SUMMARY: This document makes technical corrections to the Final Rule regarding interstate pipeline certificates of routine transactions issued May 28, 1982, in Docket No. RM81–19–000 that appeared in the **Federal Register** on June 4, 1982 (47 FR 24254). In addition, this document gives notice that the Federal Energy Regulatory Commission (Commission) has received approval from the Office of Management and Budget (OMB) to collect the data required in the final rule. The approval is effective through June 30, 1985.

FOR FURTHER INFORMATION CONTACT: Barbara K. Christin, Office of the General Counsel, Federal Energy Regulatory Commission, 825 North Capitol Street NE., Washington, D.C. 20426, (202) 357–8033.

SUPPLEMENTARY INFORMATION: The following technical corrections and additions are made in FR Doc. 82–15143, appearing on page 24254 of the issue of June 4, 1982.

1. In Part IV of the preamble, entitled Summary of the Rule (*Mimeo* page 61), at 47 FR 24265, the reference to "§ 375.302(a)" in the third column is corrected to read "§ 375.302(s)".

Appendix I [Amended]

2. The OMB control number is added parenthetically at the end of the regulations and before Appendix I in Subpart F of the Part 157 (*Mimeo* page 101), at 47 FR 24273, to read as follows: "(OMB Control Number 19020060.)"

§ 375.307 [Amended]

3. Paragraph (a) of § 375.307 (*Mimeo* page 110), at 47 FR 24274, is corrected to read as follows:

"(a) Pass upon the following types of uncontested applications or uncontested amendments to applications and impose appropriate conditions:"

Kenneth F. Plumb,

Secretary.

[FR Doc. 82–19203 Filed 7–14–82; 8:45 am]

BILLING CODE 6717–01–M

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18 CFR Part 281

[Docket Nos. RM79–400–000, RM79–40–002 through 012; Order No. 55–C]

Determination of Alternative Fuels for Essential Agricultural Users; Order Denying Rehearing

Issued: June 29, 1982.

AGENCY: Federal Energy Regulatory Commission, DOE.

ACTION: Order denying rehearing.

SUMMARY: On August 11, 1980, the Federal Energy Regulatory Commission (Commission) issued a final rule (45 FR 54733, August 18, 1980) implementing the alternative fuel test for essential agricultural users of natural gas under Title IV of the Natural Gas Policy Act of 1978. Eleven persons filed applications for rehearing or petitions for reconsideration of the final rule. The Commission denies the applications for rehearing and petitions for reconsideration because they raise no issues or present no data that were not fully considered by the Commission during development of the final rule or which, now having been considered, warrant modification of the final rule on rehearing.

FOR FURTHER INFORMATION CONTACT: Barbara K. Christin, Office of the General Counsel, Federal Energy Regulatory Commission, 825 North Capitol Street, N.E., Washington, D.C. 20426, (202) 357–8033.

SUPPLEMENTARY INFORMATION:

I. Introduction

Curtailment plans of interstate natural gas pipelines establish priority-of-service categories that are used during periods of natural gas shortages. In times of shortage, the users of natural gas which are placed in lower priorities are the first to be curtailed and those in higher categories are curtailed last.

Section 401(a) of the Natural Gas Policy Act of 1978 (15 U.S.C. 3301–3432) (NGPA) provides that, in the curtailment plans of interstate natural gas pipelines, essential agricultural uses must be given a high priority status second only to certain other enumerated priority uses. In other words, in the event of a shortage of natural gas in the system, the pipeline must curtail service to all other classified users, except high priority users, before curtailing service to essential agricultural users. Inclusion in the priority afforded under section 401(a) is restricted by section 401(b) however. The curtailment priority status which section 401(a) provides essential agricultural uses is inapplicable if the Federal Energy Regulatory Commission (Commission), in consultation with the Secretary of Agriculture, determines that there is an alternative fuel that is economically practicable and reasonably available (the alternative fuel test). An essential agricultural use which is determined to have an alternative fuel that is economically practicable and reasonably available is placed in the lower curtailment priority that the use occupied prior to a certification by the Secretary of Agriculture that the use is an essential agricultural use.

On August 11, 1980, the Commission issued a final rule to implement section 401(b) of the NGPA (Order No. 55–B, 45 FR 54733, August 18, 1980). Like the interim rule promulgated for the 1978–79 winter heating season (44 FR 62484, October 31, 1979), the final rule provides that residual fuel oil [1] and coal are economically practicable and reasonably available alternative fuels for essential agricultural users which have fuel requirements in excess of 300 Mcf per day and which have the installed ability to use these alternative fuels. The Commission declined to exercise its discretion to determine No. 2 fuel oil and propane to be economically practicable alternative fuels.

