

ILLUSTRATIVE BENEFITS FOR RETIRED WORKERS, DISABLED WORKERS, AND SURVIVORS SCHEDULED UNDER CURRENT LAW

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The Social Security program provides income to retired workers and their families, qualifying disabled workers and their families, and survivors of workers. The *progressivity* of the Social Security benefit formula allows individuals with lower earnings to receive monthly benefits that are a higher percentage of such earnings compared to that percentage for those with higher earnings. For hypothetical earners with a range of full-lifetime average earnings levels¹ at a range of ages in 2006, this note displays their current earnings in 2005 and the amounts they would expect to receive at benefit entitlement.

The assumptions underlying the attached tables are similar to those used in the annual Social Security statement mailed to workers and former workers aged 25 and older. Specifically, the benefit amounts reflect no increase in the cost of living or in the average wage level after 2005. Thus, the benefit estimates for workers retiring in future years are on a roughly comparable basis to the benefit estimates for disabled workers and survivors of deceased workers, which both assume benefit entitlement in 2006.

All hypothetical workers, except the maximum,² are assumed to have scaled earnings patterns beginning at age 21. These patterns reflect the actual experience of insured workers during 1991-2002, which show relatively low wages and probability of work at younger and older ages and higher relative wages and probability of work at mid-career.³ Earnings levels after 2005 for scaled workers illustrated in this note are not assumed to increase due to changes in the average wage level, but are assumed to follow the scaled earnings pattern as age increases. It is important to note that this approach for determining future earnings differs from that used in the annual Social Security statement.

¹ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2005) expected for the illustration assuming that the worker survives to age 65 without becoming disabled.

² For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI benefit and contribution base) for each year through 2005. Earnings after 2005 are assumed to equal the taxable maximum of \$90,000 for 2005.

³ For more details on development of the scaled earnings patterns, see Actuarial Notes 2005.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2005-3.html, and 2006.3 (forthcoming).

Four tables are attached. The tables allow workers at various ages in 2006 to look up potential future benefit levels consistent with their earnings level in 2005. Each table lists *earnings in 2005* at their current age and *annual benefit amounts* at entitlement for hypothetical individuals associated with the following full-lifetime average earnings levels: \$10,000, \$20,000, \$30,000, \$40,000, \$50,000, \$60,000, and maximum. Each table provides this information for individuals at specified attained ages in 2006. Additional information about each table is provided below.

- **Table 1A: Retired Workers Who Become Entitled at Normal Retirement Age (NRA).** This table also shows the percentage of fully insured workers with full-lifetime average earnings at or below each of the seven listed earnings levels. These percentages are based on the earnings of a one-percent sample of individuals, aged 25 through 65, who are fully insured in 2003. The illustrated benefits are for workers only. There may be additional benefits for auxiliary beneficiaries such as spouses and dependent children. The NRA has increased recently to 66 for those turning age 62 in 2005. It will increase further beginning with those turning age 62 in 2017, reaching 67 for those turning age 62 in 2022 and later.
- **Table 1B: Retired Workers Who Become Entitled at Age 65.** The only difference between this table and table 1A is that the hypothetical worker retires at age 65 rather than NRA, resulting in lower benefit amounts due to reduction for early retirement. The illustrated benefits are for workers only. There may be additional benefits for auxiliary beneficiaries such as spouses and dependent children.
- **Table 2: Disabled Worker Annual Benefit Amounts.** For the seven full-lifetime average earnings levels listed above, this table provides benefit amounts assuming benefit entitlement in 2006 for disabled workers aged 25, 35, 45, and 55. In addition, the table provides, for each full-lifetime average earnings level, the percentage of disability insured workers with average earnings at

or below the earnings level. These percentages are based on earnings of a one-percent sample of individuals, aged 25 through 64, who are disability insured in 2003. The illustrated benefits are for workers only. There may be additional benefits for auxiliary beneficiaries such as spouses and dependent children.

- **Table 3: Survivor Annual Benefit Amounts.** For each of the seven full-lifetime average earnings levels, this table provides benefit amounts assuming that the deceased worker would have attained ages 25, 35, 45, or 60 just before dying in 2006. In each case, the surviving spouse is assumed to be the same age as the deceased worker and to become entitled to benefits in 2006. Benefit

estimates are provided for three scenarios of survivor beneficiaries: (1) spouse and one child (spouse only for the age 60 case), (2) one child only, and (3) spouse and two children. Because of the family maximum benefit provision, annual benefit amounts for a *spouse and two children* are the same or only moderately higher than for a *spouse and one child*. In addition, the table provides, for each full-lifetime average earnings level, the percentage of fully insured workers with full-lifetime average earnings at or below the earnings level. These percentages are based on the earnings of a one-percent sample of individuals, aged 25 through 65, who are fully or currently insured in 2003.

