APPENDIX A—STATEMENT OF ASSUMPTIONS, METHODOLOGY, AND DETAILS OF LONG-RANGE COST ESTIMATES

The basic assumptions and methodology used in preparing the long-range cost estimates of the old-age, survivors, and disability insurance system are described in this appendix. The first part of this appendix covers the assumptions and methodology underlying the cost estimates, as well as the results themselves. The second part deals with the sensitivity of the estimates to changes in particular assumptions.

The cost estimates were prepared under three different sets of basic assumptions, designated as alternatives I, II, and III. The assumptions comprising each alternative have been summarized in an earlier section entitled "Demographic and Economic Assumptions." They will not be resummarized here but will be discussed within the context of the discussion of methodology. Within that discussion all comments pertain to the cost estimates under each of the three alternatives unless specifically stated otherwise.

ASSUMPTIONS, METHODOLOGY, AND RESULTS

Population

Projections were made of the United States population (including persons overseas covered by the old-age, survivors, and disability insurance program) by age and sex for future years to 2055. The starting point was the population on July 1, 1975, as estimated by the Bureau of the Census from the 1970 census and from births, deaths, and migration in 1970–75. This population estimate (which included an adjustment for net census undercount) was augmented by the population in the geographical areas covered by the old-age, survivors, and disability insurance system but not included in the estimate of the Bureau of the Census.

In the projection of the population the general trend in mortality during 1950–74 was assumed to continue to 2050. Projected mortality resulted from applying that trend to the preliminary mortality data for 1976. As shown in appendix table A the projected mortality level in 2050 is 81.8 percent of the estimated 1976 level, or about 18 percent lower. This projected improvement by age and sex ranges from a low of about 12 percent for men aged 20–64 to a high of about 39 percent for women under 20. The mortality rates for the period after 2050 are assumed to remain at the 2050 level.

Reviewing the historic trends in the total fertility rate in this country provides little assistance in estimating its future course. That rate had decreased from a post-World War I level of about 3.3 children per woman to a Great Depression level of about 2.1, only to rise again to about 3.7 in 1957 and then fall to the current level of about 1.7 estimated for calendar year 1976.

APPENDIX TABLE A.—PROJECTED MORTALITY IMPROVEMENT FROM 1976 TO 2050

Sex and age	Age-adjusted death rate [1] by calendar year—		Projected rate in 2050 as percent of rate in 1976
	1976	2050	
Men:			
Under 20	161.3	118.1	73.2
20 to 64	685.4	60.21	87.8
65 and over	6,994.4	5,812.8	86.8
Total	987.4	852.3	86.3
Women:			
Under 20	107.7	66.11	61.4
20 to 64	356.9	284.2	79.6
65 and over	4,556.3	3,449.5	75.7
Total	735.5	558.6	75.9
Total:[2]			
Under 20	133.8	91.4	68.3
20 to 64	516.8	438.9	84.9
65 and over	5,597.0	4,599.8	82.2
Total	858.1	701.6	81.8

[1] Deaths per 100,000 persons in the population.
[2] The rates for men and women combined are based on the sex distribution of the enumerated population of the United States as of Apr. 1, 1970.

History has shown that fertility rates are highly dependent on such changeable and unpredictable factors as social attitudes and economic conditions. Since this dependence precludes forecasting long-range fertility rates with any great degree of certainty, a range of assumptions is preferable to a single assumption. With due consideration given to recent social attitudes and developments, a range of 1.7 to 2.3 children per woman was chosen. By way of comparison it may be noted that the Bureau of the Census used an utlimate total fertility rate range of 1.7 to 2.7 children per woman in their latest series of population projections.[1] Included in both ranges is the theoretical population replacement rate of 2.1 children per woman— that is, the total fertility rate which in the absence of migration would eventually result in just enough births in a year to replace the deaths in that year—which is the assumption used in the intermediate set of assumptions in this report. (In last year's report the assumed ultimate total fertility rate was 1.9 children per woman.)

Alternatives I, II, and III specify ultimate total fertility rates of 2.3, 2.1, and 1.7 children per woman, respectively. In each projection, the total fertility rate was initially assumed to decrease from its estimated 1977 level of 1.71 to a level of 1.65 children per woman in fiscal year 1980. The rate was then projected by the cohort method to reach its ultimate value in a gradual manner by the year 2005.

Included in all three alternative sets of assumptions is the assumption that annual net immigration will be 400,000 persons.

Appendix table B presents the projected population by broad age groups under alternatives I, II and III.

Employment

Projections of the percentage of the population covered under the old-age, survivors, and disability insurance program were based on projections of unemployment rates and labor force participation rates. Under alternatives I, II, and III, the total annual unemployment rate

[1] U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 601, "Projections of the Population of the United States: 1975-2050," U.S. Government Printing Office, Washington, D.C., 1975.

