

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 2007, this note displays their current earnings in 2006 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 2006. 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 2007.

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 1991-2003, 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 2006 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.

Four tables are attached. The tables allow workers at various ages in 2007 to look up potential future benefit levels consistent with their earnings level in 2006. Each table lists *earnings in 2006* 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 2007. 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 2004. 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 2007 for disabled workers aged 25, 35, 45, and 55.

¹ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2006) 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 2006. Earnings after 2006 are assumed to equal the taxable maximum of \$94,200 for 2006.

³ For more details on development of the scaled earnings patterns, see Actuarial Notes 2006.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2006-3.html, and 2007.3 (forthcoming).

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 2004. 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 2007. In each case, the surviving spouse is assumed to be the same age as the deceased worker

and to become entitled to benefits in 2007. 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 2004.

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 2007	Age at benefit entitlement (NRA)		Estimated earnings in 2006 and benefit at entitlement (NRA)						
25	67	Earnings in 2006	\$5,806	\$11,613	\$17,419	\$23,226	\$29,032	\$34,839	\$94,200
		Benefit at entitlement	8,160	11,352	14,556	17,760	20,952	22,728	27,852
35	67	Earnings in 2006	9,717	19,434	29,151	38,868	48,585	58,302	94,200
		Benefit at entitlement	8,160	11,352	14,556	17,760	20,952	22,728	27,924
45	67	Earnings in 2006	10,985	21,970	32,955	43,940	54,924	65,909	94,200
		Benefit at entitlement	8,160	11,352	14,556	17,760	20,952	22,728	27,936
55	66	Earnings in 2006	10,606	21,211	31,817	42,423	53,029	63,634	94,200
		Benefit at entitlement	8,160	11,352	14,556	17,760	20,952	22,728	27,816
65	65 & 10 months	Earnings in 2006	6,920	13,840	20,760	27,680	34,600	41,520	94,200
		Benefit at entitlement	7,728	10,776	13,812	16,860	19,896	21,528	25,392
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 2006. However, earnings after 2006 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VIF10 of the 2007 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 1991-2003. 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 2006. (For 2006, this amount was \$94,200.) For more details on the scaled-earnings patterns see Actuarial Notes Number 2006.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2006-3.html, and 2007.3 (forthcoming).

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2006) 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 2004.

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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 2007	Age at benefit entitlement		Estimated earnings in 2006 and benefit at entitlement (Age 65)						
25	65	<i>Earnings in 2006</i>	\$5,806	\$11,613	\$17,419	\$23,226	\$29,032	\$34,839	\$94,200
		<i>Benefit at entitlement</i>	7,068	9,840	12,612	15,384	18,156	19,692	24,144
35	65	<i>Earnings in 2006</i>	9,717	19,434	29,151	38,868	48,585	58,302	94,200
		<i>Benefit at entitlement</i>	7,068	9,840	12,612	15,384	18,156	19,692	24,204
45	65	<i>Earnings in 2006</i>	10,985	21,970	32,955	43,940	54,924	65,909	94,200
		<i>Benefit at entitlement</i>	7,068	9,840	12,612	15,384	18,156	19,692	24,204
55	65	<i>Earnings in 2006</i>	10,606	21,211	31,817	42,423	53,029	63,634	94,200
		<i>Benefit at entitlement</i>	7,608	10,596	13,584	16,572	19,560	21,204	25,932
65	65	<i>Earnings in 2006</i>	6,920	13,840	20,760	27,680	34,600	41,520	94,200
		<i>Benefit at entitlement</i>	7,296	10,176	13,044	15,912	18,792	20,328	23,976
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 2006. However, earnings after 2006 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VI.F10 of the 2007 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 1991-2003. 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 2006. (For 2006, this amount was \$94,200.) For more details on the scaled-earnings patterns see Actuarial Notes Number 2006.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2006-3.html, and 2007.3 (forthcoming).

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2006) 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 2004.

