

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A8—Factors for indexing earnings, 1951–2003

Year	Annual maximum taxable earnings (dollars)	Average annual wage ^a (dollars)	Factors for workers who were first eligible (attained age 62, became disabled, or died) in ^b —						
			1990	1991	1992	1993	1994	1995	1996
1951	3,600	2,799.16	6.9070864	7.1805649	7.5122465	7.7921948	8.1936795	8.2641471	8.4859494
1952	3,600	2,973.32	6.5025090	6.7599687	7.0722223	7.3357728	7.7137409	7.7800809	7.9888912
1953	3,600	3,139.44	6.1584359	6.4022724	6.6980035	6.9476085	7.3055768	7.3684065	7.5661679
1954	3,600	3,155.64	6.1268205	6.3694053	6.6636182	6.9119418	7.2680724	7.3305795	7.5273257
1955	4,200	3,301.44	5.8562445	6.0881161	6.3693358	6.6066928	6.9470958	7.0068425	7.1948998
1956	4,200	3,532.36	5.4734059	5.6901194	5.9529550	6.1747953	6.4929452	6.5487861	6.7245496
1957	4,200	3,641.72	5.3090408	5.5192464	5.7741891	5.9893677	6.2979636	6.3521276	6.5226129
1958	4,200	3,673.80	5.2626817	5.4710518	5.7237683	5.9370679	6.2429691	6.2966601	6.4656568
1959	4,800	3,855.80	5.0142746	5.2128093	5.4535972	5.6568287	5.9482909	5.9994476	6.1604673
1960	4,800	4,007.12	4.8249216	5.0159591	5.2476542	5.4432111	5.7236669	5.7728918	5.9278310
1961	4,800	4,086.76	4.7308968	4.9182115	5.1453915	5.3371375	5.6121279	5.6603936	5.8123134
1962	4,800	4,291.40	4.5052990	4.6836813	4.9000280	5.0826304	5.3445076	5.3904716	5.5351470
1963	4,800	4,396.64	4.3974581	4.5715706	4.7827386	4.9609702	5.2165790	5.2614428	5.4026552
1964	4,800	4,576.32	4.2248007	4.3920770	4.5949540	4.7661877	5.0117605	5.0548629	5.1905308
1965	4,800	4,658.72	4.1500756	4.3143932	4.5136819	4.6818869	4.9231162	4.9654562	5.0987245
1966	6,600	4,938.36	3.9150730	4.0700860	4.2580897	4.4167699	4.6443394	4.6842818	4.8100037
1967	6,600	5,213.44	3.7084996	3.8553335	4.0334175	4.1837251	4.3992872	4.4371221	4.5562105
1968	7,800	5,571.76	3.4700059	3.6073969	3.7740283	3.9146697	4.1163690	4.1517707	4.2632005
1969	7,800	5,893.76	3.2804254	3.4103102	3.5678378	3.7007954	3.8914751	3.9249427	4.0302846
1970	7,800	6,186.24	3.1253298	3.2490738	3.3991536	3.5258251	3.7074895	3.7393748	3.8397363
1971	7,800	6,497.08	2.9758045	3.0936282	3.2365278	3.3571389	3.5301120	3.5604718	3.6560316
1972	9,000	7,133.80	2.7102021	2.8175096	2.9476548	3.0575009	3.2150355	3.2426855	3.3297163
1973	10,800	7,580.16	2.5506111	2.6515997	2.7740813	2.8774591	3.0257171	3.0517390	3.1336449
1974	13,200	8,030.76	2.4074982	2.5028204	2.6184296	2.7160070	2.8559464	2.8805082	2.9578184
1975	14,100	8,630.92	2.2400903	2.3287842	2.4363544	2.5271466	2.6573552	2.6802091	2.7521435
1976	15,300	9,226.48	2.0954947	2.1784635	2.2790902	2.3640218	2.4858256	2.5072043	2.5744954
1977	16,500	9,779.44	1.9770089	2.0552864	2.1502233	2.2303527	2.3452693	2.3654391	2.4289254
1978	17,700	10,556.03	1.8315636	1.9040823	1.9920349	2.0662692	2.1727316	2.1914176	2.2502333
1979	22,900	11,479.46	1.6842290	1.7509142	1.8317917	1.9000545	1.9979529	2.0151357	2.0692202
1980	25,900	12,513.46	1.5450595	1.6062344	1.6804289	1.7430511	1.8328600	1.8486230	1.8982384
1981	29,700	13,773.10	1.4037537	1.4593338	1.5267427	1.5836377	1.6652330	1.6795543	1.7246321
1982	32,400	14,531.34	1.3305063	1.3831863	1.4470778	1.5010040	1.5783417	1.5919158	1.6346414
1983	35,700	15,239.24	1.2687011	1.3189339	1.3798575	1.4312787	1.5050239	1.5179674	1.5587083
1984	37,800	16,135.07	1.1982619	1.2457058	1.3032469	1.3518132	1.4214639	1.4336889	1.4721678
1985	39,600	16,822.51	1.1492958	1.1948009	1.2499906	1.2965723	1.3633768	1.3751022	1.4120087
1986	42,000	17,321.82	1.1161668	1.1603602	1.2139590	1.2591979	1.3240768	1.3354642	1.3713068
1987	43,800	18,426.51	1.0492513	1.0907953	1.1411808	1.1837076	1.2446969	1.2554016	1.2890954
1988	45,000	19,334.04	1.0000000	1.0395939	1.0876144	1.1281450	1.1862715	1.1964737	1.2285860
1989	48,000	20,099.55	1.0000000	1.0000000	1.0461916	1.0851785	1.1410912	1.1509049	1.1817941
1990	51,300	21,027.98	1.0000000	1.0000000	1.0000000	1.0372656	1.0907096	1.1000900	1.1296154
1991	53,400	21,811.60	1.0000000	1.0000000	1.0000000	1.0000000	1.0515240	1.0605673	1.0890320
1992	55,500	22,935.42	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0086002	1.0356702
1993	57,600	23,132.67	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0268391
1994	60,600	23,753.53	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
1995	61,200	24,705.66	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
1996	62,700	25,913.90	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
1997	65,400	27,426.00	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
1998	68,400	28,861.44	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
1999	72,600	30,469.84	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2000	76,200	32,154.82	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2001	80,400	32,921.92	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2002	84,900	...	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2003	87,000	...	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000

(Continued)

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A8—Factors for indexing earnings, 1951–2003—Continued

Year	Annual maximum taxable earnings (dollars)	Average annual wage ^a (dollars)	Factors for workers who were first eligible (attained age 62, became disabled, or died) in ^b —						
			1997	1998	1999	2000	2001	2002	2003
1951	3,600	2,799.16	8.8260978	9.2577416	9.7979394	10.3107504	10.8853513	11.4873105	11.7613570
1952	3,600	2,973.32	8.3091157	8.7154763	9.2240324	9.7068059	10.2477500	10.8144498	11.0724443
1953	3,600	3,139.44	7.8694481	8.2543065	8.7359529	9.1931809	9.7055016	10.2422152	10.4865581
1954	3,600	3,155.64	7.8290489	8.2119317	8.6911054	9.1459862	9.6556768	10.1896351	10.4327236
1955	4,200	3,301.44	7.4832982	7.8492718	8.3072841	8.7420762	9.2292575	9.7396348	9.9719880
1956	4,200	3,532.36	6.9940946	7.3361435	7.7642143	8.1705828	8.6259158	9.1029284	9.3200919
1957	4,200	3,641.72	6.7840636	7.1158409	7.5310568	7.9252221	8.3668816	8.8295695	9.0402118
1958	4,200	3,673.80	6.7248244	7.0537046	7.4652948	7.8560183	8.2938211	8.7524688	8.9612717
1959	4,800	3,855.80	6.4074018	6.7207583	7.1129208	7.4852015	7.9023393	8.3393381	8.5382852
1960	4,800	4,007.12	6.1654405	6.4669638	6.8443171	7.2025395	7.6039250	8.0244215	8.2158558
1961	4,800	4,086.76	6.0452926	6.3409400	6.7109397	7.0621813	7.4557449	7.8680471	8.0557508
1962	4,800	4,291.40	5.7570164	6.0385655	6.3909214	6.7254136	7.1002097	7.4928508	7.6716037
1963	4,800	4,396.64	5.6192138	5.8940236	6.2379453	6.5644310	6.9302558	7.3134985	7.4879726
1964	4,800	4,576.32	5.3985866	5.6626066	5.9930250	6.3066918	6.6581533	7.0263487	7.1939724
1965	4,800	4,658.72	5.3031004	5.5624506	5.8870248	6.1951437	6.5403888	6.9020718	7.0667308
1966	6,600	4,938.36	5.0028066	5.2474708	5.5536656	5.8443370	6.1700322	6.5112345	6.6665695
1967	6,600	5,213.44	4.7388404	4.9705952	5.2606341	5.5359686	5.8444789	6.1676782	6.3148171
1968	7,800	5,571.76	4.4340855	4.6509361	4.9223226	5.1799503	5.4686203	5.7710346	5.9087111
1969	7,800	5,893.76	4.1918334	4.3968367	4.6533961	4.8969486	5.1698474	5.4557396	5.5858942
1970	7,800	6,186.24	3.9936472	4.1889581	4.4333876	4.6654252	4.9254216	5.1977970	5.3217981
1971	7,800	6,497.08	3.8025790	3.9885456	4.2212809	4.4422171	4.6897745	4.9491187	5.0671871
1972	9,000	7,133.80	3.4631837	3.6325521	3.8445148	4.0457316	4.2711935	4.5073902	4.6149205
1973	10,800	7,580.16	3.2592531	3.4186482	3.6181294	3.8074975	4.0196830	4.2419711	4.3431695
1974	13,200	8,030.76	3.0763788	3.2268303	3.4151189	3.5938616	3.7941415	4.0039573	4.0994775
1975	14,100	8,630.92	2.8624596	3.0024493	3.1776450	3.3439587	3.5303119	3.7255379	3.8144161
1976	15,300	9,226.48	2.6776907	2.8086443	2.9725312	3.1281095	3.3024339	3.4850582	3.5681994
1977	16,500	9,779.44	2.5262858	2.6498348	2.8044551	2.9512365	3.1157040	3.2880022	3.3664423
1978	17,700	10,556.03	2.3404310	2.4548907	2.5981359	2.7341188	2.8864867	3.0461092	3.1877786
1979	22,900	11,479.46	2.1521622	2.2574145	2.3891368	2.5141810	2.6542921	2.8010743	2.8678980
1980	25,900	12,513.46	1.9743268	2.0708821	2.1917200	2.3064316	2.4349652	2.5696186	2.6309206
1981	29,700	13,773.10	1.7937618	1.8814864	1.9912728	2.0954934	2.2122717	2.3346102	2.3903057
1982	32,400	14,531.34	1.7001639	1.7833111	1.8873690	1.9861513	2.0968362	2.2127911	2.2655805
1983	35,700	15,239.24	1.6211871	1.7004719	1.7996960	1.8938897	1.9994330	2.1100015	2.1603387
1984	37,800	16,135.07	1.5311777	1.6060606	1.6997757	1.7887397	1.8884232	1.9928528	2.0403952
1985	39,600	16,822.51	1.4686072	1.5404301	1.6303156	1.7156441	1.8112541	1.9114163	1.9570159
1986	42,000	17,321.82	1.4262739	1.4960264	1.5833209	1.6661898	1.7590438	1.8563188	1.9006040
1987	43,800	18,426.51	1.3407672	1.4063379	1.4883991	1.5662999	1.6535871	1.7450304	1.7866606
1988	45,000	19,334.04	1.2778323	1.3403251	1.4185344	1.4927785	1.5759686	1.6631196	1.7027957
1989	48,000	20,099.55	1.2291648	1.2892776	1.3645082	1.4359247	1.5159464	1.5997781	1.6379431
1990	51,300	21,027.98	1.1748946	1.2323533	1.3042622	1.3725256	1.4490141	1.5291445	1.5656245
1991	53,400	21,811.60	1.1326844	1.1880788	1.2574043	1.3232152	1.3969557	1.4742073	1.5093767
1992	55,500	22,935.42	1.0771837	1.1298638	1.1957924	1.2583785	1.3285059	1.4019721	1.4354182
1993	57,600	23,132.67	1.0679986	1.1202295	1.1855960	1.2476485	1.3171778	1.3900177	1.4231786
1994	60,600	23,753.53	1.0400837	1.0909494	1.1546073	1.2150379	1.2827500	1.3536860	1.3859801
1995	61,200	24,705.66	1.0000000	1.0489054	1.1101100	1.1682117	1.2333141	1.3015163	1.3325659
1996	62,700	25,913.90	1.0000000	1.0000000	1.0583509	1.1137436	1.1758107	1.2408329	1.2704348
1997	65,400	27,426.00	1.0000000	1.0000000	1.0000000	1.0523387	1.1109837	1.1724211	1.2003909
1998	68,400	28,861.44	1.0000000	1.0000000	1.0000000	1.0000000	1.0557283	1.1141100	1.1406888
1999	72,600	30,469.84	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0552999	1.0804756
2000	76,200	32,154.82	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0238565
2001	80,400	32,921.92	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2002	84,900	...	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2003	87,000	...	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000

