

MEMORANDUM FOR: *Don't know / 11/11*

JD
Joe,

and I briefed D/Pers and DD/Pers on the Social Security issue and the taxing of these benefits. D/Pers is onboard and likes the solution better than the previous one. Presume OGC will send us a copy of what goes forward.

Date *Ⓟ 2/28/86*

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SOCIAL SECURITY

INCORPORATING CHANGES TO DECEMBER 31, 1984

Summary of Old-Age, Survivors and Disability Insurance Benefits

- Explanation of How to Compute Benefits
- Maximum Old-Age, Death and Disability Benefits
- Examples of Future Replacement Ratios

and

**Summary of Medicare Benefits Providing Health Insurance
for the Aged and the Disabled**

HAY/HUGGINS

**MEMBER OF THE HAY GROUP
229 South 18th Street
Philadelphia, PA 19103**

**EMPLOYEE BENEFITS • ACTUARIAL SERVICES
EMPLOYEE COMMUNICATIONS**

Booklet No. 24 in a Series (since 1950)

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SOCIAL SECURITY

INCORPORATING CHANGES TO DECEMBER 31, 1984

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**SUMMARY OF BENEFITS AND ELIGIBILITY REQUIREMENTS
FOR OLD-AGE SURVIVORS, AND DISABILITY INSURANCE**

	Type of Benefit	Eligibility Requirements		Percent of PIA At Full Retirement Age (See Adjustments for Age)
		Recipient's Age Requirement	Worker's Insured Status	
For Insured Workers	Old-Age	Age 62 or older	Fully	100%
	Disability	None	Fully and Disability	100%
For Dependents of Retired or Disabled Workers	Spouse; and/or eligible divorced spouse, not married when applying for benefit	Age 62 or older	Fully	50%
	Spouse caring for unmarried child, under age 16, or disabled before age 22 while unmarried	None	Fully	50%
	Each eligible child	Unmarried and either under age 18 or full-time high school student under age 19, or disabled before age 22 while unmarried	Fully	50%
For Survivors of Insured Active or Retired Workers	Widow and widower; and/or eligible surviving divorced spouse, not married when applying for benefit	Age 60 or older, or disabled and at least age 50	Fully	100%
	Unmarried surviving spouse or eligible surviving divorced spouse caring for unmarried child, under age 16, or disabled before age 22 while unmarried	None	Fully or Currently	75%
	Each eligible child	Unmarried and either under age 18 or full-time high school student under age 19, or disabled before age 22 while unmarried	Fully or Currently	75%
	Dependent parent	Age 62 or over	Fully	82½% (150% maximum for two)
	Lump-sum to spouse (or if none, shared by eligible children)	None	Fully or Currently	\$255 (dollar amount)

Full Retirement Age

Year of Birth	Age for Unreduced Benefits	Year of Birth	Age for Unreduced Benefits
1937 and earlier	65 years	1955	66 years, 2 months
1938	65 years, 2 months	1956	66 years, 4 months
1939	65 years, 4 months	1957	66 years, 6 months
1940	65 years, 6 months	1958	66 years, 8 months
1941	65 years, 8 months	1959	66 years, 10 months
1942	65 years, 10 months	1960 and later	67 years
1943-1954	66 years		

ADJUSTMENTS TO BENEFITS**ADJUSTMENTS FOR AGE**

(a) Reduction if Benefit Is Claimed Earlier Than Full Retirement Age

<u>Type of Benefit</u>	<u>Reduction Per Month Early</u>	<u>Maximum Reduction Through 1999</u>	<u>Ultimate (2022 and on)</u>
Worker's Old Age	5/9% for each of first 36 months; 5/12% per month in excess of 36	20%	30%
Spouse/Divorced Spouse of Retired or Disabled Worker	25/36% for each of first 36 months; 5/12% per month in excess of 36	25%	35%
Surviving Spouse/Divorced Spouse of Insured Active or Retired Worker	Uniform reduction of 19/40%† per month up to 60 months	28.5%	28.5%

†Percent will be reduced as full retirement age rises, to maintain maximum reduction at 28.5%.

(b) Increase if Benefit Is Claimed Later Than Full Retirement Age (Up to Age 70)

<u>Worker's Year Of Birth</u>	<u>Increase per Month Later</u>	<u>Worker's Year Of Birth</u>	<u>Increase per Month Later</u>
1916 and earlier	1/12%	1933-1934	11/24%
1917-1924	1/4%	1935-1936	1/2%
1925-1926	7/24%	1937-1938	13/24%
1927-1928	1/3%	1939-1940	7/12%
1929-1930	9/24%	1941-1942	15/24%
1931-1932	5/12%	1943 and later	2/3%

BENEFIT REDUCTIONS AND ADJUSTMENTS

(a) Family Maximum Benefit

If total monthly benefits to workers and dependents or to survivors, calculated on the basis of the earnings record of one insured worker, are greater than the Family Maximum Benefit (FMB), such total is reduced to FMB. The insured worker's benefit is paid in full; all other monthly benefits are reduced proportionally. Benefits paid to a divorced spouse do not count toward FMB. (Computation of FMB is shown with PIA computation on page 8.)

(b) Earnings Test

A beneficiary age 70 or older can earn any amount in covered or non-covered employment without loss of benefits. A beneficiary between the ages of 65 and 70 can earn up to \$7,320 in 1985 in any employment, covered or noncovered, without loss of benefits. A beneficiary under age 65 can earn \$5,400 in 1985 without loss of benefits. The annual exempt amount will be automatically adjusted in proportion to any increase in the average total wages of all workers (see page 10)—from the third to the second preceding year—rounded to the nearest \$120. For each \$2 of covered or noncovered earnings in excess of the allowable amount in a year, \$1 of benefit is withheld. Exception: during the initial year of entitlement (the year in which the worker first received a monthly benefit which was not reduced because of the earnings test), no benefits will be withheld for any month in which the worker does not receive wages in excess of 1/12 of the annual exempt amount or render substantial services in self-employment. As to workers at or above the full retirement age, beginning in 1990, the reduction is liberalized to a \$1-for-\$3 basis.

(c) Adjustment in Widow, Widower or Surviving Divorced Spouse Benefit

In the case of a deceased retired worker who received benefits before age 65, the widow, widower or surviving divorced spouse benefit cannot exceed the larger of the deceased retired worker's benefit or 82 1/2% of his PIA.

(d) Disability Benefit Limitation

Social Security disability benefit (including benefits for dependents) combined with workers compensation and certain governmental disability benefits cannot exceed 80% of the highest of AMW (see page 12), high-5-year average earnings, or highest year's earnings in the last 6 years of covered employment.

(e) Remarriage

Dependent and survivor benefits terminate on remarriage with the following exceptions. Widows, widowers or surviving divorced spouses age 60 or over, or at least 50 and disabled, may remarry without affecting their benefits. Termination is also waived if the person whom the beneficiary is marrying is a recipient of divorced spouse's, widow's or widower's, parent's, or disabled child's benefits. A beneficiary with an eligible child may remarry a retired or disabled worker without loss of benefits.

AUTOMATIC BENEFIT ESCALATOR

All benefits are increased each December by the amount of increase in the Consumer Price Index, subject to the limitations described on page 12.

OFFSETS FOR BENEFITS RECEIVED FROM NONCOVERED EMPLOYMENT

(a) Retired Workers

The following reduction in the PIA formula will apply to persons who receive Social Security based on less than 30 years of coverage and who also receive pensions from noncovered employment.

Years of Covered Employment or Year of Initial Eligibility for Old-Age or Disability Benefits (Whichever is More Favorable)		
Years of Covered Employment	Year of Initial Eligibility for Old-Age or Disability Benefits	PIA Formula For Lowest Band of AIME
30	1985	90%
29	1986	80%
28	1987	70%
27	1988	60%
26	1989	50%
25 or less	1990 or later	40%

In no case will the resulting PIA be any less than the regular PIA minus 50% of the pension from noncovered employment after 1956.

Exceptions for Certain Nonprofit Employees and Top Federal Officeholders: This special computation procedure does not apply to employees who were brought under coverage on January 1, 1984, provided that the employer did not participate in Social Security at any time in the past (see "Covered Workers," next page).

(b) Dependents and Survivors

Benefits of spouses and surviving spouses (with or without eligible children) are reduced by 2/3 of the amount of any public (federal, state, or local government) retirement benefit payable to the spouse based on the spouse's own work in noncovered public employment. This provision applies to all spouse-beneficiaries who become eligible for a public pension after June 1983, without regard to financial dependency on the primary Social Security beneficiary. Previously, the Social Security benefit was offset by the full amount of public pension, but no offset applied under the following circumstances: (1) the spouse was entitled to OASDI benefits before December 1977; (2) a wife/divorced wife (or financially dependent husband/divorced husband) was first eligible for a public pension prior to December 1982; or (3) a financially dependent spouse of either sex was first eligible for a public pension from December 1982 through June 1983.

FEDERAL TAXABILITY OF BENEFITS

Benefits are subject to federal income tax if the combined total of one-half of Social Security plus modified adjusted gross income (see page 12) exceeds \$25,000 for an individual and \$32,000 for a married couple. The taxable amount is the lesser of (a) one-half of the Social Security benefit, or (b) half of the excess above \$25,000 or \$32,000, whichever applies.

SPECIAL PROVISIONS FOR SELF-EMPLOYED

Self-employed individuals are permitted a credit against the Social Security tax equal to 2.7% of net self-employment income in 1984; 2.3% in 1985; and 2% in 1986-89. After 1989, the self-employed may (a) reduce net earnings from self-employment by half of the Social Security tax which would apply without this provision and figure their SECA liability based on this reduced amount, and (b) deduct half of the tax against income as a business expense.

COVERED WORKERS

GENERAL

With the 1983 changes in the Social Security law, coverage of employees of United States employers is almost "universal." The primary changes in the law leading to this universal coverage are inclusion of federal employees hired after December 31, 1983, mandatory coverage of employees of nonprofit organizations, and removal of the right of state and local governments to drop out of Social Security once they have joined.

