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COMPUTING A SOCIAL SECURITY BENEFIT AFTER THE 1977 AMENDMENTS

by Steven F. McKay
Office of the Actuary

Introduction

The 1977 Amendments to the Social Security Act brought about many changes involving both financing and benefits. In particular, a new "decoupled" or wage-indexed method of computing benefits was added for new beneficiaries beginning in 1979, and two existing methods were changed. This Actuarial Note will explain how to use the wage-indexed method to compute a Primary Insurance Amount (PIA) and Maximum Family Benefit (MFB), as well as when to use that method and when to use one of the methods carried over from the previous law. Other changes brought about by the Amendments, though significant, will not be discussed here.

Since 1979, there have been five basic types of benefit computations:

(1) the PIA table method, which has been in the law in substantially the same form since the 1950 Amendments;

(2) the wage-indexed formula method, introduced in the 1977 Amendments;

(3) the transitional guarantee method, also introduced in the 1977 Amendments;

(4) the old-start method, which was first included in the 1939 Amendments and changed by the 1950, 1967, and 1977 Amendments;

(5) the special minimum method, which was introduced in the 1972 Amendments and changed by the 1973 and 1977 Amendments.

A potential beneficiary receives the highest benefit yielded by any of the methods which apply in his case. (For people turning 62 in 1975 and later, and for disability and survivor cases where the worker is under age 62, benefit computations do not depend on the sex of the worker.. To simplify the exposition, only the male gender will be used in the following discussion.)

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Determining Applicability of Each Method

One or more of the first three methods may apply to a new beneficiary depending on the type of benefit and year of eligibility. For purposes of computing benefits, "year of eligibility" means (1) for retirement benefits, the year of attaining age 62, (2) for disability benefits, the earlier of the year of onset of disability or the year attaining age 62, and (3) for survivor benefits, the earlier of the year of death or the year attaining age 62.

The applicability of each of the first three methods for retirement benefits will be discussed first. Each method's applicability depends on the year of the worker's attainment of age 62. The PIA table method applies to workers attaining age 62 before 1979, the wage-indexed formula applies to workers attaining age 62 in 1979 or later, and the transitional guarantee applies to workers attaining age 62 between the years 1979 and 1983, inclusive.

Next to be discussed is the applicability of each of the first three methods to the computation of disability benefits. The PIA table method applies if the year of eligibility is before 1979, and the wage-indexed formula applies if the year of eligibility is 1979 or later. In no case may the transitional guarantee be used.

Problems arise in certain cases when applying the above rules to determine the year of eligibility and the applicability of the transitional guarantee. Consider first the case where a worker attaining age 62 before 1979 is eligible for both a retirement benefit and a disability benefit. Such a worker would have his benefit calculated under the PIA table method, even if he becomes disabled in 1979 or later, because the year of eligibility (for disability) cannot be after the year of attainment of age 62. Next consider the more involved case of someone attaining age 62 in the years 1979 to 1983, inclusive, and becoming disabled in 1979 or later. Applying the above rules, he may use the wage-indexed formula, and not the transitional guarantee, for calculating his disability benefit. However, he may elect instead to apply for a retirement benefit, if he is eligible, in which case he may also use the transitional guarantee. The disadvantage in such a procedure is that the retirement benefit is subject to a reduction of 5/9 of one percent per month for retirement before age 65. For instance, for disability at age 62, the disability benefit would be 100 percent of the wage-indexed formula PIA, whereas the retirement benefit would be 80 percent of the transitional guarantee PIA (or 80 percent of the wage-indexed formula PIA, if that were greater). Possible advantages in selecting the retirement benefit are that the transitional guarantee PIA may be significantly greater than the wage-indexed formula PIA, and the five-month waiting period which applies in disability cases does not apply in retirement cases.

Next to be considered is the applicability of each of the first three methods to the computation of survivor benefits. The PIA table method and wage-indexed formula method apply in a manner analogous to their application

to disability benefits, but the transitional guarantee, which cannot be applied to disability benefits, can be applied to the computation of survivor benefits in some cases. The transitional guarantee applies to the benefit computation of the survivors of workers attaining age 62 between the years 1979 and 1983, inclusive, but only if the worker survived to the month of attaining age 62.

Finally, the applicability of the last two methods will be discussed. The old-start method is not restricted to certain groups of beneficiaries based on year of eligibility alone; however, PIA's based on the old-start method will become rare beginning in the 1990's because the method requires that there be some earnings before 1951. The special minimum method has no restrictions at all as to who may use it, but in actual practice it yields PIA's higher than the other methods only for workers with many years of relatively low earnings.

Method 1 - The PIA Table

When using this method, a PIA is linked to its corresponding average monthly wage (AMW) and MFB by way of the PIA table. The table is updated every June if the Consumer Price index (CPI) has risen at least three percent since the measuring period ended for the last increase. If there is an increase in the earnings base (effective at the beginning of a calendar year), the PIA table is extended to a higher range of AMW's (up to an AMW of one-twelfth of the new base).