- a. National average wage levels. For years before 1978, average wages were determined from wages earned during the first quarter of the year and reported to the Social Security Administration (SSA) for Social Security tax purposes. These wages were then multiplied by 4 to obtain the average wage for the year. For 1973–1977, from data collected on all taxable wages reported to SSA; for 1957–1972, based on 1 percent statistical sample; for 1951–1956, based on 1/10 of 1 percent statistical sample. For 1978–1984, from wage data collected by the Internal Revenue Service during processing of annual tax returns. For years after 1984, from W-2 data processed by SSA. For years after 1977, the average wage amounts have been adjusted to be consistent with the pre-1978 series.
- b. The indexing factor for a given year represents the ratio of the average annual wage for the second year before the year of first eligibility to the average annual wage for the year to be indexed. Multiplying a worker's covered earnings, up to the maximum taxable amounts for various years after 1951, by the indicated factors gives the indexed earnings. Earnings in the year before the year of first eligibility, and any earnings thereafter, are not indexed. The actual taxable earnings for those years are considered in calculating the average indexed monthly earnings (AIME).

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>. Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2003," *Federal Register*, vol. 67, no. 207 (October 25, 2002).

NOTE: ... = not available.

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A9—Indexed earnings for workers with maximum earnings, 1951–2003 (in dollars)

Year	Annual maximum taxable earnings	Average annual wage ^a	Annual maximum indexed earnings for workers who were first eligible (attained age 62, became disabled, or died) in ^b —							
			1996	1997	1998	1999	2000	2001	2002	2003
1951	3,600	2,799.16	30,549.42	31,773.95	33,327.87	35,272.58	37,118.70	39,187.26	41,354.32	42,340.89
1952	3,600	2,973.32	28,760.01	29,912.82	31,375.71	33,206.52	34,944.50	36,891.90	38,932.02	39,860.80
1953	3,600	3,139.44	27,238.20	28,330.01	29,715.50	31,449.43	33,095.45	34,939.81	36,871.97	37,751.61
1954	3,600	3,155.64	27,098.37	28,184.58	29,562.95	31,287.98	32,925.55	34,760.44	36,682.69	37,557.81
1955	4,200	3,301.44	30,218.58	31,429.85	32,966.94	34,890.59	36,716.72	38,762.88	40,906.47	41,882.35
1956	4,200	3,532.36	28,243.11	29,375.20	30,811.80	32,609.70	34,316.45	36,228.85	38,232.30	39,144.39
1957	4,200	3,641.72	27,394.97	28,493.07	29,886.53	31,630.44	33,285.93	35,140.90	37,084.19	37,968.89
1958	4,200	3,673.80	27,155.76	28,244.26	29,625.56	31,354.24	32,995.28	34,834.05	36,760.37	37,637.34
1959	4,800	3,855.80	29,570.24	30,755.53	32,259.64	34,142.02	35,928.97	37,931.23	40,028.82	40,983.77
1960	4,800	4,007.12	28,453.59	29,594.11	31,041.43	32,852.72	34,572.19	36,498.84	38,517.22	39,436.11
1961	4,800	4,086.76	27,899.10	29,017.40	30,436.51	32,212.51	33,898.47	35,787.58	37,766.63	38,667.60
1962	4,800	4,291.40	26,568.71	27,633.68	28,985.11	30,676.42	32,281.99	34,081.01	35,965.68	36,823.70
1963	4,800	4,396.64	25,932.75	26,972.23	28,291.31	29,942.14	31,509.27	33,265.23	35,104.79	35,942.27
1964	4,800	4,576.32	24,914.55	25,913.22	27,180.51	28,766.52	30,272.12	31,959.14	33,726.47	34,531.07
1965	4,800	4,658.72	24,473.88	25,454.88	26,699.76	28,257.72	29,736.69	31,393.87	33,129.94	33,920.31
1966	6,600	4,938.36	31,746.02	33,018.52	34,633.31	36,654.19	38,572.62	40,722.21	42,974.15	43,999.36
1967	6,600	5,213.44	30,070.99	31,276.35	32,805.93	34,720.18	36,537.39	38,573.56	40,706.68	41,677.79
1968	7,800	5,571.76	33,252.96	34,585.87	36,277.30	38,394.12	40,403.61	42,655.24	45,014.07	46,087.95
1969	7,800	5,893.76	31,436.22	32,696.30	34,295.33	36,296.49	38,196.20	40,324.81	42,554.77	43,569.98
1970	7,800	6,186.24	29,949.94	31,150.45	32,673.87	34,580.42	36,390.32	38,418.29	40,542.82	41,510.02
1971	7,800	6,497.08	28,517.05	29,660.12	31,110.66	32,925.99	34,649.29	36,580.24	38,603.13	39,524.06
1972	9,000	7,133.80	29,967.45	31,168.65	32,692.97	34,600.63	36,411.58	38,440.74	40,566.51	41,534.28
1973	10,800	7,580.16	33,843.37	35,199.93	36,921.40	39,075.80	41,120.97	43,412.58	45,813.29	46,906.23
1974	13,200	8,030.76	39,043.20	40,608.20	42,594.16	45,079.57	47,438.97	50,082.67	52,852.24	54,113.10
1975	14,100	8,630.92	38,805.22	40,360.68	42,334.54	44,804.79	47,149.82	49,777.40	52,530.09	53,783.27
1976	15,300	9,226.48	39,389.78	40,968.67	42,972.26	45,479.73	47,860.08	50,527.24	53,321.39	54,593.45
1977	16,500	9,779.44	40,077.27	41,683.72	43,722.27	46,273.51	48,695.40	51,409.12	54,252.04	55,546.30
1978	17,700	10,556.03	39,829.13	41,425.63	43,451.57	45,987.00	48,393.90	51,090.81	53,916.13	55,202.38
1979	22,900	11,479.46	47,385.14	49,284.51	51,694.79	54,711.23	57,574.74	60,783.29	64,144.60	65,674.86
1980	25,900	12,513.46	49,164.37	51,135.07	53,635.85	56,765.55	59,736.58	63,065.60	66,553.12	68,140.84
1981	29,700	13,773.10	51,221.57	53,274.72	55,880.15	59,140.80	62,236.15	65,704.47	69,337.92	70,992.08
1982	32,400	14,531.34	52,962.38	55,085.31	57,779.28	61,150.75	64,351.30	67,937.49	71,694.43	73,404.81
1983	35,700	15,239.24	55,645.89	57,876.38	60,706.85	64,249.15	67,611.86	71,379.76	75,327.06	77,124.09
1984	37,800	16,135.07	55,647.94	57,878.52	60,709.09	64,251.52	67,614.36	71,382.40	75,329.84	77,126.94
1985	39,600	16,822.51	55,915.54	58,156.85	61,001.03	64,560.50	67,939.51	71,725.66	75,692.09	77,497.83
1986	42,000	17,321.82	57,594.89	59,903.50	62,833.11	66,499.48	69,979.97	73,879.84	77,965.39	79,825.37
1987	43,800	18,426.51	56,462.38	58,725.60	61,597.60	65,191.88	68,603.93	72,427.12	76,432.33	78,255.74
1988	45,000	19,334.04	55,286.37	57,502.45	60,314.63	63,834.05	67,175.03	70,918.59	74,840.38	76,625.81
1989	48,000	20,099.55	56,726.12	58,999.91	61,885.33	65,496.39	68,924.38	72,765.43	76,789.35	78,621.27
1990	51,300	21,027.98	57,949.27	60,272.09	63,219.72	66,908.65	70,410.56	74,334.42	78,445.11	80,316.54
1991	53,400	21,811.60	58,154.31	60,485.35	63,443.41	67,145.39	70,659.69	74,597.44	78,722.67	80,600.71
1992	55,500	22,935.42	57,479.69	59,783.69	62,707.44	66,366.48	69,840.01	73,732.08	77,809.45	79,665.71
1993	57,600	23,132.67	59,145.93	61,516.72	64,525.22	68,290.33	71,864.55	75,869.44	80,065.02	81,975.09
1994	60,600	23,753.53	60,600.00	63,029.07	66,111.54	69,969.20	73,631.30	77,734.65	82,033.37	83,990.39
1995	61,200	24,705.66	61,200.00	61,200.00	64,193.01	67,938.73	71,494.55	75,478.83	79,652.80	81,553.03
1996	62,700	25,913.90	62,700.00	62,700.00	62,700.00	66,358.60	69,831.72	73,723.33	77,800.22	79,656.26
1997	65,400	27,426.00	65,400.00	65,400.00	65,400.00	65,400.00	68,822.95	72,658.34	76,676.34	78,505.56
1998	68,400	28,861.44	68,400.00	68,400.00	68,400.00	68,400.00	68,400.00	72,211.82	76,205.13	78,023.11
1999	72,600	30,469.84	72,600.00	72,600.00	72,600.00	72,600.00	72,600.00	72,600.00	76,614.77	78,442.53
2000	76,200	32,154.82	76,200.00	76,200.00	76,200.00	76,200.00	76,200.00	76,200.00	76,200.00	78,017.86
2001	80,400	32,921.92	80,400.00	80,400.00	80,400.00	80,400.00	80,400.00	80,400.00	80,400.00	80,400.00
2002	84,900	...	84,900.00	84,900.00	84,900.00	84,900.00	84,900.00	84,900.00	84,900.00	84,900.00
2003	87,000	...	87,000.00	87,000.00	87,000.00	87,000.00	87,000.00	87,000.00	87,000.00	87,000.00