EXTENT OF COVERAGE

All employment, except when specifically excluded, in the 50 states, the District of Columbia, American Samoa, Guam, Puerto Rico and the Virgin Islands is covered regardless of citizenship. Work performed elsewhere by American residents employed by an American employer is also covered. Also, coverage is extended under certain conditions to employment on American ships and aircraft outside the United States.

EMPLOYEES EXCLUDED FROM COVERAGE

- (1) State and local government employees covered by a retirement system unless the employees have elected to be covered and the state has entered into a noncancellable agreement with the federal government. Employees (except policemen in some states and individuals in certain limited employment statuses) elect to be covered by a referendum in which a majority of the eligibles vote in favor of participation.
- (2) Federal civilian employees hired before January 1, 1984 who are covered by a retirement system established by a law of the United States, except as follows: members of a few such systems (e.g., Tennessee Valley Authority employees); the President, Vice President, members of the Congress, political appointees, and judges, even if they assumed office before January 1, 1984.
- (3) Certain students performing domestic service, relatives working for members of family, student nurses and newsboys under 18.
- (4) Workers who make less than the minimal amounts listed under "Covered Wages."
- (5) Employees covered by the Railroad Retirement Act are technically not covered by Social Security. However, the operations of the financial interchange arrangements between Social Security and the Railroad Retirement Act result in defacto coverage for railroad employees.
- (6) Ministers and members of religious orders are covered as self-employed unless they opt out on the grounds of conscience or religious principle.

COVERED WAGES AND SELF-EMPLOYMENT INCOME

COVERED WAGES

All earnings of covered workers are taxed up to the maximum taxable wage base of \$39,600 in 1985 (see definition on page 12 and complete history on page 24). All remuneration for employment is subject to tax (including the cash value thereof when not paid in cash), including:

- (1) Sick pay during the first six months of disability.
- (2) Stand-by pay when it is expected that services will be rendered at some later time.
- (3) Salary reduction contributions under Sections 401(k), 403(b), 414(h), and 457 of the Internal Revenue Code; and income deferred under a nonqualified deferred compensation agreement, when there is no longer a substantial risk of forfeiture.
- (4) Cash tips of at least \$20 a calendar month taxed to employee (no employer taxes are payable thereon, except tips deemed to be wages under the Fair Labor Standards Act).
- (5) Basic pay for active military duty taxed as wages since 1957; military personnel also receive a tax-free wage credit of up to \$1200 per year to reflect other forms of remuneration. (Prior to 1957, military pay was not taxed, but members received a wage credit of \$160 for each month of active duty from September 16, 1940 through December 31, 1956.)

SELF-EMPLOYMENT INCOME

Income from self-employment is treated the same as other covered income for benefit purposes, but the tax paid by self-employed individuals equals the combined employee-employer tax on wages (before any tax credit). "Self-employment income" is broadly defined as the net earnings derived by operating an unincorporated trade or business, as reported in the income tax return. After counting income from other sources as an employee, self-employment income is taxed at the rate shown on page 24, up to a total combined income of the maximum taxable wage base.

The following income is not taxed:

- (1) Rentals from real estate (unless part of a business).
- (2) Dividends on stock and interest on bonds (unless part of a business).
- (3) Capital gains or losses.
- (4) Distributive share of income (or loss) from a partnership received by a limited partner.

EXCLUSION OF INCIDENTAL WAGES OR SELF-EMPLOYMENT INCOME

The following incidental wages or self-employment income are excluded from tax:

- (1) Less than \$150 per year to farm employees.
- (2) Less than \$50 per quarter to non-farm domestic employees.
- (3) Less than \$100 per year for other casual work.
- (4) Net earnings of less than \$400 per year from self-employment (optional methods of calculating net earnings available to maintain coverage in years with low income or net losses).

REQUIREMENTS FOR INSURED STATUS

FULLY INSURED

At least 1 quarter of coverage for each calendar year elapsing after 1950 or after age 21, whichever is later, but before the earliest of age 62, death or disability, with a minimum of 6 quarters of coverage. If a year includes a period of disability, it is not counted as an elapsed year. (See page 7 for table showing quarters of coverage needed.)

CURRENTLY INSURED

At least 6 quarters of coverage during the 13-quarter period ending with quarter of death, entitlement to old-age insurance benefits or most recent onset of disability, not counting as part of such 13-quarter period any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage.

DISABILITY INSURED

(1) Fully insured and (2) at least 20 quarters of coverage in the last 40 quarters through the quarter of disability occurrence. Reduced requirements for disabilities before age 31; also for workers disabled before 31 who subsequently recover and become disabled again at 31 or after. Requirement (2) is eliminated for blind workers.

QUARTER OF COVERAGE

Before 1978, as follows:

- (a) Quarter of a year in which worker received at least \$50 in covered wages (other than farm wages). Worker receiving \$100 or more in covered farm wages in a year credited with 1 quarter for each \$100 up to 4 quarters for \$400 or more. Self-employed individual credited with 1 quarter for each calendar quarter in which he earned at least \$100, provided that his net earnings from self-employment were at least \$400 for the year.
- (b) If (a) is not satisfied, credit will nonetheless be given for 4 quarters in any calendar year in which combined wages and/or self-employment income are equal to the maximum taxable wage base (see page 24).

1978 and after:

Calendar Year	Wages or Self-Employment Income Constituting 1 Quarter of Coverage (to Maximum of 4 Quarters)
1978	\$250
1979	260
1980	290
1981	310
1982	340
1983	370
1984	390
1985	410

Thereafter Equals \$250 multiplied by ratio of (a) average total wages of all workers two years earlier to (b) \$9226.48; rounded to nearest multiple of \$10.

QUARTERS OF COVERAGE NEEDED FOR FULLY INSURED STATUS*

<u>RETIREMENT</u>		<u>DEATH OR DISABILITY</u>			
<u>Date of birth</u>	<u>Quarters needed for fully insured status</u>	<u>Born Before Jan. 2, 1929**</u>		<u>Born Jan. 2, 1929 or Later</u>	
		<u>Year of death or disability</u>	<u>Quarters needed for fully insured status</u>	<u>Age on birthday in year of death or disability</u>	<u>Quarters needed for fully insured status</u>
Jan. 2, 1913 to Jan. 1, 1914	24	1984	33	28 or younger	6
Jan. 2, 1914 to Jan. 1, 1915	25	1985	34	29	7
Jan. 2, 1915 to Jan. 1, 1916	26	1986	35	30	8
Jan. 2, 1916 to Jan. 1, 1917	27	1987	36	31	9
Jan. 2, 1917 to Jan. 1, 1918	28	1988	37	32	10
Jan. 2, 1918 to Jan. 1, 1919	29	1989	38	33	11
Jan. 2, 1919 to Jan. 1, 1920	30	1990	39	34	12
Jan. 2, 1920 to Jan. 1, 1921	31	1991 or later	40	35	13
Jan. 2, 1921 to Jan. 1, 1922	32			36	14
Jan. 2, 1922 to Jan. 1, 1923	33			37	15
Jan. 2, 1923 to Jan. 1, 1924	34			38	16
Jan. 2, 1924 to Jan. 1, 1925	35			39	17
Jan. 2, 1925 to Jan. 1, 1926	36			40	18
Jan. 2, 1926 to Jan. 1, 1927	37			41	19
Jan. 2, 1927 to Jan. 1, 1928	38			42	20
Jan. 2, 1928 to Jan. 1, 1929	39			43	21
Jan. 2, 1929 or later	40			44	22
				45	23
				46	24
				47	25
				48	26
				49	27
				50	28
				51	29
				52	30
				53	31
				54	32
				55	33
				56	34
				57	35
				58	36
				59	37
				60	38
				61	39
				62 or older	40

<u>Special provision for employees of nonprofit organizations***</u>	
<u>Date of birth</u>	<u>Quarters needed for fully insured status</u>
Jan. 1, 1924 or earlier	6
Jan. 2, 1924 to Jan. 1, 1925	8
Jan. 2, 1925 to Jan. 1, 1926	12
Jan. 2, 1926 to Jan. 1, 1927	16
Jan. 2, 1927 to Jan. 1, 1929	20
Jan. 2, 1929 or later	40

*For periods of established disability, reduce quarters needed by one for each year which partly or fully falls within a period of disability.

**If a worker is age 62 or older, use the lesser of quarters needed for Retirement and quarters needed for Death or Disability.

***Applies to older employees of nonprofit organizations who were brought into Social Security by the 1983 Amendments; liberalized requirement must be fully satisfied by employment after December 31, 1983.

**COMPUTATION OF PRIMARY INSURANCE AMOUNT (PIA)
AND FAMILY MAXIMUM BENEFIT (FMB)**

The Primary Insurance Amount (PIA) is determined by the method indicated below, unless the Minimum, Special Minimum, or Old Start Method produces a higher PIA. The method used to determine the PIA also states how the Family Maximum Benefit (FMB) is determined.

Selection of Benefit Computation Method

<u>Benefit</u>	<u>Year of Attainment of Age 62 or Year of Death or Disability if Earlier</u>	<u>Computation Method</u>
Old-Age	Before 1979	PIA Table Method
	1979 through 1983	Transitional Guarantee Method
	After 1983	Decoupled Formula Method
Disability or Survivor	Before 1979	PIA Table Method
	After 1978	Decoupled Formula Method

Description of Principal Benefit Computation Methods

PIA Table Method

An **Average Monthly Wage (AMW)** is calculated and the corresponding PIA and FMB are found in the December 1978 PIA table on pages 14 and 15. The initial PIA and FMB are increased by all **general benefit increases** after 1978.

Decoupled Formula Method

An **Average Indexed Monthly Earnings (AIME)** is calculated and a benefit formula is applied to the AIME to produce the initial PIA. The formula used depends on the **year of eligibility** (see page 12). For workers becoming eligible in 1985, the PIA formula is:

- 90% of the first \$280 of AIME, plus
- 32% of AIME between \$280 and \$1691, plus
- 15% of AIME in excess of \$1691.

