

This chapter explains the basic computations of the Primary Insurance Amount (PIA) under the Social Security Act. It also explains the computations of the various PIAs used to calculate an annuity under the Railroad Retirement Act.

1005.5 Definitions

1005.5.1 Definitions of Social Security Act Terms in Effect Prior to 1977

- A. Retirement age - For computational purposes, retirement age for women is age 62. The 1972 Social Security Act amendments changed retirement age for men from age 65 to age 62 beginning January 1, 1973. For men who attain age 62 in 1975 or later, the number of elapsed years is determined up to the year of attainment of age 62 (or, if earlier, the year of death) rather than age 65. Men who attained age 62 in 1973 or 1974, were deemed to have attained age 65 in 1975. Elapsed years for these men will be counted up to 1975. Men who attained age 62 before 1973, were not affected by the 1972 amendments.
- B. Average Monthly Wage (AMW) - This is the result of dividing the total of the (non-indexed) earnings in the computation base years by the number of months in the computation base years (commonly known as divisor months).
- C. Primary Insurance Benefit (PIB) - This is the result of a formula applied to the AMW under the old start computation. The PIA is determined from the PIB based on a conversion table.
- D. Primary Insurance Amount (PIA) - The Primary Insurance Amount (PIA) is the basis of all Social Security Act benefits.
- E. Old Start PIA - An old start PIA is a PIA which is computed using earnings before 1951 in addition to earnings after 1950.
- F. New Start PIA - A new start PIA is a PIA which is computed without using earnings before 1951.
- G. Eligible - The individual meets the requirements for a Social Security Act benefit and has an insured status. (This definition was changed under the 1977 SS Act amendments to delete the reference to an insured status as of eligibility year.)
- H. Elapsed Years - Elapsed years include years beginning with the later of:
- 1937 (old start); or
 - 1951 (new start); or
 - The year the employee attained age 22.

They include the years up to the earlier of:

- The year the employee attains age 62 (EXCEPTION: For male workers who attained age 62 before 1975, elapsed years extend to the earlier of the year he attained age 65 or 1975); or
- The year of death; or
- The year a period of disability (DF) is established; or
- The ABD year of the disability annuity, if there is no DF.

I. Computation Base Years - The base years are the years from which the benefit computation years are chosen for the AMW dividend or AIME dividend. The number of base years depends on the SS Act method of computing the PIA:

- Old Start AMW Computation - The base years are the years since January 1, 1937 through the last computation base year, excluding years wholly within a period of disability.
- "New Start" AMW or AIME Computation - The base years are the years since January 1, 1951, through the last computation base year excluding years wholly within a period of disability.

In life cases, the last computation base year for the initial (old start or new start) AMW or AIME ends on the earlier of December 31, of the year prior to the effective date of the PIA or December 31, of the year of the disability onset.

In death cases, the last computation base year for the old start or new start) AMW or the AIME is the year of the wage earner's death.

EXCEPTION: The AMW computation in life or death cases for the TRANS PIA or for the 1977 old start PIA for eligibilities in 1979 or later cannot include earnings in the "eligibility year" or later years.

J. Benefit Computing Years - Benefit computation years are selected from the computation base years and are equal to the elapsed years minus the dropout years but not less than 2 years.

K. Recalculation - The PIA, once established can be changed by recalculation which:

- Involves the reopening of previous computations to change the factors of the benefit computations; and,
- Can result in an increase or a decrease in the PIA; and,
- May or may not be specifically provided for in the law.

- L. Recomputation - The PIA, once established can be changed by recomputation which:
- Involves the use of a new computation period; and,
 - Can be effective only to increase the PIA; and,
 - Is specifically provided for in the Social Security Act.
- M. Life benefits - The benefits payable to the living wage earner and auxiliaries upon filing of an application.
- N. Death benefits - The benefits payable on the deceased wage earner's wage record to the eligible survivors upon filing of an application.
- O. Drop-out years - Up to 5 years of lowest earnings which are excluded from most PIA computations.
- P. Date of entitlement - The initial date of entitlement is the month for which payments are due before adjustment for work deductions or SS Act non-payment provisions. This is similar to the annuity beginning date under the RR Act.

1005.5.2 Definitions of SS Act Terms Effective 1977 or Later

- A. Entitled - The person is "entitled" when (s)he meets all the requirements including the insured status and the filing of an application. Entitlement exists even though payments are not being made.
- B. Eligible - A wage earner is "eligible" for life benefits with a beginning date of 1-1979 or later under the 1977 SSA Amendments in the earliest of:
- The year of disability onset; or,
 - The year of attainment of age 62.

Insured status is not considered at SSA when determining whether an individual is eligible for a life benefit effective 1-1-79 or later under the 1977 SSA amendments. A person age 62 in 1979 and not insured until 1980 is considered "eligible" in 1979 for computational purposes. However, the onset date of a period of disability is contingent upon the meeting of DIB insured status.

If the wage earner dies before becoming eligible for life benefits, survivor benefits are computed using the year of death as the eligibility year.

NOTE: The deeming provisions under the RR Act can make an RR employee "eligible" for the RR Act PIA #1 or PIA #3 even though (s)he would not be eligible under the SS Act. For example, an occupational disability annuitant is deemed to be entitled to a DIB under the SS Act even though there is no SS Act DF. A

60/30 annuitant is deemed to be eligible on the ABD if (s)he is under age 62 on the ABD.

- C. Eligibility Year (Benchmark Year) - The "eligibility year" (or benchmark year) is the earliest of:
 - The year of death; or,
 - The year of disability onset; or,
 - The year of attainment of age 62.

- D. Average Annual Wage (AAW) - The average annual wage is the average of actual covered and non-covered wages for all workers in a given year. Prior to 1978, this equals four times the average social security earnings reported for the first quarter of each year. After 1977, it is based on earnings reported to the Internal Revenue Service.

- E. Indexing - Indexing is a means of expressing prior year's earnings in terms of their current dollar value. The method for accomplishing this involves the multiplying of the previously reported earnings for each year after 1950 up through the indexing year by the quotient of the average annual wage (AAW) of all workers for the indexing year divided by the average annual wage of all workers for the year being indexed.

$$\begin{array}{rcccl}
 \text{Unindexed} & & \text{Average annual wage} & & \text{Indexed} \\
 \text{earnings} & & \text{for indexing year} & & \text{earnings} \\
 \text{for year N} & \times & \frac{\text{Average annual wage}}{\text{Average annual wage}} & = & \\
 & & \text{for year N} & &
 \end{array}$$

Earnings for years subsequent to the indexing year are not indexed. The actual reported earnings are considered.

- F. Indexing Year - The indexing year is the second year before the individual's year of eligibility as defined in item C.

- G. Average Indexed Monthly Earnings (AIME) - This is the result of dividing the total of the indexed and non-indexed earnings in the benefit computation years by the number of months in the computation base years (commonly known as divisor months).

- H. Bend Points - Bend points are the amounts of the AIME which are multiplied by the constant percentages in the PIA formula contained in the law. The term also refers to the amounts of the AIME PIA which are multiplied by constant

percentages in the formula used to determine the family maximums applicable to AIME PIAs.

The law provides that by November 1 of each year the Secretary of Health and Human Services will publish in the Federal Register the bend points that will be applicable to workers who become "eligible" for benefits in the following year.

- I. Decoupling - Decoupling is a term which denotes that all prior cost-of-living increases are not considered when computing the starting old start, TRANS or AIME PIA under the 1977 SSA Amendment provisions. The PIA is either derived from the June 1978 PIA table or computed by applying a formula to the AIME. Cost-of-living increases are added, generally after the starting PIA has been determined beginning with the year of eligibility.

The special minimum PIA is not subject to the decoupling provision.

- J. RAW PIA or RAW Maximum - This is the basic result of applying the PIA formula based on the eligibility year to the AIME amount or the family maximum formula based on the benchmark year to the PIA amount.
- K. Variable Dropout - This is a provision of the 1980 Social Security Disability amendments which limits the low years of earnings to be excluded from disability PIA computations.

1005.10 Types Of PIAs Under The SS Act And RR Act

1005.10.1 Types of PIAs

Under the 1977 amendments to the SS Act, the "eligibility year" (sometimes called the "benchmark year") determines the type of PIA to be computed.

The eligibility year is the earliest of:

- The year of death;
- The year of disability onset; or
- The year of attainment of age 62.

NOTE: Insured status is not directly considered at SSA when determining whether an individual is eligible. However, the onset date of a period of disability depends upon the meeting of the insured status requirements for a disability insurance benefit.

- A. Eligibility Year Before 1979 - The usual PIA computations for cases with an eligibility year before 1979 are:

1. "New Start" Method (AMW PIA) - The PIA is obtained directly from the Average Monthly Wage (AMW) under the "new start" method.
 2. Special Minimum PIA (SPC MIN PIA) - The PIA is obtained by multiplying an amount specified in the law by the number of "years of coverage" under the special minimum guarantee.
 3. Old Start PIA - The Primary Insurance Benefit (PIB) is determined according to a formula provided by the 1967 or 1977 amendments to the SS Act and then converted to a PIA.
- B. Eligibility Year 1979 or Later - The usual PIA computations for cases with an eligibility year 1979 or later are:
1. AIME PIA - The AIME (average indexed monthly earnings) PIA is determined by means of a formula in which variable portions of the AIME (the bend points established for the employee's eligibility year) are multiplied by constant percentages contained in the law. Cost-of-living increases are added under specific rules after the AIME PIA has been computed.
 2. Frozen Minimum PIA (FRZN MIN PIA) - The minimum starting AIME PIA for initial entitlement effective January 1979 was frozen at \$122.00 (June 1978 minimum PIA rounded to the next higher multiple of \$1.00). Cost-of-living increases are added under specific rules.

The 1981 SS Act amendments as revised by PL 97-123 eliminated the frozen minimum PIA 1-1-81 for beneficiaries first eligible 1-1-82 or later.
 3. Transitional Guarantee PIA (TRANS PIA) - This PIA is obtained directly from the Average Monthly Wage (AMW) under the "new start" method. Earnings in the eligibility year or later years are not included. Cost-of-living increases are added under specific rules.
 4. 1977 Old Start PIA (1977 O.S. PIA) - The PIA is determined by computing the PIB and then converting it to the PIA using a conversion chart. However, for eligibilities in 1979 or later, the AMW cannot include earnings in the eligibility year or later years. Cost-of-living increases are added from the eligibility year under specific rules.
 5. Special Minimum PIA (SPC MIN PIA) - The PIA is obtained by multiplying an amount specified in law by the number of "years of coverage" under the special minimum guarantee.
 6. DIB Guarantee PIA - When an individual has been entitled to monthly disability benefits that terminated more than 12 months before the current disability, age and service, or survivor entitlement, the "eligibility year" of the current entitlement determines the computation to be used. However,

the starting PIA may not be less than the PIA which was in effect in the month of termination of the disability benefits.

NOTE: When an individual has been entitled to monthly disability benefits that terminated within 12 months of the current disability, age and service or survivor entitlement, the previous PIA computation applies.

7. Vow of Poverty Minimum PIA - The December 1981 SS Act amendments retain the minimum PIA's for certain members of religious orders (or an autonomous part of such order) first eligible before 1992, provided:
- The individual was required to take a vow of poverty; and,
 - The religious order must have elected Social Security coverage for their members prior to 12/29/81, the enactment date of PL 97-123.

1005.15 RR Act PIAs

The 1974 RR Act requires a number of Primary Insurance Amounts (PIAs) to calculate an annuity. This chapter describes the PIAs and explains how they are calculated.

See Appendix M in the manual for a chart summarizing the RR Act PIAs.

1005.15.1 PIA #1

PIA #1 is used in the computation of the tier I amount.

- A. Retirement cases - PIA #1 is computed under current SSA rules except that:
1. An insured status under the SS Act is not required.
 2. A 60/30 annuitant (age 60-64) who meets the eligibility requirements for a 60/30 annuity before 7-1-84 is deemed to be age 65 on the ABD (except for the purposes of recomputation) to determine the elapsed years and benefit computation years.
 3. A 60/30 annuitant (age 60-61) is deemed to be age 62 on the ABD to determine the initial eligibility year.
 4. A 60/30 annuitant (age 60-61) who first meets the eligibility requirements for a 60/30 annuity 7-1-84 or later does not receive any COL increases on the initial PIA #1. Effective with the first month throughout which the employee is age 62, a new PIA #1 is computed using the year of attainment as the eligibility year. COL increases are included beginning with the year the employee attains age 62.
 5. A 60/30 annuitant with an ABD 1-1-2002 or later, the PIA is subject to COL increases. Earnings in the ABD year or later cannot be included in

the computation of PIA #1 until the January after the employee attains age 62. The eligibility year does not change.

6. A disability annuitant is deemed entitled to a DIB for the purpose of computing a PIA on his ABD unless an actual DF begins earlier, in which case the actual DF beginning date is used.

PIA #1 uses combined wages, compensation and self-employment income (SEI) through the last computation base year. PIA #1 is subject to recomputation effective January 1 of the year following the year a 60/30 employee actually attains 62 or when a disabled employee attains age 65, or in cases where there is an actual DF, is deemed to have attained age 65.

PIA #1 is not computed when there are no wages, compensation or SEI after 1936.

The current AMW PIA #1, TRANS PIA #1, 1977 old start PIA #1 or AIME PIA #1 is used based on the employee's "eligibility year." However, the SPC MIN PIA #1 will apply if it is higher than these alternative PIA #1 computations.

Delayed Retirement Credits (DRCs) are added to all PIA #1 computations except the SPC MIN PIA.

An age reduction is applied to the PIA when an employee age 62-64 with less than 30 years of creditable service applies for an age and service annuity. An age reduction is also applied to the PIA when an employee who first meets the eligibility requirements for a 60/30 annuity 7-1-84 or later applies for a 60/30 annuity which begins before age 62.

The spouse's share of the PIA is reduced for age as explained in [FOM-I-1025.5.1](#).

An age reduction is applied to a divorced spouse's share of the PIA if she is age 62-64 on her ABD.

- B. Survivor cases - PIA #1 is computed under current SSA rules except that an SS Act insured status is not required if the application filing date, original beginning date or date of death is after 12-31-74. Since there are no other RR Act deeming provisions, the survivor PIA #1 may be different from the retirement PIA #1 in 60/30 cases or disability cases where there are no DF.

PIA #1 uses combined wages, compensation and SEI through the date of death.

PIA #1 is not computed when there are no wages, compensation or SEI after 1936, however, a widow(er) is entitled to a tier I amount of \$93.80 effective October 1, 1981. This tier I amount is increased by the same percentage as SS

Act COL increases but only for increases after the date the annuity begins to accrue.

