

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

by Michael Clingman, ASA, Kyle Burkhalter, FSA, and Chris Chaplain, ASA

The Social Security program provides monthly benefits to retired workers and their families, disabled workers and their families, and survivors of workers. The *progressivity* of the Social Security benefit formula provides individuals who have lower career-average earnings with monthly benefits that are a higher percentage of their career-average earnings than the percentage for those who have higher career-average earnings. For a group of *example workers* with a range of full-lifetime average earnings levels¹ at various ages in 2017, this note displays their current earnings at various ages in 2016, their full-lifetime average earnings, 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 available online to workers and former workers aged 18 and older. The benefit amounts are calculated as specified in current law. The amounts reflect no increase in price levels or in average wage levels after 2016. Thus, the benefit estimates for workers at various ages in 2017 who would be retiring in future years are roughly comparable to their potential benefits as disabled workers and for their survivors, which both assume benefit entitlement in 2017.

All example workers, except the steady maximum worker,² have scaled earnings patterns beginning at age 21. These patterns reflect the actual average work experience of insured workers during 1994-

2013, which show relatively low wages and probability of work at young and old ages and higher relative wages and probability of work at mid-career.³ After 2016, earnings levels for workers illustrated in this note increase or decrease due solely to the scaled earnings pattern, and not due to changes in the average wage level.

The following four tables show estimated future benefits consistent with earnings in 2016 and age in 2017. Each table lists *earnings in 2016* at various ages and *annual benefit amounts* at entitlement for example workers with full-lifetime average earnings levels¹ of \$10,000, \$20,000, \$30,000, \$40,000, \$50,000, \$60,000, and the taxable maximum. As mentioned above, the benefit amounts assume no increase in price levels or in average wage levels after 2016. 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 full-lifetime average earnings levels. We base these percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who were fully insured in 2014. For this purpose, comparisons are made to hypothetical scaled worker career average earnings at each of the applicable ages corresponding to the \$10,000, \$20,000, ... , maximum full lifetime average earnings levels. The illustrative benefits are for workers only. Additional benefits may be available for auxiliary beneficiaries such as spouses and

¹ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2016) expected for the illustration assuming that the worker survives to age 65 without becoming disabled.

² For the steady 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 2016. Earnings after 2016 are assumed to equal the taxable maximum of \$118,500 for 2016.

³ For more details on development of the scaled earnings patterns, see Actuarial Note Number 2017.3 at: <http://www.ssa.gov/OACT/NOTES/ran3/an2017-3.pdf>.

dependent children. The NRA increased to 66 for those attaining age 62 in 2005, and it is currently increasing further beginning with those attaining age 62 in 2017, reaching 67 for those attaining age 62 in 2022 and later.

- **Table 1B: Retired Workers Who Become Entitled at Age 65.** The only difference between table 1B and table 1A is that the example workers retire at age 65 rather than at NRA, resulting in lower benefit amounts due to reduction for early retirement. The illustrative benefits are for workers only. Additional benefits may be available for auxiliary beneficiaries such as spouses and dependent children.
- **Table 2: Disabled Worker Annual Benefit Amounts.** For the seven full-lifetime average earnings levels, table 2 provides benefit amounts assuming benefit entitlement in 2017 for disabled example workers aged 25, 35, 45, and 55. In addition, the table provides the percentage of disability insured workers with full-lifetime average earnings at or below each full-lifetime average earnings level. We base these percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who were disability insured in 2014. The illustrated benefits are for workers

only. Additional benefits may be available for auxiliary beneficiaries such as spouses and dependent children.

- **Table 3: Survivor Annual Benefit Amounts.** For the seven full-lifetime average earnings levels, table 3 provides benefit amounts assuming that the deceased example workers would have attained ages 25, 35, 45, or 60 just before dying in 2017. In each case, we assume the surviving spouse is the same age as the deceased worker and that he or she becomes entitled to benefits in 2017. The table provides benefit estimates 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 as, or only moderately higher than, benefit amounts for a *spouse and one child*. In addition, the table provides the percentage of fully insured workers with full-lifetime average earnings at or below each full-lifetime average earnings level. We base these percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who were fully or currently insured in 2014.

