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2020 SOCIAL SECURITY, PBGC AMOUNTS AND PROJECTED COVERED COMPENSATION

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Social Security benefits payable in 2020 will increase by 1.6%, the Social Security Administration (SSA) [announced](#) Oct. 10 in updates that include the 2020 [taxable wage base](#) and the 2018 [national average wage](#). PBGC likewise has [released](#) inflation-indexed premium amounts for next year, and Mercer has estimated the maximum guaranteed benefit for 2020. IRS has yet to issue 2020 covered compensation, but Mercer has projected those tables using the published taxable wage base.

SOCIAL SECURITY AND SSI AMOUNTS

The [announced](#) 1.6% cost-of-living increase for 2020 Social Security benefits reflects the change in the third-quarter CPI for Urban Wage Earners and Clerical Workers (CPI-W) from 2018 to 2019. Other 2020 Social Security amounts are tied to the 3.6% increase in [average annual wages](#) from 2017 to 2018. The next table shows key Social Security values for 2018–2020 from SSA's 2020 [fact sheet](#) and [automatic determinations](#) webpage.

SOCIAL SECURITY AND SSI VALUES	2020	2019	2018
Cost-of-living increase	1.6%	2.8%	2.0%
Average annual wage (second preceding year)	\$52,145.80	\$50,321.89	\$48,642.15
OASDI contribution and benefit base (wage base)	137,700	132,900	128,400
"Old law" contribution and benefit base	102,300	98,700	95,400

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SOCIAL SECURITY AND SSI VALUES	2020	2019	2018
Retirement earnings test exempt amount (annual)			
Under full retirement age (full year)	\$18,240	\$17,640	\$17,040
Year individual attains full retirement age (period before attaining full retirement age)	48,600	46,920	45,360
Wages needed for a quarter of coverage	1,410	1,360	1,320
Disability thresholds (monthly amounts)			
Substantial gainful activity — not blind	1,260	1,220	1,180
Substantial gainful activity — blind	2,110	2,040	1,970
Trial work period	910	880	850
Coverage thresholds for:			
Domestic employees	2,200	2,100	2,100
Election workers	1,900	1,800	1,800
Bend-points — PIA formula applied to average indexed monthly earnings (AIME)			
90% of AIME up to	960	926	895
32% of AIME over first bend-point up to	5,785	5,583	5,397
15% of AIME over second bend-point			
Bend-points — maximum family benefit formula applied to worker's PIA			
150% of PIA up to	1,226	1,184	1,144
272% of PIA over first bend-point up to	1,770	1,708	1,651
134% of PIA over second bend-point up to	2,309	2,228	2,154
175% of PIA over third bend-point			
SSI federal payment standard (monthly amounts)			
Individual	783	771	750
Couple	1,175	1,157	1,125
SSI student exclusion limits			
Monthly limit	1,900	1,870	1,820
Annual limit	7,670	7,550	7,350

PBGC PREMIUMS AND GUARANTEED BENEFITS

On Oct. 11, PBGC [announced](#) inflation-adjusted 2020 premium rates and the variable-rate premium cap. Starting in 2020, all premium amounts — including the per-participant variable-rate premium cap — will be indexed annually for wage inflation.

PBGC hasn't yet announced the [maximum guaranteed benefit](#) for plans terminating in 2020, but Mercer projects the limit will rise to \$69,750 from \$67,295 in 2019. 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	2020	2019	2018
Flat-rate premium — single-employer plans	\$83	\$80*	\$74*
Flat-rate premium — multiemployer plans	30	29	28
Variable-rate premium per \$1,000 of unfunded vested benefits	45	43	38
Per-participant variable-rate premium cap	561	541	523
Annual maximum guaranteed benefit (payable as a single-life annuity starting at age 65)	69,750**	67,295	65,045
* Value is set by statute.			
** Mercer projection			

PBGC is expected to publish the 2020 present value of the PBGC maximum guarantee table in late October or early November.