II. Applications for Rehearing and Reconsideration

The Commission received timely applications for rehearing of the final rule from the American Bakers Association, The Brooklyn Union Gas Company, Distilled Spirits Council of the United States, The Fertilizer Institute, The Great Western Sugar Company, National Renderers Association, Inc., Petrochemical Energy Group, The Process Gas Consumers Group and the Georgia Industrial Group (filing jointly), and United Gas Pipeline Co.

On September 11, 1980, Mars, Inc. (Mars) filed a petition for reconsideration and The National Council of Farmer Cooperatives (NCFC) submitted a late application for rehearing. In this order, the Commission treats the late-filed application of NCFC as a petition for reconsideration and considers both petitions for reconsideration on the merits.

On October 8, 1980, the Commission granted rehearing of the final rule in this docket solely for the purpose of further consideration.

III. Discussion

A. *Economic Practicability.* Based on the record in this proceeding and the relevant legislative history, the Commission determined, in the final rule, that residual fuel oil and coal are reasonably available and economically practicable as alternative fuels under the terms of section 401(b) of the NGPA. The Commission, however, did not find that No. 2 fuel oil or propane were economically practicable alternatives for essential agricultural uses of natural gas.

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[1] Residual fuel oil means "Nos. 5 and 6 oil, Bunker C, and Navy Special as defined in the standard specification for fuel oils published by the American Society for Testing and Materials, ASTM, D396." 18 CFR 281.303(n).

In the final rule, the commission considered and rejected a suggestion submitted in response to the Notice of Proposed Rulemaking (45 FR 39283, June 10, 1980) that an alternative fuel should be determined to be economically practicable only if that fuel would cost the same as, or less than, natural gas. The Commission stated that such an economic practicability standard would render section 401(b) of the NGPA virtually meaningless, because, based on data in the record that showed all liquid fuels exceed natural gas in price, there would be no liquid fuels that would qualify as alternative fuels. In other words, the consequence of limiting economic practicability to price equivalency would be that no essential agricultural user that could use liquid fuels would be required to accept a priority lower than priority 2 when natural gas is less expensive than liquid fuels. The Commission believes that it may be appropriate under section 401(b) of the NGPA for some essential agricultural uses not to receive priority 2 status, even if curtailment leads to the consumption of fuels which cost more than natural gas. In the final rule, the Commission noted that reliance solely on a price comparison test would ignore other factors that affect the cost of food,[2] such as the number of days a user would be curtailed in times of a shortage.

Several applicants for rehearing allege, as they have previously, that the Commission erred in determining that residual fuel oil is economically practicable and in failing to use a simple comparison of fuel prices as a test for economic practicability. These applicants argue that the Congress, in 1978, anticipated that certain fuels would be declared economically practicable because the Congress expected natural gas prices to equal or exceed those of liquid fuels as a result of increased ceiling prices for first sale gas and the deregulation of some natural gas pricing categories after 1985. However, in 1979, OPEC increased the price of crude oil and, as a result, residual fuel oil now costs significantly more than gas. The applicants argue that the OPEC increase was unexpected and that the Congress did not anticipate the result. The Commission's rule is, therefore, viewed as inconsistent with congressional intent.

The Commission is not persuaded by this argument. The applicants provide no evidence that, in enacting section 401(b), the Congress assumed that oil prices would not increase faster than the price of natural gas. The contention that the Congress expected natural gas to exceed liquid fuels in cost and therefore intended the alternative fuel test to be based on a simple comparison of prices is unsupported. The Congress was certainly aware, in 1978, that the OPEC cartel had the capability to increase oil prices and had done so on prior occasions. There is no compelling reason to assume that the Congress enacted section 401(b) of the NGPA on the assumption that further oil price increases would not occur.

Some applicants also challenge the Commission's use of average annual fuel oil prices for 1979 as a basis for its decision to view residual fuel oil as an economically practicable alternative fuel. They argue that the use of average prices obscured the dramatic increase in fuel oil prices in that year which was evidenced by monthly increases in imported crude oil prices in 1979 and, especially, in January 1980. The applicants imply that such price increases made residual fuel oil economically impracticable as an alternative fuel. One applicant further notes that monthly increases in imported crude oil prices continued through June 1980.

