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2021 Social Security, PBGC figures and projected covered compensation

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Social Security benefits payable in 2021 will increase by 1.3%, the Social Security Administration (SSA) [announced](#) Oct. 13 in updates that include the 2021 [taxable wage base](#) and the 2019 [national average wage](#). The Pension Benefit Guaranty Corp. (PBGC) likewise has released inflation-indexed [premium amounts](#) for next year and the [maximum guaranteed benefit](#) for single-employer pension plans. Mercer has estimated the present value of the maximum guarantee for 2021. IRS has yet to issue 2021 covered compensation, but Mercer has projected those figures, using the published taxable wage base.

Social Security and Supplemental Security Income (SSI) amounts

The [announced](#) 1.3% cost-of-living increase for 2021 Social Security benefits reflects the change in the third-quarter CPI for Urban Wage Earners and Clerical Workers (CPI-W) from 2019 to 2020. Other 2021 Social Security amounts are tied to the 3.75% increase in [average annual wages](#) from 2018 to 2019. The next table shows key Social Security values for 2019–2021 from SSA's 2021 [fact sheet](#) and [automatic determinations](#) webpage.

Social Security and SSI values	2021	2020	2019
Cost-of-living increase	1.3%	1.6%	2.8%
Average annual wage (second preceding year)	\$54,099.99	\$52,145.80	\$50,321.89
OASDI contribution and benefit base (wage base)	142,800	137,700	132,900
"Old law" contribution and benefit base	106,200	102,300	98,700

Social Security and SSI values	2021	2020	2019
Retirement earnings test exempt amount (annual)			
Under full retirement age (full year)	\$18,960	\$18,240	\$17,640
Year individual attains full retirement age (period before attaining full retirement age)	50,520	48,600	46,920
Wages needed for a quarter of coverage	1,470	1,410	1,360
Disability thresholds (monthly amounts)			
Substantial gainful activity — not blind	1,310	1,260	1,220
Substantial gainful activity — blind	2,190	2,110	2,040
Trial work period	940	910	880
Coverage thresholds for:			
Domestic employees	2,300	2,200	2,100
Election workers	2,000	1,900	1,800
Bend-points — PIA formula applied to average indexed monthly earnings (AIME)			
90% of AIME up to	996	960	926
32% of AIME over first bend-point up to	6,002	5,785	5,583
15% of AIME over second bend-point			
Bend-points — maximum family benefit formula applied to worker's PIA			
150% of PIA up to	1,272	1,226	1,184
272% of PIA over first bend-point up to	1,837	1,770	1,708
134% of PIA over second bend-point up to	2,395	2,309	2,228
175% of PIA over third bend-point			
SSI federal payment standard (monthly amounts)			
Individual	794	783	771
Couple	1,191	1,175	1,157
SSI student exclusion limits			
Monthly limit	1,930	1,900	1,870
Annual limit	7,770	7,670	7,550

PBGC premiums, guaranteed benefits and maximum present value

On Oct. 15, PBGC [announced](#) inflation-adjusted 2021 premium rates and the variable-rate premium cap. Since 2020, all premium amounts — including the per-participant variable-rate premium cap — are indexed annually for wage inflation.

On Oct. 16, PBGC [announced](#) that the [maximum guaranteed benefit](#) for plans terminating in 2021 will rise to \$72,409 from \$69,750 in 2020. This amount is determined using the Social Security “old law” contribution and benefit base (see [Social Security and SSI amounts](#)). The maximum guaranteed benefit is adjusted if benefit payments start before (or after) age 65 or are paid in a form other than a single-life annuity. Some of the guaranteed amount may be paid from the plan’s assets, and participants may receive more if the plan is better funded or PBGC can recover other amounts from the plan sponsor.

PBGC amount	2021	2020	2019
Flat-rate premium — single-employer plans	\$86	\$83	\$80*
Flat-rate premium — multiemployer plans	31	30	29
Variable-rate premium per \$1,000 of unfunded vested benefits	46	45	43
Per-participant variable-rate premium cap	582	561	541
Annual maximum guaranteed benefit (payable as a single-life annuity starting at age 65)	72,409	69,750	67,295

* Value set by statute.

PBGC is expected to publish the 2021 present value of the maximum guarantee table in late October or early November, but Mercer has projected these amounts. These values are used to administer Internal Revenue Code Section 436 restrictions on lump sums and other accelerated payments from underfunded plans. The present values will increase significantly from 2020 levels (12% at 65 and more than 35% at the earliest ages), mainly because the August 2020 417(e) lump sum segment rates (0.52%, 2.22% and 3.03%) used to determine the 2021 present values are much lower than the August 2019 rates (2.09%, 3.00% and 3.61%) used to determine the 2020 present values.

