

APPENDIX C

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Office of the Secretary**1989 Cost-of-Living Increase and Other Determinations**

AGENCY: Social Security Administration, HHS.

ACTION: Notice.

SUMMARY: The Secretary has determined—

(1) A 4.0 percent cost-of-living increase in benefits under title II (section 215(i)) of the Social Security Act (the Act);

(2) An increase in the Federal Supplemental Security Income (SSI) (title XVI) monthly benefit amounts for 1989 to \$368 for an eligible individual, \$553 for an eligible individual with an eligible spouse, and \$184 for an essential person (section 1617 of the Act);

(3) The average of the total wages for 1987 to be \$18,426.51;

(4) The Social Security contribution and benefit base to be \$48,000 for remuneration paid in 1989 and self-employment income earned in taxable years beginning in 1989;

(5) The amount of earnings a person must have to be credited with a quarter of coverage in 1989 to be \$500;

(6) The monthly exempt amount under the Social Security retirement earnings test for taxable years ending in calendar year 1989 to be \$740 for beneficiaries age 65 through 69 and \$540 for beneficiaries under age 65;

(7) the "old-law" contribution and benefit base to be \$35,700 for 1989.

We also describe the computation of benefits for a worker and the worker's family who first become eligible for benefits in 1989, and the computation of the old-age, survivors, and disability insurance (OASDI) fund ratio used to determine whether the automatic increase in benefits under title II of the Act is affected by the "stabilizer" provision.

Finally, we are publishing a table of OASDI "special minimum" benefit amounts. This table provides the range of primary insurance amounts and the corresponding maximum family benefits under the "special minimum" benefit provision, as revised to reflect the automatic benefit increase. These benefits are payable to certain individuals with long periods of relatively low earnings.

FOR FURTHER INFORMATION CONTACT: Jeffrey L. Kunkel, Office of the Actuary, Social Security Administration, 6401 Security Boulevard, Baltimore, MD 21235, telephone (301) 965-3013.

SUPPLEMENTARY INFORMATION: The Secretary is required by the Act to publish within 45 days after the close of the third calendar quarter of 1988 the benefit increase percentage and the revised table of "special minimum" benefits (section 215(i)(2)(D)). Also, the Secretary is required to publish before November 1 the average of the total wages for 1987 (section 215(i)(2)(C)(iii)) and the OASDI fund ratio for 1988 (section 215(i)(2)(C)(iii)). Finally, the Secretary is required to publish on or before November 1 the contribution and benefit base for 1989 (section 230(a)), the amount of earnings required to be credited with a quarter of coverage in 1989 (section 213(d)(2)), the monthly exempt amounts under the Social Security requirement earnings test for 1989 (section 203(f)(8)(A)), the formula for computing a primary insurance amount for workers who first become eligible for benefits or die in 1989 (section 215(a)(1)(D)), and the formula for computing the maximum amount of benefits payable to the family of a worker who first becomes eligible for old-age benefits or dies in 1989 (section 203(a)(2)(C)).

Cost-of-Living Increases*General*

The cost-of-living increase is 4.0 percent for benefits under titles II and XVI of the Act.

Under title II, old-age, survivors, and disability insurance benefits will increase by 4.0 percent beginning with the December 1988 benefits, which are payable on January 3, 1989. The kinds of benefits payable to individuals entitled under this program are old-age, disability, wife's, husband's, child's, widow's, widower's, mother's, father's, and parent's insurance benefits. This increase is based on the authority contained in section 215(i) of the Act (42 U.S.C. 415(i)).

Under title XVI, Federal SSI payment levels will also increase by 4.0 percent effective for payments made for the month of January 1989 but paid on December 30, 1988. This is based on the authority contained in section 1617 of the Act (42 U.S.C. 1382f). The percentage increase effective January 1989 is the same as the title II benefit increase and the annual payment amount is rounded, when not a multiple of \$12, to the next lower multiple of \$12.

Automatic Benefit Increase Computation

Under section 215(i) of the Act, the third calendar quarter of 1988 is a cost-of-living computation quarter for all the purposes of the Act. The Secretary is therefore required to increase benefits, effective with December 1988, for individuals entitled under section 227 or 228 of the Act, to increase primary insurance amounts of all other individuals entitled under title II of the Act, and to increase maximum benefits payable to a family. For December 1988, the benefit increase is the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers from the third quarter of 1987 through the third quarter of 1988. Automatic benefit increases may be modified by a "stabilizer" provision under certain adverse financial conditions that are described in the section on the OASDI fund ratio. The December 1988 benefit increase is not affected by this provision.

Section 215(i)(1) of the Act provides that the Consumer Price Index for a cost-of-living computation quarter shall be the arithmetical mean of this index for the 3 months in that quarter. The

Department of Labor's revised Consumer Price Index for Urban Wage Earners and Clerical Workers (reference base of 100 for 1982-1984) for each month in the quarter ending September 30, 1987, was: for July 1987, 112.7; for August 1987, 113.3; and for September 1987, 113.8. The arithmetical mean for this calendar quarter is 113.3 (after rounding to the nearest 0.1). The corresponding Consumer Price Index for each month in the quarter ending September 30, 1988, was: For July 1988, 117.2; for August 1988, 117.7; and for September 1988, 118.5. The arithmetical mean for this calendar quarter is 117.8. Thus, because the Consumer Price Index for the calendar quarter ending September 30, 1988, exceeds that for the calendar quarter ending September 30, 1987 by 4.0 percent, a cost-of-living benefit increase of 4.0 percent is effective for benefits under title II of the Act beginning December 1988.

Title II Benefit Amounts

In accordance with section 215(i) of the Act, in the case of insured workers and family members for whom eligibility for benefits (i.e., the worker's attainment of age 62, or disability or death before age 62) occurred before 1989, benefits will increase by 4.0 percent beginning with benefits for December 1988 which will be received January 3, 1989. In the case of first eligibility after 1988, the 4.0 percent increase will not apply.

For eligibility after 1978, benefits are generally determined by a benefit formula provided by the Social Security Amendments of 1977 (Pub. L. 95-216), as described later in this notice.

For eligibility before 1979, benefits are determined by means of a benefit table. In accordance with section 215(i)(4) of the Act, the primary insurance amounts and the maximum family benefits shown in this table are revised by (1) increasing by 4.0 percent the corresponding amounts established by the last cost-of-living increase and the last extension of the benefit table made under section 215(i)(4) (to reflect the increase in the contribution and benefit base for 1988); and (2) by extending the table to reflect the higher monthly wage and related benefit amounts now possible under the increased contribution and benefit base

for 1989, as described later in this notice. A copy of this table may be obtained by writing to: Social Security Administration, Office of Governmental Affairs, Office of Public Inquiries, 4100 Annex, Baltimore, MD 21235.

Section 215(i)(2)(D) of the Act also requires that, when the Secretary determines an automatic increase in Social Security benefits, the Secretary shall publish in the **Federal Register** a revision of the range of the primary insurance amounts and corresponding maximum family benefits based on the dollar amount and other provisions described in section 215(a)(1)(C)(i). These benefits are referred to as "special minimum" benefits and are payable to certain individuals with long periods of relatively low earnings. In accordance with section 215(a)(1)(C)(i), the attached table shows the revised range of primary insurance amounts and corresponding maximum family benefit amounts after the 4.0 percent benefit increase.