a. National average wage levels. For years before 1978, average wages were determined from wages earned during the first quarter of the year and reported to the Social Security Administration (SSA) for Social Security tax purposes. These wages were then multiplied by 4 to obtain the average wage for the year. For 1973–1977, from data collected on all taxable wages reported to SSA; for 1957–1972, based on 1 percent statistical sample; for 1951–1956, based on 1/10 of 1 percent statistical sample. For 1978–1984, from wage data collected by the Internal Revenue Service during processing of annual tax returns. For years after 1984, from W-2 data processed by SSA. For years after 1977, the average wage amounts have been adjusted to be consistent with the pre-1978 series.

b. A worker's earnings for each year after 1950 and through the second year before the year of first eligibility are indexed by multiplying covered earnings, up to the maximum taxable amounts, by specified indexing factors (see Table 2.A8). The indexing factor for a given year represents the ratio of the average annual wage for the second year before the year of first eligibility to the average annual wage for the year to be indexed. For example, if the year of first eligibility is 1999, the indexing factor for 1982 is \$27,426.00/14,531.34, or 1.8873690. Multiplication of maximum taxable earnings of \$32,400 for 1982 by this factor gives maximum indexed earnings of \$61,150.75 for 1982.

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>. Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2003," *Federal Register*, vol. 67, no. 207 (October 25, 2002).

NOTE: ... = not available.

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A10—Average monthly wage and average indexed monthly earnings provisions, by year enacted

Year enacted	Provision
Average monthly wage (AMW)	
1939	Computed using creditable earnings after 1936 and before year of death or retirement, divided by months after 1936 and before quarter of death or retirement, excluding months before age 22 in quarters not covered.
1950	Alternatively, computed using creditable earnings after 1950 (or year aged 21, if later) and before year of death, year of retirement, or subsequent year (or year age 65 attained if then insured), divided by number of months in those years.
1954	Earnings and months in 4 years may be excluded in all cases; 5 years if worker has 20 quarters of coverage. Period of disability may be excluded.
1956	Earnings and months in 5 years may be excluded in all cases. Computation period may end at age 62 for women then insured.
1960	Earnings may be used for any year after 1950 and before year of retirement but including year of death, with the number of years equal to the years elapsed after 1955 (or year age 26 attained) and before year of death or age 65 attained (62 for women). Same method may be used for earnings after 1936 and years elapsed after 1941.
1972	Number of years for men reaching age 62 after 1972, measured to age 62 or to 1975, if later.
1977	For workers who attain age 62, become disabled, or die after 1978, excludes earnings in year of attainment of age 62 and later, computed using creditable earnings after 1936. For workers who attain age 62 after 1978 and before 1984, excludes earnings in year of attainment of age 62 and later, computed using creditable earnings after 1950.
Average indexed monthly earnings (AIME)	
1977	For workers who attain age 62, become disabled, or die after 1978, AIME is computed by using indexed earnings after 1950 for the same computation period applicable in calculating the AMW. Indexed earnings for a given year equal actual creditable earnings multiplied by the national average wage for the second year before worker attains age 62, becomes disabled, or dies, divided by the national average wage for the given year, except that for years after the second year before the worker attains age 62, becomes disabled, or dies, indexed earnings equal actual creditable earnings.
1980	For disabled workers, the number of years of earnings used equals the number of years elapsed after 1950 (or year age 21 attained, if later) and before year of disability, minus dropout years equal to one-fifth of the number of elapsed years rounded to the next lower integer (to a maximum of 5 dropout years). However, the number of years of earnings used is at least 2. <i>Effective for initial entitlement after June 1980.</i> Disabled workers who receive less than 3 dropout years under the one-fifth rule may be credited with additional dropout years based on child care, up to a total of 3 dropout years. (To receive this credit, a worker must have had no earnings in that year and have been living with a child under age 3.) However, the number of years of earnings used is at least 2. <i>Effective for July 1981.</i>
1983	For workers who die after 1978 but before attaining age 62, indexed earnings for a given year equal actual creditable earnings, multiplied by the national average wage for the earlier of (1) the year in which the worker reached or would have reached age 60 or (2) the second year before the survivor becomes eligible for aged or disabled widow(er) benefits, and then divided by the national average wage for the given year. This computation method applies only if it results in a higher benefit. <i>Effective for surviving spouses newly eligible after 1984.</i>

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>.

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A11—Formulas for computing PIA from AIME, cost-of-living adjustments, and minimum PIA for workers who were first eligible in 1979 or later, by year of first eligibility

Eligibility year	Calculation of PIA (based on percentage of AIME) ^a (dollars)			First applicable cost-of-living adjustment		Minimum PIA based on indexed earnings (dollars)
	90 percent of the first	Plus 32 percent of the next	Plus 15 percent of the amount above	Effective date	Percentage increase	
<i>Enacted in 1977^b</i>						
1979	180	905	1,085	June 1979	9.9	^c 122
1980	194	977	1,171	June 1980	14.3	^c 122
<i>Enacted in 1981</i>						
1981	211	1,063	1,274	June 1981	11.2	^c 122
1982	230	1,158	1,388	June 1982	7.4	^d
<i>Enacted in 1983</i>						
1983	254	1,274	1,528	December 1983	3.5	^d
1984	267	1,345	1,612	December 1984	3.5	^d
1985	280	1,411	1,691	December 1985	3.1	^d
1986	297	1,493	1,790	December 1986	1.3	^d
1987	310	1,556	1,866	December 1987	4.2	^d
1988	319	1,603	1,922	December 1988	4.0	^d
1989	339	1,705	2,044	December 1989	4.7	^d
1990	356	1,789	2,145	December 1990	5.4	^d
1991	370	1,860	2,230	December 1991	3.7	^d
1992	387	1,946	2,333	December 1992	3.0	^d
1993	401	2,019	2,420	December 1993	2.6	^d
1994	422	2,123	2,545	December 1994	2.8	^d
1995	426	2,141	2,567	December 1995	2.6	^d
1996	437	2,198	2,635	December 1996	2.9	^d
1997	455	2,286	2,741	December 1997	2.1	^d
1998	477	2,398	2,875	December 1998	1.3	^d
1999	505	2,538	3,043	December 1999	^e 2.5	^d
2000	531	2,671	3,202	December 2000	3.5	^d
2001	561	2,820	3,381	December 2001	2.6	^d
2002	592	2,975	3,567	December 2002	1.4	^d
2003	606	3,047	3,653	December 2003	...	^d

- a. For workers who attained age 62 in the 1979–1983 period, the PIA cannot be less than that derived from the PIA table in effect in December 1978 (approximated by the PIA formula in Table 2.A16) based on provisions in effect before 1979 but excluding earnings after year aged 61 in computations of AMW and including any general benefit increase after year aged 61.
- b. The 1977 amendments provided for annual automatic adjustments of bend points (AIME brackets) in benefit formula in proportion to increases in average wage level. As a result, separate formulas are applicable to workers who were first eligible in successive calendar years. The legislation also froze the minimum PIA at \$122.
- c. Not subject to automatic adjustments until earlier of year of attainment of age 65 or year of first receipt of benefits.
- d. The minimum PIA was eliminated by 1981 legislation for workers who attain age 62 or die after 1981 (after 1991 for members of certain religious orders). August 1981 legislation would have eliminated the minimum PIA effective March 1982 for workers who attained age 62 before November 1981 or who died (before attaining age 62) before March 1982; for all others, the minimum would have been eliminated effective November 1981. This legislation was superseded by December 1981 legislation that restored the minimum PIA for workers who attained age 62 or died (before attaining age 62) before 1982.
- e. The December 1999 cost-of-living adjustment (COLA) was originally determined to be 2.4 percent, based on the consumer price index (CPI). The underlying CPI was later recomputed by the Bureau of Labor Statistics; a 2.5 percent COLA would have been consistent with the recomputed CPI. Pursuant to P.L. 106-554, benefits were calculated and paid in August 2001 and later as if the December 1999 COLA had been 2.5 percent. Affected beneficiaries received a one-time payment to cover the shortfall that occurred before August 2001.

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>. Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2003," *Federal Register*, vol. 67, no. 207 (October 25, 2002).

