

### 8.11.1 Introduction

This chapter explains the basic computations of the Primary Insurance Amount (PIA) under the Social Security Act. Prior to the 1977 Amendments to the SS Act, the PIA was selected from a table based on the average monthly wage (AMW). The 1977 Amendments introduce a new method for computing a PIA based on formula percentages of the employee's average indexed monthly earnings (AIME).

The Tier system under

the 1974 RR Act requires a number of PIAs to calculate an employee, spouse or survivor annuity. The purpose of this chapter is to explain how the different PIAs are calculated, how they are used, and the effect of the 1977 and 1981 SS Act Amendments on these PIAs.

### 8.11.2 Definitions of SS Act Terms in Effect Prior to 1977

1. Retirement Age - 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 attain age 62 in 1973 or 1974 will be deemed to have attained age 65 in 1975. Elapsed years for these men will be counted up to 1975. Men who attain age 62 before 1973 are not affected by the 1972 amendments.
2. Average Monthly Wage (AMW) - This is the result of dividing the total of the (non-indexed) earnings in the computation base years (commonly known as divisor months).
3. Primary Insurance Benefit (PIB) - This is the result of a formula applied to the AMW under the Old Start Computation. The Primary Insurance Amount is determined from the PIB based on a conversion table.
4. Primary Insurance Amount (PIA) - The Primary Insurance Amount (PIA) is the basis of all Social Security Act benefits.
5. Eligible - The individual meets the requirements for a Social Security Act benefit and has an insured status. (This definition is changed under the 1977 SS Act Amendments to delete the reference to an insured status as of eligibility year.)
6. Recalculation - The PIA, once established can be changed by recalculation which:
  - (a) Involves the reopening of previous computations to change the factors of the benefit computations; and,

- (b) Can result in an increase or a decrease in the PIA; and,
  - (c) May or may not be specifically provided for in the law.
7. Recomputation - The PIA, once established, can be changed by recomputation which:
- (a) Involves the use of a new computation period; and,
  - (b) Can be effective only to increase the PIA; and,
  - (c) Is specifically provided for in the Social Security Act.
8. Life Benefits - The benefits payable to the living wage earner and auxiliaries upon filing of an application.
9. Death Benefits - The benefits payable on the deceased wage earner's wage record to the eligible survivors upon filing of an application.
10. Drop-out Years - Up to five years of lowest earnings which are excluded from most PIA computations.
11. 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 RRA.

### 8.11.3 Definitions of SS ACT Terms Effective 1977 or Later

1. Entitled - The person is "entitled" when they meet all the requirements including the insured status and the filing of an application. Entitlement exists even though payments are not being made.
2. 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:
  - (1) The year of disability onset; or,
  - (2) 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 RRA PIA #1 or PIA #3 even though they 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 they are under age 62 on the ABD.

3. Eligibility Year (Benchmark Year) - The "eligibility year" (or benchmark year) is the earliest of:

- (1) the year of death; or
- (2) the year of disability onset; or
- (3) the year of attainment of age 62.

The "eligibility year" governs the type of PIA computation. If the employee is eligible before 1979, generally, the PIA is selected from a table based on the AMW. If the employee is eligible after 1978, generally, the PIA is determined under a formula based on the AIME. In the latter cases, the eligibility year also determines the formula used to calculate the AIME PIA. (See [8.11.40](#) and [8.11.70](#) for exceptions.)

4. 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.
5. 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 year being indexed.

$$\frac{\text{(Unindexed earnings for year N)}}{\text{(Average annual wage for indexing year)}} = \text{Indexed earnings}$$

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(Average annual wage for year N)

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

6. Indexing Year - The indexing year is the second year before the individual's year of eligibility as defined in item 3.

7. 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).
8. 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 as amended provides that by November 1 of each year after 1978, the Secretary of Health Education and Welfare will publish in the Federal Register the bend points that will be applicable to workers who become "eligible" for benefits in the following year.

9. 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 (see [8.11.91](#) for exceptions).

The Special Minimum PIA is not subject to the decoupling provision.

10. RAW PIA or RAW Maximum - This is the basic result of applying the PIA formula based on the benchmark year to the AIME amount or the family maximum formula based on the benchmark year to the PIA amount.
11. 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.

#### **8.11.4 Types of PIAs Under the Social Security Act**

The Primary Insurance Amount (PIA) is the basis of all Social Security Act benefits and, therefore, all RR annuity Tier I amounts and rates payable under the Retirement O/M computation. The basic SS Act PIA computations are explained in this section.

The PIA's designated under the RRA as PIA 1, PIA 3,

PIA 9, PIA 17, and the SSEB PIA are basically subject to the SSA rules based on the eligibility year. However, refer to section [8.11.103](#) - [8.11.105](#) for an explanation of the effect of RR Act deeming provisions on the determination of the PIA 1, PIA 3, and PIA 17 eligibility year.

Under the 1977 Amendments to the SS Act, the "eligibility year" determines the type of PIA to be computed.

- A. Eligibility Year Before 1979 - The possible 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; or,
  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; or,
  3. "Old Start" Method (AMW PIA) - The PIA is obtained from the Primary Insurance Benefit under the "Old Start" methods (including the 1977 Old Start computation for eligibilities in 1978).
- B. Eligibility Year 1979 or Later - The possible 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 and later is 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 eliminated the Frozen Minimum PIA for most earnings records based on eligibility years 1982 or later.
  3. Transitional Guarantee PIA (TRANS PIA) - This is a "New Start" AMW based PIA limited to certain benefits as explained in RCM 8.11.25. This PIA does not include earnings in the eligibility year or later years. Cost-of-living increases are added under specific rules.
  4. 1977 Old Start PIA (1977 O.S. PIA) - The primary Insurance Amount 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 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 SS Act Amendments retains the minimum PIA's for certain members of religious orders (or an autonomous part of such order) until 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).

### **8.11.5 PIAs Under the RRA not Subject to 1977 SS ACT Amendments or 1981 SS Act Amendments**

The PIA's designated under the Railroad Retirement 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 (see [8.11.100](#) through [8.11.117](#)). Therefore, regardless of the wage earner's eligibility year, these PIA's are always either based on the AMW under the higher of the "Old Start" or "New Start" method or, if higher, are based on the Special Minimum PIA.

The elimination of the minimum benefit under the 1991 SS Act Amendments does not affect these PIAs.

### **8.11.10 Determining the Elapsed Years**

The Social Security Act rules are explained in this section. Refer to [RCM 8.11.100](#) – [8.11.117](#) for an explanation of the effect of RR Act deeming provisions on the determination of the elapsed years.

The elapsed years determine the number of computation years which must be used in computing the AMW or AIME.

The elapsed years depend on the method of computing the AMW or AIME.

- A. "Old Start" AMW Computation - The Elapsed Years for all Social Security Act Old Start AMW computations are the years since January 1, 1937 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 wage earner attained age 22; and,
- Any years partly or wholly within a previous "disability freeze" period established after 1-1-1951 (or after 1-1-1937 if Revised PIB Method) unless including these years would result in a higher AMW (benefits payable after June 1955 only).

B. New Start AMW Method or AIME Method - 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 wage earner attained age 22; and,
- Any years partly or wholly within a previous "disability freeze" period established after 1-1-1951 unless including these years would result in a higher AMW (benefits payable after June 1955 only) or would result in a higher AIME.

### 8.11.11 Determining the Divisor Months

The divisor months are determined from the elapsed years (see [RCM 8.11.10](#)). For benefits payable after 1954, the months in up to five years of lowest earnings are deducted from the elapsed years as explained in RCM 8.11.16. 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 (i.e.,  $(\text{elapsed years} - 5) \times 12 = \text{divisor months}$ ). However, the minimum divisor is 24. If the number of months remaining after excluding the years of disability and up to five low years is less than 24, the divisor will be 24.

EXAMPLE 1: The employee was born 8-17-1914 and therefore has 39 elapsed years (1937 through 1975) under the Old Start Computation before the year he attained age 62 (1976). The months in the five years of lowest earnings are dropped from the divisor months. The 34 remaining years times 12 months per year equal 408 divisor months.

EXAMPLE 2: The employee was born 8-17-1914 and therefore has 25 elapsed years (1951 through 1975) under the "New Start Computation" before the year he attains age 62 in 1976. The months in the five 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 3: The employee was born 9-27-1942 and therefore has 40 elapsed years (1964 through 2003) under the AIME computation before the year he attains age 62

(2004). The months in the five years of lowest earnings are dropped from the AIME divisor months. The 35 remaining years times 12 months per year equal 420 divisor months.

**EXAMPLE 4:** The employee was born 5-24-1955. He is entitled to a "disability freeze" effective 9-30-2003. Since the employee attained age 22 in 1977, there are 26 elapsed years (1977 through 2002) under the "New Start Computation" before the year his period of disability began. The months in the five years of lowest earnings are dropped from the divisor. The 21 remaining years times 12 months per year equal 252 divisor months.

**EXAMPLE 5:** The employee was born 5-24-1952. He is entitled to a "disability freeze" (DF) effective 9-30-2003. Since the employee attained age 22 in 1974, there are 29 elapsed years (1974 through 2002) under the AIME computation before the year his period of disability began. The months in the five years of lowest earnings are dropped from the AIME divisor. The 24 remaining years times 12 months per year equal 288 divisor months.

**EXAMPLE 6:** The employee was born 9-11-1960. He died on 8-3-2004 before entitlement to life benefits. Since the employee attained age 22 in 1982, there are 22 elapsed years (1982 through 2003) under the AIME computations. The months in the five years of lowest earnings are dropped from the AIME divisor. The 17 remaining years times 12 months per year equal 204 divisor months.

**EXAMPLE 7:** The employee was born 9-11-1959. He became disabled on 8-3-2004 (year age 45). Since the employee attained age 22 in 1981, there are 23 elapsed years (1981 through 2003) under the AIME computations. Since his PIA will be calculated under the 1980 SS Act Amendments, he is only entitled to 4 drop-out years, and therefore, the months in the four years of lowest earnings are dropped from the AIME divisor. The 19 remaining years times 12 months per year equal 228 divisor months.

Once determined, the divisor months remain constant regardless of whether the living wage earner keeps working.

The chart in Exhibit 1 illustrates the determination of divisor months for employees born before 1-2-1930.

### **8.11.12 Determining Base Years - General**

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.

### 8.11.13 Determining Benefit Computation Years - General

The benefit computation years for the (Old Start or New Start) 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 five years of lowest earnings as explained in [RCM 8.11.16](#)). 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 wage earner had lower earnings.

EXCEPTION: The AMW computation for the TRANS PIA or for 1977 Old Start PIA for eligibilities in 1979 or later 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. In this case, December 31, of the year prior to the effective date of the PIA is used. The last computation base year for the initial AMW ends on December 31, 1978. Exclude five years of lowest earnings. 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, TRANS or 1977 O.S PIA is effective 11-1982. In this case, December 31, of the year prior to the effective date of the PIA is used. 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 or 1977 Old Start PIA ends on December 31, 1979.

Example 3: The employee's date of birth is 5-24-31. He is rated disabled from 9-30-76 and the SS Act initial PIA is effective 3-1-77. In this case, December 31, of the year of disability onset and December 31, of the year prior to the effective date of the AMW PIA

are the same. Therefore, the last computation base year for the initial AMW ends on December 31, 1976.

After excluding five years of lowest earnings, the earnings for 1951 and 1952 which are prior to the year in which the employee attained age 22, and the earnings for 1976 (a year partly within a period of disability) are used only if they are higher than some other benefit computation year.

Example 4: The employee's date of birth is 5-24-31. He is rated disabled from 10-5-79 and the SS Act initial PIA is effective 4-1-80. In this case, December 31, of the year of disability onset and December 31, of the year prior to the effective date of the AIME PIA are the same.

The last computation base year for the initial AIME ends on December 31, 1979. After excluding five years of lowest earnings, the earnings for 1951 and 1952 which are prior to the year in which the employee attained age 22 and the earnings for 1979 (a year partly within a period of disability) are used only if they are higher than some other benefit computation year.

The last computation base year for the 1977 Old Start PIA in this case ends on December 31, 1978. After excluding five years of lowest earnings, the earnings for 1951 and 1952 are used only if they are higher than some other benefit computation year.

Example 5: The employee's date of birth is 5-24-31. He is rated disabled from 2-9-76 and the SS Act initial PIA is effective 8-1-76. In this case, December 31, of the year prior to the effective date of the PIA is earlier than December 31, of the year of disability onset. The last computation base year for the initial AMW ends on December 31, 1975. After excluding the five years of lowest earnings, the earnings for 1951 and 1952 which are prior to the year in which the employee attained age 22, are used only if they are higher than some other benefit computation year.

The AMW may be recomputed effective 1-1-77 if the 1976 earnings are higher than some other benefit computation year.

Example 6: The employee's date of birth is 5-24-31. He is rated disabled from 3-10-79 and the SS Act initial AIME PIA is effective 9-1-79. In this case, December 31, of the year prior to the effective date of the PIA is earlier than December 31, of the year of disability onset.

After excluding five years of lowest earnings, the earnings for 1951 and 1952 which are prior to the year in which the employee attained age 22, are used only if they are higher than the indexed earnings of some other benefit computation year.

The last computation base year for the initial AIME ends on December 31, 1978. The AIME may be recomputed effective 1-1-80 if the actual reported earnings for 1979 are higher than the indexed earnings of some other benefit computation year.

The last computation base year for the 1977 Old Start PIA in this case ends on December 31, 1978. The AMW may not be recomputed.

Example 7: The employee attained age 62 in 8-1975 and died on 7-10-80. The last computation base year for the AMW is 1980. Earnings for 1975 through the year of death are used only if they are higher than some other benefit computation year.

Example 8: The employee attained age 62 on 2-9-80 and died on 9-2-81. The last computation base year for the AIME is 1981. Earnings for 1980-1981 are used only if they are higher than some other benefit computation year.

The last computation base year for the AMW for the TRANS PIA or 1977 Old Start PIA in this case is December 31, 1979.

Example 9: The employee was born 9-11-50. He died on 8-3-2004 before entitlement to life benefits. The last computation base year for the AIME is 2004. After excluding the five years of lowest earnings, the earnings for 1951-1971 (which are prior to attainment of age 22), and for 2004 (the year of death) are used only if they are higher than some other benefit computation year.

Example 10: The employee was born 9-11-59. He became disabled on 8-3-2004 at age 45. The last computation base year for the AIME is 2004. After excluding the four years of lowest earnings under the 1980 SS Act Amendments, the earnings for 1951-1980 (which are prior to attainment of age 22) and for 2004 (partial year of disability) are used only if they are higher than some other benefit computation year.

### 8.11.14 Yearly Earnings Maximums

The Social Security Act limits the yearly reported earnings that may be considered in the AMW computations or indexed for the AIME computation. The earnings to be used include all wages, self-employment income, creditable compensation and creditable M/S including deemed M/S credits up to the maximum for each year. RCM [8.11.42](#) explains the Old Start method of determining earnings for base years before 1951.

Note: The Annual and Monthly Earnings Maximums are now located on Boardwalk. For more information [click here](#).

The yearly maximums for reported earnings between 1937 and 1950 are as follows:

	YEARS	MAXIMUM	
Old Start Only	1937-1939	\$ 3,000.00	From each employer
	1940-1950	3,000.00	Total per year

[Click here for a chart of the yearly maximums for reported earnings after 1950.](#)

### 8.11.15 Excluding Period of Disability

- A. Determination of DF Period - The period of disability is determined by the Disability Rating Section at RRB or SSA (see RCM [1.2](#)). It may apply in either an age and service or disability case.

When a disability freeze (DF) is established, the worker's wage record is frozen and the period during which they are rated disabled (and not likely to have substantial earnings) is usually excluded from the "Old Start" or "New Start" 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 disability freeze cannot be used to establish a DIB insured status or to pay a DIB VDB.

A disability annuitant who does not have a disability freeze on the ABD is deemed to be entitled to a DIB on the ABD for the purpose of computing PIAs 1, 3, and 10. Since they are deemed to be entitled to a DIB, they are also deemed to be entitled to a period of disability beginning with the ABD. Therefore, PIAs 1, 3, and 10 for a disability annuitant who does not have a DF on the ABD are computed as though the annuitant has a deemed DF.

The examiner may not exclude part of a disability freeze period and include part of the disability freeze period in order to compute a higher AMW or AIME.

- B. Period of Disability - A period of disability is slightly different in disability cases than in age and service or survivor cases. Therefore, PIA 1, PIA 3, PIA 9 and the SSEB PIA are not necessarily computed at the same time or with the same earnings (see [RCM 8.11.111](#)). [RCM 8.11.122](#) and [8.11.124 - 125](#) explain when a manual PIA computation is required.

#### 1. Period of Disability In Disability Cases

- (a) The Waiting Period - Under the Social Security Act, before entitlement to a DIB windfall or DIB O/M benefit can begin, the wage earner must have served a waiting period consisting of five full calendar months throughout which they are under disability. The wage earner also must have a disability insured status (see RCM [5.6.11](#)) in the first of those five months.

**EXCEPTION:** If they previously had a freeze or DIB which ended within five years (60 months) before the month their current disability began, no waiting period is required. This 60 month period begins with the month in which the prior freeze ceased or DIB

terminated and ends with the month before the first month throughout all of which the W/E is under a disability.

The waiting period begins in the first month, no earlier than 17 months prior to the month of filing in which:

- The W/E has been under a disability for the entire month (i.e., the date of onset is on or before the first day of the month); and,
- The W/E has a disability insured status. (Under the disability exclusion computation, an individual who becomes disabled as of any particular date in which they have a disability insured status, and who remains continuously disabled thereafter will continue to meet these requirements in the first month of the waiting period (even if the waiting period begins in a quarter after onset) and hence will have a disability insured status at that time because the establishment of a period of disability protects the insured status the W/E had at onset.

NOTE: Prior to January, 1973, the waiting period was six full calendar months. For waiting periods prior to November, 1960, see the SSCM section 6056.

A statutorily blind W/E (see RCM <https://prism-va-app-prod.azurewebsites.us/storage/view/RCM1-2.pdf>) titled to a monthly disability benefit (i.e., they are under age 55 and able to engage in SGA or they are age 55 or over and able to engage in comparable SGA) and who later becomes unable to engage in such SGA and is therefore found entitled to a DIB under SSA rules, must serve a waiting period before DIB (or DIB O/M) payments can begin. However, months after age 55 in which they were engaging in "non-comparable" SGA can be counted as months in the waiting period if they fall within the period of disability.

- (b) When a Period of Disability Begins In Disability Cases - The first month of the waiting period or the month of entitlement to the disability benefit, if there is no waiting period, is used to determine the deemed retirement age under SS Act rules. Retirement age for women is 62. For a male wage earner born 1-2-1913 or later, retirement age is 62. The AMW or AIME for an employee who has a DF on the ABD is computed with the employee deemed to be age 62 in the first month of their waiting period, in the first month they are entitled to the disability benefit. The AMW or AIME for an employee who has a deemed DF on the ABD is computed with the employee deemed to be age 62 in the ABD month. (The male wage earner born before 1-2-1913 is deemed to be age 65 in the

first month of his waiting period or, if there is no waiting period, in the first month he is entitled to the disability benefit.)

- (i) Disability Exclusion - Under the Social Security Act, the disability exclusion can apply to all disability PIA computation for monthly benefits payable for months after June 1955. In this type of computation, earnings within the period of disability are excluded. A disability insured status on the disability onset date is preserved through the first full month of the waiting period in the disability exclusion computation.

In cases where the employee has a DF on the ABD, the disability period begins with the determined onset date and continues up to the earlier of the deemed attainment of age 65, actual attainment of age 65, or death. In applying the disability exclusion computation for these cases, elapsed years are figured based on the date of disability onset. Therefore, the year of disability onset is treated as a partial year of disability (unless onset is January 1 of a year).

In cases where the employee has a deemed DF on the ABD, the disability period begins with the ABD and continues up to the earlier of the deemed attainment of age 65, actual attainment of age 65, or death. In applying the disability exclusion computation for these cases, elapsed years are figured based on the ABD. Therefore, the ABD year is treated as a partial year of disability (unless the ABD is January 1 of a year).

EXAMPLE: The employee (DOB 5-7-38) files for a disability annuity on 4-1-99 and is found to have a disability onset of 7-2-1996. The waiting period does not begin until 11-1-1997 (17 months before the filing date - see RCM [5.6.11](#)). The employee is deemed age 62 on 11-1-1997. Under disability exclusion, the freeze period begins on 7-2-1996 but benefits cannot be paid until 4-1-1998.

The G-90 program provides disability exclusion computations. No special entries are required on Form G-90 in order to obtain disability exclusion computations.

When an SSA and RRB disability onset date conflict refer to section E.

- (ii.) Disability Non-Exclusion - Under the disability non-exclusion computation, earnings within the period of disability can be included. If the wage earner has high earnings in the year(s)

after their DF or deemed DF begins, the disability non-exclusion computation should be considered to determine if the PIA would be higher if the wage earner did not have a DF (since a DF is meant to increase the PIA, not lower it). Under the SS Act, the W/E must meet DIB insured status in the first month of the waiting period in order to apply the disability non-exclusion computation.

In cases where the employee has a DF on the ABD, the elapsed years for the disability non-exclusion computation are figured based on the first full month of the waiting period. Therefore, the year of the first full month of the waiting period is treated as a partial year of disability (when first full month is after January of that year). In this type of case, earnings in the year of disability onset up to the year in which the waiting period begins can be included in the PIA computation as regular benefit computation years (see 8.11.13). Earnings after deemed retirement age (first full month of waiting period) up to the earlier of deemed attainment of age 65, actual attainment of age 65 or death can be used in the non-exclusion PIA recomputation as base years.

In cases where the employee has a deemed DF on the ABD, the disability non-exclusion computation is similar to the disability exclusion computation, except that earnings within the deemed period of disability can be included in the disability non-exclusion computation. The elapsed years are based on the ABD, and the ABD year is treated as a partial year of disability. Earnings after deemed retirement age (the ABD month) up to the earlier of deemed attainment of FRA, actual attainment of FRA, or death can be included in the non-exclusion PIA recomputation.

**EXAMPLE:** In the example cited in section (1) the employee is deemed age 62 on 7-2-1996. Under disability non-exclusion, the freeze period is ignored and earnings from 1996 through 1999 (his assumed FRA) can be included in this computation.

A disability non-exclusion computation cannot be obtained from the G-90 program. Therefore, if a disability non-exclusion computation is needed, request the Claim Certification unit (CCU) to manually compute a non-exclusion computation (see Section [8.11.122](#)).

When the SSA disability onset date precedes the RR ABD, refer to section E for possible application of this provision.

(c) When a Period of Disability Ends In Disability Cases - In a disability exclusion case, the period of disability in disability cases ends as follows:

2. Recomputation Purposes Only - Under the SS Act, for PIA recomputation purposes, the period of disability ends with the earlier of:
  - The last day of the second month after the disability ceases; or,
  - The last day of the month preceding the month the wage earner attains FRA; or,
  - The last day of the month preceding the month the wage earner is deemed FRA).

NOTE 1: A male employee born 1-1-13 or earlier is deemed age 65 in the earlier of the first month of the waiting period of 1975. The period of disability is also assumed to terminate in that year.

NOTE 2: SSA does not convert a DIB to an RIB until the beneficiary actually attains FRA.

Earnings for the partial year before the period of disability begins and earnings for the partial year in which the period of disability ends and later years may be considered for a benefit recomputation for the AMW PIA or AIME Disability Exclusion PIA (see RCM [8.11.22](#) and [8.11.33](#)).

EXAMPLE: The employee (DOB 5-7-50) has a disability onset of 7-2-2001. The waiting period does not begin until 11-1-2002 (17 months before the filing date of 4-1-2004). The employee is deemed age 62 on 11-1-2002 and deemed FRA (deemed age 66) on 11-1-2006. Therefore, for recomputation purposes, the disability period ends 10-31-2006. Earnings for 2006 or later years may be used in the disability exclusion PIA computation.

3. New Disability Entitlement after Closed Period of Disability - Under the SS Act, for the initial computation of the PIA for new entitlement, the closed period of disability ends with the last day of the second month after the disability ceases.

