

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

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The Social Security program provides monthly benefits to retired workers and their families, qualifying disabled workers and their families, and survivors of workers. The *progressivity* of the Social Security benefit formula provides individuals who have lower career-average earnings with monthly benefits that are a higher percentage of their career-average earnings than that percentage for those who have higher career-average earnings. For a group of *example workers* with a range of full-lifetime average earnings levels¹ at various ages in 2016, this note displays their current earnings at various ages in 2015, 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. The benefit amounts are calculated as specified in current law. The amounts reflect no increase in the cost of living or in the average wage level after 2015. Thus, the benefit estimates for workers at various ages in 2016 who would be retiring in future years are roughly comparable to their potential benefits as disabled workers and for their survivors, which both assume benefit entitlement in 2016.

All *example workers*, except the steady maximum,² have scaled earnings patterns beginning at age 21. These patterns reflect the actual average work experience of insured workers during 1993-2012,

which show relatively low wages and probability of work at young and old ages and higher relative wages and probability of work at mid-career.³ After 2015, earnings levels for workers illustrated in this note increase or decrease due solely to the scaled earnings pattern, and not due to changes in the average wage level.

The following four tables allow workers to look up estimated future benefits consistent with their earnings in 2015 and age in 2016. Each table lists *earnings in 2015* at various ages and *annual benefit amounts* at entitlement for *example workers* with full-lifetime average earnings levels⁴ 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 2015. 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 full-lifetime average earnings levels. We base these percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who were fully insured in 2013. The illustrated benefits are for workers only. Additional benefits may be available for auxiliary beneficiaries such as spouses and dependent children. The NRA increased to 66

¹ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2015) 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 2015. Earnings after 2015 are assumed to equal the taxable maximum of \$118,500 for 2015.

³ For more details on development of the scaled earnings patterns, see Actuarial Note Number 2016.3 at:

<http://www.ssa.gov/OACT/NOTES/ran3/an2016-3.pdf>.

⁴ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2015) expected for the illustration assuming the worker survives to age 65 without becoming disabled.

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 at NRA, resulting in lower benefit amounts due to reduction for early retirement. The illustrated benefits are for workers only. Additional benefits may be available for auxiliary beneficiaries such as spouses and dependent children.
- **Table 2: Disabled Worker Annual Benefit Amounts.** For the seven full-lifetime average earnings levels, table 2 provides benefit amounts assuming benefit entitlement in 2016 for disabled *example workers* aged 25, 35, 45, and 55. In addition, the table provides the percentage of disability insured workers with full-lifetime average earnings at or below each full-lifetime average earnings level. We base these percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who were disability insured in 2013. The illustrated benefits are for workers only. Additional benefits may be available for

auxiliary beneficiaries such as spouses and dependent children.

- **Table 3: Survivor Annual Benefit Amounts.** For the seven full-lifetime average 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 2016. 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 2016. 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 average earnings at or below each full-lifetime average earnings level. We base these percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who were fully or currently insured in 2013.

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 Full-Lifetime Earnings Patterns²

Age in 2016	Age at benefit entitlement (NRA)	Earnings in 2015 and benefit at entitlement (NRA)							
25	67	<i>Earnings in 2015.....</i>	\$5,543	\$11,086	\$16,629	\$22,172	\$27,715	\$33,258	\$118,500
		<i>Benefit at entitlement</i>	8,988	12,504	15,708	18,912	22,104	25,308	34,704
35	67	<i>Earnings in 2015.....</i>	9,726	19,451	29,177	38,902	48,628	58,353	118,500
		<i>Benefit at entitlement</i>	8,988	12,504	15,708	18,912	22,104	25,308	34,764
45	67	<i>Earnings in 2015.....</i>	10,923	21,846	32,770	43,693	54,616	65,539	118,500
		<i>Benefit at entitlement</i>	8,988	12,504	15,708	18,912	22,104	25,308	34,788
55	67	<i>Earnings in 2015.....</i>	10,640	21,280	31,920	42,560	53,199	63,839	118,500
		<i>Benefit at entitlement</i>	8,988	12,504	15,708	18,912	22,104	25,308	34,692
65	66	<i>Earnings in 2015.....</i>	7,149	14,298	21,446	28,595	35,744	42,893	118,500
		<i>Benefit at entitlement</i>	8,364	11,628	14,616	17,592	20,580	23,556	32,148
Full-lifetime average 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			9	23	38	52	65	74	100
<p>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 2015. However, earnings after 2015 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table V.C7 of the 2016 Trustees Report.)</p> <p>² Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of insured workers during 1993-2012. 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 2015. (For 2015, this amount was \$118,500.) For more details on the scaled-earnings patterns see Actuarial Note Number 2016.3 at: http://www.ssa.gov/OACT/NOTES/ran3/an2016-3.pdf.</p> <p>³ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2015) expected for the illustration assuming the worker survives to age 65 without becoming disabled.</p> <p>⁴ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who were fully insured in 2013.</p>									

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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 Full-Lifetime Earnings Patterns²