To calculate a PIA under this method an AMW is first calculated as the monthly average of the highest "n" years of earnings after 1950, where "n" is determined by the year of birth of the individual (and by sex, for workers born before 1913). For retirees, "n" equals the number of years elapsed after 1955 (or year attaining age 26, if later) and before the year attaining age 62, although a slightly different rule applies for males attaining age 62 before 1975. For instance, a retiree reaching age 63 in 1979 has an "n" of 22 (the number of years between 1955 and 1978, exclusive).

Once the AMW is calculated, the corresponding PIA and MFB may be found in the applicable PIA table. Table 1 presents the January 1979 PIA table, which was effective through May 1979.1/ (The PIA table effective from June 1978 to December 1978 is the same as Table 1, except that it ends at an AMW of $1,475. The June-December 1978 PIA table will be effective for a longer time in the transitional guarantee method, as discussed below.) Table 2 shows the PIA table method benefit calculation for an age 63 retiree in the first half of 1979, assuming he has maximum taxable earnings in every year.

Disability and survivor cases are handled similarly to retirement cases when using this method, with the modification that the AMW is based on an "n" calculated as if the worker turned 62 in the year of disablement or death.

1/ The amounts in the PIA table can be approximated by formulas for the PIA and the MFB. For a summary of all of the approximate formulas through 1979, see *History of the Provisions of Old-Age, Survivors, Disability, and Health Insurance, 1935-1979,* January 1980, Social Security Administration, Baltimore, Md.

Method 2 - The Wage-Indexed Formula

This method introduces a number of complexities into the benefit calculation. The same "n" that would have been used under prior law is used here to compute an average monthly wage, but the average is now of indexed earnings rather than actual dollar amounts of earnings. Indexing attempts to make earnings of different years comparable by adjusting earnings of earlier years for changes in average wages. Table 3 gives the set of average annual wages which is currently used for indexing.

For an example of indexing, consider an age 62 retiree in October of 1979, the first year an age 62 retiree could use the wage-indexed formula. Again assume the retiree has maximum earnings in every year. The year to which earnings are indexed (the base year for indexing) is 1977 in this case, since the year to which earnings are indexed is two years before eligibility in all cases. (The two-year lag is necessary to provide time to collect average earnings data.) Therefore, indexed 1976 earnings equal actual 1976 earnings of $15,300 multiplied by average 1977 earnings (15300 x 9779.44, or 149,625,432.0000), divided by average 1976 earnings, (149,625,432.0000/9226.48), or $16,216.96. Earnings after the base year for indexing are not indexed. Therefore, in this example, earnings in 1978 and later are not indexed. Table 4 completes the calculation of the Average Indexed Monthly Earnings (AIME).

After the AIME is calculated, the PIA is determined. Rather than using the PIA table as in prior law, a three-step formula is used to calculate a PIA based on the AIME (the result is called the AIME PIA). The two dollar amounts in the formula depend on the year of eligibility. For persons becoming eligible in 1979, such as the age 62 retiree in October 1979, the formula to compute the AIME PIA is

90% of the first $180 of AIME, plus
32% of AIME in excess of $180 but less than $1085, plus
15% of AIME in excess of $1085.

The result of the formula is rounded up to a multiple of $.10, giving the AIME PIA.

The AIME MFB is calculated using a four-step formula based on the AIME PIA. Again, the dollar amounts in the formula depend on the year of eligibility, with the formula for persons becoming eligible in 1979 being

150% of the first $230 of PIA, plus
272% of PIA in excess of $230 but less than $332, plus
134% of PIA in excess of $332 but less than $433, plus
175% of PIA in excess of $433.

The PIA and MFB for the month of retirement are calculated from the AIME PIA and AIME MFB (which are determined for January of the year of eligibility) by applying in sequence all the intervening annual general

(CPI) benefit increases rounding up to the next multiple of $.10 each time. Table 4 completes the calculation of the PIA and MFB for the example, applying the June 1979 benefit increase of 9.9 percent. Benefit increases occur in June, so that workers retiring in June or later receive the June general benefit increase in the year of retirement in the initial PIA calculation. Thus, everyone born in one particular calendar year becomes eligible for the same benefit increases, regardless of month of retirement, or month of birth, since a worker retiring before June receives the June general benefit increase by virtue of being a beneficiary on the rolls, and a worker retiring in June or later receives the June general benefit increase in the initial PIA calculation.

For persons becoming eligible for benefits in years after 1979, the PIA formula dollar amounts ($180 and $1085 in 1979) and MFB formula dollar amounts ($230, $332, and $433 in 1979) are adjusted by the change in average earnings, with a two-year lag. For instance, the 1980 PIA formula dollar amounts (bend points) equal the $180 and $1085 amounts increased by the growth in average wages from 1977 to 1978 ($10,556.03/9,779.44), resulting in $194.29 and $1,171.16. Those amounts are rounded to the nearest whole dollars, $194 and $1171. Similarly, the 1980 MFB formula bend points are calculated to be $248, $358, and $467.

As a further example, Table 5 shows the PIA calculation for a retiree aged 62 (born in January 1918) and retiring in January of 1980 with maximum earnings in all previous years. The year of eligibility for benefits is 1980; therefore, the 1980 PIA and MFB formula bend points are used. The final result in this case is that the PIA and MFB are $492.80 and $862.50, respectively.

