

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

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The Social Security program provides income to qualifying disabled workers, retired workers, and survivors. The *progressivity* of the Social Security benefit formula allows individuals with lower earnings to receive 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 levels<sup>1</sup> and a range of attained ages in 2004, this note displays earnings in 2003 and the corresponding amounts they would expect to receive at benefit entitlement.

The assumptions underlying the attached tables are similar to those used in the 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 2003. 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 2004.

All hypothetical workers, except the maximum,<sup>2</sup> are assumed to have scaled earnings patterns beginning at age 21. These patterns reflect the actual experience of insured workers during 1991-2000, 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.<sup>3</sup> Earnings for scaled workers after 2003, while not assumed to increase due to changes in average wage levels, 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 Social Security Statement.

Four tables are attached. Each table lists *earnings in 2003* 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 2004. 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 2001. The illustrated benefits are for workers only. There may be additional benefits for auxiliary beneficiaries such as spouses and dependent children.
- **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 2004 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 2001. The illustrated benefits are for workers only. There may be additional benefits for auxiliary beneficiaries such as spouses and dependent children.

<sup>1</sup> The full lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2003) expected for the illustration assuming that the worker survives to retirement age without becoming disabled.

<sup>2</sup> 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 2003. Earnings after 2003 are assumed to equal the taxable maximum of \$87,000 for 2003.

<sup>3</sup> For more details on development of the scaled earnings patterns, see Actuarial Notes 144 and 2004.3, located at: <http://www.socialsecurity.gov/OACT/NOTES/note2000s/note144.html> and <http://www.socialsecurity.gov/OACT/NOTES/ran3/an2004-3.html>.

- **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 2004. In all cases, the surviving spouse is assumed to be the same age as the deceased worker and to become entitled to benefits in 2004. 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 insured in 2001.

**Table 1A: Retired Worker Annual Benefit Amounts<sup>1</sup> Scheduled in Current Law**

For Insured Workers at Various Ages Who Become Entitled at Normal Retirement Age (NRA) With Various Lifetime Earnings Patterns<sup>2</sup>

Age in 2004	Age at benefit entitlement (NRA)		Estimated earnings in 2003 and benefit at entitlement (NRA)						
25	67	<i>Earnings in 2003</i> . . . . .	\$5,898	\$11,796	\$17,693	\$23,591	\$29,489	\$35,387	\$87,000
		<i>Benefit at entitlement</i> . . . .	7,541	10,740	13,943	17,141	19,513	21,013	25,063
35	67	<i>Earnings in 2003</i> . . . . .	9,778	19,557	29,335	39,113	48,891	58,670	87,000
		<i>Benefit at entitlement</i> . . . .	7,541	10,740	13,943	17,141	19,513	21,013	25,063
45	66 & 10 months	<i>Earnings in 2003</i> . . . . .	11,060	22,120	33,180	44,240	55,299	66,359	87,000
		<i>Benefit at entitlement</i> . . . .	7,541	10,740	13,943	17,141	19,513	21,013	24,890
55	66	<i>Earnings in 2003</i> . . . . .	10,443	20,886	31,328	41,771	52,214	62,657	87,000
		<i>Benefit at entitlement</i> . . . .	7,541	10,740	13,943	17,141	19,513	21,013	24,512
65	65 & 4 months	<i>Earnings in 2003</i> . . . . .	6,898	13,796	20,695	27,593	34,491	41,389	87,000
		<i>Benefit at entitlement</i> . . . .	7,204	10,268	13,331	16,394	18,587	19,732	21,905
Full lifetime average earnings level <sup>3</sup> . . . . .			10,000	20,000	30,000	40,000	50,000	60,000	Maximum
Percent of fully insured workers with lifetime average earnings at this level or below <sup>4</sup> . . . . .			15	33	52	68	80	88	100

<sup>1</sup> 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 2003. However, earnings after 2003 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VI.F11 of the 2004 Trustees Report.)

<sup>2</sup> Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the relative earnings level by age experienced during 1991-2000. For the maximum worker, earnings start at age 22 and are assumed to be equal to the OASDI benefit and contribution base through 2003. (For 2003, this amount was \$87,000.) For more details on the scaled-earnings patterns see Actuarial Notes Numbers 144 and 2004.3, located at: <http://www.socialsecurity.gov/OACT/NOTES/note2000s/note144.html> and <http://www.socialsecurity.gov/OACT/NOTES/ran3/an2004-3.html>.

