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## Appendix D: Computing a Retired-Worker Benefit

### Overview

This section provides instructions and a worksheet for computing a retired-worker benefit for persons born in 1934 through 1947. The worksheet assumes that the worker had no prior period of entitlement to disability benefits and also did not work after becoming entitled to retired-worker benefits.

The worksheet describes the various steps used in computing a benefit. The steps are based on the following Social Security program goals:

- *To provide a benefit based on lifetime earnings.* Benefits are related to the 35 highest earnings years (the number of computation years), but only for years after 1950. If there are fewer than 35 years with earnings, then years of no earnings are included among the 35 computation years.
- *To index lifetime earnings.* Earnings used in the computation are not the actual covered earnings but an amount that reflects earnings increases in average wage levels for each year after the earnings were paid. This procedure is termed *wage indexing*. Currently, earnings are generally indexed to wage levels in the year the worker turns age 60. For example, for a person attaining age 62 in 2009, actual earnings in 1985 of \$20,000 are indexed to \$48,037.39, on the basis of 2007 wage levels. Earnings after age 60 are included at their actual (nominal) value.
- *To replace a portion of the indexed earnings.* Indexed earnings are averaged over the number of computation years to calculate the average indexed monthly earnings (AIME). A benefit formula is applied to the AIME to produce the *primary insurance amount* (PIA), the amount payable to a worker who retires at the full retirement age (FRA). The benefit formula is weighted to provide a higher replacement of earnings for lower-wage workers. The formula for persons aged 62 in 2009 is 90 percent of the first \$744 of AIME; plus 32 percent of the next \$3,739; plus 15 percent of the AIME over \$4,483.
- *To permit early retirement.* Persons can retire as early as age 62, but the monthly benefit is reduced. The reduction is 5/9 of 1 percent for each of the first 36 months of entitlement immediately preceding the age at which 100 percent of PIA is payable (age 66 in 2009 but scheduled to increase to age 67 by 2022), plus 5/12 of 1 percent for each of up to 24 earlier months. For a person aged 62 in 2009, the maximum reduction is 25 percent if the individual is entitled to benefits for all 48 months between ages 62 and 66.

- *To provide for price indexing after age 62.* Benefits are adjusted annually in December to reflect increases in the Consumer Price Index (CPI-W). The benefit increase in 2008 was 5.8 percent. These cost-of-living adjustments are applied to the benefit for each year after the person attained age 62—even if the person was not actually receiving benefits.
- *To give credit for earnings after age 61.* Earnings after age 61 (which are not indexed) can be substituted for earnings in earlier years if they result in a higher benefit.
- *To give credit for late retirement.* Persons who do not receive benefits between the FRA and age 69 may receive increased benefits as a result of the delayed retirement credit provision. The benefit is increased by a specified percentage for each month a benefit was deferred. See Table 2.A20 for percentage increases.

### Clarifying the Worksheet Procedure

#### Step 1 - Determining the Number of Computation Years

For workers born from 1934 through 1947, the number of computation years is 35.

#### Step 2 - Wage Indexing of Earnings

The following description and examples are provided for persons who wish to compute the index factors and indexed earnings. The indexing year is the year a person attains age 60. Beneficiaries born on January 1 are deemed to have attained age 60 on December 31 of the prior year.

The average wage for the indexing year is divided by the average wage in each prior year to obtain the factor for each prior year. For example, for a person attaining age 62 in 2009, the indexing year is 2007. The average annual wage for 2007 was \$40,405.48. The average annual wage for 1990 was \$21,027.98. The amount \$40,405.48 divided by \$21,027.98 yields a factor of 1.9215103.

The worker's actual earnings covered under Social Security in that year, up to the maximum earnings creditable, are multiplied by the indexing factor to obtain the indexed earnings (see Worksheet 1). For example, actual covered earnings of \$10,000 in 1990, multiplied by 1.9215103, result in indexed earnings of \$19,215.10; actual earnings of \$51,300 (the maximum creditable) result in indexed earnings of \$98,573.47.

#### Step 3 - Computing the Average Indexed Monthly Earnings (AIME)

After the earnings in each year have been indexed, they are used in computing average indexed monthly earnings. The years of highest indexed earnings corresponding to

the number of computation years are selected and totaled. This total is then divided by the number of months in the computation years. The result, rounded to the nearest lower dollar, is the average indexed monthly earnings.

For example, for a person attaining age 62 in 2009, the highest 35 years of indexed earnings are used. If the sum of these earnings equals \$400,000, the AIME is \$952 (\$400,000 divided by 420 = \$952.38, rounded to \$952).