Plans at least 60% but less than 80% funded may only pay lump sums (or other accelerated distributions) up to the lesser of (i) 50% of the present value of the benefit otherwise payable or (ii) the present value of the participant's PBGC maximum guarantee. Plans subject to the restrictions must use the 2021 table for annuity starting dates in 2021, regardless of the plan year.

The next table shows the projected present values for 2021 and the two prior years. The [full table](#) of present values for every year back to 2008 is available on the PBGC website, along with a downloadable Excel table.

Age	Present value of PBGC maximum guarantee			Age	Present value of PBGC maximum guarantee		
	Projected 2021*	2020†	2010‡		Projected 2021*	2020†	2019‡
25	\$312,953	\$227,914	\$146,755	56	\$861,626	\$734,107	\$593,319
26	322,514	236,193	153,328	57	891,196	763,193	621,513
27	332,367	244,772	160,195	58	921,538	793,333	651,113
28	342,523	253,664	167,371	59	952,725	824,609	682,226
29	352,993	262,881	174,868	60	984,837	857,118	714,974
30	363,787	272,436	182,704	61	1,022,944	893,387	752,033
31	374,917	282,341	190,892	62	1,061,192	930,697	790,578
32	386,394	292,611	199,450	63	1,099,682	969,175	830,761
33	398,232	303,261	208,395	64	1,138,553	1,008,989	873,205
34	410,441	314,304	217,744	65	1,177,804	1,050,190	916,704
35	423,033	325,755	227,517	66	1,259,089	1,124,309	983,450
36	436,020	337,629	237,732	67	1,344,382	1,202,280	1,053,885
37	449,412	349,940	248,409	68	1,443,188	1,292,654	1,135,566
38	463,224	362,708	259,569	69	1,553,280	1,393,511	1,226,893
39	477,469	375,947	271,236	70	1,672,416	1,502,901	1,326,224
40	492,162	389,678	283,433	71	1,881,892	1,694,086	1,498,432
41	507,320	403,921	296,185	72	2,070,996	1,867,664	1,655,933
42	522,957	418,694	309,520	73	2,239,596	2,023,451	1,798,482
43	539,093	434,021	323,464	74	2,387,670	2,161,349	1,925,892
44	555,748	449,927	338,051	75	2,515,318	2,281,345	2,038,048
45	572,957	466,437	353,311	76	2,939,144	2,671,083	2,392,451
46	597,048	487,603	370,902	77	3,314,077	3,017,919	2,710,267
47	621,531	509,324	389,213	78	3,640,928	3,322,352	2,991,641
48	646,402	531,619	408,278	79	3,920,868	3,585,157	3,236,989
49	671,676	554,512	428,136	80	4,155,461	3,807,542	3,447,042
50	697,369	578,029	448,826	81	5,174,997	4,751,490	4,313,277
51	723,498	602,197	470,395	82	6,059,696	5,575,176	5,074,660

Age	Present value of PBGC maximum guarantee			Age	Present value of PBGC maximum guarantee		
	Projected 2021*	2020†	2010‡		Projected 2021*	2020†	2019‡
52	\$750,075	\$627,041	\$492,884	83	\$6,816,571	\$6,284,334	\$5,735,475
53	777,134	652,603	516,353	84	7,450,520	6,882,581	6,298,126
54	804,708	678,925	540,861	85	7,971,208	7,378,136	6,769,186
55	832,835	706,056	566,477				

* Projected present value determined using August 2020 lump sum segment rates of 0.52%, 2.22% and 3.03%.

† Present value determined using August 2019 lump sum segment rates of 2.09%, 3.00% and 3.61%.

‡ Present value determined using August 2018 lump sum segment rates of 3.10%, 4.15% and 4.46%.

Projected covered compensation

Qualified defined benefit (DB) pension plans use covered compensation to determine “permitted disparity” under Section 401(l) design-based safe harbor rules and “imputed disparity” under Section 401(a)(4) general nondiscrimination testing rules. Covered compensation is the average Old-Age, Survivors and Disability Insurance (OASDI) contribution and benefit base for the 35 years ending with the year the employee reaches Social Security retirement age. IRS rounds Social Security retirement ages up to the next higher integer for covered compensation purposes, even though the actual Social Security full retirement age increases in two-month increments. Qualified plans have the option to determine permitted or imputed disparity using either actual or rounded covered compensation.

IRS has not yet issued 2021 covered compensation tables, but Mercer has projected these amounts based on the increase in the taxable wage base to \$142,800 for 2021 from \$137,700 for 2020. The next table shows covered compensation amounts for individuals who have already reached Social Security full retirement age. (At that age, covered compensation becomes fixed and is no longer affected by annual changes in the OASDI contribution and benefit base.)