APPENDIX TABLE B.—PROJECTIONS OF THE U.S. POPULATION BY BROAD AGE GROUPS

Year	Population (in thousands) as of July 1				Dependency ratio	
	Under 20	20–64	65 and over	Total	Aged [1]	Total [2]
Alternative I—2.3 ultimate fertility:						
1975	77,913	121,807	23,007	222,727	0.189	0.829
1980	72,837	132,397	25,394	230,629	.192	.742
1985	69,992	141,938	27,657	239,587	.195	.688
1990	71,835	147,986	30,044	249,865	.203	.688
1995	75,686	152,925	31,578	260,188	.206	.701
2000	79,776	157,580	32,021	269,378	.203	.709
2005	81,842	163,246	32,591	277,679	.200	.701
2010	82,906	168,518	34,898	286,321	.207	.699
2015	84,740	171,538	39,461	295,739	.230	.724
2020	87,908	172,335	44,977	305,221	.261	.771
2025	91,465	171,635	50,805	313,904	.296	.829
2030	94,210	172,426	55,050	321,686	.319	.866
2035	96,257	176,866	56,055	329,178	.317	.861
2040	98,572	183,155	55,259	336,986	.302	.840
2045	101,649	189,970	53,654	345,273	.282	.818
2050	105,070	195,336	53,590	353,996	.274	.812
2055	108,176	199,748	55,228	363,151	.276	.818
Alternative II—2.1 ultimate fertility:						
1975	77,913	121,807	23,007	222,727	.189	.829
1980	72,837	132,397	25,394	230,629	.192	.742
1985	69,550	141,938	27,657	239,144	.195	.685
1990	70,274	147,985	30,044	248,304	.203	.678
1995	72,591	152,925	31,578	257,093	.206	.681
2000	75,005	157,580	32,021	264,607	.203	.679
2005	75,679	162,809	32,591	271,080	.200	.665
2010	75,583	166,980	34,898	277,461	.209	.662
2015	76,059	168,494	39,461	284,014	.234	.686
2020	77,528	167,654	44,977	290,160	.268	.731
2025	79,264	165,176	50,805	295,245	.308	.787
2030	80,353	163,774	55,050	299,177	.336	.827
2035	80,894	165,446	56,055	302,395	.339	.828
2040	81,591	168,538	55,259	305,388	.328	.812
2045	82,791	171,953	53,654	308,398	.312	.794
2050	84,203	174,079	53,254	311,536	.306	.790
2055	85,368	175,402	54,089	314,860	.308	.795
Alternative III—1.7 ultimate fertility:						
1975	77,913	121,807	23,007	222,727	.189	.829
1980	72,837	132,397	25,394	230,629	.192	.742
1985	68,663	141,938	27,657	238,258	.195	.679
1990	67,150	147,986	30,044	245,181	.203	.657
1995	66,398	152,925	31,578	250,900	.206	.641
2000	65,466	157,580	32,021	255,068	.203	.619
2005	63,430	161,935	32,591	257,955	.201	.593
2010	61,280	163,903	34,898	260,081	.213	.587
2015	59,582	162,405	39,461	261,448	.243	.610
2020	58,428	158,296	44,977	261,701	.284	.653
2025	57,399	152,331	50,805	260,534	.334	.710
2030	56,069	146,804	55,050	257,923	.375	.757
2035	54,575	143,475	56,055	254,105	.391	.771
2040	53,242	140,938	55,259	249,439	.392	.770
2045	52,169	138,475	53,654	244,298	.387	.764
2050	51,206	135,251	52,582	239,039	.389	.767
2055	50,176	131,866	51,809	233,851	.393	.773

[1] Population 65 and over as ratio to population 20–64.
[2] Population 65 and over plus those under 20 as ratio to population 20–64.

Note: Alternatives I, II, and III are defined in the text.

was assumed to be 4.5 percent after 1980, 5.0 percent after 1980, and 5.5 percent after 1983, respectively. For each alternative the rates were assumed to be somewhat higher in the earlier years. Unemployment rates by age and sex were projected on the basis of the relationship between such rates and the total unemployment rate existing since 1966.

Labor force participation rates were projected on the basis of historical data since 1960. During this period the unemployment rate averaged about 5 percent, which is the assumed rate under alternative

II. The ultimate labor force participation rates by sex, computed on an age-adjusted basis, reflect a decrease from the 1976 level of 1.6 percent for men and an increase of 12.6 percent for women. On the average, the assumed ultimate labor force participation rates for women are about 72 percent of those for men.

Coverage rates—that is, the percentage of the population in covered employment—were projected by age and sex on the basis of the projected unemployment rates and labor force participation rates in accordance with the relationship existing among those rates during 1970–74.

Under alternative II the ultimate average coverage rates by sex, computed on an age-adjusted basis, reflect increases of 0.6 percent for men and 9.1 percent for women from the corresponding 1976 rates. For men the projected coverage rates increase slightly for those aged 25–39 and decrease for those of other ages (although only slightly for those aged 16–24). For women the projected coverage rates continue the recent historical patterns of increases for those aged 16–59 (thereby reflecting increased labor force participation by women). In the important retirement age groups of 60 and over, the assumed ultimate coverage rates are 14 percent lower (on an age-adjusted basis) than the 1976 rates for both men and women. This assumption represents a significant deceleration in the recent trends toward earlier retirement. To illustrate, over only the last six years (1970–76), the decrease in the actual coverage rates for men aged 60 and over was 18 percent, and the decrease for women of those ages was 10 percent.

Under alternatives I and III, the trends in projected coverage rates are similar to those under alternative II.

Insured Population

The term "insured" as used herein means fully-insured; the number of persons who are currently-insured only is relatively small and has been disregarded for long-range cost analysis purposes. The number of insured persons as a percent of population was projected by age and sex based on both recent experience and the projected covered employment rates. Under each alternative the ultimate percentage is estimated to be 95 percent for aged men and 85 percent for aged women. This difference by sex reflects an analogous difference in the assumed labor force participation rates. The variations in the unemployment rate among the three alternative assumptions have only a negligible effect on these percentages although they do result in minor differences at the lower ages.

The estimated number of persons insured for disability benefits is lower than the number insured for old-age and survivor benefits because of the more restrictive insured status provisions for disability benefits. As with the fully insured, the number insured for disability was also projected on the basis of both recent experience and the projected covered-employment rates.

Old-age and survivors insurance beneficiaries

Since several types of benefits at different levels are payable under the old-age and survivors insurance program, the numbers of beneficiaries have been projected by type of benefit received.

Old-age beneficiaries were projected on the basis of the aged insured population. The proportions, by age and sex, of the insured population

who were receiving benefits at the beginning of 1977 were projected to increase gradually on the basis of past trends (after adjustment for changes in the earnings test and in the level of unemployment). The resulting proportions thereby imply gradual increases in the implicit retirement rates.

Wives aged 62 and over of male old-age beneficiaries were estimated by using insured population projections and census data on marital status. The potential wife beneficiaries, after the exclusion of those eligible for their own old-age benefits, were assumed to claim benefits as soon as they became eligible, even if this occurred at ages 62–64, when they would have to take reduced benefits. The experience to date indicates that, in the vast majority of the cases, such immediate claiming of wife's benefits does occur.

Children of retired workers were projected by means of ratios to male old-age beneficiaries, as derived from recent actual data and projected according to the fertility assumptions.

Young wife beneficiaries were estimated by extrapolating the base year ratio of such beneficiaries to the estimated number of beneficiaries who are children of retired-worker beneficiaries. The extrapolation reflects projected fertility and female labor force participation rates.

Child-survivor beneficiaries were obtained from estimates of orphans in the country in future years. The projected child population, by age group, was multiplied by the probability of being an orphan. These probabilities were derived by using distributions of age of parent at birth of child and death rates consistent with the population projections. The number of orphans was then adjusted to include eligible disabled orphans aged 18 and over and to eliminate orphans of uninsured deceased parents. For nondisabled children aged 18–21 a further reduction was made to exclude those not attending school.

Mother-survivor beneficiaries were estimated by a method similar to the one used to estimate young wife beneficiaries, i.e., extrapolating the present ratio of such beneficiaries to child-survivor beneficiaries excluding those nondisabled children aged 18–21 who were attending school. Benefits payable to father-survivor beneficiaries were estimated in a similar manner.