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Table 2: Disabled Worker Annual Benefit Amounts

For Disability Insured Workers Entitled in 2007 at Selected Ages and With Various Lifetime Earnings Patterns¹

Age at benefit entitlement in 2007		Earnings in 2006 and benefit for 2007						
25	<i>Earnings in 2006</i>	\$5,806	\$11,613	\$17,419	\$23,226	\$29,032	\$34,839	\$94,200
	<i>Benefit at entitlement</i>	4,308	7,788	9,324	10,860	12,384	13,920	26,856
35	<i>Earnings in 2006</i>	9,717	19,434	29,151	38,868	48,585	58,302	94,200
	<i>Benefit at entitlement</i>	7,068	9,756	12,276	14,796	17,316	19,824	26,808
45	<i>Earnings in 2006</i>	10,985	21,970	32,955	43,940	54,924	65,909	94,200
	<i>Benefit at entitlement</i>	7,668	10,608	13,560	16,500	19,440	21,372	26,676
55	<i>Earnings in 2006</i>	10,606	21,211	31,817	42,423	53,029	63,634	94,200
	<i>Benefit at entitlement</i>	7,848	10,968	14,088	17,208	20,328	21,864	26,304
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	83	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 1991-2003. 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 2006. (For 2006, this amount was \$94,200.) For more details on the scaled-earnings patterns see Actuarial Notes Number 2006.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2006-3.html, and 2007.3 (forthcoming).

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2006) 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 2004.

Note: These estimates reflect no increase in the cost of living after December 2006.

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Table 3: Survivor Annual Benefit Amounts

For Survivors Entitled in 2007 at Selected Ages and With Various Lifetime Earnings Patterns of the Deceased Spouse¹

Age of deceased spouse in 2007	Age of surviving spouse in 2007	Benefit at entitlement in 2007 and deceased spouse's earnings in 2006							
25	25	<i>Spouse and one child</i>	\$7,080	\$12,144	\$14,664	\$17,208	\$19,728	\$22,248	\$40,488
		<i>Child only</i>	3,540	6,072	7,332	8,604	9,864	11,124	20,244
		<i>Spouse and two children</i>	7,092	12,144	14,676	18,480	23,064	27,648	47,244
		<i>Earnings of deceased spouse in 2006</i>	5,806	11,613	17,419	23,226	29,032	34,839	94,200
35	35	<i>Spouse and one child</i>	11,160	15,240	19,320	23,400	27,480	31,104	40,440
		<i>Child only</i>	5,580	7,620	9,660	11,700	13,740	15,552	20,220
		<i>Spouse and two children</i>	11,172	15,252	22,332	28,968	32,616	36,312	47,208
		<i>Earnings of deceased spouse in 2006</i>	9,717	19,434	29,151	38,868	48,585	58,302	94,200
45	45	<i>Spouse and one child</i>	11,568	16,056	20,520	25,008	29,472	32,232	40,056
		<i>Child only</i>	5,784	8,028	10,260	12,504	14,736	16,116	20,028
		<i>Spouse and two children</i>	11,568	16,392	24,504	30,396	34,416	37,620	46,740
		<i>Earnings of deceased spouse in 2006</i>	10,985	21,970	32,955	43,940	54,924	65,909	94,200
60	60	<i>Spouse only</i>	5,592	7,800	10,008	12,216	14,436	15,576	18,372
		<i>Child only</i>	5,868	8,184	10,500	12,816	15,144	16,344	19,272
		<i>Spouse and two children</i>	11,736	16,956	25,380	30,972	35,352	38,148	44,988
		<i>Earnings of deceased spouse in 2006</i>	8,864	17,728	26,591	35,455	44,319	53,183	94,200
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	64	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 1991-2003. 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 2006. (For 2006, this amount was \$94,200.) For more details on the scaled-earnings patterns see Actuarial Notes Number 2006.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2006-3.html, and 2007.3 (forthcoming).

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2006) 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 2004.

Note: These estimates reflect no increase in the cost of living after December 2006.

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