Earnings for the partial year before the prior period of disability begins and earnings for the partial year in which the prior period of disability ends and later years (in life cases) may be considered in the Disability Exclusion computation of the AMW PIA or AIME PIA if they are higher than some other benefit computation year (see [RCM 8.11.22](#) and [8.11.33](#)).

The period of disability for the new disability entitlement ends as explained in section 1 above.

If two or more periods of disability are involved, they all must be excluded for the disability freeze to be applicable.

NOTE: This type of PIA computation for an RRB PIA must be manually computed by CCU on Form G-90a (see [RCM 8.11.120](#)).

EXAMPLE: The employee (DOB 8-16-1944) filed for a disability freeze in 1995 and a date of onset of 2-10-1995 was established. Since 3-1-1995 was the first full month of his waiting period he was deemed age 62 in that month and deemed age 65 three years later. His period of disability for PIA computation purposes was 3-1-1995 through 2-29-1998. Earnings for 1998 were included in the DF recomputation effective 1-1-1999. His disability terminated 9-30-1999.

In 2001, the employee again filed for a disability freeze and a new onset date of 11-4-2001 was established. (Since there are less than 60 months after termination of his previous disability, there is no new waiting period.) This is considered new entitlement because the prior disability terminated more than 12 months before his present disability. The employee is deemed age 62 on 11-4-2001 and deemed FRA (age 66) in 11-2005.

In computing the initial PIA for the new entitlement with the disability freeze exclusion, two periods of disability must be excluded (3-1-1995 through 9-30-1999 and 11-4-2001 through 10-31-2005). The earnings in 1998 could be used in the recomputation of his PIA for his first entitlement if they were higher than some other benefit computation year. However, when computing the initial PIA for his new entitlement, the earnings and divisor months for 1998 are excluded because they are in a year fully within a period of disability.

4. Period of Disability In Age and Service or Survivor Cases - The period of disability in age and service or survivor cases begins with the date of disability onset and ends with the earlier of:
- The last day of the month in which the wage earner dies (survivor entitlement); or,
  - The last day of the month preceding the month the wage earner actually attains FRA (there is no deeming of FRA under the SS Act); or,
  - The last day of the second month after the disability ceases.

Under the disability exclusion provision (freeze computation), years wholly within the disability period are not used in the PIA computation. Earnings for the partial year before the period of disability begins and earnings for the partial year in which the period of disability ends and later years (in life cases) may be considered in the computation of the AMW PIA or AIME PIA if they are higher than some other benefit computation year (see [RCM 8.11.22](#) and [8.11.33](#)).

If two or more periods of disability are involved, they all must be excluded for the disability freeze to be applicable.

EXAMPLE 1: The employee (DOB 9-7-1948) dies on 5-1-2000. His survivors file for a DF which is established after death with disability onset of 11-6-1998.

The PIA based on the DF eligibility year 1998 is computed and in this case is less than the PIA based on the date of death (eligibility year 2000).

The DF is disregarded in this case to allow use of the higher PIA.

EXCLUSION		NONEXCLUSION	
1998	(DF)	2000	(DOD)
<u>-1970</u>	(age 22)	<u>-1970</u>	(age 22)
28	(EY)	30	(EY)

Substantial earnings postings in 1999 and 2000 results in a higher non-exclusion PIA computation than exclusion computation even though 2 additional benefit comp. years (BCYs) are included in the computation.

EXAMPLE 2:

	EXCLUSION	NONEXCLUSION
Dis onset 12/1988	1988 (dis onset)	1989 (yr of w.p.)
DOB 9/1946	<u>-1968</u> (age 22)	<u>-1968</u> (age 22)
Filing date 4/1991	20 (EY)	21 (EY)

W.P. 11/1989 - 3/1990

ABD 4/1990 (one year prior to DOF)

For purposes of determining elapsed years (EY), exclude any years partially or wholly in a period of disability for the EXCLUSION (freeze) computation. This leaves 20 elapsed years for the EXCLUSION computation and 21 elapsed years for the NONEXCLUSION (non-freeze) computation.

From the elapsed years, subtract the dropout years (4 for this employee based on their age on the disability onset date). This leaves 17 benefit comp. years (BCYs) for the NONEXCLUSION computation and 16 BCYs for the EXCLUSION computation, i.e. 204 divisor months and 192 divisor months, respectively.

The EXCLUSION computation uses 1988, the disability onset date in determining the benchmark year (YOE). The NONEXCLUSION PIA computation uses 1989, the beginning of the waiting period (W.P.), to determine the benchmark year (YOE). Note that this date can be no earlier than 17 months prior to the date of filing (12 months retroactivity from DOF plus 5 months waiting period).

EXAMPLE 3:

	EXCLUSION	NONEXCLUSION
Dis onset 11/1995	1995 (dis onset.)	1999 (yr of w.p.)
DOB 5/1939	<u>-1961</u> (age 22)	<u>-1961</u> (age 22)
Filing date 1/2000	34 (EY)	38 (EY)
W.P. 8/1999-12/1999		
ABD 1/1/2000 (designated ABD)		

For purposes of determining elapsed years (EY), exclude any year(s) partially or wholly in a period of disability for the exclusion (freeze) computation. This leaves 38 elapsed years for the NONEXCLUSION (non-freeze) computation, and 34 elapsed years for the EXCLUSION (freeze) computation.

From the elapsed years, subtract the drop-out years (5 for this employee based on their age on the disability onset date). This leaves 33 benefit comp year (BCYs) for the NONEXCLUSION (non-freeze) computation, and 29 BCYs for the EXCLUSION (freeze) computation (i.e., 348 divisor months and 392 divisor months, respectively).

The EXCLUSION PIA computation uses the disability onset date in determining the benchmark year (1995 YOY), while the NONEXCLUSION PIA computation uses the beginning of the waiting period in determining the benchmark year (1999 YOY).

Because this employee had maximum earnings in the years 1995-1999, the NONEXCLUSION computation was higher, even though more BCYs & divisor months were factored into the computations.

C. Effect on AMW or AIME Computation - If a period of disability is excluded for one purpose (e.g. elapsed years) it must be excluded for all purposes (e.g. insured status).

1. Effect On AMW or AIME Divisor - When the disability freeze is applied to the AMW or AIME computation all months in years partly or wholly within the period of disability after 1-1-51 (or after 1-1-37, if 1965 Old Start Method) are excluded from the divisor (see [RCM 8.11.10](#) and [RCM 8.11.11](#)).
2. Effect On AMW or AIME Dividend - When the "disability freeze" is applied to the AMW or AIME computation, earnings from years wholly within a period of disability after 1-1-51 (or after 1-1-37, if 1965 Old Start Method) are excluded from the dividend (see [RCM 8.11.13](#)). For eligibilities prior to 1-1-79, earnings from years partly within the disability period can be considered for inclusion in the AMW dividend for the AMW PIA 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. Earnings from years partly within a disability period can be considered for inclusion in the AMW dividend for the 1977 Old Street PIA if they are higher than some other benefit computation year and the year is before the employee's eligibility year.

D. When Disability Freeze Affects PIA Computation

1. General

(a) Male Wage Earner - A DF granted to the eligible wage earner 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.
- (b) Female Wage Earner - A DF to the eligible wage earner could increase the PIA if she had disability onset before the earlier of attainment of age 62 or death.
2. Disability Freeze Effective After ABD - When a disability freeze is granted with an onset after the ABD, that DF will not affect the computations of PIA #1, PIA #3, PIA #5, PIA #6, PIA #10, or the PT PIA. This is due to the Railroad Retirement Act deeming provisions explained in RCM Chapter [8.11.100](#), [8.11.107](#) and [8.11.108](#).

A DF established after the ABD can affect the following PIA computations:

- (a) Windfall PIAs - If there is no actual DF on the ABD and the employee is vested, PIA #4, PIA #7 and PIA #8 will be computed based on the employee's projected attainment of age 62. A DF will decrease the number of divisor months, increase AMW PIA's, and permit payment of the DIB windfall before age 62.
- (b) PIA #9 and the SSEB PIA - A DF will permit the computation of PIA #9 and the SSEB PIA prior to age 62. The eligibility year for these PIA's will be based on the year of DF onset. PIA #9 may be used for purposes of testing and paying the OM as explained in RCM [8.3.2](#). The SSEB PIA can be used for tax purposes, whether or not the OM is payable.

The SSEB PIA may also exceed PIA 1 in some cases, but since the SSEB paid amount is limited to the tier 1 paid amount, the higher SSEB PIA does not increase the SSEB paid to an amount greater than tier 1.

#### E. Disability Freeze Conflicts at RRB and SSA

1. Both RRB and SSA Have Established an Actual Disability Freeze - There are cases in which the Board grants a period of disability to an employee but the Social Security Administration either denies the period of disability or establishes a different eligibility onset date. Handle these cases as follows:
- (a) SSA's DF Onset Date is Earlier Than RRB's Onset Date for Actual DF - Use SSA's DF onset date for all PIA computations unless RRB previously determined that the employee was not disabled as of SSA's DF onset date and denied an RRB D/A application. In that case, RRB's DF onset date must be used for all PIAs instead of SSA's.

- (b) SSA's DF Onset Date is Later than RRB's Onset Date for Actual DF - Use SSA's DF onset date to compute the WF PIA's. Use RRB's DF onset date to compute all PIA's other than WF PIA's.
  - (c) SSA Denied the DF But RRB Granted an Actual DF - Use RRB's onset date to compute all PIA's other than WF PIA's. The DF cannot be used to determine WF entitlement or to compute the WF PIA's.
  - (d) SSA Paying Benefit Without DF but Joint Actual DF Granted - Use RRB's onset date to compute all PIA's other than WF PIA's. The DF cannot be used to determine WF entitlement or to compute the WF PIA's. In these cases, SSA is paying a benefit based on SS earnings only. RRB is paying a benefit based on combined SS earnings and compensation with an SS benefit offset.
2. Only SSA Established a DF – Use SSA’s DF onset date (and/or closed freeze period) for all PIA computations in cases where the EE never filed for a disability annuity at RRB.
3. RR Act Deemed DF For 2a(l)(IV) and 2a(l)(V) Annuitants
- (a) Deemed DF to Compute PIA - Section 3(a)(2) of the 1974 RRA deems all 2a(l)(IV) and 2a(l)(V) annuitants to be entitled to a DIB under section 223 of the Social Security Act as of their RR disability onset date and deems them to be age 62 on that date (unless an actual DF is earlier, in which case the actual DF is used). This deeming provision is for the computation of RR Act PIA's 1, 3, 10, 17, and the PT-PIA only, as explained in RCM 8.11.100. It does not entitle the employee to the Retirement DIB O/M computation, a windfall benefit based on disability, HI coverage based on disability, or SSEB entitlement prior to age 62.

If SSA has established an actual DF prior to the RR disability onset date, consider the disability non-exclusion provision of the SS Act.

EXAMPLE: The employee DOB 2-26-23 has an actual DF at SSA beginning 5-76. If this DF were not considered he would have an RR Act deemed DF on the RR ABD (no waiting period applied prior to the 1983 amendments) of 1-1-79. The rates with and without the actual DF are as follows:

<b>Rates With DF 5-76</b>		<b>Without Actual DF</b>	
PIA 1	331.30	PIA 1	356.10

PIA 4	126.80	PIA 4	114.40
PIA 6	194.10	PIA 6	194.10
PIA 7	181.60	PIA 7	153.20
PIA 8	194.10	PIA 8	171.40
6/79 Gross Tier I	331.30	6/79 Gross Tier I	356.10
SS Ben	-215.30	SS Ben	215.30
Net Tier I	116.00	Net Tier I	140.80
Tier II	22.03	Tier II	22.03
DIB WF	148.13	WF	none until age 62
Total Tier Rate	286.16	Total Tier Rate	162.83

Therefore, the actual DF effective 5-1976 provides a higher total tier rate.

- (b) DF For HI Coverage Only - Section 7(d)(3) of the 1974 Railroad Retirement Act deems certain 2a(1)(IV) or 2a(1)(V) annuitants to be entitled to HI coverage as explained in RCM 5.6.12. This DF determination is for the purpose of establishing HI only. It is not applied to a PIA computation and does not entitle the employee to the Retirement DIB O/M computation, a windfall benefit based on disability or SSEB entitlement prior to age 62.

### 8.11.16 Excluding up to Five Years of Lowest Earnings (Dropout Years)

- A. Age and Service Annuities - Effective with benefits paid after 1954, the months and earnings in up to five full calendar years with the lowest earnings after the starting date and before the last computation base year may be excluded from the dividend and divisor when computing the AMW or the AIME (effective 1979 or later). 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 five years of lowest earnings can be excluded in every case, including those in which a disability freeze has been established, as long as there remains

a minimum of two benefit computation years with the corresponding minimum 24 divisor months.

EXAMPLE 1: The employee's date of birth is 11-10-1905. The five lowest years of earnings (indicated with an asterisk for illustration) are excluded from the AMW divisor and AMW dividend. The earnings for 1970 and 1971 are used in place of the 1953 and 1955 earnings.

1951 - 2714.76*	1962 - 4218.29
1952 - 3140.76	1963 - 4350.46
1953 - 3059.76	1964 - 4832.52
1954 - 3136.75	1965 - 4908.55
1955 - 2804.76	1966 - 5357.75
1956 - 3298.75	1967 - 4751.55
1957 - 2759.75*	1968 - 6016.18
1958 - 863.16*	1969 - 6849.22
1959 - 2600.00*	1970 - 6610.71
1960 - 2600.00*	1971 - 7100.77
1961 - 3656.25	

Therefore, his dividend is 68,228.51 and his divisor is 168. The AMW is \$406.

EXAMPLE 2: The employee's date of birth is 7-5-1939, so his eligibility year is 2001 (age 62). The earnings are indexed for the AIME computation. The 35 highest years of indexed earnings (indicated with an asterisk\* for illustration) are included in the AIME divisor and AIME dividend.

1955	2295.96	1973	43412.58*	1987	71161.35*
1960	3801.96	1974	50082.67*	1988	70918.59*
1961	13163.64	1975	49777.40*	1989	71788.40*
1962	8760.74	1976	50527.24*	1990	73123.66*

1963	15623.01	1977	51409.12*	1991	69404.41*
1964	31959.14	1978	51090.81*	1992	67108.03*
1965	31393.87	1979	60783.29*	1993	67780.54*
1966	40722.21*	1980	61886.66*	1994	69640.14*
1967	38573.56*	1981	65588.95*	1995	75478.83*
1968	42655.24*	1982	67937.49*	1996	67392.39*
1969	40324.81*	1983	67456.75*	1997	72658.34*
1970	38418.29*	1984	71382.40*	1998	72211.82*
1971	36580.24*	1985	71725.66*	1999	66882.66*
1972	38440.74*	1986	73879.84*	2000	76200.00*

Therefore, his dividend is 2,104,405.11 and his divisor is 420. The AIME is \$5010.

## B. Disability Annuities

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

EXAMPLE 1: The employee's date of birth is 5-24-1931. He is rated disabled from 9-30-1976 and his SS Act initial PIA is effective 3-1-1977. The five lowest years of earnings (indicated with an asterisk for illustration) 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**	1964	4800.00
1952	2998.48**	1965	4800.00
1953	3452.48*	1966	5476.57

1954	3243.48*	1967	5478.50
1955	3745.48*	1968	5374.94
1956	3374.48*	1969	6205.70
1957	3947.49**	1970	6304.10
1958	3714.49*	1971	7095.93
1959	4389.93	1972	7945.49
1960	4655.79	1973	9029.86
1961	4549.44	1974	7757.68
1962	4664.89	1975	8011.36
1963	4730.91	1976	6196.14

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

\*\* Not used.

EXAMPLE 2: The employee's date of birth is 7-9-1932. He is rated disabled from 9-30-1979 and his SS Act initial PIA is effective 3-1-1980. The earnings are indexed for the AIME computation.

The five lowest years of earnings (indicated with an asterisk for illustration) 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**	1966	11,440.55
1952	9042.75**	1967	10,841.95
1953	11,344.85	1968	9,954.39**
1954	10,602.94	1969	10,866.18

1955	11,704.63	1970	10,521.54
1956	9,853.48*	1971	11,268.34
1957	11,183.24	1972	11,489.18
1958	10,430.29	1973	12,289.62
1959	11,747.45	1974	9,968.62
1960	11,988.66	1975	9,573.58*
1961	11,487.34	1976	6,927.28*
1962	11,211.99	1977	8,266.19*
1963	11,103.45	1978	8,917.65*
1964	10,819.20	1979	6,217.92**
1965	10,632.00		

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

\*\* Not used.

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 PIA's 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 ever 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.

<b>Worker's Age In Year of Disability Onset</b>	<b>Number of Dropout Years</b>
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: There is a special "Child Care Dropout Year" provision effective July 1, 1981 which provides an additional dropout year for any year after 1950 in which the disabled worker is under age 37, has no earnings, and is living in the same household with a child less than three years old of the employee or spouse. However, the total dropout years in these cases cannot exceed three. Additional dropout years under this provision are determined as explained in Section [8.11.17](#).

- b. Disability Freeze/Non-Freeze - The number of dropout years may vary in situations where the onset date and the first month of the waiting period occur in different years if the employee has an insured status in the first month of the waiting period. Since the number of dropout years are based on elapsed years, they are determined separately for the disability freeze/non-freeze computations. (The disability freeze/non-freeze provision is explained in RCM [8.11.15](#).)

EXAMPLE: The employee DOB 2-15-1954 has a disability onset and freeze effective 1-18-1999 at age 45. He applied for disability benefits on 9-5-2002 and became entitled to the DIB O/M in 9-2001. The disability freeze computation years for PIA #9 are determined as follows:

Elapsed Years: 1976 through 1998

Number of Elapsed Years: 23

Number of Dropout Years: 4

(23 divided by 5)

Number of Computation Years: 19

(23-4)

In addition, the employee has DIB insured status in the first full month of his waiting period when he is age 47 (4-2001 or 17 months prior to filing). The computation years for PIA #9 under the non-freeze computation are:

Elapsed Years: 1976 through 2000

Number of Elapsed Years: 25

Number of Dropout Years: 5

(25 divided by 5)

Number of Computation Years: 20

(25-5)

- c. Effect On Railroad Retirement Act PIAs - Due to the 1980 Social Security Disability Amendments, the computation of PIA 1, PIA 3, and PIA 17 is effective on the ABD, while the computation of PIA 9 and the SSEB PIA is effective in the first full month after the waiting period. Therefore, these amendments result in a PIA 1 with dropout years that differ from those excluded from PIA 9 or the SSEB PIA.

The pre-1980 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 five dropout years, provided there remains a minimum of two benefit computation years.

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

EXAMPLE 1: The employee's date of birth is 5-19-1935. At age 45, he is deemed disabled on the ABD of 5-16-1980 for PIA 1. The DIB O/M is not payable until 11-1-1980. The pre-amendment rules apply for PIA 1 with five dropout years. The amendment rules apply for PIA 9 which has only four dropout years.

EXAMPLE 2: The employee (DOB 7-10-1943) has a disability onset date of 9-6-1980. She received a disability annuity from that date. The dropout years determined under the 1 for 5 rule are

three, applicable to live disability annuities. The employee dies in April 2004. The survivor PIA 1 is computed under pre-amendment rules having five dropout years, as do all survivor annuities.

EXAMPLE 3: The employee's date of birth is 11-12-1962. He is rated disabled with an onset of 3-21-2004. The ABD is 9-1-2004. The four years of lowest earnings are dropped from the AIME dividend and the AIME divisor for both the initial and recomputed PIAs.

### 8.11.17 Additional Dropout Years Based on Child Care

The 1980 Disability Amendments provide for the crediting of dropout years based on child care in addition to those computed under the 1 for 5 rule (see Section [8.11.16 B 2](#)) effective with monthly benefits beginning July 1, 1981. The sum of the dropout years computed under the 1 for 5 rule and the child care dropout years cannot exceed 3. But, since the minimum number of computation years is 2, any individuals who receive less than 3 dropout years under the 1 for 5 rule and who have more than 2 computation years may be eligible for additional dropout years effective July 1, 1981 or later.

See RCM [Chapter 4.7.120](#) for an explanation of how to determine if the child care dropout years provision may apply.

- A. Requirements - In general, for the child care dropout provision to apply, the employee must:
- Be receiving a disability annuity; and
  - Have an ABD of July 1, 1980 or later OR a disability freeze date of February 1, 1980 or later, and
  - Be under age 37 in the earlier of the year of their ABD or disability onset; and
  - Have a benefit computation year in which the employee has no earnings and they were living with their spouse's child under age 3 substantially throughout that year.

In survivor cases, the employee must have met the criteria listed above and must have died after July 31, 1981.

- B. Determining Child Care Years - Where an individual receives less than 3 regular dropout years under the 1 for 5 rule, the child care dropout provision must be considered effective July 1, 1981 or later. The following chart lists the maximum number of child care dropout years, based on the number of elapsed years involved in computing the PIA.

Number of Elapsed Years	Number of Regular Dropout Years (1 for 5 rule)	Maximum Number of Child Care Years	
0	0	0	
1	0	0	Dropout Limited
2	0	0	By the Minimum
3	0	1	of 2 Computation
4	0	2	Years.
5	1	2	
6	1	2	
7	1	2	
8	1	2	
9	1	2	
10	2	1	
11	2	1	
12	2	1	
13	2	1	
14	2	1	
15 or More: Worker is Not eligible for child care dropout years - at least 3 dropout years given under 1 for 5 rule.			

By comparing the above chart to the chart given in Section [8.11.16 B 2](#) for the 1 for 5 rule, it becomes apparent that the only employees who would be eligible for child care years are employees under age 37 in the earlier of the ABD year or DF onset year. This is because in most cases only a person under age 37 would have less than 15 elapsed years (and still be payable under the 1980 Disability Amendments).

36 years of age (or less)

22 years of age (years before age 22 are excluded)

## 14 elapsed years (or less)

If the child care dropout provision may be applicable, the earnings record is reviewed. The years of highest earnings from the employee's base years (see Section 8.11.12) are selected that are equal in number to the employee's computation years (see Section 8.11.13). The number of computation years equals the number of elapsed years (see Section [8.11.10](#)) minus the number of dropout years under the 1 for 5 rule (see Section [8.11.16](#)). If each of the selected years contains any earnings, then the child care dropout provision does not apply.

If at least one of the selected computation years contains no earnings, the child care dropout provision should be developed according to RCM [Chapter 4.7.120](#).

Where one or more years qualify as an eligible child care year, the number of computation years is reduced by the number of child care years. However, the number of child care years is limited to the maximum shown in the chart, above. In addition, the number of child care years is also limited to the number of computation years with no earnings. The number of child care dropout years and the years chosen as child care years are based on the initial computation. Future recomputations do not affect the number of, or the chosen, child care dropout years.

NOTE: The years of no earnings selected as computation years are not the only years available for consideration as child care years. Any year of no earnings within the initial base year period may be an eligible computation year and dropped, if the other criteria for a child care year are met.

EXAMPLE 1: The employee's DOB is 8-4-1976, her disability annuity ABD is 7-1-2003 and her DF onset is 1-15-2003. The DIB O/M entitlement date is 7-1-2003. Her PIA #9 is computed using 4 computation years (5 elapsed years minus 1 drop-out year under the 1 for 5 rule).

Her PIA #9 should also consider dropout years for child care. Based on 5 elapsed years, she may be credited with a maximum of 2 child care years. She has no earnings in the period 1951-1999 and in 2003. Since she is age 22 in 1998 and her DF onset date is in 2003, only the years 1998-2002 can be considered as computation years. She's entitled to 1 dropout year under the 1 for 5 rule which would be a year with no earnings. Therefore, only 1 year of no earnings is left so she can only be credited with 1 child care year.

EXAMPLE 2: The same facts as in EXAMPLE #1, except the employee has no earnings in the period 1951-1997 and in 2003. Since the only computation year in which she has no earnings is 1998, that year would be dropped out under the "1 for 5" rule. None of the 4 computation years remaining has no earnings. Therefore, although she has other base years with no earnings, the child care provision does not apply.

### 8.11.20 Entitlement to "New Start" AMW Method

Before the 1977 Social Security Act Amendments, the 1965 "New Start" AMW 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 [RCM 8.11.22](#)).

