DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary

1988 Cost-of-Living Increase and Other Determinations

AGENCY: Social Security Administration, HHS.

ACTION: Notice.

SUMMARY: The Secretary has determined—

(1) A 4.2 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 SSI (title XVI) benefit amounts for 1988 to $354 for an eligible individual, $532 for an eligible individual with an eligible spouse, and $177 for an essential person (section 1617 of the Act);

(3) The average of the total wages for 1986 to be $17,321.82;

(4) The Social Security contribution and benefit base to be $45,000 for remuneration paid in 1988 and self-employment income earned in taxable years beginning in 1988;

(5) The amount of earnings a person must have to be credited with a quarter of coverage in 1988 to be $470;

(6) The monthly exempt amounts under the Social Security retirement earnings test for taxable years ending in calendar year 1988 to be $700 for beneficiaries age 65 through 69 and $510 for beneficiaries under age 65;

(7) The "old-law" contribution and benefit base to be $33,600 for 1988.

We also describe the computation of benefits for a worker and the worker's family who first become eligible for benefits in 1988, and the computation of the 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 1987 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 1986 (section 215(i)(2)(C)(iii)) and the OASDI fund ratio for 1987 (section 215(i)(2)(C)(iii)). Finally, the Secretary is required to publish on or before November 1 the contribution and benefit base for 1988 (section 230(a)), the amount of earnings required to be credited with a quarter of coverage in 1988 (section 213(d)(2)), the monthly exempt amounts under the Social Security retirement earnings test for 1988 (section 203(f)(8)(A)), the formula for computing a primary insurance amount for workers who first become eligible for benefits or die in 1988 (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 1988 (section 203(a)(2)(C)).

Cost-of-Living Increases

General. The cost-of-living increase is 4.2 percent for benefits under titles II and XVI of the Social Security Act.

Under title II, old-age, survivors, and disability insurance benefits will increase by 4.2 percent beginning with the December 1987 benefits, which are payable on December 31, 1987. 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 4.2 percent effective for payments made for the month of January 1988 but paid on December 31, 1987. This is based on the authority contained in section 1617 of the Act (42 U.S.C. 1382f). The percentage increase effective January 1988 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 1987 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 1987, 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 1987, the benefit increase is the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers from the third quarter of 1986 through the third quarter of 1987. 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 1987 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 for each month in the quarter ending September 30, 1986, was: for July 1986, 322.9; for August 1986, 323.4; and for September 1986, 324.9. The arithmetical mean for this calendar quarter is 323.7 (after rounding to the nearest 0.1). The corresponding Consumer Price Index for each month in the quarter ending September 30, 1987 was: For July 1987, 335.6; for August 1987, 337.4; and for September 1987, 339.1. The arithmetical mean for this calendar quarter is 337.4. Thus, because the Consumer Price Index for the calendar quarter ending September 30, 1987 exceeds that for the calendar quarter ending September 30, 1986 by 4.2 percent, a cost-of-living benefit increase of 4.2 percent is effective for benefits under title II of the Act beginning December 1987.

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 1988, benefits will increase by 4.2 percent beginning with benefits for December 1987 which will be received December 31, 1987. In the case of first eligibility after 1987, the 4.2 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 4.2 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 1987); 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 1988, 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 4.2 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 current monthly benefit amount of $140.30 for an individual under sections 227 and 228 of the Act is increased by 4.2 percent to obtain the new amount of $146.10. The present monthly benefit amount of $70.30 for a spouse under section 227 is increased by 4.2 percent to $73.20.

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 4.2 percent effective January 1988. Therefore, the yearly Federal SSI benefit amount of $4,080 for an eligible individual, $6,120 for an eligible individual with an eligible spouse and $2,040 for an essential person, which became effective January 1987, are increased, effective with January 1988, to $4,248, $6,384, and $2,124 respectively after rounding. The monthly payment amount is determined by dividing the yearly amount by 12, and 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 1986

The determination of the average wage figure for 1986 is based on the 1985 average wage figure of $16,822.51 announced in the Federal Register on November 5, 1986 (51 FR 40256), along with the percentage increase in average wages from 1985 to 1986 measured by annual wage data tabulated by the Social Security Administration (SSA). The average amounts of wages calculated directly from this data were $15,900.51 and $16,372.45 for 1985 and 1986, respectively. To determine an average wage figure for 1986 at a level that is consistent with the series of average wages for 1951 to 1977 (published December 29, 1978, at 43 FR 61016), we multiplied the 1985 average wage figure of $16,822.51 by the percentage increase in average wages from 1985 to 1986 (based on SSA-tabulated wage data) as follows (with the result rounded to the nearest cent):

Average wage for 1986 = $16,822.51 × $16,372.45 ÷ $ 15,900.51 = $17,321.82. Therefore, the average wage for 1986 is determined to be $17,321.82.