A final test in the wage-indexed method, in whatever year is being considered, is that if the calculated PIA is less than the minimum PIA of $122, the PIA will be that minimum. (The $122 minimum PIA applies only to the decoupled formula method. The PIA table method and transitional guarantee method have different minimums.) General benefit increases do not apply from the year attaining age 62 for the minimum benefit, but only since first receipt of benefits, or from the year attaining age 65 if the worker has not retired by that time.

Method 3 - The Transitional Guarantee

The transitional guarantee method may be used by persons turning 62 in the five-year period beginning in 1979 (born in the years 1917 to 1921, inclusive), regardless of the year of retirement. This method is a mixture of a method 1 and a method 2 calculation, in that the PIA is found from a PIA table after which the MFB is found from the wage-indexed method MFB formula.

When finding a PIA, the PIA table used is "frozen" in two ways. First, no earnings in the year of attainment of age 62 or later may be used to compute an AMW. Second, the June-December 1978 PIA table, with general benefit increases applied to the PIA so determined only for the year attaining age 62 and later, is used. (As noted earlier, the June-December 1978 PIA table is the same as the one for January-May 1979, Table 1, for AMW's up to $1475.) By comparing the decoupled method with the transitional guarantee, one can see that the same benefit increases apply to the initially calculated PIA, whether it is the AIME PIA of the decoupled method or the December 1978 PIA of the transitional guarantee. In both cases, benefit increases apply in the year the worker attains age 62, whether or not he is retired, and regardless of the month of birth or the month of retirement, and in every year thereafter.

Table 6 represents the computation of a transitional guarantee PIA and MFB for the age 62 retiree in October 1979 (the same retiree as in Table 4).

After comparing the resulting PIA in Table 6 to that in Table 4, the age 62 retiree in October 1979 would receive the transitional guarantee PIA of $534.30, since it is greater than the wage-indexed formula PIA of $498.00. To further illustrate the transitional guarantee and wage-indexed formula methods, suppose that this same retiree continued to work in 1979, earned the maximum of $22,900, and retired in January 1980. Then, after substituting $22,900 in the AIME calculation in Table 4 for the lowest year of indexed earnings ($11,180.15 in 1958), his AIME would be increased to $1,138, and his January 1980 wage-indexed formula PIA and MFB would be $505.20 and $884.10, respectively. His transitional guarantee PIA and MFB in Table 6 would not change, since the $22,900 was earned in the year of attaining age 62 and would therefore not be available for a transitional guarantee calculation. As a result, the retiree in January 1980 would still receive the transitional guarantee PIA of $534.30.

Table 7 presents the computation of a transitional guarantee PIA and MFB for the age 62 retiree in January 1980 (the same retiree as in Table 5). Again this retiree gets the transitional guarantee PIA of $503.40, since it is greater than the decoupled formula PIA of $492.80.

One of the three methods discussed above (the PIA table, the wage-indexed formula, and the transitional guarantee) will be the applicable method (giving the largest PIA) for the large majority of future beneficiaries. However, for completeness, the last two methods will now be briefly described.

Method 4 - Old-Starts

The old-start method has evolved from the original 1939 Act formula which related an AMW to a Primary Insurance Benefit (PIB). This method became "old-start" when the 1950 Act introduced the "new-start" formula

(the current PIA table method), which involved only earnings after 1950. At that time, the old-start method was allowed as an alternative for people with substantial earnings before 1951, and required the tabulation of year-by-year earnings from 1937-1950.

The 1967 Amendments simplified the procedure by requiring only the sum of an individual's pre-1951 earnings and an assumption as to their yearly distribution. The 1967 old-start formula was to be effective for people becoming eligible before 1978. Therefore, had there been no 1977 Amendments, it would have been necessary, beginning in 1978, to return to the pre-1967 old-start formula.

The 1977 Amendments avoided this complication by introducting a new simplified old-start formula for people becoming eligible in 1978 and later. The formula relates a calculated old-start AMW to a PIB (Primary Insurance Benefit), which in turn is linked via the PIA table to a PIA. For instance, a PIB of $45.60 (the maximum possible) was linked to a PIA of $251.80 and an MFB of $384.90 in the June-December 1978 PIA table.

Since 1979, the old-start method has been similar to the transitional guarantee method in two ways. First, the PIB's are permanently related to corresponding PIA's by the June-December 1978 PIA table, whereas in the past the PIB's and PIA's were related by the latest updated PIA table. Second, for people becoming eligible in 1979 and later, earnings in and after the year of eligibility cannot be used in an old-start calculation. Such earnings can be used only under the wage-indexed formula. Unlike the transitional guarantee, however, there is no five-year limit on use of the old-start method; anyone with earnings prior to 1951, including those disabled, may use it if it results in a higher PIA than other applicable methods.