<sup>3</sup> The full lifetime average earnings level reflects the average earnings (wage-indexed to 2003) expected for the illustration assuming the worker survives to retirement age without becoming disabled.

<sup>4</sup> Based on actual earnings histories for individuals who are fully insured in 2001.

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**Table 1B: Retired Worker Annual Benefit Amounts<sup>1</sup> Scheduled in Current Law**  
 For Insured Workers at Various Ages Who Become Entitled at Age 65 With Various Lifetime Earnings Patterns<sup>2</sup>

Age in 2004	Age at benefit entitlement		Estimated earnings in 2003 and benefit at entitlement (Age 65)						
25	65	<i>Earnings in 2003</i> . . . . .	\$5,898	\$11,796	\$17,693	\$23,591	\$29,489	\$35,387	\$87,000
		<i>Benefit at entitlement</i> . . . .	6,535	9,307	12,083	14,855	16,910	18,211	21,721
35	65	<i>Earnings in 2003</i> . . . . .	9,778	19,557	29,335	39,113	48,891	58,670	87,000
		<i>Benefit at entitlement</i> . . . .	6,535	9,307	12,083	14,855	16,910	18,211	21,696
45	65	<i>Earnings in 2003</i> . . . . .	11,060	22,120	33,180	44,240	55,299	66,359	87,000
		<i>Benefit at entitlement</i> . . . .	6,618	9,427	12,238	15,046	17,128	18,444	21,776
55	65	<i>Earnings in 2003</i> . . . . .	10,443	20,886	31,328	41,771	52,214	62,657	87,000
		<i>Benefit at entitlement</i> . . . .	7,038	10,024	13,013	15,997	18,211	19,612	22,733
65	65	<i>Earnings in 2003</i> . . . . .	6,898	13,796	20,695	27,593	34,491	41,389	87,000
		<i>Benefit at entitlement</i> . . . .	7,043	10,039	13,034	16,030	18,173	19,292	21,418
Full lifetime average earnings level <sup>3</sup> . . . . .			10,000	20,000	30,000	40,000	50,000	60,000	Maximum
Percent of fully insured workers with lifetime average earnings at this level or below <sup>4</sup> . . . . .			15	33	52	68	80	88	100

<sup>1</sup> 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 2003. However, earnings after 2003 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VI.F11 of the 2004 Trustees Report.)

<sup>2</sup> Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the relative earnings level by age experienced during 1991-2000. For the maximum worker, earnings start at age 22 and are assumed to be equal to the OASDI benefit and contribution base through 2003. (For 2003, this amount was \$87,000.) For more details on the scaled-earnings patterns see Actuarial Notes Numbers 144 and 2004.3, located at: <http://www.socialsecurity.gov/OACT/NOTES/note2000s/note144.html> and <http://www.socialsecurity.gov/OACT/NOTES/ran3/an2004-3.html>.

<sup>3</sup> The full lifetime average earnings level reflects the average earnings (wage-indexed to 2003) expected for the illustration assuming the worker survives to retirement age without becoming disabled.

<sup>4</sup> Based on actual earnings histories for individuals who are fully insured in 2001.

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**Table 2: Disabled Worker Annual Benefit Amounts**

For Disability Insured Workers Entitled in 2004 at Selected Ages and With Various Lifetime Earnings Patterns<sup>1</sup>

Age at benefit entitlement in 2004		Earnings in 2003 and benefit for 2004						
25	<i>Earnings in 2003</i> . . . . .	\$5,898	\$11,796	\$17,693	\$23,591	\$29,489	\$35,387	\$87,000
	<i>Benefit at entitlement</i> . . . . .	4,460	7,430	9,017	10,603	12,188	13,778	24,438
35	<i>Earnings in 2003</i> . . . . .	9,778	19,557	29,335	39,113	48,891	58,670	87,000
	<i>Benefit at entitlement</i> . . . . .	6,859	9,462	13,146	14,669	17,273	19,105	24,110
45	<i>Earnings in 2003</i> . . . . .	11,060	22,120	33,180	44,240	55,299	66,359	87,000
	<i>Benefit at entitlement</i> . . . . .	7,304	10,349	13,394	16,440	18,922	20,351	23,926
55	<i>Earnings in 2003</i> . . . . .	10,443	20,886	31,328	41,771	52,214	62,657	87,000
	<i>Benefit at entitlement</i> . . . . .	7,474	10,691	13,909	17,126	19,325	20,833	23,254
Full lifetime average earnings level <sup>2</sup> . . . . .		10,000	20,000	30,000	40,000	50,000	60,000	Maximum
Percent of disability insured workers with average earnings at this level or below <sup>3</sup> . . . . .		9	27	47	65	78	87	100