Contribution and Benefit Base

General. The contribution and benefit base is $45,000 for remuneration paid in 1988 and self-employment income earned in taxable years beginning in 1988.

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 1988 shall be equal to the 1987 base of $43,800 multiplied by the ratio of (1) the average amount, per employee, of total wages for the calendar year 1986 to (2) the average amount of those wages for the calendar year 1985. 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 1985 was previously determined to be $16,822.51. The average wage for calendar year 1986 has been determined to be $17,321.82 as stated herein.

Amount. The ratio of the average wage for 1986, $17,321.82, compared to that for 1985, $16,822.51, is 1.029681. Multiplying the 1987 contribution and benefit base of $43,800 by the ratio 1.029681 produces the amount of $45,100.03 which must then be rounded to $45,000. Accordingly, the contribution and benefit base is determined to be $45,000 for 1988.

Quarter of Coverage Amount

General. The 1988 amount of earnings required for a quarter of coverage is $470. 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 1988 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 1986 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 1986 has been determined to be $17,321.82 as stated herein.

Quarter of Coverage Amount. The ratio of the average wage for 1986, $17,321.82, compared to that for 1976, $9,226.48, is 1.8774. Multiplying the 1978 quarter of coverage amount of $250 by the ratio of 1.8774 produces the amount of $469.35 which must then be rounded to $470. Accordingly, the quarter of coverage amount is determined to be $470 for 1988.

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 1987 was determined by this formula to be $680. Under the formula, the exempt amount for 1988 shall be the 1987 exempt amount multiplied by the ratio of: (1) The average amount, per employee, of the total wages for calendar year 1986 to (2) the average amount of those wages for calendar year 1985. 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 as for the contribution and benefit base. Therefore, the ratio of the average wages for 1986, $17,321.82, compared to that for 1985, $16,822.51, is 1.029681.

Exempt Amount for Beneficiaries Aged 65 through 69. Multiplying the 1987 retirement earnings test monthly exempt amount of $680 by the ratio of 1.029681 produces the amount of $700.18. This must then be rounded to $700. The retirement earnings test monthly exempt amount for beneficiaries aged 65 through 69 is determined to be $700 for 1988. The corresponding retirement earnings test annual exempt amount for these beneficiaries is $8,400.

(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 $500 for 1987. The formula provides that the exempt amount for 1988 shall be the 1987 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 1986 to (2) the average amount of those wages for calendar year 1985. 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 as for the contribution and benefit base. Therefore, the ratio of the average wages for 1986, $17,321.82, compared to that of 1985, $16,822.51, is 1.029681.

Exempt Amount for Beneficiaries Under Age 65. Multiplying the 1987 retirement earnings test monthly exempt amount of $500 by the ratio 1.029681 produces the amount of $514.84. This must then be rounded to $510. The retirement earnings test monthly exempt amount for beneficiaries under age 65 is thus determined to be $510 for 1988. The corresponding retirement earnings test annual exempt amount for these beneficiaries is $6,120.

Computing Benefits After 1978

The Social Security Amendments of 1977 changed the formula for determining an individual's primary insurance amount after 1978. This basic new formula is based on "wage indexing" and was fully explained with interim regulations and final regulations published in the **Federal Register** on December 29, 1978 (43 FR 60877) and July 15, 1982 (47 FR 30731) respectively. It generally applies when a worker after 1978 attains age 62, becomes disabled, or dies before age 62. This 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 1988, we divide the average of the total wages for 1986, $17,321.82, by the average of the total wages for each year prior to 1986 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 1988.

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 1988 are obtained by multiplying the 1979 amounts by the ratio between the average of the total wages for 1986, $17,321.82, and for 1977, $9,779.44. These results are then rounded to the nearest dollar. For 1988, the ratio is 1.7712487. Multiplying the 1979 amounts of $180 and $1,085 by 1.7712487 produces the amounts of $318.82 and $1,921.80. These must then be rounded to $319 and $1,922. Accordingly, the portions of the average indexed monthly earnings to be used in 1988 are determined to be the first $319, the amount between $319 and $1,922, and the amount over $1,922.

Consequently, for individuals who first become eligible for old-age insurance benefits or disability insurance benefits in 1988, or who die in 1988 before becoming eligible for benefits, we will compute their primary insurance amount by adding the following:

(a) 90 percent of the first $319 of their average indexed monthly earnings, plus

(b) 32 percent of the average indexed monthly earnings over $319 and through $1,922, plus

(c) 15 percent of the average indexed monthly earnings over $1,922.