Method 5 - Special Minimum

This method is useful for workers with long periods of relatively low earnings. The benefit equals the number of years of coverage in excess of ten but not more than thirty (maximum twenty) times a dollar amount. A year of coverage for this purpose is a year in which earnings were at least one quarter of the earnings base, for years up to 1978. Because of the large ad hoc increases in the base in 1979, 1980, and 1981, years of coverage in 1979 and later are years in which earnings are at least one quarter of what the earnings base would have been without the ad hoc increases ($18,900 in 1979 and $20,400 in 1980). The dollar amount in the special minimum was $8.50 in 1973 and $9.00 from 1974 to 1978, but the 1977 Amendments increased the amount to $11.50 effective in January 1979, and provided for automatic increases thereafter. Special minimum PIA's are increased each June by the same general benefit increase as are all other non-frozen PIA's. Because the minimum PIA under the decoupled method is frozen, and because the PIA's under the old-start method are frozen, the special minimum PIA could become the applicable PIA for an increasing proportion of beneficiaries.

When the dollar amount in the special minimum formula increased to $11.50, the MFB's corresponding to the special minimum PIA's were determined by applying the then-current wage-indexed method MFB formula. Since the maximum PIA under the special minimum provision in 1979 was $230, which equaled the first dollar amount in the MFB formula, all special minimum MFB's were 150 percent of the corresponding PIA's, rounded up to the next multiple of $.10, in the first half of 1979.

Calculation of Benefit from PIA

The above illustrations have presented the calculation of PIA's and MFB's. The actual benefit payable to a beneficiary would be related to the PIA or MFB where the relationship could depend on the type of benefit, the age of the beneficiary, and the total number of beneficiaries. For instance, a retiree's benefit would be the PIA reduced by 5/9 percent for each month retirement preceded the month of attaining age 65. For the age 62 retiree in January 1980, whose PIA was calculated in Tables 5 and 7, the reduction would be 36 times 5/9 percent, or 20 percent, of his PIA of $503.40. The reduction would therefore be $100.68, rounded down to $100.60, so the benefit payable would be $402.80.

Table 1

January 1979 PIA Table

AMW Interval		PIA	MFB	AMW Interval		PIA	MFB	AMW Interval		PIA	MFB	AMW Interval		PIA	MFB
----	$ 76	$121.80	$ 182.70	$ 250	$ 253	$251.80	$ 384.90	$ 483	$ 487	$380.70	$ 701.60	$ 686	$ 690	$489.70	$ 856.40
$ 77	78	123.80	185.60	254	258	254.30	392.50	488	492	383.10	705.40	691	695	491.20	859.60
79	80	126.60	189.90	259	263	256.50	400.00	493	496	385.50	708.40	696	700	492.90	862.60
81	81	128.90	193.50	264	267	259.60	406.00	497	501	388.20	712.10	701	705	494.70	865.60
82	83	131.20	196.80	268	272	262.10	413.70	502	506	390.50	715.80	706	710	496.40	868.60
84	85	134.00	201.00	273	277	264.90	421.20	507	510	392.90	719.00	711	715	498.20	871.50
86	87	136.50	204.80	278	281	267.40	427.20	511	515	395.30	722.80	716	720	500.00	874.60
88	89	138.60	207.90	282	286	270.00	434.90	516	520	398.00	726.70	721	725	501.70	877.60
90	90	141.40	212.10	287	291	272.90	442.60	521	524	400.30	729.50	726	730	503.40	880.70
91	92	143.80	215.70	292	295	275.10	448.50	525	529	402.70	733.40	731	735	505.10	883.80
93	94	146.20	219.30	296	300	278.10	456.10	530	534	405.60	737.10	736	740	506.90	886.70
95	96	148.50	222.80	301	305	280.70	463.80	535	538	407.70	740.20	741	745	508.50	889.90
97	97	151.30	227.00	306	309	283.10	469.80	539	543	410.20	744.10	746	750	510.10	892.70
98	99	153.70	230.60	310	314	286.00	477.40	544	548	412.80	747.80	751	755	511.70	895.40
100	101	156.70	235.10	315	319	288.30	485.10	549	553	415.30	751.60	756	760	513.20	897.80
102	102	158.90	238.50	320	323	291.00	491.10	554	556	417.60	753.90	761	765	514.70	900.40
103	104	161.60	242.40	324	328	293.80	498.70	557	560	419.60	756.90	766	770	516.00	903.00
105	106	164.60	246.90	329	333	296.20	506.20	561	563	421.90	759.30	771	775	517.40	905.40
107	107	167.30	251.00	334	337	299.30	512.50	564	567	424.10	762.30	776	780	518.90	907.90
108	109	169.80	254.80	338	342	301.40	519.90	568	570	426.50	764.50	781	785	520.40	910.40
110	113	172.50	258.80	343	347	304.20	527.50	571	574	428.50	767.50	786	790	521.70	912.90
114	118	174.90	262.40	348	351	307.10	533.60	575	577	430.70	769.90	791	795	523.10	915.40
119	122	177.60	266.50	352	356	309.40	541.20	578	581	432.70	772.80	796	800	524.60	918.00
123	127	180.40	270.60	357	361	312.40	548.80	582	584	435.00	775.20	801	805	526.20	920.50
128	132	183.00	274.60	362	365	314.90	554.90	585	588	436.90	778.20	806	810	527.50	923.00
133	136	185.50	278.30	366	370	317.30	562.50	589	591	439.50	780.50	811	815	529.00	925.60
137	141	188.00	282.10	371	375	320.20	569.90	592	595	441.60	783.50	816	820	530.40	928.00
142	146	190.80	286.20	376	379	322.90	576.30	596	598	443.80	785.60	821	825	531.90	930.60
147	150	193.60	290.40	380	384	325.60	583.90	599	602	446.00	788.90	826	830	533.30	933.10
151	155	195.90	293.90	385	389	328.00	591.30	603	605	448.10	791.10	831	835	534.70	935.70
156	160	198.70	298.10	390	393	330.50	597.40	606	609	450.30	794.00	836	840	536.10	938.10
161	164	201.30	302.00	394	398	333.40	605.10	610	612	452.60	796.50	841	845	537.60	940.80
165	169	203.90	305.90	399	403	336.00	612.70	613	616	454.70	799.50	846	850	538.90	943.00
170	174	206.70	310.10	404	407	338.90	618.60	617	620	456.80	802.50	851	855	540.50	945.70
175	178	209.10	313.70	408	412	341.10	626.30	621	623	459.10	804.80	856	860	541.90	948.10
179	183	211.90	318.00	413	417	343.50	633.80	624	627	461.20	807.90	861	865	543.40	950.70
184	188	214.40	321.70	418	421	346.00	639.90	628	630	463.40	810.70	866	870	544.80	953.20
189	193	217.20	326.00	422	426	348.70	647.50	631	634	465.60	814.70	871	875	546.30	955.70
194	197	219.90	329.90	427	431	351.10	655.10	635	637	467.80	818.50	876	880	547.60	958.20
198	202	222.40	333.60	432	436	353.20	662.70	638	641	470.10	822.40	881	885	549.10	960.80
203	207	225.30	338.00	437	440	356.20	665.70	642	644	472.10	826.10	886	890	550.40	963.20
208	211	228.00	342.00	441	445	358.40	669.70	645	648	474.40	830.10	891	895	551.90	966.00
212	216	230.10	345.20	446	450	360.80	673.40	649	652	476.50	833.70	896	900	553.40	968.30
217	221	233.00	349.50	451	454	363.50	676.30	653	656	477.80	836.10	901	905	554.90	970.90
222	225	235.60	353.40	455	459	365.90	680.10	657	660	479.20	838.40	906	910	556.30	973.50
226	230	238.50	357.80	460	464	368.30	683.80	661	665	480.90	841.50	911	915	557.80	976.00
231	235	241.10	361.70	465	468	370.60	687.10	666	670	482.60	844.50	916	920	559.30	978.30
236	239	244.00	366.10	469	473	373.50	690.80	671	675	484.40	847.40	921	925	560.60	981.00
240	244	246.30	371.10	474	478	375.60	694.60	676	680	486.10	850.50	926	930	561.90	983.40
245	249	248.70	378.80	479	482	378.00	697.70	681	685	487.80	853.50	931	935	563.40	985.90