Section 227 of the Act provides flat-rate benefits to a worker who became age 72 before 1969 and was not insured under the usual requirements, and to his or her spouse or surviving spouse. Section 228 of the Act provides similar benefits at age 72 for certain uninsured persons. The currently monthly benefit amount of \$146.10 for an individual under sections 227 and 228 of the Act is increased by 4.0 percent to obtain the new amount of \$151.90. The present monthly benefit amount of \$73.20 for a spouse under section 227 is increased by 4.0 percent of \$76.10.

Title XVI Benefit Amounts

In accordance with section 1617 of the Act, Federal SSI benefit amounts for the aged, blind, and disabled are increased by 4.0 percent effective January 1989. Therefore, the yearly Federal SSI benefit amount of \$4,248 for an eligible individual, \$6,384 for an eligible individual with an eligible spouse, and \$2,124 for an essential person, which became effective January 1988, are increased, effective January 1989, to \$4,416, \$6,636, and \$2,208 respectively after rounding. The corresponding

monthly amounts for 1989 are determined by dividing the yearly amounts by 12, giving \$368, \$553, and \$184, respectively. The monthly amount is reduced by subtracting monthly countable income. In the case of an eligible individual with an eligible spouse, the amount payable is further divided equally between the two spouses.

Average of the Total Wages for 1987

The determination of the average wage figure for 1987 is based on the 1986 average wage figure of \$17,321.82 announced in the **Federal Register** on October 29, 1987 (52 FR 41672), along with the percentage increase in average wages from 1986 to 1987 measured by annual wage data tabulated by the Social Security Administration (SSA). The average amounts of wages calculated directly from this data were \$16,372.45 and \$17,416.59 for 1986 and 1987, respectively. To determine an average wage figure for 1987 at a level that is consistent with the series of average wages for 1951 through 1977 (published December 29, 1978, at 43 FR 61016), we multiplied the 1986 average wage figure of \$17,321.82 by the percentage increase in average wages from 1986 to 1987 (based on SSA-tabulated wage data) as follows (with the result rounded to the nearest cent):

$$\begin{aligned} \text{Average wage for 1987} \\ &= \$17,321.82 \times \$17,416.59 \div \$16,372.45 \\ &= \$18,426.51. \end{aligned}$$

Therefore, the average wage for 1987 is determined to be \$18,426.51.

Contribution and Benefit Base

General

The contribution and benefit base is \$48,000 for remuneration paid in 1989 and self-employment income earned in taxable years beginning in 1989.

The contribution and benefit base serves two purposes:

(1) It is the maximum annual amount of earnings on which Social Security taxes are paid.

(2) It is the maximum annual amount used in determining a person's Social Security benefits.

Computation

Section 230(c) of the Act provides a table with the contribution and benefit base for each year 1978, 1979, 1980, and 1981. For years after 1981, section 230(b) of the Act contains a formula for determining the contribution and benefit base. Under the prescribed formula, the contribution and benefit base for 1989 shall be equal to the 1988 base of \$45,000 multiplied by the ratio of (1) the average amount, per employee, of total wages for the calendar year 1987 to (2) the average amount of those wages for the calendar year 1986. Section 230(b) further provides that if the amount so determined is not a multiple of \$300, it shall be rounded to the nearest multiple of \$300.

Average Wages

The average wage for calendar year 1986 was previously determined to be \$17,321.82. The average wage for calendar year 1987 has been determined to be \$18,426.51 as stated herein.

Amount

The ratio of the average wage for 1987, \$18,426.51, compared to that for 1986, \$17,321.82, is 1.0637745. Multiplying the 1987 contribution and benefit base of \$45,000 by the ratio 1.0637745 produces the amount of \$47,869.85 which must then be rounded to \$48,000. Accordingly, the contribution and benefit base is determined to be \$48,000 for 1989.

Quarter of Coverage Amount

General

The 1989 amount of earnings required for a quarter of coverage is \$500. A quarter of coverage is the basic unit for determining whether a worker is insured under the Social Security program. For years before 1978, an individual generally was credited with a quarter of coverage for each quarter in which wages of \$50 or more were paid, or an individual was credited with 4 quarters of coverage for every taxable year in which \$400 or more of self-employment income was earned. Beginning in 1978, wages generally are no longer reported on a quarterly basis; instead, annual reports are made. With the change to

annual reporting, section 352(b) of the Social Security Amendments of 1977 (Pub. L. 95-216) amended section 213(d) of the Act to provide that a quarter of coverage would be credited for each \$250 of an individual's total wages and self-employment income for calendar year 1978 (up to a maximum of 4 quarters of coverage for the year). Individuals generally must have self-employment income of at least \$400 in a taxable year in order to be credited with any quarters of coverage.

Computation

Under the prescribed formula, the quarter of coverage amount for 1989 shall be equal to the 1978 amount of \$250 multiplied by the ratio of (1) the average amount, per employee, of total wages for calendar year 1987 to (2) the average amount of those wages reported for calendar year 1976. The section further provides that if the amount so determined is not a multiple of \$10, it shall be rounded to the nearest multiple of \$10.

Average Wages

The average wage for calendar year 1976 was previously determined to be \$9,226.48. This was published in the **Federal Register** on December 29, 1978, at 43 FR 61016. The average wage for calendar year 1987 has been determined to be \$18,426.51 as stated herein.

Quarter of Coverage Amount

The ratio of the average wage for 1987, \$18,426.51, compared to that for 1976, \$9,226.48, is 1.99713. Multiplying the 1978 quarter of coverage amount of \$250 by the ratio of 1.99713 produces the amount of \$499.28 which must then be rounded to \$500. Accordingly, the quarter of coverage amount is determined to be \$500 for 1989.

Retirement Earnings Test Exempt Amounts

(a) Beneficiaries Aged 70 or Over

Beginning with months after December 1982, there is no limit on the amount an individual aged 70 or over may earn and still receive Social Security benefits.

(b)—Beneficiaries Aged 65 Through 69

The retirement earnings test monthly exempt amount for beneficiaries aged 65 through 69 is stated in the Act at section 203(f)(8)(D) for years 1978 through 1982. A formula is provided in section 203(f)(8)(B) for computing the exempt amount applicable for years after 1982. The monthly exempt amount for 1988 was determined by this formula to be \$700. Under the formula, the exempt amount for 1989 shall be the 1988 exempt amount multiplied by the ratio of (1) the average amount, per employee, of the total wages for calendar year 1987 to (2) the average amount of those wages for calendar year 1986. The section further provides that if the amount so determined is not a multiple of \$10, it shall be rounded to the nearest multiple of \$10.

Average Wages

Average wages for this purpose are determined in the same way for the contribution and benefit base. Therefore, the ratio of the average wages for 1987, \$18,426.51, compared to that for 1986, \$17,321.82, is 1.0637745.

Exempt Amount for Beneficiaries Aged 65 through 69

Multiplying the 1988 retirement earnings test monthly exempt amount of \$700 by the ratio of 1.0637745 produces the amount of \$744.64. This must then be rounded to \$740. The retirement earnings test monthly exempt amount for beneficiaries aged 65 through 69 is determined to be \$740 for 1989. The corresponding retirement earnings test annual exempt amount for these beneficiaries is \$8,880.