#### **Step 4 - Computing the Primary Insurance Amount (PIA)**

The PIA, the amount from which all Social Security benefits payable on a worker's earnings record are based, is computed by applying a formula to the AIME. The formula consists of brackets in which three percentages are applied to amounts of AIME. The dollar amounts defining the brackets are called *bend points*, and the bend points are different for each calendar year of attainment of age 62. The PIA is rounded to the nearest lower 10 cents.

For retired workers who attained age 62 in 2009, the bend points are \$744 and \$4,483. Thus the formula is 90 percent of the first \$744 of AIME; plus 32 percent of the next \$3,739 of AIME; plus 15 percent of AIME above \$4,483. The following are examples of PIA computations for such workers with different AIME amounts.

##### **Example 1 - AIME of \$300**

PIA is \$270

Based on: 90 percent of \$300

##### **Example 2 - AIME of \$952**

PIA is \$736.16 rounded to \$736.00

Based on: 90 percent of \$744 (\$669.60); plus  
32 percent of \$208 (\$66.56)

##### **Example 3 - AIME of \$5,000**

PIA is \$1,943.63 rounded to \$1,943.60

Based on: 90 percent of \$744 (\$669.60); plus  
32 percent of \$3,739 (\$1,196.48); plus  
15 percent of \$517 (\$77.55)

The above calculations are applicable to workers who attain age 62 in 2009. For workers who attained age 62 in prior years, the bend points will be different, and the PIA must be increased to reflect cost-of-living adjustments between the year of attainment of age 62 and 2009. Worksheet 2 shows cost-of-living increase factors for 1979 through 2008. After the PIA is calculated for the year of attainment of age 62, cost-of-living increases are applied for each year through 2008. The result is the current 2009 PIA.

For example, a worker who attained age 62 in 2006 would receive cost-of-living adjustments for the years 2006–2008. The adjustments are cumulative, with each step rounded to the next lower dime. If the PIA at age 62 was \$700, the cost-of-living adjustments would be:

2006: \$700 multiplied by 1.033 = \$723.10

2007: \$723.10 multiplied by 1.023 = \$739.70

2008: \$739.70 multiplied by 1.058 = \$782.60

\$782.60 would be the PIA effective December 2008.

#### **Step 5 - Computation of the Monthly Benefit**

The full PIA is payable to a worker who retires at the full retirement age (FRA). In 2000, the FRA, scheduled to be gradually raised to age 67 for workers attaining age 62 in 2022, began to be phased in.

##### ***Early retirement reduces benefits:***

Workers can still retire as early as age 62, but the monthly benefit is reduced by 5/9 of 1 percent for each of the first 36 months of entitlement immediately preceding the FRA. If the number of months preceding FRA exceeds 36, then the benefit is further reduced 5/12 of 1 percent for each of up to 24 earlier months. Workers attaining age 62 in 2009 have their benefits computed based on the FRA of 66. See Table 2.A17.1 to determine the FRA based on the year of birth as well as the reduction factors. For individuals electing benefits at exactly age 62 in 2009, the maximum reduction is 25 percent.

For example, in 2009 a worker with a PIA of \$700 would receive \$525 at age 62. The PIA is reduced by \$175.00, reflecting a reduction rate of 5/9 of 1 percent for each of 36 months and a rate of 5/12 of 1 percent for each of 12 months for a total reduction of 25 percent. After reduction of the PIA by \$175.00, the benefit amount is rounded down to the nearest lower dollar.

##### ***Delayed retirement increases benefits:***

Delayed retirement increases the benefit amount (by a certain percentage depending on a person's date of birth) if the worker delays retirement beyond FRA. Benefit increases stop accumulating when the worker reaches age 70, even if he or she continues to delay taking benefits. Delayed retirement increases begin to apply to benefits in January of the year following the year the worker reaches FRA. The credit given for delayed retirement will gradually reach 8 percent per year (16/24 of 1 percent monthly) for those born 1943 and later. See Table 2.A20 for percentage increases.

For example, a worker born June 1943 will reach FRA in June 2009. If the worker delays receiving benefits until November 2009 (5 months after FRA), his or her benefit will be 103.33% of the PIA. If the worker's PIA is \$700, his or her benefit would increase to \$723.31.