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

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 1988 are obtained by multiplying the 1979 amounts by the ratio between the average of the total wages for 1986, $17,321.82, and the average for 1977, $9,779.44. This amount is then rounded to the nearest dollar. For 1988, the ratio is 1.7712487. Multiplying the amounts of $230, $332, and $433 by 1.7712487 produces the amounts of $407.39, $588.05, and $766.95. These amounts are then rounded to $407, $588, and $767. Accordingly, the portions of the primary insurance amounts to be used in 1988 are determined to be the first $407, the amount between $407 and $588, the amount between $588 and $767, and the amount over $767.

Consequently, for the family of a worker who becomes age 62 or dies in 1988, the total amount of benefits payable to them will be computed so that it does not exceed:

(a) 150 percent of the first $407 of the worker's primary insurance amount, plus

(b) 272 percent of the worker's primary insurance amount over $407 through $588, plus

(c) 134 percent of the worker's primary insurance amount over $588 through $767, plus

(d) 175 percent of the worker's primary insurance amount over $767

This amount is then rounded to the next lower multiple of 10 cents if it is not already a multiple of 10 cents. 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 1988 "old-law" contribution and benefit base is $33,600. This is the base that would have been effective under the Social Security Act without the enactment of the 1977 amendments. The base is computed under section 230(b) of the Social Security Act as it read prior to the 1977 amendments.

The "old-law" contribution 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 Social Security Act), and

(3) Social Security to determine a "year of coverage" in computing the "special minimum" benefit and in computing benefits for persons who are also eligible to receive pensions based on employment not covered under section 210 of the Social Security 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" 1987 base multiplied by the ratio of (1) the average amount, per employee, of total wages for the calendar year of 1986 to (2) the average amount of those wages for the calendar year of 1985. 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 1985 was previously determined to be $16,822.51. The average wage for calendar year 1986 has been determined to be $17,321.82, as stated herein.

Amount. The ratio of the average wage for 1986, $17,321.82, compared to that for 1985, $16,822.51, is 1.029681. Multiplying the 1987 "old-law" contribution and benefit base amount of $32,700 by the ratio of 1.029681 produces the amount of $33,670.57 which must then be rounded to $33,600. Accordingly, the "old-law" contribution and benefit base is determined to be $33,600 for 1988.

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 assets 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 1987 is the ratio of (1) the combined assets of the OASI and DI Trust Funds at the beginning of 1987, including advance tax transfers for January 1987, to (2) the estimated expenditures of the OASI and DI Trust Funds during 1987, 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 1987 (including advance tax transfers for January 1987) equaled $65,227 million, and the expenditures are estimated to be $209,580 million. Thus, the OASDI fund ratio for 1987 is 31.1 percent, which exceeds the applicable threshold of 15.0 percent. As a result, the "stabilizer" provision does not affect the benefit increase for December 1987.

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

Dated: October 19, 1987.

Otis R. Bowen,

Secretary of Health and Human Services.

SPECIAL MINIMUM PRIMARY INSURANCE AMOUNTS AND MAXIMUM FAMILY BENEFITS

Special minimum primary insurance amount payable for Dec. 1986	Number of years required at minimum earnings level	Special minimum primary insurance amount payable for Dec. 1987	Special minimum maximum family benefit payable for Dec. 1987
$19.40	11	$20.20	$30.40
38.50	12	40.10	60.40
57.90	13	60.30	90.70
77.10	14	80.30	120.70
96.40	15	100.40	150.70
115.80	16	120.60	181.20
135.10	17	140.70	211.20
154.40	18	160.80	241.40
173.70	19	180.90	271.50
192.80	20	200.80	301.50
212.30	21	221.20	331.90
231.50	22	241.20	362.00
251.00	23	261.50	392.50
270.20	24	281.50	422.50
289.40	25	301.50	452.40
308.90	26	321.80	483.00
328.20	27	341.90	513.10
347.40	28	361.90	543.00
366.60	29	381.90	573.30
385.80	30	402.00	603.30

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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 1988. Projected values for future years through 1993, 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 1986, 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 1988. Table D1 shows the average amount of total wages as announced for each year 1951 through 1986.

TABLE D1.—AVERAGE AMOUNT OF TOTAL WAGES, CALENDAR YEARS 1951-86

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		
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 1987 through 1993, based on the four alternative sets of assumptions.

TABLE D2.—ESTIMATED AVERAGE AMOUNT OF TOTAL WAGES BY ALTERNATIVE, CALENDAR YEARS 1987-93

Calendar year	I	II-A	II-B	III
1987	$17,976.58	$17,857.08	$17,856.95	$17,794.71
1988	18,835.09	18,664.17	18,611.36	18,315.00
1989	19,849.43	19,683.57	19,607.10	19,330.64
1990	20,924.96	20,757.35	20,638.38	20,553.07
1991	21,977.50	21,812.75	21,736.39	21,751.91
1992	22,971.31	22,886.25	22,943.82	22,756.45
1993	23,957.64	23,984.44	24,207.60	24,273.09

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 1987 is shown in Appendix C. Table D3 shows the automatic benefit increases determined for each year 1975-87, and the benefit increases for each year 1988-93, 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 1979-88, together with estimated amounts for 1989-93 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 1975-93.