The **Family Maximum Benefit (FMB)** is calculated using a benefit formula applied to the initial PIA. Again, the formula used depends on the year of eligibility. The FMB formula for workers becoming eligible in 1985 is:

- 150% of the first \$358 of PIA, plus
- 272% of PIA between \$358 and \$517, plus
- 134% of PIA between \$517 and \$675, plus
- 175% of PIA in excess of \$675.

NOTE: The initial PIA and FMB are increased by applying in sequence all general benefit increases in the year of eligibility and thereafter.

The FMB of a worker who becomes entitled to a disability benefit after June 1980 will be the smaller of (a) 85% of his AIME (or 100% of PIA, if larger) and (b) 150% of his PIA.

History of Decoupled Formula Bend Points

<u>Year of Eligibility</u>	<u>PIA Bend Points</u>		<u>FMB Bend Points</u>		
	<u>Lower</u>	<u>Upper</u>	<u>Lower</u>	<u>Mid</u>	<u>Upper</u>
1979	\$180	\$1085	\$230	\$332	\$433
1980	194	1171	248	358	467
1981	211	1274	270	390	508
1982	230	1388	294	425	554
1983	254	1528	324	468	610
1984	267	1612	342	493	643
1985	280	1691	358	517	675

Future Adjustments to Decoupled Formula Bend Points

The PIA formula bend points and the FMB formula bend points are adjusted each January 1 by comparing the **average total wages of all workers** for the second preceding year with the comparable figure for 1977, and applying the resulting ratio to the 1979 bend points. The updated bend points are rounded to the nearest whole dollar.

Transitional Guarantee Method

The PIA is the higher of (a) the benefit derived under the Decoupled Formula Method and (b) the benefit derived under the PIA Table Method, except that under the PIA Table Method: (1) no earnings in the year of attainment of age 62 or later are used to compute the AMW, (2) the PIA is found in the December 1978 PIA table on pages 14 and 15, and (3) all general benefit increases after the later of December 31, 1978 and year of attainment of age 61 are applied.

The FMB is computed under the Decoupled Formula Method.

Minimum Benefit

Regardless of other considerations, a worker who attained age 62, died, or became disabled before January 1, 1982, is eligible for a minimum PIA of \$122 and a minimum FMB of \$183. These figures are adjusted for all general increases after the earlier of (a) **year of entitlement**, and (b) year of attainment of age 65. Exception: Members of a religious order who have taken a vow of poverty can become eligible for the minimum benefit through 1991, provided they were covered by Social Security before December 29, 1981.

Special Minimum

The Special Minimum PIA equals \$11.50 per month times the number of years of coverage in excess of 10, with maximum of 20 such excess years used. The resulting amount is subject to all general benefit increases after May 1979. A "year of coverage" is a year in which the worker has covered earnings of at least one-quarter of the old-law maximum taxable wage base (see table on page 13).

The FMB for the Special Minimum PIA is the amount in effect on January 1, 1979 adjusted for all general benefit increases after May 1979. The FMB must be no less than 150% of the PIA.

<u>Years of Coverage</u>	<u>Special Minimum PIA (including December 1984 increase)</u>	<u>Special Minimum FMB (including December 1984 increase)</u>
11	\$ 18.70	\$ 28.10
12	37.00	55.60
13	55.50	83.50
14	74.00	111.10
15	92.40	138.70
16	111.00	166.60
17	129.40	194.10
18	148.00	222.00
19	166.40	249.60
20	184.70	277.20
21	203.30	305.20
22	221.80	332.80
23	240.40	360.80
24	258.80	388.30
25	277.20	415.90
26	295.90	444.00
27	314.30	471.60
28	332.70	499.20
29	351.10	526.90
30 or more	369.50	554.50

Old Start Method

The old-start formula uses earnings before 1951 to compute an old-start AMW. Its use is extremely rare.

Rounding to Multiple of \$.10

If the year of eligibility is before 1982: the initial PIA calculation and all pre-1982 increases are rounded up to a multiple of \$.10; and increases for 1982 and later are rounded down to a multiple of \$.10. If the year of eligibility is 1982 or later, the initial PIA calculation and all general benefit increases are rounded down to a multiple of \$.10. This rounding procedure is also followed for any calculations which depend upon the PIA — for instance, early retirement or dependents' benefits.

Final Rounding to Lower Dollar

The Medicare Part B premium, if any, is subtracted from the total benefit check, and the resulting amount is reduced to a multiple of \$1, if not already a multiple of \$1.

Initial Recomputation of Benefits

Earnings related to the year of retirement or disability are not recognized in the initial determination of benefits; however, a recomputation recognizing these earnings is made in the following year retroactive to January 1. Frequently, earnings in the year immediately preceding year of entitlement are not taken into account in the initial social security calculation; however, a recomputation recognizing those earnings is made later in the year of entitlement, retroactive to date benefits commenced.

DEFINITIONS

See Page 12.

WORKSHEET FOR COMPUTING

(Reflecting General Benefit Increases through December 1984)

- (a) Year of Eligibility: year attaining age 62 (or year of death or disability, if earlier) (a) _____
- (b) Number of years after 1950 (or after year of attaining age 21, if later) and before year (a) (b) _____
- (c) Number of years included in calculation:
 for retirement, greater of 5, or ((b) - 5);
 for death, greater of 2, or ((b) - 5);
 for disability, greater of 2, or ((b) - dropout years*) (c) _____
- (d) Months in averaging period equals 12 × (c) (d) _____
- (e) Year (a) - 2 (e) _____
- (f) Figure in Column (4) of table below for year (e) (Omit for PIA Table Method) (f) _____
- (g) Complete following table: (Column (5) of table should not be completed if using PIA Table Method)

Calendar Year	Enter Covered Wages for Year (1)	Maximum Taxable Wage Base (2)	Enter Smaller of (1) and (2) (3)	Average Total Wages of All Workers** (4)	Indexed Earnings [(f) x (3) ÷ (4)]†† (5)
1951	\$ _____	\$ 3,600	\$ _____	\$ 2,799.16	\$ _____
1952	_____	3,600	_____	2,973.32	_____
1953	_____	3,600	_____	3,139.44	_____
1954	_____	3,600	_____	3,155.64	_____
1955	_____	4,200	_____	3,301.44	_____
1956	_____	4,200	_____	3,532.36	_____
1957	_____	4,200	_____	3,641.72	_____
1958	_____	4,200	_____	3,673.80	_____
1959	_____	4,800	_____	3,855.80	_____
1960	_____	4,800	_____	4,007.12	_____
1961	_____	4,800	_____	4,086.76	_____
1962	_____	4,800	_____	4,291.40	_____
1963	_____	4,800	_____	4,396.64	_____
1964	_____	4,800	_____	4,576.32	_____
1965	_____	4,800	_____	4,658.72	_____
1966	_____	6,600	_____	4,938.36	_____
1967	_____	6,600	_____	5,213.44	_____
1968	_____	7,800	_____	5,571.76	_____
1969	_____	7,800	_____	5,893.76	_____
1970	_____	7,800	_____	6,186.24	_____
1971	_____	7,800	_____	6,497.08	_____
1972	_____	9,000	_____	7,133.80	_____
1973	_____	10,800	_____	7,580.16	_____
1974	_____	13,200	_____	8,030.76	_____
1975	_____	14,100	_____	8,630.92	_____
1976	_____	15,300	_____	9,226.48	_____
1977	_____	16,500	_____	9,779.44	_____
1978	_____	17,700	_____	10,556.03	_____
1979	_____	22,900	_____	11,479.46	_____
1980	_____	25,900	_____	12,513.46	_____
1981	_____	29,700	_____	13,773.10	_____
1982	_____	32,400	_____	14,531.34	_____
1983	_____	35,700	_____	15,239.24	_____
1984	_____	37,800	_____	**	_____
1985	_____	39,600	_____	**	_____

* Dropout years for disability depend on age, as follows:

Age at disability	47 and over	42-46	37-41	32-36	27-31	Under 27
Dropout years	5	4	3	2	1	0

For disability benefits starting or continuing after June 1981, additional dropout years may be counted. These are years when the worker had no earnings and lived with a child under age 3. Inclusion of such additions may not cause dropout years to exceed 3.

** This column applies only through year (e). Thereafter, use *same* figure as shown for year (e).

†† Rounding to nearest cent.

PRIMARY INSURANCE AMOUNT

and General Wage Increases through 1983)

PIA TABLE METHOD

(Complete if (a) is 1978 or earlier)

- (h) Total of highest entries in Column (3), counting only that number of entries stated in (c) (h) _____
- (i) Average Monthly Wage (AMW) = (h) ÷ (d), dropping cents (i) _____
- (j) Initial PIA equals December 1978 amount shown on pages 14 and 15, based on AMW in (i) (j) _____ *

*Enter this figure on first line of column (w) below.

DECOUPLED FORMULA METHOD

(Complete if (a) is 1979 or later)

- (k) Total of highest entries in Column (5), counting only that number of entries stated in (c) (k) _____
- (m) Average Indexed Monthly Earnings (AIME) equals (k) ÷ (d), dropping cents (m) _____
- (n) Lower PIA bend point for year (a) (n) _____
 If year (a) is 1979 1980 1981 1982 1983 1984 1985
 Lower PIA bend point is \$180 \$194 \$211 \$230 \$254 \$267 \$280
- (p) Upper PIA bend point for year (a) (p) _____
 If year (a) is 1979 1980 1981 1982 1983 1984 1985
 Upper PIA bend point is \$1085 \$1171 \$1274 \$1388 \$1528 \$1612 \$1691

- (q) Amount by which (p) exceeds (n): (p) - (n) (q) _____
- (r) PIA under new formula:
 .9 × lesser of (n) and (m) (r) (1) _____
 .32 × lesser of (q) and [(m) - (n)], but not less than zero (r) (2) _____
 .15 × [(m) - (p)], but not less than zero (r) (3) _____

Initial PIA equals (r) (1) + (r) (2) + (r) (3), rounded down to multiple of \$.10 if year (a) is 1982 or later; rounded up to a multiple of \$.10 if year (a) is earlier than 1982 (r) Total _____ **

**Enter this figure on line of column (w) below which corresponds to year (a), or else proceed with Transitional Guarantee Method, if applicable.