**Instructions for computing a retired-worker benefit (only for workers attaining age 62 in years 1996–2009)**

<b>STEP 1.—Determining the Number of Computation Years</b>		
1	Number of Computation Years.	35
<b>STEP 2.—Indexing of Earnings (Use Worksheet 1 for Steps 2 and 3.)</b>		
2	Enter in column 2 your earnings in each year 1951 through 2008. If none, enter “0.”	
3	Column 3 contains the maximum earnings creditable under Social Security for each year.	
4	Enter in column 4 the lower amount from columns 2 or 3 for each year.	
5	Enter in column 5 the indexing factors applicable to the year you attained age 62 from Table 2.A8. (This table contains the indexing factors for persons attaining age 62 during the period 1994–2009.)	
6	Multiply column 4 by column 5 and enter results in column 6 in dollars and cents. These are your indexed earnings.	
<b>STEP 3.—Computing the Average Indexed Monthly Earnings (AIME)</b>		
7	Enter the number of computation years from line 1.	35
8	Place an “X” in column 7 next to each of the 35 highest indexed earnings entries.	
9	Add all individual indexed earnings marked with an “X.”	
10	Number of months in the computation period.	420
11	Divide line 9 by line 10.	
12	Round the result in line 11 to the next lower dollar. This is your average indexed monthly earnings (AIME).	
<b>STEP 4.—Computing the Primary Insurance Amount (PIA) (Use Worksheet 2 for Step 4.)</b>		
13	Enter first bend point from Worksheet 2 based on year of attainment of age 62. (If your birthday is January 1, enter prior year.)	
14	Enter second bend point from Worksheet 2.	
15	If your AIME (obtained in line 12) is equal to or less than line 13, complete line 16, otherwise skip to line 17.	
16	Multiply line 12 by 0.9. (If you receive a pension on the basis of noncovered employment, see Table 2.A11.1.) Round to next lower dime to obtain your PIA at age 62. Continue with line 26.	
17	If your AIME (obtained in line 12) is greater than line 13 but less than or equal to line 14, complete lines 18–20, otherwise skip to line 21.	
18	Multiply line 13 by 0.9. (If you receive a pension on the basis of noncovered employment, see Table 2.A11.1.)	
19	Subtract line 13 from line 12 then multiply by 0.32.	
20	Add line 18 to line 19, and round to next lower dime to obtain your PIA at age 62. Continue with line 26.	
21	If your AIME (obtained in line 12) is greater than line 14, complete lines 22–25.	
22	Multiply line 13 by 0.9. (If you receive a pension on the basis of noncovered employment, see Table 2.A11.1.)	
23	Subtract line 13 from line 14 then multiply by 0.32.	
24	Subtract line 14 from line 12 then multiply by 0.15.	
25	Add lines 22, 23, and 24, and round to the next lower dime to obtain your PIA at age 62. Continue with line 26.	
26	If you attained age 62 in 2009, skip to line 32. Otherwise you will need to adjust your PIA to reflect cost-of-living adjustments (COLAs) from the year you attained age 62 through 2008 by using lines 27–31 and Worksheet 2.	
27	Enter year of attainment of age 62.	
28	Place an “X” corresponding to the year you attained age 62 in column 5 (Worksheet 2).	
29	Place an “X” in column 5 (Worksheet 2) next to each subsequent year through 2008.	
30	Enter your PIA at age 62 from either line 16, 20, or 25—here and in the first row of column 6 (Worksheet 2).	
31	Beginning with first year marked, multiply your PIA at age 62 by the corresponding factor (column 4), round to the next lower dime, and enter in column 6. The resulting PIA is then multiplied by the next factor and is again rounded to the next lower dime. Continue this process through 2008. Enter this last figure, which is your current PIA.	

(Continued)

**Instructions for computing a retired-worker benefit (only for workers attaining age 62 in years 1996–2009)—Continued**

<b>STEP 5.—Computing the Monthly Benefit</b>		
32	Enter your current PIA from either line 16, 20, 25, or 31.	
33	Using Table 2.A17.1, determine your full retirement age and enter here.	
34	If you retired at your full retirement age, round PIA from line 32 to the next lower dollar to obtain your monthly benefit.	
35	If you retired before the full retirement age, enter your age at retirement in years and months, and complete lines 36–44.	
36	Subtract line 35 from line 33, and convert the result to months to determine the total number of reduction months.	
37	If line 36 is greater than 36 reduction months, subtract 36 months and enter the result here.	
38	“0.0055556” (the decimal equivalent of 5/9 of 1 percent—the monthly reduction factor for the first 36 months) has been entered.	0.0055556
39	“0.0041667” (the decimal equivalent of 5/12 of 1 percent—the monthly reduction factor for months above 36) has been entered.	0.0041667
40	Multiply line 36 (but not more than 36 months) by line 38 to obtain the percent reduction for the first 36 months.	
41	Multiply line 37 by line 39 to obtain the percent reduction for months in excess of 36.	
42	Add line 40 to line 41 to obtain the total percent reduction.	
43	Multiply line 32 by line 42 to obtain the amount of benefit reduction.	
44	Subtract line 43 from line 32, and round to the next lower dollar to obtain your monthly benefit.	
45	If you retired (or plan to retire) after the full retirement age, enter your actual (or planned) age at retirement in years and months, and complete lines 46–50. If you worked (or plan to work) after attaining age 70, enter “70 years 0 months.”	
46	Subtract line 33 from line 45, and convert the result to months to determine the total number of delayed months.	
47	“0.006667” (the decimal equivalent of 16/24 of 1 percent—the monthly percentage increase for persons born 1943 or later) has been entered.	0.006667
48	Multiply line 46 by line 47 to obtain the total percent increase.	
49	Multiply line 32 by line 48 to obtain the amount of benefit increase.	
50	Add line 32 to line 49, and round to the next lower dollar to obtain your monthly benefit.	

