

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

by Michael Clingman, Kyle Burkhalter, and Chris Chaplain

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 a group of *example workers* with a range of full-lifetime earnings levels¹ at various ages in 2010, this note displays their current earnings in 2009, their full-lifetime 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 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 2009. 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 2010.

All *example workers*, except the steady maximum,² are assumed to have scaled earnings patterns beginning at age 21. These patterns reflect the actual experience of insured workers during 1991-2006, 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 2009 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 to look up estimated future benefits consistent with their earnings in 2009 and age in 2010. Each table lists *earnings in 2009* at various ages and *annual benefit amounts* at entitlement for *example workers* with full-lifetime earnings levels 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 the cost of living or the average wage after 2009. 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 earnings at or below each of the seven full-lifetime 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 2007. The illustrated benefits are for workers only. There may be additional benefits for auxiliary beneficiaries such as spouses and dependent children. The NRA increased 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 *example workers* retire 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 earnings levels listed above, this table provides benefit amounts assuming benefit entitlement in 2010 for disabled example workers aged 25, 35, 45, and 55. In addition, the table provides the percentage of disability insured workers with full-lifetime earnings at or below each full-lifetime earnings

¹ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2009) 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 2009. Earnings after 2009 are assumed to equal the taxable maximum of \$106,800 for 2009.

³ For more details on development of the scaled earnings patterns, see Actuarial Notes 2010.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2010-3.html.

level. These percentages are based on earnings of a one-percent sample of individuals, aged 25 through 64, who are disability insured in 2007. 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 the seven full-lifetime earnings levels, this table provides benefit amounts assuming that the deceased *example workers* would have attained ages 25, 35, 45, or 60 just before dying in 2010. In each case, the surviving spouse is assumed to be the same age as the deceased worker and to become entitled to benefits in 2010. 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 as, or only moderately higher than, for a *spouse and one child*. In addition, the table provides the percentage of fully insured workers with full-lifetime earnings at or below each full-lifetime 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 2007.

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 2010 | Age at benefit entitlement (NRA) | Estimated earnings in 2009 and benefit at entitlement (NRA) | | | | | | | |
|---|----------------------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| 25 | 67 | <i>Earnings in 2009</i> | \$5,719 | 11,438 | 17,157 | 22,876 | 28,595 | 34,314 | \$106,800 |
| | | <i>Benefit at entitlement</i> | 8,460 | 11,652 | 14,856 | 18,060 | 21,252 | 23,544 | 30,576 |
| 35 | 67 | <i>Earnings in 2009</i> | 9,710 | 19,421 | 29,131 | 38,842 | 48,552 | 58,263 | 106,800 |
| | | <i>Benefit at entitlement</i> | 8,460 | 11,652 | 14,856 | 18,060 | 21,252 | 23,556 | 30,552 |
| 45 | 67 | <i>Earnings in 2009</i> | 10,961 | 21,923 | 32,884 | 43,846 | 54,807 | 65,769 | 106,800 |
| | | <i>Benefit at entitlement</i> | 8,460 | 11,652 | 14,856 | 18,060 | 21,252 | 23,544 | 30,312 |
| 55 | 66 | <i>Earnings in 2009</i> | 10,640 | 21,280 | 31,919 | 42,559 | 53,199 | 63,839 | 106,800 |
| | | <i>Benefit at entitlement</i> | 8,460 | 11,652 | 14,856 | 18,060 | 21,252 | 23,544 | 29,904 |
| 65 | 66 | <i>Earnings in 2009</i> | 6,991 | 13,982 | 20,972 | 27,963 | 34,954 | 41,945 | 106,800 |
| | | <i>Benefit at entitlement</i> | 8,244 | 11,364 | 14,496 | 17,616 | 20,748 | 22,968 | 28,392 |
| 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 | | | 11 | 26 | 42 | 58 | 70 | 80 | 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 2009. However, earnings after 2009 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VIF10 of the 2010 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 1991-2006. 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 2009. (For 2009, this amount was \$106,800.) For more details on the scaled-earnings patterns see Actuarial Note Number 2010.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2010-3.html.