<sup>1</sup> Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the relative earnings level by age experienced during 1991-2000. For the maximum worker, earnings start at age 22 and are assumed to be equal to the OASDI benefit and contribution base through 2003. (For 2003, this amount was \$87,000.) For more details on the scaled-earnings patterns see Actuarial Notes Numbers 144 and 2004.3, located at: <http://www.socialsecurity.gov/OACT/NOTES/note2000s/note144.html> and <http://www.socialsecurity.gov/OACT/NOTES/ran3/an2004-3.html>.

<sup>2</sup> The full lifetime average earnings level reflects the average earnings (wage-indexed to 2003) expected for the illustration assuming the worker survives to retirement age without becoming disabled.

<sup>3</sup> Based on actual earnings histories for individuals who are disability insured in 2001.

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**Table 3: Survivor Annual Benefit Amounts**

For Survivors Entitled in 2004 at Selected Ages and With Various Lifetime Earnings Patterns of the Deceased Spouse<sup>1</sup>

Age of deceased spouse in 2004	Age of surviving spouse in 2004		Benefit at entitlement in 2004 and deceased spouse's earnings in 2003						
25	25	<i>Spouse and one child</i> . . . . .	\$7,306	\$11,590	\$14,193	\$16,798	\$19,400	\$22,003	\$37,013
		<i>Child only</i> . . . . .	3,653	5,795	7,097	8,399	9,700	11,002	18,507
		<i>Spouse and two children</i> . . . . .	7,306	11,590	14,287	19,010	23,730	26,903	43,187
		<i>Earnings of deceased spouse in 2003</i> . . . . .	5,898	11,796	17,693	23,591	29,489	35,387	87,000
35	35	<i>Spouse and one child</i> . . . . .	10,592	14,803	19,015	23,225	27,436	29,516	36,376
		<i>Child only</i> . . . . .	5,297	7,402	9,508	11,613	13,718	14,758	18,188
		<i>Spouse and two children</i> . . . . .	10,592	15,394	23,032	27,995	32,014	34,441	42,444
		<i>Earnings of deceased spouse in 2003</i> . . . . .	9,778	19,557	29,335	39,113	48,891	58,670	87,000
45	45	<i>Spouse and one child</i> . . . . .	11,020	15,656	20,288	24,925	28,535	30,710	35,926
		<i>Child only</i> . . . . .	5,510	7,828	10,144	12,462	14,268	15,355	17,963
		<i>Spouse and two children</i> . . . . .	11,020	16,942	25,339	29,513	33,296	35,833	41,918
		<i>Earnings of deceased spouse in 2003</i> . . . . .	11,060	22,120	33,180	44,240	55,299	66,359	87,000
60	60	<i>Spouse and one child</i> . . . . .	5,319	7,592	9,865	12,139	13,754	14,770	16,188
		<i>Child only</i> . . . . .	5,579	7,963	10,348	12,733	14,427	15,493	16,980
		<i>Spouse and two children</i> . . . . .	11,158	17,431	25,736	29,998	33,668	36,155	39,625
		<i>Earnings of deceased spouse in 2003</i> . . . . .	8,722	17,444	26,166	34,888	43,611	52,333	87,000
Full lifetime average earnings level <sup>2</sup> . . . . .			10,000	20,000	30,000	40,000	50,000	60,000	Maximum
Percent of fully or currently insured workers with lifetime average earnings at this level or below <sup>3</sup> . . .			15	33	52	68	80	88	100

<sup>1</sup> Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the relative earnings level by age experienced during 1991-2000. For the maximum worker, earnings start at age 22 and are assumed to be equal to the OASDI benefit and contribution base through 2003. (For 2003, this amount was \$87,000.) For more details on the scaled-earnings patterns see Actuarial Notes Numbers 144 and 2004.3, located at: <http://www.socialsecurity.gov/OACT/NOTES/note2000s/note144.html> and <http://www.socialsecurity.gov/OACT/NOTES/ran3/an2004-3.html>.

<sup>2</sup> The full lifetime average earnings level reflects the average earnings (wage-indexed to 2003) expected for the illustration assuming the worker survives to retirement age without becoming disabled.

<sup>3</sup> Based on actual earnings histories for individuals who are fully or currently insured in 2001.

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