The current AMW survivor PIA #1, TRANS survivor PIA #1, 1977 old start survivor PIA #1, or AIME survivor PIA #1 is used based upon the employee's "eligibility year." However, the SPC MIN survivor PIA #1 will apply if it is higher than these alternative survivor PIA #1 computations.

An age reduction is applied to an aged or disabled widow(er)'s share of the survivor PIA #1 if (s)he is under age 65 on his (her) original beginning date. An age reduction is also applied to a remarried widow(er)'s share or a surviving divorced spouse's PIA #1 if (s)he is under age 65 on her ABD.

1005.15.2 PIA #2

PIA #2 is the amount of the employee annuity tier I that is subject to work deductions. PIA #2 is the difference between the gross tier I PIA (PIA #1 or the pass-thru PIA) and PIA #17. If the employee's tier I was reduced for early retirement, the amount subject to work deductions is reduced for age.

The amount of the spouse annuity tier I subject to work deductions is 50% of PIA #2 (rounded down to end in zero). If the spouse's tier I was reduced for early retirement, the amount subject to work deductions is reduced for age.

1005.15.3 PIA #3

PIA #3 is used in determining the net residual lump-sum amount. This PIA is computed under current SSA rules, except that under the 1974 RR Act:

- An insured status is not required if the filing date, original beginning date or date of death is after 12-31-74;
- If the deceased employee had been a 60/30 annuitant and was deemed age 65 on the retirement annuity ABD (except for the purposes of recomputation), this deeming provision applies to the elapsed years and benefit computation years for PIA #3;
- If the deceased employee had been a 60/30 annuitant and was deemed age 62 on the ABD to determine the "eligibility year," the same eligibility year is used for PIA #3;
- If the deceased employee had been a 60/30 annuitant and his tier I was reduced for age, PIA #3 will be computed in the same manner as his tier I and will be reduced for age in the same manner.
- If the deceased employee had been a disability annuitant, (s)he is deemed entitled to a DIB under section 223 of the Social Security Act on the RR annuity ABD for the purpose of computing a PIA only. The employee is

deemed age 62 on the ABD, unless an actual DF is earlier, in which case the actual DF is used; and

- Compensation only through the last benefit computation year is used. PIA #3 is computed in the same way as PIA #1, except that SS earnings are not included.

The current AMW PIA #3, TRANS PIA #3, 1977 old start PIA #3, or AIME PIA #3 computation is used based on the employee's "eligibility year." However, the SPC MIN PIA #3 will apply if it is higher than these alternate PIA #3 computations.

PIA #3 could be subject to recomputation if the employee's compensation in the retirement annuity ABD year is not within a period of disability and is sufficient to create a recomputation effective January 1 of the following year or if the employee had returned to RR service after the retirement annuity ABD and the compensation is sufficient to create a PIA #3 recomputation.

Delayed Retirement Credits (DRCs) are added to all of the PIA #3 computations except the SPC MIN PIA.

1005.15.4 PIA #4

A. Retirement cases - PIA #4 is used to compute the vested dual benefit reduction in the retirement annuity tier II for vested employee's whose annuities were awarded before October 1, 1981. It is also used to compute the vested dual benefit payable to vested employees. This PIA is computed under SSA rules in effect in 12-1974 using the 6-1974 PIA table except:

- The employee must be vested under the RR Act;
- The AMW dividend uses only wages and SEI through 12-31-74 or, if earlier, through the vesting year. The AMW divisor is based on the earlier of the wage earner's disability onset or attainment of SS Act retirement age;
- An age reduction is not applied to the PIA amount. Instead, for RR Act 2(a)(1)(iii) cases, an RR formula age reduction is applied to each tier; and
- DRCs are not added to this PIA.

Only the SS Act PIAs in effect in 12-1974 ("new start" AMW PIA #4, "old start" AMW PIA #4 or SPC MIN PIA #4) are computed. Only regular PIA #4 is used in determining the tier II vested dual benefit reduction. However, SPC MIN PIA #4 can be used in determining the vested dual benefit amount.

If the employee is entitled to a vested dual benefit based on a transitionally insured status on 12-31-74, PIA #4 would be the 12-1974 transitional RIB of \$64.40.

In a case where the RRB and the SSA established different periods of disability, or where only one agency established a DF, PIA #4 is computed based on SSA's DF date.

- B. Survivor cases - PIA #4 may be used in the computation of the survivor tier II in cases initially paid under the 1981 RR Act amendments. In survivor cases, PIA #4 is computed as explained above except when the employee did not receive a retirement annuity. In such cases, the employee is deemed to be age 65 in the month of his death. The number of QCs required for an insured status is, however, based on the employee's actual age.

1005.15.5 PIA #5

PIA #5 is used in 1974 Act cases awarded before October 1, 1981, to determine the pass-thru increase in the computation of the employee annuity tier II. It is also used in the computation of PIA #17 for the tier I work deduction in 1974 Act 60/30 cases or occupational disability cases with no freeze or a freeze after the ABD year. This PIA is computed under SSA rules in effect in 12-1974 using the 6-1974 PIA Table except:

- An insured status is not required;
- When determining the pass-thru increase, an annuitant is deemed to be age 65 on the ABD regardless of his (her) age or the type of annuity. Correspondingly, (s)he is deemed age 22, 43 years before the ABD;
- The AMW dividend uses only compensation through 12-31-74. If there is no compensation after 1936, the AMC is treated as an AMW for purposes of determining the PIA. The AMW divisor is based on deemed age 65 on ABD;
- An age reduction is applied to the PIA when an employee who first meets the eligibility requirements for a 60/30 annuity 7-1-84 or later applies for a 60/30 annuity which begins before age 62;
- An age reduction is not applied to the PIA amount in RR Act 2(a)(1)(iii) cases instead, an RR formula age reduction is applied to each tier;
- Delayed retirement credits are not added to this PIA; and
- An actual or deemed DF for PIA #1, PIA #3 or PIA #10 does not affect the computation of PIA #5.

Only the SS Act PIAs in effect in 12-1974 ("new start" AMW PIA #5, "old start" AMW PIA #5 or SPC MIN PIA #5) are computed.

In the computation of the employee annuity tier II for pre-1981 amendment cases, this PIA is not affected by the elimination of the minimum social security benefit.

When PIA #5 is used in the computation of PIA #17, the same type of computation used to compute PIA #1 is used to compute PIA #17. The same COL increases that are applied to PIA #1 are applied to PIA #5.

1005.15.6 PIA #6

PIA #6 was used for the 110% O/M and imputed SS benefit reduction in the computation of tier II in 1974 Act cases only.

1005.15.7 PIA #7

A. Retirement cases - PIA #7 is used in the computation of the employee's vested dual benefit. It is also used in the computation of PIA #17 for the tier I work deduction in 1974 Act retirement cases other than 60/30 cases or cases involving a disability freeze period. This PIA is computed under SSA rules in effect in 12-1974 using the 6-1974 PIA table except:

- The AMW dividend uses only compensation through 12-31-74 or, if earlier, through the vesting year. The AMW divisor is based on the earlier of the wage earner's disability onset, or attainment of SS Act retirement age;
- An age reduction is not applied to the PIA amount. Instead, for RR Act 2(a)(1)(iii) cases, an RR formula age reduction is applied to each tier; and
- DRCs are not added to this PIA.

Only the SS Act PIAs in effect in 12-1974 ("new start" AMW PIA #7 or "old start" AMW PIA #7 or SPC MIN PIA #7) are computed. If there is no compensation after 1936, PIA #7 is zero.

PIA #7 is computed in all cases. However, the employee must be vested under the RR Act for the PIA #7 to be used in the employee's vested dual benefit. In the computation of the vested dual benefit, PIA #7 is not affected by the elimination of the minimum social security benefit.

If the RR employee has a work deduction insured status, PIA #7 may be used to determine the PIA #17 amount regardless of the employee's vested status. The same type of computation used to compute PIA #1 is used to compute PIA #17. This may result in an amount less than \$93.80 for work deduction purposes.

B. Survivor cases - PIA #7 may be used in the computation of the survivor tier II in cases initially paid under the 1981 RR Act amendments. In survivor cases, PIA #7 is computed as explained above except when the employee did not receive a retirement annuity. In such cases, the employee is deemed to be age 65 in the month of his death. The number of QCs required for an insured status is, however, based on the employee's actual age.

1005.15.8 PIA #8

A. Retirement cases - PIA #8 is used in the computation of the employee's vested dual benefit. PIA #8 is computed under SSA rules in effect in 12-1974 using the 6-1974 PIA table except:

- The employee must be vested under the RR Act;
- The AMW uses only combined SS earnings and compensation through 12-31-74 or, if earlier, through the vesting year. The AMW divisor is based on the earlier of the wage earner's disability onset, or attainment of SS Act retirement age;
- An age reduced is not applied to the PIA amount. Instead, for RR Act 2(a)(1)(iii) cases, an RR formula age reduction is applied to the gross vested dual benefit amount; and
- DRCs are not added to this PIA.

Only the SS Act PIAs in effect in 12-1974 ("new start" AMW PIA #8, "old start" AMW PIA #8 or SPC MIN PIA #8) are computed.

B. Survivor cases - PIA #8 is used in the computation of the survivor tier II EE Annuity Restored Amount. It is also used in the computation of survivor annuity vested dual benefits for eligibilities prior to 8-13-81. It may be used in the computation of the survivor tier II in 1981 RR Act amendment cases. PIA #8 is computed under SSA rules in effect in 12-1974 using the 6-1974 PIA table except:

- The AMW dividend uses only combined SS earnings and compensation through 12-31-74. The AMW divisor is based on the earlier of the wage earner's disability onset, death or attainment of SS Act retirement age;
- If the employee did not receive a retirement annuity, he is deemed to be age 65 in the month of his death. The number of QCs required for an insured status is, however, based on the employee's actual age;
- If the deceased employee had no earnings after 1936 but his annuity began to accrue before 1948 based on at least 120 months of service and a current connection, the AMC is used as the AMW to determine the 6-1974 PIA or, if available, the employee's 6-1974 Pass-thru PIA is used;
- An age reduction is not applied to the PIA amount, an RR formula age reduction is applied to each tier; and,
- DRCs are not added to this PIA.

Only the SS Act PIAs in effect in 12-1974 ("new start" AMW PIA #8, "old start" AMW PIA # 8 or SPC MIN PIA #8 are computed.

1005.15.9 PIA #9

PIA #9 is used in the computation of the Retirement 100% O/M benefit and the survivor employee fictional RIB amount. This PIA is computed under current SSA rules for life cases. There are no RR Act deeming provisions.

PIA #9 uses combined wages, compensation and SEI through the last computation base year and is subject to recomputation under SSA rules for life cases.

In 60/30 cases, the AIME PIA #9 on the G-90, for the initial annuity award may be estimated PIA. If the O/M could apply in cases where an IPI spouse or child is involved, the module examiner will have to secure a subsequent G-90 with the actual PIA #9 amount. Since there are no deeming provisions for PIA #9, this PIA will be computed with an eligibility year based on the employee's actual attainment of age 62. The resulting AIME PIA bend points for employee's who attain 62 in 1979 or later will differ from the formula used to compute PIA #1.

In RR Act survivor cases, the PIA #9 for the fictional RIB PIA will differ from the survivor PIA #1 if the employee had earnings in the year of death. In these cases, the earnings in the year of death will not be used in the initial fictional RIB PIA #9 that is effective in the month of death. These earnings may be considered to recompute the fictional RIB PIA #9 effective January 1 of the year after the employee's death under the recomputation procedure for age and service cases.

The current AMW PIA #9, TRANS PIA #9, 1977 old start PIA #9 or AIME PIA #9 computation is used based on the employee's "eligibility year." However, the SPC MIN PIA #9 is still an alternate PIA computation and will apply if it exceeds the other PIA #9 computations.

An age reduction is applied to this PIA when the earliest possible effective date of the age and service O/M is in a month in which the employee is under age 65. DRCs are added as appropriate.

NOTE: Under the 1937 Railroad Retirement Act, the PIA computed at death for the survivor annuity was used to determine the EE RIB Limitation amount. This PIA was chosen because it was closer to the SSA PIA formula amount than the O/M PIA as limited by the 1972 Technical Amendments.

1005.15.10 PIA #10

PIA #10 was used in the computation to test for the 1937 RR formula guarantee amount. Since the regular RR annuity rate with appropriate COL increases will exceed the grandfather RR rate, this PIA is no longer computed.

1005.15.11 PIA #11

PIA #11 is used in the computation of the Retirement 110% Grandfather O/M benefit of the 1974 Railroad Retirement Act. This PIA is computed under the 1937 RR Act rules in effect in 12-1974 for the O/M PIA based on the 6-1974 PIA table. For years after 1971, only SS earnings through the year before the ABD year and compensation up to the ABD are used. PIA #11 is not subject to recomputation. SS earnings and compensation for 1974 or later years are subject to the 1974 earnings maximum.

Only the SS Act PIAs in effect in 12-1974 ("new start" AMW PIA #11, "old start AMW PIA #11, or SPC MIN PIA #11) are computed.

An age reduction is applied to this PIA when the earliest possible effective date of the age and service 110% O/M is in a month in which the employee is under age 65. Delayed retirement credits are added as appropriate.

1005.15.12 PIA #15

PIA #15 is used only in conversion cases in the computation of the retirement annuity tier II and it is also used as PIA #17 for the tier I work deduction component. PIA #15 is computed similar to the 6-1974 pass-thru PIA, but is based on railroad compensation only through 12-31-74. If there is no compensation after 1936, no PIA #15 is computed.

The following deeming provisions are applied to the computation of PIA #15:

- A. Male 2(a)3 annuitant under 1937 RR Act with ABD before July 1, 1974 - A 2(a)3 annuitant age 60-61 in 1974 is deemed to be age 62 in 1974. He is then subject to the SS Act transitional provision for setting the retirement age for males who attain 62 in 1974. Male 2(a)3 annuitants who attained age 62 in 1973 are also subject to the SS Act transitional provision. The new start EY (elapsed years) and BCY (benefit computation years) for computing the AMW for the PIA #15 in these cases are as follows:

EY	BCY
1951-1974	19

If the 2(a)3 annuitant attained age 62 before 1973, the deeming provision is not applicable. Beginning 7-1974, an employee who has less than 30 years of service can qualify for a reduced annuity only if (s)he has attained age 62.

- B. 2(a)2 annuitant (with ABD 7-1974 or later, if male,) under 1937 RR Act - A 2(a)2 60/30 annuitant age 60-64 in 1974 is deemed to be age 65 in 1974. The new start elapsed years (EY) and benefit computation years (BCY), for PIA #15 for 60/30 annuitants deemed to be age 65 in 1974 are as follows:

1. 60/30 male annuitants - (Based on SS Act Transitional Provision).

EY	BCY
1951-1973	18

2. 60/30 female annuitants

EY	BCY
1951-1970	15

If the 2(a)2 annuitant is age 65 or over in 1974 this deeming provision is not applicable.