Table 1 (continued)

AMW Interval		PIA	MFB
$ 936	$ 940	$564.90	$ 988.50
941	945	566.30	991.00
946	950	567.70	993.50
951	955	569.30	996.10
956	960	570.80	998.60
961	965	572.30	1001.00
966	970	573.40	1003.60
971	975	574.90	1006.20
976	980	576.40	1008.50
981	985	577.90	1011.10
986	990	579.20	1013.60
991	995	580.70	1016.20
996	1000	582.20	1018.60
1001	1005	583.50	1020.70
1006	1010	584.60	1023.20
1011	1015	586.00	1025.30
1016	1020	587.40	1027.80
1021	1025	588.60	1029.90
1026	1030	589.80	1032.20
1031	1035	591.20	1034.50
1036	1040	592.40	1036.70
1041	1045	593.80	1039.10
1046	1050	595.20	1041.30
1051	1055	596.20	1043.40
1056	1060	597.60	1045.90
1061	1065	599.00	1048.00
1066	1070	600.30	1050.50
1071	1075	601.60	1052.60
1076	1080	602.80	1054.90
1081	1085	604.20	1057.10
1086	1090	605.40	1059.40
1091	1095	606.80	1061.70
1096	1100	608.20	1064.00
1101	1105	609.20	1066.10
1106	1110	610.60	1068.50
1111	1115	612.00	1070.70
1116	1120	613.20	1073.10
1121	1125	614.60	1075.30
1126	1130	615.80	1077.60
1131	1135	617.10	1079.70
1136	1140	618.40	1082.20
1141	1145	619.80	1084.40
1146	1150	621.10	1086.70
1151	1155	622.20	1088.80
1156	1160	623.60	1091.10
1161	1165	624.90	1093.40
1166	1170	626.20	1095.80
1171	1175	627.50	1098.00
1176	1180	628.70	1100.20
1181	1185	629.90	1102.20