### Worksheet 1: Indexing of earnings

Year	Your earnings	Maximum taxable earnings (dollars)	Lower of columns 2 or 3	Indexing factor	Column 4 times column 5	Highest indexed earnings
1	2	3	4	5	6	7
1951		3,600				
1952		3,600				
1953		3,600				
1954		3,600				
1955		4,200				
1956		4,200				
1957		4,200				
1958		4,200				
1959		4,800				
1960		4,800				
1961		4,800				
1962		4,800				
1963		4,800				
1964		4,800				
1965		4,800				
1966		6,600				
1967		6,600				
1968		7,800				
1969		7,800				
1970		7,800				
1971		7,800				
1972		9,000				
1973		10,800				
1974		13,200				
1975		14,100				
1976		15,300				
1977		16,500				
1978		17,700				
1979		22,900				
1980		25,900				
1981		29,700				
1982		32,400				
1983		35,700				
1984		37,800				
1985		39,600				
1986		42,000				
1987		43,800				
1988		45,000				
1989		48,000				
1990		51,300				
1991		53,400				
1992		55,500				
1993		57,600				
1994		60,600				
1995		61,200				
1996		62,700				
1997		65,400				
1998		68,400				
1999		72,600				
2000		76,200				
2001		80,400				
2002		84,900				
2003		87,000				
2004		87,900				
2005		90,000				
2006		94,200				
2007		97,500				
2008		102,000				

### Worksheet 2: Computing the primary insurance amount (PIA) for workers retiring after age 62

Year	1st bend point (dollars)	2nd bend point (dollars)	Cost-of-living increase (percent)	Cost-of-living factor	Years aged 62 or older	PIA (dollars)
	1	2	3	4	5	6
Age 62 PIA						
1979	180	1,085	9.9	1.099		
1980	194	1,171	14.3	1.143		
1981	211	1,274	11.2	1.112		
1982	230	1,388	7.4	1.074		
1983	254	1,528	3.5	1.035		
1984	267	1,612	3.5	1.035		
1985	280	1,691	3.1	1.031		
1986	297	1,790	1.3	1.013		
1987	310	1,866	4.2	1.042		
1988	319	1,922	4.0	1.040		
1989	339	2,044	4.7	1.047		
1990	356	2,145	5.4	1.054		
1991	370	2,230	3.7	1.037		
1992	387	2,333	3.0	1.030		
1993	401	2,420	2.6	1.026		
1994	422	2,545	2.8	1.028		
1995	426	2,567	2.6	1.026		
1996	437	2,635	2.9	1.029		
1997	455	2,741	2.1	1.021		
1998	477	2,875	1.3	1.013		
1999	505	3,043	<sup>a</sup> 2.5	1.025		
2000	531	3,202	3.5	1.035		
2001	561	3,381	2.6	1.026		
2002	592	3,567	1.4	1.014		
2003	606	3,653	2.1	1.021		
2004	612	3,689	2.7	1.027		
2005	627	3,779	4.1	1.041		
2006	656	3,955	3.3	1.033		
2007	680	4,100	2.3	1.023		
2008	711	4,288	5.8	1.058		
2009	744	4,483	...	...		

NOTE: ... = not applicable.

- 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 Public Law 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.