To estimate widow beneficiaries the proportions of widows in the female aged population were projected according to mortality assumptions and adjusted for both eligibility for their own old-age benefits and the insured status of their deceased husbands. For ages 50–59, the disabled-widow beneficiaries were estimated from the eligible widows by using disability prevalence rates.

It may be observed that the assumed wife and widow beneficiaries thus far described consist of the uninsured potential beneficiaries. In actual practice, some of the insured potential beneficiaries also receive a residual benefit consisting of the excess of the potential wife's or widow's benefit over their own old-age benefit. Estimates of such residual benefits were incorporated into the projections of both the wife's and widows' benefits.

Several minor categories of beneficiaries were projected on the basis of past trends in their gross numbers. Parents were projected by assuming a decrease from a level of 20,000 at the beginning of 1977 to an ultimate level of 7,000 in 1986 under the intermediate set of

assumptions. Similarly, dependent husband beneficiaries were projected to decrease from their level of 7,000 at the beginning of 1977 to an ultimate level of 5,000 in 1995. Dependent widower beneficiaries were projected to remain at their current level of about 3,000.

In addition to dependent husband and widower beneficiaries, it was necessary in this report to estimate the cost of paying benefits to non-dependent husbands and widowers. Decisions of the Supreme Court in early 1977 found it to be unconstitutional to have a test of dependency in the law for men while presuming dependency for women. To reflect these decisions it has been assumed that all present distinctions between men and women as to dependency requirements will be eliminated by liberalizing the requirements for men. A simplified method has been used to estimate the cost effect of these decisions. Census data on married couples were used to estimate for 1977 the number of newly eligible husbands of retired female workers by age, from which the estimated number of men receiving their own social security retirement benefit was subtracted. Such estimate was based on program data for retired couples, assuming that newly entitled husbands would have the same earnings relative to their wives as dependent husband beneficiaries. For 1978 and later years, it was assumed that the number of husband beneficiaries will increase as the population of male retired worker beneficiaries increases. In addition, an estimate was made of the additional residual benefits payable to retired male beneficiaries whose husbands' benefits exceed their own old-age benefits. Widowers who were not dependent on their deceased wives at the time of death are estimated in a manner similar to that for nondependent husbands.

Appendix table C shows the estimated number of beneficiaries in the old-age and survivors insurance program.

Lump-sum death payments

The number of lump-sum death payments was projected by multiplying the projected insured population by the death rates used in the population projections.

Disability insurance beneficiaries

The future number of persons receiving monthly disability benefits based on their own earnings was estimated as follows. The population insured for disability (by sex and age) was multiplied by disability incidence rates to arrive at the number of newly entitled disabled workers. To obtain the number of disabled-worker beneficiaries, these newly entitled disabled workers, along with those currently entitled, were projected through the use of termination rates based on the mortality and recovery experience of the system during 1968–74, adjusted to reflect more recent experience.

The incidence rates were projected on the basis of age, sex, and the year of exposure to disability. They were based on estimated rates for 1973 (after adjustment for the effect of the 1973 change in the waiting period), smoothed to reflect the relative age-sex distributions experienced over the six-year period 1969–74 and updated to reflect the increases in awarded disability benefits through calendar year 1976. Although there was a slight decline in award rates in 1976, the upward trend in incidence rates experienced over the past decade was assumed to continue. Age-sex specific incidence rates were assumed to increase

APPENDIX TABLE C.—OLD-AGE SURVIVORS INSURANCE BENEFICIARIES WITH MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS UNDER ALTERNATIVES I, II, AND III

[In thousands]

Calendar year	Retired workers and dependents			Survivors of deceased workers [1]			Parents	Total
	Old-age	Wives [2]	Children	Mothers [3]	Children	Widows [4]		
Actual data (as of June 30):								
1970	13,066	2,651	535	514	2,673	3,151	29	22,619
1971	13,604	2,673	556	523	2,745	3,287	28	23,416
1972	14,181	2,706	578	536	2,847	3,433	27	24,308
1973	14,880	2,756	602	548	2,887	3,575	25	25,273
1974	15,589	2,806	619	565	2,908	3,706	24	26,217
1975	16,210	2,836	633	568	2,905	3,823	22	26,997
1976	16,789	2,867	674	576	2,876	3,938	21	27,741
ALTERNATIVE I								
Projection (as of June 30):								
1985	21,853	3,331	600	533	2,461	4,069	8	32,855
1990	24,265	3,429	484	526	2,377	4,050	7	35,138
1995	25,864	3,468	366	587	2,458	4,000	7	36,750
2000	26,662	3,343	354	662	2,657	4,015	7	37,700
2005	27,981	3,105	401	692	2,809	4,026	7	39,021
2010	30,954	2,966	493	686	2,854	4,078	7	42,038
2015	35,780	2,968	606	675	2,866	4,087	7	46,989
2020	41,669	3,000	722	679	2,925	4,087	7	53,089
2025	47,400	3,059	802	693	3,050	4,087	7	59,098
2030	51,020	3,047	805	706	3,171	4,108	7	62,864
2035	52,184	2,918	770	717	3,245	4,037	7	63,878
2040	51,480	2,746	729	736	3,295	3,986	7	62,979
2045	50,516	2,594	714	765	3,378	3,926	7	61,900
2050	50,966	2,541	752	790	3,487	3,865	7	62,408
2055	52,553	2,628	804	810	3,608	3,887	7	64,297
ALTERNATIVE II								
Projection (as of June 30):								
1985	21,949	3,365	607	532	2,458	4,069	8	32,988
1990	24,366	3,464	490	523	2,358	4,050	7	35,258
1995	25,965	3,503	370	580	2,401	4,000	7	36,826
2000	26,761	3,375	357	641	2,536	4,015	7	37,692
2005	28,086	3,130	387	663	2,624	4,026	7	38,923
2010	31,076	2,991	467	656	2,628	4,078	7	41,903
2015	35,926	2,997	575	642	2,605	4,087	7	46,839
2020	41,835	3,024	671	637	2,618	4,087	7	52,879
2025	47,578	3,077	732	641	2,678	4,087	7	58,800
2030	51,195	3,063	734	643	2,736	4,108	7	62,486
2035	52,348	2,931	702	643	2,754	4,036	7	63,421
2040	51,630	2,757	664	650	2,763	3,984	7	62,455
2045	50,605	2,603	648	665	2,786	3,898	7	61,212
2050	50,638	2,540	673	675	2,829	3,803	7	61,165
2055	51,451	2,591	703	680	2,878	3,787	7	62,097
ALTERNATIVE III								
Projection (as of June 30):								
1985	22,017	3,386	613	530	2,451	4,069	8	33,074
1990	24,477	3,498	497	519	2,320	4,050	7	35,368
1995	26,032	3,523	373	567	2,288	4,000	7	36,790
2000	26,827	3,395	352	597	2,293	4,015	7	37,486
2005	28,158	3,151	371	604	2,251	4,026	7	38,568
2010	31,165	3,010	427	591	2,177	4,078	7	41,455
2015	36,030	3,005	490	574	2,099	4,087	7	46,292
2020	41,952	3,032	560	557	2,038	4,087	7	52,233
2025	47,701	3,078	594	539	2,000	4,087	7	58,066
2030	51,309	3,062	595	523	1,960	4,108	7	61,564
2035	52,454	2,929	569	507	1,905	4,035	7	62,406
2040	51,729	2,755	539	497	1,852	3,979	7	61,358
2045	50,581	2,599	523	488	1,807	3,845	7	59,850
2050	49,764	2,508	524	479	1,772	3,680	7	58,734
2055	49,000	2,487	521	466	1,739	3,583	7	57,803