TRANSITIONAL GUARANTEE METHOD

(Complete for old-age calculations if (a) is 1979 through 1983, or if death occurs at or after age 62 for those attaining age 62 in 1979-83)

- (s) Total of highest entries in Column (3) before year (a) (through year (a) for survivor cases), counting only that number of entries stated in (c) (s) _____
- (t) Average Monthly Wage (AMW) equals (s) ÷ (d), dropping cents (t) _____
- (u) December 1978 PIA taken from pages 14 and 15, based on AMW in (t) (u) _____
- (v) Resulting PIA equals greater of (r) Total and (u) (v) _____ ***

***Enter this figure on line of column (w) below which corresponds to year (a).

CALCULATION OF CURRENT PIA

(With Adjustment for General Benefit Increases)

	PIA before Increase (w)	Increase (x)	PIA after Increase (y)	Rounded ▽
1979 or earlier	_____	1.099	_____	up
1980	_____	1.143	_____	up
1981	_____	1.112	_____	up
1982	_____	1.074	_____	down
1983	_____	1.035	_____	down
1984	_____	1.035†		down

i Multiply figure in (w) by increase in (x) and enter result in (y).

ii Enter result into (w) of next line and repeat step i; repeat process until answer is contained in box. See page 9 for further rounding of all benefits to a multiple of \$1, and for Minimum and Special Minimum rules.

▽ To multiple of \$.10.

† Effective with benefit check for December 1984 (payable in January 1985). Use 1.000 for months before December.

DEFINITIONS

Average Monthly Wage (AMW): the average monthly wage is the quotient of (a) the number of months in the benefit computation years divided into (b) the highest total of covered earnings during a like number of years chosen out of the computation base years. Any fractions of \$1 are ignored.

Average Indexed Monthly Earnings (AIME): the average indexed monthly earnings is the quotient of (a) the number of months in the benefit computation years divided into (b) the highest total of covered indexed earnings during a like number of years chosen out of the computation base years. Any fractions of \$1 are ignored.

Average Total Wages of All Workers: number published by the Social Security Administration before each November 1 for the preceding calendar year. Average total wages of workers shown for calendar years 1951 through 1983 on page 10, column (4).

Benefit Computation Years: the years with highest earnings which are actually used in calculating the primary insurance benefit. In most cases, the number of benefit computation years equals the computation base years minus five, with a minimum of two years (five for a retirement benefit). Special dropout rules apply if the benefit is for disability before age 47 (see footnote on page 10).

Computation Base Years: the computation base years are the calendar years after 1950 (or attainment of age 21, if later) and prior to the year in which the individual became entitled to old-age or disability benefits or through the year of death. Computation base years may not include any calendar year all of which was included in a period of disability.

Employee: an individual who performs services for another under the usual common law rules defining employer-employee relationships. For Social Security tax purposes, the term also includes public officeholders, agent- or commission-drivers, full-time life insurance sales people, industrial home workers, and full-time wholesale sales people. (Not all employees are covered workers: see page 4.)

Disability: inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months. For blind workers, inability to engage in the usual occupation. For surviving spouse, inability to engage in any gainful activity.

First Month of Eligibility: the first month throughout all of which the individual is 62. For Social Security purposes, age 62 is attained on the day before the actual birthday; therefore, only those born on the first or second day of a month are eligible for benefits for the birthday month. This provision also applies to dependents' benefits.

General Benefit Increases: a general benefit increase applies for December of any year after Consumer Price Index (CPI-W) has increased at least 3% from (a) the third quarter of a year in which benefit was last automatically increased to (b) the third quarter of year under consideration, except that an automatic increase would be superseded by any raises in benefits enacted by Congress. The general benefit increase is equal to the percent increase in average CPI for the quarters in question, rounded to the nearest 0.1%.

General Benefit Increases Since 1978	
June 1979 — 9.9%	June 1982 — 7.4%
June 1980 — 14.3%	December 1983 — 3.5%
June 1981 — 11.2%	December 1984 — 3.5%

Special rules apply if the Social Security OASDI trust fund ratio (the ratio of the fund balance at the beginning of the year to estimated benefits payable that year) falls below a specified level. The general benefit increase is then based on the lower of the CPI increase and the increase in average wages from the previous calendar year over the second preceding year. The fund ratio level that triggers this change is 15% through 1988, and 20% thereafter. If the fund ratio later rises above 32%, any loss in the general benefit increase is restored prospectively, but only to the extent that the fund ratio remains at 32% or more.

Indexed Earnings: a worker's covered wages multiplied by the ratio of average total wages of all workers in the second year before the year of eligibility to the average total wages of all workers in the year being updated. Example: If a worker earned \$4500 in 1959 and retired at age 62 in 1981, the \$4500 is multiplied by the ratio of average total wages in 1979 (\$11479.46) to average total wages in 1959 (\$3855.80) as follows:

$$\$4500 \times \frac{\$11479.46}{\$3855.80} = \$13,397.37 = \text{Indexed earnings. The answer is rounded to the nearest cent.}$$

Maximum Taxable Wage Base: the amount subject to Social Security tax in any given year. Established at \$3000 annually for 1937, the maximum taxable wage base has grown to \$39,600 for 1985. (See complete history on page 24.) Future increases are determined by an automatic escalator, which becomes effective for the year following a general benefit increase. The maximum taxable wage base is then computed by multiplying the maximum taxable wage base for the previous year by the ratio of (1) the average total wages of all workers (see page 10) for the second preceding year to (2) the corresponding amount for the third preceding year, with the result rounded to the nearest multiple of \$300.

Modified Adjusted Gross Income: adjusted gross income plus tax-exempt interest, with the following deductions and exclusions added back — deduction for two-earner married couple; exclusion for foreign earned income; exclusion for Puerto Rican income (for residents of Puerto Rico).

Period of Disability: a continuous period of at least 5 full calendar months of disability, as defined above.

Year of Eligibility: the year of attainment of age 62 or the year of death or disability, if earlier.

Year of Entitlement: the year a worker meets the age and insured status requirements and files a claim (including retroactive claims). See also "First Month of Eligibility," above.

COVERED COMPENSATION

Pension plans integrated with Social Security by the excess or step-rate methods may use **covered compensation** as the integration level. An individual's covered compensation is the average of the maximum taxable wage bases for each year after 1958 (or year of attainment of age 30, if later) and through the year he reaches age 64. Covered compensation may be the exact amount of average Social Security wages (Table II), or an approximation, rounded to the nearest \$600 (Table I).

<u>CALENDAR YEAR OF 65th BIRTHDAY</u>	<u>TABLE I</u>	<u>TABLE II</u>
1985	\$13,800	\$13,808
1986	15,000	14,763
1987	15,600	15,650
1988	16,200	16,476
1989	17,400	17,247
1990	18,000	17,968
1991	18,600	18,644
1992	19,200	19,279
1993	19,800	19,876
1994	20,400	20,440
1995	21,600	21,434
1996	22,200	22,429
1997	23,400	23,423
1998	24,600	24,417
1999	25,200	25,411
2000	26,400	26,406
2001	27,600	27,400
2002	28,200	28,343
2003	29,400	29,286
2004	30,000	30,194
2005	31,200	31,103
2006	31,800	32,011
2007	33,000	32,920
2008	33,600	33,794
2009	34,800	34,617
2010	35,400	35,371
2011	36,000	36,100
2012	36,600	36,794
2013	37,200	37,454
2014	37,800	38,080
2015	38,400	38,557
2016	39,000	38,949
2017	39,000	39,231
2018	39,600	39,437
2019	39,600	39,549
2020	39,600	39,600
2021	39,600	39,600

MAXIMUM TAXABLE WAGE BASE COMPARISON

The old-law maximum taxable wage base is the wage base as it would have been without regard to the legislated increases in the 1977 Social Security Amendments. It is used to determine eligibility for the Special Minimum benefit (see page 9), and to make cost-of-living adjustments to the maximum guaranteed benefit under ERISA Section 4022(b)(3)(B). (The adjusted maximum guaranteed benefit equals \$750 times the ratio of the old-law maximum to \$13,200.)

<u>YEAR</u>	<u>ACTUAL MAXIMUM</u>	<u>OLD-LAW MAXIMUM</u>
1979	\$22,900	\$18,900
1980	25,900	20,400
1981	29,700	22,200
1982	32,400	24,300
1983	35,700	26,700
1984	37,800	28,200
1985	39,600	29,700