- C. 2(a)4 or 2(a)5 annuitant under 1937 RR Act - An RR Act disability annuitant is deemed to have a DF beginning on his (her) ABD unless an actual DF is earlier, in which case the actual DF is used. This provision applies even if the actual DF terminates after the ABD.

NOTE: If an actual DF terminated prior to the ABD, the ABD is the deemed DF onset date.

Only the SS Act PIAs in effect in 12-1974 ("new start" AMW PIA #15, "old start" AMW PIA #15 or SPC MIN PIA #15) are computed. The AMW dividend is based on compensation only through 12-31-74. The AMW divisor is based on the earlier of an actual or deemed DF and the actual or deemed retirement age.

1005.15.13 PIA #17

PIA #17 is used in the computation of the amount of the employee and spouse annuities subject to work deductions.

PIA #17 is based on one of three compensation-only PIAs (PIA #5, PIA #7 or PIA #15 as indicated in the chart below). With the exception of 1974 Act disability cases, if an RR Act deeming provision was applied to the gross Tier I PIA, the same deeming provision is used to compute the elapsed years and benefit computation years for the PIA #5, PIA #7 or PIA #15 used for the PIA #17 computation. The appropriate PIA amount is increased by the percentage of any COL increase added to the gross Tier PIA.

Where the employee's "eligibility year" is 1979 or later and (s)he has a Work Deduction Insured Status and the AIME PIA #1 is used in the employee's tier I computation, the

decoupling provisions of the 1977 Social Security Act Amendments apply to the PIA #17 computation. In these cases, the AIME PIA #17 is calculated as follows:

1. Compensation prior to 1975 is indexed. The same indexing year used to index the earnings for AIME PIA #1 is used; and
2. The elapsed years and benefit computation years (BCY) are set the same as those set for AIME PIA #1;

Exception: The elapsed years and benefit computation years (BCY) for PIA #5 are always based on deemed age 65 on the ABD regardless of his (her) age;
3. The AIME is calculated using the earnings for the appropriate number of BCY from the indexed compensation years prior to 1975;
4. The PIA is calculated using the same AIME bend points used to calculate the AIME PIA #1;
5. This PIA is multiplied by the percentage of any COL increase added to the AIME PIA #1.

If the employee's tier I is based on his TRANS PIA #1, 1977 old start PIA #1, or SPC MIN PIA #1, then his PIA #17 would be computed under the same formula as the PIA #1 amount (i.e., TRANS PIA #1 - TRANS PIA #17). However, since both the REG PIA #5 and REG PIA #7 contain RR compensation through 12-1974 only, computations under the TRANS or 1977 O.S. (old start) formula will result in the same amount as the REG PIA #5 or REG PIA #7 updated to the 6-1978 table PIA amount.

The appropriate PIA amount, once computed, is then updated by the same cost-of-living percentage increases applied to the tier I PIA. The resulting PIA is PIA #17.

See Appendix N. in the manual for a chart indicating the compensation only PIA that is used to determine PIA #17.

1005.15.14 PIA #21

PIA #21 is used, when the beneficiary meets all the requirements for an auxiliary vested dual benefit prior to August 13, 1981, to compute the employee, spouse or widow(er) vested dual benefit and for the vested dual benefit reduction in tier II of a spouse annuity. It is based on the wage record of someone other than the RR employee. This PIA is computed under SSA rules in effect in 12-1974 using the 6-1974 PIA Table except:

- The annuitant must be vested;

- The AMW dividend uses only wages and SEI through 1974 or, if earlier, through the vesting year. (The spouse or widow(er) may have railroad service on their own wage record totaling less than 120 service months, including military service. The employee may be entitled to a widow's benefit at SSA on a wage record that includes RR compensation but for which a WIA is not payable due to less than 120 railroad service months, including military service, or due to lack of an RR current connection. The RR compensation in these cases is used as wages). The AMW divisor is based on the earlier of the wage earner's disability onset, death or attainment of SS Act retirement age.
- An age reduction is not applied to the PIA amount; and
- Delayed Retirement Credits are not added to the PIA amount.

Only the SS Act PIAs in effect in 12-1974 ("new start" AMW PIA #21, "old start" AMW PIA #21, or SPC MIN PIA #21) are computed. Only regular PIA #21 is used in determining the spouse tier II vested dual benefit reduction. However, SPC MIN PIA #21 can be used in determining vested dual benefit amounts.

NOTE: A date of death will not affect the computation of PIA #21 if it is in a year:

- After the onset of a current DF; or,
- After the year in which the wage earner attained SS Act retirement age.

1005.15.15 The 6-1974 Pass-Thru PIA

The 6-1974 pass-thru PIA is computed in conversion cases only. This PIA established under the 1973 RR Act amendments was originally computed to determine the dollar amount of the 3-1974 and 6-1974 cost-of-living increase (pass-thru increase) that would have been payable under the Social Security Act if SSA had jurisdiction of the case. It is also used to establish the gross tier I amount in 1974 RR Act conversion cases.

The pass-thru PIA is based on combined wages, compensation and SEI through the last computation base year.

- A. 1937 Railroad Retirement Act Deeming Provisions - Special deeming provisions were enacted because some employees who were entitled to annuities under the RR Act formula would have insufficient quarters of coverage or would not be eligible for a PIA computation under the Social Security Act.
1. Employee - If a PIA could not be computed under SSA rules due to insufficient earnings after 1936, the AMC (rounded to next lower dollar) in annuity cases or AME (rounded to next lower dollar) in pension cases is treated as an AMW for purposes of determining the PIA.

In cases where the employee or pensioner is transitionally insured under the SS Act, there is no AMW computation. However, instead of deeming the AMC or AME to be the AMW, the special age 72 SS Act benefit is considered as the PIA for the pass-thru increase. That special age 72 benefit must be used even though a deemed AMW based on the AMC or AME always produces a higher PIA and a higher pass-thru increase.

2. Employee Ineligible under SS Act - The deeming provisions explained below must be applied for the purpose of computing the AMW for the pass-thru PIA.
- (a) Male 2(a)3 annuitant under 1937 RR Act with ABD before July 1, 1974 - A 2(a)3 annuitant age 60-61 in 1974 is deemed to be age 62 in 1974. He is then subject to the transitional provision for setting the retirement age for males who attain 62 in 1974. The new start EY (elapsed years) and BCY (Benefit computation years) for computing the AMW for the pass-thru PIA are as follows:

EY	BCY
1951-1974	19

If the 2(a)3 annuitant attained age 62 before 1973, the deeming provision is not applicable. Beginning 7-1974, an employee who has less than 30 years of service can qualify for a reduced annuity only if (s)he has attained age 62.

- (b) 2(a)2 annuitant (female or male with ABD 7-1974 or later under 1937 RR Act) - A 2(a)2 60/30 annuitant age 60-64 in 1974 is deemed to be age 65 in 1974. The Pass-thru PIA is used for pass-thru increase, even though the employee annuitant has attained age 62 and is eligible for or is receiving a reduced annuity under the O/M. This is so because the deeming provisions produce a higher PIA than the regular O/M PIA.
- (c) 2(a)4 or 2(a)5 annuitant under 1937 RR Act - An RR Act disability annuitant is deemed to have a DF beginning on his (her) ABD unless an actual DF is earlier, in which case the actual DF is used. This provision applies even if the actual DF terminates after the ABD.

NOTE: If an actual DF terminated prior to the ABD, the ABD is the deemed DF onset date.

- B. Recomputation of the Pass-thru PIA - The pass-thru PIA is subject to recomputation under SS Act rules when the employee actually attains SS Act retirement age in age and service cases or when a disabled employee is deemed age 65 or, if earlier, attains age 65 in cases where there is actually a DF.
- C. Updating the 6-1974 Pass-thru PIA - The 6-1974 Pass-thru PIA is updated for cost-of-living increases in the same way as an "AMW PIA" in force before 1-1979.

1005.20 RR Act Deeming Provisions

The 1974 Railroad Retirement Act deems certain groups of employees to be entitled to PIA computations even though they could not qualify under SSA rules because they have not attained the required age, do not have a disability freeze in disability cases, or do not have an insured status under the Social Security Act.

1005.20.1 60/30 Annuitants

A 60/30 annuitant (age 60-64) who meets the eligibility requirements for a 60/30 annuity before 7-1-84 is deemed to be age 65 on the ABD (except for the purpose of recomputation) to determine the elapsed years and benefit computation years for PIA #1, PIA #3, PIA #17 and the Pass-thru PIA.

A 60/30 annuitant (age 60-61) who becomes eligible 7/1/84 or later is deemed to be age 62 on the ABD to determine the "initial eligibility year" for PIA #1, PIA #3, or PIA #17.

An employee (age 60-64), regardless of the type of annuity, is deemed to be age 65 on the ABD to determine the benefit computation years and divisor months for PIA #5 and PIA #15 when determining the pass-thru increase.

1005.20.2 2(a)3 Annuitant Under 1937 RR Act with ABD Before July 1, 1974

A 2(a)3 annuitant under the 1937 RR Act who was age 60-61 in 1974 was deemed to be age 62 in 1974 in the computation of the pass-thru PIA.

1005.20.3 Disability Annuitant

Under the 1937 RR Act, if a disability annuitant did not have a period of disability onset prior to the ABD, (s)he is deemed to have a period of disability on the ABD in the computation of the pass-thru PIA.

Under the 1974 RR Act, a disability annuitant is deemed to be entitled to a DIB under the Social Security Act as of the ABD for the purpose of computing PIA #1, PIA #3 and PIA #10. The employee is deemed age 62 on the ABD unless an actual period of disability is earlier in which case the actual period of disability is used. This provision applies even if the actual period of disability terminates after the ABD.

NOTE: If an actual period of disability terminates prior to the ABD, the ABD is the deemed onset date.

An employee under age 65 is deemed to be age 65 on the ABD to determine the benefit computation years and divisor months for PIA #5 and PIA #15.

1005.20.4 Insured Status

An insured status is not required in the computation of PIA #1, PIA #3, PIA #5 and PIA #6 in cases initially paid under the 1974 RR Act. An insured status is not required in the computation of the Pass-thru PIA under the 1937 RR Act.

1005.20.5 PIAs Under the RR Act Subject to 1977 SS Act Amendments

The PIAs designated under the RR Act as PIA #1, PIA #3, PIA #9 and PIA #17 are subject to the SS Act rules based on the eligibility year.

1005.20.6 PIAs Under the Railroad Retirement Act Not Subject to 1977 SS Act Amendments or 1981 SS Act Amendments

The PIAs designated under the RR Act as PIA #4, PIA #5, PIA #6, PIA #7, PIA #8, PIA #10, PIA #11, PIA #15 and PIA #21 are frozen under the computation in effect on 12-1974.

The elimination of the minimum benefit under the 1981 SS Act amendments does not affect these PIAs.

1005.25 General Computational Data For AMW Or AIME PIA

1005.25.1 Determining the Elapsed Years

The elapsed years for the "new start" AMW or for the AIME are the years since January 1, 1951, up to the earlier of the end of the year before the year of attainment of retirement age, the end of the year before the year the period of disability begins, or the end of the year before the year of death, but excluding:

- Any years prior to the year in which the individual attained age 22; and,
- Any years partly or wholly within a previous period of disability unless including these years would result in a higher AMW or would result in a higher AIME.

1005.25.2 Determining the Divisor Months

The divisor months are determined from the elapsed years. The months in up to 5 years of lowest earnings are deducted from the elapsed years. The divisor months used in computing the AMW or AIME equal the number of months in the elapsed years

minus the number of months in the years deducted ((elapsed years - 5) x 12 = divisor months). However, the minimum divisor is 24. If the number of months remaining after excluding the years of disability and up to 5 low years is less than 24, the divisor will be 24.

EXAMPLE 1: The employee was born 8-17-14 and therefore has 25 elapsed years under the "new start computation" before the year he attains age 62 (1976). The months in the 5 years of lowest earnings are dropped from the AMW divisor months. The 20 remaining years times 12 months per year equal 240 divisor months.

EXAMPLE 2: The employee was born 9-27-17 and therefore has 28 elapsed years under the AIME computation before the year he attains age 62 (1979). The months in the 5 years of lowest earnings are dropped from the AIME divisor months. The 23 remaining years times 12 months per year equal 276 divisor months.

Once determined, the divisor months remain constant regardless of whether or not a living employee keeps working.

The chart in Appendix O in the manual illustrates the determination of divisor months for employees born before 1-2-30.

1005.25.3 Determining Base Years

The base years are the years since January 1, 1951, through the last computation base year excluding years wholly within a period of disability.

In life cases, the last computation base year for the initial AMW or AIME ends on the earlier of December 31 of the year prior to the effective date of the PIA, or December 31 of the year of the disability onset.

In death cases, the last computation base year for the AMW or the AIME is the year of the wage earner's death.

EXCEPTION: The AMW computation in life or death cases for the TRANS PIA cannot include earnings in the "eligibility year" or later years.

1005.25.4 Determining Benefit Computation Years

The benefit computation years for the AMW or for the AIME computation are chosen from the base years. The total number of benefit computation years equal the number of years used in the AMW or AIME divisor (elapsed years minus up to 5 years of lowest earnings). However, earnings for a base year prior to the year of attainment of age 22, after the year of attainment of retirement age, or a base year partly within a period of disability may be substituted for a benefit computation year in which the individual had lower earnings.

EXCEPTION: The AMW computation for the TRANS PIA cannot include earnings in the "eligibility year" or later years.

Example 1: The employee was born 8-17-14. He attained age 62 in 8-1976 but did not file for benefits until 8-1979. The AMW PIA is effective 8-1979. The last computation base year for the initial AMW ends on December 31, 1978. Earnings for 1976, 1977 and 1978 are used only if they are higher than some other benefit computation year.

Example 2: The employee was born 11-14-18. He attained age 62 in 11-1980 but did not file for benefits until 11-1982. The AIME or TRANS PIA is effective 11-1982. The last computation base year for the initial AIME ends on December 31, 1981. Earnings for 1980 and 1981 are used only if they are higher than some other benefit computation year. The last computation base year for the TRANS PIA ends on December 31, 1979.

1005.25.5 Yearly Earnings Maximums

The Social Security Act limits the yearly reported earnings that may be considered in the AMW PIA computation or indexed for the AIME PIA computation. These earnings include all wages, self-employment income, creditable compensation and creditable military service up to the maximum for each year.

The yearly earnings maximums for the PIA computations are available in the following link:

[Chart of Yearly Earnings Maximums](#)

1005.25.6 Excluding Period of Disability

- A. When a period of disability is established - When a period of disability is established, the worker's wage record is frozen and the period during which he is rated disabled (and not likely to have substantial earnings) is usually excluded from the AMW computation or the AIME computation. However, the disability period is not excluded unless dropping these years produces a higher AMW or AIME than would otherwise be possible. If the period of disability is disregarded in the AMW or AIME computation, the DF cannot be used to establish a DIB insured status or to pay a DIB vested dual benefit.