If the AMW computed under the "New Start" method is less than \$250 and there are significant earnings before 1951, refer to RCM [8.11.40](#) – [8.11.48](#) "Computation of Old Start PIA".

Benefits based on an "eligibility year" before 1979 will continue to be computed based on the AMW PIA. The AMW PIA conversion table will be updated for each cost-of-living increase.

Benefits paid on the wage records of employees who attain age 62 in the years 1979-1983 can be computed using a "New Start" AMW computation for the Transitional PIA (TRANS PIA) as an alternative to the AIME computation, the 1977 Old Start computation or the Special Minimum PIA computation.

NOTE: The deeming provisions under the RR Act can make an RR employee "eligible" for the AMW computation even though he or (s)he would have a later eligibility year under the SS Act rules (see RCM [8.11.100](#) through [8.11.117](#)).

### 8.11.21 Initial Computation of New Start AMW

The basic benefit computation years for the "New Start" 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 RCM [8.11.12](#)). Five years of lowest earnings are dropped as explained in RCM [8.11.16](#).

The AMWs computed for cases in which the wage earner attained age 62, had a date of disability onset or died before 1979, may include as a benefit computation year: years prior to year W/E 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 AMW's computed for the Transitional PIA for wage earners who attain age 62 after 12-31-1978 but before 1-1-1984 can include as a benefit computation year earnings in a year prior to the year in which the W/E 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 separate wage earners file for benefits payable 1-1982. Herman (DOB 5-7-1914) 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." Alfonso (DOB 7-10-1917) 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 chart in Exhibit 2.

There will be the same number of years in the resulting benefit computation years for the AMW dividend as there are years (elapsed years minus drop-out) 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 "New Start" 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 the five years of lowest earnings. The amounts less than \$1 in the quotient are dropped so that the AMW is expressed in whole dollar amounts.

**8.11.22 Recomputation of "New Start" AMW**

A. Age and Service Cases - The "New Start" AMW computed for employees who attained age 62 before 1-1-1979 may be recomputed to include as a benefit computation year the ABD year or each subsequent year in which the employee has earnings higher than some other benefit computation year. The year of lower earnings is dropped. Therefore, there will be the same number of benefit computation years in the AMW dividend as there are years used to determine the AMW divisor months. Use the current AMW PIA Table to determine the recomputed AMW PIA.

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

Exception: If the employee's ABD is before 1-1967, refer to the Social Security Claims Manual section 4319.3.

EXAMPLE: The wage earner's date of birth is 5-20-1915. The date of entitlement of his age and service benefit is 5-1-1977. His earnings since 1951 are as follows:

1951	2671.47	1965	4800.00
1952	2892.79	1966	5374.75
1953	3120.72	1967	5478.50
1954	3201.91	1968	5392.94

1955	3745.27	1969	6110.92
1956	3017.29	1970	6314.72
1957	3321.56	1971	7190.93
1958	3702.19	1972	7540.93
1959	3891.72	1973	9103.71
1960	4091.72	1974	8172.90
1961	4371.92	1975	8703.12
1962	4420.72	1976	9079.31
1963	4572.80	1977	6150.76
1964	4691.73	1978	4120.76

Under SSA rules, the initial AMW for benefits payable 5-1-1977 was computed based on earnings through December 31, 1976. Earnings for the years 1951, 1952, 1953, 1954 and 1956 were dropped from the AMW dividend. The AMW is recomputed for benefits payable effective 1-1-1978 to include the earnings for 1977 in the AMW dividend and to drop the earnings for 1957 from the AMW dividend. The AMW is again recomputed for benefits payable effective 1-1-1979 to include the earnings for 1978 in the AMW dividend and to drop the earnings for 1958 from the AMW dividend.

The "New Start" AMW computed for the TRANS PIA for employees who attain age 62 after 12-31-1978 but before 1-1-1984 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 "New Start" AMW computed for employees with a disability onset date before 1-1-1979 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 not waiting period, or the employee's partial year after the actual or deemed attainment of age 65 or a subsequent year are higher than earnings in some other benefit computation year. (The period of disability is considered terminate, for PIA recomputation purposes only, when the EE is deemed to be age 65. However SSA does not convert a DIB to an RIB until the wage earner actually attains age 65. The year of lower earnings is dropped. Therefore, there will still be the same number of benefit computation years for the AMW dividend as there are years used to determine the AMW divisor. Use the

current AMW PIA Table to determine the recomputed AMW PIA. The recomputation is effective January 1, of the year following the year for which the earnings are credited. (The "New Start" AMW is not computed in disability cases with an eligibility year of 1979 or later.)

EXAMPLE: The employee's date of birth is 5-24-1929. He is rated disabled from 6-20-1976 and deemed to be age 62 on that date for PIA computation purposes. The DIB O/M effective date is 12-1-1976. For purposes of the PIA computation, the employee is deemed age 65 on 6-20-1979.

The yearly earnings are as follows:

1951	2453.27	1966	5476.57
1952	2998.49	1967	5476.57
1953	3452.48	1968	5374.94
1954	3243.48	1969	6205.70
1955	3745.48	1970	6304.10
1956	3374.48	1971	7095.93
1957	3947.48	1972	7945.49
1958	3714.49	1973	9029.86
1959	4389.93	1974	7757.68
1960	4655.79	1975	8011.36
1961	4549.44	1976	4210.70
1962	4663.89	1977	976.00
1963	4730.91	1978	1909.00
1964	4800.00	1979	3995.48
1965	4800.00		

The initial AMW for O/M benefits payable 12-1-1976 was computed based on earnings through 12-31-1975. Earnings for the years 1951, 1952, 1953, 1954 and 1956 were dropped from the AMW dividend. The AMW is recomputed for benefits payable effective 1-1-1977 to include the 1976 earnings in the AMW

dividend and to drop the earnings from 1958 from the AMW dividend. The 6-1976 PIA Table is used in this case to determine the recomputed AMW PIA effective 1-1-1977.

The wage earner does some odd jobs beginning in 1977, the scope of which is not sufficient to terminate his disability. Since 1979 is not wholly within a period of disability, the AMW is recomputed for benefits payable effective 1-1-1980 to include the 1979 earnings in the AMW dividend and to drop the earnings for 1958 from the AMW dividend. The 6-1979 PIA Table is used in this case to determine the recomputed AMW PIA effective 1-1-1980.

- C. Survivor Cases - The "New Start" 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, there will still be the same number of benefit computation years in the AMW dividend as there are years used to determine the recomputed AMW PIA. In survivor cases the recomputation is effective in the month of death.

The "New Start" AMW computed for the TRANS PIA for employees who attain age 62 after 12-31-1978 but before 1-1-1984 is not subject to recomputation for lag earnings in the year of death.

### 8.11.23 AMW Maximum and Minimum

Under the 1965 PIA formula, the average monthly wage cannot exceed the highest amount indicated in the AMW column in [Appendix B](#).

The AMW PIA is not affected by the elimination of the minimum social security benefit. The lowest AMW for the AMW PIA is \$76.00 and the lowest PIB for the AMW PIA is \$16.20.

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.

EXCEPTION: If the vow of poverty rule applies, refer to SSCM A4330.

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

To find the AMW PIA when the AMW is figured under the 1965 "New Start" method, refer to the table in [Appendix B](#) of this chapter. Find the AMW in the first column. The PIA is on the same line as the AMW under the appropriate effective date. The amount of this PIA is increased for each cost-of-living increase.

To find the AMW PIA when the PIB is figured under the "Old Start" method for an eligibility year before 1979, refer to RCM [8.11.48](#).

### **8.11.25 Determining the Primary Insurance Amount under the Transitional Guarantee PIA (TRANS PIA)**

#### **A. Requirements for TRANS PIA**

The Transitional Guarantee PIA is computed when the following requirements are met:

1. An age and service or survivor benefit is involved; and,
2. The employee attains age 62 in 1979-1983, even though the ABD or date of death is after the year the employee attained age 62.
3. The wage earner had some earnings before 1979; and,
4. The employee must not have established a period of disability which began prior to 1979, unless there was a period of at least 12 months prior to the month of attainment of age 62 or death during which (s)he is not entitled to a disability benefit (based on a DF) or the period of disability is disregarded.

The TRANS PIA is derived from the June 1978 PIA Table. Determine the employee's "eligibility year." Then use the corresponding Appendix based on the eligibility year at the end of this chapter to determine the TRANS PIA. The amount of this PIA is increased for the cost-of-living from the "eligibility year" as explained in RCM [8.11.91](#).

#### **B. Minimum TRANS PIA - The 1981 SS Act Amendments eliminated the minimum TRANS PIA for eligibility years 1982 and 1983.**

1. Age and Service Cases - The minimum TRANS PIAs 1, 9, and SSEB PIA can apply if the employee attained age 62 before 1982.
2. Survivor Cases - The minimum TRANS PIAs 1 and 3 can apply if the employee attained age 62 before 1982, even if the employee died after 1981.

#### **C. TRANS PIA Family Maximum - The TRANS PIA Family Maximum Amount is computed as explained in RCM [8.11.86](#).**

### **8.11.30 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 wage earners who in 1979 or later, attain age 62, have a date of disability

onset, or die before becoming eligible for a life benefit. The indexed earnings bring the actual reported earnings for early years of employment up to the dollar value level of the recent earnings.

The AIME under the SSA formula is an alternative computation to the 1977 Old Start based on eligibility year 1979 or later, the SPC MIN PIA, or the TRANS PIA (when applicable).

The RRA PIA 1, PIA 3, PIA 9, PIA 17, or SSEB PIA may be computed under the AIME method for eligibilities 1979 or later. The deeming provisions of the RRA can make an employee eligible at an earlier year than the "eligibility year" under SS Act rules (see RCM [8.11.100](#) – [8.11.117](#)).

The AIME Family Maximum Benefit is computed as explained in [RCM 8.11.86](#).

### 8.11.31 Indexing Reported Earnings for AIME Computation

To compute an AIME PIA, the earnings reported for previous years must first be indexed to reflect their relative values in comparison to recent earnings levels. The earnings used in the AIME computation include all wages, self-employment income, compensation and M/S creditable up to the yearly maximum, for years after 1950.

The indexing for the AIME PIA is the second year before the employee's year of eligibility. To index reported earnings, multiply the reported earnings for each year after 1950 through the indexing year, by the quotient of the average earnings for the indexing year divided by the average earnings for the year being indexed. Round the result to a penny.

$$\begin{array}{rcccl} \text{Reported earnings} & \times & \text{Average earnings} & = & \text{indexed earnings} \\ \text{for 19xx} & & \text{for indexing year} & & \text{for 19xx} \\ & & \text{Average earnings for 19xx} & & \end{array}$$

[Click here for a chart that shows the average earnings for years through the indexing year applicable to 1998.](#)

For benefit estimate purposes, estimated average earnings amounts for future eligibility years are also provided.

The amounts for 1978 - 2017 are based on IRS records.

The amounts for years prior to 1979 generally represent four times the average social security taxable wage reported for all workers for the first calendar quarter of each year. (Self-employment wage records were not included in these averages, as those earnings were not posted quarterly.)

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 5-10-1917. He has 25 years RR service. Under the RR Act, due to last person service, the ABD is 2-1-1980. The indexing year is 1977 based on his attainment of age 62 in 1979. The year 1977 has an average wage of \$9,779.44. The earnings record is adjusted as follows:

<b>Year</b>	<b>Reported Earnings</b>	<b>Indexed Earnings</b>
1951	2,371.92	\$ 8,286.79
1952	2,971.18	9,772.40
1953	3,476.91	10,830.67
1954	3,297.58	10,219.32
1955	3,751.26	11,111.88
1956	3,592.71	9,946.52
1957	3,957.89	10,628.48
1958	3,792.78	10,096.16
1959	4,792.16	12,154.32
1960	4,800.00	11,714.48
1961	4,800.00	11,486.19
1962	4,800.00	10,938.46
1963	4,800.00	10,676.63
1964	4,800.00	10,257.44
1965	4,800.00	10,076.01
1966	5,271.59	10,439.34
1967	6,576.72	12,336.70
1968	7,800.00	13,690.40

1969	7,800.00	12,942.44
1970	7,800.00	12,330.53
1971	7,800.00	11,740.60
1972	8,179.28	11,212.65
1973	9,215.76	11,889.59
1974	11,735.28	14,290.61
1975	14,100.00	15,976.29
1976	15,300.00	16,216.96
1977	16,129.78	16,129.78
1978	16,752.79	
1979	18,917.38	

### 8.11.32 Initial Computation of AIME

The basic benefit computation years for the average indexed monthly earnings (AIME) are chosen from the indexed (or unindexed if after indexing year) base years (see RCM [8.11.12](#)). Up to five years of lowest earnings are dropped as explained in RCM [8.11.16](#).

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 (assuming after 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 (or unindexed if after indexing year) earnings 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.

There will be the same number of years in the benefit computation years for the AIME dividend as there are years (elapsed years minus up to five 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. The amounts less than \$1 in the quotient are dropped so that the AIME is expressed in whole dollar amounts.

### 8.11.33 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) of some other benefit computation year. The year of lower earnings is dropped. Therefore, there will still be the same number of benefit computation years for the AIME dividend as there are years (elapsed years minus up to five years of lowest earnings) used to determine the AIME divisor. The recomputed AIME is rounded down to the nearest whole dollar amount.

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 ("New Start") 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 9-20-1917. The effective date of his age and service benefit is 9-1-1979. His earnings since 1951 indexed to the 1977 average wage of \$9,779.44 are as follows:

1951	8,287.48	1966	10,437.75
1952	9,772.21	1967	12,337.93
1953	10,830.57	1968	13,689.00
1954	10,219.22	1969	12,940.20
1955	11,111.23	1970	12,331.80
1956	9,948.21	1971	11,739.00
1957	10,626.93	1972	11,213.74
1958	10,092.59	1973	11,888.33
1959	12,152.92	1974	14,293.57

1960	11,716.80	1975	15,975.30
1961	11,486.40	1976	16,218.00
1962	10,939.20	1977	16,129.78*
1963	10,675.20	1978	16,752.79*
1964	10,257.60	1979	12,917.38*
1965	10,075.20		

\* Actual reported earnings

The initial AIME for benefits payable 9-1-79 was computed based on earnings through December 31, 1978. Earnings for the years 1951, 1952, 1956, 1958 and 1965 were dropped from the AIME dividend. A cost-of-living percentage increase is added to the AIME formula effective 6-1-79. The AIME is recomputed for benefits payable effective 1-1-80 to include earnings for 1979 in the AIME dividend and to drop the earnings for 1954 from the AIME dividend. The same "bend points" plus COL increase percentage are used for the AIME PIA recomputation effective 1-1-80.

**Note: There are special rules for employees who are entitled based on 60/30 provisions.**

- **Employee eligible for a 60/30 annuity before 7-1-84:** Earnings in the ABD year or later cannot be included in the computation of PIA 1 until January after the employee attains age 62. The eligibility year is the earlier of age 62 or the ABD year.
- **Employee eligible for a 60/30 annuity 7-1-84 or later with an ABD before age 62 and before 1-1-02:** Earnings in the ABD year or later cannot be included in the computation of PIA 1 until the later of January of the following year or the first full month the employee is age 62. PIA 1 is then recomputed based on all earnings. A new PIA 1 is computed using the year age 62 is attained as the eligibility year. The number of months used for the employee's age reduction in the recalculation is changed to reflect the number of full months under FRA. The new PIA is effective the first full month the employee is 62.
- **Employee eligible for a 60/30 annuity with an ABD of 01-01-02 or later:** 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. Eligibility year is the earlier of age 62 or the ABD year.

- 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 month of the waiting period and ends at the end of the month prior to the month the employee attains deemed FRA (deemed age 65 if the disability ABD is prior to 1/1/2000). The deemed FRA is based on the actual DOB.

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

- The ABD year prior to the first full month of the waiting period, or
- The ABD year prior to the disability annuity effective date for cases where there is no waiting period, or
- The partial year after the actual or deemed attainment of FRA when the ABD is 1/1/2000 or later, (actual or deemed age 65, when the ABD is prior to 1/1/2000), or
- 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. Therefore, there will still be the same number of benefit computation years for the AIME dividend as there are years (elapsed years minus up to five years of lowest earnings) used to determine the AIME divisor. 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 age 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 date of disability onset 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. Therefore, there will still be the same number of benefit computation years in the AIME dividend as there are years used to determine the recomputed AIME PIA. In survivor cases, 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).

### 8.11.34 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 amounts (bend points) in each step will be adjusted each year as average wages rise. The bend points will be published by SSA in the November before the eligibility year to which they apply.

The AIME PIA is determined with bend points based on the year of first eligibility year, regardless of date of filing. When the ABD is June 1 of the eligibility year or later, a cost-of-living percentage increase is applied to the initial AIME PIA amount. The Social Security Amendments of 1983 change the effective month for the cost-of-living adjustment from June 1983 to December 1983 and provide for future automatic cost-of-living adjustments on a calendar year basis, with the increase payable in January rather than in July of each year. Subsequent cost-of-living percentage increases are payable from the eligibility 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 1982 or earlier, if not a multiple of \$.10, are rounded up to the next higher multiple of \$.10 in the initial computation, or adjustment through 5-31-82. Effective with the 6-1-82 COL, adjustments to these PIA's, if not a multiple of \$.10 are rounded down to the next lower multiple of \$.10.

[Click here for a chart summarizing AIME bend points.](#)

Add the results together: if the sum is not a multiple of \$.10, round it as explained above, if it is less than \$122.00, see [FOM-I-1005.35.6](#).

Example 1: If the ABD is 3-1-97 and the AIME is 3,502.00, based on a 1995 eligibility year, the AIME PIA effective 3-1-97 is \$1,276.00 (\$1,068.52 + 15% of \$935.00, rounded down to the dime, plus the 12/95 2.6% cost-of-living increase effective 12/95 and the 2.9% cost-of-living increase effective 12/96). This amount is later increased for subsequent cost-of-living increases.

Example 2: If the ABD is 12-1-96 and the AIME is 1,780.00, based on a 1996 eligibility year, the AIME PIA effective 12-1-96 is \$846.80 (\$393.30 + 32% of \$1,343.00, rounded down to the dime, plus the 2.9% cost-of-living increase effective 12/96). This amount is later increased for subsequent cost-of-living increases.

Example 3: If the ABD is 5-1-97 and the AIME is \$2,840.00, based on a 1997 eligibility year, the AIME PIA effective 5-1-97 is \$1,155.80 (\$1,141.02 + 15% of \$99.00 rounded down to the dime). This amount is later increased for subsequent cost-of-living increases in 12/97 or later.

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

Wage earners whose eligibility year is 1979, 1980, or 1981, are guaranteed an initial PIA amount of not less than \$122.00. Therefore, whenever a PIA less than \$122 is computed, recomputed, or carried over from prior entitlement, it must be raised to \$122. The \$122 PIA amount is actually the minimum AIME PIA. It is called the frozen minimum PIA because special rules for adding COL increases apply (see [8.11.91](#)).

Because COL increases may not always apply to the frozen minimum PIA, the actual AIME PIA, although initially lower than the frozen minimum PIA, may eventually be increased by COL's to the point where it exceeds the frozen minimum PIA. The type of PIA on which the benefit is based may not be switched, however, unless the PIA is recomputed to include earnings in base year(s) not included in previous computations (the PIA before COL's must be increased by \$1 or more), or the PIA is recalculated for a reason other than the inclusion of lag which would cause the switch from the frozen minimum PIA to the table minimum or vice versa.

EXCEPTION: If the vow of poverty rule applies, refer to SSCM A4330.

- A. Age and Service Cases - The Frozen Minimum PIA's 1, 9, and SSEB PIA can apply if the employee attained age 62 before 1982.

In 60/30 cases, the Frozen Minimum PIA can apply to PIA 1 if the employee's ABD is before 1982. See [RCM 8.11.100](#) for RR Act deeming provisions.

- B. Disability Cases - The Frozen Minimum PIA's 1, 9, and SSEB PIA can apply if the employee's disability freeze onset was before 1982.

In disability cases with no freeze or a disability freeze onset after 1981, the Frozen Minimum PIA 1 can apply if the employee's ABD is before 1982. See [RCM 8.11.100](#) for RR Act deeming provisions.

- C. Survivor Cases - The Frozen Minimum PIA's 1, 3, and 9 can apply if the employee attained age 62, has a disability onset, or died before 1982. The actual survivor benefit ABD may be after 12-1981.

### 8.11.40 Use of "Old Start" Method

The "Old Start" method can be an alternative benefit computation if the "New Start" AMW is less than \$250 for the AMW PIA or if the SPC MIN PIA computation includes significant earnings between January 1, 1937 and December 30, 1950.

The three basic "Old Start" methods currently in use are explained in this section. The old PIB method and revised PIB method are basically obsolete. Refer to the Social Security Claims Manual section 4380-4384 for an explanation of these computations.

A. 1965 "Old Start" Method - Under the Social Security Act, this method applied when:

- The wage earner:
  - Was born before January, 1929, and has less than 6 QC's after 1950; or
  - Becomes entitled after 1965 to an OAIB or DIB; or
  - Dies after 1965 with no prior entitlement;

AND,

- The wage earner has at least one QC prior to 1951;

AND,

- The wage earner is not eligible for the 1967 Simplified Old Start Method or the 1977 Simplified Old Start Method.

Note: A comparison of the above requirements with those in B and C below shows that the 1965 "Old Start" is obsolete for computing a PIA where eligibility or death is after 1977, unless the wage earner had a period of disability which began before 1951 that is used for computation purposes.

B. 1967 Simplified "Old Start" Method - The 1967 Simplified "Old Start" method is used for qualified wage earners whenever the "Old Start" computation would yield a higher benefit than the "New Start" AMW method, there is no D/F before 1951, and either benefits are payable before 1-1-78 or the effective date is 1-1-78 or later and the employee attained age 21 before 1937. This method applied for months beginning January 1, 1967. (The 1965 table PIA rate applied for months 1/67 through 1/68.)

1. Social Security Act Requirements

Under the Social Security Act, the 1967 simplified old start method is applicable if:

- At least one quarter prior to 1951 is a QC; and,
- The wage earner attained age 21 either:
  - In or before 1936; or,
  - After 1950 but less than six quarters elapsing after 1950 are QC's; and,

- 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,
- The wage earner:
  - Became entitled to an RIB or DIB after January 2, 1968; or,
  - 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,
- 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.

2. 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:

- Become entitled (assumed filing) to social security benefits after January 2, 1968; or,
- Died after January 2, 1968 without having been entitled to social security benefits.

Under the 1974 RRA, 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.

- C. 1977 Simplified "Old Start" Method - The 1977 Simplified "Old Start" method is used for benefits initially payable after December 1977 for employees whose eligibility year is 1978 when there is no DF before 1951 and 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. The following requirements must be met for the 1977 Simplified "Old Start" to apply:

1. At least one quarter prior to 1951 is a quarter of coverage; and,
2. The wage earner either:

- Attained age 22 after 1950 and had less than 6 QC's 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).

Note: When the wage earner had a period of disability which began before 1951 that is used for computational purposes, the 1965 "Old Start" method will apply if it results in a higher PIA than any other applicable method.

4. The 1977 O.S. Family Maximum benefit is computed as explained in RCM [8.11.86](#).

#### **8.11.41 Use of the AMW**

The Average Monthly Wage (AMW) is the quotient of the divisor months and dividend (total earnings in benefit computation years). Its use in the

PIB computation depends on the "Old Start" Computation that applies (see [8.11.47](#)).

#### **8.11.42 Base Years Before 1951**

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

- A. 1965 "Old Start" Computation - The actual reported earnings for each year from 1-1-37, subject to the yearly maximum, are used in this computation. This includes all wages, self-employment income, creditable compensation and creditable M/S.

This computation applies only to applications filed May 31, 1992 or earlier, and to June 1992 and later recomputations for affected beneficiaries who have recent earnings.

- B. 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:

- 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 nine base years; or

- 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
- Total pre-1951 earnings of at least \$42,000.00 represents 14 base years with earnings of \$3,000.00 for each year.