DECEMBER 1978 PIA TABLE

PRIMARY INSURANCE AMOUNTS AND FAMILY MAXIMUM BENEFITS
FOR EACH AVERAGE MONTHLY WAGE

Average Monthly Wage	Primary Insurance Amount	Family Maximum Benefit	Average Monthly Wage	Primary Insurance Amount	Family Maximum Benefit	Average Monthly Wage	Primary Insurance Amount	Family Maximum Benefit
Up to \$76	*	*	\$250-253	\$251.80	\$384.90	\$483-487	\$380.70	\$701.60
77-78	\$123.70	\$185.60	254-258	254.30	392.50	488-492	383.10	705.40
79-80	126.60	189.90	259-263	256.50	400.00	493-496	385.50	708.40
81-81	128.90	193.50	264-267	259.60	406.00	497-501	388.20	712.10
82-83	131.20	196.80	268-272	262.10	413.70	502-506	390.50	715.80
84-85	134.00	201.00	273-277	264.90	421.20	507-510	392.90	719.00
86-87	136.50	204.80	278-281	267.40	427.20	511-515	395.30	722.80
88-89	138.60	207.90	282-286	270.00	434.90	516-520	398.00	726.70
90-90	141.40	212.10	287-291	272.90	442.60	521-524	400.30	729.50
91-92	143.80	215.70	292-295	275.10	448.50	525-529	402.70	733.40
93-94	146.20	219.30	296-300	278.10	456.10	530-534	405.60	737.10
95-96	148.50	222.80	301-305	280.70	463.80	535-538	407.70	740.20
97-97	151.30	227.00	306-309	283.10	469.80	539-543	410.20	744.10
98-99	153.70	230.60	310-314	286.00	477.40	544-548	412.80	747.80
100-101	156.70	235.10	315-319	288.30	485.10	549-553	415.30	751.60
102-102	158.90	238.50	320-323	291.00	491.10	554-556	417.60	753.90
103-104	161.60	242.40	324-328	293.80	498.70	557-560	419.60	756.90
105-106	164.60	246.90	329-333	296.20	506.20	561-563	421.90	759.30
107-107	167.30	251.00	334-337	299.30	512.50	564-567	424.10	762.30
108-109	169.80	254.80	338-342	301.40	519.90	568-570	426.50	764.50
110-113	172.50	258.80	343-347	304.20	527.50	571-574	428.50	767.50
114-118	174.90	262.40	348-351	307.10	533.60	575-577	430.70	769.90
119-122	177.60	266.50	352-356	309.40	541.20	578-581	432.70	772.80
123-127	180.40	270.60	357-361	312.40	548.80	582-584	435.00	775.20
128-132	183.00	274.60	362-365	314.90	554.90	585-588	436.90	778.20
133-136	185.50	278.30	366-370	317.30	562.50	589-591	439.50	780.50
137-141	188.00	282.10	371-375	320.20	569.90	592-595	441.60	783.50
142-146	190.80	286.20	376-379	322.90	576.30	596-598	443.80	785.60
147-150	193.60	290.40	380-384	325.00	583.90	599-602	446.00	788.90
151-155	195.90	293.90	385-389	328.00	591.30	603-605	448.10	791.10
156-160	198.70	298.10	390-393	330.50	597.40	606-609	450.30	794.00
161-164	201.30	302.00	394-398	333.40	605.10	610-612	452.60	796.50
165-169	203.90	305.90	399-403	336.00	612.70	613-616	454.70	799.50
170-174	206.70	310.10	404-407	338.90	618.60	617-620	456.80	802.50
175-178	209.10	313.70	408-412	341.10	626.30	621-623	459.10	804.80
179-183	211.90	318.00	413-417	343.50	633.80	624-627	461.20	807.90
184-188	214.40	321.70	418-421	346.00	639.90	628-630	463.40	810.70
189-193	217.20	326.00	422-426	348.70	647.50	631-634	465.60	814.70
194-197	219.90	329.90	427-431	351.10	655.10	635-637	467.80	818.50
198-202	222.40	333.60	432-436	353.20	662.70	638-641	470.10	822.40
203-207	225.30	338.00	437-440	356.20	665.70	642-644	472.10	826.10
208-211	228.00	342.00	441-445	358.40	669.70	645-648	474.40	830.10
212-216	230.10	345.20	446-450	360.80	673.40	649-652	476.50	833.70
217-221	233.00	349.50	451-454	363.50	676.30	653-656	477.80	836.10
222-225	235.60	353.40	455-459	365.90	680.10	657-660	479.20	838.40
226-230	238.50	357.80	460-464	368.30	683.80	661-665	480.90	841.50
231-235	241.10	361.70	465-468	370.60	687.10	666-670	482.60	844.50
236-239	244.00	366.10	469-473	373.50	690.80	671-675	484.40	847.40
240-244	246.30	371.10	474-478	375.60	694.60	676-680	486.10	850.50
245-249	248.70	378.80	479-482	378.00	697.70	681-685	487.80	853.50

Underlying Approximate Formula
For Primary Insurance Amount
based on Average Monthly Wage.

155.38% of first \$110 of AMW, plus 56.51% of next \$290 thereof, plus 52.80% of next \$150 thereof, plus 62.09% of next \$100 thereof, plus 34.53% of next \$100 thereof, plus 28.78% of next \$250 thereof, plus 25.92% of next \$175 thereof, plus 24.01% of next \$100 thereof, plus 22.56% of next \$100 thereof, plus 21.3% of next \$100 thereof, plus 20% of next \$433 thereof.

* If the Average Monthly Wage is under \$77, the PIA and FMB can be approximated by multiplying \$123.70 and \$185.60, respectively, by the ratio of the Average Monthly Wage to \$77.50.

DECEMBER 1978 PIA TABLE

PRIMARY INSURANCE AMOUNTS AND FAMILY MAXIMUM BENEFITS
FOR EACH AVERAGE MONTHLY WAGE

Average Monthly Wage	Primary Insurance Amount	Family Maximum Benefit	Average Monthly Wage	Primary Insurance Amount	Family Maximum Benefit	Average Monthly Wage	Primary Insurance Amount	Family Maximum Benefit
\$686-690	\$489.70	\$ 856.40	\$ 951-955	\$ 569.30	\$ 996.10	\$1216-1220	\$ 638.30	\$1117.00
691-695	491.20	859.60	956-960	570.80	998.60	1221-1225	639.50	1119.00
696-700	492.90	862.60	961-965	572.30	1001.00	1226-1230	640.80	1121.20
701-705	494.70	865.60	966-970	573.40	1003.60	1231-1235	641.90	1123.20
706-710	496.40	868.60	971-975	574.90	1006.20	1236-1240	643.10	1125.40
711-715	498.20	871.50	976-980	576.40	1008.50	1241-1245	644.40	1127.50
716-720	500.00	874.60	981-985	577.90	1011.10	1246-1250	645.50	1129.60
721-725	501.70	877.60	986-990	579.20	1013.60	1251-1255	646.70	1131.60
726-730	503.40	880.70	991-995	580.70	1016.20	1256-1260	647.90	1133.80
731-735	505.10	883.80	996-1000	582.20	1018.60	1261-1265	649.20	1135.90
736-740	506.90	886.70	1001-1005	583.50	1020.70	1266-1270	650.30	1138.00
741-745	508.50	889.90	1006-1010	584.60	1023.20	1271-1275	651.50	1140.00
746-750	510.10	892.70	1011-1015	586.00	1025.30	1276-1280	652.70	1142.20
751-755	511.70	895.40	1016-1020	587.40	1027.80	1281-1285	653.70	1144.10
756-760	513.20	897.80	1021-1025	588.60	1029.90	1286-1290	654.90	1146.10
761-765	514.70	900.40	1026-1030	589.80	1032.20	1291-1295	656.10	1148.00
766-770	516.00	903.00	1031-1035	591.20	1034.50	1296-1300	657.20	1150.00
771-775	517.40	905.40	1036-1040	592.40	1036.70	1301-1305	658.30	1152.00
766-780	518.90	907.90	1041-1045	593.80	1039.10	1306-1310	659.40	1154.00
781-785	520.40	910.40	1046-1050	595.20	1041.30	1311-1315	660.60	1155.90
786-790	521.70	912.90	1051-1055	596.20	1043.40	1316-1320	661.70	1157.90
791-795	523.10	915.40	1056-1060	597.60	1045.90	1321-1325	662.80	1159.80
796-800	524.60	918.00	1061-1065	599.00	1048.00	1326-1330	664.00	1161.90
801-805	526.20	920.50	1066-1070	600.30	1050.50	1331-1335	665.00	1163.80
806-810	527.50	923.00	1071-1075	601.60	1052.60	1336-1340	666.20	1165.80
811-815	529.00	925.60	1076-1080	602.80	1054.90	1341-1345	667.40	1167.70
816-820	530.40	928.00	1081-1085	604.20	1057.10	1346-1350	668.40	1169.70
821-825	531.90	930.60	1086-1090	605.40	1059.40	1351-1355	669.60	1171.70
826-830	533.30	933.10	1091-1095	606.80	1061.70	1356-1360	670.70	1173.70
831-835	534.70	935.70	1096-1100	608.20	1064.00	1361-1365	671.90	1175.60
836-840	536.10	938.10	1101-1105	609.20	1066.10	1366-1370	672.90	1177.70
841-845	537.60	940.80	1106-1110	610.60	1068.50	1371-1375	674.10	1179.60
846-850	538.90	943.00	1111-1115	612.00	1070.70	1376-1380	675.20	1181.60
851-855	540.50	945.70	1116-1120	613.20	1073.10	1381-1385	676.20	1183.40
856-860	541.90	948.10	1121-1125	614.60	1075.30	1386-1390	677.30	1185.30
861-865	543.40	950.70	1126-1130	615.80	1077.60	1391-1395	678.30	1187.10
866-870	544.80	953.20	1131-1135	617.10	1079.70	1396-1400	679.40	1189.00
871-875	546.30	955.70	1136-1140	618.40	1082.20	1401-1405	680.50	1190.80
876-880	547.60	958.20	1141-1145	619.80	1084.40	1406-1410	681.50	1192.70
881-885	549.10	960.80	1146-1150	621.10	1086.70	1411-1415	682.60	1194.60
886-890	550.40	963.20	1151-1155	622.20	1088.80	1416-1420	683.70	1196.50
891-895	551.90	966.00	1156-1160	623.60	1091.10	1421-1425	684.70	1198.30
896-900	553.40	968.30	1161-1165	624.90	1093.40	1426-1430	685.80	1200.20
901-905	554.90	970.90	1166-1170	626.20	1095.80	1431-1435	686.90	1202.00
906-910	556.30	973.50	1171-1175	627.50	1098.00	1436-1440	687.90	1203.90
911-915	557.80	976.00	1176-1180	628.70	1100.20	1441-1445	689.00	1205.70
916-920	559.30	978.30	1181-1185	629.90	1102.20	1446-1450	690.10	1207.70
921-925	560.60	981.00	1186-1190	631.20	1104.30	1451-1455	691.10	1209.50
926-930	561.90	983.40	1191-1195	632.30	1106.50	1456-1460	692.20	1211.40
931-935	563.40	985.90	1196-1200	633.50	1108.60	1461-1465	693.30	1213.30
936-940	564.90	988.50	1201-1205	634.70	1110.60	1466-1470	694.30	1215.10
941-945	566.30	991.00	1206-1210	636.00	1112.90	1471-1475	695.40	1216.90
946-950	567.70	993.50	1211-1215	637.10	1114.90			

Underlying Approximate Formula
For Primary Insurance Amount
based on Average Monthly Wage.