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## 2.A OASDI: Benefit Computation and Automatic Adjustments

**Table 2.A8—Factors for indexing earnings, 1951–2009**

Year	Annual maximum taxable earnings (dollars)	Average annual wage <sup>a</sup> (dollars)	Factors for workers who were first eligible (attained age 62, became disabled, or died) in <sup>b</sup> —							
			1994	1995	1996	1997	1998	1999	2000	2001
1951	3,600	2,799.16	8.1936795	8.2641471	8.4859494	8.8260978	9.2577416	9.7979394	10.3107504	10.8853513
1952	3,600	2,973.32	7.7137409	7.7800809	7.9888912	8.3091157	8.7154763	9.2240324	9.7068059	10.2477500
1953	3,600	3,139.44	7.3055768	7.3684065	7.5661679	7.8694481	8.2543065	8.7359529	9.1931809	9.7055016
1954	3,600	3,155.64	7.2680724	7.3305795	7.5273257	7.8290489	8.2119317	8.6911054	9.1459862	9.6556768
1955	4,200	3,301.44	6.9470958	7.0068425	7.1948998	7.4832982	7.8492718	8.3072841	8.7420762	9.2292575
1956	4,200	3,532.36	6.4929452	6.5487861	6.7245496	6.9940946	7.3361435	7.7642143	8.1705828	8.6259158
1957	4,200	3,641.72	6.2979636	6.3521276	6.5226129	6.7840636	7.1158409	7.5310568	7.9252221	8.3668816
1958	4,200	3,673.80	6.2429691	6.2966601	6.4656568	6.7248244	7.0537046	7.4652948	7.8560183	8.2938211
1959	4,800	3,855.80	5.9482909	5.9994476	6.1604673	6.4074018	6.7207583	7.1129208	7.4852015	7.9023393
1960	4,800	4,007.12	5.7236669	5.7728918	5.9278310	6.1654405	6.4669638	6.8443171	7.2025395	7.6039250
1961	4,800	4,086.76	5.6121279	5.6603936	5.8123134	6.0452926	6.3409400	6.7109397	7.0621813	7.4557449
1962	4,800	4,291.40	5.3445076	5.3904716	5.5351470	5.7570164	6.0385655	6.3909214	6.7254136	7.1002097
1963	4,800	4,396.64	5.2165790	5.2614428	5.4026552	5.6192138	5.8940236	6.2379453	6.5644310	6.9302558
1964	4,800	4,576.32	5.0117605	5.0548629	5.1905308	5.3985866	5.6626066	5.9930250	6.3066918	6.6581533
1965	4,800	4,658.72	4.9231162	4.9654562	5.0987245	5.3031004	5.5624506	5.8870248	6.1951437	6.5403888
1966	6,600	4,938.36	4.6443394	4.6842818	4.8100037	5.0028066	5.2474708	5.5536656	5.8443370	6.1700322
1967	6,600	5,213.44	4.3992872	4.4371221	4.5562105	4.7388404	4.9705952	5.2606341	5.5359686	5.8444789
1968	7,800	5,571.76	4.1163690	4.1517707	4.2632005	4.4340855	4.6509361	4.9223226	5.1799503	5.4686203
1969	7,800	5,893.76	3.8914751	3.9249427	4.0302846	4.1918334	4.3968367	4.6533961	4.8969486	5.1698474
1970	7,800	6,186.24	3.7074895	3.7393748	3.8397363	3.9936472	4.1889581	4.4333876	4.6654252	4.9254216
1971	7,800	6,497.08	3.5301120	3.5604718	3.6560316	3.8025790	3.9885456	4.2212809	4.4422171	4.6897745
1972	9,000	7,133.80	3.2150355	3.2426855	3.3297163	3.4631837	3.6325521	3.8445148	4.0457316	4.2711935
1973	10,800	7,580.16	3.0257171	3.0517390	3.1336449	3.2592531	3.4186482	3.6181294	3.8074975	4.0196830
1974	13,200	8,030.76	2.8559464	2.8805082	2.9578184	3.0763788	3.2268303	3.4151189	3.5938616	3.7941415
1975	14,100	8,630.92	2.6573552	2.6802091	2.7521435	2.8624596	3.0024493	3.1776450	3.3439587	3.5303119
1976	15,300	9,226.48	2.4858256	2.5072043	2.5744954	2.6776907	2.8086443	2.9725312	3.1281095	3.3024339