[1] Excludes the effect of the railraod financial interchange.
[2] Includes husband beneficiaries.
[3] Includes father beneficiaries.
[4] Includes widower beneficiaries.

Note: Alternatives I, II, and III are defined in the text.

over the period 1977–86 to a level about 33 percent higher than that estimated for 1977, and to remain at that level thereafter. Due to the changing age-sex distribution of the insured population, the gross incidence rate (ratio of new entitlements to insured exposure for the population as a whole) resulting from the above assumptions increases by only 19 percent over the period 1977–86. This level of extrapolated incidence rates appears reasonable at this time.

The number of child beneficiaries entitled under the disability insurance program was projected as a proportion of the disabled male beneficiaries, based on recent experience and allowing for future projected changes in fertility.

The number of wife beneficiaries under this program was projected as a proportion of child beneficiaries based on recent experience and allowing for projected future changes in fertility and female labor force participation rates.

The number of husband beneficiaries—both dependent and non-dependent—entitled to disability benefits was projected as a proportion of disabled female beneficiaries.

Appendix table D shows the projected number of beneficiaries in the disability insurance program.

Annual increases in average wages in covered employment and in the Consumer Price Index

As indicated in the section entitled "Long-Range Cost Estimates—Benefit Levels" the importance of the assumptions as to future increases in average wages and in the Consumer Price Index (CPI) results from the automatic adjustment provisions in the present law which require that the benefit table be adjusted to reflect increases in the CPI and that the taxable earnings base, as well as the exempt amount in the retirement test, be adjusted to reflect increases in average wages. These provisions result in future benefit levels that are highly dependent on the changes in wages, in the CPI and, in particular, in the relationship between wage and CPI increases. (This sensitivity is demonstrated later in this report.)

The assumed ultimate percentage increases in average annual wages in covered employment under alternatives I, II, and III are 5¼ percent, 5¾ percent, and 6¼ percent, respectively. The corresponding increases in the average annual CPI are assumed at 3 percent, 4 percent, and 5 percent, respectively. The resulting differences of 2¼ percent, 1¾ percent, and 1¼ percent represent a measure of the increase in average annual real wages and is referred to herein as the percentage increase in average annual real wages or, more briefly, as the real-wage differential. These interrelated assumptions were developed as stated below.

For alternative II, the CPI was assumed to increase at an annual rate of 4 percent, which is slightly higher (by almost one-half of 1 percent) than the average over the last 30 years. This level was selected because the trends over the last 60 years indicate a tendency for the rate of increase in the CPI to increase slowly with time. Moreover, the current outlook does not support a cessation or reversal of these trends. Although the long-term average of the annual CPI increases is highly speculative, 4 percent is considered a reasonable choice in view of the trends since 1913 and of current expectations. The assumed real-wage differential was based on the average value over the last 25

APPENDIX TABLE D.—DISABILITY INSURANCE BENEFICIARIES WITH MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS UNDER ALTERNATIVES I, II, AND III

[In thousands]

Calendar year	Workers	Wives [1]	Children	Total
Actual data (as of June 30):				
1970	1,436	271	861	2,568
1971	1,561	293	934	2,788
1972	1,737	327	1,028	3,092
1973	1,925	364	1,127	3,416
1974	2,098	391	1,203	3,692
1975	2,363	429	1,333	4,125
1976	2,602	468	1,462	4,532
ALTERNATIVE I				
Projection (as of June 30):				
1985	4,347	696	1,862	6,905
1990	5,157	802	1,981	7,940
1995	5,940	916	2,068	8,924
2000	6,926	1,053	2,240	10,219
2005	8,012	1,195	2,504	11,711
2010	8,887	1,299	2,791	12,977
2015	9,336	1,325	3,068	13,729
2020	9,354	1,322	3,279	13,955
2025	9,014	1,302	3,303	13,619
2030	8,664	1,273	3,182	13,119
2035	8,658	1,287	3,142	13,087
2040	8,969	1,321	3,216	13,506
2045	9,482	1,379	3,407	14,268
2050	9,869	1,433	3,582	14,884
2055	10,038	1,469	3,659	15,166
ALTERNATIVE II				
Projection (as of June 30):				
1985	4,346	696	1,851	6,893
1990	5,152	802	1,939	7,893
1995	5,932	910	1,983	8,825
2000	6,917	1,042	2,106	10,065
2005	8,000	1,175	2,315	11,490
2010	8,869	1,273	2,541	12,683
2015	9,307	1,298	2,749	13,354
2020	9,301	1,287	2,892	13,480
2025	8,927	1,263	2,887	13,077
2030	8,520	1,222	2,759	12,501
2035	8,422	1,220	2,697	12,339
2040	8,593	1,233	2,718	12,544
2045	8,910	1,266	2,830	13,006
2050	9,107	1,292	2,917	13,316
2055	9,132	1,304	2,935	13,371
ALTERNATIVE III				
Projection (as of June 30):				
1985	4,339	696	1,827	6,862
1990	5,142	802	1,851	7,795
1995	5,919	903	1,812	8,634
2000	6,904	1,018	1,837	9,759
2005	7,986	1,135	1,938	11,059
2010	8,845	1,220	2,054	12,119
2015	9,259	1,241	2,143	12,643
2020	9,209	1,222	2,178	12,609
2025	8,763	1,181	2,120	12,064
2030	8,245	1,122	1,992	11,359
2035	7,977	1,089	1,907	10,973
2040	7,880	1,066	1,870	10,816
2045	7,819	1,054	1,866	10,739
2050	7,657	1,032	1,842	10,531
2055	7,422	1,006	1,792	10,220

[1] Includes husband beneficiaries.