C. 1977 Simplified "Old Start" Computation - The total pre-1951 wages, self-employment income, creditable compensation and creditable MS 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 the one 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 for each year, only \$3,000 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, they are credited to the year in which the individual attained age 20; or,
2. If the wages are \$3,000 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 being credited to the year immediately preceding the earliest year to which a full \$3,000 increment was credited; but,
3. No more than \$42,000 may be taken into account, as total wages after 1936 and prior to 1951.

### **8.11.43 Base Years After 1950**

Under all "Old Start" Computations, the actual reported earnings after 1950 subject to the yearly maximums indicated in RCM 8.11.14 are used. These earnings are not indexed, even if the wage earner's eligibility year is 1979 or later.

### **8.11.44 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 RCM [8.11.12](#)). Up to five of the years with the lowest earnings are excluded as explained in RCM [8.11.16](#). Years wholly within a period of

disability after 1-1951 (or after 1-1937 if 1965 "Old Start" method) are excluded as explained in RCM [8.11.15](#).

- A. Employee Eligibility Year Before 1979 - (1965 "Old Start" With D F Before 1951 or 1967 O.S) - 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 - (1965 "Old Start" With D F Before 1951 or 1977 O.S) - 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 year of the previous PIA computation apply. (Recomputation allowed if previous eligibility year is before 1979.)

Refer to RCM [8.11.100](#) through [8.11.117](#) for an explanation of the effects of the RR Act deeming provisions on the Benefit Computation Years.

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 in the quotient are dropped so that the AMW is expressed in whole dollar amounts.

### **8.11.45 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 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 1: The female employee's date of birth is 5-20-1913. The ABD of her age and service benefit is 5-1-1975. 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 5-1-1975 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 1-1-1976 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 1-1-1977 to include the earnings for 1976 in the AMW dividend and drop the zero earnings for 1957 from the AMW dividend.

EXAMPLE 2: The female employee's date of birth is 7-16-1923. The disability onset date is 5-10-1978. Her earnings record (wages and compensation) is as follows:

Total earnings before 1951 = 23,715. Earnings 1951 - 1970 = 0

Year	Earnings	Year	Earnings
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1971	6,713.28	1976	11,913.00
1972	7,295.76	1977	12,176.92
1973	9,173.95	1978	6,156.75
1974	10,192.15	1979	0
1975	10,713.20	1980	0
		1981	1,975.63

The initial AMW for benefits payable 11-1-1978 was computed using earnings through December 31, 1977. Earnings (of zero) for the years 1951, 1952, 1953, 1954 and 1955 were dropped from the AMW dividend. Earnings for the years 1944 and 1943 which were prior to attainment of age 22 are substituted for the earnings (zero) in 1956 and 1957. The AMW is recomputed effective 1-1979 to include the earnings for 1978 prior to disability onset and drop the earnings (zero) for 1958. The wage earner works in sheltered employment in 1981. Since the EE is deemed to be 65 in 1981 and the period of disability is deemed to be terminated, for PIA recomputation purposed, earnings in 1981 after termination of disability can be used in place of the zero 1959 earnings to recompute the AMW effective 1-1982.

Note: SSA does not convert a DIB to an RIB until the wage earner actually attains age 65.

### 8.11.46 Determination of Increment Years

Under the 1965 "Old Start" and 1977 Simplified "Old Start" methods, the increment year is computed as part of the PIB computation.

- A. 1965 "Old Start" - An increment year is defined as a calendar year after 1936 and before 1951, including the year of death, if applicable, in which the wage earner was paid \$200 or more in wages, compensation, or SEI. An increment is credited even though the year on which it is based is not a benefit computation year.

When the year of eligibility is before 1951, the year of first eligibility is included as an increment year if the wage earner was paid at least \$200 through the end of the quarter of first eligibility.

In computing a benefit on the basis of an application filed before 1961, the year in which the disability began is considered to be an increment year only when the inclusion of earnings in that year increases the PIA. For applications filed after 1960, an increment is not credited for any base year which is part of an excluded disability period or for any year after the last year included in the initial computation.

EXAMPLE: The female employee's date of birth is 5-20-1915. The ABD of her disability annuity is 5-1-1975 based on twenty-three years of RR service. Her pre-1951 earnings are as follows:

Year	Earnings
1937	\$2,175.12
1938	\$2,079.15
1939	\$2,276.94
1940	\$2,301.75
1941	\$2,375.92
1942	\$2,416.75
1943	\$2,571.23
1944	\$2,719.15
1945	\$3,000.00
1946	\$3,000.00
1947	\$3,000.00
1948	\$ 198.00
1949	0
1950	0

She therefore has eleven increment years.

- B. 1977 Simplified "Old Start" 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, dropping any remainder.

EXAMPLE 1: The employee's total pre-1951 earnings are \$28,000. His increment years would be 14 (\$28,000 divided by 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 ( $\$2,050 / 1,650 = 1$  raised to 4 increment years).

### 8.11.47 Computation of the PIB

A. 1965 "Old Start" - The PIB is computed as follows:

Step 1: To obtain the "basic benefit," compute 40 percent of the first \$50 of the AMW and add 10 percent of the next \$200 of the AMW. (If the AMW exceeds \$50, the basic benefit may be computed by adding \$15 to 10 percent of the AMW).

Step 2: Multiply the number of increment years by 1 percent. Then multiply the "basic benefits" in step 1 by the resulting percentage to obtain the increment.

Step 3: Add the "basic benefit" and the increment. Drop fractions of less than half a cent and increase those of a half cent or more to the next higher cent. The result is the actual amount of the PIB.

B. 1967 Simplified "Old Start" Method - Instead of being derived from a "basic benefit" and "increment years" as in the 1965 "Old Start," the PIB under the 1967 simplified "Old Start" method is merely the sum of 45.6 percent times the first \$50 of the AMW and 11.4 percent of the next \$200 of the AMW. (This formula, in effect, grants the equivalent of 12 "increment years" in all cases). Round the PIB to the nearest whole cent.

C. 1977 Simplified Old Start Method - The PIB is computed as explained in (A) above.

D. Minimum PIB - The 1981 Social Security Act Amendments eliminated the minimum PIB benefit for eligibility years after 1981.

EXCEPTION: If the vow of poverty rule applies, refer to SSCM A4330.

1. Age and Service Cases - The minimum PIB of \$16.20 can apply for PIA's 1, 9, and SSEB PIA if the employee attained age 62 before 1982. In 60/30 cases the Frozen Minimum PIA can apply to PIA 1 if the employee's ABD is before 1982. See RCM 8.11.100 RR Act deeming provisions.
2. Disability Cases - The minimum PIB of \$16.20 can apply if the employee became disabled before 1982. In disability cases with no freeze or a disability freeze onset after 1981, the Frozen Minimum PIA 1 can apply if the employee's ABD is before 1982. See RCM [8.11.100](#) for RRA deeming provisions.
3. Survivor Cases - The minimum PIB of \$16.20 can apply if the employee attained age 62, had a disability freeze, or died before 1982.

### 8.11.48 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 - (1965 "Old Start" With DF Before 1951 or 1967 "Old Start") - To determine the Primary Insurance Amount locate the amount of the PIB on the conversion chart in [Appendix A](#). The PIA for 6/1978 or earlier is indicated on the same line under the appropriate effective date. Use the 6/1978 PIA in [Appendix B](#) to determine the updated AMW PIA based on the Old Start Method.
- B. Eligibility Year 1979 or Later - (1965 "Old Start" With DF Before 1951 or 1977 "Old Start") - If the PIB is \$16.20 or more locate the amount of the PIB on the conversion chart in [Appendix A](#). The starting PIA is indicated on the same line under the 6-1978 effective date. Cost-of-living percentage increases are added from the eligibility year. Use the appendix at the end of this chapter for the appropriate eligibility year to determine the updated 1977 O.S. PIA.

For eligibility years 1982 or later, the PIB may be less than \$16.20. These PIBs are included in the [RCM 8.11](#) Appendix for the applicable year.

### 8.11.60 Prior Disability Terminated Within 12 Months

If the employee has a disability insured status in the month of current disability, the prior period of disability can be excluded as explained in RCM [8.11.15](#).

- A. Determining PIA Formula - When the wage earner 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 benchmark year for the PIA computation is the year of the disability onset for the prior disability annuity.

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

The PIA 1, PIA 3, PIA 9, PIA 17 or SSEB PIA 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 until the month in which they became entitled to the current benefit; or, the Special Minimum PIA computed under the 1977 SS Act Amendments.

The survivor annuity 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 they died; or the special minimum PIA computed under the 1977 SS Act Amendment.

B. Determining Dropout Years - The dropout provision is explained in RCM [8.11.16](#).

- If the employee is again disabled, the number of dropout years used in the previous PIA computation apply. When there is more than one prior period of disability, the controlling point reverts back through the periods of disability until there is a period of disability that is preceded by a gap in disability entitlement of more than 12 months or up to the initial disability entitlement; or,
- If the new eligibility is at age 62, the number of dropout years used in the previous PIA computation apply; or,
- If the employee has died, five dropout years are applied to the survivor PIA.

There must remain a minimum of two benefit computation years. If applying the dropout results in less than 2 computation years, the benefit computation years are raised to two.

C. Family Maximum Benefit

In general, the Family Maximum Benefit is determined as follows:

- If the eligibility of the prior disability is before 1979 and the current eligibility for disability, age and service or survivor benefits is after 1978 but within 12 months of the previous termination, the bend point formula for the current eligibility year is applied to the PIA that was in effect in the last month of prior DIB entitlement (see RCM [8.11.86](#)); or,
- If the eligibility of the prior disability is after 1978 and current eligibility for disability, age and service or survivor benefits is within 12 months of the previous termination, the bend point formula used for the prior eligibility year is applied to the PIA that was in effect in the last month of prior DIB entitlement. However, the bend point formula applicable for the current eligibility year will be used if the resulting formula maximum is higher than the maximum computed using the formula for the earlier eligibility year. (Insured status must be met at the current eligibility point, without considering the prior period of disability, before the current eligibility point, without considering the prior period of disability, before the current eligibility formula is used.)

If a prior savings clause maximum is higher than the maximum computed under the AIME family maximum formula the savings clause maximum would apply.

However, the 1980 Social Security Act Disability Amendments introduced a special limit on the family maximum for disability cases (DIB O/M) where first

entitlement to the DIB O/M is after 6-1980 based on disability onset after 1978 (see RCM [8.11.88](#)).

### **8.11.61 Prior Disability Entitlement Ended Before 12 Month Period Preceding Current Entitlement**

If the employee has a disability insured status in the month of current disability, the prior period of disability can be excluded as explained in RCM [8.11.15](#).

- A. 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 (unless the prior disability is disregarded). This amount is not increased for intervening general and automatic benefit increases or recomputations after the termination of the prior disability and before the current entitlement.

The elimination of the minimum benefit does not affect the applicability or the use of the DIB Guarantee PIA. The DIB Guarantee PIA is a separate entity in itself. It is clearly defined in the law as the PIA that was in effect in the last month of prior DIB entitlement.

The PIA's designated under the Railroad Retirement Act as PIA 1, PIA 3, PIA 9, PIA 17 and the SSEB PIA are subject to the DIB PIA Guarantee.

- B. Determining PIA Formula - When the wage earner 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 "benchmark year" for the PIA 1, PIA 3, PIA 9, PIA 17 and SSEB PIA computation 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 is computed under the method applicable to the new benchmark year. The AIME computation "bend points" are based on this benchmark year (if 1979 or later).
- C. Determining Dropout Years - The dropout provision is explained in RCM [8.11.16](#).
- If the current eligibility is for age and service or survivor benefits, five dropout years can be applied; or,
  - If the PIA was previously computed for benefits paid before July 1980, five full dropout years can be applied; or,
  - If the PIA was previously computed under the 1980 amendment method for benefits first payable July 1980 or later, regardless of disability onset date and the current entitlement is disability, the dropout years are computed under the "1 for 5" rule based on the elapsed years up to the current disability.

The PIAs designated under the Railroad Retirement Act as PIA 1, PIA 3, PIA 9, PIA 17 and SSEB PIA are affected by this provision.

There must remain a minimum of two benefit computation years. If applying the dropout results in less, the benefit computation years are raised to two.

- D. Family Maximum Benefit - If the current entitlement is based on eligibility after 1978 for disability, age and service benefits, or survivor benefits, the family maximum for PIA 1 or PIA 9 is based on the current eligibility year as explained in RCM 8.11.86.

If the DIB Guarantee PIA is applicable as explained in A, above, the family maximum benefit for that PIA is based on the AIME family maximum formula for the current eligibility year regardless of the method used to compute the DIB Guarantee PIA.

If a prior savings clause maximum is higher than the maximum computed under the AIME family maximum formula, the savings clause maximum would apply.

However, the 1980 Social Security Act Disability Amendments introduced a special limit on the family maximum for disability cases (DIB O/M) where first entitlement to the DIB O/M is after 6/1980 based on disability onset after 1978 (see RCM [8.11.88](#)).

### 8.11.70 Special Minimum PIA

The 1972 Social Security Act Amendments established the computation of the Special Minimum PIA (SPC MIN PIA) to provide a higher benefit for wage earners who had consistently low earnings. The SPC MIN PIA is considered for benefits payable for months after December 1972 only, even if the employee's ABD is before 1-1-73.

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 PIA's, the SPC MIN PIA computed as of 12-1974 is an alternative to the "Old Start" or "New Start" AMW PIA computation.

The 1974 RRA PIA 1, PIA 3, PIA 9, PIA 17 and SSEB PIA are computed under the current SS Act rules:

- If 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 a continuing alternative to the corresponding AMW PIA and will be the PIA upon which all benefits are based until such time as it is exceeded by the corresponding AMW PIA. Therefore, the corresponding AMW PIA must also be maintained and updated. If for any month the corresponding AMW PIA exceeds the SPC MIN PIA, the corresponding AMW PIA will be used to determine benefit amounts effective with that month.

- 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 a continuing alternative to the corresponding AIME PIA (including FRZN MIN PIA) and, if the non-disabled employee attained age 62 in 1979-1983, is a continuing 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 PIA amounts. Therefore, the amounts of the TRANS PIA (if employee attained age 62 in 1979-1983), AIME PIA, and FRZN MIN PIA must be maintained and updated. If for any month one of these alternate PIA's exceed the SPC MIN PIA, the alternate PIA will be used to determine benefit amounts effective with that month; and,
- Under the 1977 SS Act Amendments, the SPC MIN PIA under current SS Act rules (used for RR Act PIA 1, PIA 3, PIA 9, PIA 17, or SSEB PIA) is subject to automatic cost-of-living increases effective June 1979 or later. These increases are not "decoupled" i.e., cost-of-living increases beginning with June 1979 will be added to the SPC MIN PIA on a cumulative basis 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.

### 8.11.71 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 in this section. If it is necessary to exclude a period of disability for purposes of determining an "insured status", the years wholly within the period of disability cannot be counted as years of coverage for purposes of establishing the 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.

- A. For 1937-1950 Period - Divide the total earnings (wages and compensation) credited to the individual in the 1937-1950 period 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 (wages and compensation of \$12,600 or more will give 14 years of coverage).

The chart below displays the number of coverage years that can be creditable for years between 1937-1950.

#### YEARS OF COVERAGE CHART

EARNINGS BETWEEN 1937-1950	COVERAGE YEARS
-------------------------------	-------------------

900.00 - 1,799.99	1
1,800.00 - 2,699.99	2
2,700.00 - 3,599.99	3
3,600.00 - 4,499.99	4
4,500.00 - 5,399.99	5
5,400.00 - 6,299.99	6
6,300.00 - 7,199.99	7
7,200.00 - 8,099.99	8
8,100.00 - 8,999.99	9
9,000.00 - 9,899.99	10
9,900.00 - 10,799.99	11
10,800.00 - 11,699.99	12
11,700.00 - 12,599.99	13
12,600.00 - and over	14

- 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:

<b>YEAR</b>	<b>25% MAXIMUM</b>	<b>YEAR</b>	<b>25% MAXIMUM</b>
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		

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.

<b>YEAR</b>	<b>25% MAXIMUM</b>	<b>YEAR</b>	<b>25% MAXIMUM</b>
1978	\$4,425	1985	\$7,425
1979	4,725	1986	7,875
1980	5,100	1987	8,175
1981	5,550	1988	8400
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.](#)

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. Refer to RCM [8.11.100](#) – [8.11.117](#) for the effect of RRA limitations on some PIA computations.

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.

### 8.11.72 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 of late years equal or exceed 25% of the yearly maximum for years through 1990, 15% of the yearly maximum for years 1991 and later, these earnings are used effective January 1 of the following year to add years of coverage to increase the SPC MIN PIA. Refer to RCM [8.11.100](#) – [8.11.117](#) for the effect of RRA limitations on some PIA recomputations.

### 8.11.73 Amount of Special Minimum PIA Based on Years 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 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.
- E. Possible Special Minimum PIAs - The possible special minimum PIAs are indicated in the on-line [Appendix C](#) of this chapter.

### 8.11.74 Family Maximum Amount for Special Minimum PIA

The family maximum for Special Minimum PIA is explained in RCM [8.11.82](#).

The family maximum amounts are indicated in the on-line [Appendix C](#) of this chapter.

### 8.11.75 Age Reductions to the Special Minimum PIA

The benefits payable to an employee, widow(er) or spouse based on the Special Minimum PIA are subject to the regular age reduction adjustments, when necessary.

### 8.11.76 Adjustment to The PIA 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) statutory Tier I 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 PIAs

for NCSP beginning with benefits due January 1, 2024 (paid in February 2024). The NCSP policies in this manual apply to PIAs of railroad retirees and their spouses before January 1, 2024.

The 1983 Social Security Act Amendments modify the PIA computations for some workers receiving a public service pension based on non-covered employment. The modified PIA computation must be applied when the following conditions are met:

1. The individual worker attains age 62 after 1985,
2. They become eligible for RIB or DIB after 1985 and,
3. They become entitled to a monthly payment based on non-covered work for which they became initially eligible after 1985.

This provision eliminates some of the advantage when the regular PIA formula, which is weighted in favor of employees with a lower average wage, is applied to the low average wage of a worker whose major employment was non-covered.

A. AIME PIA

In the AIME PIA, the modified method reduces the percentage applied to the AIME up to the first bend point. The reduced percentage is phased in over a 5 year period. The reduced percentage results in a lower PIA and family maximum than under the regular AIME formula.

B. AMW PIA

The amount of the AMW PIA is reduced. This also results in a lower family maximum than under the regular AMW formula.

C. Special Minimum PIA

The special Minimum PIA and Family Maximum are not adjusted for NCSP entitlement.

D.. Special Guaranty rate

This calculation reduces the regular unreduced PIA by  $\frac{1}{2}$  of the pension amount, attributable to post-1956 non-covered earnings. The Special Guaranty rate 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.

- E. The reduced AIME and AMW PIA's are based on the PIA's in effect on the ABD. If the employee becomes entitled to the public service pension based on non-covered service after the ABD month, the PIA #1 or PIA #9 is computed as if the NCSP were payable in the ABD month. However, the reduced PIA's are not

used in the tier I or Retirement OM benefit until the employee actually is paid or indicates that they will be paid the NCSP.

#### F. Exceptions to the Provisions

Several groups of individuals who would otherwise meet the requirements above are exempt from the Non-Covered Service Pension provision. Those exempt are:

1. Individuals to whom coverage was extended beginning on 1/84 under section 101 of the 1983 Social Security amendments.
2. Individuals who are employees of a nonprofit organization to which coverage was extended under section 102 of the 1983 Social Security amendments. However, employees of a nonprofit organization that were previously covered, terminated coverage, and were subsequently extended coverage under the 1983 amendments are not exempt from elimination of windfall provision.
3. Any individuals who has 30 years of coverage determined by applying the year of coverage test in [RCM 8.11 Appendix M](#): and
4. Any individual who meets the requirement for their pension prior to 1986, even if they do 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.

### 8.11.77 Adjustment To The AIME PIA For Non-covered Service Pension

The AIME PIA 1, AIME PIA 9, AIME PIA 17 or AIME SSEB PIA is the larger of the following amounts. (Also refer to [RCM 8.11.34](#) and [8.11.122](#).)

- (1) The percentage applied to the AIME up to the first bend point is reduced. The reduced percentage is phased in over a 5 year period.

<b>Year of Eligibility</b>	<b>Percentage of AIME up to 1st Bend Point</b>
1986	80%
1987	70%
1988	60%
1989	50%

1990 or later	40%
---------------	-----

OR

The following percentage is effective for PIA's before 1-1-89, if larger than the year of eligibility amount shown above, for individuals with more than 25 years of coverage.

<b>Years of Coverage</b>	<b>Percentage of AIME up to 1st Bend Point</b>
29	80%
28	70%
27	60%
26	50%
25 or less	40%

Effective 1-1-89, the following percentage applies, for individuals with more than 20 years of coverage, as determined in [RCM 8.11.Appendix M](#), if larger than the year of eligibility amount shown above. Note: Refer to [Appendix M](#) for information on handling NCSP PIA's calculated prior to August 2002 based on an incorrect number of years of coverage.

<b>Years of Coverage</b>	<b>Then percentage of AIME up to 1st Bend Point</b>
29	85%
28	80%
27	75%
26	70%

25	65%
24	60%
23	55%
22	50%
21	45%
20 or less	40%

The remaining bend points of the AIME PIA formula remain the same. The AIME PIA computation continues under regular procedure.

Once an individual is entitled to a PIA computed as above, they may receive an increase in PIA due to additional years of coverage. The increase is effective with January of the year following the year the additional year of coverage is earned.

Example: Brian Winslow attains age 62 in 7/1989 and applies for benefits. He is receiving a NCSP beginning with age 62. Under the modified formula, his PIA would be computed using 50 percent of the AIME up to the first bend point. However, Brian has 27 years of coverage. His PIA in 8/1988 will be based on 60 percent of the first AIME bend point. Brian's 1989 earnings exceed 25 percent of the contribution and benefit base for that year, making his total years of coverage effective 1/1990 equal to 28. Brian's PIA will be recomputed using 80 percent of the first bend point;

OR

(2) The Guaranty Amount

There is a guaranty amount, designed to protect workers with low pensions based on non-covered employment that limits the reduction in the social security benefit to one-half of that part of the pension based on non-covered employment after 1956.

The guaranty provides that the pension reduction is guaranteed not to be more than the amount computed based on the following formula.

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

years of non-covered service after 1956  
x monthly periodic payment (NCSP).

total years of service

The amount of the pension to be used in computing the PIA is only the amount that is attributable to non-covered service after 1956. The full amount of the pension is reduced by the ratio of the years, or fraction of years, of non-covered service after 1956 to the total number of years, or fraction of years, used to compute the pension.

An individual whose pension is based on non-covered service prior to 1957 will have no pension amount to deduct from the PIA computed under the regular PIA formulas and will receive a regular PIA. Military retirees whose service began after 1956 will also receive a regular PIA since military service became covered after that year.

Example 1: Sally Baily is receiving a pension of \$600 per month based on 30 years of service with the State of California. Sally held two different positions during her service from 1957 through 1986. From 1957 through 1976 (20 years) she performed services in a non-covered position. Beginning in 1977, she began working in a state position covered by Social Security. The pension attributable to non-covered service after 1956 is \$400 (\$600 x 20 years of non-covered service).

(30 total years of service used to compute pension).

Example 2: The employee is entitled to a monthly annuity of \$500.00, based on Civil Service from January 1963 through December 1987 and FERS service (covered under the SS Act) from January 1988 through October 1994. In computing the portion of the \$500.00 attributed to non-covered service, the number of non-covered service months after 1956, 300, and the total number of service months upon which the pension is based, 382, are used in the proration formula. The pension attributable to non-covered service after 1956 is \$392.67 (\$500.00 x 300 months of non-covered service)

(382 total months of service used to compute pension).

Therefore, in the above case, the guaranty would provide that the AIME PIA not be reduced by more than \$196.33 (1/2 of \$392.67).

The 1988 amendments changed the way the guaranty amount is determined. Effective 12-1-88, the guaranty amount is based on the amount of the "non-covered service pension" in the first month of the employee's concurrent

entitlement to both social security and the "non-covered service pension." Previously, the guaranty was based on the employee's concurrent eligibility for both benefits. This change eliminates the development of fictitious pension amounts.