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 1978-93.

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 1979-88, and the values projected for 1989-93, 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 1979-93 are shown in table D3.

TABLE D3.—OASDI PROGRAM AMOUNTS DETERMINED UNDER THE AUTOMATIC-ADJUSTMENT PROVISIONS, CALENDAR YEARS 1975-88, AND PROJECTED FUTURE AMOUNTS, CALENDAR YEARS 1989-93, 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: Under age 65	Retirement earnings test exempt amounts: Ages 65 and over[3]	Amount of earnings required for quarter of coverage[4]	AIME "bend points" in PIA formula: First	AIME "bend points" in PIA formula: Second	PIA "bend points" in maximum-family-benefit formula: First	PIA "bend points" in maximum-family-benefit formula: Second	PIA "bend points" in maximum-family-benefit formula: Third
Actual experience:											
1975	8.0	$14,100	([5])	$2,520	$2,520	([4])	([5])	([5])	([5])	([5])	([5])
1976	6.4	15,300	([5])	2,760	2,760	([4])	([5])	([5])	([5])	([5])	([5])
1977	5.9	16,500	([5])	3,000	3,000	([4])	([5])	([5])	([5])	([5])	([5])
1978	6.5	17,700	([5])	3,240	[7]4,000	[8]$250	([5])	([5])	([5])	([5])	([5])
1979	9.9	[7]22,900	$18,900	3,480	[7]4,500	260	[8]$180	[8]$1,085	[8]$230	[8]$332	[8]$433
1980	14.3	[7]25,900	20,400	3,720	[7]5,000	290	194	1,171	248	358	467
1981	11.2	[7]29,700	22,200	4,080	[7]5,500	310	211	1,274	270	390	508
1982	7.4	32,400	24,300	4,440	[7]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	([9])	45,000	33,600	6,120	8,400	470	319	1,922	407	588	767
Alternative II-A:											
1989	4.0	46,500	34,500	6,360	8,640	480	329	1,981	420	606	791
1990	3.6	48,600	36,000	6,600	9,000	510	344	2,071	439	634	826
1991	3.1	51,300	38,100	6,960	9,480	530	362	2,184	463	668	872
1992	3.0	54,000	40,200	7,320	9,960	560	382	2,303	488	705	919
1993	3.0	56,700	42,300	7,680	10,440	590	401	2,420	513	741	966
Alternative II-B:											
1989	4.5	46,500	34,500	6,360	8,640	480	329	1,981	420	606	791
1990	4.3	48,600	36,000	6,600	9,000	500	343	2,065	438	632	824
1991	4.2	51,300	37,800	6,960	9,480	530	361	2,175	461	666	868
1992	4.0	54,000	39,900	7,320	9,960	560	380	2,290	485	701	914
1993	4.0	57,000	42,000	7,680	10,440	590	400	2,412	511	738	962

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

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

[3]In 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.

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

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

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

[7]Amount specified by Social Security Amendments of 1977.

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

[9]Actual benefit increase for December 1988 has not been determined. Estimates of that increase, based on alternatives II-A and II-B, are 3.4 percent and 3.8 percent, respectively.

APPENDIX E.—ACTUARIAL ESTIMATES FOR THE OASI, DI, AND HI PROGRAMS, COMBINED

In this appendix, actuarial estimates for the OASI, DI, and Hospital Insurance (HI) 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. These estimates represent the combination of the estimates shown in this report and in the concurrent report for the HI Trust Fund.

As is the case with the OASI and DI Trust Funds, the primary source of income to the HI Trust Fund is contributions paid by employees, employers, and self-employed persons. The contribution base for the HI program is the same as for the OASDI program and is shown in table 1. Contribution (or tax) rates for the OASDI and HI programs are summarized in table E1 for 1966 and later. The combined OASDI and HI tax on 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

Calendar years	Contribution rates (percent)					
	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	0.50	4.40	5.90	0.50	6.40
1968	3.80	0.60	4.40	5.80	0.60	6.40
1969-70	4.20	0.60	4.80	6.30	0.60	6.90
1971-72	4.60	0.60	5.20	6.90	0.60	7.50
1973	4.85	1.00	5.85	7.00	1.00	8.00
1974-77	4.95	0.90	5.85	7.00	0.90	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

[1]See 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, and minimum standards are 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 after 1987 except to repay amounts owed. Currently, there are no such amounts owed. The emphasis in this appendix on combined operations should not obscure the financial status of the individual trust funds.