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 Full-Lifetime Earnings Patterns²

| Age in 2017 | Age at benefit entitlement (NRA) | Earnings in 2016 and benefit at entitlement (NRA) | | | | | | | |
|---|----------------------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| 25 | 67 | <i>Earnings in 2016</i> | \$5,460 | \$10,921 | \$16,381 | \$21,842 | \$27,302 | \$32,763 | \$118,500 |
| | | <i>Benefit at entitlement</i> | 8,988 | 12,720 | 15,924 | 19,116 | 22,320 | 25,512 | 35,304 |
| 35 | 67 | <i>Earnings in 2016</i> | 9,642 | 19,284 | 28,927 | 38,569 | 48,211 | 57,853 | 118,500 |
| | | <i>Benefit at entitlement</i> | 8,988 | 12,720 | 15,924 | 19,116 | 22,320 | 25,512 | 35,496 |
| 45 | 67 | <i>Earnings in 2016</i> | 10,868 | 21,735 | 32,603 | 43,471 | 54,338 | 65,206 | 118,500 |
| | | <i>Benefit at entitlement</i> | 8,988 | 12,720 | 15,924 | 19,116 | 22,320 | 25,512 | 35,628 |
| 55 | 67 | <i>Earnings in 2016</i> | 10,711 | 21,421 | 32,132 | 42,843 | 53,553 | 64,264 | 118,500 |
| | | <i>Benefit at entitlement</i> | 8,988 | 12,720 | 15,924 | 19,116 | 22,320 | 25,512 | 35,664 |
| 65 | 66 | <i>Earnings in 2016</i> | 7,345 | 14,691 | 22,036 | 29,381 | 36,727 | 44,072 | 118,500 |
| | | <i>Benefit at entitlement</i> | 8,256 | 11,664 | 14,604 | 17,544 | 20,484 | 23,412 | 32,772 |
| Full-lifetime average 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 | | | 8 | 22 | 36 | 50 | 62 | 72 | 100 |
| <p>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 2016. However, earnings after 2016 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table V.C7 of the 2017 Trustees Report.)</p> <p>² Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of insured workers during 1994-2013. 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 2016. (For 2016, this amount was \$118,500.) For more details on the scaled-earnings patterns see Actuarial Note Number 2017.3 at: http://www.ssa.gov/OACT/NOTES/ran3/an2017-3.pdf.</p> <p>³ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2016) expected for the illustration assuming the worker survives to age 65 without becoming disabled.</p> <p>⁴ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who were fully insured in 2014. Comparisons are made to hypothetical scaled worker career average earnings at each of the applicable ages corresponding to the \$10,000, \$20,000, ... , maximum full lifetime average earnings levels.</p> | | | | | | | | | |

Office of the Chief Actuary
Social Security Administration
November 2017

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 Full-Lifetime Earnings Patterns²