AMW Interval		PIA	MFB
$1186	$1190	$631.20	$1104.30
1191	1195	632.30	1106.50
1196	1200	633.50	1108.60
1201	1205	634.70	1110.60
1206	1210	636.00	1112.90
1211	1215	637.10	1114.90
1216	1220	638.30	1117.00
1221	1225	639.50	1119.00
1226	1230	640.80	1121.20
1231	1235	641.90	1123.20
1236	1240	643.10	1125.40
1241	1245	644.40	1127.50
1246	1250	645.50	1129.60
1251	1255	646.70	1131.60
1256	1260	647.90	1133.80
1261	1265	649.20	1135.90
1266	1270	650.30	1138.00
1271	1275	651.50	1140.00
1276	1280	652.70	1142.20
1281	1285	653.70	1144.10
1286	1290	654.90	1146.10
1291	1295	656.10	1148.00
1296	1300	657.20	1150.00
1301	1305	658.30	1152.00
1306	1310	659.40	1154.00
1311	1315	660.60	1155.90
1316	1320	661.70	1157.90
1321	1325	662.80	1159.80
1326	1330	664.00	1161.90
1331	1335	665.00	1163.80
1336	1340	666.20	1165.80
1341	1345	667.40	1167.70
1346	1350	668.40	1169.70
1351	1355	669.60	1171.70
1356	1360	670.70	1173.70
1361	1365	671.90	1175.60
1366	1370	672.90	1177.70
1371	1375	674.10	1179.60
1376	1380	675.20	1181.60
1381	1385	676.20	1183.40
1386	1390	677.30	1185.30
1391	1395	678.30	1187.10
1396	1400	679.40	1189.00
1401	1405	680.50	1190.80
1406	1410	681.50	1192.70
1411	1415	682.60	1194.60
1416	1420	683.70	1196.50
1421	1425	684.70	1198.30
1426	1430	685.80	1200.20
1431	1435	686.90	1202.00

AMW Interval		PIA	MFB
$1436	$1440	$687.90	$1203.90
1441	1445	689.00	1205.70
1446	1450	690.10	1207.70
1451	1455	691.10	1209.50
1456	1460	692.20	1211.40
1461	1465	693.30	1213.20
1466	1470	694.30	1215.00
1471	1475	695.40	1216.90
1476	1480	696.40	1218.70
1481	1485	697.40	1220.50
1486	1490	698.40	1222.20
1491	1495	699.40	1224.00
1496	1500	700.40	1225.70
1501	1505	701.40	1227.50
1506	1510	702.40	1229.20
1511	1515	703.40	1231.00
1516	1520	704.40	1232.70
1521	1525	705.40	1234.50
1526	1530	706.40	1236.20
1531	1535	707.40	1238.00
1536	1540	708.40	1239.70
1541	1545	709.40	1241.50
1546	1550	710.40	1243.20
1551	1555	711.40	1245.00
1556	1560	712.40	1246.70
1561	1565	713.40	1248.50
1566	1570	714.40	1250.20
1571	1575	715.40	1252.00
1576	1580	716.40	1253.70
1581	1585	717.40	1255.50
1586	1590	718.40	1257.20
1591	1595	719.40	1259.00
1596	1600	720.40	1260.70
1601	1605	721.40	1262.50
1606	1610	722.40	1264.20
1611	1615	723.40	1266.00
1616	1620	724.40	1267.70
1621	1625	725.40	1269.50
1626	1630	726.40	1271.20
1631	1635	727.40	1273.00
1636	1640	728.40	1274.70
1641	1645	729.40	1276.50
1646	1650	730.40	1278.20
1651	1655	731.40	1280.00
1656	1660	732.40	1281.70
1661	1665	733.40	1283.50
1666	1670	734.40	1285.20
1671	1675	735.40	1287.00
1676	1680	736.40	1288.70
1681	1685	737.40	1290.50

AMW Interval		PIA	MFB
$1686	$1690	$738.40	$1292.20
1691	1695	739.40	1294.00
1696	1700	740.40	1295.70
1701	1705	741.40	1297.50
1706	1710	742.40	1299.20
1711	1715	743.40	1301.00
1716	1720	744.40	1302.70
1721	1725	745.40	1304.50
1726	1730	746.40	1306.20
1731	1735	747.40	1308.00
1736	1740	748.40	1309.70
1741	1745	749.40	1311.50
1746	1750	750.40	1313.20
1751	1755	751.40	1315.00
1756	1760	752.40	1316.70
1761	1765	753.40	1318.50
1766	1770	754.40	1320.20
1771	1775	755.40	1322.00
1776	1780	756.40	1323.70
1781	1785	757.40	1325.50
1786	1790	758.40	1327.20
1791	1795	759.40	1329.00
1796	1800	760.40	1330.70
1801	1805	761.40	1332.50
1806	1810	762.40	1334.20
1811	1815	763.40	1336.00
1816	1820	764.40	1337.70
1821	1825	765.40	1339.50
1826	1830	766.40	1341.20
1831	1835	767.40	1343.00
1836	1840	768.40	1344.70
1841	1845	769.40	1346.50
1846	1850	770.40	1348.20
1851	1855	771.40	1350.00
1856	1860	772.40	1351.70
1861	1865	773.40	1353.50
1866	1870	774.40	1355.20
1871	1875	775.40	1357.00
1876	1880	776.40	1358.70
1881	1885	777.40	1360.50
1886	1890	778.40	1362.20
1891	1895	779.40	1364.00
1896	1900	780.40	1365.70
1901	1905	781.40	1367.50
1906	1910	782.40	1369.20

Table 2

PIA Table Example
Age 63 Retiree in 1979. n = 22.