Part of a disability freeze period cannot be excluded and another part of the disability freeze period included in order to compute a higher AMW or AIME.

- B. Effect on AMW or AIME computation
1. Effect on AMW or AIME divisor - When the period of disability is applied to the AMW or AIME computation, all months in years partly or wholly within the period of disability are excluded from the divisor.

2. Effect on AMW or AIME dividend - When the period of disability is applied to the AMW or AIME computation, earnings from years wholly within a period of disability are excluded from the dividend. For eligibilities prior to 1-1-79, earnings from years partly within the disability period can be considered for inclusion in the AMW dividend if they are higher than some other benefit computation year.

For eligibilities 1-1-79 or later, earnings for years partly within a disability period can be considered for inclusion in the AIME dividend if they are higher than some other benefit computation year.

C. When period of disability affects PIA computation

1. Male employee - A period of disability could increase the PIA if:
 - He is born before 1910 and had a disability onset before the earlier of attainment of age 65 or death; or
 - He is born 1910-1913 and has disability onset before the earlier of 1975 or death; or
 - He is born after 1913 and had disability onset before the earlier of attainment of age 62 or death.
2. Female employee - A period of disability could increase the PIA if she had disability onset date before the earlier of attainment of age 62 or death.

D. Period of Disability Conflicts at RRB and SSA - There are cases in which the RRB grants a period of disability to an employee but the Social Security Administration (SSA) either denies the period of disability or establishes a different disability onset date. These cases are handled as follows:

1. SSA's onset date is earlier than RRB's onset date for actual period of disability. SSA's onset date is used for all PIA computations unless the RRB previously determined that the employee was not disabled as of SSA's onset date and denied an RRB D/A application. In that case, RRB's onset date is used for all PIA computations.
2. SSA's onset date is later than RRB's onset date for actual period of disability. SSA's onset date is used to compute the vested dual benefit (VDB) PIAs. RRB's onset date is used to compute all PIA's other than VDB PIAs.
3. SSA denied the period of disability, but RRB granted an actual period of disability. RRB's onset date is used to compute all PIAs other than VDB PIAs. The period of disability cannot be used to determine VDB entitlement or to compute the VDB PIAs.

4. SSA paying benefit without a period of disability but joint actual period of disability granted. RRB's onset date is used to compute all PIAs other than VDB PIAs. The period of disability cannot be used to determine VDB entitlement or to compute the VDB PIAs.
5. RR Act deemed period of disability for 2(a)1(IV) and 2(a)1(V) annuitants.
 - (a) Deemed period of disability to compute PIA - All 2(a)1(IV) and 2(a)1(V) annuitants are deemed to be entitled to a disability insurance benefit under the SS Act as of their RR annuity ABD and are deemed to be age 62 on that date unless an actual period of disability is earlier, in which case the actual onset date is used. This deeming provision is for the computation of PIA #1, PIA #3, PIA #10, PIA #17 and the pass-thru PIA only.
 - (b) Period of disability for HI coverage only - Section 7(d)(3) of the 1974 RR Act deems certain 2(a)1(IV) or 2(a)1(V) annuitants to be entitled to HI coverage. This deemed period of disability does not apply to PIA computations.

1005.25.7 Excluding Up to 5 Years of Lowest Earnings (Drop out Years)

- A. Age and Service Annuities - The months and earnings in up to 5 full calendar years with the lowest earnings may be excluded from the dividend and divisor when computing the AMW or the AIME. These years are called dropout years. This provision applies only to determining the dividend and divisor. It does not prevent the use of the affected years in determining quarters of coverage or insured status.

Up to 5 years of lowest earnings can be excluded in every case, including those in which a disability freeze has been established, as long as at least 2 benefit computation years remain.

EXAMPLE 1: An employee's date of birth is 11-10-05. The 5 lowest years of earnings (indicated with an asterisk) are excluded from the AMW divisor and AMW dividend. The earnings for 1971 are used in place of the 1955 earnings.

1951 - 2714.76*	1958 - 863.16*	1965 - 4908.55
1952 - 3140.76	1959 - 2600.00*	1966 - 5357.75
1953 - 3059.76	1960 - 2600.00*	1967 - 4751.55
1954 - 3136.75	1961 - 3656.25	1968 - 6016.18

1955 - 2804.76**	1962 - 4218.29	1969 - 6849.22
1956 - 3298.75	1963- 4350.46	1970 - 6610.71
1957 - 2759.75*	1964 - 4832.52	1971 - 7100.77

Therefore, his dividend is 71,288.28 and his divisor is 168. The AMW is \$424.

** Not used.

EXAMPLE 2: An employee's date of birth is 7-5-18, so his eligibility year is 1980. The earnings are indexed for the AIME computation. The 5 lowest years of earnings (indicated with an asterisk) are excluded from the AIME divisor and AIME dividend.

1951 - 9173.25*	1961 - 10673.12	1971 - 11027.16
1952 - 9871.62*	1962 - 10976.15	1972 - 10716.53
1953 - 10651.63*	1963 - 11716.53	1973 - 9975.65*
1954 - 11721.56	1964 - 11517.62	1974 - 10797.56
1955 - 11978.13	1965 - 10719.73	1975 - 11268.34
1956 - 12157.62	1966 - 11718.75	1976 - 10713.55
1957 - 11718.56	1967 - 11613.52	1977 - 10918.76
1958 - 11316.75	1968 - 9615.73*	1978 - 11519.39
1959 - 10713.62	1969 - 10715.95	1979 - 11918.75
1960 - 11791.65	1970 - 11917.31	1980 - 12716.72

Therefore, his dividend is 284,563.33 and his divisor is 288. The AIME is 988.

B. Disability Annuities

1. Prior to 1980 Social Security Disability Amendments - For individuals who first became entitled to a disability before 7-1-80, the provisions for excluding the 5 full calendar years with the lowest earnings were the same as those explained in section A., above.

EXAMPLE 1: An employee date of birth is 5-24-31. He is rated disabled from 9-30-76 and his SS Act initial PIA is effective 3-1-77. The 5 lowest years of earnings (indicated with an asterisk) are excluded from the AMW divisor and AMW dividend. Since they do not exceed another benefit computation year, earnings prior to attaining 22 are not used. The earnings for 1976, a year partly within a period of disability, are used because they are higher than the earnings for 1957.

1951 - 2453.27**	1960 - 4655.79	1968 - 5374.94
1952 - 2998.48**	1961 - 4549.44	1969 - 6205.70
1953 - 3452.48*	1962 - 4663.89	1970 - 6304.10
1954 - 3243.48*	1963 - 4730.91	1971 - 7095.93
1955 - 3745.48*	1964 - 4800.00	1972 - 7945.49
1956 - 3374.48*	1965 - 4800.00	1973 - 9029.86
1957 - 3947.49**	1966 - 5476.57	1974 - 7757.68
1958 - 3714.49*	1967 - 5478.50	1975 - 8011.36
1959 - 4389.93		1976 - 6196.14

Therefore, his dividend is 107,466.23 and his divisor is 216. The AMW is \$497.00.

** Not used.

EXAMPLE 2: An employee's date of birth is 7-9-32. He is rated disabled from 9-30-79 and his SS Act initial PIA is effective 3-1-80. The earnings are indexed for the AIME computation.

The 5 lowest years of earnings (indicated with an asterisk) are excluded from the AIME divisor and AIME dividend. Since they do not exceed another benefit computation year, earnings for 1951 and 1952 (prior to attaining 22) are not used, but earnings for 1953 are used in place of 1968 earnings. The earnings for 1979, a year partly within a period of disability, are not used because they are not higher than the earnings in another benefit computation year.

1951 - 6172.53**	1961 - 11487.34	1970 - 10521.54
1952 - 9042.75**	1962 - 11211.99	1971 - 11268.34
1953 - 11344.85	1963 - 11103.45	1972 - 11489.18
1954 - 10602.94	1964 - 10819.20	1973 - 12289.62
1955 - 11704.63	1965 - 10632.00	1974 - 9968.62
1956 - 9853.48*	1966 - 11440.55	1975 - 9573.58*
1957 - 11183.24	1967 - 10841.95	1976 - 6927.28*
1958 - 10430.29	1968 - 9954.39**	1977 - 8266.19*
1959 - 11747.45	1969 - 10866.18	1978 - 8917.65*
1960 - 11988.66		1979 - 6217.92**

** Not used.

Therefore, his dividend is 222,942.04 and his divisor is 300. The AIME is 743.00.

2. Changes Under 1980 Social Security Disability Amendments - PL 96-265

- a. General - Under the "variable dropout" provision of the 1980 Social Security disability amendments, the number of years dropped out of the calculation of disability PIAs for individuals who first become entitled to a disability benefit July 1, 1980, or later are computed under the "1 for 5 rule." This provision does not apply to workers who were never entitled to disability benefits prior to July 1, 1980. The dropout equals the total number of elapsed years divided by 5, but not to exceed 5 drop-out years. Any fraction is disregarded.

The variable dropout can apply to the AIME or 1977 old start PIA computations.

This provision currently reduces the number of dropout years for employees who become disabled (onset date) between the ages of 27 and 46 and completely eliminates the dropout years for disabled employees under age 27.

Worker's Age In Year of Disability Onset	Number of Dropout Years
Under age 27	0
Ages 27 through 31	1
Ages 32 through 36	2
Ages 37 through 41	3
Ages 42 through 46	4
Ages 47 and over	5

EXCEPTION: The "Child Care Dropout Year" provision effective July 1, 1981 provides an additional dropout year for any year after 1950 in which the disabled worker is under age 37, is not employed and is living in the same household with a child less than 3 years old of the employee or spouse. However, the total dropout years in these cases cannot exceed 3.

- b. Effect On Railroad Retirement Act PIAs - The computation of PIA #1, PIA #3 and PIA #17 is effective on the ABD. The PIA #9 computation is effective in the first full month after the waiting period. Therefore, these amendments may result in a PIA #1 with dropout years that differ from those excluded from PIA #9.

The pre-amendment rules for determining the dropout years will apply to the survivor PIA #1 at the disabled employee's death. Therefore, the survivor PIA will always have 5 dropout years, provided at least 2 benefit computation years remain.

The PIAs are subject to recomputation under regular procedure. The number of dropout years used in the initial PIA computation is used in the recomputation.

EXAMPLE: The employee (DOB 7-10-43) has disability onset 9-6-80. She received a disability annuity from that date. The dropout years determined under the 1 for 5 rule are 3. The employee dies in April 1981. The survivor PIA #1 is computed under pre-amendment rules with 5 dropout years.

1005.30 Computation Of AMW PIA

1005.30.1 Entitled to AMW (New Start) Method

Before the 1977 Social Security Act Amendments, the 1965 AMW (new start) method was used to compute the PIA if considering the earnings after 1950 only would result in the highest AMW and corresponding PIA, and the wage earner:

- A. Became entitled to an annuity on the basis of an application filed after 1965; or,
- B. Qualified for an automatic recomputation after 1965 (see [FOM1-1-1005.30.3](#)).

NOTE: If the AMW is less than \$250 and there are significant earnings before 1951, an "old start PIA" may apply (see [FOM-1-1-1005.40](#)).

Benefits based on an "eligibility year" before 1979 are based on the AMW PIA. The AMW PIA conversion table is updated for each cost-of-living increase.

Benefits paid on the wage records of employees who attain age 62 (or 60/30 annuitants who have an ABD) in the years 1979-1983 can be computed using an AMW computation for the Transitional PIA (TRANS PIA) as an alternative to the AIME computation, or the Special Minimum PIA computation.

NOTE: The AIME PIA will exceed the TRANS PIA when the employee attains age 62 (or a 60/30 annuitant has an ABD) after 1980.

1005.30.2 Initial Computation of AMW

The basic benefit computation years for the AMW are chosen from the base years from the later of 1951 or the year of attainment of age 22 up to the last computation base year (see [FOM-1-1005.25.3](#)). Up to 5 years of lowest earnings are dropped as explained in [FOM-1-1005.25.7](#). The AMWs computed for cases in which the employee attained age 62, had a date of disability onset or died before 1979 may include as a benefit computation year: years prior to year the employee attained age 22, a year partly within a period of disability, the year in which the employee attains age 62 or later years, or the year of death if the employee's earnings in these years are higher than earnings in some other benefit computation year. The year of lower earnings is dropped.

The AMWs computed for the Transitional PIA for employees who attain age 62 after 12-31-78 but before 1-1-84 can include as a benefit computation year earnings in a year prior to the year in which the employee attained age 22. The year of lower earnings is dropped. The TRANS PIA cannot include earnings in the eligibility year or later years.

Example: Two employees file for benefits payable 1-1982. One employee (DOB 5-7-14) has an "eligibility year" of 1976 and is entitled to the AMW PIA computation. The 1-1982 AMW PIA can include earnings after the "eligibility year." The other employee

(DOB 7-10-17) has an "eligibility year" of 1979 and is entitled to the TRANS PIA computation. The 1-1982 TRANS PIA cannot include earnings in or after the "eligibility year." Assuming both had the same earnings, their benefit computation years are indicated by "X" in the following chart:

		AMW PIA Benefit	TRANS PIA Benefit
Year	Combined Wage Record Subject to Yearly Maximum	Computation Years For Employee DOB 5-7-14	Computation Year For Employee DOB 7-10-17
1951	3,600.00		
1952	3,600.00		
1953	3,400.00		
1954	3,600.00		
1955	4,200.00		X
1956	3,241.00		X
1957	4,100.00		X
1958	4,200.00		X
1959	4,800.00		X
1960	4,780.92		X
1961	4,800.00		X
1962	4,800.00	X	X
1963	4,800.00	X	X
1964	4,800.00	X	X
1965	4,800.00	X	X
1966	6,600.00	X	X

1967	6,600.00	X	X
1968	7,800.00	X	X
1969	7,800.00	X	X
1970	7,800.00	X	X
1971	7,800.00	X	X
1972	8,800.00	X	X
1973	10,800.00	X	X
1974	11,800.00	X	X
1975	11,500.07	X	X
1976	12,793.60	X	X
1977	15,921.80	X	X
1978	17,653.78	X	X
1979	19,317.92	X	
1980	20,713.65	X	
1981	23,927.13	X	

Employee with 5-7-14 DOB

Total Earnings	216,827.95		AMW	6/81 PIA
<u> </u>	<u> </u>	=	903	775.30
Divisor Months	240			

Employee with 7-10-17 DOB

Total Earnings	179,750.17		AMW	6/81 PIA
<u> </u>	<u> </u>	=	651	665.70

Divisor Months 276

The number of benefit computation years for the AMW dividend will be the same as the number of years (elapsed years minus dropout) used to determine the AMW divisor months.