Year born	Social Security full retirement		Covered compensation	
	Age	Year	Not rounded	Rounded
1920	65	1985	\$12,276	\$12,000
1921	65	1986	13,368	12,000
1922	65	1987	14,520	15,000
1923	65	1988	15,708	15,000
1924	65	1989	16,968	18,000
1925	65	1990	18,312	18,000

Year born	Social Security full retirement		Covered compensation	
	Age	Year	Not rounded	Rounded
1926	65	1991	\$19,728	\$21,000
1927	65	1992	21,192	21,000
1928	65	1993	22,716	24,000
1929	65	1994	24,312	24,000
1930	65	1995	25,920	27,000
1931	65	1996	27,576	27,000
1932	65	1997	29,304	30,000
1933	65	1998	31,128	30,000
1934	65	1999	33,060	33,000
1935	65	2000	35,100	36,000
1936	65	2001	37,212	36,000
1937	65	2002	39,444	39,000
1938	65 & 2 months	2004	43,992	45,000
1939	65 & 4 months	2005	46,344	45,000
1940	65 & 6 months	2006	48,816	48,000
1941	65 & 8 months	2007	51,348	51,000
1942	65 & 10 months	2008	53,952	54,000
1943	66	2009	56,628	57,000
1944	66	2010	59,268	60,000
1945	66	2011	61,884	63,000
1946	66	2012	64,560	66,000
1947	66	2013	67,308	66,000
1948	66	2014	69,996	69,000
1949	66	2015	72,636	72,000
1950	66	2016	75,180	75,000
1951	66	2017	77,880	78,000
1952	66	2018	80,532	81,000
1953	66	2019	83,244	84,000
1954	66	2020	86,052	87,000

This table shows Mercer's projected 2021 amounts for individuals below Social Security full retirement age.

Year born	Social Security full retirement		Covered compensation			
	Age	Year	Not rounded		Rounded	
			2021*	2020	2021*	2020
1955	66 & 2 months	2022	\$91,764	\$91,464	\$93,000	\$90,000
1956	66 & 4 months	2023	94,560	94,116	96,000	93,000
1957	66 & 6 months	2024	97,260	96,684	96,000	96,000
1958	66 & 8 months	2025	99,876	99,144	99,000	99,000
1959	66 & 10 months	2026	102,432	101,556	102,000	102,000
1960	67	2027	104,928	103,908	105,000	105,000
1961	67	2028	107,364	106,200	108,000	105,000
1962	67	2029	109,704	108,396	111,000	108,000
1963	67	2030	112,044	110,580	111,000	111,000
1964	67	2031	114,324	112,728	114,000	114,000
1965	67	2032	116,544	114,792	117,000	114,000
1966	67	2033	118,668	116,772	120,000	117,000
1967	67	2034	120,672	118,632	120,000	120,000
1968	67	2035	122,580	120,384	123,000	120,000
1969	67	2036	124,356	122,028	123,000	123,000
1970	67	2037	126,012	123,540	126,000	123,000
1971	67	2038	127,608	124,980	129,000	126,000
1972	67	2039	129,180	126,408	129,000	126,000
1973	67	2040	130,680	127,764	132,000	129,000
1974	67	2041	132,072	129,012	132,000	129,000
1975	67	2042	133,368	130,164	132,000	129,000
1976	67	2043	134,532	131,184	135,000	132,000
1977	67	2044	135,564	132,060	135,000	132,000
1978	67	2045	136,584	132,948	138,000	132,000
1979	67	2046	137,616	133,824	138,000	135,000

Year born	Social Security full retirement		Covered compensation			
	Age	Year	Not rounded		Rounded	
			2021*	2020	2021*	2020
1980	67	2047	\$138,552	\$134,616	\$138,000	\$135,000
1981	67	2048	139,380	135,300	138,000	135,000
1982	67	2049	140,124	135,900	141,000	135,000
1983	67	2050	140,820	136,440	141,000	137,700
1984	67	2051	141,504	136,992	141,000	137,700
1985	67	2052	141,960	137,292	142,800	137,700
1986	67	2053	142,368	137,556	142,800	137,700
1987	67	2054	142,644	137,700	142,800	137,700
1988+	67	2055	142,800	137,700	142,800	137,000

* Projected

Related resources

Non-Mercer resources

- [Maximum guaranteed benefit tables](#) (PBGC, Oct. 16, 2020)
- [Premium rates for 2021 and earlier years](#) (PBGC, Oct. 15, 2020)
- [Press release on Social Security COLA for 2020](#) (SSA, Oct. 13, 2020)

Mercer Law & Policy resources

- [Mercer projects 2021 retirement plan limits](#) (July 16, 2020)
- [Summary of 2020 benefit-related cost-of-living adjustments](#) (Jan. 27, 2020)

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