

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 a group of *example workers* with a range of full-lifetime average earnings levels¹ at various ages in 2011, this note displays their current earnings in 2010, 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 mailed to workers and former workers aged 25 and older and not yet receiving benefits.² Specifically, the benefit amounts reflect no increase in the cost of living or in the average wage level after 2010. Thus, the benefit estimates for workers retiring in future years are roughly comparable to the benefit estimates for disabled workers and survivors of deceased workers, which both assume benefit entitlement in 2011.

All *example workers*, except the steady maximum,³ are assumed to have scaled earnings patterns beginning at age 21. These patterns reflect the actual experience of insured workers during 1991-2007, 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.⁴ Earnings levels after 2010 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 2010 and age in 2011. Each table lists *earnings in 2010* 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 2010. 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 2008. 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 2011 for

¹ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2010) expected for the illustration assuming that the worker survives to age 65 without becoming disabled.

² In light of the current budget situation, the Social Security Administration has suspended issuing Social Security Statements.

³ 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 2010. Earnings after 2010 are assumed to equal the taxable maximum of \$106,800 for 2010.

⁴ For more details on development of the scaled earnings patterns, see Actuarial Note 2011.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2011-3.html.

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 level. These percentages are based on earnings of a one-percent sample of individuals, aged 25 through 65, who are disability insured in 2008. 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 2011. In each case, the surviving spouse is assumed to be

the same age as the deceased worker and to become entitled to benefits in 2011. 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 2008.

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 2011	Age at benefit entitlement (NRA)	Estimated earnings in 2010 and benefit at entitlement (NRA)							
25	67	<i>Earnings in 2010</i>	\$5,692	\$11,385	\$17,077	\$22,770	\$28,462	\$34,154	\$106,800
		<i>Benefit at entitlement</i>	8,556	11,748	14,952	18,156	21,348	23,820	30,852
35	67	<i>Earnings in 2010</i>	9,714	19,428	29,142	38,856	48,570	58,285	106,800
		<i>Benefit at entitlement</i>	8,556	11,748	14,952	18,156	21,348	23,820	30,852
45	67	<i>Earnings in 2010</i>	10,943	21,887	32,830	43,773	54,716	65,660	106,800
		<i>Benefit at entitlement</i>	8,556	11,748	14,952	18,156	21,348	23,820	30,720
55	66 and 4 mos.	<i>Earnings in 2010</i>	10,645	21,290	31,935	42,580	53,225	63,870	106,800
		<i>Benefit at entitlement</i>	8,556	11,748	14,952	18,156	21,348	23,820	30,420
65	66	<i>Earnings in 2010</i>	7,023	14,046	21,070	28,093	35,116	42,139	106,800
		<i>Benefit at entitlement</i>	8,364	11,496	14,628	17,772	20,904	23,304	29,112
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			10	26	42	57	70	79	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 2010. However, unlike the approach used in the Social Security Statement, earnings after 2010 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VI.F10 of the 2011 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 1991-2007. 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 2010. (For 2010, this amount was \$106,800.) For more details on the scaled-earnings patterns see Actuarial Note Number 2011.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2011-3.html.

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2010) 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 2008.

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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 2011	Age at benefit entitlement		Estimated earnings in 2010 and benefit at entitlement (Age 65)						
25	65	<i>Earnings in 2010</i>	\$5,692	\$11,385	\$17,077	\$22,770	\$28,462	\$34,154	\$106,800
		<i>Benefit at entitlement</i>	7,416	10,188	12,960	15,732	18,504	20,640	26,736
35	65	<i>Earnings in 2010</i>	9,714	19,428	29,142	38,856	48,570	58,285	106,800
		<i>Benefit at entitlement</i>	7,416	10,188	12,960	15,732	18,504	20,640	26,724
45	65	<i>Earnings in 2010</i>	10,943	21,887	32,830	43,773	54,716	65,660	106,800
		<i>Benefit at entitlement</i>	7,416	10,188	12,960	15,732	18,504	20,640	26,580
55	65	<i>Earnings in 2010</i>	10,645	21,290	31,935	42,580	53,225	63,870	106,800
		<i>Benefit at entitlement</i>	7,788	10,704	13,620	16,536	19,452	21,708	27,684
65	65	<i>Earnings in 2010</i>	7,023	14,046	21,070	28,093	35,116	42,139	106,800
		<i>Benefit at entitlement</i>	7,800	10,728	13,656	16,584	19,512	21,744	26,988
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			10	26	42	57	70	79	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 2010. However, unlike the approach used in the Social Security Statement, earnings after 2010 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VI.F10 of the 2011 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 1991-2007. 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 2010. (For 2010, this amount was \$106,800.) For more details on the scaled-earnings patterns see Actuarial Note Number 2011.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2011-3.html.