The actual reported earnings from the benefit computation years, subject to the yearly maximums, are added together to obtain the dividend used in computing the AMW.

The Average Monthly Wage (AMW) is the quotient obtained by dividing the total earnings in the benefit computation years after 1950 by the number of months in the elapsed years minus up to five years of lowest earnings. Amounts of less than \$1 in the quotient are dropped.

1005.30.3 Recomputation of AMW

- A. Age and Service Cases - The AMW computed for employees who attained age 62 before 1-1-79 may be recomputed to include as a benefit computation year the ABD year or any later year in which the employee has earnings higher than some other benefit computation year. The year of lower earnings is dropped. Therefore, the number of benefit computation years in the AMW dividend will be the same as the number of years used to determine the AMW divisor months. The current AMW PIA table is used to determine the recomputed AMW PIA. In employee cases, the recomputation is effective January 1 of the year following the year for which the earnings are credited.

EXAMPLE: The employee's date of birth is 5-20-15. The date of entitlement of his age and service benefit is 5-1-77. His earnings since 1951 are as follows:

1951 - 2,671.47	1960 - 4,091.72	1970 - 6,314.72
1952 - 2,892.79	1961 - 4,371.92	1971 - 7,190.93
1953 - 3,120.72	1962 - 4,420.72	1972 - 7,540.93
1954 - 3,201.91	1963 - 4,572.80	1973 - 9,103.71
1955 - 3,745.27	1964 - 4,691.73	1974 - 8,172.90
1956 - 3,017.29	1965 - 4,800.00	1975 - 8,703.12
1957 - 3,321.56	1966 - 5,374.75	1976 - 9,079.31
1958 - 3,702.19	1967 - 5,478.50	1977 - 6,150.76

1959 - 3,891.72	1968 - 5,392.94	1978 - 4,120.76
	1969 - 6,110.92	

Under SSA rules, the initial AMW for benefits payable 5-1-77 was computed based on earnings through December 31, 1976. Earnings for the years 1951, 1952, 1953, 1954 and 1956 were dropped. The AMW is recomputed effective 1-1-78 to include earnings for 1977 and to drop earnings for 1957. The AMW is again recomputed effective 1-1-79 to include earnings for 1978 and to drop earnings for 1958.

The AMW computed for the TRANS PIA for employees who attain age 62 after 12-31-78 but before 1-1-84 is not subject to recomputation. Therefore, it is possible for a recomputed AIME PIA or special minimum PIA to exceed an initial TRANS PIA.

- B. Disability Cases - The AMW computed for employees with a disability onset date before 1-1-79 may be recomputed if the employee's reported earnings in the ABD year prior to the first month of the waiting period, or DIB effective date if there is no waiting period, or the employee's partial year after actual or deemed attainment of age 65 or a subsequent year are higher than earnings in some other benefit computation year. The year of lower earnings is dropped. Therefore, the number of benefit computation years will be the same.

EXAMPLE: The employee's date of birth is 5-24-29. He is rated disabled from 6-20-76 and deemed to be age 62 on that date for PIA computation purposes. The DIB O/M effective date is 12-1-76. For purposes of the PIA computation, the employee is deemed age 65 on 6-20-79.

The yearly earnings are as follows:

1951 - \$2,453.27	1961 - 4,549.44	1970 - 6,304.10
1952 - 2,998.49	1962 - 4,663.89	1971 - 7,095.93
1953 - 3,452.48	1963 - 4,730.91	1972 - 7,945.49
1954 - 3,243.48	1964 - 4,800.00	1973 - 9,029.86
1955 - 3,745.48	1965 - 4,800.00	1974 - 7,757.68
1956 - 3,374.48	1966 - \$5,476.57	1975 - 8,011.36
1957 - 3,947.48	1967 - 5,476.57	1976 - 4,210.70

1958 - 3,714.49	1968 - 5,374.94	1977 - 976.00
1959 - 4,389.93	1969 - 6,205.70	1978 - 1,909.00
1960 - 4,655.79		1979 - 3,995.48

The initial AMW for Retirement O/M benefits payable 12-1-76 was computed based on earnings through 12-31-75. Earnings for the years 1951, 1952, 1953, 1954 and 1956 were dropped. The AMW is recomputed effective 1-1-77 to include the 1976 earnings and to drop the earnings for 1958.

The employee does some odd jobs beginning in 1977, which were not sufficient to terminate his disability. Since 1979 is not wholly within a period of disability, the AMW is recomputed for benefits payable effective 1-1-80 to include the 1979 earnings in the AMW dividend and to drop the earnings for 1958 from the AMW dividend.

- C. Survivor Cases - The AMW computed for employees who attained age 62 or died before 1-1979 may be "recomputed" if the "lag" earnings in the year of death are higher than some other benefit computation year. The year of lower earnings is dropped. Therefore, the number of benefit computation years will be the same. The recomputation is effective in the month of death.

The AMW computed for the TRANS PIA for employees who attain age 62 after 12-31-78 but before 1-1-84 is not subject to recomputation for lag earnings in the year of death.

1005.30.4 Determining the Primary Insurance Amount for Pre-1977 SS Act Amendment Cases - (AMW PIA)

To find the PIA when the AMW is figured under the 1965 AMW method, refer to the table in FOM-I-1005, Appendix A. Find the AMW in the first column. The PIA is on the same line as the AMW under the appropriate effective date. The PIA is increased for each cost-of-living increase.

The AMW PIA is not affected by the elimination of the minimum social security benefit.

1005.30.5 Determining the Primary Insurance Amount Under the Transitional Guarantee PIA (TRANS PIA)

The Transitional Guarantee PIA is computed for wage records in which the employee attains age 62 in the years 1979 - 1983 (before death in survivor cases). The TRANS PIA is derived from the June 1978 PIA Table. The PIA is increased for the cost-of-living from the "eligibility year" as explained in [FOM-I- 1005.55.2](#).

The TRANS PIA for eligibility years 1982 and 1983 is subject to the 1981 SS Act Amendments. Therefore, the AMW for these PIAs is based on the actual amount of earnings. The minimum does not apply unless the vow of poverty rule applies as explained in [FOM-I-1005.10.1B](#).

1005.35 Computation Of AIME PIA

1005.35.1 Entitlement to AIME Method

The 1977 Amendments to the Social Security Act provide a formula for computing the PIA. This formula is applied to the average indexed monthly earnings (AIME) which is computed for employees who in 1979 or later, attain age 62, have a 60/30 retirement annuity which begins at age 60 or 61, have a date of disability onset, or die before becoming eligible for a retirement benefit.

The AIME PIA is an alternative to the SPC MIN PIA or the TRANS PIA (when applicable).

The RR Act PIA #1, PIA #3, PIA #9 or PIA #17 may be computed under the AIME method for eligibilities 1979 or later. The deeming provisions of the RR Act can, however, make an employee eligible at an earlier year than the "eligibility year" under SS Act rules (see [FOM-1-1005.20](#)).

1005.35.2 Indexing Reported Earnings for AIME Computation

Under the 1977 Social Security Act amendments, the Social Security Act limits the actual reported yearly earnings that may be considered in the AIME computation. However, indexing is used as a mechanism for expressing prior year's earnings in terms of their current dollar values.

For purposes of computing benefits that require the indexing of wages, the "average annual wages" will be defined by the following series of amounts.

[Click here for a chart of average annual wages by year.](#)

The indexing year for the AIME PIA is the second year before the employee's eligibility year. To adjust the reported earnings for each year after 1950 up through the indexing year, the reported earnings are multiplied by the quotient of the average annual wage of all workers for the indexing year divided by the average annual wage of all workers for the year being indexed. The result is rounded to the nearest penny.

$$\begin{array}{l} \text{Unindexed} \\ \text{Earnings} \\ \text{for year N} \end{array} \times \frac{\text{Average annual wage} \\ \text{for indexing year}}{\text{Average annual} \\ \text{wage for year N}} = \text{Indexed} \\ \text{Earnings}$$

Earnings for years subsequent to the indexing year are not adjusted. The actual reported earnings for these years are considered.

EXAMPLE: The employee's DOB is 9-15-42. He has 18 years RR service. The ABD is 10-1-2004. The indexing year is 2002 based on his attainment of age 62 in 2004. The year 2002 has an average wage of \$33252.09. The earnings record is adjusted as follows:

YEAR	REPORTED EARNINGS	INDEXED EARNINGS
1959	\$8.75	\$75.46
1960	\$271.50	\$2252.98
1961	\$315.00	\$2563.01
1962	\$153.00	\$1185.53
1963	\$2959.91	\$22386.00
1964	\$3007.08	\$21849.80
1965	\$2678.83	\$19120.42
1966	\$2943.28	\$19818.36
1967	\$3518.09	\$22438.90
1968	\$5117.16	\$30539.05
1969	\$6182.84	\$34883.05
1970	\$6679.87	\$35905.44
1971	\$6746.52	\$34528.73
1972	\$7391.64	\$34453.93
1973	\$6854.51	\$30068.86
1974	\$7395.63	\$30622.28
1975	\$7915.00	\$30493.89
1976	\$8883.69	\$32016.68

YEAR	REPORTED EARNINGS	INDEXED EARNINGS
1977	\$9709.98	\$33015.91
1978	\$10688.14	\$33668.24
1979	\$11414.82	\$33064.85
1980	\$12663.58	\$33651.00
1981	\$13382.97	\$33396.63
1982	\$15160.63	\$34692.10
1983	\$15739.20	\$34343.00
1984	\$15752.00	\$32462.64
1985	\$16708.72	\$33027.17
1986	\$17190.00	\$32999.04
1987	\$18161.90	\$32774.58
1988	\$19189.85	\$33004.10
1989	\$20047.50	\$33165.98
1990	\$20688.00	\$32714.47
1991	\$21554.88	\$32860.72
1992	\$17020.25	\$24676.19
1994	\$6619.78	\$9266.90
1995	\$3856.40	\$5190.44
1996	\$10001.26	\$12833.38
1997	\$10262.77	\$12442.88
1998	\$11324.91	\$13047.75
1999	\$12196.46	\$13310.14
2000	\$14207.38	\$14692.20

YEAR	REPORTED EARNINGS	INDEXED EARNINGS
2001	\$17093.06	\$17264.48
2002	\$15629.11	\$15629.11
2003	\$15888.98	\$15888.98

1005.35.3 Initial Computation of AIME

The benefit computation years for the average indexed monthly earnings (AIME) are chosen from the indexed (or unindexed if after indexing year) base years (see [FOM-1-1005.30.3](#)). Up to 5 years of lowest earnings are dropped as explained in [FOM1-1005.25.7](#).

The AIME may include as a benefit computation year indexed earnings for years prior to the year in which the W/E attained age 22, actual reported earnings in a year partly within a period of disability (if after the indexing year), actual reported earnings in the year in which the employee attains age 62 or later years, or actual reported earnings in the year of death if they are higher than the indexed earnings (or actual earnings for years after the indexing year) in some other benefit computation year. The year of lower earnings is dropped.

The indexed (or unindexed if after indexing year) earnings from the benefit computation years are added together to obtain the dividend used in computing an AIME.

The number of benefit computation years for the AIME dividend will be the same as the number of years (elapsed years minus up to 5 years of lowest earnings) used to determine the AIME divisor months.

The Average Indexed Monthly Earnings (AIME) is the quotient obtained by dividing the total earnings in the benefit computation years by the divisor months. Cents in the quotient are dropped.

1005.35.4 Recomputation of AIME

- A. Age and Service Cases - The AIME may be recomputed to include, as a benefit computation year, the ABD year or each subsequent year in which the actual reported earnings are higher than the indexed earnings (or actual earnings for year after indexing year) in some other benefit computation year. The year of lower earnings is dropped. The number of benefit computation years will be the same.

The same "bend points" used in the initial AIME PIA computation, based on the employee's year of attainment of age 62, are used to determine the amount of the recomputed AIME PIA. The AIME PIA must be increased by at least a \$1.00

for the recomputation to apply. Subsequent cost-of-living increases are added from the eligibility year after the AIME PIA is determined.

The recomputation is effective January 1 of the year following the year for which the earnings are reported.

Since the AMW for the transitional PIA cannot be recomputed, it is possible for an AIME PIA calculation in a life case to overtake and pass the TRANS PIA because of a recomputation.

EXAMPLE: The employee's date of birth is 10-17-39. The effective date of his age and service benefit is 11-1-2001. His earnings since 1951 indexed to the 1999 average wage of \$30,469.84 are as follows:

1956 - \$2367.81	1968 - \$41236.13	1980 - \$62873.97
1957 - \$4873.96	1969 - \$40324.81	1981 - \$64748.77
1958 - \$4254.73	1970 - \$38418.29	1982 - \$66226.48
1959 - \$11527.85	1971 - \$36580.24	1983 - \$68590.55
1960 - \$27620.73	1972 - \$38440.74	1984 - \$68646.07
1961 - \$21634.26	1973 - \$43412.58	1985 - \$69889.05
1962 - \$28608.24	1974 - \$50082.67	1986 - \$67826.28
1963 - \$29988.95	1975 - \$49777.40	1987 - \$49975.32
1964 - \$31959.14	1976 - \$50527.24	1993 - \$15107.14
1965 - \$31393.87	1977 - \$51409.12	1998 - \$10000.00
1966 - \$40455.05	1978 - \$51090.81	1999 - \$10000.00*
1967 - \$38573.56	1979 - \$60783.18	2000 - \$10000.00*
		2001 - \$10000.00*

*Actual Reported Earnings

The initial AIME for benefits payable 11-1-2001 was computed based on earnings through December 31, 2000 using the highest 35 years of indexed earnings years. Earnings for the year 1956, was dropped from the AIME

dividend. The first cost-of-living percentage increase of 2.6% is added effective from 12-1-2001. The AIME is recomputed effective 1-1-2002 to include earnings for 2001 and to drop the earnings for 1958. The same "bend points" plus COL increase percentage are used for the AIME PIA recomputation effective 1-1-2002.

- B. Disability Cases - A disability PIA (except those paid under the non-exclusion provision) is recomputed based on including earnings years not wholly within the period of disability. The period of disability begins at deemed age 62, which is the first full of the waiting period and ends at the end of the month prior to the month the employee attains deemed FRA (age 65 if the disability ABD is prior to 1/1/2000). The deemed FRA is based on actual DOB.

The AIME may be recomputed to include as a benefit computation year:

- the ABD year prior to the first month of the waiting period, or
- the ABD year prior to the disability benefit effective date if there is no waiting period, or
- the partial year after the actual or deemed attainment of FRA (actual or deemed age 65 if the ABD is prior to 1/1/2000), and
- each subsequent year in which the actual reported earnings are higher than the indexed (or unindexed if after indexing year) earnings of some other benefit computation year.