155.38% of first \$110 of AMW, plus 56.51% of next \$290 thereof, plus 52.80% of next \$150 thereof, plus 62.09% of next \$100 thereof, plus 34.53% of next \$100 thereof, plus 28.78% of next \$250 thereof, plus 25.92% of next \$175 thereof, plus 24.01% of next \$100 thereof, plus 22.56% of next \$100 thereof, plus 21.3% of next \$100 thereof, plus 20% of next \$433 thereof.

REPRESENTATIVE PROJECTED RETIREMENT BENEFITS IN 1984 DOLLARS**For Maximum Covered Wages**

Year of Birth	Retired Worker		Retired Worker and Spouse	
	Full Retirement Age	Age 62	Both Full Retirement Age	Both 62
1919	\$704		\$1056	
1920	693		1040	
1921	713		1070	
1922	730	\$559	1095	\$ 821
1923	745	571	1118	839
1924	748	574	1122	843
1925	753	580	1130	852
1926	764	588	1146	864
1927	779	601	1169	883
1928	794	614	1191	902
1930	829	641	1244	941
1940	1,017	765	1525	1123
1950	1,215	890	1823	1306

One-Half Maximum Taxable Wage Base

Year of Birth	Retired Worker		Retired Worker and Spouse	
	Full Retirement Age	Age 62	Both Full Retirement Age	Both 62
1919	\$455		\$683	
1920	449		674	
1921	463		695	
1922	476	\$354	714	\$520
1923	488	364	732	535
1924	492	368	738	541
1925	497	373	746	548
1926	505	380	758	558
1927	517	390	776	573
1928	528	399	792	586
1930	555	420	833	617
1940	709	524	1063	770
1950	871	630	1307	925

ASSUMPTIONS: Worker earns the maximum taxable wage base or half of the maximum taxable wage base, as stated, in each year from age 22 through the year preceding the year of retirement (no wages in the year of retirement). Projected benefits are based on estimates of future wage levels and general benefit increases in the *1984 Report of the Board of Trustees of the Social Security Funds*. Resulting amounts have been restated in 1984 dollars, using estimated rates of future inflation from the same source.

**REPRESENTATIVE PROJECTED DEATH BENEFITS IN 1984 DOLLARS
FOR SPOUSE OF COVERED WORKER**

For Maximum Covered Wages

Year of Birth	Year of Death				
	1985	1986	1990	1995	2000
1929*	\$714	\$718	\$767	—	—
1930	716	720	769	\$829	—
1940	750	755	807	897	\$ 996
1950	817	821	870	957	1054
1960	878	877	911	985	1077

For One-Half Maximum Covered Wages

Year of Birth	Year of Death				
	1985	1986	1990	1995	2000
1929*	\$455	\$460	\$499	—	—
1930	457	461	501	\$555	—
1940	493	499	542	609	\$ 682
1950	565	570	609	673	743
1960	630	630	653	703	768

**REPRESENTATIVE PROJECTED DISABILITY BENEFITS IN 1984 DOLLARS
FOR COVERED WORKER ONLY**

For Maximum Covered Wages

Year of Birth	Year of Disability				
	1985	1986	1990	1995	2000
1929*	\$714	\$718	\$767	—	—
1930	716	720	769	\$829	—
1940	745	750	807	897	\$ 996
1950	795	800	857	951	1054
1960	867	865	904	984	1077

For One-Half Maximum Covered Wages

Year of Birth	Year of Disability				
	1985	1986	1990	1995	2000
1929*	\$455	\$460	\$499	—	—
1930	457	461	501	555	—
1940	488	493	542	609	\$ 682
1950	542	547	594	666	743
1960	618	618	645	701	768

*1929 figures apply to everyone born before January 2, 1930 if death or disability occurs before age 62.

ASSUMPTIONS: Worker earns the maximum taxable wage base or half of the maximum taxable wage base, as stated, in each year from age 22 through the year preceding the year of death or disability (death or disability occurs at the beginning of the year). Projected benefits are based on estimates of future wage levels and general benefit increases in the 1984 Report of the Board of Trustees of the Social Security Funds. Resulting amounts have been restated in 1984 dollars, using estimated rates of future inflation from the same source.

REPLACEMENT RATIOS

(Annual Primary Insurance Amount expressed as a percentage of wages in the year immediately preceding retirement)

A measure of Social Security's effectiveness in providing for retirement needs is the "replacement ratio." It equals the annual primary Social Security benefit for retirement at the beginning of the year *divided by* wages in the year immediately preceding retirement (including, where applicable, wages above the maximum taxable wage base).

The following table illustrates how future increases in maximum taxable wage base, covered wages and CPI will affect replacement ratios under present law.

**Illustrations of Replacement Ratios
for Future Retirements at Full Retirement Age**

**Based on the Following Assumed Future Annual Increases:
Covered Wages 7%; Maximum Taxable Wage Base 7%; CPI 5%**

1985 Wages*

YEAR OF RETIREMENT	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$39,600
1985†	.49	.43	.40	.35	.30	.23
1990	.49	.43	.40	.35	.30	.24
1995	.49	.43	.39	.35	.30	.24
2000	.49	.43	.39	.35	.31	.25
2005	.49	.43	.39	.35	.31	.26
2010	.49	.43	.39	.36	.32	.27
2015	.49	.42	.39	.36	.32	.27
2020	.49	.42	.39	.35	.32	.27
2025	.49	.42	.39	.35	.32	.27

**Based on the Following Assumed Future Annual Increases:
Covered Wages 0%; Maximum Taxable Wage Base 0%; CPI 0%**

1985 Wages*

YEAR OF RETIREMENT	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$39,600
1985†	.49	.43	.40	.35	.30	.23
1990	.50	.45	.41	.35	.30	.24
1995	.51	.45	.41	.35	.31	.24
2000	.51	.45	.42	.36	.31	.26
2005	.51	.45	.42	.36	.32	.27
2010	.51	.45	.42	.37	.33	.28
2015	.51	.45	.42	.37	.33	.28
2020	.51	.45	.42	.37	.33	.29
2025	.51	.45	.42	.37	.33	.29

**Based on Assumed Future Annual Increases in Covered Wages,
Maximum Taxable Wage Base, and CPI contained in Table 10, Alternative II-B
of 1984 Report of the Board of Trustees of the Social Security Funds.**

1985 Wages*

YEAR OF RETIREMENT	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$39,600
1985†	.49	.43	.40	.35	.30	.23
1990	.49	.42	.39	.34	.30	.24
1995	.49	.42	.39	.35	.30	.24
2000	.49	.42	.39	.35	.31	.25
2005	.49	.42	.39	.35	.31	.26
2010	.49	.42	.39	.35	.32	.27
2015	.49	.43	.39	.36	.32	.27
2020	.49	.43	.39	.36	.32	.28
2025	.49	.43	.39	.36	.32	.28

* Wages prior to 1985 were assumed to decrease by the same percentage as the average total wages of all workers.

† Benefit under Transitional Guarantee Method.

MEDICARE

Scope of Coverage

Title XVIII of the Social Security Act provides two health insurance programs for eligible persons:

- A—A basic plan (Part A) providing benefits to cover the cost of hospital and related care (see below).
- B—A voluntary supplementary plan (Part B) providing benefits to cover the cost of physicians' services and certain other medical and health services not covered by the basic plan (see pages 20-21).

Excluded Health and Medical Services

Regardless of other considerations, there are certain health and medical services which are not covered under the basic hospital insurance plan (Part A) or the voluntary supplementary medical insurance plan (Part B) as follows:

1. Health services that are not reasonable and necessary for the treatment or diagnosis of illness or injury. An example is a private room in a hospital unless required for medical reasons, or a private duty nurse
2. Items and services furnished to a worker, if the worker does not have a legal obligation to pay for or provide the services. An example would be charges made by a doctor who is a member of the patient's family
3. Items and services paid for by a governmental entity (such as the Veterans Administration)
4. Items and services provided outside the United States (except for certain emergency hospital services in Canada, hospital insurance benefits for railroad retirement beneficiaries in Canada and cases where the foreign hospital is closer to the U.S. residence of a U.S. citizen than the nearest suitable U.S. hospital)
5. Ordinary dental services and dentures
6. Service required as a result of war occurring after the effective date of a worker's coverage
7. Expenses for routine physical examinations
8. Eyeglasses, hearing aids, orthopedic shoes or the expenses incurred in connection with their fitting or purchase
9. Immunizations
10. Cosmetic surgery, except where required immediately as a result of accidental injury
11. Custodial care
12. Items and services to the extent they are covered under Workers Compensation laws
13. Certain routine foot care and orthopedic shoes
14. Personal comfort items such as TV, telephone charges, etc.
15. Out-of-hospital drugs

PART A—BASIC PLAN OF HOSPITAL INSURANCE

ELIGIBILITY

1. All persons who would be entitled to either Social Security benefits or Railroad Retirement annuities are covered if they are age 65 or older, even though they may not in fact have retired. Medicare is the secondary payer (after the employer's health plan, if any) for active workers age 65-69 and the spouse age 65-69 of a worker under age 70, unless they elect otherwise. Medicare is also the secondary payer when medical care costs are payable under a liability policy.
2. Disability beneficiaries are covered after entitlement to disability benefits for not less than 24 consecutive months. Those covered include disabled workers at any age; disabled widows and widowers between ages 50 and 65; disabled beneficiaries age 18 or older who were disabled prior to age 22; and disabled qualified railroad retirement annuitants.
3. Persons under age 65 (whether fully or currently insured, a monthly beneficiary, or a spouse or dependent child of an insured person or monthly beneficiary) with chronic renal disease, requiring dialysis or renal transplant, are covered under Part A beginning with the third month after the month in which course of treatment began and ending with the twelfth month after the month of transplant or after dialysis terminates. Medicare is the secondary payer (after private insurance) during the first 12 months.
4. Persons age 65 and over not eligible for Part A coverage can enroll voluntarily by paying a premium which approximates the full cost; however, enrollment in Part B is required as a condition for such coverage under Part A.

