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.

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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 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 years - 62 years = 3 years x 12 = 36 months earlier retirement

36 months x 5/9 x 1% = 19.99 or 20% reduction

20% reduction = $1,000 x 0.2 = $200

$1,000 full benefit - $200 reduction = $800.00 reduced benefit