Notes: Alternatives I, II, and III are defined in the text. The effect of the railroad financial interchange is excluded.

years. The sum of this differential and the percentage increase in the average annual CPI yielded the assumed annual percentage increase in the average wage of 5¾ percent.

For alternatives I and III the ultimate real-wage differentials of 2¼ percent and 1¼ percent were chosen so as to be one-half of 1 per-

cent higher and lower, respectively, than the 1¾ percent real-wage differential utilized in alternative II. Similarly, the ultimate percentage increases in the average annual CPI of 3 percent under alternative I and 5 percent under alternative III were chosen so as to be 1 percent lower and higher, respectively, than the 4 percent assumption utilized in alternative II. These assumptions yielded assumed ultimate percentage increases in average annual wages of 5¼ percent and 6¼ percent for alternatives I and III, respectively, as compared with the 5¾ percent assumptions utilized in alternative II.

The short-range wage-CPI assumptions for all three alternatives are described in the section of this report dealing with the expected operations of the trust funds through 1981.

Average benefits

The average benefit for new old-age beneficiaries—that is, the average awarded old-age benefit—was projected by simulating the present law automatic adjustment provisions for workers at various earnings levels. The average benefit for all old-age beneficiaries—that is, the total of new beneficiaries cited above and those earlier retirees who are still receiving benefits—was projected on the basis of the distribution of those beneficiaries by year of award, their average awarded benefit, and the increases in benefit since the year of award. The average benefit for all other persons receiving monthly benefits from the old-age and survivors insurance trust fund was projected to increase at the same rate as the average old-age benefit. The average benefit for persons receiving monthly benefits from the disability insurance trust fund was similarly developed based on the average disabled-worker benefit which, in turn, was projected in a manner similar to that of the average old-age benefit.

Benefit payments

Total benefit payments were calculated as the product of the number of beneficiaries and their corresponding average benefits. These values were adjusted to reflect the retroactivity of payments made to newly entitled beneficiaries.

Administrative expenses

Through 1987, part of the administrative expenses was assumed to increase in proportion to increases in average wages and part was assumed to increase in proportion to increases in the CPI, with some additional increase due to increases in the number of beneficiaries. For the years after 1987, administrative expenses were assumed to increase at the combined rate of the estimated increases in the number of beneficiaries and in average earnings.

Railroad retirement financial interchange

The effect of the financial interchange was evaluated on the basis of trends similar to those used for estimating the other old-age, survivors, and disability insurance costs. The resulting effect is a small long-range loss to the old-age, survivors, and disability insurance system.

Military service reimbursement

Although the effect of noncontributory credits for military service is implicit in the calculation of expenditures, the reimbursement from

the general fund of the Treasury for such credits has not been reflected in the cost estimates. Under alternative II the reduction in cost resulting from such reimbursement is estimated to be about 0.05 percent of taxable payroll currently and to decrease as percent of taxable payroll until about 2015, after which it is negligible.

SENSITIVITY OF COST ESTIMATES TO CHANGES IN SELECTED ASSUMPTIONS

While the estimates under alternatives I, II, and III provide an indication of the variation that would result from different combinations of assumptions, they cannot be used to determine the effect on the long-range cost of changes in a single assumption, due to the complex interrelationships among the assumed variables themselves. For this reason, this section of appendix A is devoted to an analysis of the sensitivity of the long-range cost estimates to changes in selected assumptions. The intermediate assumptions underlie all of the sensitivity analyses shown herein; only the factor being tested is varied from its counterpart in the intermediate set of assumptions.

Sensitivity to mortality improvement assumptions

Appendix table E shows the average expenditures under both present law and the modified theoretical system in combination with three distinct assumptions as to the improvement in mortality. Those three are: no improvement in mortality rates from the level experienced in 1976; improvement of approximately 18 percent as assumed in alternatives I, II, and III; and improvement of approximately 33 percent.

Under both present law and the modified theoretical system there is a similar variation in cost associated with identical changes in levels of mortality. Under either system, over the next 25, 50, and 75 years the expenditures shown in the table reflect increases of about 1 percent, 2 percent, and 4½ percent, respectively, for similar percentage improvement in the ultimate mortality rates.

APPENDIX TABLE E.—ESTIMATED LONG-RANGE EXPENDITURES OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM AS PERCENT OF TAXABLE PAYROLL, UNDER ALTERNATIVE II AND UNDER VARIOUS MORTALITY IMPROVEMENT ASSUMPTIONS

[In percent]

System [3]	Average expenditures as percent of taxable payroll [1] under ultimate mortality improvement of— [2]		
	Zero percent	18 percent	33 percent
25-yr period:			
Present law	12.15	12.24	12.33
Modified theoretical	11.87	11.96	12.05
50-yr period:			
Present law	15.18	15.54	15.90
Modified theoretical	13.42	13.72	14.02
75-yr period:			
Present law	18.26	19.19	20.00
Modified theoretical	14.75	15.45	16.06

[1] Taxable payroll is adjusted to take into account the lower contribution rate on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.
[2] The rate of mortality improvement refers to the ratio of the age-adjusted death rate in the year 2050 to that in 1976. The 18-percent improvement in mortality was used in alternatives I, II, and III.
[3] See text for discussion of the present law and modified theoretical systems.

That the cost increases with greater improvement in mortality is largely due to the relationship between age and mortality. For the population over age 65, where mortality rates are the highest, any mortality improvement means a relative extension to the length of time that retirement benefits are paid. Between ages 50 and 65, mortality improvements would result in relatively more tax contributions, but this gain in taxes would be more than offset by the resulting benefits payable to the additional new retirees at age 65. At the ages of 20 through 50, mortality rates are quite low so that even substantial improvement in the rates would not result in significant gains in the number of covered workers paying social security taxes. Mortality improvement at ages under 20 has relatively little effect, in the long run, on expenditures versus income. Consequently, the net effect of mortality improvement is to increase expenditures more than tax income, thereby resulting in higher costs as a percent of taxable payroll.

Sensitivity to ultimate total fertility rate assumptions

Appendix table F shows average expenditures over periods of 25, 50, and 75 years based on ultimate total fertility rates of 1.7, 1.9, 2.1, 2.3, and 2.5 children per woman; all other assumptions are the same as those included in the intermediate set. The table shows the cost under present law as well as under the modified theoretical system previously discussed.