1977	16,500	9,779.44	2.3452693	2.3654391	2.4289254	2.5262858	2.6498348	2.8044551	2.9512365	3.1157040
1978	17,700	10,556.03	2.1727316	2.1914176	2.2502333	2.3404310	2.4548907	2.5981359	2.7341188	2.8864867
1979	22,900	11,479.46	1.9979529	2.0151357	2.0692202	2.1521622	2.2574145	2.3891368	2.5141810	2.6542921
1980	25,900	12,513.46	1.8328600	1.8486230	1.8982384	1.9743268	2.0708821	2.1917200	2.3064316	2.4349652
1981	29,700	13,773.10	1.6652330	1.6795543	1.7246321	1.7937618	1.8814864	1.9912728	2.0954934	2.2122717
1982	32,400	14,531.34	1.5783417	1.5919158	1.6346414	1.7001639	1.7833111	1.8873690	1.9861513	2.0968362
1983	35,700	15,239.24	1.5050239	1.5179674	1.5587083	1.6211871	1.7004719	1.7996960	1.8938897	1.9994330
1984	37,800	16,135.07	1.4214639	1.4336889	1.4721678	1.5311777	1.6060606	1.6997757	1.7887397	1.8884232
1985	39,600	16,822.51	1.3633768	1.3751022	1.4120087	1.4686072	1.5404301	1.6303156	1.7156441	1.8112541
1986	42,000	17,321.82	1.3240768	1.3354642	1.3713068	1.4262739	1.4960264	1.5833209	1.6661898	1.7590438
1987	43,800	18,426.51	1.2446969	1.2554016	1.2890954	1.3407672	1.4063379	1.4883991	1.5662999	1.6535871
1988	45,000	19,334.04	1.1862715	1.1964737	1.2285860	1.2778323	1.3403251	1.4185344	1.4927785	1.5759686
1989	48,000	20,099.55	1.1410912	1.1509049	1.1817941	1.2291648	1.2892776	1.3645082	1.4359247	1.5159464
1990	51,300	21,027.98	1.0907096	1.1000900	1.1296154	1.1748946	1.2323533	1.3042622	1.3725256	1.4490141
1991	53,400	21,811.60	1.0515240	1.0605673	1.0890320	1.1326844	1.1880788	1.2574043	1.3232152	1.3969557
1992	55,500	22,935.42	1.0000000	1.0086002	1.0356702	1.0771837	1.1298638	1.1957924	1.2583785	1.3285059
1993	57,600	23,132.67	1.0000000	1.0000000	1.0268391	1.0679986	1.1202295	1.1855960	1.2476485	1.3171778
1994	60,600	23,753.53	1.0000000	1.0000000	1.0000000	1.0400837	1.0909494	1.1546073	1.2150379	1.2827500
1995	61,200	24,705.66	1.0000000	1.0000000	1.0000000	1.0000000	1.0489054	1.1101100	1.1682117	1.2333141
1996	62,700	25,913.90	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0583509	1.1137436	1.1758107
1997	65,400	27,426.00	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0523387	1.1109837
1998	68,400	28,861.44	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0557283
1999	72,600	30,469.84	1.0000000	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	1.0000000
2001	80,400	32,921.92	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2002	84,900	33,252.09	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2003	87,000	34,064.95	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2004	87,900	35,648.55	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2005	90,000	36,952.94	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2006	94,200	38,651.41	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2007	97,500	40,405.48	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2008	102,000	--	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2009	106,800	--	1.0000000	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, 1951–2009—Continued

