

**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 earnings levels<sup>1</sup> at various ages in 2009, this note displays their current earnings in 2008, 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 2008. 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 2009.

All *example workers*, except the steady 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 1991-2005, 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 levels after 2008 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 2008 and age in 2009. Each table lists *earnings in 2008* 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 2008. 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 2006. 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 2009 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

<sup>1</sup> The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2008) expected for the illustration assuming that the worker survives to age 65 without becoming disabled.

<sup>2</sup> 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 2008. Earnings after 2008 are assumed to equal the taxable maximum of \$102,000 for 2008.

<sup>3</sup> For more details on development of the scaled earnings patterns, see Actuarial Notes 2009.3, located at: [www.socialsecurity.gov/OACT/NOTES/ran3/an2009-3.html](http://www.socialsecurity.gov/OACT/NOTES/ran3/an2009-3.html).

level. These percentages are based on earnings of a one-percent sample of individuals, aged 25 through 64, who are disability insured in 2006. 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 2009. In each case, the surviving spouse is assumed to be the same age as the deceased worker and to become entitled to benefits in 2009. 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 2006.

**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 2009	Age at benefit entitlement (NRA)	Estimated earnings in 2008 and benefit at entitlement (NRA)							
25	67	<i>Earnings in 2008</i> . . . . .	\$5,745	11,489	17,234	22,979	28,724	34,468	\$102,000
		<i>Benefit at entitlement</i> . . . .	8,532	11,724	14,928	18,132	21,324	23,760	30,060
35	67	<i>Earnings in 2008</i> . . . . .	9,717	19,435	29,152	38,869	48,586	58,304	102,000
		<i>Benefit at entitlement</i> . . . .	8,532	11,724	14,928	18,132	21,324	23,760	30,108
45	67	<i>Earnings in 2008</i> . . . . .	10,966	21,932	32,898	43,864	54,831	65,797	102,000
		<i>Benefit at entitlement</i> . . . .	8,532	11,724	14,928	18,132	21,324	23,760	30,132
55	66	<i>Earnings in 2008</i> . . . . .	10,633	21,266	31,899	42,532	53,165	63,799	102,000
		<i>Benefit at entitlement</i> . . . .	8,532	11,724	14,928	18,132	21,324	23,760	30,000
65	66	<i>Earnings in 2008</i> . . . . .	6,988	13,976	20,964	27,952	34,941	41,929	102,000
		<i>Benefit at entitlement</i> . . . .	8,172	11,232	14,304	17,376	20,448	22,752	28,140
<b>Full-lifetime earnings level<sup>3</sup></b> . . . . .			<b>10,000</b>	<b>20,000</b>	<b>30,000</b>	<b>40,000</b>	<b>50,000</b>	<b>60,000</b>	<b>Maximum</b>
Percent of fully insured workers with career average earnings at this level or below <sup>4</sup> . . . . .			11	26	42	57	69	79	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 2008. However, earnings after 2008 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VLF10 of the 2009 Trustees Report.)

<sup>2</sup> 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 1991-2005. 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 2008. (For 2008, this amount was \$102,000.) For more details on the scaled-earnings patterns see Actuarial Note Number 2009.3, located at: [www.socialsecurity.gov/OACT/NOTES/ran3/an2009-3.html](http://www.socialsecurity.gov/OACT/NOTES/ran3/an2009-3.html).

<sup>3</sup> The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2008) expected for the illustration assuming the worker survives to age 65 without becoming disabled.

<sup>4</sup> Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who are fully insured in 2006.

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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 2009	Age at benefit entitlement		Estimated earnings in 2008 and benefit at entitlement (Age 65)						
25	65	<i>Earnings in 2008</i> . . . . .	\$5,745	11,489	17,234	22,979	28,724	34,468	\$102,000
		<i>Benefit at entitlement</i> . . . .	7,392	10,164	12,936	15,708	18,480	20,592	26,052
35	65	<i>Earnings in 2008</i> . . . . .	9,717	19,435	29,152	38,869	48,586	58,304	102,000
		<i>Benefit at entitlement</i> . . . .	7,392	10,164	12,936	15,708	18,480	20,592	26,088
45	65	<i>Earnings in 2008</i> . . . . .	10,966	21,932	32,898	43,864	54,831	65,797	102,000
		<i>Benefit at entitlement</i> . . . .	7,392	10,164	12,936	15,708	18,480	20,592	26,100
55	65	<i>Earnings in 2008</i> . . . . .	10,633	21,266	31,899	42,532	53,165	63,799	102,000
		<i>Benefit at entitlement</i> . . . .	7,956	10,944	13,932	16,920	19,908	22,176	27,984
65	65	<i>Earnings in 2008</i> . . . . .	6,988	13,976	20,964	27,952	34,941	41,929	102,000
		<i>Benefit at entitlement</i> . . . .	7,620	10,488	13,356	16,212	19,080	21,228	26,064
<b>Full-lifetime earnings level<sup>3</sup></b> . . . . .			<b>10,000</b>	<b>20,000</b>	<b>30,000</b>	<b>40,000</b>	<b>50,000</b>	<b>60,000</b>	<b>Maximum</b>
Percent of fully insured workers with career average earnings at this level or below <sup>4</sup> . . . . .			11	26	42	57	69	79	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 2008. However, earnings after 2008 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table VI.F10 of the 2009 Trustees Report.)

<sup>2</sup> 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 1991-2005. 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 2008. (For 2008, this amount was \$102,000.) For more details on the scaled-earnings patterns see Actuarial Note Number 2009.3, located at: [www.socialsecurity.gov/OACT/NOTES/ran3/an2009-3.html](http://www.socialsecurity.gov/OACT/NOTES/ran3/an2009-3.html).