(c) Beneficiaries Under Age 65

Section 203 of the Act provides that beneficiaries under age 65 have a lower retirement earnings test monthly exempt amount than those beneficiaries aged 65 through 69. The exempt amount for beneficiaries under age 65 is determined by a formula provided in section 203(f)(8)(B) of the Act. Under the formula, the monthly exempt amount for beneficiaries under age 65 is \$510 for 1988. The formula provides that the

exempt amount for 1989 shall be the 1988 exempt amount for beneficiaries under age 65 multiplied by the ratio of (1) the average amount, per employee, of the total wages for calendar year 1987 to (2), the average amount of those wages for calendar year 1986. The section further provides that if the amount so determined is not a multiple of \$10, it shall be rounded to the nearest multiple of \$10.

Average Wages

Average wages for this purpose are determined in the same way for the contribution and benefit base. Therefore, the ratio of the average wages for 1987, \$18,426.51, compared to that of 1986, \$17,321.82, is 1.0637745.

Exempt Amount for Beneficiaries Under Age 65

Multiplying the 1988 retirement earnings test monthly exempt amount of \$510 by the ratio 1.0637745 produces the amount of \$542.52. This must then be rounded to \$540. The retirement earnings test monthly exempt amount for beneficiaries under age 65 is thus determined to be \$540 for 1989. The corresponding retirement earnings test annual exempt amount for these beneficiaries is \$6,480.

*Computing Benefits After 1978**General*

The Social Security Amendments of 1977 provided a new method for determining an individual's primary insurance amount. This method uses a formula based on "wage indexing" and was fully explained with interim regulations and final regulations published in the **Federal Register** on December 29, 1978, at 43 FR 60877 and July 15, 1982, at 47 FR 30731 respectively. It generally applies when a worker after 1978 attains age 62, becomes disabled, or dies before age 62. The formula uses the worker's earnings after they have been adjusted, or "indexed," in proportion to the increase in average wages of all workers. Using this method, we determine the worker's "average indexed monthly earnings." We then compute the primary insurance amount,

using the worker's average indexed monthly earnings. The computation formula is adjusted automatically each year to reflect changes in general wage levels.

Average Indexed Monthly Earnings

To assure that a worker's future benefits reflect the general rise in the standard of living that occurs during his or her working lifetime, we adjust or "index" the worker's past earnings to take into account the change in general wage levels that has occurred during the worker's years of employment. These adjusted earnings are then used to compute the worker's primary insurance amount.

For example, to compute the average indexed monthly earnings for a worker attaining age 62, becoming disabled, or dying before attaining age 62, in 1989, we divide the average of the total wages for 1987, \$18,426.51, by the average of the total wages for each year prior to 1987 in which the worker had earnings. We then multiply the actual wages and self-employment income as defined in section 211(b) of the Act credited for each year by the corresponding ratio to obtain the worker's adjusted earnings for each year. After determining the number of years we must use to compute the primary insurance amount, we pick those years with highest indexed earnings, total those indexed earnings and divide by the total number of months in those years. This figure is rounded down to the next lower dollar amount, and becomes the average indexed monthly earnings figure to be used in computing the worker's primary insurance amount for 1989.

Computing the Primary Insurance Amount

The primary insurance amount is the sum of three separate percentages of portions of the average indexed monthly earnings. In 1979 (the first year the formula was in effect), these portions were the first \$180, the amount between \$180 and \$1,085, and the amount over \$1,085. The amounts for 1989 are obtained by multiplying the 1979 amounts by the ratio between the

average of the total wages for 1987, \$18,426.51, and for 1977, \$9,779.44. These results are then rounded to the nearest dollar. For 1989, the ratio is 1.88421. Multiplying the 1979 amounts of \$180 and \$1,085 by 1.88421 produces the amounts of \$339.16 and \$2,044.37. These must then be rounded to \$339 and \$2,044. Accordingly, the portions of the average indexed monthly earnings to be used in 1989 are determined to be the first \$339, the amount between \$339 and \$2,044, and the amount over \$2,044.

Consequently, for individuals who first become eligible for old-age insurance benefits or disability insurance benefits in 1989, or who die in 1989 before becoming eligible for benefits, we will compute their primary insurance amount by adding the following:

(a) 90 percent of the first \$339 of their average indexed monthly earnings, plus

(b) 32 percent of the average indexed monthly earnings over \$339 and through \$2,044, plus

(c) 15 percent of the average indexed monthly earnings over \$2,044.

This amount is then rounded to the next lower multiple of \$.10 if it is not already a multiple of \$.10. This formula and the adjustments we have described are contained in section 215(a) of the Act (42 U.S.C. 415(a)).

Maximum Benefits Payable to a Family

General

The 1977 Amendments continued the long established policy of limiting the total monthly benefits which a worker's family may receive based on his or her primary insurance amount. Those amendments also continued the then existing relationship between maximum family benefits and primary insurance amounts but did change the method of computing the maximum amount of benefits which may be paid to a worker's family. The Social Security Disability Amendments of 1980 (Pub. L. 96-265) established a new formula for computing the maximum benefits payable to the family of a disabled worker. This new formula is applied to the family benefits of workers who first

become entitled to disability insurance benefits after June 30, 1980, and who first become eligible for these benefits after 1978. The new formula was explained in a final rule published in the **Federal Register** on May 8, 1981, at 46 FR 25601. For disabled workers initially entitled to disability benefits before July 1980, or whose disability began before 1979, the family maximum payable is computed the same as the old-age and survivor family maximum.

Computing the Old-Age and Survivor Family Maximum

The formula used to compute the family maximum is similar to that used to compute the primary insurance amount. It involves computing the sum of four separate percentages of portions of the worker's primary insurance amount. In 1979, these portions were the first \$230, the amount between \$230 and \$332, the amount between \$332 and \$433, and the amount over \$433. The amounts for 1989 are obtained by multiplying the 1979 amounts by the ratio between the average of the total wages for 1987, \$18,426.51, and the average for 1977, \$9,779.44. This amount is then rounded to the nearest dollar. For 1989, the ratio is 1.88421. Multiplying the amounts of \$230, \$332, and \$433 by 1.88421 produces the amounts of \$433.37, \$625.56, and \$815.86. These amounts are then rounded to \$433, \$626, and \$816. Accordingly, the portions of the primary insurance amounts to be used in 1989 are determined to be the first \$433, the amount between \$433 and \$626, the amount between \$626 and \$816, and the amount over \$816.

Consequently, for the family of a worker who becomes age 62 or dies in 1989, the total amount of benefits payable to them will be computed so that it does not exceed:

(a) 150 percent of the first \$433 of the worker's primary insurance amount, plus

(b) 272 percent of the worker's primary insurance amount over \$433 through \$626, plus

(c) 134 percent of the worker's primary insurance amount over \$626 through \$816, plus

(d) 175 percent of the worker's primary insurance amount over \$816.

This amount is then rounded to the next lower multiple of \$0.10 if it is not already a multiple of \$0.10. This formula and the adjustments we have described are contained in section 203(a) of the Act (42 U.S.C. 403(a)).

"Old-Law" Contribution and Benefit Base

General

The 1989 "old-law" contribution and benefit base is \$35,700. This is the base that would have been effective under the Act without the enactment of the 1977 amendments. The base is computed under section 230(b) of the Act as it read prior to the 1977 amendments.