NOTES: Eligible workers are those who attained age 62, became disabled, or died in the given year.

... = not available.

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A11.1—Computation of PIA based on Windfall Elimination Provision (WEP), by year enacted

Year effective	Provision																												
	Enacted in 1983																												
1986	Workers first eligible for pensions based on noncovered employment and disability or retired workers after December 31, 1985. ^a The benefit computation formula uses a reduced factor of the usual first AIME bend point.																												
	<table> <thead> <tr> <th style="text-align: left;"><i>Year eligible</i></th> <th style="text-align: center;"><i>Factor (percent)</i></th> </tr> </thead> <tbody> <tr><td>1986</td><td style="text-align: center;">80</td></tr> <tr><td>1987</td><td style="text-align: center;">70</td></tr> <tr><td>1988</td><td style="text-align: center;">60</td></tr> <tr><td>1989</td><td style="text-align: center;">50</td></tr> <tr><td>1990 and later</td><td style="text-align: center;">40</td></tr> </tbody> </table>	<i>Year eligible</i>	<i>Factor (percent)</i>	1986	80	1987	70	1988	60	1989	50	1990 and later	40																
<i>Year eligible</i>	<i>Factor (percent)</i>																												
1986	80																												
1987	70																												
1988	60																												
1989	50																												
1990 and later	40																												
	WEP is not applicable to persons who were federal employees or nonprofit employees on January 1, 1984, and who were covered by Social Security on that date with no Civil Service Retirement System coverage; to persons with Railroad Retirement pensions; or to workers with 30 years of substantial Social Security earnings. Workers with 26–29 years of coverage have less than full WEP applied. ^b For benefits payable before January 1989:																												
	<table> <thead> <tr> <th style="text-align: left;"><i>Years of coverage</i></th> <th style="text-align: center;"><i>Factor (percent)</i></th> </tr> </thead> <tbody> <tr><td>26</td><td style="text-align: center;">50</td></tr> <tr><td>27</td><td style="text-align: center;">60</td></tr> <tr><td>28</td><td style="text-align: center;">70</td></tr> <tr><td>29</td><td style="text-align: center;">80</td></tr> </tbody> </table>	<i>Years of coverage</i>	<i>Factor (percent)</i>	26	50	27	60	28	70	29	80																		
<i>Years of coverage</i>	<i>Factor (percent)</i>																												
26	50																												
27	60																												
28	70																												
29	80																												
	Enacted in 1988																												
1989	5 percent added to factor for each year of coverage over 20.																												
	<table> <thead> <tr> <th style="text-align: left;"><i>Years of coverage</i></th> <th style="text-align: center;"><i>Factor (percent)</i></th> </tr> </thead> <tbody> <tr><td>21</td><td style="text-align: center;">45</td></tr> <tr><td>22</td><td style="text-align: center;">50</td></tr> <tr><td>23</td><td style="text-align: center;">55</td></tr> <tr><td>24</td><td style="text-align: center;">60</td></tr> <tr><td>25</td><td style="text-align: center;">65</td></tr> <tr><td>26</td><td style="text-align: center;">70</td></tr> <tr><td>27</td><td style="text-align: center;">75</td></tr> <tr><td>28</td><td style="text-align: center;">80</td></tr> <tr><td>29</td><td style="text-align: center;">85</td></tr> </tbody> </table>	<i>Years of coverage</i>	<i>Factor (percent)</i>	21	45	22	50	23	55	24	60	25	65	26	70	27	75	28	80	29	85								
<i>Years of coverage</i>	<i>Factor (percent)</i>																												
21	45																												
22	50																												
23	55																												
24	60																												
25	65																												
26	70																												
27	75																												
28	80																												
29	85																												
1991	Earnings required for a year of substantial coverage (decoupled from the definition of a year of coverage for special minimum PIA). ^b																												
	<table> <thead> <tr> <th style="text-align: left;"><i>Year</i></th> <th style="text-align: center;"><i>Earnings (dollars)</i></th> </tr> </thead> <tbody> <tr><td>1991</td><td style="text-align: center;">9,900</td></tr> <tr><td>1992</td><td style="text-align: center;">10,350</td></tr> <tr><td>1993</td><td style="text-align: center;">10,725</td></tr> <tr><td>1994</td><td style="text-align: center;">11,250</td></tr> <tr><td>1995</td><td style="text-align: center;">11,325</td></tr> <tr><td>1996</td><td style="text-align: center;">11,625</td></tr> <tr><td>1997</td><td style="text-align: center;">12,150</td></tr> <tr><td>1998</td><td style="text-align: center;">12,675</td></tr> <tr><td>1999</td><td style="text-align: center;">13,425</td></tr> <tr><td>2000</td><td style="text-align: center;">14,175</td></tr> <tr><td>2001</td><td style="text-align: center;">14,925</td></tr> <tr><td>2002</td><td style="text-align: center;">15,750</td></tr> <tr><td>2003</td><td style="text-align: center;">16,125</td></tr> </tbody> </table>	<i>Year</i>	<i>Earnings (dollars)</i>	1991	9,900	1992	10,350	1993	10,725	1994	11,250	1995	11,325	1996	11,625	1997	12,150	1998	12,675	1999	13,425	2000	14,175	2001	14,925	2002	15,750	2003	16,125
<i>Year</i>	<i>Earnings (dollars)</i>																												
1991	9,900																												
1992	10,350																												
1993	10,725																												
1994	11,250																												
1995	11,325																												
1996	11,625																												
1997	12,150																												
1998	12,675																												
1999	13,425																												
2000	14,175																												
2001	14,925																												
2002	15,750																												
2003	16,125																												

a. Reduction in PIA will not be greater than one-half of the periodic payment based on noncovered employment performed after 1956.

b. See Table 2.A12. Before 1991, a year of substantial coverage for WEP was the same amount as for the minimum PIA (25 percent of the "old law" contribution and benefit base). For 1991 and following, a year of substantial coverage under WEP provisions remains 25 percent of the old law base, while the criterion for computing the special minimum PIA was changed to 15 percent of the base.

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>. Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2003," *Federal Register*, vol. 67, no. 207 (October 25, 2002).

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A12—Special minimum PIA (formula applies to years of coverage), by year enacted

Year enacted	Number of years of coverage	PIA computation		
1972	For 1937–1950, the number (disregarding any remainder and not exceeding 14) obtained by dividing total creditable wages in 1937–1950 by \$900 After 1950, the number of years with creditable earnings equal to at least 25 percent of the effective annual maximum taxable earnings, that is:			<i>Maximum amount^a for workers with 30 or more years of coverage (dollars)</i>
	<i>Year</i>	<i>Amount (dollars)</i>	<i>Effective date</i>	<i>Amount^a per year of coverage over 10 years (dollars)</i>
			January 1973	8.50
	1951–1954	900		
	1955–1958	1,050		
	1959–1965	1,200		
	1966–1967	1,650		
	1968–1971	1,950		
	1972	2,250		
	1973	2,700		
	1974	3,300		
	1975	3,525		
	1976	3,825		
	1977	4,125		
	1978	4,425		
1973	...			
			<i>Effective date</i>	<i>Amount^a per year of coverage over 10 years (dollars)</i>
			March 1974	9.00
1977 ^b	After 1978, the number of years with creditable earnings equal to at least 25 percent of what the annual taxable maximum would have been if the statutory increases in the maximum under the 1977 amendments had not been enacted (the "old law" contribution and benefit base), that is:		<i>Effective date</i>	<i>Maximum amount^a for workers with 30 or more years of coverage (dollars)</i>
	<i>Year</i>	<i>Amount (dollars)</i>		<i>Amount^a per year of coverage over 10 years (dollars)</i>
			January 1979	11.50
	1979	4,725	June 1979	^c 12.64
	1980	5,100	June 1980	^c 14.45
	1981	5,550	June 1981	^c 16.07
	1982	6,075	June 1982	^c 17.26
	1983	6,675	December 1983	^c 17.86
	1984	7,050	December 1984	^c 18.49
	1985	7,425	December 1985	^c 19.06
	1986	7,875	December 1986	^c 19.31
	1987	8,175	December 1987	^c 20.12
	1988	8,400	December 1988	^c 20.92
	1989	8,925	December 1989	^c 21.90
	1990	9,525	December 1990	^c 23.08
			December 1991	^c 23.93
			December 1992	^c 24.65
			December 1993	^c 25.29
			December 1994	^c 26.00
			December 1995	^c 26.68
			December 1996	^c 27.45
			December 1997	^c 28.03
			December 1998	^c 28.39
			December 1999	^{c,d} 29.10
			December 2000	^c 30.12
			December 2001	^c 30.90
			December 2002	^c 31.33

(Continued)

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A12—Special minimum PIA (formula applies to years of coverage), by year enacted—Continued

Year enacted	Number of years of coverage	PIA computation
1990	After 1990, the number of years with creditable earnings equal to at least 15 percent of what the annual taxable maximum would have been if the statutory increases in the maximum under the 1977 amendments had not been enacted (the "old law" contribution and benefit base), that is: ⁶	...
	<i>Year</i>	<i>Amount (dollars)</i>
	1991	5,940
	1992	6,210
	1993	6,435
	1994	6,750
	1995	6,795
	1996	6,975
	1997	7,290
	1998	7,605
	1999	8,055
	2000	8,505
	2001	8,955
	2002	9,450
	2003	9,675

- a. The amount effective for a given month applies, as of that month, to all workers from the date of entitlement to benefits.
- b. Provision for future automatic cost-of-living increases of amount per year of coverage (and maximum amount), beginning with the June 1979 increase.
- c. Factors were obtained by applying cost-of-living increases to initial 1979 factor of \$11.50 and rounding each one to nearest cent. An approximate PIA may be computed by multiplying factor in year of entitlement by the number of years of coverage in excess of 10 with a maximum of 20. Actual PIAs are published yearly in the *Federal Register*.
- d. The December 1999 cost-of-living adjustment (COLA) was originally determined to be 2.4 percent, based on the consumer price index (CPI). The underlying CPI was later recomputed by the Bureau of Labor Statistics; a 2.5 percent COLA would have been consistent with the recomputed CPI. Pursuant to P.L. 106-554, benefits were calculated and paid in August 2001 and later as if the December 1999 COLA had been 2.5 percent. Affected beneficiaries received a one-time payment to cover the shortfall that occurred before August 2001.
- e. For 1991 and following, a year of substantial coverage under the Windfall Elimination Provision remains 25 percent of the old law base, while the criterion for the special minimum PIA was changed to 15 percent of the base.