Year	Earnings	High n Years of Earnings
1951	$3,600	
1952	3,600	
1953	3,600	
1954	3,600	
1955	4,200	
1956	4,200	
1957	4,200	$4,200
1958	4,200	4,200
1959	4,800	4,800
1960	4,800	4,800
1961	4,800	4,800
1962	4,800	4,800
1963	4,800	4,800
1964	4,800	4,800
1965	4,800	4,800
1966	6,600	6,600
1967	6,600	6,600
1968	7,800	7,800
1969	7,800	7,800
1970	7,800	7,800
1971	7,800	7,800
1972	9,000	9,000
1973	10,800	10,800
1974	13,200	13,200
1975	14,100	14,100
1976	15,300	15,300
1977	16,500	16,500
1978	17,700	17,700
Total		183,000

AMW = 183,000/(22x12) =
$693.18, rounded
down to $693.

From June-December 1978
PIA table (Table 1):
January 1979 PIA = $491.20
January 1979 MFB = $859.60

Table 3

Average Annual Earnings
for Use in
Indexing Earnings Records

Year	Average Annual Earnings
1951	$2,799.16
1952	2,973.32
1953	3,139.44
1954	3,155.64
1955	3,301.44
1956	3,532.36
1957	3,641.72
1958	3,673.80
1959	3,855.80
1960	4,007.12
1961	4,086.76
1962	4,291.40
1963	4,396.64
1964	4,576.32
1965	4,658.72
1966	4,938.36
1967	5,213.44
1968	5,571.76
1969	5,893.76
1970	6,186.24
1971	6,497.08
1972	7,133.80
1973	7,580.16
1974	8,030.76
1975	8,630.92
1976	9,226.48
1977	9,779.44
1978	10,556.03

Table 4

First Wage-Indexed Formula Example
Age 62 Retiree in October 1979. n = 23.

Year	Earnings	Earnings x $9779.44	Indexed Earnings	High n Years of Indexed Earnings
1951	$ 3,600	$ 35,205,984.0000	$12,577.34	$ 12,577.34
1952	3,600	35,205,984.0000	11,840.63	11,840.63
1953	3,600	35,205,984.0000	11,214.10	11,214.10
1954	3,600	35,205,984.0000	11,156.53	
1955	4,200	41,073,648.0000	12,441.13	12,441.13
1956	4,200	41,073,648.0000	11,627.82	11,627.82
1957	4,200	41,073,648.0000	11,278.64	11,278.64
1958	4,200	41,073,648.0000	11,180.15	11,180.15
1959	4,800	46,941,312.0000	12,174.21	12,174.21
1960	4,800	46,941,312.0000	11,714.48	11,714.48
1961	4,800	46,941,312.0000	11,486.19	11,486.19
1962	4,800	46,941,312.0000	10,938.46	
1963	4,800	46,941,312.0000	10,676.63	
1964	4,800	46,941,312.0000	10,257.44	
1965	4,800	46,941,312.0000	10,076.01	
1966	6,600	64,544,304.0000	13,069.99	13,069.99
1967	6,600	64,544,304.0000	12,380.37	12,380.37
1968	7,800	76,279,632.0000	13,690.40	13,690.40
1969	7,800	76,279,632.0000	12,942.44	12,942.44
1970	7,800	76,279,632.0000	12,330.53	12,330.53
1971	7,800	76,279,632.0000	11,740.62	11,740.62
1972	9,000	88,014,960.0000	12,337.74	12,337.74
1973	10,800	105,617,952.0000	13,933.47	13,933.47
1974	13,200	129,088,608.0000	16,074.27	16,074.27
1975	14,100	137,890,104.0000	15,976.29	15,976.29
1976	15,300	149,625,432.0000	16,216.96	16,216.96
1977	16,500	161,360,760.0000	16,500.00	16,500.00
1978	17,700	----	17,700.00	17,700.00
Total				302,427.77

AIME = 302,427.77/(23x12) = $1,095.75 rounded down to $1,095.

AIME PIA = 90% of $180 + 32% of $905 + 15% of ($1,095-$1,085) = $453.10.

AIME MFB = 150% of $230 + 272% of $102 + 134% of $101 + 175% of ($453.10-$433) = $792.955, rounded up to $793.00.

Increase (June 1979): PIA = $~~$459.60~~ 453.10 x 1.099 = $497.9569, rounded up to $498.00.
MFB = $793.00 x 1.099 = $871.5070, rounded up to $871.60.

October 1979 PIA = $498.00
October 1979 MFB = $871.60

Table 5

Second Wage-Indexed Formula Example
Age 62 Retiree in January 1980. n = 24.