The year of lower earnings is dropped. The number of benefit computation years will be the same. The recomputed AIME is rounded down to the nearest whole dollar amounts.

The same "bend points" used in the initial AIME PIA computation, based on the employee's year of disability onset, are used to determine the amounts of the recomputed AIME PIA. The AIME PIA must be increased by at least a \$1.00 for the recomputation to apply. Subsequent cost-of-living increases are added from the eligibility year after the AIME PIA is determined.

The recomputation is effective January 1, of the year following the year for which the earnings are credited.

- 1) Disability Exclusion Cases with ABD 1/1/2000 or later: Effective with ABD's 1/1/2000 and later, the end of the employee's period of disability is the month before the month the employee attains deemed FRA (based on actual DOB). The existence of entitlement prior to 1/1/2000 on a prior claim is immaterial.

EXAMPLE: The employee born 1/10/1962 has a disability onset of 6/10/2001 (ABD is 12/1/2001) and is deemed age 62 on the onset date. FRA for a

person born in 1962 is 67. This employee is deemed to be age 67 (FRA) in 6/2006, five years after deemed age 62. Earnings years beginning 2002 through 2005 cannot be used in a disability exclusion computation because those years are wholly within the period of disability. Possible recomp effective dates for this employee are January 1, 2002, January 1, 2007, and every January 1 thereafter.

2) Disability Exclusion Calculation with ABD prior to 1/1/2000: The end of the employee's period of disability is the month before the month the employee attains deemed age 65.

EXAMPLE: The employee born 12/9/1946 has a disability onset of 5/20/1999 (ABD is 11/1/1999) and is deemed age 62 on that date. Age 65 is used as the FRA for all employees having a disability ABD prior to 2000. This employee is deemed to be age 65 in 5/2002, three years after deemed age 62. Earnings years from 2000 through 2001 cannot be used in a disability exclusion computation because those years are wholly within the period of disability. Possible recomp effective dates for this employee are January 1, 2000, January 1, 2003, and every January 1 thereafter.

3) Disability Non-exclusion Calculation – any ABD: Disability annuities paid under the non-exclusion provision allow PIA recomputations for all years beginning with January 1 of the year after the ABD. A period of disability is ignored for these type cases.

EXAMPLE: The employee born 2/19/1956 has a disability onset of 12/7/2004 (ABD is 6/1/2005). Because the period of disability is not a factor under the non-exclusion provision, PIA recomputations are payable effective immediately after the ABD year. This employee's annuity can be recomputed as early as January 1, 2006, and every January 1 thereafter.

C. Survivor Cases - The AIME computed for employees who attain age 62 or who have a disability onset date in 1979 or later or who die 1979 or later before becoming entitled to life benefits may be "recomputed" if the "lag" earnings in the year of death are higher than some other benefit computation year. The year of lower earnings is dropped. The number of benefit computation years will be the same. The recomputation is effective in the month of death.

EXAMPLE: The employee whose DOB is 2/19/43 dies in 8/2004, without ever having been entitled to life benefits. The employee's widow is entitled to a WIA on 8/1/2004. The employee's earnings in 2004 are higher than in some other years used in the initial PIA calculation. The 2004 earnings year replaces the lowest year of earnings used in the PIA calculation. The recomputed PIA is effective with the WIA effective date (8/1/2004).

1005.35.5 Determining the Primary Insurance Amount Based on the AIME - (AIME PIA)

The 1977 SS Act amendments established a three-step formula to compute the AIME PIA for wage earners who have an eligibility year of 1979 or later. The percentages in the formula are constant but the cutoff amounts, "bend points," in each step will be adjusted each year as average wages rise. The "bend points" will be published by SSA in November before the eligibility year to which they apply.

The AIME PIA is determined with "bend points" based on the year of first eligibility (benchmark year), regardless of date of filing. When the ABD is on or after the effective date of a COL increase, the cost-of-living percentage increase is applied to the initial AIME PIA amount. Subsequent cost-of-living percentage increases are payable from the benchmark year. Each cost-of-living increase is computed and rounded before the next cost-of-living is applied.

Under the 1981 SS Act amendments, AIME PIAs for eligibility years before 1982, if not a multiple of \$0.10, are rounded up to the next higher multiple of \$0.10 in the initial computation and any recomputation or cost-of-living increase through 5-31-82. Effective with the 6-1-82 COL, adjustments to these PIAs, if not a multiple of \$0.10, are rounded down to the next lower multiple of \$0.10.

The AIME PIAs computed for eligibility years 1982 or later are subject to the 1981 SS Act amendments from the initial computation. If the result is not a multiple of \$0.10, it is rounded down to the next lower multiple of \$.10.

[Click here for a chart of AIME bend points since 1979.](#)

Add the results together. If the sum is not a multiple of \$0.10, round it as explained above. If it is less than \$122.00, see [FOM-I-1005.35.6](#).

1005.35.6 Adjustment For a Non covered Service Pension

The Social Security Fairness Act was signed into law on January 5, 2025. The law ended Non-Covered Service Pension (NCSP) Tier I statutory reductions for railroad retirees and their spouses who are receiving public pensions from work not covered by social security effective January 1, 2024. As a result, the RRB will no longer offset Tier I annuities for NCSP beginning with benefits due January 1, 2024 (paid in February 2024). The NCSP policies in this manual apply to Tier I annuities of railroad retirees and their spouses before January 1, 2024.

An employee's life PIA #1, O/M PIA #9 and SS PIA will be reduced if the employee becomes eligible for a periodic payment based on service not covered by the Social Security Act or the Railroad Retirement Act after 1985 and the employee becomes eligible for a tier I benefit after 1985. The employee's death PIA #1 is not affected.

The reduction will not apply, however, if the employee:

1. Becomes entitled to a disability annuity before 1986 and remains entitled to it in any of the 12 months immediately before he attains age 62; or,
2. Has 30 or more years of coverage as defined in [FOM I-1005.50.2](#); or,
3. Is a newly hired Federal employee or is an employee of a non-profit organization whose service becomes covered by the SS Act on 1-1-84; or,
4. Meets the requirements for his pension prior to 1986, even if he does not elect to receive the pension until after 1985. In determining if this exemption applies, the individual must meet all requirements for the pension (e.g., years of service, age, amount of contributions) prior to 1986.
5. Receives a totalization benefit effective January 1995 or later from one of the agreement countries listed in 120.45.3(c).
6. Is a military reservist who is entitled to a pension based, in part, on non-covered reserve duty before 1988, but after 1956, for annuities payable after December 1994.

The life PIA #1, as of the month the employee becomes entitled to the periodic payment, is the larger of the following amounts:

- (a) An AIME PIA computed using the following percentage, rather than 90% of the AIME up to the first bend point:

Table for Eligibility Year

- 80% for an employee who becomes eligible for a tier I benefit in 1986.
- 70% for an employee who becomes eligible for a tier I benefit in 1987.
- 60% for an employee who becomes eligible for a tier I benefit in 1988.
- 50% for an employee who becomes eligible for a tier I benefit in 1989.
- 40% for a person who becomes eligible for a tier I benefit in 1990 or later.

- (b) Table for Years of Coverage

YEARS OF COVERAGE	REPLACEMENT RATE, 1ST BEND POINT
-------------------	-------------------------------------

29	80%
28	70%
27	60%
26	50%
25	40%

Effective January 1, 1989, the 1988 SSA Amendments allow lesser benefit reductions for employees with between 21 and 29 years of railroad retirement or social security covered employment, as opposed to 26 to 29 years of coverage under prior law. The revised formula is as follows.

YEARS OF COVERAGE	REPLACEMENT RATE, 1ST BEND POINT
29	85%
28	80%
27	75%
26	70%
25	65%
24	60%
23	55%
22	50%
21	45%
20	40%

- (c) Guaranty Amount - There is a guaranty amount, designed to protect workers with low pensions based on non-covered employment, that provides that the pension reduction is guaranteed not to be more than the amount computed based on the following formula:

The guaranty amount is **not** recomputed for any change in pension amount, or entitlement to an additional pension. Only if the pension

ceases would the PIA be recomputed, and then without consideration for the NCSP, effective with the first month in which the employee is no longer entitled to the pension.

The AIME PIA computed with the regular bend points minus one-half of the portion of the monthly periodic payment which is based on non-covered public service after 1956. The portion of the payment based on non-covered service after 1956 is deemed to be:

$$\frac{\text{years of non-covered service after 1956} \quad \text{monthly periodic}}{\text{total years of non-covered service}} \times \text{payment.}$$

1005.35.7 Determining the Primary Insurance Amount Based on the Frozen Minimum - (FRZN MIN PIA)

The 1977 amendments to the SS Act provided that an employee's AIME PIA may not be less than \$122.00, known as the FRZN MIN PIA.

The 1981 Social Security Act amendments eliminated the frozen minimum PIA for earnings based on an eligibility year of 1982 or later. However, the computation remains in effect for earnings records based on an eligibility year before 1982 and for "vow of poverty" cases with an eligibility year before 1992.

Tier I benefits will be based on the employee's AMW or AIME; the Special Minimum PIA is an alternative tier I PIA. Vested dual benefits are not affected.

1005.40 Computation Of Old Start PIA

1005.40.1 Use of "Old Start" PIA

The old start PIA is an alternative to the new start AMW PIA if the AMW is less than \$250.00 or to the special minimum PIA if the employee had significant earnings between 1-1-37 and 12-30-50.

This section explains the 1967 simplified old start PIA and the 1977 simplified old start PIA.

1005.40.2 1967 Simplified "Old Start" Method

The 1967 simplified "old start" method is used for benefits initially payable before January 1977 whenever the "old start" computation would yield a higher benefit than the "new start" AMW method.

- A. Social Security Act Requirements - Under the Social Security Act, the 1967 simplified old start method is applicable if:
1. At least one-quarter prior to 1951 is a QC; and,
 2. The wage earner attained age 21 either:
 - In or before 1936; or,
 - After 1950, but less than 6 quarters elapsing after 1950 are QCs; and,
 3. The wage earner did not have a period of disability which began before 1951 unless such a period of disability is entirely disregarded (i.e. the PIA is computed as though the period of disability had not been established); and,
 4. The wage earner:
 - Became entitled to an RIB or DIB after January 2, 1968;
 - Died after 1-2-68 without having been entitled to an RIB or DIB; or
 - Qualifies for an automatic recomputation of the PIA after the 1967 amendments, and,
 5. The wage earner is not eligible for the 1977 simplified old start.
- A last computation base year based on first eligibility or death before 1961 cannot be used to compute the PIA under the 1967 simplified old start method.
- B. The Railroad Retirement Act Provisions - In order to meet the requirements for the 1967 simplified "Old Start" computation, the 1968 Amendments to the 1937 Railroad Retirement Act deemed any employee (except an employee who died before 1939) on whose service and compensation an annuity is based, to have:
1. become entitled (assumed filing) to social security benefits after January 2, 1968; or,
 2. died after January 2, 1968, without having been entitled to social security benefits.

Under the 1974 Railroad Retirement Act, the deeming provision applies to the "Old Start" calculation of the 1937 Act O/M PIA only. It does not apply to "New Start" or SPC MIN calculations of the O/M PIA or the calculation of any other PIA.

1005.40.3 1977 Simplified "Old Start" Method

The 1977 simplified "old start" method is used for benefits initially payable after Dec. 1977 for employees whose eligibility year is 1978 when this computation would yield a higher benefit than the "New Start" AMW PIA or SPC MIN PIA methods. For benefits based on eligibility year 1979 or later, the 1977 Simplified Old Start is an alternative to the TRANS PIA (when applicable), AIME PIA, and SPC MIN PIA.

- A. The 1977 simplified old start method is applicable if:
1. At least one-quarter prior to 1951 is a QC and,
 2. The wage earner either:
 - Attained age 22 after 1950 and had less than 6 QCs after 1950; or
 - Attained age 21 after 1936 and before 1950; and,
 3. The wage earner did not have a period of disability which began before 1951 unless such a period of disability is entirely disregarded (i.e., the PIA is computed as though the period of disability had not been established).

1005.40.4 Use of the AMW

The Average Monthly Wage (AMW) is the result of dividing the total earnings in benefit computation years by the number of divisor months. Its use in the PIB computation depends on the "old start" computation that applies.

1005.40.5 Base Years Before 1951

The base years are the years from which the benefit computation years are chosen.

- A. 1967 Simplified "Old Start" Computation - A formula is applied to the total pre-1951 wages, self-employment income, creditable compensation and creditable M/S to determine the yearly earnings of each base year. This eliminates the need for a manual search of microfilm records to obtain a yearly breakdown of pre-1951 earnings.

The total of all credited pre-1951 earnings are broken down into base years as follows:

1. If the total pre-1951 earnings are \$27,000.00 or less, the total amount of the pre-1951 earnings is divided by 9. The result represents the yearly earnings for each of 9 base years; or
2. If the total pre-1951 earnings exceed \$27,000.00, but are less than \$42,000.00, the total amount of the pre-1951 earnings is divided by \$3,000.00. The resulting whole number represents the number of pre-1951 base years. Remaining earnings (i.e., any excess of the total pre-1951 earnings over \$3,000.00 times the whole number derived above) represents the earnings for an additional base year; or
3. Total pre-1951 earnings of at least \$42,000.00 represents 14 base years with earnings of \$3,000.00 for each year.

B. 1977 Simplified "Old Start" Computation - The total pre-1951 wages self-employment income, creditable compensation and creditable M/S will be equally divided by the number of years elapsing after attainment of age 20 and prior to 1951. (In the case of an individual who attains age 20 in 1949, the earnings divided by 1 year elapsed after 1949 and before 1951 equals the amount of the earnings.) The amount so obtained for each year subject to the maximum will be deemed to be the individual's wages credited to each year used in the AMW dividend. If the amount exceeds \$3,000.00 for each year, only \$3,000.00 will be deemed to be the individual's wages for each of those years. The remainder of the individual's total wages prior to 1951 will be credited as follows:

1. If the wages are less than \$3,000.00, they are credited to the year in which the individual attained age 20; or,
2. If the wages are \$3,000.00 or more, they are credited in \$3,000 increments to the year starting with the year in which the individual attained age 20 and, subsequently, to each year consecutively preceding that year with any remainder less than \$3,000.00 being credited to the year immediately preceding the earliest year to which a full \$3,000.00 increment was credited; but
3. No more than \$42,000.00 may be taken into account as total wages after 1936 and prior to 1951.

1005.40.6 Base Years After 1950

Under all "old start" Computations, the actual reported earnings after 1950 subject to the yearly maximums indicated in [FOM-I-1005.30.5](#) are used. These earnings are not indexed, even if the wage earner's eligibility year is 1979 or later.

