

Numbers and Operations: Government Agency Manager Social Security Administration

Job Description: Administers a Federal social insurance program which pays retirement, survivors, disability and health insurance.

Problem:

A man or woman retiring in 1999 at age 65 would be eligible for a full retirement benefit. This benefit would be computed based on their average wages over a period of 35 years.

The full retirement benefit is reduced by $\frac{5}{9}$ of 1% for each month under the age of 65 that a person elects to retire and receive a reduced benefit.

If a person who would receive a full benefit of \$1,000 per month at age 65 chooses to retire at age 62, how much would that person receive each month?

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Solution:

$65 \text{ years} - 62 \text{ years} = 3 \text{ years} \times 12 = 36 \text{ months earlier retirement}$

$36 \text{ months} \times \frac{5}{9} \times 1\% = 19.99 \text{ or } 20\% \text{ reduction}$

$20\% \text{ reduction} = \$1,000 \times 0.2 = \$200$

$\$1,000 \text{ full benefit} - \$200 \text{ reduction} = \$800.00 \text{ reduced benefit}$