As shown in appendix table F, over a 75-year period average expenditures as percent of taxable payroll of the old-age, survivors, and disability insurance system are highly sensitive to changes in fertility assumptions under both the present law and the modified theoretical systems.

Over the first 25-year period the average expenditures under either system would be lower if based on lower fertility and higher if based on higher fertility; however, the opposite effect exists over the entire 75-year period. The reason for this reversal of effect is that, under lower fertility, for example, the lower number of child's benefits that would be payable during the 25-year period is not offset by a lower

APPENDIX TABLE F.—ESTIMATED LONG-RANGE EXPENDITURES OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM AS PERCENT OF TAXABLE PAYROLL, UNDER ALTERNATIVE II AND UNDER VARIOUS FERTILITY ASSUMPTIONS

[In percent]

System [3]	Average expenditures as percent of taxable payroll [1] assuming ultimate total fertility rate of [2]—				
	1.7	1.9	2.1	2.3	2.5
25-yr period:					
Present law	12.22	12.24	12.24	12.26	12.26
Modified theoretical	11.94	11.94	11.96	11.96	11.98
50-yr period:					
Present law	15.96	15.75	15.54	15.36	15.19
Modified theoretical	14.06	13.88	13.72	13.58	13.45
75-yr period:					
Present law	21.00	20.03	19.19	18.45	17.80
Modified theoretical	16.76	16.06	15.45	14.91	14.44

[1] Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.
[2] The total fertility rate is expressed in terms of children per woman. See text for further details of fertility projection. All other assumptions are given by alternative II.
[3] See text for discussion of the present law and modified theoretical systems.

number of workers, since the workers in that period are affected by earlier fertility and not by the fertility assumptions of the early years of the projection period. Later in the projection period, however, the size of the working population is affected relatively more than the beneficiary population so that the lower number of workers results in a decrease in the size of the taxable payroll and hence an increase in the expenditures expressed as a percentage of taxable payroll.

It is significant to note from this table that, for the next 25-year period regardless of future fertility, the average expenditures of the old-age, survivors, and disability insurance system will be significantly higher than the tax rate of 9.9 percent of taxable payroll scheduled in present law. The excess of the expenditures over the tax rate ranges from 2.32 to 2.36 percentage points under present law and from 2.04 to 2.08 percentage points under the modified theoretical system.

Sensitivity to Consumer Price Index assumptions

Appendix table G shows the average expenditures over periods of 25, 50, and 75 years under assumptions of annual CPI increases of 2 percent, 4 percent, and 6 percent. In each case the ultimate real-wage differential is assumed to be 1¾ percent, yielding percentage increases in average annual wages of 3¾ percent, 5¾ percent and 7¾ percent respectively. The table indicates the expenditures under both present law and the modified theoretical system.

As shown in appendix table G the average expenditures of the old-age, survivors, and disability insurance system over the 75-year projection period under present law are highly sensitive to changes in CPI assumptions. However, under the modified theoretical system, those expenditures would be significantly less sensitive to CPI assumptions

A significant element in appendix table G is that, for the next 25-year period, the average expenditures of the old-age, survivors, and disability insurance system will be similar (11.86 through 12.34

APPENDIX TABLE G.—ESTIMATED LONG-RANGE EXPENDITURES OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM AS PERCENT OF TAXABLE PAYROLL, UNDER ALTERNATIVE II AND UNDER VARIOUS CONSUMER PRICE INDEX ASSUMPTIONS

[In percent]

System [3]	Average expenditures as percent of taxable payroll [1] assuming ultimate wage-CPI increases of— [2]		
	3¾—2	5¾—4	7¾—6
25-yr period:			
Present law	12. 16	12. 24	12. 34
Modified theoretical	12. 06	11. 96	11. 86
50-yr period:			
Present law	14. 48	15. 54	16. 72
Modified theoretical	13. 84	13. 72	13. 62
75-yr period:			
Present law	16. 58	19. 19	21. 96
Modified theoretical	15. 58	15. 45	15. 33

[1] Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on miltiple-employer "excess wages" as compared with the combined employer-employee rate.
[2] The initial value in each pair refers to the assumed annual percentage increases in average wages after 1982. The second value refers to the assumed annual percentage increases in CPI after 1982. The assumptions used in the 1977–81 period were adjusted so as to gradually reflect the ultimate change. All other assumptions are given by alternative II.
[3] See text for discussion of the present law and modified theoretical systems.

percent of taxable payroll) regardless of the CPI assumption or of a possible modification in the procedure for computing benefits.

Sensitivity to average real wage assumptions

Appendix table H shows the average expenditures over periods of 25, 50, and 75 years under assumptions of real-wage differentials of 1 percent, 1¾ percent and 2½ percent. In each case, the annual increases in the CPI are assumed to be 4 percent, thereby yielding annual increases in average wages of 5 percent, 5¾ percent, and 6½ percent, respectively. The table shows the expenditures under present law as well as under the modified theoretical system.

As shown in appendix table H, over the 75-year projection period the average expenditures of the old-age, survivors, and disability insurance system under present law are highly sensitive to changes in the real-wage differential, whereas under the modified theoretical system they are significantly less sensitive to such changes. Over the 75-year period under present law the average expenditures would vary by about 2 to 3 percent of taxable payroll for every 1 percent change in the real-wage differential. However, under the modified theoretical system those expenditures would only vary by about 0.5 to 0.6 percent of taxable payroll for every 1 percent change in the real-wage differential.

In all cases, the average expenditures over the next 25 years are higher than the tax rate of 9.9 percent of taxable payroll that is scheduled in present law for the period. The excess of the expenditures over the tax rate ranges from 1.52 to 3.29 percentage points under present law and from 1.57 to 2.61 percentage points under the modified theoretical system.

APPENDIX TABLE H.—ESTIMATED LONG-RANGE EXPENDITURES OF OLD-AGE, SURVIVORS AND DISABILITY INSURANCE PROGRAM AS PERCENT OF TAXABLE PAYROLL, UNDER ALTERNATIVE II AND UNDER VARIOUS REAL EARNINGS ASSUMPTIONS

[In percent]

System [3]	Average expenditures as percent of taxable payroll [1] under ultimate earnings—CPI increases of [2]—		
	5–4	5¾–4	6½–4
25 yr period:			
Present law	13.19	12.24	11.42
Modified theoretical	12.51	11.96	11.47
50 yr period:			
Present law	18.26	15.54	13.44
Modified theoretical	14.53	13.72	13.02
75 yr period:			
Present law	24.20	19.19	15.64
Modified theoretical	16.42	15.45	14.60

[1] Taxable payroll is adjusted to take into account the lower contribution rate on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.
[2] The initial value in each pair refers to the assumed annual percentage increases in average earnings after 1982. The 2d value refers to the assumed annual percentage increases in CPI after 1982. The difference in the 2 values is approximately the annual increase in real earnings. The assumptions used in the 1977–82 period were adjusted appropriately. All other assumptions are given by alternative II.
[3] See text for discussion of the present law and modified theoretical systems.

