

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 career-average earnings to receive monthly benefits that are a higher percentage of their earnings compared to that percentage for those with higher career-average earnings. For a group of *example workers* with a range of full-lifetime average earnings levels¹ at various ages in 2012, this note displays their current earnings in 2011, 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. Specifically, the benefit amounts reflect no increase in the cost of living or in the average wage level after 2011. 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 2012.

All *example workers*, except the steady maximum,² have scaled earnings patterns beginning at age 21. These patterns reflect the actual experience of insured workers during 1991-2008, 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 After 2011, earnings levels for workers illustrated in this note increase or decrease due to the scaled earnings pattern, rather than due to changes in the average wage level. This approach for determining future earnings differs from that used in the annual Social Security Statement.

¹ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2011) 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 2011. Earnings after 2011 are assumed to equal the taxable maximum of \$106,800 for 2011.

³ For more details on development of the scaled earnings patterns, see Actuarial Note 2012.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2012-3.html.

The following four tables allow workers to look up estimated future benefits consistent with their earnings in 2011 and age in 2012. Each table lists *earnings in 2011* 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 2011. 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. We base these percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who are fully insured in 2009. The illustrated benefits are for workers only. Additional benefits may exist for auxiliary beneficiaries such as spouses and dependent children. The NRA increased to 66 for those attaining age 62 in 2005, and it will increase 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 NRA, resulting in lower benefit amounts due to reduction for early retirement. The illustrated benefits are for workers only. Additional benefits may exist for auxiliary beneficiaries such as spouses and dependent children.
- **Table 2: Disabled Worker Annual Benefit Amounts.** For the seven full-lifetime earnings levels, table 2 provides benefit amounts assuming benefit entitlement in 2012 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 level. We base these

percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who are disability insured in 2009. The illustrated benefits are for workers only. Additional benefits may exist for auxiliary beneficiaries such as spouses and dependent children.

- **Table 3: Survivor Annual Benefit Amounts.** For the seven full-lifetime 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 2012. 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 2012. 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 earnings at or below each full-lifetime earnings level. We base these percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who are fully or currently insured in 2009.

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 2012	Age at benefit entitlement (NRA)	Estimated earnings in 2011 and benefit at entitlement (NRA)							
25	67	<i>Earnings in 2011</i>	\$5,664	\$11,327	\$16,991	\$22,655	\$28,318	\$33,982	\$106,800
		<i>Benefit at entitlement</i>	8,700	11,904	15,108	18,300	21,504	24,240	31,296
35	67	<i>Earnings in 2011</i>	9,702	19,405	29,107	38,809	48,512	58,214	106,800
		<i>Benefit at entitlement</i>	8,700	11,904	15,108	18,300	21,504	24,240	31,332
45	67	<i>Earnings in 2011</i>	10,933	21,866	32,799	43,732	54,665	65,598	106,800
		<i>Benefit at entitlement</i>	8,700	11,904	15,108	18,300	21,504	24,240	31,308
55	66 and 6 mos.	<i>Earnings in 2011</i>	10,658	21,316	31,975	42,633	53,291	63,949	106,800
		<i>Benefit at entitlement</i>	8,700	11,904	15,108	18,300	21,504	24,240	31,152
65	66	<i>Earnings in 2011</i>	7,080	14,160	21,241	28,321	35,401	42,481	106,800
		<i>Benefit at entitlement</i>	8,472	11,592	14,712	17,820	20,940	23,592	29,880
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	25	41	56	68	78	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 2011. However, unlike the approach used in the Social Security Statement, earnings after 2011 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table V.C7 of the 2012 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 1991-2008. 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 2011. (For 2011, this amount was \$106,800.) For more details on the scaled-earnings patterns see Actuarial Note Number 2012.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2012-3.html.

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2011) 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 2009.

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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 2012	Age at benefit entitlement		Estimated earnings in 2011 and benefit at entitlement (Age 65)						
25	65	<i>Earnings in 2011</i>	\$5,664	\$11,327	\$16,991	\$22,655	\$28,318	\$33,982	\$106,800
		<i>Benefit at entitlement</i>	7,548	10,320	13,092	15,864	18,636	21,012	27,132
35	65	<i>Earnings in 2011</i>	9,702	19,405	29,107	38,809	48,512	58,214	106,800
		<i>Benefit at entitlement</i>	7,548	10,320	13,092	15,864	18,636	21,012	27,144
45	65	<i>Earnings in 2011</i>	10,933	21,866	32,799	43,732	54,665	65,598	106,800
		<i>Benefit at entitlement</i>	7,548	10,320	13,092	15,864	18,636	21,012	27,120
55	65	<i>Earnings in 2011</i>	10,658	21,316	31,975	42,633	53,291	63,949	106,800
		<i>Benefit at entitlement</i>	7,836	10,716	13,596	16,476	19,356	21,816	28,020
65	65	<i>Earnings in 2011</i>	7,080	14,160	21,241	28,321	35,401	42,481	106,800
		<i>Benefit at entitlement</i>	7,908	10,812	13,728	16,632	19,548	22,020	27,720
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	25	41	56	68	78	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 2011. However, unlike the approach used in the Social Security Statement, earnings after 2011 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table V.C7 of the 2012 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 1991-2008. 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 2011. (For 2011, this amount was \$106,800.) For more details on the scaled-earnings patterns see Actuarial Note Number 2012.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2012-3.html.