The "old-law" contributions and benefit base is used by:

(1) The Railroad Retirement program to determine certain tax liabilities and tier II benefits payable under that program to supplement the tier I payments which correspond to basic Social Security benefits,

(2) The Pension Benefit Guaranty Corporation to determine the maximum amount of pension guaranteed under the Employee Retirement Income Security Act (as stated in section 230(d) of the Act), and

(3) Social Security to determine a "year of coverage" in computing the "special minimum" benefit and in computing benefit for persons who are also eligible to receive pensions based on employment not covered under section 210 of the Act.

Computation

The base is computed using the automatic adjustment formula in section 230(b) of the Act as it read prior to the enactment of the 1977 amendments. Under the formula, the "old-law" contribution and benefit base shall be the "old-law" 1988 base multiplied by the ratio of (1) the average amount, per employee, of total wages for the calendar year of 1987 to (2) the average amount of those wages for the calendar year of 1986. If the amount so determined is not a multiple of \$300, it shall be rounded to the nearest multiple of \$300.

Average Wages

The average wage for calendar year 1986 was previously determined to be \$17,321.82. The average wage for calendar year 1987 has been determined to be \$18,426.51, as stated herein.

Amount

The ratio of the average wage for 1987, \$18,426.51, compared to that for 1986, \$17,321.82, is 1.0637745. Multiplying the 1988 "old-law" contribution and benefit base amount of \$33,600 by the ratio of 1.0637745 produces the amount of \$35,742.82 which must then be rounded to \$35,700. Accordingly, the "old-law" contribution and benefit base is determined to be \$35,700 for 1989.

OASDI Fund Ratio

General

Section 215(i) of the Act was amended by section 112 of Pub. L. 98-21, the Social Security Amendments of 1983, to include a "stabilizer" provision that can limit the automatic OASDI benefit increase under certain circumstances. If the combined asset of the OASI and DI Trust Funds, as a percentage of annual expenditures, are below a specified level, the automatic benefit increase is equal to the lesser of (1) the increase in average wages or (2) the increase in prices. The threshold level specified for the OASDI fund ratio is 15.0 percent for benefit increases for December of 1984 through December 1988, and 20.0 percent thereafter. The amendments also provide for subsequent "catch-up" benefit increases for beneficiaries whose previous benefit increases were affected by this provision. "Catch-up" benefit increases occur only when trust fund assets exceed 32.0 percent of annual expenditures.

Computation

Section 215(i) specifies the computation and application of the OASDI fund ratio. The OASDI fund ratio for 1988 is the ratio of (1) the combined assets of the OASI and DI Trust Funds at the beginning of 1988, including advance tax transfers for January 1988, to (2) the estimated expenditures of the OASI and DI Trust

Funds during 1988, excluding transfer payments between the OASI and DI Trust Funds, and reducing any transfers to the Railroad Retirement Account by any transfers from that account into either trust fund.

Ratio

The combined assets of the OASI and DI Trust Funds at the beginning of 1988 (including advance tax transfers for January 1988) equaled \$90,492 million, and the expenditures are estimated to be \$222,471 million. Thus, the OASDI fund ratio for 1988 is 40.7 percent, which exceeds the applicable threshold of 15.0 percent. As a result, the "stabilizer" provision does not affect the benefit increase for December 1988.

(Catalog of Federal Domestic Assistance Programs Nos. 13.802-13.805, and 13.807 Social Security Programs)

Dated: October 27, 1988.

Otis R. Bowen,

Secretary of Health and Human Services.

SPECIAL MINIMUM PRIMARY INSURANCE AMOUNTS AND MAXIMUM FAMILY BENEFITS

Special minimum primary amount payable for Dec. 1987	No. of years required at minimum earnings level	Special minimum primary amount payable for Dec. 1988	Special minimum maximum family benefit payable for Dec. 1988
\$20.20	11	\$21.00	\$31.60
40.10	12	41.70	62.80
60.30	13	62.70	94.30
80.30	14	83.50	125.50
100.40	15	104.40	156.70
120.60	16	125.40	188.40
140.70	17	146.30	219.60
160.80	18	167.20	251.00
180.90	19	188.10	282.30
200.80	20	208.80	313.50
221.20	21	230.00	345.10
241.20	22	250.80	376.40
261.50	23	271.90	408.20
261.50	24	292.70	439.40
301.50	25	313.50	470.40
321.80	26	334.60	502.30
341.90	27	355.50	533.60
361.90	28	376.30	564.70
381.90	29	397.10	596.20
402.00	30	418.00	627.40

This material was published in the Federal Register on October 31, 1988, at 53 FR 43932.

**APPENDIX D.—AUTOMATIC ADJUSTMENTS UNDER OLD-AGE,
SURVIVORS, AND DISABILITY INSURANCE**

The Social Security Act specifies that certain program amounts affecting the determination of OASDI benefits are to be adjusted annually, in general, to reflect changes in the economy. The law prescribes specific formulas which, when applied to reported statistics, produce "automatic" revisions in these program amounts and hence in the benefit-computation procedures.

In this appendix, values are shown for the program amounts which are subject to automatic adjustment, from the time that such adjustments became effective through 1989. Projected values for future years through 1994, based on the two intermediate sets of assumptions (alternatives II-A and II-B), are also shown. Many of these assumptions are described in the subsection of this report entitled "Economic and Demographic Assumptions" and are shown in tables 10 and 11. The subsection entitled "Automatic Adjustments," and Appendix C, provide a more complete description of the program amounts affected by the automatic-adjustment procedures.

Under section 215(b)(3) of the Social Security Act, the average amount of total wages for each year after 1950 is used to index the earnings of most workers first becoming eligible for benefits in 1979 or later. This procedure converts a worker's past earnings to approximately their equivalent values near the time of the worker's retirement or other eligibility, and these values are used to calculate the worker's Average Indexed Monthly Earnings (AIME). The average amount of total wages for each year is also used to adjust most of the program amounts that are subject to the automatic-adjustment provisions. A copy of the notice announcing the average wage for 1987, including a brief description of its derivation, is shown in Appendix C, which also describes the determinations of other program amounts that are in effect for 1989. Table D1 shows the average amount of total wages as announced for each year 1951 through 1987.

TABLE D1.—AVERAGE AMOUNT OF TOTAL WAGES, CALENDAR YEARS 1951-87

Year	Amount	Year	Amount	Year	Amount
1951.....	\$2,799.16	1966.....	\$4,938.36	1981.....	\$13,773.10
1952.....	2,973.32	1967.....	5,213.44	1982.....	14,531.34
1953.....	3,139.44	1968.....	5,571.76	1983.....	15,239.24
1954.....	3,155.64	1969.....	5,893.76	1984.....	16,135.07
1955.....	3,301.44	1970.....	6,186.24	1985.....	16,822.51
1956.....	3,532.36	1971.....	6,497.08	1986.....	17,321.82
1957.....	3,641.72	1972.....	7,133.80	1987.....	18,426.51
1958.....	3,673.80	1973.....	7,580.16		
1959.....	3,855.80	1974.....	8,030.76		
1960.....	4,007.12	1975.....	8,630.92		
1961.....	4,086.76	1976.....	9,226.48		
1962.....	4,291.40	1977.....	9,779.44		
1963.....	4,396.64	1978.....	10,556.03		
1964.....	4,576.32	1979.....	11,479.46		
1965.....	4,658.72	1980.....	12,513.46		

Table D2 shows the estimated average amount of total wages for each year 1988 through 1994, based on the four alternative sets of assumptions.