APPENDIX B.—DETERMINATION AND ANNOUNCEMENT OF SOCIAL SECURITY BENEFIT INCREASES [1]

Pursuant to authority contained in section 215(i) of the Social Security Act (42 U.S.C. 415(i)), as amended by section 3 of Public Law 93–233, enacted December 31, 1973, and in section 1617 of the Social Security Act (42 U.S.C. 1382f), I hereby determine and announce a cost-of-living increase of 6.4 percent in benefits under the Social Security Act, title II effective June 1976 and title XVI effective July 1976; that the following revised table of benefits is deemed to appear in section 215(a) of the Act; that, with respect to benefits for transitional insured persons aged 72 and over entitled under section 227 of the Act (42 U.S.C. 427) and for uninsured persons aged 72 and over entitled under section 228 of the Act (42 U.S.C. 428), the amounts $74.10 and $37.10 are established and deemed to appear in sections 227 and 228, in lieu of the respective amounts of $69.60 and $34.80 that were established by the last cost-of-living increase; that, regarding the additional amount of the supplemental security income benefit with respect to essential persons payable under section 211 of of Public Law 93–66, the amount of $1,008.00 is established in lieu of the amount of $946.80 that was in effect under section 211(a)(1)(A) of that law as a result of the last cost-of-living increase; and that, with respect to income limitations under the program of supplemental security income for the aged, blind, and disabled, the amounts of of $2,013.60 and $3,021.60 are established in lieu of the respective amounts of $1,892.40 and $2,839.20 that were in effect under sections 1611(a)(1)(A), 1611(a)(2)(A), 1611(b)(1), and 1611(b)(2) of the Act, as a result of the last cost-of-living increase. (The last cost-of-living increase in benefits under titles II and XVI of the Social Security Act and in income limitations for beneficiaries under the Supplemental Security Income Program herein referred to was published on May 22, 1975, at 40 FR 22289.)

AUTOMATIC BENEFIT INCREASE DETERMINATION

Section 215(i) of the Social Security Act requires that, when certain conditions are met in the first calendar quarter of a year, the Secretary shall determine that a cost-of-living increase in benefits and income limitations is due. That section further specifies a formula which automatically determines the amount of any cost-of-living increase in benefits and income limitations, based on the Consumer Price Index reported by the Department of Labor.

Section 215(i)(2)(A) of the Act provides that the Secretary shall determine each year, beginning with 1975, whether there is a cost-of-living computation quarter in such year. If he so determines, such sub-

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[1] This statement was published in the Federal Register for May 14, 1976 (Vol. 41, No. 95, pp. 19999–20001).

section also provides that he shall, effective with June of that year, increase benefits for individuals entitled under sections 227 and 228 of the Act, and that he shall increase the primary insurance amounts of all other individuals entitled to benefits under title II of the Act (excluding primary insurance amounts determined under section 215(a)(3)). The subsection further provides that the percentage of increase in benefits shall be equal to the percentage of increase by which the Consumer Price Index for the cost-of-living computation quarter exceeds the Index for the most recent prior base quarter or cost-of-living computation quarter.

Section 215(i)(1) of the Act defines a base quarter as a calendar quarter ending on March 31 in each year after 1974, or any other calendar quarter in which occurs the effective month of a general benefit increase. This subsection of the Act also defines a cost-of-living computation quarter as a base quarter in which the Consumer Price Index prepared by the Department of Labor exceeds by not less than 3 percent such Index in the later of (1) the last prior cost-of-living computation quarter or, (2) the most recent calendar quarter in which a general benefit increase was effective; with the exception that there shall be no cost-of-living computation quarter in any calendar year if, in the year prior to such year, a law has been enacted providing a general benefit increase or if in such prior year, such a general benefit increase becomes effective. Section 215(i)(1) of the Act further provides that the Consumer Price Index for a base quarter or a cost-of-living computation quarter shall be the arithmetical mean of such Index for the 3 months in such quarter.

The Consumer Price Index prepared by the Department of Labor for each month in the quarter ending March 31, 1976 was: For January 1976, 166.7; for February 1976, 167.1, for March 1976, 167.5. The arithmetical mean for the calendar quarter ending March 31, 1976, is thus 167.1. This result is to be compared to the last prior cost-of-living computation quarter, which was the quarter ending March 31, 1975. The Consumer Price Index prepared by the Department of Labor for each month in that quarter was: For January 1975, 156.1; for February 1975, 157.2, for March 1975, 157.8. The arithmetical mean for the calendar quarter ending March 31, 1975, is thus 157.0. Comparing this result to the arithmetical mean for the calendar quarter ending March 31, 1976, yields an increase of 6.4 percent. Thus, since the percentage of increase in the Consumer Price Index from the calendar quarter ending March 31, 1975, to the calendar quarter ending March 31, 1976, is not less than 3 percent, the quarter ending March 31, 1976, is a cost-of-living computation quarter. Consequently, a cost-of-living benefit increase of 6.4 percent is effective for benefits under title II of the Act for June 1976.

TITLE II BENEFITS

In accordance with section 215(i)(2)(D)(iv) of the Act, the primary insurance amounts and the maximum family benefits shown in columns IV and V, respectively, of the revised benefit table set forth in this announcement were obtained by increasing by 6.4 percent the corresponding amounts shown in the benefit table heretofore established by the last cost-of-living increase and further extended, by the operation

of section 215(i)(2)(D)(v), as a result of the increase in the contribution and benefit base determined in 1975 under section 230 of the Act and published on October 30, 1975, at 40 FR 50556. With respect to benefits for persons entitled under sections 227 and 228 of the Act, the amounts of $69.60 and $34.80 heretofore established, were increased by 6.4 percent to obtain the new amounts of $74.10 and $37.10, respectively.