1005.40.7 Determining Benefit Computation Years for Initial "Old Start" AMW

The benefit computation years are chosen from the base years from 1-1937 up to the last computation base year (see [FOM-I-1005.25.3](#)). Up to 5 of the years with the lowest earnings are excluded as explained in [FOM-I-1005.25.7](#). Years wholly within a period of disability after 1-1951 are excluded as explained in [FOM-I-105.25.6](#).

- A. Employee Eligibility Year Before 1979 - A year prior to attainment of age 22, after attainment of age 62 or termination of disability freeze, or a year partly within a period of disability after 1-1951 (or after 1-1937 if 1965 "old start" method) is included only if the earnings in that year are higher than earnings in some other benefit computation year. The year of lower earnings is dropped. Therefore, if there are 35 years used to determine the divisor months, there will be 35 benefit computation years for the AMW dividend.
- B. Employee Eligibility Year 1979 or Later - Under the 1977 Social Security Act amendments, the AMW cannot include earnings in the eligibility year or later years. A year prior to the year of attainment of age 22 or a year partially within a period of disability after 1-1951 and before the eligibility year, is included only if the earnings in that year are higher than earnings in some other benefit computation year. The year of lower earnings is dropped. Therefore, if there are 37 years used to determine the divisor months, there will be 37 benefit computation years for the AMW dividend.
- C. Employee Was Previously Paid an "Old Start PIA" Disability Benefit Within 12 Months - If the employee becomes disabled or attains age 62 or dies 1-1-79 or later and was previously paid a disability annuity with an "old start" PIA that terminated within 12 months of the current eligibility, the benefit computation years and eligibility year of the previous PIA computation apply. (Recomputation allowed if previous eligibility year is before 1979.)

The earnings from the benefit computation years, subject to the yearly maximum, are added together to obtain the dividend used in computing the AMW. The amounts less than \$1.00 in the quotient are dropped so that the AMW is expressed in whole dollar amounts.

1005.40.8 Determining Benefit Computation Years for Recomputed "Old Start" AMW When Eligibility Is Before 1979

Under the 1967 SS Act amendments, an "automatic" recomputation for benefits payable 1-1966 or later can be made if earnings in the ABD year or later years in life cases or earnings in the wage earner's year of death in survivor cases (lag earnings) are sufficient to cause an increase in the AMW if it is recomputed. If the earnings in a year after the last year used in the previous computation, excluding years fully within a period of disability, are higher than the lowest earnings year in the benefit computation years, the higher earnings are added to the AMW dividend and the lower earnings are

deducted from the AMW dividend. The AMW divisor and the number of benefit computation years remain the same.

The effective date of the recomputation in life cases is January 1 of the year following the year for which the earnings are reported. The effective date of recomputation in survivor cases is the month of death. Earnings in the year of death may be used in the initial survivor PIA computation if the earnings are reported timely.

The 1977 SS Act amendments limit the recomputation of the "old start" AMW to wage earners whose eligibility year is before 1979.

EXAMPLE: The female employee's date of birth is 5-20-13. The ABD of her age and service benefit is 5-1-75. Her earnings record (wages and compensation) is as follows:

The total earnings before 1951 = \$16,678.60

Earnings 1951 - 1970 = -0-

Year	Earnings
1971	\$3,000.00
1972	\$3,172.90
1973	\$5,691.20
1974	\$6,921.70
1975	\$4,291.80
1976	\$4,770.00

The initial AMW for benefits payable 5-1-75 was computed using earnings through December 31, 1974. Earnings (of zero) for the years 1951, 1952, 1953, 1954, 1955 were dropped from the AMW dividend. The AMW is recomputed for benefits payable effective 1-1-76 to include the earnings for 1975 in the AMW dividend and to drop the zero earnings for 1956 from the AMW dividend. The AMW is again recomputed for benefits payable effective 1-1-77 to include the earnings for 1976 in the AMW dividend and drop the zero earnings for 1957 from the AMW dividend.

1005.40.9 Determination of Increment Years

Under the 1977 Simplified "old start" method, the increment year is computed as part of the PIB computation.

The number of increment years is the number, no more than 14 or less than 4, that is equal to the individual's total pre-1951 earnings (wages, self-employment, creditable compensation and creditable M/S) divided by \$1,650.00 dropping any remainder.

EXAMPLE 1: The employee's total pre-1951 earnings are \$28,000.00. His increment years would be 14 ($\$28,000.00 \div 1,650 = 16$ reduced to 14 increment years).

EXAMPLE 2: The employee's total pre-1951 earnings are \$2,050. His increment years would be 4 ($\$2,050.00 \div 1,650 = 1$ raised to 4 increment years).

1005.40.10 Computation of the PIB

- A. 1967 Simplified "Old Start" Method - The PIB is the sum of 45.6% of the first \$50.00 of the AMW and 11.4% of the next \$200.00 of the AMW. Round the PIB to the nearest whole cent.
- B. 1977 Simplified Old Start Method - The PIB is the sum of 40% of the first \$50.00 of the AMW and 10% of the next \$200.00 of the AMW which is increased by 10% for each increment year. Round the PIB to the nearest whole cent.

1005.40.11 Conversion of PIB to PIA

The method of converting the PIB to the PIA depends upon the employee's eligibility year.

- A. Eligibility Year Before 1979 - 1967 "Old Start" - To determine the 6/78 PIA, locate the amount of the PIB on the conversion chart in https://prism-va-app-prod.azurewebsites.us/storage/view/fom1_art10_appendices.pdf~Appendix C - Special Minimum PIA Conversion Chart. Use Appendix A to update the 6/78 PIA for subsequent COL increases.
- B. Eligibility Year 1979 or Later - 1977 "Old Start" - Locate the amount of the PIB on the conversion chart in https://prism-va-app-prod.azurewebsites.us/storage/view/fom1_art10_appendices.pdf~Appendix C - Special Minimum PIA Conversion Chart. The starting PIA is the 6-1978 or 1-1982 PIA. Cost-of-living percentage increases are added from the eligibility year.

The 1981 Social Security Act amendments eliminated the minimum PIB benefit for eligibility years after 1981 unless the "vow of poverty" rule applies.

An employee's life PIA #1, Retirement O/M PIA #9 and SS life benefit PIA will be reduced if the employee becomes eligible for a periodic payment based on service not covered by the Social Security Act or the Railroad Retirement Act after 1985 and the employee becomes eligible for a tier I benefit after 1985. The employee's death PIA #1 is not affected.

The PIA is computed in the usual way. Then it is reduced by the smaller of:

- One-half of the PIA; or
- One-half of the amount of the pension attributable to non-covered work performed after 1956 (see [FOM-1-1005.35.5](#)).

The reduction will not apply, however, if the employee:

1. Becomes entitled to a disability annuity before 1986 and remains entitled to it in any of the 12 months immediately before he attains age 62; or
2. Has 30 or more years of coverage as defined in [FOM-1-1005.50.2](#); or
3. Is a Federal employee covered under the FERS retirement system or is an employee of a non-profit organization whose service becomes covered by the SS Act on 1-1-84; or
4. Meets the requirements for his pension prior to 1986, even if he does not elect to receive the pension until after 1985. In determining if this exemption applies, the individual must meet all requirements for the pension (e.g., years of service, age, amount of contributions) prior to 1986.

1005.45 Computation Of PIAs Based On Prior Disability

1005.45.1 Prior Disability Termination Within 12 Months

When the employee was entitled to a disability annuity for any part of the 12 months immediately preceding the month of current disability, the month of death or the month of entitlement to an age and service benefit, the "eligibility year" is the year of the disability onset for the prior disability annuity.

The PIA #1, PIA #3, PIA #9 or PIA #17 for the current retirement annuity is the greater of the PIA with the "eligibility year" upon which the previous disability annuity was based, increased by intervening general and automatic benefit increases or recomputations that would have applied to the PIA had the individual remained entitled to that benefit; or, the special minimum PIA computed under the 1977 SS Act amendments.

If a minimum PIA applied for the prior disability annuity, it will continue to apply for the current annuity.

The survivor annuity gross tier I is based on the higher of the PIA computed with the "eligibility year" which was established for the prior disability annuity with increases or recomputations that would have applied to the PIA had the individual remained entitled to that benefit until the month in which (s)he died; or the special minimum PIA computed under the 1977 SS Act amendments.

1005.45.2 Prior Disability Entitlement Ended Before 12 Month Period Preceding Current Entitlement

- A. Determining PIA Computation - When the employee was entitled to a disability annuity that terminated before the 12-month period immediately preceding the month of current disability, the month of death or the month of entitlement to an age and service annuity, the "eligibility year" is based on the year of current disability onset, year of attainment of age 62 or the year of death if prior to eligibility to a new retirement benefit. The PIA must be computed under the method applicable to the new eligibility year. The AIME computation "bend points" are based on this eligibility year (if 1979 or later). The prior period of disability can be excluded as explained in Section 1005.25.6.
- B. DIB PIA Guarantee - The 1977 SS Act amendments guarantee that the amount of the PIA computed for life or death benefits based on the current "eligibility year" cannot be less than the amount of the PIA that was in force when the former disability annuity ended. This amount is not increased for intervening general and automatic benefit increases or recomputation after the termination of the prior disability and before the current entitlement. Therefore, the elimination of the minimum PIA (1981 SS Act amendments) would have no effect on persons who previously were awarded a DIB based on a minimum PIA.

The PIAs designated under the Railroad Retirement Act as PIA #1, PIA #3, PIA #9 and PIA #17 are subject to the DIB PIA guarantee.

1005.50 Special Minimum PIA

1005.50.1 Use of Special Minimum PIA

The Special Minimum PIA (SPC MIN PIA) was established to provide a higher benefit for wage earners who had consistently low earnings.

The 1974 Railroad Retirement Act Pass-thru PIA, PIA #5, PIA # 11 or PIA #21 are computed under the SS Act rules in effect in 12-1974. For these PIAs, the SPC MIN PIA computed as of 12-1974 is an alternative to the AMW PIA computation.

The 1974 Railroad Retirement Act PIA #1, PIA #3, PIA #9, or PIA #17 are computed under the current SS Act rules:

- The employee attained age 62, had a disability onset date or died (before entitlement to a life benefit) before 1-1979, the SPC MIN PIA is an alternative to the AMW PIA and will be the PIA upon which all benefits are based until it is exceeded by the AMW PIA. If for any month the AMW PIA exceeds the SPC MIN PIA, the AMW PIA will be used to determine benefit amounts.
- If the employee attained age 62, had a disability onset date or died (before entitlement to a life benefit) on 1-1-79 or later, the SPC MIN PIA is an

alternative to the AIME PIA (including FRZN MIN PIA) and, if a non-disabled employee attained age 62 in 1979-1983, is an alternative to the corresponding TRANS PIA. The SPC MIN PIA will be the PIA upon which all benefits are based until it is exceeded by one of the alternate PIAs. If for any month one of these alternate PIAs exceed the SPC MIN PIA, the alternate PIA will be used to determine benefit amount; and

- Under the 1977 SS Act amendments, the SPC MIN PIA (used for RR Act PIA #1, PIA #3, PIA #9, or PIA #17) is subject to automatic cost-of-living increases effective June 1979 or later without special eligibility requirements.

The increased range of SPC MIN PIAs and increased range of SPC MIN PIA family maximums will be published with each cost-of-living increase.

1005.50.2 Years of Coverage for Initial Computation of Special Minimum PIA

The special Minimum PIA "years of coverage" are the base years since 1937 in which the wage earner is credited with the amount of earnings indicated as follows:

- A. For 1937-1950 Period - The total earnings credited to the individual in the 1937-1950 period is divided by \$900, (disregarding any fraction). The result (up to a maximum of 14 years) is the number of years of coverage in the 1937-1950 period.
- B. For Period After 1950 Through 1977 - One year of coverage is credited for each base year in which the wage earner has wage, compensation and SEI equal to or more than 25% of the maximum creditable earnings for that year (15% of the maximum for years after 1990).

Earnings are not indexed for the SPC MIN PIA. The years and amounts necessary to establish a "year of coverage" after 1950 through 1977 are as follows:

YEAR(S)	25% MAXIMUM	YEAR	25% MAXIMUM
1951-1954	\$ 900	1973	\$2,700
1955-1958	1,050	1974	3,300
1959-1965	1,200	1975	3,525
1966-1967	1,650	1976	3,825
1968-1971	1,950	1977	4,125

1972	2,250		
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In determining a year of coverage for years after 1977, it is necessary to use the amounts that would have been computed if the 1977 SS Act amendments had not prescribed maximum creditable amounts.

YEAR	25% MAXIMUM	YEAR	25% MAXIMUM
1978	\$4,425	1985	\$ 7,425
1979	4,725	1986	7,875
1980	5,100	1987	8,175
1981	5,550	1988	8,400
1982	6,075	1989	8,925
1983	6,675	1990	9,525
1984	7,050		

Effective for years after 1990, 15% of the maximum creditable earnings for that year is used.

[Click here for a chart of the amounts required to obtain a year of coverage for each year since 1991.](#)

If it is necessary to exclude a period of disability to provide an "insured status," the years wholly within the period of disability cannot be counted as years of coverage to establish a special minimum PIA. Otherwise, years within a period of disability may be credited as years of coverage even if they are not used for the regular PIA computation.

Under SS Act rules, the last base year for the initial computation of the special minimum PIA for life benefits ends on December 31 of the year before the

effective date of the PIA. For death benefits, the SPC MIN PIA last computation base year is the year of death.

EXAMPLE 1: The wage earner (DOB 7-11-14) is paid life benefits effective 7-1-79. The last computation base year for the SPC MIN PIA effective 7-1-79 ends on December 31, 1978.

EXAMPLE 2: The wage earner dies 9-25-78. The last computation base year for the SPC MIN PIA effective 9-1-78 is 1978.

1005.50.3 Additional Years of Coverage Due to Earnings in or After ABD Year

Under SSA rules, in life cases when the wages, compensation and SEI of the date of entitlement (ABD) year or later years equal or exceed 25% of the yearly maximum, (15% of the yearly maximum after 1990), these earnings are used effective January 1 of the following year to add years of coverage to increase the SPC MIN PIA.

1005.50.4 Amount of Special Minimum PIA Based on Year of Coverage

- A. Months Prior to 3-1974 - The SPC MIN PIA is equal to \$8.50 multiplied by the number of "years of coverage" in excess of 10, up to the maximum of 30 years.
- B. 3-1974 through 12-1978 - For months from 3-1974 through 12-1978, the special minimum PIA will equal \$9.00 for each year of coverage in excess of 10 up to the maximum of 30 years.
- C. 1-1979 through 5-1979 - For months from 1-1979 through 5-1979, the special minimum PIA will equal \$11.50 for each year of coverage in excess of 10 up to the maximum of 30 years.
- D. 6-1979 and Later Months - The SPC MIN PIA is subject to automatic cost-of-living increase effective 6-1979 and later months. A table of the increased SPC MIN PIA amounts is published by SSA.