### **8.11.78 Adjustment to the Old Start PIA for Non-Covered Service Pension**

The old start PIA #1 or old start PIA #9 or old start SSEB PIA is the larger of the following amounts.

1. One half of the regular old start AMW PIA;  
  
OR
2. The old start AMW PIA minus one half of the portion of the monthly periodic payment which is based on non-covered service. The portion of the payment based on non-covered service is deemed to be:

$$\frac{\text{years of non-covered service after 1956} \times \text{monthly periodic payment (PSP)}}{\text{total years of service}}$$

total years of service

The amount of the pension to be used in computing the PIA is only the amount that is attributable to non-covered service after 1956. The full amount of the pension is reduced by the ratio of the years, or fraction of years, of non-covered service after 1956 to the total number of years, or fraction of years, used to compute the pension.

An individual whose pension is based on non-covered service prior to the 1957 will have no pension amount to deduct from the PIA computed under the regular PIA formulas and will receive a regular PIA. Military retirees whose service began after 1956 will also receive a regular PIA since military service became covered after that year.

### **8.11.79 Effect of DIB Guarantee on Non-Covered Service Pension Reduction**

The effect of a prior period of disability on a PIA computation is explained in RCM [8.11.60](#) – [8.11.61](#). In any case in which the employee was entitled to a disability annuity before 1986, the subsequent DIB guarantee PIA must be considered. If the DIB

Guarantee PIA is greater than the PIA adjusted for the public service pension, the DIB Guarantee PIA may be used.

### **8.11.80 Family Monthly Maximums**

The Social Security Act limits the amount of monthly benefits which any be paid for any month on any one wage record. This limited amount is called the monthly maximum. The types of monthly maximums are explained in this section.

The 1980 Social Security Disability Amendments established separate family maximum rules for DIB O/M cases when the disability onset is after 1978 and the DIB O/M effective date is 7-1-80 or later as explained in RCM [8.11.88](#) and [RCM 8.3.82](#). Prior to this, age and service and DIB O/M family maximums were the same.

Under the RRA, if three or more individuals are included in the family group in a Retirement O/M case or in a survivor case (two persons if one is an aged or disabled widow(er) or if it is a disability O/M case, their benefits (before adjustment for dual entitlement to other benefits) will usually be reduced for the family monthly maximum.

NOTE: Under the SS Act, the benefit of a divorced wife/husband or surviving divorced wife/husband is not reduced for the family maximum. Surviving divorced mothers/fathers and remarried widow(er)s are considered in the family monthly maximum.

### **8.11.81 Table Maximum Established By SSA**

The Table Maximum for each "New Start" AMW or Old Start PIA for eligibilities before 1979 is written into the Social Security Act. From 1971-1978, the Table Maximum amounts have been increased with each amendment increase. After 12-1978, the "automatic" cost-of-living increase to the Table Maximum (first COL to be computed 6-1979) will be applicable only for wage records in which the employee eligibility year is before 1979.

Refer to RCM [8.11.83](#) for an explanation of the benefit conversion savings clause that could apply to a family Table Maximum in effect before 1971.

### **8.11.82 Special Minimum PIA (SPC MIN) Maximum**

The determination of the Special Minimum PIA Monthly Maximum depends upon the employee's eligibility year.

- A. Prior to 1-1979 - If the Special Minimum PIA applies prior to 1-1-79, the monthly SPC MIN maximum is the Table Maximum indicated in the AMW PIA table for the AMW PIA that is either equal to the SPC MIN PIA or immediately greater than the SPC MIN PIA.

Prior to the 1977 SS Act Amendments, the AMW PIA was subject to the cost-of-living increase and the Special Minimum PIA was not. The AMW PIA (and corresponding Table Maximum) that was equal to or immediately greater than the SPC MIN PIA before the cost-of-living adjustment may have been higher than the regular PIA (and corresponding Table Maximum) that is equal to or immediately greater than the SPC MIN PIA after the cost-of-living adjustment. If the monthly SPC MIN maximum still applies, the initial family payment is protected under the Family Payment Savings Clause which states that the total family payment will be at least as much as the total family payment for the month preceding the cost-of-living adjustment.

EXAMPLE: With the Special Minimum PIA #9 of \$153.00 effective 6/76, the 6/76 Table Maximum for the regular PIA \$155.00 was used which equaled \$232.50. After the 6/77 cost-of-living adjustment, the next higher regular PIA #9 was \$154.50 which had a Table Maximum of \$231.80. However, the Family Payment Savings Clause guarantees the SPC MIN maximum of \$232.50 effective 6/77. The regular PIA #9 effective 6/78 is \$153.70 with a Table Maximum of \$230.60. Since this amount is less than the 5/78 maximum, the Family Payment Savings Clause still applies.

- B. 1-1979 or Later - Effective 1-1979, the Special Minimum PIA table maximums are published separate from the AMW PIA tables. The 1980 Social Security Disability Amendments later excluded from the family maximum computation disability claimants whose eligibility is 1978 or later and whose first month of entitlement to the DIB payment is July 1980 or later (see RCM [8.11.88](#)). The SPC MIN PIA family maximum tables continue to apply for age and service, survivor, and disability cases payable prior to 7-1-80 with onset after 1978.

The January 1979 SPC MIN PIA family maximum benefit (FMB) is derived by multiplying the January, 1979 Special Minimum PIA by 150 percent and rounding the result up to the nearest multiple of 10 cents. These amounts are increased in each case by the percentage cost-of-living increases effective 6-1-79 or later. Use the table in the on-line [Appendix C](#) of this chapter to determine the Special Minimum PIA family maximum benefit.

EXAMPLE: Using the illustration from section A, the SPC MIN PIA of \$153.00 is increased to \$195.50 effective 1-1979. The family maximum benefit is \$293.30 effective 1-1979. Therefore, the Family Payment Savings Clause no longer applies.

- C. Summary of SPC MIN PIA Maximums - A summary of SPC MIN PIA family monthly maximums is found in the on-line [Appendix C](#) of this chapter.

### 8.11.83 Benefit Conversion and Cost-of-Living Savings Clause Family Maximums

- A. Benefit Conversion Savings Clause - Prior to the 1971 Social Security Act Amendments, the SSA Table Maximums were not always increased by the same percentage as the PIA increase. The amendments that increased the SS Act benefits in 1972 and earlier provided for a benefit conversion savings clause that guaranteed the family group on the rolls the same percentage increase in the amount of the family monthly maximum as the Old Start or New Start PIA increase for the same years.

Such a maximum amount, once established, is not recomputed in a later month when the composition of the family group changes. However, the individual shares are redistributed and cannot exceed the benefit amount that would be payable without adjustment for a family monthly maximum (e.g. 50% of PIA for life benefit auxiliary). A newly entitled beneficiary can share in the previously established savings clause family monthly maximum amount payable to the family group.

The benefit conversion savings clause maximums established 9-1972 or earlier could be applicable until:

- A table maximum for a new PIA is higher; or
- A higher cost-of-living savings clause maximum is established (see section C); or,
- The family group is no longer subject to the family monthly maximum (although the savings clause may re-apply later).

B. Eligibility Requirement For SS Act Benefit Conversion Savings Clause

- (1) The 1965 SS Act Benefit Conversion Savings Clause - The amendments passed July 30, 1965 provided a 7% increase in the previous family monthly maximum amount retroactive to 1-1-65 where two or more persons in the family group had filed and were entitled to benefits in or before 7-1965. For the retroactive period in 1965, the savings clause maximum is figured separately for each month (each beneficiary's share is increased by 7%) to arrive at the amount of underpayment which may be due. The amount determined to be the family monthly maximum for 7-1965 is also the maximum for future months even though benefits are terminated or additional beneficiaries become entitled after 7-1965.
- (2) The 1967 SS Act Benefit Conversion Savings Clause - The amendments provided a 13% increase in the previous family monthly maximum effective 2-1-68 where two or more persons were entitled in 2-1968 based on applications actually filed in or before 2-1968.

- (3) The 1969 SS Act Benefit Conversion Savings Clause - The amendments provided a 15% increase in the previous family monthly maximum amount effective 1-1-70 where two or more persons were entitled for 1-1970 based on applications actually filed in or before 1-1970, and at least one of them was entitled for 12-1969 based on an application filed in or before 12-1969.
- (4) The 1971 SS Act Benefit Conversion Savings Clause - The amendments provided a 10% increase in the previous family monthly maximum amount effective 1-1-71 where two or more persons were entitled for 1-1971 based on applications actually filed on or before 2-1-1971, and at least one of them was entitled for 12-1970 based on an application filed in or before 12-1970.
- (5) The 1972 SS Act Benefit Conversion Savings Clause - The amendments provided a 20% increase in the previous family monthly maximum amount effective 9-1-72 where two or more persons were entitled for 8-1972 based on applications actually filed in or before 8-1972, and the family monthly maximum provisions were in effect based on the same earnings for 1-1971 or earlier.

C. Cost-of-living Savings Clause - The 1972 Amendments to the Social Security Act establish a cost-of-living savings clause which guarantees the family group the full amount of any percentage increase to the previous family monthly maximum amount whenever a cost-of-living or general benefit increase occurs, provided:

- Two or more persons currently included in the computation were included in the family group for 1-1971 or any prior month based upon an application filed (or deemed to be filed) on or before 2-1-71; and,
- The family monthly maximum was in effect for such months; and,
- A prior S/C maximum is in effect in the month before the cost-of-living increase.

[Click here for a chart of the cost-of-living percentage increases that have been paid to date.](#)

This guaranteed amount could be payable under the SSA formula until:

- A table maximum for a new PIA is higher (e.g., recomputation); or,
- A new cost-of-living savings clause maximum is established for a subsequent year; or,

- The family group is no longer subject to the family monthly maximum (although the savings clause may re-apply later).

D. Computation of Savings Clause Family Maximum amount - If the family composition did not change in the month of the PIA increase, the pre-PIA increase family maximum (unrounded) is multiplied by the percentage of the PIA increase. The result (unrounded) is used to compute the beneficiaries' shares. If the family composition changed in the month of the PIA increase, the savings clause rates are determined by increasing each beneficiary's (unrounded and before age reduction) pre-PIA increase rate payable in the month of the PIA increase by the percentage of the PIA increase. The result (unrounded) is used to compute the beneficiary shares.

The 1981 amendments provide that calculations or adjustments of PIA's, family maximum, or benefit amounts that are not multiple \$0.10 are to be rounded to the next lower multiple of \$0.10. Adjustments or calculations that are first effective in the period from 9/81 through 5/82 will not be subject to this provision. Since the 6/82 cost-of-living (COL) increase is applicable to all benefits, except certain benefits based on the frozen minimum PIA, the 1981 amendments rounding provisions will apply in 6/82 and after to all benefits subject to the 6/82 increase.

Therefore, if the effective month is before 6/82 (eligibility year is 1982 or earlier), the raw PIA and the family maximum is rounded to the next higher multiple of \$0.10. For eligibility years after 1982, the raw PIA and family maximum and rounded to the next lower multiple of \$0.10.

### 8.11.84 The Family Payment Savings Clause (SAV. CL)

#### A. General

The Family Payment Savings Clause was originally set up under the 1969 Social Security Act Amendments to guarantee that family groups in which at least one person was entitled before January, 1971 on the basis of an application filed before January, 1971 would not receive less under these amendments than they would have received had the amendments not been enacted. The 1969 version of this savings clause had to be reworked if the family composition subsequently changed to ascertain whether the savings clause was still applicable.

The July, 1972 Amendments to the Social Security Act revised the Family Payment Savings Clause for months after December, 1971 to delete the requirement for filing before January, 1971. This version does not establish a new family monthly maximum for the wage record. It merely guarantees that the total family benefits are not decreased due to the PIA increase. The savings clause protection is maintained even when the family composition is altered. These amendments establish the following requirements:

- (1) Two or more persons are entitled on a wage record for a month; and

- (2) The benefits for that month are reduced for the family monthly maximum and at least one benefit amount is reduced for age; and
- (3) The wage earner's PIA is increased for the following month; and
- (4) The total family payment would (except for this savings clause) be less than the total family payment for the month immediately preceding the month of the PIA increase. The Family Payment Savings Clause also applies to the Special Minimum PIA maximum as explained in RCM [8.11.82](#).

The 1977 Social Security Act Amendments expanded the Family Payment Savings Clause to include all cases where benefits are limited to the family monthly maximums.

- B. Computation of Family Payment Savings Clause - The Family Payment Savings Clause originally computed under the 1969 Social Security Act Amendments was determined by computing the total monthly benefits payable under the SS Act under the 1967 law and the total monthly benefits payable under the SS Act as amended 1969. The higher of the two amounts was payable to the family group.

Under the July, 1972 SS Act Amendments, the Family Payment Savings Clause applies usually in life cases if the total monthly benefits in the month before the PIA increase is higher than the total monthly benefits established for the increased PIA (Table Maximum). The total monthly benefits for the wage record under the increased PIA are adjusted by the amount which will assure that the total monthly payment (after reduction for the maximum and for age) is not less than the total monthly benefits (after reduction for the maximum and for age) for the month immediately preceding the month of the PIA increase.

In effect, in life cases, the total family payment for the month preceding the month of the PIA increase is redistributed to the family. The wage earner will always be allocated the full amount due to them after reduction for age under the increased PIA. The remainder will usually be distributed in one of two ways, depending on whether the spouse's benefit is subject to reduction for age.

1. Spouse Benefit Not Subject to Age Reduction - The amount to be allocated to each auxiliary beneficiary will be determined by:
  - (a) Subtracting the W/E's benefit (reduced for age) after the PIA increase from the total family payment for the month preceding the month of the PIA increase; and,
  - (b) Dividing the result in (a) by the number of auxiliaries. (Prior to 9-1-81, any amount not a multiple of \$0.10 will be raised to the next higher multiple of \$0.10. Effective with changes in family composition or any PIA change on 9-1-81 or later, any amount not

a multiple of \$.10 will be rounded to the next lower multiple of \$0.10.) The result is the amount of each auxiliary share.

EXAMPLE: The employee, spouse and two minor children, based on applications filed in December 1969, became entitled to benefits effective December 1969 based on the employee's PIA of \$128.30. The employee elected to have his benefit reduced by 36 months (DOB December 5, 1907). The following monthly benefit amounts were payable effective December, 1969:

A	\$102.70	(Table max - \$244.00)
B2	38.60	(PIA - 128.30)
C2	38.60	
C1	<u>38.60</u>	
	\$218.50	Total benefits

Due to the 15 percent increase effective January, 1970 the following benefits were payable to the family for January 1970. (Separate reduction of the employee's increase applies.)

A	\$118.30	(Savings clause max - \$280.80)
B2	44.40	(PIA - \$147.60)
C2	44.40	
C1	<u>44.40</u>	
	\$251.50	Total benefits

Due to the 10 percent increase effective January 1971 the following benefits were payable to the family for January 1971. (The employee's increase should be reduced separately.)

A	\$131.30	(Saving clause max - \$309.10)
B2	48.90	(PIA - \$162.40)
C2	48.90	

C1      48.90  
          \$278.00 Total benefits

The employee had high earnings in 1971 and consequently had his PIA recomputed effective for January 1972. His PIA was recomputed effective for January 1972. His PIA was recomputed to \$170.00. The following rates, except for the family payment saving clause, would be appropriate in January 1972:

A      \$138.50 (Saving clause max - \$309.10)  
 B2      46.40  
 C2      46.40  
 C1      46.40  
          \$277.70 Total benefits

In applying the family payment saving clause, the W/E's benefit is, of course, already up to the original rate (before reduction for age) and cannot be increased. The difference between \$278.00 and \$138.50 is distributed equally to the other auxiliaries and the rounded (if necessary). The following rates become payable effective January 1972:

A      \$138.50 (Saving clause max - \$309.10)  
 B2      46.50  
 C2      46.50  
 C1      46.50  
          \$278.00 Total benefits

2. Spouse Benefit Reduced For Age

(a) Compute the Spouse's new reduced rate:

- Divide the difference between the total benefits payable under the 1967 law or in the month preceding the PIA increase (including the wage earner's rate) and the total payable under the 1969 Amendments or in the month of the PIA increase

(including the wage earner's rate) by the number of auxiliaries. Prior to 9-1-1981, an amount not a multiple of \$0.10 will be raised to the next higher multiple of \$0.10. Effective with changes in family composition or any PIA changes on 9-1-1981 or later, an amount not a multiple of \$0.10 will be rounded to the next lower multiple of \$0.10; and,

- The quotient is reduced by the spouse's age reduction factor. (In July, 1972 Family Payment Savings Clause cases use the spouse's age reduction factor that applied in the month before the PIA increase.); and
- The remaining amount is added to the spouse benefit payable under the 1969 Amendments or in the month of the PIA increase; and,

(b) Add the W/E's new reduced rate to the spouse's new reduced rate; and,

I Subtract the result in (b) from the total benefits under the 1969 Amendments or for the month before the month of the PIA increase; and

(d) Divide the result I(c) by the number of remaining auxiliaries excluding a divorced wife or divorced husband (e.g. 4 auxiliaries less spouse = 3 remaining auxiliaries). Prior to 9-1-1981, an amount which is not a multiple of \$0.10 will be raised to the next higher multiple of \$0.10. Effective with changes in family composition or any PIA changes on 9-1-1981 or later, an amount not a multiple of \$.10 will be rounded to the next lower multiple of \$0.10. The result is the amount of each remaining auxiliary share.

EXAMPLE: The employee, spouse (DOB 3-27-1907) and two students filed applications on 7/16/1970 for benefits to begin 7/1970. His PIA under the 1967 law is \$128.30 with a family maximum of \$244.00. The monthly rates are as follows:

A	\$102.70	(\$128.30 reduced 36 months)
B2	33.30	(38.60 reduced 20 months)
C2	38.60	
C1	<u>38.60</u>	
	\$213.20	Total benefits

Under the 1969 law, the PIA is \$147.60 with a family maximum of \$244.00. The monthly rates would be as follows:

A	\$118.10	(\$147.60 reduced 36 months)
B2	27.80	(32.20 reduced 20 months)
C2	32.20	
C1	<u>32.20</u>	
	\$210.30	Total benefits

In applying the 1969 family payment savings clause, the benefits would be as follows:

A	\$118.10	(\$147.60 reduced 36 months)
B2	28.70	(27.80 plus 1.00 reduced 20 months)
C2	33.20	
C1	<u>33.20</u>	
	\$213.20	Total benefits

The 1977 Social Security Act Amendments established the AIME PIAs and Family Maximum Benefit. These computations have the guaranteed rates built into the TRANS and 1977 OLD STA'T PIA's. Therefore, a Family Payment Savings Clause should not be necessary.

### **8.11.85 Redetermination Savings Clause**

The October 1972 Amendments to the Social Security Act established a Redetermination Savings Clause for survivor cases in which the widow(er) is included in a family in both 12-1972 and 1-1973 and the benefits of the family require a reduction for the family maximum. The redetermination savings clause computation is explained in RCM [8.9](#).

### **8.11.86 Basic Family Maximum Benefit (FMB) for AIME, TRANS or 1977 Old Start PIA**

The 1977 SS Act Amendments established a four step formula to compute the family maximum benefit for the AIME PIA, TRANS PIA or 1977 Old Start PIA for all wage

earners who have an eligibility year of 1979 or later. The 1980 Social Security Disability Amendments later excluded from this family maximum computation disability claimants whose first eligibility is after 1978 and whose first month of entitlement to the DIB O/M payment is July 1980 or later (see RCM 8.11.88). The formula continues to apply for age and service cases, survivor cases, disability cases payable prior to 7-1-80 with onset after 1978 and disability entitlement cases payable 7-1-80 or later in which disability benefits were previously paid before 7-1-80.

Under this family maximum computation, the percentages in the formula are constant but the amounts, "bend points" in each step will be adjusted each year as average wages rise". The "bend points" will be published by SSA in the November before the eligibility year to which they apply.

The AIME, TRANS or "1977 Old Start" Family Maximum Benefit is determined with "bend points" based on the eligibility year regardless of date of filing. When the date of entitlement is June 1 of the eligibility year or later, a cost-of-living percentage increase is applied to the initial Family Maximum Benefit amount. Subsequent cost-of-living percentage increases are payable from the eligibility year.

[Click here for a chart of the bend points used to calculate family maximum benefits for each year since 1979.](#)

Under the 1981 SS Act Amendments, AIME, TRANS or 1977 OLD START PIAs for eligibility years 1982 or earlier, if not a multiple of \$.10, are rounded up to the next higher multiple of \$.10 in the initial computation or adjustment through 5-31-82. Effective with the 6-1-82 COL adjustments to these PIA's, if the result is not a multiple of \$.10, it is rounded down to the next lower multiple of \$.10.

The Family Maximum Benefit computed for eligibility years 1982 or later is subject to the 1981 SS Act Amendments from the initial computation. If the result is not a multiple of \$.10, it is rounded down to the next lower multiple of \$.10.

Example 1: The AIME PIA based on the eligibility year 1995 and annuity beginning date of 8-1-97 is \$990.40. The AIME Family Maximum Benefit equals \$1,844.00 (\$1,471.52 + 134% of \$205.40, rounded down to the dime, plus the 2.6% cost-of-living increase effective 12/95 and the 2.9% cost-of-living increase effective 12/96). This amount is later increased for subsequent cost-of-living increases.

Example 2: The AIME PIA based on the eligibility year 1996 and annuity beginning date of 8-1-97 is \$1,062.10. The AIME Family Maximum Benefit equals \$1,911.40 (\$1,839.98 + 175% of \$10.10, rounded down to the dime, plus the 2.9% cost-of-living increase for 12/96). This amount is later increased for subsequent cost-of-living increases.

Example 3: The AIME PIA based on the eligibility year 1997 and annuity beginning date of 8-1-97 is \$990.40. The AIME Family Maximum Benefit equals \$1,776.10 (\$1,573.26 + 134% of \$151.40, rounded down to the dime). This amount is later increased for subsequent cost-of-living increases.

### 8.11.87 Combined Family Maximum

If a child is entitled to benefits on two wage records the combined family maximum may apply. Refer to RCM [8.3.115](#).

### 8.11.88 Family Maximum Benefit For Disability Cases Under 1980 SS Act Amendments

Prior to the 1980 Social Security Disability Amendments, the computation of the family maximum was the same for both age and service and disability cases (see RCM [8.11.80](#) – [8.11.87](#)).

Under the 1980 Social Security Disability Amendments, the total family benefits of disability claimants whose first eligibility is after 1978 and whose first month of entitlement to the DIB O/M payment is July 1980 or later are limited as follows. (It is important that the comparison between 85% of the AIME, the PIA, and 150% of the PIA be made at the proper point in time.):

- A. Payments Based on AIM– PIA - This comparison is made based on the raw PIA computations (effective January of the eligibility year, before any cost-of-living increase). The DIB O/M MAX is the smaller of:
- 85 percent of the employee's average indexed monthly earnings (AIME) but not less than 100% of the employees raw AIME PIA; or
  - 150 percent of the worker's raw AIME PIA.
- B. Payments Based on 1977 On– PIA - The comparison is made based on the raw PIA computations (effective January of the Eligibility Year before any cost-of-living increase). The DIB O/M MAX is the smaller of:
- 85 percent of the AIME from the companion (non-selected) AIME PIA computation but not less than 100% of the raw Old Start Guarantee PIA; or
  - 150 percent of the raw Old Start Guarantee.
- B. C. Payments Based on SPC MI– PIA - This comparison is based on the actual PIA's effective on the DIB O/M effective date (including cost-of-living). The DIB O/M MAX is the smaller of:

- 85 percent of the RAW AIME multiplied by the percentage of all intervening COL increases up to the DIB O/M effective date, but no less than the SPC MIN PIA on the DIB O/M effective date; or
- 150 percent of the SPC MIN PIA effective on the DIB O/M effective date.

After the DIB O/M MAX is determined, subsequent percentage cost-of-living increases are applied to both the PIA and the DIB O/M MAX amounts.

For eligibility years 1982 or earlier, if the result of the DIB O/M MAX computation is not a multiple of \$.10, it is rounded to the next higher multiple of \$.10. Effective for initial DIB O/M entitlements, changes in the family composition, or PIA increases 6-1-82 or later, if the result is not a multiple of \$.10, it is rounded to the next lower multiple of \$.10.