Year	Annual maximum taxable earnings (dollars)	Average annual wage <sup>a</sup> (dollars)	Factors for workers who were first eligible (attained age 62, became disabled, or died) in <sup>b</sup> —							
			2002	2003	2004	2005	2006	2007	2008	2009
1951	3,600	2,799.16	11.4873105	11.7613570	11.8793102	12.1697045	12.7354456	13.2014390	13.8082175	14.4348590
1952	3,600	2,973.32	10.8144498	11.0724443	11.1834885	11.4568731	11.9894764	12.4281746	12.9994114	13.5893479
1953	3,600	3,139.44	10.2422152	10.4865581	10.5917265	10.8506453	11.3550665	11.7705514	12.3115619	12.8702826
1954	3,600	3,155.64	10.1896351	10.4327236	10.5373522	10.7949418	11.2967734	11.7101254	12.2483585	12.8042109
1955	4,200	3,301.44	9.7396348	9.9719880	10.0719959	10.3182096	10.7978791	11.1929764	11.7074398	12.2387443
1956	4,200	3,532.36	9.1029284	9.3200919	9.4135620	9.6436801	10.0919923	10.4612610	10.9420925	11.4386642
1957	4,200	3,641.72	8.8295695	9.0402118	9.1308750	9.3540827	9.7889322	10.1471118	10.6135041	11.0951638
1958	4,200	3,673.80	8.7524688	8.9612717	9.0511432	9.2724019	9.7034542	10.0585062	10.5208258	10.9982797
1959	4,800	3,855.80	8.3393381	8.5382852	8.6239146	8.8347295	9.2454354	9.5837284	10.0242258	10.4791431
1960	4,800	4,007.12	8.0244215	8.2158558	8.2982516	8.5011055	8.8963021	9.2218202	9.6456832	10.0834215
1961	4,800	4,086.76	7.8680471	8.0557508	8.1365409	8.3354418	8.7229370	9.0421116	9.4577147	9.8869226
1962	4,800	4,291.40	7.4928508	7.6716037	7.7485413	7.9379573	8.3069744	8.6109288	9.0067134	9.4154542
1963	4,800	4,396.64	7.3134985	7.4879726	7.5630686	7.7479507	8.1081348	8.4048137	8.7911246	9.1900815
1964	4,800	4,576.32	7.0263487	7.1939724	7.2661199	7.4437430	7.7897852	8.0748156	8.4459588	8.8292515
1965	4,800	4,658.72	6.9020718	7.0667308	7.1376022	7.3120836	7.6520053	7.9319942	8.2965729	8.6730862
1966	6,600	4,938.36	6.5112345	6.6665695	6.7334277	6.8980289	7.2187022	7.4828364	7.8267704	8.1819632
1967	6,600	5,213.44	6.1676782	6.3148171	6.3781476	6.5340639	6.8378173	7.0880148	7.4138016	7.7502532
1968	7,800	5,571.76	5.7710346	5.9087111	5.9679688	6.1138581	6.3980771	6.6321844	6.9370199	7.2518342
1969	7,800	5,893.76	5.4557396	5.5858942	5.6419145	5.7798332	6.0485242	6.2698413	6.5580224	6.8556371
1970	7,800	6,186.24	5.1977970	5.3217981	5.3751697	5.5065678	5.7625553	5.9734087	6.2479648	6.5315086
1971	7,800	6,497.08	4.9491187	5.0671871	5.1180053	5.2431169	5.4868572	5.6876227	5.9490433	6.2190215
1972	9,000	7,133.80	4.5073902	4.6149205	4.6612030	4.7751479	4.9971334	5.1799798	5.4180675	5.6639491
1973	10,800	7,580.16	4.2419711	4.3431695	4.3867267	4.4939619	4.7028757	4.8749551	5.0990230	5.3304257
1974	13,200	8,030.76	4.0039573	4.0994775	4.1405907	4.2418090	4.4390008	4.6014250	4.8129206	5.0313395
1975	14,100	8,630.92	3.7255379	3.8144161	3.8526704	3.9468504	4.1303303	4.2814601	4.4782491	4.6814801
1976	15,300	9,226.48	3.4850582	3.5681994	3.6039844	3.6920852	3.8637216	4.0050962	4.1891827	4.3792952
1977	16,500	9,779.44	3.2880022	3.3664423	3.4002039	3.4833232	3.6452547	3.7786356	3.9523132	4.1316763
1978	17,700	10,556.03	3.0461092	3.1187786	3.1500564	3.2270607	3.3770793	3.5006475	3.6615479	3.8277155
1979	22,900	11,479.46	2.8010743	2.8678980	2.8966598	2.9674697	3.1054205	3.2190486	3.3670059	3.5198067
1980	25,900	12,513.46	2.5696186	2.6309206	2.6573058	2.7222647	2.8488164	2.9530554	3.0887868	3.2289615
1981	29,700	13,773.10	2.3346102	2.3903057	2.4142778	2.4732958	2.5882735	2.6829791	2.8062971	2.9336518
1982	32,400	14,531.34	2.2127911	2.2655805	2.2883017	2.3442401	2.4532184	2.5429823	2.6598655	2.7805750
1983	35,700	15,239.24	2.1100015	2.1603387	2.1820045	2.2353444	2.3392604	2.4248545	2.5363082	2.6514104
1984	37,800	16,135.07	1.9928528	2.0403952	2.0608581	2.1112366	2.2093830	2.2902250	2.3954907	2.5042023
1985	39,600	16,822.51	1.9114163	1.9570159	1.9766426	2.0249624	2.1190982	2.1966365	2.2976007	2.4018699
1986	42,000	17,321.82	1.8563188	1.9006040	1.9196649	1.9665918	2.0580141	2.1333174	2.2313712	2.3326348
1987	43,800	18,426.51	1.7450304	1.7866606	1.8045788	1.8486925	1.9346339	2.0054226	2.0975980	2.1927907
1988	45,000	19,334.04	1.6631196	1.7027957	1.7198728	1.7619158	1.8438231	1.9112891	1.9991378	2.0898622
1989	48,000	20,099.55	1.5997781	1.6379431	1.6543699	1.6948116	1.7735994	1.8384959	1.9229988	2.0102679
1990	51,300	21,027.98	1.5291445	1.5656245	1.5813259	1.6199820	1.6952912	1.7573224	1.8380943	1.9215103
1991	53,400	21,811.60	1.4742073	1.5093767	1.5245140	1.5617813	1.6343849	1.6941875	1.7720575	1.8524767
1992	55,500	22,935.42	1.4019721	1.4354182	1.4498139	1.4852551	1.5543012	1.6111735	1.6852279	1.7617066
1993	57,600	23,132.67	1.3900177	1.4231786	1.4374514	1.4725905	1.5410478	1.5974351	1.6708581	1.7466847
1994	60,600	23,753.53	1.3536860	1.3859801	1.3998799	1.4341005	1.5007685	1.5556820	1.6271859	1.7010305
1995	61,200	24,705.66	1.3015163	1.3325659	1.3459300	1.3788318	1.4429305	1.4957277	1.5644759	1.6354746
1996	62,700	25,913.90	1.2408329	1.2704348	1.2831758	1.3145435	1.3756536	1.4259891	1.4915320	1.5592203
1997	65,400	27,426.00	1.1724211	1.2003909	1.2124294	1.2420677	1.2998086	1.3473689	1.4092981	1.4732546
1998	68,400	28,861.44	1.1141100	1.1406888	1.1521286	1.1802928	1.2351619	1.2803568	1.3392059	1.3999814
1999	72,600	30,469.84	1.0552999	1.0804756	1.0913116	1.1179891	1.1699618	1.2127711	1.2685137	1.3260811