Table E2 shows estimated contingency fund ratios for the three funds, separate and combined, for calendar years 1988-97, based on the four alternative sets of assumptions used in this report. The contingency fund ratio is defined to be the ratio of trust fund assets at the beginning of a year (including advance tax transfers for January, in the case of OASI and DI) to expenditures during the year, expressed as a percentage.

The estimates in table E2 show that, based on all four alternatives, the contingency fund ratio for the OASI and DI Trust Funds, combined, is estimated to increase throughout the short-range projection period. The DI fund ratio, however, is projected to decline in 1989 and 1990 based on alternative III, but then to increase under all alternatives. Based on alternative III, however, the DI fund ratio is projected to resume its decline in 1993 until being exhausted in 1996. Based on all but alternative I, the HI fund ratio is estimated to increase for a few years and then to begin declining. As described in the concurrent HI Annual Report, the HI Trust Fund would have sufficient assets to meet obligations throughout the medium-range period based on alternative I, but would be exhausted in 2009 based on alternative II-A, in 2006 based on alternative II-B, and in 2000 based on alternative III.

Table E2 shows that the combined assets of the OASI, DI, and HI Trust Funds will be sufficient to meet combined obligations through at least the period shown, based on all four alternative sets of assumptions. The combined fund ratio is projected to increase from 52 in 1988 to 270, 219, 192, and 108 in 1997 based on alternatives I, II-A, II-B, and III, respectively. Thus, a reallocation of tax rates among the OASI, DI, and HI programs, or the extension of interfund borrowing authority beyond 1987, would be sufficient to prevent the potential financing problems of the DI and HI programs for a number of years.

TABLE E2.—ESTIMATED CONTINGENCY FUND RATIOS[1] FOR THE OASI, DI, AND HI TRUST FUNDS, SEPARATE AND COMBINED, BY ALTERNATIVE, CALENDAR YEARS 1988-97

Calendar year	OASI	DI	OASDI	HI	Total OASDI and HI
Alternative I:					
1988	41	39	41	101	52
1989	59	41	58	122	70
1990	79	47	76	137	89
1991	102	68	99	149	109
1992	128	92	124	162	132
1993	156	118	153	175	157
1994	188	145	183	187	184
1995	221	171	216	198	212
1996	256	196	250	209	240
1997	292	218	285	219	270
Alternative II-A:					
1988	41	38	41	101	52
1989	59	39	57	120	69
1990	77	41	73	131	85
1991	97	56	93	139	103
1992	120	74	115	146	122
1993	144	92	139	150	141
1994	170	109	164	152	161
1995	197	126	190	152	181
1996	225	140	216	149	200
1997	254	153	244	144	219
Alternative II-B:					
1988	41	38	41	101	52
1989	58	38	56	119	69
1990	75	39	71	130	84
1991	93	53	89	136	99
1992	112	67	107	141	115
1993	132	81	127	142	130
1994	153	96	147	142	146
1995	176	110	169	138	162
1996	199	122	191	133	177
1997	223	132	214	126	192

TABLE E2.—ESTIMATED CONTINGENCY FUND RATIOS[1] FOR THE OASI, DI, AND HI TRUST FUNDS, SEPARATE AND COMBINED, BY ALTERNATIVE, CALENDAR YEARS 1988-97 (Cont.)

Calendar year	OASI	DI	OASDI	HI	Total OASDI and HI
Alternative III:					
1988	41	37	41	101	52
1989	56	33	54	117	66
1990	68	27	64	122	76
1991	80	30	74	123	85
1992	90	31	84	121	92
1993	99	28	91	112	96
1994	109	25	100	100	100
1995	120	21	109	86	103
1996	132	15	119	68	106
1997	144	(²)	128	48	108

[1]See text for definition of contingency fund ratio.

[2]The fund is estimated to be exhausted.

Note: The assumptions underlying the estimates for the HI Trust Fund are described in Appendix A of the HI Annual Report. The ratios for OASDI and for OASDI and HI, combined, for 1997, based on alternative III, are theoretical and are shown for informational purposes only.

Table E3 shows estimated cost rates for the OASI, DI, and HI programs for the long-range 75-year projection period, based on the four alternative sets of assumptions. Table E3 also shows a comparison of total income and cost rates for the three programs combined. The cost rates shown for the HI program exclude the cost associated with maintaining the HI Trust Fund at a level suitable for a contingency reserve. These amounts are presented in the HI Annual Report.