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2009) 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 2007.

Office of the Chief Actuary
Social Security Administration
February, 2011

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 2010 | Age at benefit entitlement | | Estimated earnings in 2009 and benefit at entitlement (Age 65) | | | | | | |
|---|----------------------------|---------------------------------------|--|---------------|---------------|---------------|---------------|---------------|----------------|
| | | | | | | | | | |
| 25 | 65 | <i>Earnings in 2009</i> | \$5,719 | 11,438 | 17,157 | 22,876 | 28,595 | 34,314 | \$106,800 |
| | | <i>Benefit at entitlement</i> | 7,332 | 10,104 | 12,876 | 15,648 | 18,420 | 20,412 | 26,496 |
| 35 | 65 | <i>Earnings in 2009</i> | 9,710 | 19,421 | 29,131 | 38,842 | 48,552 | 58,263 | 106,800 |
| | | <i>Benefit at entitlement</i> | 7,332 | 10,104 | 12,876 | 15,648 | 18,420 | 20,412 | 26,436 |
| 45 | 65 | <i>Earnings in 2009</i> | 10,961 | 21,923 | 32,884 | 43,846 | 54,807 | 65,769 | 106,800 |
| | | <i>Benefit at entitlement</i> | 7,332 | 10,104 | 12,876 | 15,648 | 18,420 | 20,412 | 26,220 |
| 55 | 65 | <i>Earnings in 2009</i> | 10,640 | 21,280 | 31,919 | 42,559 | 53,199 | 63,839 | 106,800 |
| | | <i>Benefit at entitlement</i> | 7,800 | 10,752 | 13,692 | 16,644 | 19,596 | 21,720 | 27,540 |
| 65 | 65 | <i>Earnings in 2009</i> | 6,991 | 13,982 | 20,972 | 27,963 | 34,954 | 41,945 | 106,800 |
| | | <i>Benefit at entitlement</i> | 7,692 | 10,608 | 13,524 | 16,440 | 19,368 | 21,432 | 26,292 |
| 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 | | | 11 | 26 | 42 | 58 | 70 | 80 | 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 2009. However, earnings after 2009 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VI.F10 of the 2010 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 1991-2006. 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 2009. (For 2009, this amount was \$106,800.) For more details on the scaled-earnings patterns see Actuarial Note Number 2010.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2010-3.html.

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2009) 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 2007.

Office of the Chief Actuary
 Social Security Administration
 February, 2011

Table 2: Disabled Worker Annual Benefit Amounts

For Disability Insured Workers Entitled in 2010 at Selected Ages and With Various Lifetime Earnings Patterns¹

| Age at benefit entitlement in 2010 | | Earnings in 2009 and benefit for 2010 | | | | | | |
|--|---|---------------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | | | | | | | | |
| 25 | <i>Earnings in 2009</i> | \$5,719 | 11,438 | 17,157 | 22,876 | 28,595 | 34,314 | \$106,800 |
| | <i>Benefit at entitlement</i> | 4,368 | 8,400 | 9,960 | 11,508 | 13,068 | 14,616 | 30,072 |
| 35 | <i>Earnings in 2009</i> | 9,710 | 19,421 | 29,131 | 38,842 | 48,552 | 58,263 | 106,800 |
| | <i>Benefit at entitlement</i> | 7,356 | 10,524 | 13,152 | 15,768 | 18,384 | 21,012 | 29,928 |
| 45 | <i>Earnings in 2009</i> | 10,961 | 21,923 | 32,884 | 43,846 | 54,807 | 65,769 | 106,800 |
| | <i>Benefit at entitlement</i> | 8,376 | 11,460 | 14,544 | 17,628 | 20,712 | 23,316 | 29,904 |
| 55 | <i>Earnings in 2009</i> | 10,640 | 21,280 | 31,919 | 42,559 | 53,199 | 63,839 | 106,800 |
| | <i>Benefit at entitlement</i> | 8,568 | 11,844 | 15,132 | 18,408 | 21,684 | 23,868 | 29,676 |
| 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 | | 6 | 21 | 37 | 54 | 68 | 78 | 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 1991-2006. 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 2009. (For 2009, this amount was \$106,800.) For more details on the scaled-earnings patterns see Actuarial Note Number 2010.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2010-3.html.