Age in 2016	Age at benefit entitlement		Earnings in 2015 and benefit at entitlement (Age 65)						
25	65	<i>Earnings in 2015</i>	\$5,543	\$11,086	\$16,629	\$22,172	\$27,715	\$33,258	\$118,500
		<i>Benefit at entitlement</i>	7,788	10,836	13,620	16,392	19,164	21,936	30,084
35	65	<i>Earnings in 2015</i>	9,726	19,451	29,177	38,902	48,628	58,353	118,500
		<i>Benefit at entitlement</i>	7,788	10,836	13,620	16,392	19,164	21,936	30,132
45	65	<i>Earnings in 2015</i>	10,923	21,846	32,770	43,693	54,616	65,539	118,500
		<i>Benefit at entitlement</i>	7,788	10,836	13,620	16,392	19,164	21,936	30,144
55	65	<i>Earnings in 2015</i>	10,640	21,280	31,920	42,560	53,199	63,839	118,500
		<i>Benefit at entitlement</i>	7,788	10,836	13,620	16,392	19,164	21,936	30,036
65	65	<i>Earnings in 2015</i>	7,149	14,298	21,446	28,595	35,744	42,893	118,500
		<i>Benefit at entitlement</i>	7,812	10,860	13,644	16,428	19,200	21,984	29,892
Full-lifetime average 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			9	23	38	52	65	74	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 2015. However, earnings after 2015 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table V.C7 of the 2016 Trustees Report.)									
² Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of insured workers during 1993-2012. 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 2015. (For 2015, this amount was \$118,500.) For more details on the scaled-earnings patterns see Actuarial Note Number 2016.3 at: http://www.ssa.gov/OACT/NOTES/ran3/an2016-3.pdf .									
³ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2015) 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 were fully insured in 2013.									

Table 2. Disabled Worker Annual Benefit Amounts

For Disability Insured Workers Entitled in 2016 at Selected Ages and With Various Full-Lifetime Earnings Patterns¹

Age at benefit entitlement in 2016		Earnings in 2015 and benefit at entitlement in 2016						
25	<i>Earnings in 2015</i>	\$5,543	\$11,086	\$16,629	\$22,172	\$27,715	\$33,258	\$118,500
	<i>Benefit at entitlement</i>	4,116	8,256	10,356	11,832	13,296	14,772	34,128
35	<i>Earnings in 2015</i>	9,726	19,451	29,177	38,902	48,628	58,353	118,500
	<i>Benefit at entitlement</i>	7,044	10,968	13,476	15,984	18,492	21,000	34,020
45	<i>Earnings in 2015</i>	10,923	21,846	32,770	43,693	54,616	65,539	118,500
	<i>Benefit at entitlement</i>	8,376	11,916	14,892	17,880	20,856	23,832	33,888
55	<i>Earnings in 2015</i>	10,640	21,280	31,920	42,560	53,199	63,839	118,500
	<i>Benefit at entitlement</i>	8,892	12,288	15,444	18,612	21,780	24,948	33,672
Full-lifetime average 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		4	16	31	47	60	71	100
<p>¹ Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of insured workers during 1993-2012. 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 2015. (For 2015, this amount was \$118,500.) For more details on the scaled-earnings patterns see Actuarial Note Number 2016.3 at: http://www.ssa.gov/OACT/NOTES/ran3/an2016-3.pdf.</p> <p>² The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2015) expected for the illustration assuming the worker survives to age 65 without having become disabled.</p> <p>³ Based on a 1% sample of actual earnings histories for individuals aged 25 to 65 who were disability insured in 2013.</p> <p>Note: These estimates reflect no increase in the cost of living after December 2015.</p>								

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Table 3. Survivor Annual Benefit Amounts

For Survivors Entitled in 2016 at Selected Ages and With Various Full-Lifetime Earnings Patterns of the Deceased Spouse¹

Age of deceased spouse in 2016	Age of surviving spouse in 2016	Benefit at entitlement in 2016 and deceased spouse's earnings in 2015							
25		<i>Spouse and one child</i>	\$6,816	\$13,632	\$16,200	\$18,624	\$21,048	\$23,472	\$51,288
	25	<i>Child only</i>	3,408	6,816	8,100	9,312	10,524	11,736	25,644
		<i>Spouse and two children</i>	6,816	13,632	16,200	18,624	22,200	26,592	59,844
		<i>Earnings of deceased spouse in 2015</i>	5,543	11,086	16,629	22,172	27,715	33,258	118,500
35		<i>Spouse and one child</i>	11,472	17,088	21,192	25,272	29,352	33,456	51,264
	35	<i>Child only</i>	5,736	8,544	10,596	12,636	14,676	16,728	25,632
		<i>Spouse and two children</i>	11,484	17,100	22,428	29,844	36,360	40,008	59,808
		<i>Earnings of deceased spouse in 2015</i>	9,726	19,451	29,177	38,902	48,628	58,353	118,500
45		<i>Spouse and one child</i>	12,744	18,000	22,536	27,096	31,632	36,168	50,880
	45	<i>Child only</i>	6,372	9,000	11,268	13,548	15,816	18,084	25,440
		<i>Spouse and two children</i>	12,756	18,012	24,900	33,144	38,388	42,456	59,364
		<i>Earnings of deceased spouse in 2015</i>	10,923	21,846	32,770	43,693	54,616	65,539	118,500
60		<i>Spouse only</i>	6,324	8,748	11,004	13,248	15,504	17,760	23,988
	60	<i>Child only</i>	6,624	9,180	11,544	13,908	16,260	18,624	25,164
		<i>Spouse and two children</i>	13,260	18,372	25,884	34,440	39,192	43,476	58,716
		<i>Earnings of deceased spouse in 2015</i>	9,064	18,128	27,192	36,257	45,321	54,385	118,500
Full-lifetime average 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		10	24	39	53	65	75	100	
¹ Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of insured workers during 1993-2012. 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 2015. (For 2015, this amount was \$118,500.) For more details on the scaled-earnings patterns see Actuarial Note Number 2016.3 at: http://www.ssa.gov/OACT/NOTES/ran3/an2016-3.pdf .									
² The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2015) 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 were fully or currently insured in 2013.									
Note: These estimates reflect no increase in the cost of living after December 2015.									