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2010) 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 2008.

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Table 2: Disabled Worker Annual Benefit Amounts

For Disability Insured Workers Entitled in 2011 at Selected Ages and With Various Lifetime Earnings Patterns¹

Age at benefit entitlement in 2011		Earnings in 2010 and benefit for 2011						
25	<i>Earnings in 2010</i>	\$5,692	\$11,385	\$17,077	\$22,770	\$28,462	\$34,154	\$106,800
	<i>Benefit at entitlement</i>	4,248	8,232	9,756	11,268	12,792	14,304	30,120
35	<i>Earnings in 2010</i>	9,714	19,428	29,142	38,856	48,570	58,285	106,800
	<i>Benefit at entitlement</i>	7,128	10,272	12,816	15,348	17,880	20,412	29,628
45	<i>Earnings in 2010</i>	10,943	21,887	32,830	43,773	54,716	65,660	106,800
	<i>Benefit at entitlement</i>	8,196	11,172	14,160	17,136	20,124	22,812	29,544
55	<i>Earnings in 2010</i>	10,645	21,290	31,935	42,580	53,225	63,870	106,800
	<i>Benefit at entitlement</i>	8,376	11,544	14,724	17,892	21,060	23,340	29,328
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	20	36	53	67	77	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 1991-2007. 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 2010. (For 2010, this amount was \$106,800.) For more details on the scaled-earnings patterns see Actuarial Note Number 2011.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2011-3.html.

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2010) 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 65 who are disability insured in 2008.

Note: These estimates reflect no increase in the cost of living after December 2010.

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Table 3: Survivor Annual Benefit Amounts

For Survivors Entitled in 2011 at Selected Ages and With Various Lifetime Earnings Patterns of the Deceased Spouse¹

Age of deceased spouse in 2011	Age of surviving spouse in 2011	Benefit at entitlement in 2011 and deceased spouse's earnings in 2010							
25	25	<i>Spouse and one child</i>	\$7,008	\$12,792	\$15,288	\$17,784	\$20,304	\$22,800	\$45,648
		<i>Child only</i>	3,504	6,396	7,644	8,892	10,152	11,400	22,824
		<i>Spouse and two children</i>	7,008	12,804	15,300	18,276	22,800	27,324	53,280
		<i>Earnings of deceased spouse in 2010</i>	5,692	11,385	17,077	22,770	28,462	34,154	106,800
35	35	<i>Spouse and one child</i>	11,544	16,032	20,160	24,264	28,392	32,496	44,712
		<i>Child only</i>	5,772	8,016	10,080	12,132	14,196	16,248	22,356
		<i>Spouse and two children</i>	11,556	16,044	22,548	30,012	34,236	37,932	52,188
		<i>Earnings of deceased spouse in 2010</i>	9,714	19,428	29,142	38,856	48,570	58,285	106,800
45	45	<i>Spouse and one child</i>	12,336	16,896	21,432	25,992	30,528	34,416	44,352
		<i>Child only</i>	6,168	8,448	10,716	12,996	15,264	17,208	22,176
		<i>Spouse and two children</i>	12,348	16,896	24,876	32,088	36,144	40,152	51,756
		<i>Earnings of deceased spouse in 2010</i>	10,943	21,887	32,830	43,773	54,716	65,660	106,800
60	60	<i>Spouse only</i>	5,976	8,220	10,476	12,732	14,976	16,644	20,688
		<i>Child only</i>	6,264	8,628	10,992	13,356	15,708	17,460	21,708
		<i>Spouse and two children</i>	12,540	17,292	25,860	32,736	36,948	40,740	50,652
		<i>Earnings of deceased spouse in 2010</i>	8,998	17,996	26,994	35,992	44,990	53,988	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	70	79	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 1991-2007. 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 2010. (For 2010, this amount was \$106,800) For more details on the scaled-earnings patterns see Actuarial Note Number 2011.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2011-3.html.

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2010) 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 2008.

Note: These estimates reflect no increase in the cost of living after December 2010.

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