TITLE XVI BENEFITS

Section 1617 of the Social Security Act provides that, whenever the benefits under title II are increased as a result of a determination made under section 215(i), the amounts in sections 1611(a)(1)(A), 1611(a)(2)(A), 1611(b)(1), and 1611(b)(2) of the Social Security Act and in section 211 (a)(1)(A) of Pub. Law 93–66, shall be increased, effective with months after the month in which the title II increase is effective, and that the percentage of such increase shall be the same as the percentage of increase by which the title II benefits are increased (and rounded, when not a multiple of $1.20, to the next higher multiple of $1.20).

In accordance with section 1617, benefit amounts under the program of supplemental security income for the aged, blind, and disabled and the maximum amounts of income, other than income excluded under section 1612(b), under the program of supplemental security income for the aged, blind, and disabled, of $1,892.40 and $2,839.20 heretofore established are increased effective July 1976, by 6.4 percent to obtain the new amounts of $2,013.60 and $3,021.60, respectively. With respect to the amount of the additional supplemental security income benefit with respect to essential persons payable under section 211(a)(1)(A) of Pub. Law 93–66, the amount of $946.80 heretofore established is increased by 6.4 percent to obtain the new amount of $1008.00. (Catalog of Federal Domestic Assistance Programs Nos. 13.802–5, and 13.807 Social Security Programs.)

Dated: May 7, 1976.

MARJORIE LYNCH,
Acting Secretary.

(The revised table of benefits that followed the above announcement in the Federal Register is not reproduced here because of its length.)

APPENDIX C.—DETERMINATION AND ANNOUNCEMENT OF SOCIAL SECURITY CONTRIBUTION AND BENEFIT BASE AND RETIREMENT TEST EXEMPT AMOUNT FOR 1977 [1]

Pursuant to authority contained in sections 203(f)(8) and 230 of the Social Security Act (42 U.S.C. 403(f)(8) and 430), as amended by section 8 (h) and (i) of Public Law 94–202, enacted January 2, 1976, I hereby determine and announce that the contribution and benefit base with respect to remuneration paid in, and taxable years beginning in 1977 shall be $16,500 and the monthly exempt amount under the retirement test shall be $250 with respect to taxable years ending in calendar year 1977.

There follows a statement of the actuarial bases employed in arriving at the amounts of $250 and $16,500 for the retirement test monthly exempt amount and the contribution and benefit base, respectively, for the calendar year 1977.

In determining each of the 1977 amounts, the law specifies a formula which automatically produces a mathematical result based upon reported statistics.

Section 203(f)(8) of the Social Security Act provides that the retirement test monthly exempt amount for 1977 shall be equal to the 1976 amount of $230 multiplied by the ratio of (1) the average amount, per employee, of the taxable wages of all employees reported under the program for the first calendar quarter of 1975 to (2) the average amount of such wages reported for the first calendar quarter of 1974. The section further provides that if the amount so determined is not a multiple of $10, it shall be rounded to the nearest multiple of $10.

Similarly, section 230 of the Social Security Act provides that the contribution and benefit base for 1977 shall be equal to the 1976 amount of $15,300 multiplied by the ratio of (1) the average amount, per employee, of the taxable wages of all employees reported under the program for the first calendar quarter of 1975 to (2) the average amount of such wages reported for the first calendar quarter of 1974. The section further provides that if the amount so determined is not a multiple of $300, it shall be rounded to the nearest multiple of $300.

The data used to make the necessary computations of such average taxable wages were derived from reports submitted to the Social Security Administration of taxable wages paid to employees by their employers. Each quarter, taxable wages are posted to the record of earnings of each individual employee for whom wages were reported. These records are referred to hereinafter as Summary Earnings Records. As the wages were posted to the Summary Earnings Records, the data were tabulated on a 100-percent basis to obtain the total amount of reported taxable wages and the total number of employees for whom such wages were reported. The tabulated data on taxable wages reported for the first calendar quarter of each year 1974 and 1975 were limited to those wages that were reported and posted to the

Summary Earnings Records by the end of the quarterly updating operations completed in September of the same year.

About 71.1 million employees had taxable wages reported for the first calendar quarter of 1974 that were posted to the Summary Earnings Records by the end of September 1974, and the average amount of their taxable wages was $2,007.69 per employee. The corresponding number of employees and average amount of taxable wages for the first calendar quarter of 1975 were 70.6 million and $2,157.73, respectively. The ratio of average taxable wages reported for the first quarter of 1975 to average taxable wages reported for the first quarter of 1974 is therefore 1.074733.

Multiplying the 1976 retirement test monthly exempt amount of $230 by the ratio of 1.074733 produces the amount of $247.19, which must then be rounded to $250. Accordingly, the retirement test exempt amount for taxable years ending in calendar year 1977 is $250 on a monthly basis, or $3,000 on an annual basis.

Multiplying the 1976 contribution and benefit base of $15,300 by the ratio of 1.074733 produces the amount of $16,443.41, which must then be rounded to $16,500. Accordingly, the contribution and benefit base for remuneration paid in, and taxable years beginning in, calendar year 1977 is $16,500.

The following is an extension of the Table for Determining Primary Insurance Amount and Maximum Family Benefits provided in section 215(a) of the Social Security Act. This extension reflects the new higher average monthly wage and related benefit amounts now possible under the increased contribution and benefit amounts promulgated herein effective January 1977 in accordance with section 215(i) of the Social Security Act.

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING JANUARY 1977

I		II	III	IV	V
(Primary insurance benefit under 1939 Act, as modified)		(Primary insurance amount effective for June 1975)	(Average monthly wage)	(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—	The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
			$1,276	$1,280	$578.60	$1,012.60
			1,281	1,285	579.60	1,014.30
			1,286	1,290	580.60	1,016.10
			1,291	1,295	581.60	1,017.80
			1,296	1,300	582.60	1,019.60
			1,301	1,305	583.60	1,021.30
			1,306	1,310	584.60	1,023.10
			1,311	1,315	585.60	1,024.80
			1,316	1,320	586.60	1,026.60
			1,321	1,325	587.60	1,028.30
			1,326	1,330	588.60	1,030.10
			1,331	1,335	589.60	1,031.80
			1,336	1,340	590.60	1,033.60
			1,341	1,345	591.60	1,035.30
			1,346	1,350	592.60	1,037.10
			1,351	1,355	593.60	1,038.80
			1,356	1,360	594.60	1,040.60
			1,361	1,365	595.60	1,042.30
			1,366	1,370	596.60	1,044.10
			1,371	1,375	597.60	1,045.80

(Catalog of Federal Domestic Assistance Programs Nos. 13.802–5, and 13.807 Social Security Programs.)
Dated: October 7, 1976.

DAVID MATHEWS,
Secretary.

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