TABLE E3.—COMPARISON OF ESTIMATED TOTAL INCOME RATES AND COST RATES FOR THE OASI, DI, AND HI PROGRAMS, BY ALTERNATIVE, CALENDAR YEARS 1988-2060

[As a percentage of taxable payroll[1]]

Calendar year	Total income rate	Cost rate: OASI	DI	HI[2]	Total	Balance[3]
Alternative I:						
1988	15.19	9.58	1.06	2.50	13.13	2.06
1989	15.20	9.46	1.04	2.51	13.01	2.19
1990	15.46	9.39	1.01	2.59	13.00	2.46
1991	15.50	9.27	.99	2.63	12.89	2.61
1992	15.50	9.15	.98	2.66	12.78	2.72
1993	15.50	9.01	.97	2.68	12.65	2.85
1994	15.50	8.87	.96	2.70	12.53	2.97
1995	15.50	8.75	.97	2.72	12.44	3.06
1996	15.50	8.63	.97	2.74	12.34	3.15
1997	15.50	8.53	.98	2.74	12.25	3.24
2000	15.54	8.17	1.01	2.75	11.92	3.61
2005	15.59	7.76	1.09	2.70	11.56	4.02
2010	15.63	7.90	1.22	2.67	11.79	3.84
2015	15.69	8.75	1.29	2.67	12.71	2.98
2020	15.76	9.93	1.33	2.78	14.04	1.72
2025	15.81	10.82	1.38	2.98	15.18	.63
2030	15.84	11.27	1.35	3.17	15.79	.05
2035	15.85	11.23	1.31	3.31	15.85	.00
2040	15.84	10.87	1.30	3.40	15.57	.27
2045	15.83	10.55	1.32	3.44	15.32	.51
2050	15.83	10.42	1.33	3.48	15.23	.60
2055	15.83	10.37	1.32	3.52	15.21	.62
2060	15.83	10.29	1.31	3.56	15.16	.67
Alternative II-A:						
1988	15.19	9.61	1.08	2.51	13.21	1.98
1989	15.20	9.55	1.07	2.56	13.18	2.03
1990	15.48	9.57	1.05	2.68	13.30	2.19
1991	15.50	9.49	1.04	2.75	13.29	2.22
1992	15.51	9.40	1.03	2.82	13.25	2.26
1993	15.51	9.31	1.03	2.89	13.24	2.27
1994	15.51	9.23	1.04	2.96	13.23	2.28
1995	15.51	9.15	1.05	3.03	13.22	2.28
1996	15.51	9.06	1.06	3.10	13.22	2.29
1997	15.51	8.99	1.08	3.15	13.22	2.29

TABLE E3.—COMPARISON OF ESTIMATED TOTAL INCOME RATES AND COST RATES FOR THE OASI, DI, AND HI PROGRAMS, BY ALTERNATIVE, CALENDAR YEARS 1988-2060 (Cont.)
[As a percentage of taxable payroll[1]]

Calendar year	Total income rate	Cost rate				Balance[3]
		OASI	DI	HI[2]	Total	
Alternative II-A: (Cont.)						
2000	15.56	8.73	1.12	3.31	13.17	2.39
2005	15.62	8.44	1.26	3.53	13.23	2.39
2010	15.68	8.68	1.44	3.77	13.90	1.78
2015	15.74	9.72	1.55	4.12	15.38	.36
2020	15.83	11.18	1.60	4.66	17.44	-1.62
2025	15.90	12.45	1.69	5.29	19.44	-3.53
2030	15.95	13.32	1.68	5.85	20.85	-4.90
2035	15.98	13.65	1.65	6.22	21.51	-5.53
2040	15.98	13.60	1.65	6.40	21.65	-5.66
2045	15.99	13.54	1.71	6.48	21.74	-5.75
2050	16.00	13.70	1.74	6.55	22.00	-6.00
2055	16.02	13.93	1.73	6.63	22.29	-6.27
2060	16.02	14.07	1.72	6.70	22.49	-6.46
Alternative II-B:						
1988	15.19	9.65	1.08	2.52	13.25	1.94
1989	15.20	9.65	1.08	2.58	13.30	1.90
1990	15.50	9.74	1.07	2.71	13.52	1.98
1991	15.51	9.73	1.07	2.80	13.60	1.91
1992	15.52	9.68	1.06	2.88	13.62	1.89
1993	15.52	9.62	1.06	2.95	13.63	1.89
1994	15.52	9.54	1.07	3.03	13.64	1.88
1995	15.52	9.47	1.07	3.11	13.65	1.86
1996	15.52	9.40	1.09	3.18	13.66	1.86
1997	15.52	9.33	1.10	3.23	13.66	1.85
2000	15.57	9.14	1.16	3.42	13.72	1.85
2005	15.65	8.91	1.31	3.68	13.89	1.75
2010	15.71	9.18	1.49	3.96	14.63	1.07
2015	15.78	10.26	1.60	4.34	16.20	-.42
2020	15.87	11.81	1.66	4.90	18.37	-2.51
2025	15.94	13.18	1.76	5.57	20.50	-4.56
2030	16.00	14.14	1.74	6.16	22.04	-6.04
2035	16.03	14.54	1.71	6.54	22.79	-6.76
2040	16.03	14.52	1.71	6.73	22.96	-6.92
2045	16.04	14.47	1.78	6.81	23.06	-7.02
2050	16.05	14.63	1.80	6.89	23.32	-7.27
2055	16.06	14.86	1.80	6.96	23.62	-7.56
2060	16.07	15.02	1.78	7.04	23.84	-7.77
Alternative III:						
1988	15.19	9.80	1.13	2.56	13.48	1.71
1989	15.21	10.02	1.16	2.67	13.86	1.35
1990	15.53	10.19	1.17	2.85	14.21	1.32
1991	15.52	10.33	1.19	2.99	14.50	1.02
1992	15.54	10.69	1.24	3.16	15.09	.45
1993	15.54	10.60	1.25	3.28	15.13	.41
1994	15.54	10.52	1.27	3.43	15.22	.32
1995	15.54	10.43	1.28	3.57	15.29	.25
1996	15.54	10.37	1.31	3.71	15.40	.14
1997	15.54	10.32	1.34	3.85	15.51	.03
2000	15.61	10.18	1.40	4.31	15.89	-.28
2005	15.70	10.00	1.59	5.07	16.65	-.95
2010	15.77	10.35	1.84	5.98	18.17	-2.40
2015	15.85	11.66	2.00	7.18	20.85	-4.99
2020	15.97	13.63	2.10	8.79	24.52	-8.56
2025	16.07	15.59	2.25	10.60	28.43	-12.36
2030	16.17	17.30	2.26	12.17	31.73	-15.57
2035	16.23	18.46	2.25	13.14	33.86	-17.62
2040	16.27	19.15	2.30	13.53	34.99	-18.72
2045	16.31	19.80	2.43	13.71	35.94	-19.63
2050	16.36	20.72	2.51	13.86	37.08	-20.72
2055	16.42	21.74	2.51	14.01	38.26	-21.84
2060	16.46	22.57	2.48	14.17	39.22	-22.76