TABLE D2.—ESTIMATED AVERAGE AMOUNT OF TOTAL WAGES BY ALTERNATIVE, CALENDAR YEARS 1988-94

Calendar year	I	II-A	II-B	III
1988	\$19,511.72	\$19,375.14	\$19,375.14	\$19,173.80
1989	20,703.42	20,479.75	20,521.66	20,028.18
1990	21,806.91	21,584.85	21,582.83	21,072.77
1991	22,932.97	22,650.43	22,717.36	22,355.49
1992	24,030.01	23,738.51	23,933.40	23,614.63
1993	25,124.51	24,887.74	25,275.46	24,685.20
1994	26,174.06	26,057.35	26,645.42	26,260.66

The provisions for automatic cost-of-living increases in OASDI benefits were originally enacted in 1972 and first became effective with the benefit increase effective for June 1975. The determination of the benefit increase effective for December 1988 is shown in Appendix C. Table D3 shows the automatic benefit increases determined for each year 1975-88, and the benefit increases for each year 1989-94, on the basis of the two intermediate sets of assumptions.

The law provides for an automatic increase in the contribution and benefit base for the year following a year in which an automatic benefit increase became effective. The base for 1975 was the first one determined on this basis. (Amendments enacted in December 1973 provided that the 11-percent general benefit increase that became effective in 1974 would be considered an automatic cost-of-living benefit increase for purposes of the automatic-adjustment provisions.) The bases for 1979-81 were specified by the 1977 amendments at levels above those which were expected to occur under the automatic-adjustment provisions (and which, in fact, as the experience developed, were above such levels). Starting again in 1982, the bases have been determined automatically on the basis of increases in average wages. Table D3 shows actual past and projected future amounts for the contribution and benefit base.

The law provides for the determination of the contribution and benefit bases that would have been in effect in each year after 1978 under the automatic-adjustment provisions as in effect before the enactment of the 1977 amendments. This "old-law" base is used in determining special-minimum benefits for certain workers who have many years of low earnings in covered employment. Beginning in 1986, the old-law base is also used in the calculation of OASDI benefits for certain workers who are eligible to receive pensions based on noncovered employment. In addition, it is used for certain purposes under the Railroad Retirement program and the Employee Retirement Income Security Act of 1974. Table D3 shows the old-law bases for 1979-89, together with estimated amounts for 1990-94 on the basis of the two intermediate sets of assumptions.

The 1972 amendments specified that the amount of earnings exempted from the withholding of benefits under the retirement earnings test would increase automatically in the year following a year in which an automatic cost-of-living benefit increase became effective. The 1977 amendments modified this procedure by establishing two different exempt amounts—one for those under age 65 and another for those aged 65 and over. The former amounts continued to increase automatically, while the latter amounts were specified for 1978-82, after which they again increase automatically. The exempt amounts are shown in table D3 for 1975-94.

The 1977 amendments specified the amount of earnings required in 1978 to be credited with a "quarter of coverage" and provided for automatic adjustment of this amount for future years. Table D3 shows the amounts for 1978-94.

The 1977 amendments substantially revised the method of computing benefits for most workers first becoming eligible for benefits in 1979 and later. The formula used to compute the Primary Insurance Amount (PIA) for workers who first become eligible for benefits, or who died before becoming eligible, in 1979 is:

90 percent of the first \$180 of AIME, plus
 32 percent of AIME in excess of \$180
 but not in excess of \$1,085, plus
 15 percent of AIME in excess of \$1,085.

The amounts separating the individual's AIME into intervals—the "bend points"—are adjusted automatically by the changes in average wages as specified in section 215(a)(1)(B) of the Social Security Act. (A regular-minimum benefit of \$122 and a special-minimum benefit varying by "years of coverage" are also provided, although for most workers first becoming eligible for benefits in 1982 and later, the regular-minimum benefit of \$122 has been eliminated.) The bend points for 1979-89, and the values projected for 1990-94, are shown in table D3.

A similar formula is used to compute the maximum total amount of monthly benefits payable on the basis of the earnings of a retired or deceased individual. This formula is a function of the individual's PIA, and is shown below for workers who first became eligible for benefits, or who died before becoming eligible, in 1979:

150 percent of the first \$230 of PIA, plus
 272 percent of the PIA in excess of \$230
 but not in excess of \$332, plus
 134 percent of the PIA in excess of \$332
 but not in excess of \$433, plus
 175 percent of the PIA in excess of \$433.

These PIA-interval bend points are adjusted automatically in accordance with section 203(a)(2) of the Act. The maximum-family-benefit bend points for 1979-94 are shown in table D3.

TABLE D3.—OASDI PROGRAM AMOUNTS DETERMINED UNDER THE AUTOMATIC-ADJUSTMENT PROVISIONS, CALENDAR YEARS 1975-89, AND PROJECTED FUTURE AMOUNTS, CALENDAR YEARS 1990-94, ON THE BASIS OF THE INTERMEDIATE SETS OF ASSUMPTIONS

Calendar year	Benefit increase ¹ (percent)	Contribution and benefit base	"Old-law" contribution and benefit base ²	Retirement earnings test exempt amounts		Amount of earnings required for quarter of coverage ⁴	AIME "bend points" in PIA formula		PIA "bend points" in maximum-family-benefit formula		
				Under age 65	Ages 65 and over ²		First	Second	First	Second	Third
Actual experience:											
1975	8.0	\$14,100	(³)	\$2,520	\$2,520	(³)	(³)	(³)	(³)	(³)	(³)
1976	6.4	15,300	(³)	2,760	2,760	(³)	(³)	(³)	(³)	(³)	(³)
1977	5.9	16,500	(³)	3,000	3,000	(³)	(³)	(³)	(³)	(³)	(³)
1978	6.5	17,700	(³)	3,240	4,000	*\$250	(³)	(³)	(³)	(³)	(³)
1979	9.9	*22,900	\$18,900	3,480	4,500	260	*\$180	*\$1,085	*\$230	*\$332	*\$433
1980	14.3	*25,900	20,400	3,720	5,000	290	194	1,171	248	358	467
1981	11.2	*29,700	22,200	4,080	5,500	310	211	1,274	270	390	508
1982	7.4	32,400	24,300	4,440	6,000	340	230	1,388	294	425	554
1983	3.5	35,700	26,700	4,920	6,600	370	254	1,528	324	468	610
1984	3.5	37,800	28,200	5,160	6,960	390	267	1,612	342	493	643
1985	3.1	39,600	29,700	5,400	7,320	410	280	1,691	358	517	675
1986	1.3	42,000	31,500	5,760	7,800	440	297	1,790	379	548	714
1987	4.2	43,800	32,700	6,000	8,160	460	310	1,866	396	571	745
1988	4.0	45,000	33,600	6,120	8,400	470	319	1,922	407	588	767
1989	(³)	48,000	35,700	6,480	8,880	500	339	2,044	433	626	816
Alternative II-A:											
1990	3.9	50,400	37,500	6,840	9,360	520	357	2,150	456	658	858
1991	3.2	53,400	39,600	7,200	9,840	550	377	2,272	482	695	907
1992	3.0	56,400	41,700	7,560	10,320	580	397	2,395	508	733	956
1993	3.0	59,100	43,800	7,920	10,800	610	417	2,513	533	769	1,003
1994	3.0	61,800	45,900	8,280	11,280	640	437	2,634	558	806	1,051
Alternative II-B:											
1990	4.5	50,400	37,500	6,840	9,360	520	357	2,150	456	658	858
1991	4.4	53,400	39,600	7,200	9,960	560	378	2,277	483	697	909
1992	4.4	56,100	41,700	7,560	10,440	590	397	2,395	508	733	956
1993	4.1	59,100	43,800	7,920	11,040	620	418	2,520	534	771	1,006
1994	4.0	62,400	46,200	8,400	11,640	650	441	2,655	563	813	1,060

¹Effective with benefits payable for June in each year 1975-82, and for December in each year after 1982.