Table 1A: Retired Worker Annual Benefit Amounts¹ Scheduled in Current Law

For Insured Workers at Various Ages Who Become Entitled at Normal Retirement Age (NRA) With Various Lifetime Earnings Patterns²

Age in 2006	Age at benefit entitlement (NRA)		Estimated earnings in 2005 and benefit at entitlement (NRA)						
25	67	Earnings in 2005	\$5,848	\$11,695	\$17,543	\$23,391	\$29,239	\$35,086	\$90,000
		Benefit at entitlement	7,956	11,160	14,364	17,556	20,676	22,176	26,712
35	67	Earnings in 2005	9,719	19,437	29,156	38,874	48,593	58,312	90,000
		Benefit at entitlement	7,956	11,160	14,364	17,556	20,676	22,176	26,772
45	67	Earnings in 2005	10,985	21,970	32,956	43,941	54,926	65,911	90,000
		Benefit at entitlement	7,956	11,160	14,352	17,556	20,676	22,176	26,784
55	66	Earnings in 2005	10,606	21,213	31,819	42,426	53,032	63,639	90,000
		Benefit at entitlement	7,956	11,160	14,364	17,556	20,676	22,176	26,664
65	65 & 8 months	Earnings in 2005	6,892	13,783	20,675	27,567	34,459	41,350	90,000
		Benefit at entitlement	7,680	10,776	13,872	16,968	19,980	21,336	24,636
Full-lifetime earnings level³			10,000	20,000	30,000	40,000	50,000	60,000	Maximum
Percent of fully insured workers with career average earnings at this level or below ⁴			13	30	47	63	75	84	100

¹ The assumptions underlying the above benefit estimates are similar to those used for the Social Security Statement. These estimates reflect no increase in the cost of living or average wage and earnings levels after December 2005. However, earnings after 2005 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VLF10 of the 2006 Trustees Report.)

² Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These patterns reflect the actual experience of insured workers during 1991-2002. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI benefit and contribution base) for each year through 2005. (For 2005, this amount was \$90,000.) For more details on the scaled-earnings patterns see Actuarial Notes Number 2005.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2005-3.html, and 2006.3 (forthcoming).

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2005) expected for the illustration assuming the worker survives to age 65 without becoming disabled.

⁴ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who are fully insured in 2003.

Office of the Chief Actuary
 Social Security Administration
 June 19, 2006

Table 1B: Retired Worker Annual Benefit Amounts¹ Scheduled in Current Law
For Insured Workers at Various Ages Who Become Entitled at Age 65 With Various Lifetime Earnings Patterns²

Age in 2006	Age at benefit entitlement		Estimated earnings in 2005 and benefit at entitlement (Age 65)						
25	65	<i>Earnings in 2005</i>	\$5,848	\$11,695	\$17,543	\$23,391	\$29,239	\$35,086	\$90,000
		<i>Benefit at entitlement</i>	6,900	9,672	12,444	15,216	17,916	19,224	23,148
35	65	<i>Earnings in 2005</i>	9,719	19,437	29,156	38,874	48,593	58,312	90,000
		<i>Benefit at entitlement</i>	6,900	9,672	12,444	15,216	17,916	19,224	23,208
45	65	<i>Earnings in 2005</i>	10,985	21,970	32,956	43,941	54,926	65,911	90,000
		<i>Benefit at entitlement</i>	6,900	9,672	12,444	15,216	17,916	19,224	23,196
55	65	<i>Earnings in 2005</i>	10,606	21,213	31,819	42,426	53,032	63,639	90,000
		<i>Benefit at entitlement</i>	7,428	10,416	13,404	16,392	19,296	20,700	24,852
65	65	<i>Earnings in 2005</i>	6,892	13,783	20,675	27,567	34,459	41,350	90,000
		<i>Benefit at entitlement</i>	7,344	10,296	13,260	16,212	19,092	20,388	23,532
Full-lifetime earnings level³			10,000	20,000	30,000	40,000	50,000	60,000	Maximum
Percent of fully insured workers with career average earnings at this level or below ⁴			13	30	47	63	75	84	100

¹ The assumptions underlying the above benefit estimates are similar to those used for the Social Security Statement. These estimates reflect no increase in the cost of living or average wage and earnings levels after December 2005. However, earnings after 2005 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VI.F10 of the 2006 Trustees Report.)

² Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These patterns reflect the actual experience of insured workers during 1991-2002. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI benefit and contribution base) for each year through 2005. (For 2005, this amount was \$90,000.) For more details on the scaled-earnings patterns see Actuarial Notes Number 2005.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2005-3.html, and 2006.3 (forthcoming).

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2005) expected for the illustration assuming the worker survives to age 65 without becoming disabled.

⁴ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who are fully insured in 2003.