1005.50.5 Possible Special Minimum PIAs and Family Maximum Amounts

The possible special minimum PIAs and family maximum amounts may be found in FOM-I, Article 10, Appendix B.

1005.55 Cost-Of-Living Increases Under Social Security Act

1005.55 Cost of Living Increases Under Social Security Act

1005.55.1 General

Beginning in 1975, the SS Act provides for a general automatic cost-of-living increase whenever the average monthly consumer price index for the base quarter of the year

exceeds the average monthly consumer price index for the base quarter in a prior year by 3%.

From 1975 through 1982, the base quarter was the first quarter (January-March), and the COL increase was effective June 1. For 1983, the base quarter was the first quarter, and the COL increase is effective December 1. Beginning in 1984, the base quarter is the third quarter (July-September), and the COL increase is effective December 1.

From 1975 through 1983, the COL increase percentage was the same as the CPI increase percentage. Beginning in 1984, the COL increase percentage will be the same as the CPI increase percentage unless SSA's retirement and survivor and disability trust funds drop below a certain percentage of the benefit payments for the year. If this occurs, the COL increase is based on the smaller of the CPI increase or the average national wage (ANW) increase from the previous year to the year before the most recent year in which a COL increase or a general benefit increase was effective. However, no COL increase will be payable if the smaller increase is less than 3%.

The SS Act contains a mechanism to pay part of the COL increase withheld because the ANW increase percentage was less than the CPI increase percentage in a subsequent year if the trust fund balances rise to 32% of the benefit payments for the later year.

1005.55.2 Automatic Cost-of-Living Increases for Cases with Eligibility Year Before 1979

The PIA computations in effect under the SS Act before 1979 are increased for cost-of-living as explained in this section. Only the RR Act PIA #1, PIA #3, PIA #9 and PIA 17 are increased for cost-of-living under SS Act rules. The remaining RR Act PIAs are frozen at the 6-1974 PIA Table amount.

- A. Cost-of Living Increase for AMW PIA - Employees who attained (or are deemed) age 62 before 1-1-79 or who have a disability onset date before 1-1-79 are entitled to an AMW PIA. SSA calculates the amount of the increased AMW PIAs and family maximums. The revised AMW PIAs and corresponding family maximums may be found in FOM-I, Article 10, Appendix A.
- B. Cost-of-Living Increase for Special Minimum PIA - Prior to 1979, the Special Minimum PIA was not subject to automatic cost-of-living increases. Effective June 1979, regardless of the "eligibility year," the SPC MIN PIA and family maximum is subject to automatic cost-of-living increases. The revised SPC MIN PIAs and corresponding family maximums may be found in FOM-I, Article 10, Appendix B.

1005.55.3 Cost-of-Living Increases for Cases with Eligibility Year 1979 or Later

The PIA computations under the Social Security Act based on an eligibility year of 1979 or later are increased for the cost-of-living as explained in this section. The Railroad Retirement Act PIA #1, PIA #3, PIA #9 and PIA #17 are increased for cost-of-living under SS Act rules. The remaining RR Act PIAs are frozen at the 6-1974 PIA table amount.

- A. Effect of the 1977 SS Act Amendments - Under the provisions of the 1977 Social Security Act amendments, benefits, other than the SPC MIN PIA and corresponding auxiliary benefits, for wage earners who attain age 62 or have disability onset 1-1-79 or later, are not automatically increased for the cost-of-living.

The initial PIA is either derived from the 6-1978 PIA table based on the AMW for the TRANS PIA or is computed by applying the formula based on the "eligibility year" to the amount of the AIME for the AIME PIA. COL's are added to this PIA as follows:

1. Transitional PIA - The cost-of-living increases, beginning with the "eligibility year," are applied to the TRANS PIA and family maximum. If eligibility exists by December 31 of the calendar year, the TRANS PIA can be increased by the cost-of-living percentage for that year.
2. AIME PIA In general, the "bend points" (portions of AIME to which the percentages are applied) are adjusted each year if the average annual wage increases. The "bend points" which apply to the individual wage record, on the other hand, are established in the employee's "eligibility year" and do not change. Once established, the AIME PIA and family maximum are subject to cost-of-living increases from the "eligibility year." If eligibility exists by December 31 of the calendar year, the AIME PIA can be increased by the cost-of-living percentage for that year.

EXAMPLE 1: The employee (DOB 9-4-18) does not cease last person service until 8-31-82. His "eligibility year" is 1980 based on attainment of age 62. Therefore, the AIME PIA is computed based on the bend points for 1980. The employee is entitled to all subsequent cost-of-living percentage increases.

EXAMPLE 2: The employee (DOB 4-9-28) died 5-7-79 before eligibility to an annuity. His eligibility year is 1979. Therefore, the AIME PIA is computed based on the bend points for 1979 even though the widow does not attain age 60 until 1989. Cost-of-living percentages from 1979 through the widow's ABD are added to the amount of the initial AIME PIA. Since the employee died before attaining age 62 and while the widow was under age 60, an original rate (OR) computation must be made. The OR is

determined by running through the PIA computations with the same earnings but using 1987 as the indexing year. The OR is compared to the AIME PIA and the higher of the two is used. The widow is entitled to all subsequent COL increases.

- B. Effect of Railroad Retirement Solvency Act of 1983 - A 60/30 annuitant (age 60-61) who first meets the eligibility requirements for a 60/30 annuity 7-1-84 or later does not receive any COL increases on the initial PIA #1. Effective with the first month throughout which the employee is age 62, a new PIA #1 is computed using the year of attainment as the eligibility year. COL increases are added beginning with the year the employee attains age 62.
- C. Effect of Railroad Retirement and Survivors' Improvement Act (RRSIA) – 60/30 employees with an ABD of 1/1/2002 or later, as well as 60/30 spouses based on the entitlement of a 60/30 employee having an ABD of 1/1/2002 or later, receive COL increases from the eligibility year (EY), which can be as early as age 60. PIA #1 is computed using the employee's ABD year as the EY (but no later than actual age 62), deeming the employee to be age 62 in the ABD year. Both employee and spouse retain the employee ABD EY complete with COL increases from the EY throughout entitlement to the RRSIA 60/30 annuity.

Exception: Should a 60/30 spouse with an ABD of 1/1/2002 or later be entitled on the record of a **60/30 employee having an ABD prior to 1/1/2002**, the spouse annuity is paid under the rules of the Railroad Retirement Solvency Act of 1983 (see B. above), same as the employee.

1005.55.4 COST-OF-LIVING INCREASE AMOUNTS

[Click here for a table of the cost-of-living percentages by year since 1974.](#)

Cumulative cost-of-living increases are applied to PIA 1 on the ABD from the eligibility year (benchmark year). The following cumulative percentages can be used to compute the Tier 1 PIA that would be effective on the ABD for annuity estimates only. Be sure to use the cumulative percentage listed for the eligibility year. The resulting PIA should be accurate to within five dollars:

[Click here for a PIA Conversion chart for annuity estimates.](#)

1005.60 Delayed Retirement Credits

Delayed Retirement Credits (DRCs) increase PIAs (except the SPC MIN PIA) for certain individuals who did not receive benefits for months after attainment of FRA. They can be applied to all employee annuities. [Historical Note: The General Counsel held in Legal Opinion L78-561 (dated 9/28/1978) that under the SSA Amendments of 1977 (Public Law 95-216) DRC's can be applied to employee annuities which began prior to

the employee's attainment of age 65 (FRA 2003 and later), including 60/30 annuities. This provision of PL 95-216 became effective with monthly benefits payable for months after May 1978. Prior to PL 95-216, DRC's could be applied only to employee annuities which began after the employee's attainment of age 65.]

1005.60.1 Increment Months

- A. Increment months under the Social Security Act or RR Act formula 1-1-79 or later
 - For benefits payable 1-1-79 or later, regardless of the date of entitlement, an increment month is credited under the Social Security Act for each month for which a fully insured wage earner who has attained the age at which a full RIB can be paid to him under the SS Act (65 prior to 2003), but has not attained age 70 (72 before 1983) is not paid an RIB or a tier I because:
- His first month of entitlement to the RIB or to a tier I is after the month in which he attained FRA/age 65; or
 - A full work deduction applies after the employee attains FRA/age 65, regardless of the first month of entitlement (for years prior to 2000).
 - The employee's annuity is withheld due to "return to railroad service" for months after attaining FRA/age 65 and age 70.
 - The employee's full tier I is waived. A DRC is NOT earned if tier I is reduced for SS benefits or if the tier I is reduced to zero for some other deduction besides work deductions as stated above.

Increment months can be credited in reduced age cases. The age reduction factor will remain the same, but the amount of the age reduction will increase based on the gross pia increase due to the inclusion of DRC(s). However, the increase due to these increment months cannot be paid before 1-1-79. Example: Mr. Smith retires at age 62 with an age reduction factor of .24583 applied to his annuity. At age 66 (his FRA), he waives his entire tier 1 in order to earn DRC's. At age 70 he revokes his waiver. As a result, he has earned 48 DRC's. The age reduction factor of .24583 is applied to the entire tier 1 gross amount (which includes DRC's).

PIA 1 amount of \$1894.70

Tier 1 gross amount of \$2501.00 ($1894.7 \times 48 \times 2/3 \text{ of } 1\% + 1894.7$)

Age reduction amount of \$614.82 ($.24583 \times 2501$)

Tier 1 net amount of \$1886.18 ($2501 - 614.82$)

EXCEPTION: DRCs are not payable to those employees entitled on the basis of 5 years of railroad service after 1995 (RRSIA), who are entitled to

an SSA old-age (RIB) or SSA disability (DIB), when that SSA entitlement is prior to or equal to the employee's full retirement age. See [RCM 1.1.7D](#) for more details.

B. Increment months under the O/M

1. 100% O/M - The delayed retirement benefit under the 1974 Railroad Retirement Act 100% O/M is computed under Social Security Act rules. An increment month is credited for each month for which an employee insured for the O/M who has attained the age at which a full RIB can be paid to him under the SS Act (65 prior to 2003), but has not attained age 70 (72 before 1983) is not paid an employee O/M benefit because:
 - His O/M effective date is after the month in which he attained FRA/age 65; or,
 - A full work deduction under the social security formula applies after employee attains FRA/age 65, even if the RR formula annuity is not subject to work deductions, regardless of the O/M effective date. (However, if the O/M is not paid in a month solely because the RR formula is higher, a DRC is not creditable.)
2. 110% Grandfather O/M - The 1973 amendments to the 1937 Railroad Retirement Act limited the increment months to be used in computing the delayed retirement bonus in 110% Grandfather O/M cases to months in which the employee:
 - Has actually attained age 65 (but has not attained age 72); and
 - Is insured for the O/M; and
 - Has not filed for an RR employee annuity.

Months after the ABD for which work deductions would have been applied under the social security formula were not counted.

1005.60.2 Amount of DRC

- A. For employees born before 1917, each DRC is equal to 1/12 of 1% of the regular AMW PIA. Special Minimum PIAs are not increased by DRCs.
- B. For employees born between 1916 and 1925, each DRC is equal to 1/4 of 1% of the regular PIA. (The first month an employee can benefit from the increased percentage is 1-1983).
- C. For employees who were born between 1924 and 1943, and each DRC is equal to the amount shown in the following chart:

YEAR EMPLOYEE BORN	%	DRC FIRST MONTH EMPLOYEE BENEFIT FROM INCREASED PERCENTAGE
1925	7/24 of 1%	1-1991
1926	7/24 of 1%	1 -1992
1927	1/3 of 1%	1-1993
1928	1/3 of 1%	1-1994
1929	3/8 of 1%	1-1995
1930	3/8 of 1%	1-1996
1931	5/12 of 1%	1-1997
1932	5/12 of 1%	1-1998
1933	11/24 of 1%	1-1999
1934	11/24 of 1%	1-2000
1935	1/2 of 1%	1-2001
1936	1/2 of 1%	1-2002
1937	13/24 of 1%	1-2003
1938	13/24 of 1%	1-2004
1939	7/12 of 1%	1-2005
1940	7/12 of 1%	1-2006
1941	5/8 of 1%	1-2007
1942	5/8 of 1%	1-2008

- D. For employees born after 1942, each DRC is equal to 2/3 of 1% of the regular PIA. (The first month an employee can benefit from the increased percentage is 1-2009.)

1005.60.3 Effective Date of DRC

The earliest date DRCs can be credited is January 1 of the year after they are earned, except when attaining age 70 (see below). Those DRCs earned prior to the ABD year are credited on the ABD. The earliest date a full age or disability annuity can be increased is 1-1-73. The earliest date a reduced age annuity can be increased is 1-1-79.

- a) DRCs earned on the ABD: DRC months are counted for those months over full retirement age (FRA) where the employee is eligible for annuity but did not receive payments. Only those DRCs earned through December of the year prior to the ABD year are payable on the ABD. (See exception for age 70 in c) below.)

Example: The employee (DOB 5/3/1946) has a RR ABD of 3/1/2013, having earned 8 DRCs from his attainment of FRA (5/2012) through the prior December (2012) and payable on the ABD. He'd be entitled to an additional 2 DRCs (for the months of 1/2013 and 2/2013) for a total of 10 DRCs payable January 1, 2014.

- b) DRCs earned in year(s) prior to the year of attainment of age 70: for DRCs earned in *years* prior to age 70, the DRC increase is payable effective January of the following year. For DRCs earned in the year of attainment of age 70, the DRC increase is payable beginning with the month the employee attains age 70.

Example: the employee (DOB 5/14/1943) has a RR ABD of 3/1/2013, having earned 44 DRCs (FRA – 5/2009) through the prior December (2012) and payable on the ABD. His annuity is increased 5/1/2013, the month he attains age 70, to include an additional 2 DRC months, those earned in the year of attainment of age 70 (1/2013 & 2/2013). Therefore, 46 DRCs are payable effective 5/1/2013.

- c) DRCs earned with ABD at age 70 or later: for those applicants entitled at age 70 or older, all earned DRCs are included on the ABD.

Example: The employee (DOB 5/28/1943) has a RR ABD of 5/1/2013. Since he attains age 70 in his ABD month, he's entitled to the full 48 DRCs (FRA age 66) on his ABD. (This would also be true if his ABD was later than 5/1/2013.)

1005.60.4 DRCs for Widow(er)s

The 1977 SS Act Amendments provided that a widow(er) is entitled to any delayed retirement credits (DRCs) that the deceased employee would have received had he been alive at the time of the widow(er)'s entitlement.

A fictional retirement insurance benefit (RIB) is computed for the deceased employee. It is equal to PIA #9 plus DRCs minus any age reduction (for the employee). The widow(er)'s tier I will be based on the higher of the fictional RIB or the special minimum PIA (the special minimum PIA cannot be increased by DRCs).