²Contribution and benefit base that would have been determined automatically under the law in effect prior to enactment of the Social Security Amendments of 1977.

³In 1955-82, retirement earnings test did not apply at ages 72 and over; beginning in 1983, it does not apply at ages 70 and over.

⁴See Appendix C for a description of quarter-of-coverage requirements prior to 1978.

⁵No provision in law for this amount in this year.

⁶Amount not subject to automatic-adjustment provisions in this year.

⁷Amount specified by Social Security Amendments of 1977.

⁸Amount specified for first year by Social Security Amendments of 1977; amounts for subsequent years subject to automatic-adjustment provisions.

⁹Actual benefit increase for December 1989 has not been determined. Estimates of that increase, based on alternatives II-A and II-B, are 3.6 percent and 4.8 percent, respectively.

**APPENDIX E.—ACTUARIAL ESTIMATES FOR THE OASDI AND HI PROGRAMS,
COMBINED**

In this appendix, long-range actuarial estimates for the OASDI and HI (Hospital Insurance) programs are combined to facilitate analysis of the adequacy of the combined income and assets of these three trust funds relative to their combined expenditures. The estimates for HI do not reflect the effects of the Medicare Catastrophic Coverage Act of 1988, because estimates of the revenues resulting from the supplemental premiums provided under this act are not yet available. Long-range estimates are subject to much uncertainty and should not be considered precise forecasts. Instead they should be considered as indicative of the general trend and range of costs that could reasonably be expected to occur.

As with the OASI and DI Trust Funds, income to the HI Trust Fund comes primarily from contributions paid by employees, employers, and self-employed persons. Contribution rates for the OASDI and HI programs are summarized in table E1 for 1966 and later. The combined OASDI and HI contribution rate for employees and their employers is often referred to as the FICA tax, because it is authorized by the Federal Insurance Contributions Act.

TABLE E1.— CONTRIBUTION RATES FOR THE OASDI AND HI PROGRAMS
(In percent)

Calendar years	Employees and employers, each			Self-employed		
	OASDI	HI	Total	OASDI	HI	Total
1966.....	3.85	0.35	4.20	5.80	0.35	6.15
1967.....	3.90	.50	4.40	5.90	.50	6.40
1968.....	3.80	.60	4.40	5.80	.60	6.40
1969-70.....	4.20	.60	4.80	6.30	.60	6.90
1971-72.....	4.60	.60	5.20	6.90	.60	7.50
1973.....	4.85	1.00	5.85	7.00	1.00	8.00
1974-77.....	4.95	.90	5.85	7.00	.90	7.90
1978.....	5.05	1.00	6.05	7.10	1.00	8.10
1979-80.....	5.08	1.05	6.13	7.05	1.05	8.10
1981.....	5.35	1.30	6.65	8.00	1.30	9.30
1982-83.....	5.40	1.30	6.70	8.05	1.30	9.35
1984 ¹	5.70	1.30	7.00	11.40	2.60	14.00
1985 ¹	5.70	1.35	7.05	11.40	2.70	14.10
1986-87 ¹	5.70	1.45	7.15	11.40	2.90	14.30
1988-89 ¹	6.06	1.45	7.51	12.12	2.90	15.02
1990 and later.....	6.20	1.45	7.65	12.40	2.90	15.30

¹See section entitled "Nature of the Trust Funds" for description of tax credits allowed against the combined OASDI and HI taxes on net earnings from self-employment in 1984-89.

The Social Security Act authorized borrowing among the OASI, DI, and HI Trust Funds through the end of 1987. Loans could not be made from a trust fund if its assets were below specified levels, with minimum standards specified for the repayment of interfund loans (including a requirement for the complete repayment of all such loans before 1990). Estimates shown in this appendix for the combined trust funds are theoretical because, under present law, no authority exists for transferring assets from one trust fund to another. The emphasis in this appendix on combined operations should not obscure the financial status of the individual trust funds.

Table E2 shows estimated income rates and cost rates for the OASDI program, the HI program, and the combined OASDI and HI programs for the long-range projection period, based on the four set of assump-

tions I, II-A, II-B, and III described earlier in this report. Income rates exclude interest earned on trust-fund assets. Cost rates shown for HI exclude the cost of maintaining the trust fund at a level suitable for a contingency reserve. Table E2 also shows the excess of income rates over cost rates, called balances. Effects of the Medicare Catastrophic Coverage Act of 1988 are not reflected in any of the figures.

Under all four sets of assumptions, combined OASDI and HI cost rates are projected to rise above current levels, with the sharpest increase occurring during the period 2010-2030. Under the pessimistic set of assumptions, annual deficits are projected to occur shortly before the turn of the century, and to continue throughout the 75-year projection period. Cost rates are projected to rise to roughly three times their current level by the year 2060. Under intermediate assumptions, annual deficits begin to occur in the second decade of the next century, with cost rates nearly doubling by the year 2060. Under optimistic assumptions, cost rates are projected to increase by about one-quarter, with annual deficits occurring only during the period 2030-2040.

TABLE E2.—COMPARISON OF ESTIMATED INCOME RATES AND COST RATES¹ FOR OASDI AND HI BY ALTERNATIVE, CALENDAR YEARS 1989-2060
(As a percentage of taxable payroll²)