(Continued)

## 2.A OASDI: Benefit Computation and Automatic Adjustments

**Table 2.A8—Factors for indexing earnings, 1951–2009—Continued**

Year	Annual maximum taxable earnings (dollars)	Average annual wage <sup>a</sup> (dollars)	Factors for workers who were first eligible (attained age 62, became disabled, or died) in <sup>b</sup> —							
			2002	2003	2004	2005	2006	2007	2008	2009
2000	76,200	32,154.82	1.0000000	1.0238565	1.0341246	1.0594042	1.1086534	1.1492193	1.2020409	1.2565917
2001	80,400	32,921.92	1.0000000	1.0000000	1.0100289	1.0347194	1.0828211	1.1224418	1.1740327	1.2273124
2002	84,900	33,252.09	1.0000000	1.0000000	1.0000000	1.0244454	1.0720695	1.1112968	1.1623754	1.2151260
2003	87,000	34,064.95	1.0000000	1.0000000	1.0000000	1.0000000	1.0464877	1.0847789	1.1346387	1.1861306
2004	87,900	35,648.55	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0365903	1.0842351	1.1334396
2005	90,000	36,952.94	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0459631	1.0934307
2006	94,200	38,651.41	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0453818
2007	97,500	40,405.48	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2008	102,000	--	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
2009	106,800	--	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2008; 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 the Social Security Program Rules page (<http://www.socialsecurity.gov/regulations/index.htm>). Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2009," *Federal Register*, vol. 73, no. 211 (October 30, 2008).

NOTE: -- = not available.

- 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).

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## 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																				
	<i>Enacted in 1983</i>																				
1986	Workers first eligible for pensions based on noncovered employment and disability or retired workers after December 31, 1985. <sup>a</sup> 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. <sup>b</sup> 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																				
	<i>Enacted in 1988</i>																				
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																				
----- (Continued)																					

## 2.A OASDI: Benefit Computation and Automatic Adjustments

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

Year effective	Provision
<i>Enacted in 1988 (cont.)</i>	
1991	Earnings required for a year of substantial coverage (decoupled from the definition of a year of coverage for special minimum PIA). <sup>b</sup>
	<i>Earnings (dollars)</i>
	Year
	1991
	1992
	1993
	1994
	1995
	1996
	1997
	1998
	1999
	2000
	2001
	2002
	2003
	2004
	2005
	2006
	2007
	2008
	2009

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2008; 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 the Social Security Program Rules page (<http://www.socialsecurity.gov/regulations/index.htm>). Social Security Administration, "Cost-of-Living Increase and Other Determinations for 2009," *Federal Register*, vol. 73, no. 211 (October 30, 2008).

- a. Reduction in PIA will not be greater than one-half the amount of the pension 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.

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## 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 <sup>a</sup>	Year of attainment of age 62	Year of attainment of age 65	Full retirement age	Maximum reduction months	Maximum reduction at age 62 <sup>b</sup>
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

SOURCES: Social Security Act of 1935 (the Act), as amended through December 31, 2008; 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 the Social Security Program Rules page (<http://www.socialsecurity.gov/regulations/index.htm>).

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.

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