

APPENDIX II—UNPAID-FOR BENEFITS OR WINDFALLS AT THE END OF THE FIRST DECADE* OF THE PROPOSED FEDERAL EARNINGS-RELATED PENSION PROGRAM

Take a married man with a wife the same age:

	Example 1	Example 2	Example 3	Example 4
1. His monthly wage or salary.....	\$ 417	\$ 417 at outset, rising with contributory ceiling under plan	\$ 200	\$ 200 at outset, rising 2% a year compounded
2. If he is 60 at the outset of the <i>program and retires at 70</i>				
a. Monthly pension promised at 70 composed of...	263	271	204	209
Old Age Security.....	150	150	150	150
Earnings-related benefit.....	113	121	54	59
b. Taxes paid for earnings-related benefit by the man and his employer at the rate of 3.6% for 10 years including 4% compound interest.....	1,940	2,085	794	887
c. Monthly earnings-related benefit taxes in (b) would pay for.....	13	14	5	6
d. Monthly earnings-related benefit promised but not paid for.....	100	107	49	53
e. Value at retirement of benefit in (d) not paid for, i.e., "windfall".....	14,724	15,755	7,215	7,804
3. If he is 55 at the outset of the <i>program and retires at 65</i>				
a. Monthly pension promised at 65 composed of...	215	223	156	161
Old Age Security.....	102	102	102	102
Earnings-related benefit.....	113	121	54	59
b. Taxes as in 2(b) above.....	1,940	2,085	794	887
c. Monthly earnings-related benefit taxes in 3(b) would pay for.....	12	12	5	5
d. Monthly earnings-related benefit promised but not paid for.....	101	109	49	54
e. Value at retirement of benefit in (d) not paid for, i.e., "windfall".....	16,989	18,335	8,242	9,083

*It is obvious, of course, that windfalls would continue after the first decade and would continue to be higher for better-paid persons.

NOTE: The benefits in lines (c), (d) and (e) are based on current Government Annuity rates adjusted to provide for widow's benefits and post-retirement price increases. Also, the illustration assumes no change in the Old Age Security benefit level for new beneficiaries during the next ten years.