation of health care benefits, VA home loan benefits, limited childcare benefits, and commissary privileges, as well as burial expenses for the deceased servicemember.

<sup>7</sup> Next of kin order is as follows: 1) Surviving spouse 2) If no surviving spouse, to any children, in equal shares 3) If designated by servicemember, parents or siblings.

<sup>8</sup> To be eligible for DIC payments, surviving parents' income (as of December 1, 2005) must not exceed \$12,034 for a sole surviving parent or one of two parents not living with a spouse, and \$16,176 for a sole surviving parent living with a spouse or one of two parents living with a spouse (Department of Veterans Affairs, 2005b).

<sup>9</sup> DIC payments do vary according to rank for deaths that occurred prior to January 1, 1993.

<sup>10</sup> The transition assistance payment to the surviving spouse is paid only for two years, and only if the widowed spouse has one or more minor children in his or her care. The transition payment will cease prior to two years if there are no dependent children in his/her care. Additionally, surviving spouses only receive the transitional benefit payment if the servicemember's death was on or after January 1, 2005. Surviving spouses who received DIC payments from February 1, 2003 through December 31, 2004 are eligible to receive the amount of transition assistance remaining as of January 1, 2005.



<sup>11</sup> Prior to this legislative change, only survivors of servicemembers who died on active duty with 20 years or more of service were eligible for SBP payments.

<sup>12</sup> Eligibility for DEA ends if the widowed spouse remarries, but like DIC payments, DEA benefits can be reinstated if the marriage terminates through death or divorce.

<sup>13</sup> As noted in Burrelli and Corwell, 2006, the dollar value of survivor death benefits depends upon individual circumstances, and the monetary value of many benefits (i.e. health care, commissary privileges) are not quantifiable; therefore these amounts should be considered as hypothetical.

<sup>14</sup> Servicemembers' pay in this table is based on a hypothetical, rounded amount, not the pay tables in the appendix.

<sup>15</sup> This estimation of the DIC annual amount includes the monthly \$250 two-year transition assistance payment for the spouse.

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