

Illustrating Scheduled Benefit Amounts Relative to Earnings

Overview of Past Practices in Trustees' Reports

- The 2014 Trustees' Report did not provide any measure of benefits as a percentage of earnings.

Overview of Technical Panel Recommendations

- The Technical Panel believes the Trustees' Report should provide information on the relationships between benefits and earnings, and suggests three sets of tables because different calculations are useful for answering different questions.
- Moreover, the Technical Panel urges further research on benefits relative to earnings for a sample of actual workers, following up the work in AN155.
- The Panel believes that two additional measures addressing family benefits would be highly informative and important.

Recommendations

Specifically, the Technical Panel recommends:

- 1) Reporting the relationship between initial benefits and AIMEs for various combinations of claiming age and age for full benefits.
- 2) Reporting the relationship between lifetime benefits and lifetime earnings.
- 3) Reporting the relationship between initial benefits and late-career earnings (replacement rates) for actual and hypothetical workers.
- 4) Supplementing the calculations for workers with calculations for families, taking into account both worker and family benefits relative to the earnings of the family.
- 5) Providing supplemental information on the role of survivor benefits.
- 6) Undertaking research to help inform some of the measures that we recommend be included in the Trustees' Report.

1: The relationship between initial benefits and PIA

The Panel recommends two separate tables:
benefits relative to PIA (Z1) and benefits relative to AIME (Z2)

Table Z1. Monthly benefit, as a percentage of the Primary Insurance Amount (PIA), payable at various claiming ages for different Full Retirement Ages

	FRA = 65	FRA = 66	FRA = 67
Claim Age = 62	80%	75%	70%
Claim Age = 63.75			
Claim Age = 65	100%		
Claim Age = 66		100%	
Claim Age = 67			100%
Claim Age = 70	132%	132%	124%

This would be a simplified version of the table currently available at:
http://www.ssa.gov/oact/ProgData/ar_drc.html

1: The relationship between initial benefits and AIME

Table Z2a-c. Monthly benefit, as a percentage of the Average Indexed Monthly Earnings (AIME), payable at various claiming ages for different Full Retirement Ages.

Scaled Low Earner			
	FRA = 65	FRA = 66	FRA = 67
Claim Age = 62			
Claim Age = 63.75			
Claim Age = 65			
Claim Age = 66			
Claim Age = 67			
Claim Age = 70			

+ Z2b. Scaled Medium Earner

+ Z2c. Scaled High Earner

With same layout as above

2: The relationship between lifetime benefits and lifetime earnings

Table Z3a. The expected present discounted value of lifetime benefit, as a percentage of the accumulated lifetime covered earnings, payable at various claiming ages for the cohort born in 1953.

Born in 1953			
	Scaled Low Earner	Scaled Medium Earner	Scaled High Earner
Claim Age = 62			
Claim Age = 63.75			
Claim Age = 65			
Claim Age = 66			
Claim Age = 67			
Claim Age = 70			

Tables Z3b-g: The dates of birth are for comparison with that for the cohort turning 62 this year and for cohorts born 10 years earlier and 10, 20, 30, 40 and 50 years later (with same layout as above).

3: The relationship between initial benefits and late-in-life earnings (a replacement rate)

Table Z4a. Monthly initial benefits, as a percentage of the monthly average of the last five full years of positive earnings for the cohort born in 1953.

Born in 1953				
Scaled Earner	Benefit at 62	Benefit at 63.75	Benefit at 65	Benefit at 70
Low				
Medium				
High				

Tables Z4b-g. Monthly initial benefits, as a percentage of the monthly average of the last five full years of positive earnings for the cohorts born in 1943, 1963-2003.

3: The relationship between initial benefits and late-in-life earnings (a replacement rate)

Table Z5a. Monthly initial benefits, as a percentage of the average of the last five full years of positive earnings for the cohort with long careers born in 1953.

Born in 1953			
Percentile of AIME	Benefit (\$) (a)	Average of last five full years of positive earnings (b)	Replacement Rate (a)/(b)
10			
30			
50			
70			
90			

Tables Z5b-g. Monthly initial benefits, as a percentage of the average of the last five full years of positive earnings for the cohorts with long careers born in 1943, 1963-2003.

Additional Considerations

- Family benefits: The Panel believes that the reported measures on an individual basis should be supplemented with additional measures on a family basis. Both hypothetical examples and population sampled data.
- Survivor benefits: information about benefits to the surviving member of a couple after the death of a spouse.

Female Social Security Beneficiaries December 2013

47 percent are retired worker (RW) only

11.9 percent are dually entitled to RW and spouse benefits

16.4 percent are dually entitled to RW and widow benefits

9 percent get only spouse benefits

15 percent get only widow benefits.