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2009) 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 2007.

Note: These estimates reflect no increase in the cost of living after December 2009.

Office of the Chief Actuary
 Social Security Administration
 February, 2011

Table 3: Survivor Annual Benefit Amounts

For Survivors Entitled in 2010 at Selected Ages and With Various Lifetime Earnings Patterns of the Deceased Spouse¹

| Age of deceased spouse in 2010 | Age of surviving spouse in 2010 | | Benefit at entitlement in 2010 and deceased spouse's earnings in 2009 | | | | | | |
|--|---------------------------------|--|---|---------------|---------------|---------------|---------------|---------------|----------------|
| 25 | 25 | <i>Spouse and one child</i> | \$7,152 | 13,032 | 15,576 | 18,120 | 20,664 | 23,208 | \$45,456 |
| | | <i>Child only</i> | 3,576 | 6,516 | 7,788 | 9,060 | 10,332 | 11,604 | 22,728 |
| | | <i>Spouse and two children</i> | 7,152 | 13,032 | 15,576 | 18,636 | 23,256 | 27,864 | 53,040 |
| | | <i>Earnings of deceased spouse in 2009</i> | 5,719 | 11,438 | 17,157 | 22,876 | 28,595 | 34,314 | 106,800 |
| 35 | 35 | <i>Spouse and one child</i> | 11,928 | 16,416 | 20,664 | 24,912 | 29,160 | 33,408 | 45,144 |
| | | <i>Child only</i> | 5,964 | 8,208 | 10,332 | 12,456 | 14,580 | 16,704 | 22,572 |
| | | <i>Spouse and two children</i> | 11,928 | 16,428 | 23,268 | 30,972 | 35,064 | 38,988 | 52,680 |
| | | <i>Earnings of deceased spouse in 2009</i> | 9,710 | 19,421 | 29,131 | 38,842 | 48,552 | 58,263 | 106,800 |
| 45 | 45 | <i>Spouse and one child</i> | 12,624 | 17,328 | 22,008 | 26,712 | 31,416 | 35,160 | 44,880 |
| | | <i>Child only</i> | 6,312 | 8,664 | 11,004 | 13,356 | 15,708 | 17,580 | 22,440 |
| | | <i>Spouse and two children</i> | 12,636 | 17,328 | 25,704 | 32,880 | 37,068 | 41,040 | 52,380 |
| | | <i>Earnings of deceased spouse in 2009</i> | 10,961 | 21,923 | 32,884 | 43,846 | 54,807 | 65,769 | 106,800 |
| 60 | 60 | <i>Spouse only</i> | 6,108 | 8,436 | 10,764 | 13,092 | 15,420 | 17,016 | 20,880 |
| | | <i>Child only</i> | 6,408 | 8,844 | 11,292 | 13,728 | 16,176 | 17,856 | 21,900 |
| | | <i>Spouse and two children</i> | 12,816 | 17,868 | 26,736 | 33,540 | 37,908 | 41,664 | 51,108 |
| | | <i>Earnings of deceased spouse in 2009</i> | 8,960 | 17,920 | 26,879 | 35,839 | 44,799 | 53,759 | 106,800 |
| 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 | | | 12 | 27 | 43 | 58 | 71 | 80 | 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 1991-2006. 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 2009. (For 2009, this amount was \$106,800) For more details on the scaled-earnings patterns see Actuarial Note Number 2010.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2010-3.html.

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2009) 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 2007.

Note: These estimates reflect no increase in the cost of living after December 2009.

Office of the Chief Actuary
 Social Security Administration
 February, 2011