<sup>3</sup> The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2008) expected for the illustration assuming the worker survives to age 65 without becoming disabled.

<sup>4</sup> Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who are fully insured in 2006.

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

For Disability Insured Workers Entitled in 2009 at Selected Ages and With Various Lifetime Earnings Patterns<sup>1</sup>

Age at benefit entitlement in 2009		Earnings in 2008 and benefit for 2009						
25	<i>Earnings in 2008</i> . . . . .	\$5,745	11,489	17,234	22,979	28,724	34,468	\$102,000
	<i>Benefit at entitlement</i> . . . . .	4,284	8,220	9,756	11,280	12,816	14,340	29,220
35	<i>Earnings in 2008</i> . . . . .	9,717	19,435	29,152	38,869	48,586	58,304	102,000
	<i>Benefit at entitlement</i> . . . . .	7,128	10,248	12,792	15,324	17,868	20,412	29,196
45	<i>Earnings in 2008</i> . . . . .	10,966	21,932	32,898	43,864	54,831	65,797	102,000
	<i>Benefit at entitlement</i> . . . . .	8,148	11,136	14,112	17,100	20,076	22,704	29,196
55	<i>Earnings in 2008</i> . . . . .	10,633	21,266	31,899	42,532	53,165	63,799	102,000
	<i>Benefit at entitlement</i> . . . . .	8,340	11,496	14,664	17,832	21,000	23,220	28,932
<b>Full-lifetime earnings level<sup>2</sup></b> . . . . .		<b>10,000</b>	<b>20,000</b>	<b>30,000</b>	<b>40,000</b>	<b>50,000</b>	<b>60,000</b>	<b>Maximum</b>
Percent of disability insured workers with career earnings at this level or below <sup>3</sup> . . . . .		6	20	36	53	67	77	100

<sup>1</sup> 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 1991-2005. 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 2008. (For 2008, this amount was \$102,000.) For more details on the scaled-earnings patterns see Actuarial Note Number 2009.3, located at: [www.socialsecurity.gov/OACT/NOTES/ran3/an2009-3.html](http://www.socialsecurity.gov/OACT/NOTES/ran3/an2009-3.html).

<sup>2</sup> The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2008) expected for the illustration assuming the worker survives to age 65 without having become disabled.

<sup>3</sup> Based on a 1% sample of actual earnings histories for individuals aged 25 through 64 who are disability insured in 2006.

Note: These estimates reflect no increase in the cost of living after December 2008.

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**Table 3: Survivor Annual Benefit Amounts**

For Survivors Entitled in 2009 at Selected Ages and With Various Lifetime Earnings Patterns of the Deceased Spouse<sup>1</sup>

Age of deceased spouse in 2009	Age of surviving spouse in 2009	Benefit at entitlement in 2009 and deceased spouse's earnings in 2008							
25	25	<i>Spouse and one child</i> . . . . .	\$7,056	12,792	15,312	17,808	20,328	22,848	\$44,016
		<i>Child only</i> . . . . .	3,528	6,396	7,656	8,904	10,164	11,424	22,008
		<i>Spouse and two children</i> . . . . .	7,056	12,792	15,312	18,420	22,980	27,540	51,384
		<i>Earnings of deceased spouse in 2008</i> . . . . .	5,745	11,489	17,234	22,979	28,724	34,468	102,000
35	35	<i>Spouse and one child</i> . . . . .	11,568	15,984	20,112	24,240	28,344	32,472	44,016
		<i>Child only</i> . . . . .	5,784	7,992	10,056	12,120	14,172	16,236	22,008
		<i>Spouse and two children</i> . . . . .	11,580	15,996	22,572	30,048	34,140	37,896	51,360
		<i>Earnings of deceased spouse in 2008</i> . . . . .	9,717	19,435	29,152	38,869	48,586	58,304	102,000
45	45	<i>Spouse and one child</i> . . . . .	12,288	16,824	21,360	25,896	30,432	34,224	43,824
		<i>Child only</i> . . . . .	6,144	8,412	10,680	12,948	15,216	17,112	21,912
		<i>Spouse and two children</i> . . . . .	12,288	16,836	24,852	31,956	36,012	39,960	51,156
		<i>Earnings of deceased spouse in 2008</i> . . . . .	10,966	21,932	32,898	43,864	54,831	65,797	102,000
60	60	<i>Spouse only</i> . . . . .	5,940	8,184	10,428	12,672	14,916	16,548	20,292
		<i>Child only</i> . . . . .	6,228	8,592	10,944	13,296	15,648	17,364	21,288
		<i>Spouse and two children</i> . . . . .	12,468	17,244	25,788	32,568	36,780	40,524	49,692
		<i>Earnings of deceased spouse in 2008</i> . . . . .	8,920	17,841	26,761	35,682	44,602	53,522	102,000
<b>Full-lifetime earnings level<sup>2</sup></b> . . . . .		<b>10,000</b>	<b>20,000</b>	<b>30,000</b>	<b>40,000</b>	<b>50,000</b>	<b>60,000</b>	<b>Maximum</b>	
Percent of fully or currently insured workers with career average earnings at this level or below <sup>3</sup> . . . . .		12	27	43	57	70	79	100	

<sup>1</sup> 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 1991-2005. 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 2008. (For 2008, this amount was \$102,000) For more details on the scaled-earnings patterns see Actuarial Note Number 2009.3, located at: [www.socialsecurity.gov/OACT/NOTES/ran3/an2009-3.html](http://www.socialsecurity.gov/OACT/NOTES/ran3/an2009-3.html).

<sup>2</sup> The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2008) expected for the illustration assuming the worker were to survive to age 65 without becoming disabled.

<sup>3</sup> Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who are fully or currently insured in 2006.

Note: These estimates reflect no increase in the cost of living after December 2008.

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