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. The 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 2020 covered compensation tables, but Mercer has projected these amounts based on the increase in the taxable wage base to \$137,700 for 2020 from \$132,900 for 2019. The next table shows covered compensation amounts for individuals who have already reached Social Security full

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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
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

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YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION	
	AGE	YEAR	NOT ROUNDED	ROUNDED
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

This table shows Mercer's projected 2020 amounts for individuals below Social Security full retirement age.

YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION			
	AGE	YEAR	NOT ROUNDED		ROUNDED	
			2020*	2019	2020*	2019
1954	66	2020	\$86,052	\$85,920	\$87,000	\$87,000
1955	66 & 2 months	2022	91,464	91,056	90,000	90,000
1956	66 & 4 months	2023	94,116	93,564	93,000	93,000
1957	66 & 6 months	2024	96,684	96,000	96,000	96,000
1958	66 & 8 months	2025	99,144	98,328	99,000	99,000
1959	66 & 10 months	2026	101,556	100,596	102,000	102,000
1960	67	2027	103,908	102,804	105,000	102,000
1961	67	2028	106,200	104,964	105,000	105,000
1962	67	2029	108,396	107,028	108,000	108,000
1963	67	2030	110,580	109,080	111,000	108,000
1964	67	2031	112,728	111,084	114,000	111,000

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YEAR BORN	SOCIAL SECURITY FULL RETIREMENT		COVERED COMPENSATION			
			NOT ROUNDED		ROUNDED	
	AGE	YEAR	2020*	2019	2020*	2019
1965	67	2032	\$114,792	\$113,004	\$114,000	\$114,000
1966	67	2033	116,772	114,852	117,000	114,000
1967	67	2034	118,632	116,580	120,000	117,000
1968	67	2035	120,384	118,200	120,000	117,000
1969	67	2036	122,028	119,700	123,000	120,000
1970	67	2037	123,540	121,068	123,000	120,000
1971	67	2038	124,980	122,376	126,000	123,000
1972	67	2039	126,408	123,660	126,000	123,000
1973	67	2040	127,764	124,884	129,000	126,000
1974	67	2041	129,012	126,000	129,000	126,000
1975	67	2042	130,164	127,008	129,000	126,000
1976	67	2043	131,184	127,884	132,000	129,000
1977	67	2044	132,060	128,640	132,000	129,000
1978	67	2045	132,948	129,384	132,000	129,000
1979	67	2046	133,824	130,128	135,000	129,000
1980	67	2047	134,616	130,776	135,000	132,000
1981	67	2048	135,300	131,328	135,000	132,000
1982	67	2049	135,900	131,784	135,000	132,000
1983	67	2050	136,440	132,192	137,700	132,000
1984	67	2051	136,992	132,600	137,700	132,900
1985	67	2052	137,292	132,768	137,700	132,900
1986	67	2053	137,556	132,900	137,700	132,900
1987+	67	2054+	137,700	132,900	137,700	132,900

* Projected

RELATED RESOURCES

Non-Mercer Resources

- [Premium Rates for 2020 and Earlier Years](#) (PBGC, Oct. 22, 2019)
- [Press Release on Social Security COLA for 2019](#) (SSA, Oct. 10, 2019)

Mercer Law & Policy Resources

- [Mercer Projects 2020 IRA and Saver's Credit Limits](#) (Aug. 16, 2019)
- [2020 Qualified Transportation, Health FSA and Archer MSA Limits Projected](#) (Aug. 16, 2019)
- [Mercer Projects 2020 Retirement Plan Limits](#) (June 20, 2019)
- [2020 Affordable Percentage for Employer Health Coverage Shrinks](#) (July 23, 2019)
- [2020 Health Savings Account, High-Deductible Health Plan Figures Issued](#) (May 28, 2019)
- [2020 ACA Cost-Sharing Caps Set, Play-or-Pay Penalties Projected](#) (May 8, 2019)
- [Quick Benefit Facts and COLA Resources for Benefit Plans, 2019-2017](#) (8 Apr 2019)

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