Exhibit 10.

Mean Initial Replacement Rates for Retired Workers, With Past Earnings Limited to the Last Five Years of Substantial Earnings, Adjusted for Growth in Prices

Percent

10-Year Birth Cohort	All Retired Workers		Lifetime Household Earnings: Lowest Quintile		Middle Quintile		Highest Quintile	
	Scheduled	Payable	Scheduled	Payable	Scheduled	Payable	Scheduled	Payable
All								
1940s	60	60	96	96	63	63	33	33
1960s	55	48	95	82	56	49	26	23
1980s	63	46	118	86	59	44	27	20
2000s	64	45	128	89	59	41	27	18
Men								
1940s	59	59	101	101	60	60	26	26
1960s	55	48	100	87	55	48	21	18
1980s	65	47	125	91	62	45	22	16
2000s	66	46	137	93	61	43	21	14
Women								
1940s	62	62	91	91	63	63	43	43
1960s	56	49	89	77	56	49	33	29
1980s	61	45	108	80	57	41	33	24
2000s	63	44	119	84	56	39	33	23

Source: Congressional Budget Office.

Note: Initial replacement rates are computed as a percentage of preretirement earnings—specifically, the average of the last five years of substantial earnings before age 62. Earnings are "substantial" if they amount to at least half of a worker's average indexed earnings. Replacement rates are computed for all people who are eligible to claim retirement benefits at age 62 and who have not yet claimed any other Social Security benefits. Workers with fewer than 20 years of earnings above 10 percent of the average wage index in each year were excluded from the analysis. All workers are assumed to claim benefits at age 65. All values are net of income taxes paid on benefits.

In this exhibit, initial replacement rates are initial benefits as a percentage of workers' pre-retirement earnings—specifically, the average of the last five years of substantial earnings before age 62.

Several patterns are worth noting. First, replacement rates are much higher for workers with lower earnings, in part because of the progressive nature of Social Security's benefit formula and in part because their late-career earnings tend to be lower than their lifetime earnings. (Lifetime earnings determine benefits.) Second, with payable benefits, replacement rates would drop noticeably for people in the cohorts that first received benefits after the trust funds were exhausted.

Third, scheduled replacement rates for people born in the 1960s are lower than the rates for the 1940s cohort because late-career earnings are projected to be higher relative to lifetime earnings for people in the 1960s cohort. Those rates are higher for people in the 1980s and 2000s cohorts, however, because benefits are projected to increase more than late-career earnings for those groups.

Finally, although replacement rates are similar for men and women, they are higher, on average, for men in the lowest household earnings quintile because late-career earnings are lower for men than for women in that group, relative to either sex's lifetime earnings. By contrast, replacement rates are noticeably higher for women than for men in the highest quintile because, in that group, women's late-career earnings are below those of men. ◆