| Age in 2017 | Age at benefit entitlement | | Earnings in 2016 and benefit at entitlement (Age 65) | | | | | | |
|---|----------------------------|-------------------------------------|--|---------------|---------------|---------------|---------------|---------------|----------------|
| | | | | | | | | | |
| 25 | 65 | <i>Earnings in 2016</i> | \$5,460 | \$10,921 | \$16,381 | \$21,842 | \$27,302 | \$32,763 | \$118,500 |
| | | <i>Benefit at entitlement</i> | 7,788 | 11,016 | 13,800 | 16,572 | 19,344 | 22,116 | 30,600 |
| 35 | 65 | <i>Earnings in 2016</i> | 9,642 | 19,284 | 28,927 | 38,569 | 48,211 | 57,853 | 118,500 |
| | | <i>Benefit at entitlement</i> | 7,788 | 11,016 | 13,800 | 16,572 | 19,344 | 22,116 | 30,768 |
| 45 | 65 | <i>Earnings in 2016</i> | 10,868 | 21,735 | 32,603 | 43,471 | 54,338 | 65,206 | 118,500 |
| | | <i>Benefit at entitlement</i> | 7,788 | 11,016 | 13,800 | 16,572 | 19,344 | 22,116 | 30,876 |
| 55 | 65 | <i>Earnings in 2016</i> | 10,711 | 21,421 | 32,132 | 42,843 | 53,553 | 64,264 | 118,500 |
| | | <i>Benefit at entitlement</i> | 7,788 | 11,016 | 13,800 | 16,572 | 19,344 | 22,116 | 30,912 |
| 65 | 65 | <i>Earnings in 2016</i> | 7,345 | 14,691 | 22,036 | 29,381 | 36,727 | 44,072 | 118,500 |
| | | <i>Benefit at entitlement</i> | 7,704 | 10,884 | 13,620 | 16,368 | 19,116 | 21,852 | 30,504 |
| Full-lifetime average 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 | | | 8 | 22 | 36 | 50 | 62 | 72 | 100 |
| <p>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 2016. However, earnings after 2016 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table V.C7 of the 2017 Trustees Report.)</p> <p>² Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of insured workers during 1994-2013. 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 2016. (For 2016, this amount was \$118,500.) For more details on the scaled-earnings patterns see Actuarial Note Number 2017.3 at: http://www.ssa.gov/OACT/NOTES/ran3/an2017-3.pdf.</p> <p>³ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2016) expected for the illustration assuming the worker survives to age 65 without becoming disabled.</p> <p>⁴ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who were fully insured in 2014. Comparisons are made to hypothetical scaled worker career average earnings at each of the applicable ages corresponding to the \$10,000, \$20,000, ... , maximum full lifetime average earnings levels.</p> | | | | | | | | | |

Table 2. Disabled Worker Annual Benefit Amounts

For Disability Insured Workers Entitled in 2017 at Selected Ages and With Various Full-Lifetime Earnings Patterns¹

| Age at benefit entitlement in 2017 | | Earnings in 2016 and benefit at entitlement in 2017 | | | | | | |
|---|-------------------------------------|--|---------------|---------------|---------------|---------------|---------------|----------------|
| 25 | <i>Earnings in 2016</i> | \$5,460 | \$10,921 | \$16,381 | \$21,842 | \$27,302 | \$32,763 | \$118,500 |
| | <i>Benefit at entitlement</i> | 4,056 | 8,124 | 10,488 | 11,940 | 13,380 | 14,832 | 34,944 |
| 35 | <i>Earnings in 2016</i> | 9,642 | 19,284 | 28,927 | 38,569 | 48,211 | 57,853 | 118,500 |
| | <i>Benefit at entitlement</i> | 6,972 | 11,124 | 13,596 | 16,080 | 18,564 | 21,048 | 35,076 |
| 45 | <i>Earnings in 2016</i> | 10,868 | 21,735 | 32,603 | 43,471 | 54,338 | 65,206 | 118,500 |
| | <i>Benefit at entitlement</i> | 8,316 | 12,072 | 15,024 | 17,988 | 20,940 | 23,904 | 35,016 |
| 55 | <i>Earnings in 2016</i> | 10,711 | 21,421 | 32,132 | 42,843 | 53,553 | 64,264 | 118,500 |
| | <i>Benefit at entitlement</i> | 8,856 | 12,456 | 15,612 | 18,756 | 21,912 | 25,056 | 34,848 |
| Full-lifetime average 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 | | 4 | 15 | 30 | 45 | 58 | 69 | 100 |
| <p>¹ Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of insured workers during 1994-2013. 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 2016. (For 2016, this amount was \$118,500.) For more details on the scaled-earnings patterns see Actuarial Note Number 2017.3 at: http://www.ssa.gov/OACT/NOTES/ran3/an2017-3.pdf.</p> <p>² The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2016) expected for the illustration assuming the worker survives to age 65 without having become disabled.</p> <p>³ Based on a 1% sample of actual earnings histories for individuals aged 25 to 65 who were disability insured in 2014. Comparisons are made to hypothetical scaled worker career average earnings at each of the applicable ages corresponding to the \$10,000, \$20,000, ... , maximum full lifetime average earnings levels.</p> <p>Note: These estimates reflect no increase in the cost of living after December 2016.</p> | | | | | | | | |

