

\$670 by the ratio of the national average wage index for 2002 (\$33,252.09) to that for 1992 (\$22,935.42) produces the amount of \$971.38. We round this to \$970. Because \$970 is larger than the corresponding current exempt amount of \$960, the lower retirement earnings test monthly exempt amount is \$970 for 2004. The corresponding lower annual exempt amount is \$11,640 under the retirement earnings test.

Higher Exempt Amount

Multiplying the 2002 retirement earnings test monthly exempt amount of \$2,500 by the ratio of the national average wage index for 2002 (\$33,252.09) to that for 2000 (\$32,154.82) produces the amount of \$2,585.31. We round this to \$2,590. Because \$2,590 is larger than the corresponding current exempt amount of \$2,560, the higher retirement earnings test monthly exempt amount is \$2,590 for 2004. The corresponding higher annual exempt amount is \$31,080 under the retirement earnings test.

Computing Benefits After 1978

General

The Social Security Amendments of 1977 provided a method for computing benefits which generally applies when a worker first becomes eligible for benefits after 1978. This method uses the worker's "average indexed monthly earnings" to compute the primary insurance amount. We adjust the computation formula each year to reflect changes in general wage levels, as measured by the national average wage index.

We also adjust, or "index," a worker's earnings to reflect the change in general wage levels that occurred during the worker's years of employment. Such indexation ensures that a worker's future benefit level will reflect the general rise in the standard of living that will occur during his or her working lifetime. To compute the average indexed monthly earnings, we first determine the required number of years of earnings. Then we select that number of years with the highest indexed earnings, add the indexed earnings, and divide the total amount by the total number of months in those years. We then round the resulting average amount down to the next lower dollar amount. The result is the average indexed monthly earnings.

For example, to compute the average indexed monthly earnings for a worker attaining age 62, becoming disabled before age 62, or dying before attaining age 62, in 2004, we divide the national average wage index for 2002,

\$33,252.09, by the national average wage index for each year prior to 2002 in which the worker had earnings. Then we multiply the actual wages and self-employment income, as defined in section 211(b) of the Act and credited for each year, by the corresponding ratio to obtain the worker's indexed earnings for each year before 2002. We consider any earnings in 2002 or later at face value, without indexing. We then compute the average indexed monthly earnings for determining the worker's primary insurance amount for 2004.

Computing the Primary Insurance Amount

The primary insurance amount is the sum of three separate percentages of portions of the average indexed monthly earnings. In 1979 (the first year the formula was in effect), these portions were the first \$180, the amount between \$180 and \$1,085, and the amount over \$1,085. We call the dollar amounts in the formula governing the portions of the average indexed monthly earnings the "bend points" of the formula. Thus, the bend points for 1979 were \$180 and \$1,085.

To obtain the bend points for 2004, we multiply each of the 1979 bend-point amounts by the ratio of the national average wage index for 2002 to that average for 1977. We then round these results to the nearest dollar. Multiplying the 1979 amounts of \$180 and \$1,085 by the ratio of the national average wage index for 2002 (\$33,252.09) to that for 1977 (\$9,779.44) produces the amounts of \$612.04 and \$3,689.22. We round these to \$612 and \$3,689. Accordingly, the portions of the average indexed monthly earnings to be used in 2004 are the first \$612, the amount between \$612 and \$3,689, and the amount over \$3,689.

Consequently, for individuals who first become eligible for old-age insurance benefits or disability insurance benefits in 2004, or who die in 2004 before becoming eligible for benefits, their primary insurance amount will be the sum of

- (a) 90 percent of the first \$612 of their average indexed monthly earnings, plus
- (b) 32 percent of their average indexed monthly earnings over \$612 and through \$3,689, plus
- (c) 15 percent of their average indexed monthly earnings over \$3,689.

We round this amount to the next lower multiple of \$0.10 if it is not already a multiple of \$0.10. This formula and the rounding adjustment described above are contained in section 215(a) of the Act (42 U.S.C. 415(a)).

Maximum Benefits Payable to a Family

General

The 1977 amendments continued the long established policy of limiting the total monthly benefits that a worker's family may receive based on his or her primary insurance amount. Those amendments also continued the then existing relationship between maximum family benefits and primary insurance amounts but did change the method of computing the maximum amount of benefits that may be paid to a worker's family. The Social Security Disability Amendments of 1980 (Pub. L. 96-265) established a formula for computing the maximum benefits payable to the family of a disabled worker. This formula applies to the family benefits of workers who first become entitled to disability insurance benefits after June 30, 1980, and who first become eligible for these benefits after 1978. For disabled workers initially entitled to disability benefits before July 1980, or whose disability began before 1979, we compute the family maximum payable the same as the old-age and survivor family maximum.

Computing the Old-Age and Survivor Family Maximum

The formula used to compute the family maximum is similar to that used to compute the primary insurance amount. It involves computing the sum of four separate percentages of portions of the worker's primary insurance amount. In 1979, these portions were the first \$230, the amount between \$230 and \$332, the amount between \$332 and \$433, and the amount over \$433. We refer to such dollar amounts in the formula as the "bend points" of the family-maximum formula.

To obtain the bend points for 2004, we multiply each of the 1979 bend-point amounts by the ratio of the national average wage index for 2002 to that average for 1977. Then we round this amount to the nearest dollar. Multiplying the amounts of \$230, \$332, and \$433 by the ratio of the national average wage index for 2002 (\$33,252.09) to that for 1977 (\$9,779.44) produces the amounts of \$782.05, \$1,128.87, and \$1,472.29. We round these amounts to \$782, \$1,129, and \$1,472. Accordingly, the portions of the primary insurance amounts to be used in 2004 are the first \$782, the amount between \$782 and \$1,129, the amount between \$1,129 and \$1,472, and the amount over \$1,472.

Consequently, for the family of a worker who becomes age 62 or dies in 2004 before age 62, we will compute the