Office of the Chief Actuary
Social Security Administration
June 19, 2006

Table 2: Disabled Worker Annual Benefit Amounts

For Disability Insured Workers Entitled in 2006 at Selected Ages and With Various Lifetime Earnings Patterns¹

Age at benefit entitlement in 2006		Earnings in 2005 and benefit for 2006						
25	<i>Earnings in 2005</i>	\$5,848	\$11,695	\$17,543	\$23,391	\$29,239	\$35,086	\$90,000
	<i>Benefit at entitlement</i>	4,344	7,656	9,204	10,752	12,300	13,848	26,076
35	<i>Earnings in 2005</i>	9,719	19,437	29,156	38,874	48,593	58,312	90,000
	<i>Benefit at entitlement</i>	7,092	9,624	12,168	14,700	17,232	19,752	25,872
45	<i>Earnings in 2005</i>	10,985	21,970	32,956	43,941	54,926	65,911	90,000
	<i>Benefit at entitlement</i>	7,512	10,476	13,440	16,392	19,356	20,952	25,704
55	<i>Earnings in 2005</i>	10,606	21,213	31,819	42,426	53,032	63,639	90,000
	<i>Benefit at entitlement</i>	7,692	10,836	13,968	17,100	19,980	21,444	25,224
Full-lifetime earnings level²		10,000	20,000	30,000	40,000	50,000	60,000	Maximum
Percent of disability insured workers with career earnings at this level or below ³		7	24	42	59	73	82	100

¹ Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These patterns reflect the actual experience of insured workers during 1991-2002. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI benefit and contribution base) for each year through 2005. (For 2005, this amount was \$90,000.) For more details on the scaled-earnings patterns see Actuarial Notes Number 2005.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2005-3.html, and 2006.3 (forthcoming).

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2005) expected for the illustration assuming the worker survives to age 65 without having become disabled.

³ Based on a 1% sample of actual earnings histories for individuals aged 25 through 64 who are disability insured in 2003.

Note: These estimates reflect no increase in the cost of living after December 2005.

Office of the Chief Actuary
Social Security Administration
June 19, 2006

Table 3: Survivor Annual Benefit Amounts

For Survivors Entitled in 2006 at Selected Ages and With Various Lifetime Earnings Patterns of the Deceased Spouse¹

Age of deceased spouse in 2006	Age of surviving spouse in 2006	Benefit at entitlement in 2006 and deceased spouse's earnings in 2005							
25	25	<i>Spouse and one child</i>	\$7,176	\$11,952	\$14,496	\$17,040	\$19,584	\$22,152	\$39,312
		<i>Child only</i>	3,588	5,976	7,248	8,520	9,792	11,076	19,656
		<i>Spouse and two children</i>	7,176	11,952	14,496	18,648	23,280	27,552	45,864
		<i>Earnings of deceased spouse in 2005</i>	5,848	11,695	17,543	23,391	29,239	35,086	90,000
35	35	<i>Spouse and one child</i>	10,944	15,048	19,152	23,256	27,360	30,480	39,048
		<i>Child only</i>	5,472	7,524	9,576	11,628	13,680	15,240	19,524
		<i>Spouse and two children</i>	10,944	15,048	22,464	28,536	32,208	35,568	45,564
		<i>Earnings of deceased spouse in 2005</i>	9,719	19,437	29,156	38,874	48,593	58,312	90,000
45	45	<i>Spouse and one child</i>	11,328	15,840	20,352	24,840	29,352	31,608	38,592
		<i>Child only</i>	5,664	7,920	10,176	12,420	14,676	15,804	19,296
		<i>Spouse and two children</i>	11,340	16,464	24,636	29,964	34,248	36,876	45,036
		<i>Earnings of deceased spouse in 2005</i>	10,985	21,970	32,956	43,941	54,926	65,911	90,000
60	60	<i>Spouse only</i>	5,484	7,704	9,924	12,144	14,232	15,276	17,604
		<i>Child only</i>	5,748	8,076	10,404	12,744	14,928	16,020	18,468
		<i>Spouse and two children</i>	11,496	17,040	25,488	30,528	34,848	37,404	43,092
		<i>Earnings of deceased spouse in 2005</i>	8,854	17,709	26,563	35,418	44,272	53,127	90,000
Full-lifetime earnings level²		10,000	20,000	30,000	40,000	50,000	60,000	Maximum	
Percent of fully or currently insured workers with career average earnings at this level or below ³		14	31	48	63	75	84	100	

¹ Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These patterns reflect the actual experience of insured workers during 1991-2002. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI benefit and contribution base) for each year through 2005. (For 2005, this amount was \$90,000.) For more details on the scaled-earnings patterns see Actuarial Notes Number 2005.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2005-3.html, and 2006.3 (forthcoming).

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2005) expected for the illustration assuming the worker were to survive to age 65 without becoming disabled.

³ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who are fully or currently insured in 2003.

Note: These estimates reflect no increase in the cost of living after December 2005.

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