[1]The 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.

[2]Cost rates for HI exclude amounts required for trust fund maintenance.

[3]The balance is the total income rate minus the combined OASDI and HI cost rate. Negative balances are deficits.

The trend in long-range OASDI cost rates was described earlier in this report. The HI cost rates are estimated to increase substantially based on the four alternatives, from the current level of about 2.5 percent of taxable payroll to 3.56, 6.70, 7.04, and 14.17 percent, respectively, in 2060. The most significant increases occur during 2010-35. The estimated combined OASDI and HI cost rates follow a similar pattern, rising from the current level of about 13.2 percent to 15.16, 22.49, 23.84, and 39.22 percent of taxable payroll in 2060 based on alternatives I, II-A, II-B, and III, respectively. The combined cost rates are estimated to be less than the combined income rates throughout the long-range period based on alternative I, but are estimated to exceed the combined income rates for all years 2020 and later, based on alternative II-A, for all years 2015 and later, based on alternative II-B, and for all years 2000 and later, based on alternative III.

Table E4 shows the summarizations of these long-range projections. As in the body of this report, the summarizations are shown on the level-financing cost basis in addition to the average cost basis. For the level-financing basis, the figures are shown including the starting trust fund balances and excluding the starting trust fund balances. The starting trust fund balances are included for only those periods that begin with 1988.

TABLE E4.—COMPARISON OF SUMMARIZED INCOME RATES AND COST RATES FOR THE OASI, DI, AND HI PROGRAMS, BY ALTERNATIVE, CALENDAR YEARS 1988-2062

[As a percentage of taxable payroll[1]]

Period	Total income rate	Cost rate				Balance[3]
		OASI	DI	HI[2]	Total	
"Average-cost" basis[4]:						
Alternative I:						
25-year averages:						
1988-2012	15.52	8.40	1.06	2.68	12.15	3.38
2013-2037	15.79	10.39	1.33	2.98	14.71	1.08
2038-2062	15.83	10.50	1.32	3.48	15.30	.53
75-year average:						
1988-2062	15.72	9.76	1.24	3.05	14.05	1.66
Alternative II-A:						
25-year averages:						
1988-2012	15.55	8.92	1.19	3.26	13.36	2.18
2013-2037	15.88	12.06	1.63	5.23	18.92	-3.03
2038-2062	16.00	13.77	1.71	6.55	22.03	-6.03
75-year average:						
1988-2062	15.81	11.58	1.51	5.01	18.10	-2.29
Alternative II-B:						
25-year averages:						
1988-2012	15.57	9.29	1.22	3.37	13.88	1.68
2013-2037	15.92	12.78	1.69	5.50	19.97	-4.05
2038-2062	16.05	14.70	1.77	6.89	23.36	-7.31
75-year average:						
1988-2062	15.85	12.26	1.56	5.25	19.07	-3.22
Alternative III:						
25-year averages:						
1988-2012	15.60	10.25	1.46	4.36	16.07	-0.46
2013-2037	16.06	15.32	2.17	10.37	27.87	-11.81
2038-2062	16.37	20.80	2.45	13.85	37.10	-20.73
75-year average:						
1988-2062	16.01	15.46	2.03	9.53	27.01	-11.00

TABLE E4.—COMPARISON OF SUMMARIZED INCOME RATES AND COST RATES FOR THE OASI, DI, AND HI PROGRAMS, BY ALTERNATIVE, CALENDAR YEARS 1988-2062 (Cont.)