If the PIA is recomputed, the above tests are also applied to the new PIA.

If PIA #9 is computed based on prior DIB entitlement under the 1980 SS Act Amendments as explained in RCM 8.11.60 or RCM 8.11.61 and the new eligibility is based on benefits payable beginning July 1, 1980 or later, the family maximum is still determined under the 1980 amendment method. Effective for PIA increases 1-1982 or later, if the result is not a multiple of \$.10, it is rounded to the next lower multiple of \$.10.

The DIB O/M MAX may be combined with other maximums as explained in RCM [8.3.115](#).

The computation of disability auxiliary benefits is explained in RCM [8.3.82](#).

The DIB O/M MAX will apply for eligible family groups until the employee dies or becomes entitled to an age and service O/M. At that time, the regular family maximums described in RCM [8.3.76](#) – [8.3.79](#) can apply.

In the case of an employee who is entitled to either a reduced age and service O/M or DIB O/M which begins July 1, 1980 or later based on first eligibility after 1978, the possibility of electing the reduced age and service O/M must be explored to determine if the age and service monthly family maximum would provide a higher rate. If the RIB is elected, entitlement to the disability freeze is still applicable for Medicare purposes.

EXAMPLE 1: Benefits are based on the AIME PIA with eligibility year 1980. If the AIME is \$1175.00, the raw AIME PIA would be \$487.90, and the raw DIB O/M MAX on the DIB O/M effective date of 7-1-80 would be the smaller of:

- 85% of the AIME \$1175 = \$998.75; or
- 150% of PIA 487.90 = 731.85

Therefore, 731.90 (rounded) would be the raw DIB O/M MAX in this case.

The AIME PIA and DIB O/M MAX are increased by 14.3% to \$557.70 and \$836.60, respectively, on the DIB O/M effective date of 9-1-80 due to the 1980 COL.

EXAMPLE 2: Benefits are based on the AIME PIA with eligibility year 1980. If the AIME is 190.00, the raw AIME PIA would be 171.00, and 85% of the AIME would only be 161.50. The SPC MIN PIA does not apply. The DIB O/M MAX would be the smaller of:

- The AIME PIA \$171.00 (exceeds 85% of AIME); or
- 150% of 171.00 = \$256.50.

Therefore, the amount of the AIME PIA (171.00) would be the DIB O/M MAX in this case.

The PIA and DIB O/M MAX are increased for cost-of-living by 14.3% to \$195.50 on the DIB O/M effective date of 7-1-80.

EXAMPLE 3: Benefits are based on the Raw Old Start Guarantee PIA of \$193.60 with eligibility year 1980. The AIME is \$190.00 and the AIME PIA is 171.00. The SPC MIN PIA does not apply. The DIB O/M MAX would be the smaller of:

- The O.S PIA 193.60 (exceeds 85% of AIME); or,
- 150% of 193.60.

Therefore, the amount of the O.S PIA (193.60) would be the DIB O/M MAX in this case.

The PIA and DIB O/M MAX are increased for cost-of-living by 14.3% to \$221.30 on the DIB O/M effective date of 8-1-80.

EXAMPLE 4: Benefits are based on the SPC MIN PIA. The DIB O/M effective date is 9-1-80. If the AIME is \$311.00 with a 1980 eligibility year, the raw AIME PIA would be \$212.10, increased by 14.3% (COL) to \$242.50 effective 9-1-80. The O.S. Guarantee PIA 9-1-80 is \$236.30. The SPC MIN PIA effective 9-1-80 is 245.70 and is therefore higher than both the AIME PIA and O.S PIA. The DIB O/M MAX effective 9-1-80 would be the smaller of:

- 85% of 311.00 x 14.3% = 302.30 (rounded)
- 150% of SPC MIN PIA 245.70 = 368.60 (rounded)

Therefore, 302.30 rounded is the DIB O/M MAX effective 9-1-80.

### 8.11.90 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 PIA's are frozen at the 6-1974 PIA Table amount. Effective 1-1-86, the SSEB PIA is also automatically increased for cost-of-living under SS Act rules.

- A. Cost-of-Living Increase for PIA Based On "New Start" AMW or "Old Start" Converted– PIB - The 1972 Amendments to the Social Security Act provided a general automatic cost-of-living increase in the PIA (based of the "New Start" AMW or "Old Start" converted PIB) whenever the average monthly consumer price index for a specific calendar quarter of the year exceeds the average consumer price index for a similar quarter in a prior year by 3%. The first automatic cost-of-living increase was effective 6-1-75. This provision still applies for employee's who attained (or are deemed) age 62 before 1-1-79 or who have a disability onset date before 1-1-79.

The amount of the increased PIA's, Table Maximums, and effective dates will continue to be calculated by SSA ([see Appendix A](#) and [Appendix B](#)).

- 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 to be published by SSA based on an increase in the consumer price index. The revised SPC M'N PIA's and corresponding family maximums are indicated in the on-line [Appendix C](#) of this chapter.

### 8.11.91 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, PIA 17, and SSEB PIA are increased for cost-of-living under SS Act rules. The remaining RR Act PIA's are frozen at the 6-1974 PIA Table amount.

- A. Decoupling Provision of 1977 SS Act Amend–ents - Under the decoupling 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 "New Start" for the TRANS PIA or converted PIB for the "1977 Old Start," or is computed by applying the formula based of the "eligibility

year" to the amount of the AIME for the AIME PIA. A cost-of-living increase can be added to this PIA as follows:

1. 1977 Simplified "Old Start" Guarantee - The cost-of-living increase percentages beginning with the year of first eligibility are applied to the 6-1978 PIA (converted from PIB) and the "1977 Old"Start" Family Maximum (see 8.11.86). Eligibility does not have to exist prior to the June 1 general benefit increase for the PIA and family maximum to be subject to the cost-of-living increase. As long as eligibility exists by December 31 of the calendar year, the PIA and family maximum effective June 1 or later can be increased by the cost-of-living percentage for that year.

EXAMPLE 1: The employee (DOB 5-27-21) has a date of entitlement of 5-1-83. Assume (for illustration) the following: general cost-of-living increases were possible: 9.9% - 6-1-79, 6.2% - 6-1-80, 7.5% - 6-1-81, 3.2% - 6-1-82 and 5.9% - 6-1-83. The cost-of-living increases cannot begin until 1983, the year of eligibility in this case. The 6-1978 "Old Start" PIA of \$248.70 with a family maximum benefit of \$395.90 will apply 5-1-83. It increases by 5.9% to \$263.40 with a family maximum benefit of \$419.30 effective 6-1-83.

EXAMPLE 2: The employee whose disability onset date is 9-17-1983 has an SS Act date of entitlement of 3-1-1984. Assuming (for illustration) the same percentage increases as in Example 1, the 6-1-1978 Old Start PIA of \$251.80 and family maximum benefit of \$404.30 is increased by 5.9% only payable on the PIA effective date. The resulting Old Start PIA effective 3-1-1984 is \$266.70 with a family maximum benefit of \$428.20.

EXAMPLE 3: The wage earner died 8-10-1981 before eligibility to life benefits. Her eligibility year is 1981. Assuming (for illustration) the same percentage increases as in Example 1, the 6-1978 Old Start PIA of 244.00 would be increased by 7.5% for widowers benefits payable 8-1-81, and later increased for the 3.2% and 5.9% cost-of-living increases.

2. New Start Transitional Guarantee- PIA - The cost-of-living percentage beginning with the eligibility year are applied to the 6-1978 AMW PIA (based on New Start AMW) and TRANS PIA Family Maximum Benefit (see 8.11.86) similar to item 1 above. Eligibility does not have to exist prior to the effective date of the general benefit increase for the TRANS PIA to be subject to the cost-of-living increase. As long as eligibility exists by December 31 of the calendar year, the TRANS PIA can be increased by the cost-of-living percentage for that year. However, the increased amount is not payable until the effective date of the increase for that year.
3. AIM- PIA - In general, the bend points (portions of AIME to which the percentages are applied) are adjusted each year if the national average wages increase. 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 benefit is subject to percentage cost-of-living increases from the eligibility year. Eligibility does not have to exist prior to the effective date of the general benefit increase for the AIME PIA to be subject to the cost-of-living increase. As long as eligibility exists by December 31 of the calendar year, the AIME PIA and family maximum benefit can be increased by the cost-of-living percentage for that year. However, the increased amount is not payable until the effective date of the increase for that year.

[Click here for a table of the AIME cost-of-living percentage increases that have been paid to date.](#)

- B. 4. Frozen Minimum– 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 payable before 1992.

A number of factors affect the applicability of cost-of-living increases under the Social Security Act when the frozen minimum PIA is involved.

- (a) No cost-of-living increase is applicable to the frozen minimum PIA on an earnings record for any year during which no individual was entitled to a RSDI benefit on that earnings record for any month of that year.
- (b) In employee disability cases and survivor cases other than that of a widow(er), no one has to be actually paid a benefit. COLs are applicable for years in which those individuals are actually entitled for one or more months.

In the case where an individual is entitled, terminates and later becomes re-entitled (e.g., a student), cost-of-living increases are only applicable for year in which the individual is actually entitled for one or more months.

Therefore, when there is a break in entitlement, the FRZN MIN PIA may be exceeded by the TRANS PIA, regular AIME PIA or SPC MIN PIA due to the cost-of-living increases in those computations that cannot be added to the FRZN MIN PIA.

EXAMPLE: A student becomes entitled to a benefit based upon the frozen minimum PIA in June 1979. He ceases full-time attendance in March 1980 and is terminated. He reenrolls in February 1982 and is re-entitled. He is entitled to cost-of-living

increases in 1979, 1980 and 1982. However, since he was not entitled to a benefit in 1981, the cost-of-living percentage increase for 1981 cannot be applied.

A deemed DF for a retirement annuitant is not continued in computing the survivor annuity. The survivor FRZN MIN PIA cannot be increased for COL increases payable during the employee's lifetime before the earlier of actual attainment of age 62 or the year an actual DF begins.

- (c) In the case of a wage earner entitled to an RIB, cost-of-living increase will be applicable beginning with the earlier of:
- The year in which at least a partial month's RIB is payable. (An employee paid for any given month in the year, including Jan-May, is entitled to the COL increase in the FRZN MIN PIA for that year. However, the increase amount is not payable until the effective date of the COL increase); or,
  - The year in which the worker reaches age 65.

When applying this provision to the Railroad Retirement age and service annuity, if the employee is age 60-64 and the Tier I work deduction component is completely withheld all year, the employee is not entitled to the percentage cost-of-living increase in the Frozen Minimum PIA for that year.

In 60/30 cases, the retirement annuitant is deemed to be age 62 on the ABD for purposes of determining the "eligibility year" and applying COL increases to the FRZN MIN PIA. This deeming provision is not continued in computing the survivor annuity. The survivor FRZN MIN PIA cannot be increased for COL increases payable during the employee's lifetime for years before the employee actually attains age 62.

- (d) In the case of a widow(er) cost-of-living increases are also applicable beginning with the earlier of:
- The year in which at least a partial month's WIB is payable. (A widow(er) paid for any given month in the year, including Jan-May, is entitled to the COL increase in the FRZN MIN PIA for that year. However, the increase amount is not payable until the effective date of the COL increase); or
  - The year the widow(er) reaches age 65. However, if a surviving child, mother, father or parent is also entitled on that same earnings record for any month during the year in which the

cost-of-living increase occurs, whether or not in current payment status, a cost-of-living increase will be payable for that year to the widow(er).

The widow(er) is also entitled to previous COL increases to the FRZN MIN PIA during the employee's lifetime provided these COL increases are based on the actual attainment of age 62 or an actual D/F.

EXAMPLE: The employee retired at age 62 in 1979. He died in 2-1984. The FRZN MIN PIA of 122.00 was increased for the 1979, 1980, 1981, 1982 and 1983 COL increases. The widow filed for a WIA at age 62 to begin effective 2-1984 but she is not paid benefits in 1984 and 1985 due to work deductions. When she is entitled to a partial payment in 1986, the FRZN MIN PIA is increased for the 1979-1984 COLs and the 1986 COL.

- B. Cost-of-Living Increase for Special Minimum PIA - The Special Minimum PIA is not "decoupled." Effective June, 1979, the SPC MIN PIA and corresponding monthly maximum is subject to automatic cost-of-living increases to be published by SSA based on an increase in the consumer price index. The revised SPC MIN PIA's and corresponding monthly maximums will be indicated in tables separate from the AMW PIA Tables.

The employee is entitled to the current SPC MIN PIA that corresponds to their "years of coverage" (see RCM [8.11.73](#)). The year of eligibility is not a factor.

### **8.11.100 Railroad Retirement 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 for a PIA 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.

- A. 60/30 Annuitants - A 60/30 annuitant (age 60-64) 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 (Retirement Cases), PIA #3, PIA #10, PIA #17 and the Pass-thru PIA.

A 60/30 annuitant (age 60-64) is deemed to be age 62 on the ABD to determine the "eligibility year" for PIA #1 (Retirement Cases), 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.

- B. 2(a) 3 Annuitant Under 1937 RR Act With ABD Before July 1, 1974 - A 2(a) 3 annuitant with an ABD before July 1, 1974 who is age 60-61 in 1974 is deemed to be age 62 in 1974 in the computation of the Pass-thru PIA.
- C. Disability Annuitant - Under Section 3(a)(6) of the 1937 RRA, if a disability annuitant does not have a D/F onset prior to the ABD, they are deemed to have a D/F on the ABD in the computation of the Pass-thru PIA.

Under Section 3(a)(2) of the 1974 RR Act, a 2a(I)(IV) or 2a(I)(V) annuitant is deemed to be entitled to a DIB under section 223 of the Social Security Act as of the RR disability onset date for the purpose of computing PIA #1 (Retirement Cases), PIA #3 and PIA #10. The employee is deemed age 62 on the RR disability onset date unless an actual DF is earlier in which case the actual DF is used. This provision applies even if the actual DF period terminates after the RR disability onset date.

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

- D. No Insured Status - An insured status is not required in the computation of the 1974 RR Act PIA #1, PIA #3, PIA #5 and PIA #6 where the filing date, original beginning date, or date of death is after 12-31-74. An insured status is not required in the computation of the Pass-thru PIA.

### 8.11.101 PIA Computations for Retirement Benefits

- A. Railroad Retirement Formula - The 1974 RRA provides an employee RR formula annuity computation which is the sum of several parts (see Form G-354.1 Instructions). Several variations of the PIA computation are used in the RR formula. If the employee meets all eligibility requirements before 8-13-81, PIA #21, used in the computation of the WIFE/WIDOW WF, is based on a wage record other than the RR employee. An RR formula age reduction is applied to each employee tier rate.

The spouse RR Formula benefit is basically based on the employee's PIA computation (see Form G-355.1 Instructions). If the spouse meets eligibility requirements before 8-13-81, PIA #21, used to compute the spouse windfall, is based on the spouse's own wage record. An RR formula age reduction is applied to each spouse tier rate.

- B. O/M Computation - Cases paid under the 1937 Act O/M computation in 12-1974 were converted to the 1974 RR Act tier rates effective 1-1975. Two variations of the SS Act PIA computation are used - the 6-1974 pass-thru PIA in tier I and PIA #11 in the O/M rate for tier II. These PIA's are not subject to age reduction under

SSA rules. The age reduction applied to the total tier rate prior to the 1981 RR amendments is explained in [RCM 8.3 Appendix B6](#).

Cases paid under the 1974 RR Act 100% O/M (effective 1-1975 or later) are based on PIA #9 which is computed under the SSA formula. An age reduction is applied under current SSA rules (see [RCM 8.3](#)).

Cases paid under the 1974 RR Act 110% Grandfather O/M (effective 1-1975 or later) are based on PIA #11, which restricts earnings after 1974 to the 1974 earnings maximum. An age reduction is applied under the SSA rules in effect in 12-1074 (see [RCM 8.3](#)).

### 8.11.102 PIA Computations for Survivor Benefits

The 1974 RRA provides a survivor annuity computation which is the sum of up to three parts (see Forms G-364.1, G-364.2 and G-364.3 Instructions).

The gross tier I amount is based on the Social Security PIA formula, without any RR Act deeming provisions, using the employee's combined compensation and social security credits. Refer to RCM [8.9](#), Form G-364.1 Instructions to determine whether PIA #1 or PIA #9 should be used. PIA #1 is subject to age reduction for widow(er)s under age 65. PIA #9 is used to compute the deemed PIA or RIB limitation under SSA rules.

The survivor tier II computation under the 1981 RR Act Amendments is based on a percentage applied to the employee tier II before reduction for age and after reduction for windfall if the employee was vested. The computation of PIA 4, PIA 7 and PIA 8 are necessary to compute the employee's windfall in initial "D" cases. Additional amounts may be payable as the restored amount or spouse minimum guaranty. If the widow(er) meets all eligibility requirements before 8-13-81, the survivor windfall computation may require either PIA #8 or PIA #21 (see Form G-364.3 Instructions).

Refer to [RCM 8.9](#) for exceptions and an explanation of computations prior to 1981 RR Act Amendments.

### 8.11.103 Computation of PIA #1

A. PIA #1 in Retirement Cases - PIA #1 is used in the computation of the retirement annuity tier I. This PIA is computed under current SSA rules except that:

- An insured status is not required; and,
- A 60/30 annuitant (age 60-64) is deemed to be age 65 on the ABD (except for the purposes of recomputation) to determine the elapsed years and benefit computation years; and
- A 60/30 annuitant (age 60-61) is deemed to be age 62 on the ABD to determine the "eligibility year"; and

- A disability annuitant, other than one who filed a disability application January 1, 2008 or later and whose disability was granted on the basis of drug or alcohol abuse, is deemed to have a DF beginning on their ABD unless an actual DF is earlier, in which case the actual DF is used; and,
- Prior to the 1981 Amendments, an age reduction is not applied to the PIA amount. Instead, for RR Act 2 (a)(I)(iii) cases, an RR formula age reduction is applied to the total tier rate. Effective 10-1-81, an RR formula age reduction is applied to the gross tier I rate which may also be the PIA amount.

PIA #1 uses combined wages, compensation and SEI through the last computation base year (see RCM [8.11.12](#)) and is subject to recomputation when the employee actually attains SS Act retirement age in age and service cases or when the disabled employee is deemed age 65 or, if earlier, attains age 65 in cases where there is actually a DF. No PIA #1 is computed if there are no wages or compensation after 1936.

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

The 1981 Social Security Act Amendments eliminated the minimum AMW, PIB and AIME for PIA #1 for eligibility years 1982 or later as explained in RCM [8.11.23](#), [8.11.35](#) and [8.11.47](#).

Delayed Retirement Credits are added to all PIA #1 computations except the SPC MIN PIA, as explained in Form G-354 Instructions.

- B. PIA #1 in Survivor Cases - The survivor annuity PIA #1 is used in the computation of the survivor annuity tier I amount. This PIA #1 is computed under current SSA rules except that an SS Act insured status is not required if filing date, original beginning date or date of death is after 12-31-74. There are no other RR Act deeming provisions.

The survivor annuity PIA #1 uses the employee's combined wages, compensation and SEI through the date of death. No PIA #1 is computed if there are no wages or compensation after 1936.

The current AMW survivor PIA #1, TRANS Survivor PIA #1, 1977 Old Start survivor PIA #1, or AIME survivor PIA #1 computation is used based on the employee's "eligibility year." However, the SPC MIN Survivor PIA #1 will apply if it is higher than these alternate survivor PIA #1 computations.

The 1981 Social Security Act Amendments eliminated the minimum AMW, PIB and AIME for PIA #1 for eligibility years 1982 or later as explained in RCM [8.11.23](#), [8.11.35](#) and [8.11.47](#).

An age reduction is applied to the widow(er)'s or divorced widow(er)'s share of the survivor annuity PIA # 1 as explained in [RCM 8.9](#).

### **8.11.104 Computation of Retirement Work Deduction Components - (PIA #2 and PIA #17)**

The amount of the employee tier I annuity that is subject to work deductions (called PIA #2) is the difference between the Gross Tier I PIA (PIA #1 or PT PIA) and PIA #17. Where the employee tier I has an age reduction, this difference should be reduced for age.

The amount of the spouse tier I annuity that is subject to work deductions is the difference between the wife's benefit based on the employee's PIA #1 or the PT PIA and 50% of PIA #17 rounded to end in zero. Where the spouse tier I has an age reduction, this difference should be reduced for age.

PIA #17 is basically based on one of three compensation-only PIA's (PIA #5, PIA #7 or PIA #15 as indicated in the chart located in Exhibit 6). 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 I PIA.

Where the employee's "eligibility year" is 1979 or later and they have a W/D 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, it will be necessary to calculate the AIME PIA #17 as follows:

1. Index the compensation prior to 1975. Use the same indexing year used to index the earnings for AIME PIA #1;

and

2. Set the elapsed years and benefit computation years (BCY) 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 their age:

and

3. Calculate the AIME selecting earnings for the appropriate number of BCY from the indexed compensation years prior to 1975; and
4. Calculate the PIA using the same AIME bend points used to calculate the AIME PIA #1; and

5. Multiply this PIA by the percentage of any COL increase added to the AIME PIA #1.

When applicable the AIME PIA #17 is computed by DP&A and furnished on Form G-90. (See RCM [8.11.121](#)).

If the employee's Tier I is based on their TRANS PIA #1, 1977 old start PIA #1, or SPC MIN PIA #1, then their 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 thru 12-1974 only, computations under the TRANS or 1977 OS formula will result in the same amount as the "REG PIA #5 or REG PIA #7 updated to the 6-1978 Table PIA amount.

If the eligibility year for PIA #1 is 1982 or later, the AMW, PIB or AIME will be based on the actual amount of earnings. It will be necessary to compute the corresponding PIA #5 or PIA #7 based on actual earnings. The minimum PIA will not apply in these cases.

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.

The chart in Exhibit 6 indicates the compensation only PIA that is to be used to determine PIA #17.

### **8.11.105 Computation of PIA #3**

PIA #3 is used in the computation of the residual lump sum amount. This PIA is computed under current SSA rules, except that under the 1974 RRA.

- An insured status is not required if the filing date, original beginning date or date of death is after 12-31-74; and,
- 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; and,
- If the deceased employee had been a 60/30 annuitant and was deemed age 62 on the ABD to determine the "eligibility year," this eligibility year is used for PIA #3; and,
- If the deceased employee had been a disability annuitant, they are 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 D F 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.

The 1981 SS Act Amendments eliminated the minimum AMW, PIB and AIME for PIA #3 for eligibility years after 1982 as explained in RCM [8.11.23](#), [8.11.35](#) and [8.11.47](#).

PIA #3 could be subject to recomputation if the employee's compensation only 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 this compensation only is sufficient to create a PIA #3 recomputation.

Delayed Retirement Credit are added to all of the PIA #3 computations (except the SPC MIN PIA) as explained in RCM [8.10](#), Form G-63b instructions.

### **8.11.106 Computation of PIA #4**

PIA #4 is used to compute the windfall reduction in the retirement annuity tier II for vested employees and to compute the windfall benefit payable to vested employees. It is also used to compute the survivor tier II in 1981 Amendment cases. 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 (see [RCM 1.1](#) for age and service cases and [RCM 1.2](#) for disability cases); and
- 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; and,
- In survivor initial "D" cases, the employee is deemed to be age 65 in the month of the employee's death. (However, the number of QC's required for an insured status is based on the employee's real age and not on deeming provisions.); and,
- An age reduction is not applied to the PIA amount. Instead, for RRA 2 (a)(1) (iii) cases, an RR formula age reduction is applied to each tier and,
- Delayed retirement credits 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 WF reduction. The SPC MIN PIA #4 can be used in determining the WF amount if it is higher than the other computations.

This PIA is not affected by the elimination of the minimum social security benefit. For PIA #4, the lowest AMW is \$76.00 and the lowest PIB is \$16.20 with a corresponding PIA of \$93.80.

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

In a disability freeze conflict case, PIA #4 is computed based on SSA's DF date.