Year	Earnings	Earnings x $10,556.03	Indexed Earnings	High n Years of Indexed Earnings
1951	$ 3,600	$ 38,001,708.0000	$13,576.11	$ 13,576.11
1952	3,600	38,001,708.0000	12,780.90	12,780.90
1953	3,600	38,001,708.0000	12,104.61	12,104.61
1954	3,600	38,001,708.0000	12,042.47	
1955	4,200	44,335,326.0000	13,429.09	13,429.09
1956	4,200	44,335,326.0000	12,551.19	12,551.19
1957	4,200	44,335,326.0000	12,174.28	12,174.28
1958	4,200	44,335,326.0000	12,067.97	12,067.97
1959	4,800	50,668,944.0000	13,140.97	13,140.97
1960	4,800	50,668,944.0000	12,644.73	12,644.73
1961	4,800	50,668,944.0000	12,398.32	12,398.32
1962	4,800	50,668,944.0000	11,807.09	
1963	4,800	50,668,944.0000	11,524.47	
1964	4,800	50,668,944.0000	11,071.98	
1965	4,800	50,668,944.0000	10,876.15	
1966	6,600	69,669,798.0000	14,107.88	14,107.88
1967	6,600	69,669,798.0000	13,363.50	13,363.50
1968	7,800	82,337,034.0000	14,777.56	14,777.56
1969	7,800	82,337,034.0000	13,970.20	13,970.20
1970	7,800	82,337,034.0000	13,309.71	13,309.71
1971	7,800	82,337,034.0000	12,672.93	12,672.93
1972	9,000	95,004,270.0000	13,317.48	13,317.48
1973	10,800	114,005,124.0000	15,039.94	15,039.94
1974	13,200	139,339,596.0000	17,350.74	17,350.74
1975	14,100	148,840,023.0000	17,244.98	17,244.98
1976	15,300	161,507,259.0000	17,504.75	17,504.75
1977	16,500	174,174,495.0000	17,810.27	17,810.27
1978	17,700	186,841,731.0000	17,700.00	17,700.00
1979	22,900	----	22,900.00	22,900.00
Total				347,938.11

AIME = 347,938.11/(24x12) = $1,208.12, rounded down to $1,208.

AIME PIA = 90% of $194 + 32% of $977 + 15% of ($1,208-$1,171) = $492.79, rounded up to $492.80.

AIME MFB = 150% of $248 + 272% of $110 + 134% of $109 + 175% of ($492.80-$467) = $862.41, rounded up to $862.50.

January 1980 PIA = $492.80
January 1980 MFB = $862.50

Table 6

First Transitional Guarantee Example
Age 62 Retiree in October 1979. n = 23.

Year	Earnings	High n Years of Earnings Before Age 62
1951	$ 3,600	
1952	3,600	
1953	3,600	
1954	3,600	
1955	4,200	
1956	4,200	$ 4,200
1957	4,200	4,200
1958	4,200	4,200
1959	4,800	4,800
1960	4,800	4,800
1961	4,800	4,800
1962	4,800	4,800
1963	4,800	4,800
1964	4,800	4,800
1965	4,800	4,800
1966	6,600	6,600
1967	6,600	6,600
1968	7,800	7,800
1969	7,800	7,800
1970	7,800	7,800
1971	7,800	7,800
1972	9,000	9,000
1973	10,800	10,800
1974	13,200	13,200
1975	14,100	14,100
1976	15,300	15,300
1977	16,500	16,500
1978	17,700	17,700
Total		187,200

AMW = $187,200/(23x12) = $678.26, rounded down to $678.

December 1978 PIA = $486.10 from Table 1.
December 1978 MFB = 150% of $230 + 272% of $102 + 134% of $101 + 175% of ($486.10-$433) = $850.705, rounded up to $850.80.

Increase (June 1979): PIA = $486.10 x 1.099 = $534.2239, rounded up to $534.30.
MFB = $850.80 x 1.099 = $935.0292, rounded up to $935.10.

October 1979 PIA = $534.30
October 1979 MFB = $935.10

Table 7

Second Transitional Guarantee Example
Age 62 Retiree in January 1980. n = 24.

Years	Earnings	High n Years of Earnings Before Age 62
1951	$ 3,600	
1952	3,600	
1953	3,600	
1954	3,600	
1955	4,200	
1956	4,200	$ 4,200
1957	4,200	4,200
1958	4,200	4,200
1959	4,800	4,800
1960	4,800	4,800
1961	4,800	4,800
1962	4,800	4,800
1963	4,800	4,800
1964	4,800	4,800
1965	4,800	4,800
1966	6,600	6,600
1967	6,600	6,600
1968	7,800	7,800
1969	7,800	7,800
1970	7,800	7,800
1971	7,800	7,800
1972	9,000	9,000
1973	10,800	10,800
1974	13,200	13,200
1975	14,100	14,100
1976	15,300	15,300
1977	16,500	16,500
1978	17,700	17,700
1979	22,900	22,900
Total		210,100

AMW = $210,100/(24x12) = $729.51, rounded down to $729.

December 1978 PIA = 1980 PIA = $503.40 from Table 1.
December 1978 MFB = 150% of $248 + 272% of $110 + 134% of $109 + 175% of ($503.40-$467) + $880.96, rounded up to $881.00.

January 1980 PIA = $503.40
January 1980 MFB = $881.00