Office of the Chief Actuary
Social Security Administration
November 2017

Table 3. Survivor Annual Benefit Amounts

For Survivors Entitled in 2017 at Selected Ages and With Various Full-Lifetime Earnings Patterns of the Deceased Spouse¹

| Age of deceased spouse in 2017 | Age of surviving spouse in 2017 | | Benefit at entitlement in 2017 and deceased spouse's earnings in 2016 | | | | | | |
|--|---|-------------------------------|---|---------------|---------------|---------------|---------------|---------------|----------------|
| | | | | | | | | | |
| 25 | 25 | Spouse and one child | 6,696 | 13,416 | 16,392 | 18,792 | 21,168 | 23,568 | 52,512 |
| | | Child only..... | 3,348 | 6,708 | 8,196 | 9,396 | 10,584 | 11,784 | 26,256 |
| | | Spouse and two children | 6,696 | 13,428 | 16,392 | 18,792 | 21,852 | 26,184 | 61,272 |
| | Earnings of deceased spouse in 2016 | 5,460 | 10,921 | 16,381 | 21,842 | 27,302 | 32,763 | 118,500 | |
| 35 | 35 | Spouse and one child..... | 11,352 | 17,328 | 21,360 | 25,416 | 29,472 | 33,504 | 52,800 |
| | | Child only..... | 5,676 | 8,664 | 10,680 | 12,708 | 14,736 | 16,752 | 26,400 |
| | | Spouse and two children | 11,364 | 17,328 | 22,200 | 29,544 | 36,804 | 40,428 | 61,608 |
| | Earnings of deceased spouse in 2016 | 9,642 | 19,284 | 28,927 | 38,569 | 48,211 | 57,853 | 118,500 | |
| 45 | 45 | Spouse and one child..... | 12,648 | 18,240 | 22,752 | 27,264 | 31,776 | 36,288 | 52,560 |
| | | Child only..... | 6,324 | 9,120 | 11,376 | 13,632 | 15,888 | 18,144 | 26,280 |
| | | Spouse and two children | 12,660 | 18,252 | 24,708 | 32,892 | 38,868 | 42,900 | 61,344 |
| | Earnings of deceased spouse in 2016 | 10,868 | 21,735 | 32,603 | 43,471 | 54,338 | 65,206 | 118,500 | |
| 60 | 60 | Spouse only | 6,312 | 8,892 | 11,136 | 13,380 | 15,636 | 17,880 | 24,828 |
| | | Child only..... | 6,624 | 9,324 | 11,688 | 14,040 | 16,392 | 18,756 | 26,040 |
| | | Spouse and two children | 13,248 | 18,660 | 25,836 | 34,380 | 39,780 | 43,992 | 60,768 |
| | Earnings of deceased spouse in 2016 | 9,251 | 18,502 | 27,753 | 37,004 | 46,256 | 55,507 | 118,500 | |
| Full-lifetime average 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 | | | 9 | 23 | 37 | 51 | 63 | 73 | 100 |
| <p>¹ Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of insured workers during 1994-2013. 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 2016. (For 2016, this amount was \$118,500.) For more details on the scaled-earnings patterns see Actuarial Note Number 2017.3 at: http://www.ssa.gov/OACT/NOTES/ran3/an2017-3.pdf.</p> <p>² The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2016) expected for the illustration assuming the worker were to survive to age 65 without becoming disabled.</p> <p>³ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who were fully or currently insured in 2014. Comparisons are made to hypothetical scaled worker career average earnings at each of the applicable ages corresponding to the \$10,000, \$20,000, ... , maximum full lifetime average earnings levels.</p> <p>Note: These estimates reflect no increase in the cost of living after December 2016.</p> | | | | | | | | | |