³ The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2011) 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 2009.

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Table 2: Disabled Worker Annual Benefit Amounts

For Disability Insured Workers Entitled in 2012 at Selected Ages and With Various Lifetime Earnings Patterns¹

Age at benefit entitlement in 2012		Earnings in 2011 and benefit for 2012						
25	<i>Earnings in 2011</i>	\$5,664	\$11,327	\$16,991	\$22,655	\$28,318	\$33,982	\$106,800
	<i>Benefit at entitlement</i>	4,212	8,340	9,840	11,340	12,852	14,352	30,912
35	<i>Earnings in 2011</i>	9,702	19,405	29,107	38,809	48,512	58,214	106,800
	<i>Benefit at entitlement</i>	7,068	10,368	12,888	15,408	17,928	20,448	30,396
45	<i>Earnings in 2011</i>	10,933	21,866	32,799	43,732	54,665	65,598	106,800
	<i>Benefit at entitlement</i>	8,304	11,268	14,232	17,208	20,172	23,112	30,276
55	<i>Earnings in 2011</i>	10,658	21,316	31,975	42,633	53,291	63,949	106,800
	<i>Benefit at entitlement</i>	8,484	11,640	14,796	17,952	21,108	23,640	30,060
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		5	19	35	51	65	76	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 1991-2008. 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 2011. (For 2011, this amount was \$106,800.) For more details on the scaled-earnings patterns see Actuarial Note Number 2012.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2012-3.html.

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2011) 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 2009.

Note: These estimates reflect no increase in the cost of living after December 2011.

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Table 3: Survivor Annual Benefit Amounts

For Survivors Entitled in 2012 at Selected Ages and With Various Lifetime Earnings Patterns of the Deceased Spouse¹

Age of deceased spouse in 2012	Age of surviving spouse in 2012	Benefit at entitlement in 2012 and deceased spouse's earnings in 2011							
25	25	<i>Spouse and one child</i>	\$6,960	\$12,960	\$15,432	\$17,904	\$20,376	\$22,872	\$46,464
		<i>Child only</i>	3,480	6,480	7,716	8,952	10,188	11,436	23,232
		<i>Spouse and two children</i>	6,960	12,960	15,432	18,144	22,632	27,132	54,216
		<i>Earnings of deceased spouse in 2011</i>	5,664	11,327	16,991	22,655	28,318	33,982	106,800
35	35	<i>Spouse and one child</i>	11,496	16,176	20,280	24,360	28,440	32,544	45,864
		<i>Child only</i>	5,748	8,088	10,140	12,180	14,220	16,272	22,932
		<i>Spouse and two children</i>	11,496	16,176	22,428	29,844	34,500	38,160	53,520
		<i>Earnings of deceased spouse in 2011</i>	9,702	19,405	29,107	38,809	48,512	58,214	106,800
45	45	<i>Spouse and one child</i>	12,504	17,040	21,552	26,064	30,600	34,848	45,456
		<i>Child only</i>	6,252	8,520	10,776	13,032	15,300	17,424	22,728
		<i>Spouse and two children</i>	12,516	17,040	24,756	32,388	36,420	40,680	53,052
		<i>Earnings of deceased spouse in 2011</i>	10,933	21,866	32,799	43,732	54,665	65,598	106,800
60	60	<i>Spouse only</i>	6,048	8,292	10,536	12,780	15,012	16,860	21,288
		<i>Child only</i>	6,348	8,700	11,052	13,404	15,756	17,688	22,332
		<i>Spouse and two children</i>	12,696	17,400	25,740	33,036	37,236	41,280	52,128
		<i>Earnings of deceased spouse in 2011</i>	9,021	18,043	27,064	36,085	45,106	54,128	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		11	26	41	56	69	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 1991-2008. 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 2011. (For 2011, this amount was \$106,800) For more details on the scaled-earnings patterns see Actuarial Note Number 2012.3, located at: www.socialsecurity.gov/OACT/NOTES/ran3/an2012-3.html.

² The full-lifetime earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2011) 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 2009.

Note: These estimates reflect no increase in the cost of living after December 2011.

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