Calendar year	OASDI			HI ³			TOTAL ⁴		
	Income rate	Cost rate	Balance	Income rate	Cost rate	Balance	Income rate	Cost rate	Balance
Alternative I:									
1989.....	12.30	10.29	2.00	2.90	2.51	0.39	15.20	12.80	2.40
1990.....	12.59	10.26	2.33	2.90	2.59	.31	15.49	12.85	2.64
1991.....	12.59	10.12	2.48	2.90	2.62	.28	15.49	12.74	2.75
1992.....	12.60	9.99	2.61	2.90	2.67	.23	15.50	12.66	2.84
1993.....	12.60	9.86	2.73	2.90	2.71	.19	15.50	12.57	2.93
1994.....	12.60	9.74	2.86	2.90	2.74	.16	15.50	12.48	3.02
1995.....	12.60	9.60	2.99	2.90	2.77	.13	15.50	12.37	3.12
1996.....	12.60	9.50	3.10	2.90	2.80	.10	15.50	12.30	3.20
1997.....	12.59	9.40	3.19	2.90	2.82	.08	15.49	12.23	3.27
1998.....	12.59	9.32	3.27	2.90	2.84	.06	15.49	12.17	3.33
2000.....	12.62	9.17	3.45	2.90	2.88	.02	15.52	12.06	3.47
2005.....	12.68	8.93	3.76	2.90	2.89	.01	15.58	11.82	3.76
2010.....	12.73	9.25	3.48	2.90	2.92	-.02	15.63	12.17	3.47
2015.....	12.79	10.24	2.55	2.90	2.92	-.02	15.69	13.16	2.53
2020.....	12.86	11.53	1.34	2.90	3.02	-.11	15.76	14.54	1.22
2025.....	12.92	12.56	.36	2.90	3.19	-.29	15.82	15.75	.07
2030.....	12.96	13.05	-.09	2.90	3.35	-.45	15.86	16.40	-.54
2035.....	12.97	12.98	-.01	2.90	3.47	-.57	15.87	16.44	-.58
2040.....	12.96	12.57	.38	2.90	3.55	-.65	15.86	16.13	-.27
2045.....	12.95	12.24	.71	2.90	3.60	-.70	15.85	15.84	.01
2050.....	12.94	12.09	.86	2.90	3.64	-.74	15.84	15.72	.12
2055.....	12.95	12.03	.92	2.90	3.67	-.77	15.85	15.70	.14
2060.....	12.94	11.95	.99	2.90	3.72	-.82	15.84	15.68	.17
Alternative II-A:									
1989.....	12.30	10.36	1.94	2.90	2.52	.38	15.20	12.89	2.31
1990.....	12.61	10.36	2.25	2.90	2.64	.26	15.51	13.00	2.51
1991.....	12.60	10.34	2.25	2.90	2.71	.19	15.50	13.05	2.44
1992.....	12.60	10.28	2.32	2.90	2.79	.11	15.50	13.07	2.43
1993.....	12.60	10.22	2.38	2.90	2.87	.03	15.50	13.10	2.41
1994.....	12.61	10.16	2.45	2.90	2.96	-.06	15.51	13.12	2.39
1995.....	12.60	10.10	2.51	2.90	3.04	-.14	15.50	13.14	2.37
1996.....	12.61	10.04	2.57	2.90	3.12	-.22	15.51	13.16	2.34
1997.....	12.61	10.01	2.60	2.90	3.20	-.30	15.51	13.20	2.30
1998.....	12.61	9.97	2.64	2.90	3.27	-.37	15.51	13.24	2.26
2000.....	12.64	9.89	2.75	2.90	3.42	-.52	15.54	13.31	2.23
2005.....	12.71	9.82	2.90	2.90	3.70	-.80	15.61	13.52	2.10
2010.....	12.78	10.30	2.48	2.90	4.05	-1.15	15.68	14.35	1.33
2015.....	12.85	11.52	1.33	2.90	4.42	-1.52	15.75	15.94	-.19
2020.....	12.94	13.13	-.19	2.90	4.96	-2.06	15.84	18.09	-2.26
2025.....	13.01	14.56	-1.55	2.90	5.60	-2.70	15.91	20.16	-4.25
2030.....	13.07	15.48	-2.41	2.90	6.15	-3.25	15.97	21.64	-5.67
2035.....	13.10	15.80	-2.71	2.90	6.52	-3.62	16.00	22.32	-6.33
2040.....	13.10	15.75	-2.64	2.90	6.71	-3.81	16.00	22.45	-6.45
2045.....	13.11	15.73	-2.62	2.90	6.80	-3.90	16.01	22.53	-6.52
2050.....	13.12	15.90	-2.78	2.90	6.87	-3.97	16.02	22.78	-6.76
2055.....	13.14	16.17	-3.03	2.90	6.95	-4.05	16.04	23.12	-7.08
2060.....	13.15	16.35	-3.20	2.90	7.04	-4.14	16.05	23.38	-7.33

TABLE E2.—COMPARISON OF ESTIMATED INCOME RATES AND COST RATES¹ FOR OASDI AND HI BY ALTERNATIVE, CALENDAR YEARS 1989-2060 (Cont.)
(As a percentage of taxable payroll²)

Calendar year	OASDI			HI ³			TOTAL ³		
	Income rate	Cost rate	Balance	Income rate	Cost rate	Balance	Income rate	Cost rate	Balance
Alternative II-B:									
1989	12.30	10.36	1.94	2.90	2.53	.37	15.20	12.89	2.31
1990	12.63	10.52	2.11	2.90	2.66	.24	15.53	13.19	2.35
1991	12.60	10.55	2.05	2.90	2.74	.16	15.50	13.29	2.21
1992	12.61	10.57	2.04	2.90	2.84	.06	15.51	13.41	2.10
1993	12.61	10.56	2.05	2.90	2.93	-.03	15.51	13.49	2.02
1994	12.61	10.50	2.11	2.90	3.02	-.12	15.51	13.52	1.99
1995	12.61	10.44	2.17	2.90	3.11	-.21	15.51	13.55	1.97
1996	12.61	10.39	2.22	2.90	3.20	-.30	15.51	13.59	1.92
1997	12.61	10.35	2.27	2.90	3.28	-.38	15.51	13.63	1.88
1998	12.61	10.31	2.30	2.90	3.36	-.46	15.51	13.67	1.84
2000	12.65	10.27	2.38	2.90	3.54	-.64	15.55	13.81	1.74
2005	12.74	10.25	2.49	2.90	3.87	-.97	15.64	14.12	1.52
2010	12.81	10.76	2.05	2.90	4.27	-1.37	15.71	15.03	.88
2015	12.88	12.03	.86	2.90	4.68	-1.78	15.78	16.71	-.93
2020	12.97	13.70	-.73	2.90	5.26	-2.38	15.87	18.96	-3.09
2025	13.06	15.23	-2.17	2.90	5.93	-3.03	15.96	21.16	-5.20
2030	13.11	16.23	-3.11	2.90	6.50	-3.60	16.01	22.73	-6.72
2035	13.14	16.61	-3.47	2.90	6.87	-3.97	16.04	23.48	-7.44
2040	13.15	16.58	-3.43	2.90	7.06	-4.16	16.05	23.64	-7.59
2045	13.15	16.56	-3.41	2.90	7.15	-4.25	16.05	23.72	-7.66
2050	13.16	16.74	-3.58	2.90	7.22	-4.32	16.06	23.96	-7.90
2055	13.18	17.00	-3.82	2.90	7.30	-4.40	16.08	24.31	-8.23
2060	13.19	17.19	-4.00	2.90	7.40	-4.50	16.09	24.59	-8.50
Alternative III:									
1989	12.30	10.65	1.65	2.90	2.59	.31	15.20	13.24	1.97
1990	12.65	11.09	1.56	2.90	2.79	.11	15.55	13.88	1.67
1991	12.61	11.20	1.41	2.90	2.91	-.01	15.51	14.11	1.40
1992	12.62	11.37	1.26	2.90	3.05	-.15	15.52	14.42	1.11
1993	12.64	11.81	.83	2.90	3.24	-.34	15.54	15.05	.49
1994	12.64	11.78	.86	2.90	3.38	-.48	15.54	15.16	.38
1995	12.64	11.79	.85	2.90	3.55	-.65	15.54	15.34	.20
1996	12.64	11.79	.86	2.90	3.71	-.81	15.54	15.50	.05
1997	12.64	11.80	.85	2.90	3.87	-.97	15.54	15.67	-.13
1998	12.64	11.83	.82	2.90	4.04	-1.14	15.54	15.87	-.32
2000	12.69	11.81	.88	2.90	4.40	-1.50	15.59	16.21	-.62
2005	12.79	11.82	.97	2.90	5.29	-2.39	15.69	17.11	-1.41
2010	12.87	12.41	.46	2.90	6.40	-3.50	15.77	18.81	-3.03
2015	12.96	13.93	-.97	2.90	7.72	-4.82	15.86	21.64	-5.78
2020	13.07	16.02	-2.94	2.90	9.42	-6.52	15.97	25.44	-9.47
2025	13.18	18.12	-4.94	2.90	11.30	-8.40	16.08	29.42	-13.34
2030	13.28	19.83	-6.55	2.90	12.92	-10.02	16.18	32.75	-16.57
2035	13.34	20.96	-7.62	2.90	13.95	-11.05	16.24	34.91	-18.67
2040	13.38	21.69	-8.31	2.90	14.37	-11.47	16.28	36.06	-19.78
2045	13.42	22.47	-9.05	2.90	14.56	-11.66	16.32	37.02	-20.70
2050	13.47	23.49	-10.02	2.90	14.70	-11.80	16.37	38.19	-21.82
2055	13.53	24.63	-11.10	2.90	14.86	-11.96	16.43	39.49	-23.06
2060	13.58	25.57	-11.99	2.90	15.05	-12.15	16.48	40.62	-24.14