### **8.11.107 Computation of PIA #5**

PIA #5 is used in 1974 act cases only 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; and,
- An annuitant is deemed to be age 65 on the ABD regardless of their age or the type of annuity. Correspondingly they are also deemed age 22 at 43 years before the ABD; and,
- The AMW dividend uses only compensation through 12-31-1974. 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; and
- 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
- 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 PIA's 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. For the PIA #5 used in tier II, the lowest AMW is \$76.00 and the lowest PIB is \$16.20 with a corresponding PIA of \$93.80.

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. This may result in an amount of less than \$93.80 for work deduction purposes.

### 8.11.108 Computation of PIA #6

PIA #6 is used for the 110% O/M and imputed SS benefit reduction in the computation of tier II in 1974 Act cases only. 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; and,
- The AMW divisor months are fixed at 384 - "Old Start" or 216 "New Start". This precludes the need to determine the year age 22 was attained; and,
- The AMW dividend includes the compensation from the 32 high years after 1936 thru 1974 ("Old Start"), or the compensation from the 18 high years after 1950 thru 1974 ("New Start"); and,
- An age reduction is not applied to the PIA amount. Instead, for RR Act 2 (a)(I) (iii) cases, an RR formula age reduction is applied to each tier rate; and,
- Delayed retirement credits are not added to this PIA.
- If there is no compensation after 1936, no PIA 6 is computed.

Only the SS Act PIA's in effect in 12-1974 ("New Start" AMW PIA #6, "Old Start" AMW PIA #6 or SPC MIN PIA #6) are computed.

This PIA is not affected by the elimination of the minimum social security benefit. For PIA #6, the lowest AMW is \$76.00 and the lowest PIB is \$16.20 with a corresponding PIA of \$93.80.

### 8.11.109 Computation of PIA #7

PIA #7 is used in the computation of the employee's windfall benefit. It is also used in the computation of PIA #17 for the tier I work deduction amount in 1974 Act retirement cases other than 60/30 cases and in 1974 Act disability cases where the DF is prior to the ABD year. It is also used to compute the survivor tier II in 1981 Amendment cases. 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 thru 12-31-74 or, if earlier, thru 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; and
- In survivor initial "D" cases, the employee is deemed to be age 65 in the month of the employee's death. (However, the number of QCs required for an insured status is based on the employee's real age and not on deeming provisions.); and,

- An age reduction is not applied to the PIA amount. Instead, for RRA 2 (a)(I) (iii) cases, an RR formula age reduction is applied to each tier rate; and
- Delayed retirement credits are not added to this PIA.

Only the SS Act PIA's in effect in 12-1974 ("New Start" AMW PIA #7, "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 (see RCM 1.1 for age and service cases or [RCM 1.2](#) for disability cases) for the PIA #7 to be used in the employee's windfall benefit.

If the spouse met all windfall eligibility requirements before 8-13-1981, PIA #7 may be computed for this WF.

The female of dependent male spouse must be vested on her own wage record (see RCM 1.3) to qualify for a windfall benefit based on the PIA #7 of a non-vested RR employee. A non-dependent male spouse cannot qualify for a windfall benefit if the RR employee is not vested.

In the computation of the windfall benefit, PIA #7 is not affected by the elimination of the minimum social security benefit. The lowest AMW for WF PIA #7 is \$76.00 and the lowest PIB is \$16.20 with a corresponding PIA of \$93.80.

If the RR employee has a work deduction insured status (see RCM [5.6.10](#)) 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.

### **8.11.110 Computation of PIA #8**

A. PIA #8 in Retirement Cases - PIA #8 is used in the computation of the employee annuity windfall. 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 (see [RCM 1.1](#) for age and service cases or [RCM 1.2](#) for disability cases); and,
- The AMW uses only combined SS earnings and compensation through 12-31-1974 or, if earlier, though 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; and,
- An age reduction is not applied to the PIA amount. Instead, for RR Act 2 (a)(I) (iii) cases, an RR formula age reduction is applied to each tier and,

- Delayed retirement credits are not added to this PIA.

Only the SS Act PIA's in effect in 12-1974 ("New Start" AMW PIA #8 or "Old Start" AMW PIA #8 or SPC MIN PIA #8) are computed.

This PIA is not affected by the elimination of the minimum social security benefit. For PIA #8, the lowest AMW is \$76.00 and the lowest PIB is \$16.20 with a corresponding PIA of \$93.80.

- B. PIA #8 in Survivor Cases - PIA #8 is used in the computation of the survivor annuity windfall for the eligibilities prior to 8-13-81 and in the survivor Tier II EE Annuity Restored Amount (see Form G-364.3 Instructions). It is also used to compute the survivor tier II in 1981 Amendment cases. This PIA 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; and,
- In survivor initial "D" cases, the employee is deemed to be age 65 in the month of the employee's death. (However, the number of QC's required for an insured status is based on the employee's real age and not on deeming provisions.); and,
- If the deceased employee had no earnings after 1936 but their annuity began to accrue before 1948 based on at least 120 months of service and a current connection, use the AMC as the AMW to determine the 6-1974 PIA or, if available, use the employee's 6-1974 Pass-thru PIA as shown on a folder record, T-12 (12-74) or on a G-354 (3-74) award form in the claim file; and,
- An age reduction is not applied to the PIA amount; and,
- Delayed retirement credits are not added to this PIA.

Only the SS Act PIA's in effect in 12-1974 ("New Start" AMW PIA #8, "Old Start" AMW PIA #8 or SPC MIN PIA #8) are computed.

This PIA is not affected by the elimination of the minimum social security benefit. For PIA #8, the lowest AMW is \$76.00 and the lowest PIB is \$16.20 with a corresponding PIA of \$93.80.

### **8.11.111 Computation of 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 RRA deeming provisions.

PIA #9 uses combined wages, compensation and SEI through the last computation base year (see [RCM 8.11.13](#)) 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 an estimated PIA (see RCM [7.4 Appendix A](#) Form G-90 Instructions). An asterisk (\*) will identify such calculations. If the O/M could apply in cases where an IPI spouse or child is involved, a subsequent G-90 with the actual PIA #9 amount is required. 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 employees who attain 62 in 1979 or later will differ from the formula used to compute PIA #1.

In RRA survivor cases, the PIA #9 for the Fictional RIB PIA (see RCM [8.9](#), Form G-364.1 Instructions) will differ from the survivor PIA #1 if the employee has 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 (see RCM [8.11.22](#) or RCM [8.11.33](#)).

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.

The 1981 Social Security Act Amendments eliminated the minimum AMW, PIB and AIME for PIA #9 for eligibility years 1982 or later as explained in RCM [8.11.23](#), [8.11.35](#) and [8.11.47](#).

An age reduction is applied to this PIA as explained in RCM [8.3.85](#) – [8.3.91](#). Delayed retirement credits are added as explained in RCM [8.3.95](#) – [8.3.102](#).

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 (see RCM [8.11.113](#)) as limited by the 1972 Technical Amendments.

### **8.11.112 Computation of PIA #10**

PIA #10 is used in the computation to test for the 1937 RR Formula guarantee amount. This PIA is computed for employees with an insured status under the SSA rules in effect in 12-1974 using the 6-1974 PIA Table except:

- A 60/30 annuitant (age 60-64) is deemed to be age 65 on the ABD; and

- A disability annuitant is deemed to be entitled to a DIB under section 223 of the Social Security Act as of 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
- The AMW dividend uses compensation through the DLW and wages through the year preceding the ABD year. The maximum creditable (wages and compensation) after 1974 is frozen at the 1974 maximum. The AMW divisor is based on the earlier of the wage earner's actual DF, deemed DF, attainment of retirement age or deemed age 65; and,
- If a PIA could not be computed under SSA rules due to insufficient earnings after 1936, the AMC is treated as an AMW for purposes of determining the PIA and,
- 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 the total tier rate; and,
- Delayed retirement credits can be added to this PIA as shown in the G-354.2 instructions.

Only the SS Act PIA's in effect in 12-1974 ("New Start" AMW PIA #10, "Old Start" AMW PIA #10 or SPC MIN PIA #10) are computed.

This PIA is not affected by the elimination of the minimum social security benefit. For PIA #10 the lowest AMW is \$76.00 and the lowest PIB is \$16.20 with a corresponding PIA of \$93.80.

### **8.11.113 Computation of the O/M PIA under the 1937 RRA and PIA #11 under the 1974 RRA**

The over-all SSA minimum provision of section 3(e) of the 1937 RRA guarantees that the total annuities payable under the 1937 RRA effective 11-1-51 or later for a full month to an employee and their family will not be less than 100% of the monthly amount which would be payable under the Social Security Act if railroad service after 1936 were credited as "employment" under the Social Security Act. The O/M guarantee was increased to 110% of the monthly amount that would be payable under the SS Act effective 6-1-59 or later.

The O/M PIA was computed based on the employee's actual attainment of retirement age under SS Act rules or on an actual disability freeze. An insured status was required. There were no 1937 RRA deeming provisions for this PIA. Prior to 1-1972, it is based on the employee's combined wages, compensation and SEI through the last computation base year (see [RCM 8.11.12](#)). This includes SS earnings and compensation in and after the ABD year through 12-31-71 for the purpose of recomputation.

However, for AMW computations in retirement cases where the employee's ABD is in 1972 or later, the 1972 Technical Amendments to the 1937 RR Act changed the base years which may be used to compute the initial PIA. For ABD years 1972 or later, creditable compensation earned in the ABD year may be included in the initial AMW computation. Only SS earnings up to the end of the year before an ABD year 1972 or later may be included in the AMW computation.

The only subsequent recomputations permitted under the amendments were for 1-1-73 for cases where:

- The ABD is in 1972; and,
- The employee has sufficient creditable compensation in 1972, which if 1972 were a computation year, would increase the PIA; and,
- The AMW was computed before the enactment date.

The amendments did not affect the O/M PIA computation in death cases.

#### EXAMPLE 1

An employee born 8-10-1907 retires with an ABD of 8-1-1972. His creditable compensation in 1972 was \$5250. He also had SS earnings of \$287.50.

Elapsed years - 21 (years after 1950 up to 1972)

Computation years - 16 (elapsed years minus 5)

Divisor - 192 (16 computation years x 12)

The earnings record and computations are shown in Exhibit 7, example 1.

NOTE: Under the amendments, 1972 can be used as a computation year. Before the amendments, 1958 would be a computation year for the initial computation; 1972 would be used as a computation year in a recomputation. In the amended method the 1972 compensation is substituted for the 1958 earnings.

	Amended Method	Pre-Amend Method
Dividend -	\$86003.56	\$84542.16
Divisor -	192	192
AMW -	447.00	440.00
1972 PIA -	250.60	247.40

EXAMPLE 2

A male employee is awarded an annuity at age 60 under section 2(a)3 of the 1937 RRA beginning in 3-1972. After that, he works in social security covered employment. The first point at which an O/M computation can be made is in 3-1974 when he attains age 62.

Elapsed Years - 24 (1951 through 1974)\*

Computation Years - 19 (elapsed years minus 5)

Divisor - 228 (19 computation years x 12)

\*Age 62 computation transitional provision (see RCM [8.11.2](#)).

The earnings record and computations are shown in Exhibit 7, example 2.

NOTE: Before the amendments both 1972 and 1973 are base years. Consequently, both can be used as computation years permitting the use of the SS earnings in those years.

Under the amendments, only 1972 is a base year. However, since the compensation earned up to the ABD is less than other years, it is not used as a computation year. SS earnings in and after the ABD year are disregarded.

The computations are:

	Amended Method	Pre-Amend Method
Dividend	- \$101380	\$113780
Divisor	- 228	228
AMW	- 444	499
3-1974 PIA	- 266.40	288.60

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 year are subject to the 1974 earnings maximum.

Only the SS Act PIA's in effect in 12-1974 ("New Start" AMW PIA #11, "Old Start" AMW PIA #11 or SPC MIN PIA #11) are computed.

This PIA is not affected by the elimination of the minimum social security benefit. For the O/M PIA and PIA #11, the lowest AMW is \$76.00 and the lowest PIB is \$16.20 with a corresponding PIA of \$93.80.

An age reduction is applied to this PIA as explained in RCM [8.3.85](#) – [8.3.91](#). Delayed retirement credits are added as explained in RCM [8.3.95](#) – [8.3.102](#).

**8.11.114 Computation of 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 (see RCM 8.11.2). 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), BCY (Benefit Computation years), and DM (divisor months) for computing the AMW for the PIA #15 in these cases are as follows:

EY	BCY	DM
—	—	—
1951-1974	19	228

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 they have attained age 62.

B. 2(a)2 Annuitant (with 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), Benefit Computation Years (BCY), and the divisor months (DM) 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	DM
—	—	—
1951-1973	18	216

2. 60/30 Female Annuitants

EY	BCY	DM
—	—	—
1951-1970	15	180

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 RRA - An RRA disability annuitant is deemed to have a DF beginning on their 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 PIA's 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.

Since PIA #15 only applies in conversion cases, it is not affected by the elimination of the minimum social security benefit.

PIA #15 was computed for all conversion cases. However, the employee must be vested under the RR Act (see [RCM 1.1](#) for age and service cases or [RCM 1.2](#) for disability cases) for the PIA #15 to be used in the computation of the employee's tier II. The employee does not have to be vested for the computation of PIA #15 to determine the work deduction components.

### 8.11.115 Computation of PIA #21

If the beneficiary met all windfall eligibility requirements before 8-13-81, PIA #21 is used in the computation of the employee, spouse or widow(er) windfall benefit and for the windfall 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 (see [RCM 1.1](#) for employee age and service cases, [RCM 1.2](#) for employee disability cases, [RCM 1.3](#) for spouse annuity cases, or [RCM 2.1](#) for widow(er)'s annuity cases); and,
- 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; and,
- 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 PIA's 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 SP tier II WF reduction. However, SPC MIN PIA #21 can be used in determining WF 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.

This PIA is not affected by the elimination of the minimum social security benefit. For PIA #21, the lowest AMW is \$76.00 and the lowest PIB is \$16.20 with a corresponding PIA of \$93.80.

AUX spouse and AUX widow paper G-90s produced prior to October, 1996 display the PIA #21 calculation if SEARCH determines that the widow is vested. If a PIA #21 calculation is needed, a G-563 request to CCU should be made, with anything pertinent to the vesting determination attached. CCU will determine if the spouse/widow meets the vesting requirements, and if so, calculate a PIA #21.

### 8.11.116 Computation of 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 RRA conversion cases.

The pass-thru PIA is based on combined wages, compensation and SEI through the last computation base year (see RCM [8.11.12](#)).

A. 1937 RRA Deeming Provisions - Special deeming provisions were enacted because some employees who were entitled to annuities under the RRA formula would have insufficient quarters of coverage or would not be eligible for a PIA computation under the Social Security Act.

1. Employee Not Insured or Transitionally Insured Under SS Act - 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.

If the pensioner's AME is unknown, the AMW for the pass-thru PIA is imputed based on the table in Exhibit 8, chart 1.

NOTE: The tier I amount computed for persons converted from the 1937 Act to the 1974 Act is not affected by the elimination of the minimum social security benefit.

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 (see RCM 8.11.2). The new start EY (Elapsed years), BCY (Benefit Computation years) and DM (divisor months) for computing the AMW for the pass-thru PIA are as follows:

EY	BCY	DM
—	—	—
1951-1974	19	228

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 they have attained age 62.

- (b) 2(a)2 Annuitant (Female or Male with (ABD 7-1974 or later) under 1937 RRA - 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.

Exhibit 8, chart 2 compares the new start Elapsed Years (EY), Benefit Computation Years (BCY), and divisor months (DM) for the pass-thru and 1937 RR Act O/M PIA computations in conversion cases for 60/30 annuitants deemed to be age 65 in 1974.

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 RRA - An RR Act disability annuitant is deemed to have a DF beginning on their 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. Recalculation and Recomputation of the Pass-thru PIA - For certain cases, the mechanically computed Pass-Thru PIA used for the 1974 pass-thru increase and the tier conversion was computed under special rules that are no longer in our current PIA system. For instance, "special" closing dates are used in computing any P.T.-PIA RECOMP's in conversion cases where the employee was under age 62 in the ABD year and/or the employee attained age 65 (either actual or deemed age 65) before 1960. As a result, current G-90s and G-90as may produce a P.T.-PIA that is inconsistent with the original, mechanically computed P.T.-PIA. Therefore, do not recalculate the mechanically computed P.T.-PIA used for the 1974 increases unless a legitimate recalculation of the P.T.-PIA is required due to an error of facts in the previous calculation (e.g., DOB changes).

Although the P.T.-PIA may not be recalculated, as explained above, it 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. The employee's earnings in 1974 or a later year must increase the PIA. When the P.T.-PIA was initially computed it included wages only through 1971 or, if later, to the ABD year and compensation up to the ABD. However, if the 1974 or later wages produce an increased PIA, we can go back and include the 1972 and 1973 wages. The increased PIA is effective in January of the year following the year in which the wages triggered the recomputation (e.g., if 1974 wages triggered the recomputation, P.T.-PIA is effective January, 1975). If an adjustment is required for a conversion case, use the P.T.-PIA of record unless the P.T.-PIA can be recomputed under the above rules.

If the recomputed P.T.-PIA is less than the original, do not pay the RECOMP P.T.-PIA. Assume that the case involves the special rules and continue to use the original PIA with appropriate COL updating.

- 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. The updated PIA's and effective dates are indicated [in Appendix B](#) "AMW PIA Conversion Chart."
- D. Minimum Pass-thru PIA - The Tier I amount computed for persons converted from the 1937 Act to the 1974 Act is not affected by the elimination of the minimum social security benefit.

### 8.11.117 Computation of the SSEB PIA

The SSEB (Social Security Equivalent Benefit) PIA is used to calculate the SSEB portion of tier I for tax accounting purposes. It is computed in the same way as PIA 9; the computation is based on the employee's combined wages and compensation under the current SSA rules for life cases. The SSEB PIA should be recomputed whenever PIA 1 or PIA 9 are recomputed. There are no RRA deeming provisions.

### **8.11.118 Computation of 1974 RRA PIAS**

See Exhibit 9 for PIA comparison chart.

### **8.11.120 PIAs Obtained from Microfilms or Folder Records**

The 6-1974 pass-thru PIA and PIA 15 for retirement conversion cases may be found on the "Employee/Spouse Annuity Conversion To Tier System" or "The 1974 Act Conversion PIA" microfilms or on a folder record of amendment adjustment or annuity award (see RCM [6.9](#)).

The SSEB PIA that was first effective 1-1-86 can be found on the "11-86 SSEB Mass Adjustment" microfilm for annuitants on the rolls prior to 11-86. Effective 12-88, the SSEB PIA will also appear on cost-of-living microfilm and microfilm for tier 1 mass adjustments.

### **8.11.121 Requests for Mechanical PIA Computation for Retirement Annuities**

The RASI program will attempt to obtain the required PIA calculations from DP to compute the initial employee or spouse award. Refer to RCM [9.3](#) for processing of RASI referrals.

When necessary, a mechanical computation of current PIA data is requested by the examiner using Form G-60 according to RCM [9.1](#).

A mechanical computation of current PIA data for PIA 1 - PIA 9, PIA 17.

PIA 21 (in pre-1981 amendment cases), or the SSEB PIA will be returned from DP on Form(s) G-90. The G-90 information will be forwarded by DP to Research as explained in RCM [8.1.38](#). Refer to RCM [7.4](#) for an explanation of the information on Form(s) G-90.

PIA 10 and PIA 11 were indicated on Form G-90 through 1978. If these PIAs are required after 1-1979, request a manual computation of the PIA.

### **8.11.122 Request for Manual PIA Computations for Retirement Annuities**

Item 6 of Form G-563 (8-81) is used to request manual PIA computations (see RCM [Part 11](#), Form G-563 Instructions). A manual computation will be needed as follows:

- (a) A manual computation of the affected PIA's, including the SSEB PIA (see RCM [8.11.15](#)), is needed in a case in which there is a closed period of disability or two separate periods of disability. Show the period(s) of disability in item 8 of Form G-563 and indicate which PIA's are to be manually computed in item 6; or

- (b) A manual computation of PIA 1, PIA 5, PIA 6, PIA 7, PIA 8, PIA 9, PIA 10, PIA 11, PIA 15, PIA 17, or the SSEB PIA may be needed if the case involves Red Cap service (see RCM [5.3.112](#)); or,
- (c) A manual recomputation of PIA 1, PIA 9 or the SSEB PIA will be needed if the employee has sufficient earnings after the previous PIA 1, PIA 9, or SSEB PIA computation to qualify for a recomputation and those earnings are not yet in DP records. Include the post ABD earnings amount on the G-563 request; or,
- (d) A manual computation of PIA 9 and the Family Maximum Benefit (FMB) under the 1980 SS Act Disability Amendments may be needed if the employee is initially entitled to the DIB O/M on 7-1-80 or later and their disability onset date is after 1978 but before the year they attain age 62. Place an "X" in the applicable box in item 6 of the G-563.

Also enter the month and year of the DIB O/M entitlement date (O/M effective date plus waiting period) on the line next to "eff."

- (e) A manual computation of PIA 9 only with dropout years under the 1980 SS Act Disability Amendments may be needed if the employee is initially entitled to the DIB O/M on 7-1-80 or later but their disability onset date is prior to 1979 and before the year they attain age 62. Place an "X" in the applicable box in item 6 of the G-563.

Also enter the month and year of the DIB O/M entitlement date (O/M effective date plus waiting period) on the line next to "eff."

- (f) A manual recomputation of PIA 1 or 9 (and the FMB, if applicable) under the 1980 SS Act Disability Amendments may be needed if it is determined that the child care dropout years provision is applicable (per RCM [8.11.17](#) and RCM [4.7.120](#)). See Form G-563 instructions for applicable entries.
- (g) A manual computation of PIA 1, PIA 9, or the SSEB PIA under the pre-1980 amendment formula may be needed if the employee is entitled to a disability annuity with an ABD of 7-1-80 or later and he was previously entitled to a disability annuity or DF prior to 7-1-80. (G-90 computations in this type of case will be under the 1980 Amendments, and therefore, are not correct.) Place an "X" in the box before "Compute PIA's" and request PIA 9 and the SSEB PIA.
- (h) A manual computation of PIA 9 and the SSEB PIA under the pre-1980 amendment formula is needed if the employee's disability onset date is 1-1-80 and the employee is initially entitled to the DIB O/M prior to 7-1-80. (The G-90 computation of PIA 9 in this type of case will be under the 1980 amendments,

and therefore, is not correct.) Place an "X" in the box before "Compute PIA's" and request PIA 9 and the SSEB PIA.

- (i) Tier I annuitants prior to January 1, 2024, a manual computation of PIA 1, PIA 9 or the SSEB PIA under the pre 1980 amendment formula is needed if the employee is entitled to a non-covered service pension and does not qualify for an exemption. The manual computation of PIA 17 is also required if the employee is subject to work deductions.

A manual DP&A computation of PIA #21 for retirement cases is required if:

- A spouse is eligible for a windfall before 8-13-1981 based on their own earnings record and their DF at SSA affects the computation of PIA #21 (see RCM 8.11.15D). Place an "X" in the box before "Compute PIA #21" in item 6(a) of Form G-563 and include the DF onset date in item 6(b); or,
  - An employee is eligible for a WF before 8-13-1981 on the earnings record of a spouse or deceased spouse and a DF for the spouse at SSA or the date of death of the spouse and a DF for the spouse at SSA or the date of death of the spouse affects the computation of PIA #21 (as shown in RCM [8.11.15D](#) and [8.11.115](#)). Place an "X" in the box before "Compute EE PIA #21" in item 6(a) of Form G-563 and include the DF onset date or DOD in item 6(b); or,
  - An employee is vested for a WF on the earnings record of a deceased spouse who had some but less than 120 months RR service (including creditable military service) or who had 120 or more months of railroad service but did not qualify for RR survivor benefits due to lack of current connection or, if date of filing or date of death is before 1-1-1975, due to lack of insured status. Place an "X" before "Compute PIA #21." Also place an "X" in the box before "use RR Comp as wages." If applicable include the DOD in item 6(b); or,
  - The message "SSA Indicates Wrong Account Number" is printed on a pre-1981 amendment spouse G-90. Request a manual computation of PIA #21. Place an "X" in the box before "Compute PIA #21" in item 6(a) of Form G-563 and include any corrected data in item 6(b).
- (j) A manual computation of the 6-1974 pass thru PIA may be needed if the 1937 Act rate must be computed in order to convert the annuity to the tier formula (i.e., employee annuity was in suspense during PT-PIA computations). Show the following message in item 8 on Form G-563:

"Please furnish PT-PIA effective prior to 1-1975. Include compensation through ABD and wages through 1971 only."