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>. Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2003," *Federal Register*, vol. 67, no. 207 (October 25, 2002).

NOTES: Alternative PIA applicable when it exceeds the regularly computed PIA. The usual rates of actuarial reduction apply for retirement before the full retirement age. No delayed retirement credits are applicable to the benefit derived from the special minimum PIA. However, the resulting retirement benefit will be raised if necessary to equal the benefit derived from the regularly computed PIA plus any delayed retirement credits.

... = not applicable.

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A13—Formulas enacted in 1977 for computing maximum family benefit from PIA and cost-of-living adjustments for workers who were first eligible in 1979 or later, by year of first eligibility

Eligibility year	Calculation of maximum family benefit (based on percentage of PIA) (dollars)				First applicable cost-of-living adjustment	
	150 percent of the first	Plus 272 percent of the next	Plus 134 percent of the next	Plus 175 percent of the amount above	Effective date	Percentage increase
1979	230	102	101	433	June 1979	9.9
1980	248	110	109	467	June 1980	14.3
1981	270	120	118	508	June 1981	11.2
1982	294	131	129	554	June 1982	7.4
1983	324	144	142	610	December 1983	3.5
1984	342	151	150	643	December 1984	3.5
1985	358	159	158	675	December 1985	3.1
1986	379	169	166	714	December 1986	1.3
1987	396	175	174	745	December 1987	4.2
1988	407	181	179	767	December 1988	4.0
1989	433	193	190	816	December 1989	4.7
1990	455	201	200	856	December 1990	5.4
1991	473	209	208	890	December 1991	3.7
1992	495	219	217	931	December 1992	3.0
1993	513	227	226	966	December 1993	2.6
1994	539	240	237	1,016	December 1994	2.8
1995	544	241	239	1,024	December 1995	2.6
1996	559	247	246	1,052	December 1996	2.9
1997	581	258	255	1,094	December 1997	2.1
1998	609	271	267	1,147	December 1998	1.3
1999	645	286	283	1,214	December 1999	^a 2.5
2000	679	301	298	1,278	December 2000	3.5
2001	717	317	315	1,349	December 2001	2.6
2002	756	336	332	1,424	December 2002	1.4
2003	774	344	340	1,458	December 2003	...

a. The December 1999 cost-of-living adjustment (COLA) was originally determined to be 2.4 percent, based on the consumer price index (CPI). The underlying CPI was later recomputed by the Bureau of Labor Statistics; a 2.5 percent COLA would have been consistent with the recomputed CPI. Pursuant to P.L. 106-554, benefits were calculated and paid in August 2001 and later as if the December 1999 COLA had been 2.5 percent. Affected beneficiaries received a one-time payment to cover the shortfall that occurred before August 2001.

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>. Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2003," *Federal Register*, vol. 67, no. 207 (October 25, 2002).

NOTES: The 1977 amendments provided for annual automatic adjustments of bend points (PIA brackets) in the maximum family benefit formula in proportion to increases in the average wage level. As a result, separate formulas are applicable to workers first eligible in successive calendar years.

Eligible workers are those who attained age 62 or died in the given year.

... = not available.

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

Table 2.A14—Formulas for computing maximum family benefit and cost-of-living adjustments for workers first eligible for disability benefits in 1979 or later, by year of enactment

Eligibility year	Formula
	Enacted in 1977^a
1979 ^b	150% of first \$230 of PIA + 272% of next \$102 of PIA + 134% of next \$101 of PIA + 175% of PIA over \$433 ^c
1980 ^b	150% of first 248 of PIA + 272% of next \$110 of PIA + 134% of next 109 of PIA + 175% of PIA over 467 ^c
	Enacted in 1980^d
1979 or later	Smaller of (1) 85% of the AIME (or 100% of PIA, if larger) and (2) 150% of PIA ^e

a. The 1977 amendments provided for annual automatic adjustments of bend points (PIA brackets) in maximum family benefit formula in proportion to increases in average wage level. As a result, separate formulas are applicable to workers first eligible in successive calendar years.

b. Applicability of formula limited to workers with initial entitlement before July 1980, as a result of 1980 amendments.

c. Calculated amount subject to cost-of-living adjustments beginning with the one effective for June of the year of first eligibility.

d. Formula for computing maximum family benefit revised effective for workers with initial entitlement in or after July 1980. New formula remains unchanged for workers eligible in successive calendar years because it has no bend points requiring adjustments.

e. Calculated amount subject to cost-of-living adjustments beginning with the one effective in year of first eligibility (or in 1981, if later).

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>. Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2003," *Federal Register*, vol. 67, no. 207 (October 25, 2002).

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A16—Formulas for computing primary insurance amount (PIA) from average monthly wage (AMW) based on earnings after 1950, and percentage increases in PIA

AMW (dollars)	April 1952	September 1952	September 1954	January 1959	January 1965	February 1968	January 1970	January 1971	September 1972	June 1974
First 110	^a 50.00	^a 55.00	55.00	58.85	62.97	71.16	81.83	90.01	108.01	119.89
Next 290	^b 15.00	^b 15.00	^c 20.00	21.40	22.90	25.88	29.76	32.74	39.29	43.61
Next 150	...	...	...	...	21.40	24.18	27.81	30.59	36.71	40.75
Next 100	...	...	...	...	...	28.43	32.69	35.96	43.15	47.90
Next 100	...	...	...	...	...	...	...	20.00	24.00	26.64
Next 250	...	...	...	...	...	...	...	...	^d 20.00	22.20
Next 175	...	...	...	...	...	...	...	...	...	^e 20.00
Percentage increase in PIA	^f 77.0	^g 12.5	^h 13.0	ⁱ 7.0	^j 7.0	13.0	15.0	10.0	20.0	^k 11.0

(Continued)

Table 2.A16—Formulas for computing primary insurance amount (PIA) from average monthly wage (AMW) based on earnings after 1950, and percentage increases in PIA—Continued

AMW (dollars)	June 1975	June 1976	June 1977	June 1978	June 1979	June 1980	June 1981	June 1982	December 1983	December 1984
First 110	129.48	137.77	145.90	155.38	170.76	195.18	217.04	233.10	241.26	249.70
Next 290	47.10	50.10	53.06	56.51	62.10	70.98	78.93	84.77	87.74	90.81
Next 150	44.01	46.82	49.58	52.81	58.04	66.34	73.77	79.23	82.00	84.87
Next 100	51.73	55.05	58.30	62.09	68.24	78.00	86.74	93.16	96.42	99.79
Next 100	28.77	30.61	32.42	34.53	37.95	43.38	48.24	51.81	53.62	55.50
Next 250	23.98	25.51	27.02	28.78	31.63	36.15	40.20	43.17	44.68	46.24
Next 175	21.60	22.98	24.34	25.92	28.49	32.56	36.21	38.89	40.25	41.66
Next 100	20.00	21.28	22.54	24.01	26.39	30.16	33.54	36.02	37.28	38.58
Next 100	...	20.00	21.18	22.56	24.79	28.33	31.50	33.83	35.01	36.24
Next 100	...	...	20.00	21.30	23.41	26.76	29.76	31.96	33.08	34.24
Next 435	...	...	...	20.00	21.98	25.12	27.93	30.00	31.05	32.14
Next 250	...	...	...	...	20.00	22.86	25.42	27.30	28.26	29.25
Next 315	...	...	...	...	...	20.00	22.24	23.89	24.73	25.60
Next 225	...	...	...	...	...	...	20.00	21.48	22.23	23.01
Next 275	...	...	...	...	...	...	...	20.00	20.70	21.42
Next 175	...	...	...	...	...	...	...	...	20.00	20.70
Next 150	...	...	...	...	...	...	...	...	...	20.00
Percentage increase in PIA	^l 8.0	6.4	5.9	6.5	9.9	14.3	11.2	7.4	3.5	3.5

(Continued)

Table 2.A16—Formulas for computing primary insurance amount (PIA) from average monthly wage (AMW) based on earnings after 1950, and percentage increases in PIA—Continued

AMW (dollars)	December 1985	December 1986	December 1987	December 1988	December 1989	December 1990	December 1991	December 1992	December 1993	December 1994
First 110	257.44	260.79	271.74	282.61	295.89	311.87	323.41	333.11	341.77	351.34
Next 290	93.62	94.84	98.82	102.77	107.60	113.42	117.62	121.15	124.30	127.78
Next 150	87.50	88.64	92.36	96.05	100.56	105.99	109.91	113.21	116.15	119.40
Next 100	102.88	104.22	108.60	112.94	118.25	124.64	129.25	133.13	136.59	140.41
Next 100	57.22	57.96	60.39	62.81	65.76	69.31	71.87	74.03	75.95	78.08
Next 250	47.67	48.29	50.32	52.33	54.79	57.75	59.89	61.69	63.29	65.06
Next 175	42.95	43.51	45.34	47.15	49.37	52.04	53.97	55.59	57.04	58.64
Next 100	39.78	40.30	41.99	43.67	45.72	48.19	49.97	51.47	52.81	54.29
Next 100	37.36	37.85	39.44	41.02	42.95	45.27	46.94	48.35	49.61	51.00
Next 100	35.30	35.76	37.26	38.75	40.57	42.76	44.34	45.67	46.86	48.17
Next 435	33.14	33.57	34.98	36.38	38.09	40.15	41.64	42.89	44.01	45.24
Next 250	30.16	30.55	31.83	33.10	34.66	36.53	37.88	39.02	40.03	41.15
Next 315	26.39	26.73	27.85	28.96	30.32	31.96	33.14	34.13	35.02	36.00
Next 225	23.72	24.03	25.04	26.04	27.26	28.73	29.79	30.68	31.48	32.36
Next 275	22.08	22.37	23.31	24.24	25.38	26.75	27.74	28.57	29.31	30.13
Next 175	21.34	21.62	22.53	23.43	24.53	25.85	26.81	27.61	28.33	29.12
Next 150	20.63	20.90	21.78	22.65	23.71	24.99	25.91	26.69	27.38	28.15
Next 200	20.00	20.26	21.11	21.95	22.98	24.22	25.12	25.87	26.54	27.28
Next 150	...	20.00	20.84	21.67	22.69	23.92	24.81	25.55	26.21	26.94
Next 100	...	...	20.00	20.80	21.78	22.96	23.81	24.52	25.16	25.86
Next 250	...	...	...	20.00	20.94	22.07	22.89	23.58	24.19	24.87
Next 275	...	...	...	...	20.00	21.08	21.86	22.52	23.11	23.76
Next 175	...	...	...	...	...	20.00	20.74	21.36	21.92	22.53
Next 175	...	...	...	...	...	...	20.00	20.60	21.14	21.73
Next 175	...	...	...	...	...	...	...	20.00	20.52	21.13
Next 250	...	...	...	...	...	...	...	...	20.00	21.09
Next 50	...	...	...	...	...	...	...	...	...	20.56
Percentage increase in PIA	3.1	1.3	4.2	4.0	4.7	5.4	3.7	3.0	2.6	2.8