¹Cost rates for HI exclude amounts required for trust fund maintenance.

²The taxable payroll for HI is somewhat larger than the taxable payroll for OASDI, because HI covers all Federal civilian employees, including those hired before 1984, all State and local government employees hired after April 1, 1986, and railroad employees. This difference is relatively small and does not significantly affect the comparisons.

³ Effects of the Medicare Catastrophic Coverage Act of 1983 are not reflected.

Note: Totals do not necessarily equal the sums of rounded components.

Table E3 summarizes the estimates of OASDI and HI income rates, cost rates, and balances for various time periods, based on all four sets of assumptions. Income rates exclude interest earned on trust-fund assets. Cost rates shown for HI exclude the cost of maintaining the trust fund at a level suitable for a contingency reserve. Effects of the Medicare Catastrophic Coverage Act of 1983 are not reflected in any of the figures.

Under the pessimistic set of assumptions, the combined OASDI and HI system is projected to show deficits during the next 25, 50, and 75-

year periods (including beginning trust fund balances). Deficits are projected to occur during each 25-year subperiod of the 75-year projection period (excluding beginning trust fund balances). Under intermediate assumptions, positive balances are projected to occur during the next 25-year period whether or not beginning trust fund balances are included. Deficits are projected to occur during the 50 and 75-year projection periods (including beginning trust fund balances), and during the last two 25-year subperiods (excluding beginning trust fund balances). Under optimistic assumptions, the combined OASDI and HI system is projected to show positive balances during the 25, 50, and 75-year periods and during each of the 25-year subperiods.

TABLE E3.—COMPARISON OF SUMMARIZED INCOME RATES AND COST RATES¹ FOR OASDI AND HI BY ALTERNATIVE, CALENDAR YEARS 1989-2063
[As a percentage of taxable payroll²]

Calendar year	OASDI			HI ³			TOTAL ⁴		
	Income rate	Cost rate	Balance	Income rate	Cost rate	Balance	Income rate	Cost rate	Balance
Alternative I:									
25-year subperiods ⁵ :									
1989-2013.....	12.63	9.47	3.17	2.90	2.82	0.09	15.54	12.28	3.25
2014-2038.....	12.90	12.17	.73	2.90	3.21	-.30	15.80	15.38	.43
2039-2063.....	12.94	12.17	.76	2.90	3.64	-.74	15.84	15.82	.02
Valuation ranges ⁶ :									
25 years: 1989-2013	12.87	9.47	3.40	3.05	2.82	-.23	15.92	12.28	3.63
50 years: 1989-2038	12.88	10.73	2.15	2.98	3.00	-.02	15.86	13.73	2.13
75 years: 1989-2063	12.90	11.16	1.74	2.96	3.19	-.23	15.86	14.35	1.51
Alternative II-A:									
25-year subperiods ⁵ :									
1989-2013.....	12.65	10.16	2.50	2.90	3.40	-.50	15.56	13.56	2.00
2014-2038.....	12.99	14.23	-1.24	2.90	5.58	-2.68	15.89	19.80	-3.91
2039-2063.....	13.11	16.03	-2.91	2.90	6.88	-3.98	16.02	22.91	-6.89
Valuation ranges ⁶ :									
25 years: 1989-2013	12.90	10.16	2.74	3.05	3.40	-.35	15.95	13.56	2.39
50 years: 1989-2038	12.94	12.00	.94	2.99	4.39	-1.41	15.92	16.39	-.47
75 years: 1989-2063	12.98	13.08	-.10	2.96	5.06	-2.10	15.95	18.14	-2.20
Alternative II-B:									
25-year subperiods ⁵ :									
1989-2013.....	12.67	10.52	2.14	2.91	3.53	-.62	15.57	14.05	1.52
2014-2038.....	13.03	14.91	-1.88	2.90	5.91	-3.00	15.93	20.81	-4.88
2039-2063.....	13.15	16.87	-3.72	2.90	7.24	-4.33	16.06	24.11	-8.05
Valuation ranges ⁶ :									
25 years: 1989-2013	12.91	10.52	2.39	3.06	3.53	-.47	15.97	14.05	1.92
50 years: 1989-2038	12.96	12.52	.44	2.99	4.61	-1.63	15.95	17.14	-1.19
75 years: 1989-2063	13.02	13.72	-.70	2.96	5.34	-2.37	15.98	19.06	-3.08
Alternative III:									
25-year subperiods ⁵ :									
1989-2013.....	12.70	11.87	.83	2.91	4.54	-1.63	15.61	16.41	-.80
2014-2038.....	13.15	17.95	-4.79	2.90	11.16	-8.26	16.06	29.11	-13.05
2039-2063.....	13.46	23.68	-10.22	2.90	14.72	-11.82	16.37	38.40	-22.03
Valuation ranges ⁶ :									
25 years: 1989-2013	12.97	11.87	1.10	3.07	4.54	-1.47	16.04	16.41	-.36
50 years: 1989-2038	13.05	14.54	-1.48	3.00	7.44	-4.45	16.05	21.98	-5.93
75 years: 1989-2063	13.15	16.78	-3.63	2.98	9.23	-6.26	16.13	26.01	-9.89

¹Cost rates for HI exclude amounts required for trust fund maintenance.

²The taxable payroll for HI is somewhat larger than the taxable payroll for OASDI, because HI covers all Federal civilian employees, including those hired before 1984, all State and local government employees hired after April 1, 1986, and railroad employees. This difference is relatively small and does not significantly affect the comparisons.

³Effects of the Medicare Catastrophic Coverage Act of 1988 are not reflected.

⁴Income rates do not include beginning trust fund balances.

⁵Income rates include beginning trust fund balances.

Note: Totals do not necessarily equal the sums of rounded components.