**BENEFITS
PROVIDED**

1. *Inpatient Hospital Care* for up to 90 days of care in a hospital for a single spell of illness ("spell of illness" means a period beginning with the first day of hospitalization and ending after the patient has been out of a hospital and a skilled nursing facility for 60 consecutive days) but with a deductible payable by the patient of \$400 for the first 60 days plus \$100 for each day between the 60th and 90th. Each beneficiary is also provided with a lifetime reserve of 60 days of added coverage after the 90 days have been exhausted. This reserve is subject to coinsurance of \$200 per day. Hospital benefits include room and board in rooms containing from 2 to 4 beds, ordinary nursing services of medical and dental interns and residents serving the hospitals under an approved teaching program, drugs, supplies, and equipment normally furnished for treatment and the cost of blood or equivalent quantities of packed red blood cells in excess of the first 3 pints furnished to a patient in a spell of illness. These hospital services exclude private duty nursing and hospital services of physicians or other medical specialists employed by or working through the hospital. The law defines hospitals for purposes of the Part A coverage and includes Christian Science sanatoriums, TB hospitals and psychiatric hospitals. Under certain conditions coverage will be provided for emergency treatment in non-participating hospitals. The coverage in a psychiatric hospital is limited to a maximum of 190 days during the lifetime of the patient.
2. *Posthospital Skilled Nursing Services* are provided in a skilled nursing home or special wing or ward of a hospital. To be eligible the patient must be transferred from a hospital, after a stay of at least 3 days, and within a period of 30 days of hospital discharge for continued care of the same illness, although an interval exceeding 30 days is authorized for a patient whose condition does not permit immediate provision of skilled services. In addition, an extension of not more than 2 weeks beyond the 30 days is authorized where appropriate bed space is not immediately available in the geographic area. Benefits are provided for up to 100 days for the same illness with coinsurance of \$50 per day after the first 20 days of posthospital care. The extended care services covered are similar to those provided under the inpatient hospital program described above and also include physical, occupational, and speech therapy ordinarily furnished by the nursing home or hospital for its inpatients.
3. *Posthospital Home Health Services* by a participating home health agency (as defined in the law) for unlimited visits in the year at the patient's home. Such services are essentially for homebound persons and include visiting nurse services and various types of therapy treatment, including outpatient hospital services when equipment cannot be brought to the home.
4. *Hospice Care Services* for terminally ill beneficiaries with a life expectancy of six months or less. A beneficiary may elect hospice care for two periods of 90 days each, plus one additional period of 30 days. During this time, he or she must give up the right to other Medicare services related to the treatment of his condition, except services by an attending physician who is not employed by the hospice program. Coinsurance is required on outpatient prescription drugs equal to the lesser of \$5 or 5%. In addition, there is 5% coinsurance on inpatient "respite" care; however, the total amount for a period (plus 14 days) cannot exceed the inpatient hospital deductible for the year in which the period began.

**DEDUCTIBLES
AND
COINSURANCE**

Deductibles and coinsurance quoted apply to days of care beginning in 1985. They are increased each January 1 by a formula which depends on the trend of hospital costs since 1966. The applicable amounts are those in effect for the current year, not the year in which the spell of illness began.

PART B—VOLUNTARY SUPPLEMENTARY MEDICAL INSURANCE PLAN

ELIGIBILITY

Persons eligible for the basic hospitalization plan described in Part A above will be automatically enrolled in the voluntary supplementary medical insurance plan (Part B) except for residents of Puerto Rico and foreign countries. In addition, such residents and all other persons age 65 and over who are resident U.S. citizens or alien residents who had resided in the U.S. continuously for at least five years are eligible to enroll. Persons eligible for automatic enrollment must be given an opportunity to decline the Part B coverage. Medicare is the secondary payer (after the employer's health plan, if any) for active workers age 65-69 and the spouse age 65-69 of a worker under age 70, unless they elect otherwise. Medicare is also the secondary payer when medical care costs are paid under a liability policy.

**ENROLLMENT
OF ELIGIBLE
PERSONS**

1. The initial enrollment period for each person is the 7-month period beginning with the 1st day of the 3rd month before the month in which he attains age 65 or, for the disabled, the first month of eligibility for Part A coverage.
2. For those who miss their initial enrollment period, or who terminate their enrollment and wish to re-enroll, there is a general enrollment period in January through March each year. Coverage becomes effective the following July.

**ENROLLMENT
(Continued)**

3. For workers and/or their spouses who receive primary health coverage under an employer group health plan, a special enrollment period applies starting November 1, 1984: (a) the 7-month period beginning with the 1st day of the 3rd month before the month in which the individual attains age 70, or (b) the 7-month period beginning with the 1st day of the month in which the individual is no longer covered by an employer health plan, whichever period results in earlier coverage. (If an individual would have had a special enrollment period that began before November 1, 1984, then the special enrollment period is deemed to begin on November 1, 1984.) Coverage becomes effective depending on when the individual enrolls.
4. There is a provision requiring an increase in monthly premiums for late enrollments or re-enrollments. The increase is 10% for each full 12 months intervening between the end of the period when the person was first eligible for enrollment and the end of the period in which he enrolls (and for re-enrollments, counting the months when he was dis-enrolled).

**TERMINATION
PROVISIONS**

An enrollee may terminate coverage under the voluntary plan by filing notice at any time (effective at the end of the next quarter) or the government may terminate coverage for non-payment of premiums for those whose premiums are not deducted from benefits. Unlimited re-enrollment is now permitted, with increased premiums as described above.

**BENEFIT
PROVISIONS**

The benefit provisions of the supplementary medical insurance plan are similar to major medical coverage with an annual deductible of \$75 in a calendar year and coinsurance of 20% of the recognized charge for physician and miscellaneous services, and 20% of the reasonable cost for institutional service (including service of hospital-based physician). This means that the enrollee pays the first \$75 of covered expenses in each year and 20% of the remaining covered expenses, plus all non-covered expenses. Exception: Home health services are subject to neither the deductible nor the coinsurance. All outpatient diagnostic lab tests are covered without any cost-sharing, except when performed by a physician who does not accept assignment. The expenses incurred during any year for the first 3 pints of whole blood or equivalent quantities of red blood cells, to the extent that these are not replaced, are subject to an additional deductible. Reimbursement is not made for charges that are considered not recognized (based on customary and prevailing charges as adjusted by an economic index).

**SERVICES
COVERED**

1. Services of physicians and surgeons whether furnished in a hospital, clinic, office, home or elsewhere, of a dentist performing certain oral or dental surgery, of licensed chiropractors in the treatment of the spine, and certain services of podiatrists and chiropodists. These include services of physicians in the specialized fields of anesthesiology, pathology, psychiatry and radiology.
2. Services and supplies incidental to physicians' services furnished in hospital outpatient department or in physicians' offices. This term includes outpatient hospital diagnostic services which are ordinarily furnished by a hospital to its outpatients and also includes outpatient physical therapy services provided to an outpatient or inpatient and physical therapy provided in the therapist's office subject to certain limits and conditions.
3. Other medical services, when provided under prescribed conditions, including:
 - (a) Diagnostic X-ray and laboratory tests as well as diagnostic tests such as electrocardiograms, basal metabolism reading, etc.
 - (b) X-ray, radium and radioactive isotope therapy
 - (c) Surgical dressing, splints, casts, etc.
 - (d) Rental of durable medical equipment such as iron lungs, oxygen tents, hospital beds and wheel chairs (or purchase, if more economical)
 - (e) Prosthetic devices (other than dental) which replace all or part of an internal body organ
 - (f) Braces and artificial legs, arms, eyes, etc.
 - (g) Ambulance service if patient's condition is such as to require it
 - (h) Cost of supplies directly related to the care of a colostomy
4. Unlimited home health service visits during a calendar year. Such services are essentially for homebound persons and include visiting nurse services and various types of therapy treatment, including outpatient hospital services when equipment cannot be brought to the home.
5. Benefits for psychiatric treatment outside of a hospital are limited under the supplementary plan to \$250 per year because only 62½% of the first \$500 of such expenses are eligible for reimbursement and the 20% co-insurance factor must then be applied. (If the \$75 deductible has not been satisfied, the balance of the \$75 must also be deducted from eligible expenses making the maximum benefit \$212.50 a year for a person whose only expenses are psychiatric.)
6. Services of independent physical therapists up to a maximum of \$500 per calendar year.

FINANCING OF SOCIAL INSURANCE PROGRAMS

There are four funds within the federal budget which receive contributions from employers and employees and pay benefits or reimburse expenditures to entitled beneficiaries under the Social Security and Medicare laws. These are:

- Old-Age and Survivors Insurance Trust Fund (OASI)
- Disability Insurance Trust Fund (DI)
- Hospital Insurance Trust Fund (HI)
- Supplementary Medical Insurance Trust Fund (SMI)

Contributions are distributed to the funds according to tax schedules or procedures set by law. Page 24 shows a history of allocations to the OASI, DI and HI funds since Social Security began in 1937, as well as a schedule for the future. The table on page 23 shows a history of adequate actuarial rates and standard monthly premiums for SMI coverage.

OLD AGE, SURVIVORS, AND DISABILITY INSURANCE

The Social Security Amendments of 1983 lent stability to the OASI and DI programs. It must be recognized, however, that the two funds are still in delicate financial balance, and that adverse economic conditions could necessitate an additional infusion of revenues. With this in mind, the Amendments made provision for emergency short-term financing to cover potential intermediate deficits.

Throughout 2020, the situation of OASDI is projected to be sound. During this time, the ratio of employees to retirees is considered favorable, and it is expected that the funds will actually grow. The danger then will not be insufficiency of funds, but that the apparent oversufficiency might lead to pressure for benefit increases that cannot be maintained.

After 2020, according to current actuarial projections, the ratio of employees to beneficiaries will drop and OASDI will need all of the accumulated funds in addition to the scheduled contributions to avoid a long-term deficiency. Thus, the Old Age and Disability programs are believed to be adequately financed, both in the short and the long term, although without margin for adversity.