(Continued)

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A16—Formulas for computing primary insurance amount (PIA) from average monthly wage (AMW) based on earnings after 1950, and percentage increases in PIA—Continued

AMW (dollars)	December 1995	December 1996	December 1997	December 1998	December 1999	December 2000	December 2001	December 2002
First 110	360.47	370.93	378.72	383.64	393.23	407.00	417.58	423.43
Next 290	131.10	134.90	137.73	139.52	143.01	148.02	151.87	153.99
Next 150	122.50	126.06	128.71	130.38	133.64	138.32	141.91	143.90
Next 100	144.06	148.24	151.35	153.32	157.15	162.65	166.88	169.22
Next 100	80.11	82.43	84.16	85.26	87.39	90.45	92.80	94.10
Next 250	66.75	68.69	70.13	71.04	72.82	75.37	77.33	78.41
Next 175	60.16	61.91	63.21	64.03	65.63	67.93	69.70	70.67
Next 100	55.70	57.32	58.52	59.28	60.77	62.89	64.53	65.43
Next 100	52.33	53.84	54.97	55.69	57.08	59.08	60.61	61.46
Next 100	49.42	50.86	51.93	52.60	53.92	55.81	57.26	58.06
Next 435	46.42	47.76	48.76	49.40	50.63	52.40	53.77	54.52
Next 250	42.22	43.44	44.35	44.93	46.05	47.66	48.90	49.59
Next 315	36.94	38.01	38.81	39.31	40.30	41.71	42.79	43.39
Next 225	33.20	34.16	34.88	35.33	36.21	37.48	38.46	38.99
Next 275	30.91	31.81	32.48	32.90	33.72	34.90	35.81	36.31
Next 175	29.88	30.74	31.39	31.79	32.59	33.73	34.61	35.09
Next 150	28.88	29.72	30.34	30.74	31.51	32.61	33.46	33.93
Next 200	27.99	28.80	29.40	29.79	30.53	31.60	32.42	32.88
Next 150	27.64	28.44	29.04	29.41	30.15	31.21	32.02	32.46
Next 100	26.53	27.30	27.87	28.24	28.94	29.95	30.73	31.16
Next 250	25.52	26.26	26.81	27.16	27.84	28.81	29.56	29.98
Next 275	24.38	25.08	25.61	25.94	26.59	27.52	28.23	28.63
Next 175	23.12	23.79	24.29	24.61	25.22	26.10	26.78	27.16
Next 175	22.29	22.94	23.42	23.73	24.32	25.17	25.82	26.19
Next 175	21.64	22.27	22.74	23.03	23.61	24.44	25.07	25.42
Next 250	21.09	21.71	22.17	22.45	23.02	23.82	24.44	24.78
Next 50	20.52	21.12	21.56	21.84	22.39	23.17	23.78	24.11
Next 125	20.00	20.58	21.01	21.29	21.82	22.58	23.17	23.49
Next 225	...	20.00	20.42	20.69	21.20	21.94	22.52	22.83
Next 250	...	...	20.00	20.26	20.77	21.49	22.05	22.36
Next 350	...	...	...	20.00	20.50	21.22	21.77	22.07
Next 300	...	...	...	...	20.00	20.70	21.24	21.54
Next 350	...	...	...	...	...	20.00	20.52	20.81
Next 375	...	...	...	...	...	...	20.00	20.28
Next 175	...	...	...	...	...	...	...	20.00
Percentage increase in PIA	2.6	2.9	2.1	1.3	^m 2.5	3.5	2.6	1.4

- a. Applied to first \$100 of AMW.
- b. Applied to next \$200 of AMW.
- c. Applied to next \$190 before 1955 and to next \$240 effective for January 1955.
- d. Applied to next \$150 effective for January 1973 and to next \$350 effective for January 1974.
- e. Applied to next \$100 before January 1975.
- f. Average increase in benefits of about 77 percent—from 100 percent at the lowest level to 50 percent at the highest level.
- g. Increase of 12.5 percent or \$5, if larger.
- h. Average increase of about 13 percent, with minimum increase of \$5.
- i. Increase of 7 percent or \$3, if larger.
- j. Increase of 7 percent or \$4, if larger.
- k. Increase effective in two steps: 7 percent for March–May and 4 percent for June.
- l. Beginning June 1975 all benefit increases are based on automatic cost-of-living adjustments.
- m. The December 1999 cost-of-living adjustment (COLA) was originally determined to be 2.4 percent, based on the consumer price index (CPI). The underlying CPI was later recomputed by the Bureau of Labor Statistics; a 2.5 percent COLA would have been consistent with the recomputed CPI. Pursuant to P.L. 106-554, benefits were calculated and paid in August 2001 and later as if the December 1999 COLA had been 2.5 percent. Affected beneficiaries received a one-time payment to cover the shortfall that occurred before August 2001.

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>. Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2003," *Federal Register*, vol. 67, no. 207 (October 25, 2002).

NOTE: ... = not applicable.

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A17—Minimum primary insurance amount (PIA) and maximum family benefit for workers who attained age 62, were first eligible for disabled-worker benefits, or died before 1979

Year enacted	Effective date	Minimum PIA ^a (dollars)	Maximum family benefit	
			Percentage of AMW	Not less than—
1935	...	10.00	...	...
1939	...	...	Lesser of 80%, \$85, or 200% of PIA	\$20.00
1950	September 1950	20.00	80% of first \$187.50	\$40.00
1952	September 1952	25.00	80% of first \$210.93	\$45.00
1954	September 1954	30.00	80% of first \$250	\$50.00 or 150% of PIA
1958	January 1959	33.00	80% of first \$317.50	\$20.00 + PIA or 150% of PIA
1961	August 1961	40.00	...	150% of PIA
1965	January 1965	44.00	80% of first \$370 + 40% of next \$180	...
1967	February 1968	55.00	80% of first \$436 + 40% of next \$214	...
1969	January 1970	64.00	...	...
1971	January 1971	70.40	88% of first \$436 + 44% of next \$191 ^b	...
1972	September 1972	84.50	105.6% of first \$436 + 52.8% of next \$191 ^b	...
1973 ^c	June 1974	89.50	111.8% of first \$436 + 55.9% of next \$191 ^b	...
1973 ^d	March 1974	90.50	113.0% of first \$436 + 56.5% of next \$191 ^b	...
	June 1974	93.80	117.2% of first \$436 + 58.6% of next \$191 ^b	...
	June 1975	101.40	126.6% of first \$436 + 63.3% of next \$191 ^b	...
	June 1976	107.90	134.7% of first \$436 + 67.3% of next \$191 ^b	...
	June 1977	114.30	142.6% of first \$436 + 71.3% of next \$191 ^b	...
	June 1978	121.80	151.9% of first \$436 + 76.0% of next \$191 ^b	...
	June 1979	133.90	167.0% of first \$436 + 83.5% of next \$191 ^b	...
	June 1980	153.10	190.9% of first \$436 + 95.4% of next \$191 ^b	...
	June 1981	170.30	212.2% of first \$436 + 106.1% of next \$191 ^b	...
1981 ^e	March 1982	f	...	...
1981	June 1982	182.90	227.9% of first \$436 + 114.0% of next \$191 ^b	...
	December 1983	189.30	235.9% of first \$436 + 118.0% of next \$191 ^b	...
	December 1984	195.90	244.2% of first \$436 + 122.1% of next \$191 ^b	...
	December 1985	201.90	251.8% of first \$436 + 125.9% of next \$191 ^b	...
	December 1986	204.50	255.1% of first \$436 + 127.5% of next \$191 ^b	...
	December 1987	213.00	265.8% of first \$436 + 132.9% of next \$191 ^b	...
	December 1988	221.50	276.4% of first \$436 + 138.2% of next \$191 ^b	...
	December 1989	231.90	289.4% of first \$436 + 144.7% of next \$191 ^b	...
	December 1990	244.40	305.0% of first \$436 + 152.5% of next \$191 ^b	...
	December 1991	253.40	316.3% of first \$436 + 158.1% of next \$191 ^b	...
	December 1992	261.00	325.8% of first \$436 + 162.8% of next \$191 ^b	...
	December 1993	267.70	334.3% of first \$436 + 167.0% of next \$191 ^b	...
	December 1994	275.10	343.7% of first \$436 + 171.7% of next \$191 ^b	...
	December 1995	282.20	352.6% of first \$436 + 176.2% of next \$191 ^b	...
	December 1996	290.30	362.8% of first \$436 + 181.3% of next \$191 ^b	...
	December 1997	296.30	370.4% of first \$436 + 185.1% of next \$191 ^b	...
	December 1998	300.10	375.2% of first \$436 + 187.5% of next \$191 ^b	...
	December 1999 ^g	307.60	384.6% of first \$436 + 192.2% of next \$191 ^b	...
	December 2000	318.30	398.1% of first \$436 + 198.9% of next \$191 ^b	...
	December 2001	326.50	408.5% of first \$436 + 204.1% of next \$191 ^b	...
	December 2002	331.00	414.2% of first \$436 + 206.9% of next \$191 ^b	...

a. Based on earnings; subject to reduction if claimed before age 65.

b. For AMW of \$628 or more, 175 percent of PIA.

c. Superseded by 1973 legislation.

d. Beginning in 1975, minimum PIA and percentages in maximum family benefit formula are subject to automatic cost-of-living increases. (Superseded 1972 legislation for automatic increases beginning in 1974.)

e. Superseded by 1981 legislation that restored the minimum PIA for these groups.

f. Minimum PIA eliminated by 1981 legislation.

g. The December 1999 cost-of-living adjustment (COLA) was originally determined to be 2.4 percent, based on the consumer price index (CPI). The underlying CPI was later recomputed by the Bureau of Labor Statistics; a 2.5 percent COLA would have been consistent with the recomputed CPI. Pursuant to P.L. 106-554, benefits were calculated and paid in August 2001 and later as if the December 1999 COLA had been 2.5 percent. Affected beneficiaries received a one-time payment to cover the shortfall that occurred before August 2001.