- (k) A manual disability non-exclusion computation of PIA's #1 and/or #9 and/or the SSEB PIA is needed if the employee has substantial earnings within the deemed

or actual period of disability (see RCM [8.11.15](#)). Enter the following message in item 8 of the G-563:

"Please calculate a disability non-exclusion computation for PIA #1, #9 and/or SSEB PIA."

- (l) A manual recomputation of PIA's #1, #9 and/or the SSEB PIA based on earnings which have not yet been posted to SSA's earnings record file is needed if the unposted earnings are sufficient to cause a recomputation and either the employee has requested the PIA recomputation or work deductions must be assessed for the year in which the recomputation is first effective (see RCM [8.11.130 - 134](#)). Attach proof of the earnings to the G-563 and enter the following message in item 8 of the G-563:

"Attached is proof of unposted earnings for (year). Please recompute PIA (1, 9 and/or SSEB PIA) effective (date) based on earnings of (\$0.00) in (year)."

- (m) A manual computation of PIA #1 or PIA #9 or SSEB PIA will be needed if the employee is in receipt of a "non-covered service pension" and does not qualify for one of the exemptions covered in RCM [1.1.15 - 1.1.18](#).

NOTE: The special minimum PIA, if higher, should be used to compute the benefits. The special minimum is not reduced for a "non-covered service pension."

Attach the latest G-90 for the case to the G-563 and forward these forms to the Bureau of Compensation and Certification.

The manual PIA computation(s) will be returned by on Form G-90a. This form must be signed by the BCC claims examiner who computed the PIAs.

Form G-59R is required to enter manual PIA data into the Research record. (See RCM [9.4](#), Form G-59R instructions.)

### **8.11.123 Request for Mechanical PIA Computations at First Notice of Death**

The development clerks release Form G-73a to DP&A at first notice of death to request a mechanical computation of PIA #1, PIA #8 and PIA #9. Information available in the claim folder indicating a disability freeze, creditable military service and lag earnings are included on the G-73a at this time.

A mechanical computation of the current PIA data for PIA #1, PIA #3, PIA #9 and PIA #21 (in pre-1981 amendment cases) will be returned by DP&A on Form(s) G-90. Refer to RCM [7.4](#) for an explanation of the information on Form G-90. Additional manual PIA computations based on information on the G-73a will be returned by DP&A on Form

G-90a. The G-90a must be signed by the DP&A claims examiner who computed the PIA's.

### **8.11.124 Requests for Manual Computations of PIA #1, PIA #8 or PIA #9 in Survivor Cases**

If the following information is received which was not included on the G-73a initial PIA computation request, the wage record is returned to DP&A by the examiner for a manual PIA computation.

- (a) A manual computation of PIA #1, PIA #8 or PIA #9 is needed in a case in which a period of disability is established after the death of the employee (see RCM 8.1.84) or in which an established DF period(s) was not included on the G-73a for the initial PIA computation(s) request. Show the period(s) of disability in item 14 of Form G-73a; or,
- (b) A manual DP&A computation is required if creditable M/S can be included in the PIA computation (see RCM [5.4](#)). Show the date(s) of the creditable M/S in item 10 of Form G-73a; or,
- (c) A manual DP&A computation is required if the lag earnings in the year of death could increase PIA #1 effective in the month of death or could be used to recompute PIA #9 effective January 1 of the following year for the Employee's RIB Limitation amount.
- (d) A manual computation of PIA #1, PIA #8 or PIA #9 is needed in a case in which there is a closed period of disability or two separate periods of disability. This is because the mechanical G-90 program will not pick up a disability freeze ending date from Form G-73a.

Attach the latest G-90 for the applicable PIA on the deceased employee's wage record to the G-73a and forward these forms to the Bureau of Data Processing and Accounts.

The manual PIA computation(s) will be returned by DP&A on Form G-90a. This form must be signed by the DP&A claims examiner who computes the PIA's.

### **8.11.125 Requests for Manual PIA #3 or PIA #21 Computations in Survivor Cases**

Form G-563 is used to request a DP&A computation will be needed in the following situations:

- Creditable M/S can be considered to be wages and excluded from the AIME PIA #3 computation (see RCM 5.4); or,

- Compensation only after the previous PIA #3 computation could result in a recomputation of PIA #3 (see [8.11.105](#)); or,
- A widow(er) is eligible for a windfall before 8-13-81 based on their own earnings record and their disability freeze at SSA affects the previous computation of PIA #21 as shown in RCM [8.11.15D](#); or,
- A widow(er) is eligible for a windfall before 8-13-81 based on their own wage record and this wage record includes some but less than 120 months railroad service (including creditable military service) show: "RR compensation on (General file number or Claim Number) insufficient for RR annuity. Use compensation as wages to compute PIA #21."
- A widow is entitled under the 1981 Amendments and a tier II restored amount is payable. The mechanical G-90 program will not provide PIA #21 for 1981 Amendment cases.
- The child care dropout years provision applied to the employee disability annuity (as determined according to RCM [4.7.120](#) and [8.11.17](#)) and the RLS is payable. Request a recomputation of PIA #3 as explained in Form G-563 instructions.
- The employee's PIA #1 was computed under the disability non-exclusion computation provision and PIA #3 will be used to determine the employee's Tier I deductible amount from the residual. Request a disability non-exclusion computation by entering the following message in item 8 of the G-563: "Please calculate a disability non-exclusion computation for PIA #3."

Attach the latest G-90 with the PIA #3 or PIA #21 computation to the G-563 and forward these forms to the Bureau of Data Processing and Accounts.

The manual PIA computation will be returned by DP&A on Form G-90a. This form must be signed by the DP&A claims examiner who computed the PIA.

### **8.11.130 Requests For Manual PIA Recomputations**

In most cases, SS earnings are posted to SSA's earnings record file 12 or more months after the end of the year in which they are earned. Recomputations of PIA 1, PIA 9, and the SSEB PIA which are due as a result of an employee's SS earnings are usually computed only after SSA has posted those earnings. However, employees who request an immediate recomputation and certain employees subject to work deductions may receive a recomputation prior to SSA's posting of earnings if the employee provides acceptable proof of those earnings.

### 8.11.131 Proof of Unposted SS Earnings

The type of evidence which is acceptable as proof of unposted SS earnings depends upon whether the earnings are wages or self-employment income (SEI).

- A. Wages - Form W-2 is considered proof of unposted wages if the Form W-2 meets certain requirements.

Form W-2 is a multiple copy form and only certain copies of the form are acceptable to establish proof of unposted wages. Copy C of Form W-2 (the employee's copy), Copy D (the employer's copy), or a photocopy of Copy C or D are acceptable copies.

Do not accept Copy A (SSA's copy), Copy B (the copy filed with the employee's Federal income tax return), or Copy 2 (the copy filed with the employee's state or local income tax return) as proof of unposted wages. Possession of Copy A, Copy B, or Copy 2 by the employee casts doubt upon the authenticity of the claimed wages. In addition, do not accept a Form W-2 with a checkmark in the "correction" block or a correctional Form W-2C.

In order to establish proof of unposted wages, the Form W-2 must show the employee's name and SSA number, the employer's name, the Federal Insurance Contribution Act (FICA) taxes withheld, and the total wages paid for income tax purposes ("Wages, Tips, and Other Compensation") and for FICA purposes ("Total FICA Wages"). In addition, the Form W-2 must also show two Employer Identification Numbers (EIN). The first EIN is assigned to the employer by the Internal Revenue Service (IRS) and is composed of nine digits. The second EIN is assigned by SSA and always begins with the digits "69."

If an unacceptable copy of Form W-2 is submitted or if any of the necessary information is missing from Form W-2, but a plausible explanation for the deficiency exists, refer the case to M&P-A for a determination regarding the acceptability of the proof.

- B. SEI - Form W-2 is usually not completed for self-employed individuals. SEI is reported to the IRS on the following forms, which are filed as part of the income tax return:
- (1) Schedule C - A self-employed individual, other than a farmer, reports their business income and expenses to the IRS on Schedule C (Profit (or Loss) from Business or Profession).
  - (2) Schedule F - A self-employed farmer reports their business income and expenses on Schedule F (Schedule of Farm Income and Expenses).
  - (3) Form 1065 - Partners who are considered self-employed are credited with their distributive share or ordinary income whether or not actually

distributed. Such amounts are reported on Form 1065 (the partnership's informational return).

- (4) Schedule SE - All self-employed individuals (including farmers and those individuals who are part of a partnership) compute their SEI on Schedule SE (Computation of Social Security Self-Employment Tax).

To establish proof of unposted SEI, the employee must furnish a copy of Form 1040, a copy of Schedule SE, and a copy of either Schedule C, Schedule F, or Form 1065. In addition, the employee must also submit a signed statement that the tax return is a true and exact copy of the tax return filed with the IRS.

Once the proof of SEI has been obtained all SEI cases must be referred to M&P-A for a determination regarding the acceptability of the proof.

### 8.11.132 Requirements for Developing Lag SS Earnings

Initiate development action to obtain proof of unposted earnings if:

- (1) A PIA recomputation is due based on the unposted earnings (i.e., the unposted earnings are higher than the earnings from a previous benefit computation year). In cases where an employee has no earnings in one of their benefit computation years, any earnings will be sufficient to cause a recomputation;

AND

- (2) The unposted earnings were earned in SSA's lag period, which usually includes the current year and the two previous years;

AND

- (3) Either:

- a. The employee has submitted a written request for a PIA recomputation. This request should not be solicited from the employee. However, if an employee submits a recomputation request on their own initiative, we will act on that request. Consider statements such as "Include these earnings in my annuity computation" and "Increase my annuity for these earnings" as a request for a PIA recomputation;

OR

- b. Permanent work deductions must be assessed (or reassessed) for the year in which the PIA recomputation based on the unposted earnings is first effective. For example, if permanent work deductions are being assessed for 1982, and 1981 unposted earnings are sufficient to cause a

recomputation effective 1-1-82, take action to develop proof of 1981 earnings.

### **8.11.133 Field Development**

If the employee meets the development requirements in Section [8.11.132](#), release a memorandum to the district office requesting them to develop proof of earnings. In the memorandum, explain why the proof is needed (i.e., the employee has requested a recomputation or the employee has work deductions) and specify which type of proof is required (either Form W-2 or the appropriate forms from the employee's tax return along with the employee's signed statement). In addition, if the PIA recomputation is being developed because the employee requested it, also request the district office to inform the employee that no action will be taken regarding their recomputation request until proof of earnings is submitted.

If multiple recomputations are due based on unposted earnings, request proof of each year's earnings which trigger a recomputation after the last year for which SSA has posted earnings. In order to recompute a PIA based on unposted earnings, proof must be obtained of all unposted earnings which should be included in the recomputation of the PIA. For example, if an employee has requested a PIA recomputation, and their 1981 and 1982 unposted earnings are high enough to cause a recomputation effective 1-1-1982 and 1-1-1983, proof of the 1981 and 1982 earnings must be obtained to compute the 1-1-1983 recomputation.

If the district office obtains proof of wages, request a manual PIA recomputation per the instructions in Section [8.11.134](#). If the district office obtains proof of SEI, refer the case to M&P-A for a determination regarding the acceptability of the proof.

If the district office cannot obtain proof of the earnings, no further development action regarding the recomputation should be made at that point. A mechanical AERO recomputation will eventually be made once SSA has posted the earnings.

### **8.11.134 Obtaining the Recomputed PIA**

Manual PIA recomputations based on unposted earnings should only be requested if the requirements in Section [8.11.132](#) have been met and the employee has submitted proof of the unposted earnings.

To request a PIA recomputation based on unposted earnings, attach the proof of the earnings and the latest G-90 to Form G-563 and send to BCC. In item 8 of the G-563 enter the following message: "Attached is proof of unposted earnings for (year). Please recompute PIA (1, 9, and/or SSEB PIA) effective (date) based on earnings of (\$0.00) in (year)."

BCC has been instructed not to provide a recomputed PIA based on unposted earnings unless proof of the unposted earnings is attached to the Form G-563.

After BCC recomputes the PIA's, adjust the case accordingly.

## Appendices

[Appendix A - PIB/PIA conversion chart 1958-1978 \(paper\)](#)

[Appendix B - AMW PIA conversion chart \(SSA Web Site\)](#)

[Appendix C - Special Minimum PIA Conversion Charts](#)

### Effective for December 1992

No. Yrs. Creditable Coverage	Dec. 1992 SPC MIN PIA 3% Increase	Family Maximum	No. Yrs. Creditable Coverage	Dec. 1992 SPC MIN PIA3% Inc.	Family Maximum
11	24.50	36.90	21	270.90	406.60
12	48.90	73.80	22	295.40	443.40
13	73.70	111.00	23	320.20	480.90
14	98.30	147.70	24	344.80	517.70
15	122.90	184.40	25	369.30	554.30
16	147.60	221.80	26	394.20	591.90
17	172.20	258.70	27	418.90	628.70
18	196.90	295.60	28	443.30	665.40
19	221.50	332.60	29	467.90	702.60
20	246.00	369.30	30	492.50	739.30

**Effective for December 1993**

<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1993 SPC MIN PIA 2.6% Increase</b>	<b>Family Maximum</b>	<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1993 SPC MIN PIA 2.6 Inc.</b>	<b>Family Maximum</b>
11	25.10	37.80	21	277.90	417.10
12	50.10	75.70	22	303.00	454.90
13	75.60	113.80	23	328.50	493.40
14	100.80	151.50	24	353.70	531.10
15	126.00	189.10	25	378.90	568.70
16	151.40	227.50	26	404.40	607.20
17	176.60	265.40	27	420.70	645.00
18	202.00	303.20	28	454.80	682.70
19	227.20	341.20	29	480.90	720.80
20	253.30	378.90	30	505.30	758.50

**Effective for December 1994**

<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1994 SPC MIN PIA 2.8% Increase</b>	<b>Family Maximum</b>	<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1994 SPC MIN PIA2.8% Inc.</b>	<b>Family Maximum</b>
11	25.80	38.80	21	285.60	417.10
12	51.50	77.80	22	311.40	454.90
13	77.70	116.90	23	337.60	493.40

14	103.60	155.70	24	363.60	531.10
15	129.50	194.30	25	389.50	568.70
16	155.60	233.80	26	415.70	607.20
17	181.50	272.80	27	441.70	645.00
18	207.60	311.60	28	467.50	682.70
19	233.50	350.70	29	493.40	720.80
20	259.30	389.50	30	519.40	758.50

**Effective for December 1995**

<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1995 SPC MIN PIA2.6% Increase</b>	<b>Family Maximum</b>	<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1995 SPC MIN PIA2.6% Inc.</b>	<b>Family Maximum</b>
11	26.40	39.80	21	293.00	439.80
12	52.50	79.80	22	319.40	479.70
13	79.70	119.90	23	346.30	520.30
14	106.20	159.70	24	373.00	560.00
15	132.80	199.30	25	399.60	599.70
16	159.60	239.80	26	426.50	640.40
17	186.20	279.80	27	453.10	680.20
18	212.90	319.70	28	479.60	720.00
19	239.50	359.80	29	506.20	760.10
20	266.00	399.60	30	532.90	799.90

**Effective for December 1996**

<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1996 SPC MIN PIA 2.9% Increase</b>	<b>Family Maximum</b>	<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1996 SPC MIN PIA 2.9% Inc.</b>	<b>Family Maximum</b>
11	27.10	40.90	21	301.50	452.50
12	54.30	82.10	22	328.60	493.60
13	82.00	123.30	23	356.30	535.30
14	109.20	164.30	24	383.80	576.20
15	136.60	205.00	25	411.10	599.70
16	164.20	246.70	26	438.80	617.00
17	191.60	287.90	27	466.20	699.90
18	219.00	328.90	28	493.50	740.80
19	246.40	370.20	29	520.80	782.10
20	273.70	411.10	30	548.30	823.10

**Effective for December 1997**

<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1997 SPC MIN PIA 2.1% Increase</b>	<b>Family Maximum</b>	<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1997 SPC MIN PIA 2.1% Inc.</b>	<b>Family Maximum</b>
11	27.60	41.70	21	307.80	462.00
12	55.40	83.80	22	335.50	503.90
13	83.70	125.80	23	363.70	546.50
14	111.40	167.70	24	391.80	588.30

15	139.40	209.30	25	419.70	629.90
16	167.60	251.80	26	448.00	672.70
17	195.60	293.90	27	475.90	714.50
18	223.50	335.80	28	503.80	756.30
19	251.50	377.90	29	531.70	798.50
20	279.40	417.70	30	559.80	840.30

**Effective for December 1998**

<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1998 SPC MIN PIA 1.3% Increase</b>	<b>Family Maximum</b>	<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1998 SPC MIN PIA 1.3% Inc.</b>	<b>Family Maximum</b>
11	27.90	42.20	21	311.70	468.00
12	56.10	84.80	22	339.80	510.40
13	84.70	127.40	23	368.40	553.60
14	112.80	169.80	24	396.80	595.90
15	141.20	212.00	25	425.10	638.00
16	169.60	255.00	26	453.80	681.40
17	198.00	297.70	27	482.00	723.70
18	226.40	340.10	28	510.30	766.10
19	254.70	382.70	29	538.60	808.80
20	283.00	425.10	30	567.00	851.10

**Effective for December 1999**

<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1999 SPC MIN PIA 2.4% Increase</b>	<b>Family Maximum</b>	<b>No. Yrs. Creditable Coverage</b>	<b>Dec. 1999 SPC MIN PIA 2.4% Inc.</b>	<b>Family Maximum</b>
11	28.50	43.20	21	319.40	479.70
12	57.50	86.90	22	348.20	523.10
13	86.80	130.50	23	377.60	567.40
14	115.60	174.00	24	406.70	610.70
15	144.70	217.30	25	435.70	653.90
16	173.80	261.30	26	465.10	698.40
17	202.90	305.10	27	494.00	741.70
18	232.00	348.60	28	523.00	785.20
19	261.00	392.20	29	552.00	829.00
20	290.00	435.70	30	581.10	872.30

**Effective for December 2000**

<b>Number of Years of Coverage</b>	<b>PIA</b>	<b>Maximum Family Benefit</b>	<b>Number Years of Coverage</b>	<b>PIA</b>	<b>Maximum Family Benefit</b>
11	\$ 29.40	44.70	21	330.50	496.40
12	59.50	89.90	22	360.30	541.40
13	89.80	135.00	23	390.80	587.20
14	119.60	180.00	24	420.90	632.00
15	149.70	224.90	25	450.90	676.70

16	179.80	270.40	26	481.30	722.80
17	210.00	315.70	27	511.20	767.60
18	240.10	360.80	28	541.30	812.60
19	270.10	405.90	29	571.30	858.00
20	300.10	450.90	30	601.40	902.80

**Effective for December 2001**

<b>Number of Years of Coverage</b>	<b>PIA</b>	<b>Maximum Family Benefit</b>	<b>Number Years of Coverage</b>	<b>PIA</b>	<b>Maximum Family Benefit</b>
11	\$ 30.10	45.80	21	339.00	509.30
12	61.00	92.20	22	369.60	555.40
13	92.10	138.50	23	400.90	602.40
14	122.70	184.60	24	431.80	648.40
15	153.50	230.70	25	462.60	694.20
16	184.40	277.40	26	493.80	741.50
17	215.40	323.90	27	524.40	787.50
18	246.30	370.10	28	555.30	833.70
19	277.10	416.40	29	586.10	880.30
20	307.90	462.60	30	617.00	926.20

**NOTE**

Tables preceding 1992 and tables following December 2001 can be found on <http://www.ssa.gov/OACT/ProgData/tableForm.html>.

**Appendix D - Trans & 77 O/S - Bnchmk 1979 (paper)**

**Appendix E - Trans & 77 O/S - Bnchmk 1980 (paper)**

**Appendix F - Dis Maximums for Bnchmk 1980 (paper)**

**Appendix G - Trans & 77 O/S - Bnchmk 1981 (paper)**

**Appendix H - Trans & 77 O/S - Bnchmk 1982 (paper)**

**Appendix I - PIA Max Fam Benefits at 6/78 (paper)**

**Appendix J - Trans & 77 O/S - Bnchmk 1983 (paper)**

**Appendix K - 77 O/S PIA - Bnchmk 1984 (paper)**

**Appendix L - 77 O/S PIA - Bnchmk 1984 (paper)**

**Appendix M - Determining Years of Coverage for the Non Covered Service Pension**

This appendix should be used to compute the years of coverage when determining the PIA reduction for a non-covered service pension (NCSP) offset. The years of coverage are the base years since 1937 in which the wage earner is credited with the amount of earnings indicated in this section.

All raw compensation and wages on the earnings record, including SEI, military service (MS) wages and deemed M/S credits, from 1937 to present are used to determine the total number of YOCs for NCSP offset purposes.

Note: Deemed M/S credits, while applicable from 1957-2001, began appearing in the wages totals on EDM beginning with 1968 forward. Therefore, when determining years of coverage, be sure to manually add in \$300 per quarter of coverage for those employees having M/S in the 1957-1967 period.

Example: The employee had M/S from 8/1/1960 through 7/16/1963 with the following wages posted:

Year	Wages	QC Pattern	Deemed MS	Wage totals	YOC earned
1960	\$540.29	NNCC	\$600.00	\$1140.29	No
1961	\$1134.26	CCCC	\$1200.00	\$2334.26	Yes
1962	\$1315.59	CCCC	\$1200.00	\$2515.59	Yes
1963	\$696.47	CCCN	\$900.00	\$1596.47	Yes

The deemed MS credits provide for 1961 and 1963 to be years where a YOC is earned, which wouldn't otherwise have earnings totals high enough (\$1200.00 needed to earn a YOC for 1959-1965) to earn a YOC.

- A. For 1937-1950 Period - Divide the total earnings (wages and compensation) credited to the individual in the 1937-1950 period 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 (wages and compensation of \$12,600 or more will give 14 years of coverage).

The chart below displays the number of coverage years that can be creditable for years between 1937-1950.

### YEARS OF COVERAGE CHART

EARNINGS BETWEEN 1937-1950	COVERAGE YEARS
900.00 - 1,799.99	1
1,800.00 - 2,699.99	2
2,700.00 - 3,599.99	3

3,600.00 - 4,499.99	4
4,500.00 - 5,399.99	5
5,400.00 - 6,299.99	6
6,300.00 - 7,199.99	7
7,200.00 - 8,099.99	8
8,100.00 - 8,999.99	9
9,000.00 - 9,899.99	10
9,900.00 - 10,799.99	11
10,800.00 - 11,699.99	12
11,700.00 - 12,599.99	13
12,600.00 - and over	14

- B. [For Years After 1950 – Click here for a chart of the years and amounts necessary to establish a year of coverage.](#)

An RRB misinterpretation of Social Security procedure caused an incorrect NCSP offset calculation for some cases where the employee had earnings for years 1991 through 2002. The CCU program which makes these calculations was corrected in November, 2002. We are applying administrative finality prospectively to those rates incorrectly paid based on our misinterpretation. But a rate correction should only be made if the annuity is being adjusted for a reason other than the rate correction. (Use code paragraph 435.5 for these rate corrections.) Examiners, who need to recalculate the NCSP-reduced PIA for periods prior to the month of the rate correction, should denote on their G-563 request that they need “old rule” NCSP calculations and for what period.

Example: The employee’s NCSP PIA reduced annuity rate was corrected on an April 1, 2003 voucher. In August 2003, it was discovered that the employee had earnings in 2002, which would result in a PIA recomputation effective January 1, 2003. The employee’s NCSP-reduced PIA should be recomputed for the period January 2003 through March 2003 using the “old rule” NCSP PIA calculation. The “new rule” NCSP-reduced PIA calculation should be used to recompute the annuity effective April 1, 2003 with the 2002 earnings.