[As a percentage of taxable payroll[1]]

Period	Total income rate	Cost rate				Balance[3]
		OASI	DI	HI[2]	Total	
"Level-financing" basis[4]:						
Alternative I:						
25-year:						
1988-2012	15.49	8.44	1.06	2.68	12.19	3.30
2013-2037	15.75	10.38	1.34	2.98	14.70	1.06
2038-2062	15.80	10.52	1.32	3.48	15.32	.48
75-year:						
1988-2062	15.67	9.73	1.23	3.03	14.00	1.68
Alternative II-A:						
25-year:						
1988-2012	15.50	8.96	1.18	3.24	13.38	2.12
2013-2037	15.84	12.01	1.63	5.19	18.83	-2.99
2038-2062	15.97	13.78	1.71	6.55	22.04	-6.08
75-year:						
1988-2062	15.75	11.34	1.48	4.83	17.66	-1.91
Alternative II-B:						
25-year:						
1988-2012	15.52	9.33	1.22	3.34	13.89	1.63
2013-2037	15.88	12.73	1.69	5.46	19.88	-4.00
2038-2062	16.01	14.72	1.78	6.88	23.38	-7.37
75-year:						
1988-2062	15.78	11.98	1.53	5.05	18.57	-2.79
Alternative III:						
25-year:						
1988-2012	15.54	10.27	1.44	4.26	15.98	-0.43
2013-2037	16.00	15.17	2.17	10.21	27.56	-11.55
2038-2062	16.32	20.73	2.45	13.83	37.01	-20.69
75-year:						
1988-2062	15.89	14.55	1.94	8.67	25.16	-9.27
"Level-financing" basis[5]:						
Alternative I:						
25-year: 1988-2012	15.76	8.44	1.06	2.68	12.19	3.57
50-year: 1988-2037	15.76	9.37	1.19	2.82	13.39	2.37
75-year: 1988-2062	15.77	9.73	1.23	3.03	14.00	1.78
Alternative II-A:						
25-year: 1988-2012	15.79	8.96	1.18	3.24	13.38	2.41
50-year: 1988-2037	15.81	10.38	1.39	4.15	15.92	-.11
75-year: 1988-2062	15.86	11.34	1.48	4.83	17.66	-1.80
Alternative II-B:						
25-year: 1988-2012	15.81	9.33	1.22	3.34	13.89	1.92
50-year: 1988-2037	15.84	10.90	1.44	4.33	16.67	-.83
75-year: 1988-2062	15.89	11.98	1.53	5.05	18.57	-2.68
Alternative III:						
25-year: 1988-2012	15.86	10.27	1.44	4.26	15.98	-0.11
50-year: 1988-2037	15.92	12.46	1.77	6.92	21.15	-5.22
75-year: 1988-2062	16.02	14.55	1.94	8.67	25.16	-9.14

[1]The 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.

[2]Cost rates for HI exclude amounts required for trust fund maintenance.

[3]The balance is the total income rate minus the combined OASDI and HI cost rate. Negative balances are deficits.

[4]Income rates do not include beginning trust fund balances.

[5]Income rates include beginning trust fund balances.

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

The combined level-financing actuarial balances, including the starting trust fund balances, for the 75-year projection period are a positive 1.78 percent of taxable payroll on the basis of alternative I, and a negative 1.80, 2.68, and 9.14 percent on the basis of alternatives II-A, II-B, and III, respectively. The alternative I positive balance is 13 percent of the combined cost rate, while the alternatives II-A, II-B, and III negative balances are 10, 14 and 36 percent of the combined cost rates, respectively.

In general, the estimates for the three 25-year subperiods display a pattern of large positive balances or small deficits in the first subperiod, followed by falling positive balances or rising deficits in the second and third subperiods. For example, under alternative II-B, the combined average positive balance is 1.63 percent of taxable payroll in 1988-2012, followed by average deficits of 4.00 percent and 7.37 percent in 2013-2037 and 2038-2062, respectively.

As noted previously in this report and in the HI Annual Report, long-range estimates such as these are subject to much uncertainty and as such should not be considered precise forecasts, but instead should be considered as indicative of the general trend and range of costs that could reasonably be expected to occur.