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>. Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2003," *Federal Register*, vol. 67, no. 207 (October 25, 2002).

NOTE: ... = not applicable.

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A17.1—Full retirement age and maximum reduction of retired-worker benefits, by year of birth

Year of birth ^a	Year of attainment of age 62	Year of attainment of age 65	Full retirement age	Maximum reduction months	Maximum reduction at age 62 ^b
1935	1997	2000	65 years	36	0.2000000
1936	1998	2001	65 years	36	0.2000000
1937	1999	2002	65 years	36	0.2000000
1938	2000	2003	65 years and 2 months	38	0.2083333
1939	2001	2004	65 years and 4 months	40	0.2166667
1940	2002	2005	65 years and 6 months	42	0.2250000
1941	2003	2006	65 years and 8 months	44	0.2333333
1942	2004	2007	65 years and 10 months	46	0.2416667
1943–1954	2005–2016	2008–2019	66 years	48	0.2500000
1955	2017	2020	66 years and 2 months	50	0.2583333
1956	2018	2021	66 years and 4 months	52	0.2666667
1957	2019	2022	66 years and 6 months	54	0.2750000
1958	2020	2023	66 years and 8 months	56	0.2833333
1959	2021	2024	66 years and 10 months	58	0.2916667
1960 or later	2022 and later	2025 and later	67 years	60	0.3000000

a. If birthday is January 1, refer to previous year.

b. The monthly reduction factor is 0.0055556 for the first 36 months and 0.0041667 for additional months.

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>.

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A18—Automatic adjustment provisions

Year enacted	Provision
	<i>Quarter of coverage</i>
1977	Mandatory annual determination, beginning in 1978, as to whether or not an adjustment is required in the amount of wages and self-employment earnings an individual needs in order to be credited with a quarter of coverage (QC) in the succeeding year. The amount required for a QC is the product of \$250 (in effect in 1978) multiplied by the following quotient: the national average wage for the year before the year of determination, divided by the average wage for 1976 (see Table 2.A8 for average annual wages after 1950). The resulting product, rounded to the nearest multiple of \$10, is the new amount required for a QC. In no case, however, is the new amount reduced below the amount in effect in the year of determination.
	<i>Maximum amount of taxable and creditable earnings</i>
1972	The 1972 Act (as modified by the 1973 legislation) mandated a determination in 1974, and in every subsequent year in which a cost-of-living benefit increase is established, as to whether or not an adjustment is required in the maximum amount of annual earnings that will be taxed and credited toward benefits. The determination in the years after 1975 is made by multiplying the "maximum" in effect in the year of determination by the following quotient: the national average wage for the year before the year of determination, divided by the average wage for the year before the most recent year in which an automatic determination was made that resulted in an increase or in which an increase in the maximum was enacted. (See Table 2.A8 for annual amounts of the average wage after 1950). The resulting product, rounded to the nearest multiple of \$300, is the new maximum amount of taxable and creditable earnings, effective with respect to remuneration paid after the year of determination and with respect to taxable years beginning after that year. In no case, however, is the maximum reduced to an amount below the maximum in the year of determination.
1976	In the 1974 and 1975 determinations, the quotient was the average wage for the year of determination, estimated from data for the first calendar quarter, divided by the corresponding amount for the year before the year of determination. Public Law 94-202 (signed January 2, 1976) revised the adjustment method by increasing by a year the lag in average wages used in the computation. Thus, for example, the 1976 determination was based on the percentage increase in the average wage from 1974 to 1975.
1977	Statutory in lieu of automatic increases in the maximum instituted for 1979, 1980, and 1981. Also, for purposes of establishing a "year of coverage" used in the computation of the special minimum PIA, annual maximum taxable and creditable earnings after 1978 are the amounts that would have been determined under the automatic adjustment provisions if the statutory increases in the maximum under the 1977 Act had not been enacted (see Table 2.A12).
1989	Automatic increases in the maximum for 1990, 1991, and 1992 determined under a transitional rule, specified by the Omnibus Budget Reconciliation Act of 1989, for computing "deemed" average annual wage for 1988, 1989, and 1990. The purpose of the legislation was to include contributions to certain "deferred compensation" plans, most importantly section 401(k) pension plans, in the average annual average wage.
1994	The determination for years after 1994 is made by multiplying \$60,600, the "maximum" for 1994, by the following quotient: the national average wage index for the year before the year in which the determination is made, divided by the national average wage index for 1992. (See Table 2.A8 for annual amounts of the national average wage index.) The resulting product, rounded to the nearest \$300, is the new maximum amount of taxable and creditable earnings, effective with respect to remuneration paid in (and taxable years beginning in) the year following the year the determination is made. In no case, however, is the new maximum reduced to an amount below the maximum in the year of determination.
	<i>Benefits Computation</i>
1977	New benefit computation method based on average indexed monthly earnings (AIME) after 1950, effective for workers first eligible after 1978. Provision for automatic adjustment of the dollar amounts, or bend points, defining (1) the AIME brackets in the PIA formula (see Table 2.A11) and (2) the PIA brackets in the maximum family benefit formula (see Table 2.A13). New bend points are established by multiplying the bend points in effect in 1979—\$180 and \$1,085 for the PIA formula and \$230, \$332, and \$433 for the maximum family benefit formula—by the following quotient: the national average wage for the second year before the year for which the determination was made, divided by the average wage for 1977 (see Table 2.A8 for average annual wages after 1950). The resulting products, rounded to the nearest dollar, are the new bend points.
1980	Modified maximum family benefit formula applicable to workers with initial entitlement to disability benefits in or after July 1980 (see Table 2.A14). New formula for disabled workers has no bend points subject to automatic adjustment.
	<i>Cost-of-living increase</i>
1972	Under the original provisions (based on 1972 and 1973 legislation), the arithmetical mean of the consumer price index (CPI) for January, February, and March in the year of determination was compared with the arithmetical mean of the CPI for the later of (a) January, February, and March of the year in which the last effective cost-of-living increase was established or (b) the 3 months of the calendar quarter in which the effective month of the last general benefit increase occurred. (Before the introduction, in 1977, of the alternative CPI series for "all urban consumers," or the CPI-U, the CPI-W was referred to as the CPI.) If the percentage increase in the CPI, rounded to the nearest one-tenth of 1 percent, was at least 3.0 (the triggering requirement), a cost-of-living benefit increase was established and the level of benefits was increased by the same percentage, effective for June of the year in which the determination was made.
1983	The 1983 Act moved the effective date for a cost-of-living benefit increase from June to December, beginning in 1983, and eliminated the "triggering requirement" for the 1983 increase only. Effective with the determination made in 1984, the two periods used in calculating the CPI-W percentage increase were shifted from the first to the third quarter. The 1983 Act also introduced an alternative method for determining the size of a cost-of-living adjustment. This method, called the stabilizer provision, is applied when the ratio of the combined OASDI trust fund assets to estimated outgo falls below a certain percentage. The "triggering" percentage is 15 percent for 1985–1988 and 20 percent for years after 1988. Under these circumstances, the cost-of-living adjustment is based on the lesser of the CPI-W percentage increase determined above or the increase in average wages. The latter increase is the percentage, rounded to the nearest one-tenth of 1 percent by which the national average wage for the year before the year of determination exceeds the average wage for the year before the most recent year in which either a cost-of-living increase or a general benefit increase occurred. (See Table 2.A8 for the annual amount of the average wage after 1950 and footnote a in that table for the underlying data sources.) The 1983 legislation also included a provision for making up any benefit increases that are based on a lower wage increase rather than on the increase in the cost of living. When the fund ratio is greater than 32 percent, additional increases will be provided so that benefits are increased to the level at which they would have been if all increases had been based on the CPI-W. (See Table 2.A19 for the cumulative effect of statutory and automatic increases in benefits.)
1986	Triggering requirement eliminated for cost-of-living increases in and after 1986 by P.L. 99-509 (signed October 21, 1986).
2001	The December 1999 cost-of-living adjustment (COLA) was originally determined to be 2.4 percent, based on the consumer price index (CPI). The underlying CPI was later recomputed by the Bureau of Labor Statistics; a 2.5 percent COLA would have been consistent with the recomputed CPI. Pursuant to P.L. 106-554, benefits were calculated and paid in August 2001 and later as if the December 1999 COLA had been 2.5 percent. Affected beneficiaries received a one-time payment to cover the shortfall that occurred before August 2001.