HOSPITAL INSURANCE

The Hospital Insurance (Medicare Part A) program is projected to have financial problems in the 1990s. In the short term, the HI fund should be sufficient to pay benefits; however, if medical costs continue to rise as they have, the designated contributions will become inadequate and interfund loans will have to be repaid and spent for benefits, and eventually the HI fund will disappear. In the very long term expenditures could well be two to three times scheduled income without corrective legislation. Thus, pressure for a significant increase in the hospital insurance tax rate, or reductions in benefits, is projected by the mid-1990s.

Almost all people are automatically covered under Medicare Part A through their participation in Social Security. Those who are not covered may enroll on a voluntary basis and pay a separate monthly premium (voluntary enrollees must also sign up for Part B). A history of premiums for voluntary coverage is shown below.

Period For Which Effective	Monthly Rate
July 1973-June 1974	\$ 33.00
July 1974-June 1975	36.00
July 1975-June 1976	40.00
July 1976-June 1977	45.00
July 1977-June 1978	54.00
July 1978-June 1979	63.00
July 1979-June 1980	69.00
July 1980-June 1981	78.00
July 1981-June 1982	89.00
July 1982-December 1983	113.00
January-December 1984	155.00
January-December 1985	174.00

SUPPLEMENTARY MEDICAL INSURANCE

Unlike the other social insurance programs, SMI (Medicare Part B) is voluntary, and is financed directly by participants and the government in much the same way as private health insurance. At one time, participants and the government each paid half of the cost of coverage. However, a provision enacted in 1973 stated that the participant share would rise no faster than Social Security benefits. Since medical costs have been going up faster than Social Security, participants are paying less and less of the cost and the government more and more. As shown in the table on page 23, the government is now financing 75 percent of the cost for the aged and 85% of the cost for the disabled.

**SUPPLEMENTARY
MEDICAL
INSURANCE
(Continued)**

Since the law requires government and participant contributions to match current expenditures, there is no financing crisis as such, but with ever-increasing general revenues being allocated to SMI, the taxpayers may some day demand that benefits be trimmed to keep the costs down.

Each year the government determines the cost of SMI coverage for the aged and disabled populations separately, taking into account the estimated cost of benefits and administration. The "adequate actuarial rate" is defined by law as one-half of the cost in each category. The standard monthly premium for the government is two times the adequate actuarial rate, less the participant's standard monthly premium.

The table below shows, according to the period for which they are applicable, the adequate actuarial rates and the standard monthly premiums paid by the participants and the government.

HISTORY OF ADEQUATE ACTUARIAL RATES AND STANDARD MONTHLY PREMIUMS

Period	Adequate Actuarial Rate		Parti- cipant	Standard Monthly Premium U.S. Government	
	Aged	Disabled		Aged	Disabled
July 1966-March 1968	\$ 3.00	—	\$ 3.00	\$ 3.00	—
April 1968-June 1970	4.00	—	4.00	4.00	—
July 1970-June 1971	5.30	—	5.30	5.30	—
July 1971-June 1972	5.60	—	5.60	5.60	—
July 1972-June 1973	5.80	—	5.80	5.80	—
July 1973	6.30	\$14.50	5.80*	6.80	\$23.20
August 1973	6.30	14.50	6.10*	6.50	22.90
September 1973-June 1974	6.30	14.50	6.30	6.30	22.70
July 1974-June 1975	6.70	18.00	6.70	6.70	29.30
July 1975-June 1976	7.50	18.50	6.70**	8.30	30.30
July 1976-June 1977	10.70	19.00	7.20	14.20	30.80
July 1977-June 1978	12.30	25.00	7.70	16.90	42.30
July 1978-June 1979	13.40	25.00	8.20	18.60	41.80
July 1979-June 1980	13.40	25.00	8.70	18.10	41.30
July 1980-June 1981	16.30	25.50	9.60	23.00	41.40
July 1981-June 1982	22.60	36.60	11.00	34.20	62.20
July 1982-December 1983	24.60	42.10	12.20	37.00	72.00
January-December 1984	29.20	54.30	14.60	43.80	94.00
January-December 1985	31.00	52.70	15.50	46.50	89.90

*Reflects freeze under Economic Stabilization Program.

**As a result of a technical flaw in the law, the participant's standard monthly premium was continued at \$6.70 per month for 12 months from July 1975.

The 1983 Amendments changed the premium period to a calendar year basis, to coincide with the change in timing of the general benefit increase, so the \$12.20 rate for July 1982 to June 1983 remained in effect through December 1983. In 1984 and 1985, premiums were set by law at one-half the adequate actuarial rate; this was continued for the 1986 and 1987 rates, but thereafter, any increase will be limited to no more than the percentage of the general benefit increase from the first to the second preceding year.

The premiums are deducted from the monthly benefits of persons receiving Social Security, Railroad Retirement, or federal civil service retirement benefits. Other covered persons receive a premium notice, with payment to be sent to the proper servicing center.

HISTORY OF TAXES AND SCHEDULED TAXES IN FUTURE YEARS

Years	Rates of Tax ⁽¹⁾						Maximum Taxable Wage Base	Maximum Tax in Year		
	Employee and Employer (Each)			Total Tax		Employee		Self-Employed		
	OASI ⁽²⁾	DI ⁽³⁾	HI ⁽⁴⁾	Total	Employer-Employee				Self-Employed	
HISTORY OF TAXES FROM 1937 THROUGH 1982										
1937-1949	1.00%	—	—	1.00%	2.00%	—	\$ 3,000	\$ 30.00	— ⁽⁵⁾	
1950	1.50	—	—	1.50	3.00	—	3,000	45.00	— ⁽⁵⁾	
1951-1953	1.50	—	—	1.50	3.00	2.25%	3,600	54.00	\$ 81.00	
1954	2.00	—	—	2.00	4.00	3.00	3,600	72.00	108.00	
1955-1956	2.00	—	—	2.00	4.00	3.00	4,200	84.00	126.00	
1957-1958	2.00	0.25%	—	2.25	4.50	3.37½	4,200	94.50	141.75	
1959	2.25	0.25	—	2.50	5.00	3.75	4,800	120.00	180.00	
1960-1961	2.75	0.25	—	3.00	6.00	4.50	4,800	144.00	216.00	
1962	2.87½	0.25	—	3.12½	6.25	4.70	4,800	150.00	225.60	
1963-1965	3.37½	0.25	—	3.62½	7.25	5.40	4,800	174.00	259.20	
1966	3.50	0.35	0.35%	4.20	8.40	6.15	6,600	277.20	405.90	
1967	3.55	0.35	0.50	4.40	8.80	6.40	6,600	290.40	422.40	
1968	3.32½	0.47½	0.60	4.40	8.80	6.40	7,800	343.20	499.20	
1969	3.72½	0.47½	0.60	4.80	9.60	6.90	7,800	374.40	538.20	
1970	3.65	0.55	0.60	4.80	9.60	6.90	7,800	374.40	538.20	
1971	4.05	0.55	0.60	5.20	10.40	7.50	7,800	405.60	585.00	
1972	4.05	0.55	0.60	5.20	10.40	7.50	9,000	468.00	675.00	
1973	4.30	0.55	1.00	5.85	11.70	8.00	10,800	631.80	864.00	
1974	4.37½	0.57½	0.90	5.85	11.70	7.90	13,200	772.20	1,042.80	
1975	4.37½	0.57½	0.90	5.85	11.70	7.90	14,100	824.85	1,113.90	
1976	4.37½	0.57½	0.90	5.85	11.70	7.90	15,300	895.05	1,208.70	
1977	4.37½	0.57½	0.90	5.85	11.70	7.90	16,500	965.25	1,303.50	
1978	4.27½	0.77½	1.00	6.05	12.10	8.10	17,700	1,070.85	1,433.70	
1979	4.33	0.75	1.05	6.13	12.26	8.10	22,900	1,403.77	1,854.90	
1980	4.52	0.56	1.05	6.13	12.26	8.10	25,900	1,587.67	2,097.90	
1981	4.70	0.65	1.30	6.65	13.30	9.30	29,700	1,975.05	2,762.10	
1982	4.57½	0.82½	1.30	6.70	13.40	9.35	32,400	2,170.80	3,029.40	
1983	4.775	0.625	1.30	6.70	13.40	9.35	35,700	2,391.90	3,337.95	
1984	5.20	0.50	1.30	7.00	14.00	14.00	37,800	2,646.00	5,292.00	
1985	5.20	0.50	1.35	7.05	14.10	14.10	39,600	2,791.80	5,583.60	
Total for 20 years (1966-1985)								22,660.19	34,588.35	
Total for 25 years (1961-1985)								23,476.19	35,807.55	
Total for 35 years (1951-1985)								24,331.19	37,090.05	
Total for 49 years (1937-1985)								24,766.19	37,090.05	

SCHEDULED TAXES IN FUTURE YEARS

1986-87	5.20	0.50	1.45	7.15	14.30	14.30	39,600 ⁽⁶⁾	2,831.40 ⁽⁶⁾	5,662.80 ⁽⁶⁾
1988-89	5.53	0.53	1.45	7.51	15.02	15.02	39,600 ⁽⁶⁾	2,793.96 ⁽⁶⁾	5,947.92 ⁽⁶⁾
1990-99	5.60	0.60	1.45	7.65	15.30	15.30	39,600 ⁽⁶⁾	3,029.40 ⁽⁶⁾	6,058.80 ⁽⁶⁾
After 1999	5.49	0.71	1.45	7.65	15.30	15.30	39,600 ⁽⁶⁾	3,029.40 ⁽⁶⁾	6,058.80 ⁽⁶⁾

⁽¹⁾Does not reflect tax credits (see page 4).

⁽²⁾OASI = Old-Age and Survivors Insurance

⁽³⁾DI = Disability Insurance

⁽⁴⁾HI = Hospital Insurance (Part A of Medicare)

⁽⁵⁾Self-employment tax began in 1951.

⁽⁶⁾Does not reflect possible increases in maximum taxable wage base effective after 1985.

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