(Continued)

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A18—Automatic adjustment provisions—Continued

Year enacted	Provision
Earnings test	
1972	The 1972 Act (as modified by the 1973 Acts) mandated a determination in 1974, and in every subsequent year in which a cost-of-living increase is established, as to whether or not an adjustment in the exempt amount—the amount of earnings permitted without reduction in benefits—is required. The determination in the years after 1975 is made by multiplying the monthly exempt amount in effect in the year of determination by the following quotient: the national average wage for the year before the year of determination, divided by the average wage for the year before the most recent year in which an automatic determination was made that resulted in an increase or in which an increase in the exempt amount was enacted. (See Table 2.A8 for annual amounts of the average wage after 1950.) The resulting product, rounded to the nearest multiple of \$10, is the new monthly exempt amount, effective with respect to remuneration paid after the year of determination and with respect to taxable year beginning after that year. In no case, however, is the new exempt amount reduced below the exempt amount in the year of determination. The new annual exempt amount is determined by multiplying the new monthly amount by 12.
1976	In the 1974 and 1975 determinations, the quotient was the average wage for the year of determination, estimated from data for the first calendar quarter, divided by the corresponding amount for the year before the year of determination. Public Law 94-202 (signed January 2, 1976) revised the adjustment method by increasing by a year the lag in average wages used in the computation. Thus, for example, the 1976 determination was based on the percentage increase in the average wage from 1974 to 1975.
1994	The determination for years after 1994 is made by multiplying the monthly exempt amounts in effect for 1994 (\$930 for beneficiaries who have, \$670 for beneficiaries who have not yet, reached "full retirement age"; see footnote <i>f</i> in Table 2.A29) by the following quotient: the national average wage for the year before the year in which the determination is made, divided by the national average wage for 1992. (See Table 2.A8 for annual amounts of the national average wage.) The resulting products, rounded to the nearest \$10, are the new monthly exempt amounts effective for the year following the year the determination is made. The new annual exempt amounts are determined by multiplying the new monthly amounts by 12.
1996	Public Law 104-121, enacted March 29, 1996, suspended the automatic indexing of the exempt amounts through the year 2002 for workers aged 65–69. It legislated ad hoc increases in the annual exempt amounts to \$12,500 in 1996; \$13,500 in 1997; \$14,500 in 1998; \$15,500 in 1999; \$17,000 in 2000; \$25,000 in 2001; and \$30,000 in 2002. Thereafter, the exempt amounts will increase automatically based on the annual increase in the national average wage as under the 1994 legislation.
2000	Public Law 106-182, enacted April 7, 2000, eliminated the earnings test beginning with the month a beneficiary reaches full retirement age (FRA). The annual earnings test that applies in the year of attainment of FRA is based on the annual limits established under P.L. 104-121 (including the \$1 for \$3 withholding rate). In determining annual earnings for purposes of the annual earnings test under this legislation, only earnings before the month of attainment of FRA will be considered. Public Law 106-182 did not change the annual exempt amount for beneficiaries who are under FRA throughout the year, which continues to be pegged to increases in the average wage.

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>. Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2003," *Federal Register*, vol. 67, no. 207 (October 25, 2002).

CONTACT: Joseph Bondar (410) 965-0162 or Curt Pauzenga (410) 965-7210.

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A19—Illustrative benefit growth: Cumulative effect of statutory and automatic increases in benefits using a 100 dollar base benefit

Base date	August 1950	September 1950	September 1952	September 1954	January 1959	January 1965	February 1968	January 1970	January 1971	September 1972	June 1974	June 1975	June 1976
August 1950	100	177	199	225	241	258	291	335	368	442	491	530	564
September 1950	...	100	113	127	136	146	164	189	208	250	277	299	318
September 1952	100	113	121	129	146	168	185	222	246	266	283
September 1954	100	107	114	129	149	164	196	218	235	250
January 1959	100	107	121	139	153	184	204	220	234
January 1965	100	113	130	143	172	190	206	219
February 1968	100	115	127	152	168	182	194
January 1970	100	110	132	147	158	168
January 1971	100	120	133	144	153
September 1972	100	111	120	128
June 1974	100	108	115
June 1975	100	106
June 1976	100
Cost-of-living adjustment	...	77.0	12.5	13.0	7.0	7.0	13.0	15.0	10.0	20.0	11.0	8.0	6.4

(Continued)

Table 2.A19—Illustrative benefit growth: Cumulative effect of statutory and automatic increases in benefits using a 100 dollar base benefit—Continued

Base date	June 1977	June 1978	June 1979	June 1980	June 1981	June 1982	December 1983	December 1984	December 1985	December 1986	December 1987	December 1988	December 1989
August 1950	597	636	699	799	888	954	987	1,022	1,053	1,067	1,112	1,156	1,211
September 1950	337	359	395	451	502	539	558	577	595	603	628	653	684
September 1952	300	319	351	401	446	479	496	513	529	536	558	581	608
September 1954	265	283	310	355	395	424	439	454	468	474	494	514	538
January 1959	248	264	290	332	369	396	410	424	437	443	462	480	503
January 1965	232	247	271	310	345	370	383	397	409	414	432	449	470
February 1968	205	218	240	274	305	328	339	351	362	367	382	397	416
January 1970	178	190	209	239	265	285	295	305	315	319	332	345	362
January 1971	162	173	190	217	241	259	268	277	286	290	302	314	329
September 1972	135	144	158	181	201	216	223	231	238	241	252	262	274
June 1974	122	130	142	163	181	194	201	208	215	218	227	236	247
June 1975	113	120	132	151	168	180	186	193	199	201	210	218	229
June 1976	106	113	124	142	158	169	175	181	187	189	197	205	215
June 1977	100	107	117	134	149	160	165	171	176	179	186	194	203
June 1978	...	100	110	126	140	150	155	161	166	168	175	182	190
June 1979	...	...	100	114	127	137	141	146	151	153	159	166	173
June 1980	...	...	...	100	111	119	124	128	132	134	139	145	152
June 1981	...	...	...	...	100	107	111	115	119	120	125	130	136
June 1982	...	...	...	...	...	100	104	107	110	112	117	121	127
December 1983	...	...	...	...	...	...	100	104	107	108	113	117	123
December 1984	...	...	...	...	...	...	...	100	103	104	109	113	118
December 1985	...	...	...	...	...	...	...	...	100	101	106	110	115
December 1986	...	...	...	...	...	...	...	...	...	100	104	108	113
December 1987	...	...	...	...	...	...	...	...	...	...	100	104	109
December 1988	...	...	...	...	...	...	...	...	...	...	...	100	105
December 1989	...	...	...	...	...	...	...	...	...	...	...	...	100
Cost-of-living adjustment	5.9	6.5	9.9	14.3	11.2	7.4	3.5	3.5	3.1	1.3	4.2	4.0	4.7

(Continued)

2.A OASDI: Benefit Computation and Automatic Adjustments

Table 2.A19—Illustrative benefit growth: Cumulative effect of statutory and automatic increases in benefits using a 100 dollar base benefit—Continued

Base date	Decem-ber 1990	Decem-ber 1991	Decem-ber 1992	Decem-ber 1993	Decem-ber 1994	Decem-ber 1995	Decem-ber 1996	Decem-ber 1997	Decem-ber 1998	Decem-ber 1999	Decem-ber 2000	Decem-ber 2001	Decem-ber 2002
August 1950	1,276	1,323	1,363	1,398	1,437	1,475	1,518	1,549	1,570	1,609	1,665	1,708	1,732
September 1950	721	748	770	790	812	833	857	875	887	909	941	965	979
September 1952	641	665	684	702	722	741	762	778	788	808	836	858	870
September 1954	567	588	606	621	639	655	674	689	698	715	740	759	770
January 1959	530	550	566	581	597	613	630	644	652	668	692	710	720
January 1965	495	514	529	543	558	573	589	601	609	625	646	663	672
February 1968	438	455	468	480	494	507	521	532	539	553	572	587	595
January 1970	381	395	407	418	429	441	453	463	469	481	497	510	517
January 1971	347	359	370	380	390	401	412	421	426	437	452	464	470
September 1972	289	299	308	316	325	334	343	351	355	364	377	387	392
June 1974	260	270	278	285	293	301	309	316	320	328	339	348	353
June 1975	241	250	257	264	271	278	286	292	296	304	314	323	327
June 1976	226	235	242	248	255	262	269	275	278	285	295	303	307
June 1977	214	222	228	234	241	247	254	260	263	270	279	286	290
June 1978	201	208	214	220	226	232	239	244	247	253	262	269	273
June 1979	183	189	195	200	206	211	217	222	225	230	238	245	248
June 1980	160	166	171	175	180	185	190	194	197	201	209	214	217
June 1981	144	149	153	157	162	166	171	174	177	181	188	192	195
June 1982	134	139	143	147	151	155	159	162	165	169	175	179	182
December 1983	129	134	138	142	146	149	154	157	159	163	169	173	176
December 1984	125	130	133	137	141	144	149	152	154	157	163	167	170
December 1985	121	126	129	133	136	140	144	147	149	153	158	162	164
December 1986	120	124	128	131	135	138	142	145	147	151	156	160	162
December 1987	115	119	123	126	129	133	137	139	141	145	150	154	156
December 1988	110	114	118	121	124	128	131	134	136	139	144	148	150
December 1989	105	109	113	116	119	122	125	128	130	133	138	141	143
December 1990	100	104	107	110	113	116	119	121	123	126	131	134	136
December 1991	...	100	103	106	109	111	115	117	119	122	126	129	131
December 1992	...	...	100	103	105	108	111	114	115	118	122	125	127
December 1993	...	...	...	100	103	105	109	111	112	115	119	122	124
December 1994	...	...	...	...	100	103	106	108	109	112	116	119	121
December 1995	...	...	...	...	...	100	103	105	106	109	113	116	117
December 1996	...	...	...	...	...	...	100	102	103	106	110	113	114
December 1997	...	...	...	...	...	...	...	100	101	104	107	110	112
December 1998	...	...	...	...	...	...	...	...	100	103	106	109	110
December 1999	...	...	...	...	...	...	...	...	...	100	104	106	108
December 2000	...	...	...	...	...	...	...	...	...	...	100	103	104
December 2001	...	...	...	...	...	...	...	...	...	...	...	100	101
December 2002	...	...	...	...	...	...	...	...	...	...	...	...	100
Cost-of-living adjustment	5.4	3.7	3.0	2.6	2.8	2.6	2.9	2.1	1.3	^a 2.5	3.5	2.6	1.4

a. The December 1999 cost-of-living adjustment (COLA) was originally determined to be 2.4 percent, based on the consumer price index (CPI). The underlying CPI was later recomputed by the Bureau of Labor Statistics; a 2.5 percent COLA would have been consistent with the recomputed CPI. Pursuant to P.L. 106-554, benefits were calculated and paid in August 2001 and later as if the December 1999 COLA had been 2.5 percent. Affected beneficiaries received a one-time payment to cover the shortfall that occurred before August 2001.

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2002; regulations issued under the Act; and precedential case decisions (rulings). Specific laws, regulations, rulings, legislation, and a link to the *Federal Register* can be found at <http://www.socialsecurity.gov/regulations/index.htm>. Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2003," *Federal Register*, vol. 67, no. 207 (October 25, 2002).

NOTES: Growth reflects cost-of-living adjustments only. Data are rounded to the nearest dollar.

... = not applicable.

CONTACT: Curt Pauzenga (410) 965-7210 or Joseph Bondar (410) 965-0162.