The Commission has reviewed its use of average annual prices, including those for 1979. The use of average annual figures instead of the most recent monthly prices provides a better assessment of the likely economic results of finding residual fuel oil to be an economically practicable alternative, because average annual prices provide a more complete picture of long term trends than do monthly prices which may vary due to seasonal and other short-term price variability. For example, Form 423 data published by DOE for the first six months of 1980 (the time period noted by one applicant) indicate that No. 6 fuel oil prices tended to fluctuate and in June 1980 were 8 percent lower than in January 1980.[3] This confirms the Commission's original opinion that a decision on whether residual fuel oil is an economically practicable alternative need not be based on monthly data.

Applicants further criticize the Commission's analysis in the final rule insofar as the Commission relies on a comparison of the price of No. 6 fuel oil to the price of No. 2 fuel oil to demonstrate the economic practicability of No. 6 fuel oil. They argue that a determination that No. 6 fuel oil is an economically practicable alternative to natural gas could not have been made if the Commission had compared the price of No. 6 fuel oil to the price of natural gas, rather than that of No. 2 fuel oil.

It is inaccurate to imply that the Commission ignored all factors and price differentials other than the difference between the price of No. 2 fuel oil, the most expensive of the alternative liquid fuels, and No. 6 fuel oil. Appendix A to the final rule sets forth a comparison of prices and price differentials for gas and all the fuel alternatives considered by the Commission. As noted above and in the preamble to the final rule, the Commission considers that a comparison of natural gas and oil prices is not the only relevant factor upon which the Commission should make the alternative fuel determination under section 401 of the NGPA. By considering the relative prices of No. 6 and No. 2 fuel oils,[4] the likely rate of increase in their relative prices,[5] and projected levels of curtailment,[6] the Commission developed a picture of the economic consequences of using various alternative fuels that is more complete than an analysis that is predicated only on the relative proximity of natural gas and fuel oil prices.

Several applicants object to the Commission's decision that No. 2 fuel oil is not an economically practicable alternative to natural gas. They allege that there is no rational basis for not finding No. 2 fuel oil to be economically practicable, especially in view of the Commission's determination that low sulfur No. 6 fuel oil, a fuel which they claim costs about the same as No. 2 fuel oil, is economically practicable. In support of this argument, one applicant refers to the "unchallenged expert evidence" of its witness that the absolute price differential between No. 2 and low sulfur No. 6 fuel oils will be generally no greater than 15 percent in constant dollars.

The Commission believes that there is some uncertainty inherent in predicting future price differentials and that any analysis of future fuel oil prices is bound to be somewhat speculative. The testimony relied upon by the applicant does not, in the Commission's opinion, provide a sufficient basis for finding that No. 2 fuel oil is economically practicable. In addition, recent Form 423 data show that, for 1981, the absolute price differential between No. 2 and low sulfur No. 6 fuel oils was 22.5 percent.[7]

[2] As noted in the preamble to the final rule, the Conference Report states that the special priority for essential agricultural uses was established to "prevent unnecessary increases in the cost of food in this country." H.R. Rep. No. 95-1752, 95th Cong., 2d Sess. 114.

[3] *See* Appendix B to this order.

[4] 45 FR at 54736.

[5] *Id.*

[6] *Id.*

[7] *See* Appendix A to this order.

After analysis of the record, the relevant market factors, and the trends in reliable data, the Commission, in its discretion, made a policy decision that it continues to believe will fulfill the statutory purpose of section 401 of the NGPA to provide for orderly curtailment of natural gas service without unnecessarily increasing the cost of food or requiring essential agricultural users to switch to high cost alternative fuels. The applications for rehearing present no new facts or issues of law that warrant a change in the Commission's determination that residual fuel oil and coal are the only economically practicable alternative fuels to natural gas under section 401(b) of the NGPA.

B. *Reasonable Availability.* Several applicants challenge the determination in the final rule that residual fuel oil is reasonably available. In particular, one applicant challenges the determination by claiming that DOE predicts that oil supplies will continue to decline as prices escalate. Another applicant argues that residual fuel oil is not reasonably available because there has been a decline in residual fuel oil stocks.

From June 1980 through May 1981 residual fuel oil stocks were in the range considered normal by DOE. Although the residual fuel oil stocks declined from June 1981 through December 1981, they have nevertheless remained above the level considered to be a minimum operating inventory.[8] Therefore, the Commission is not persuaded to alter its determination in the final rule that residual fuel oil is, for the present, reasonably available to essential agricultural users with the capability to use it. As noted in the final rule, however, the Commission intends to reconsider that rule as circumstances require.

One applicant argues that the Commission's finding that residual fuel oil is reasonably available is inconsistent with Order No. 30–D [9] which extended the fuel oil displacement program. That program authorizes the transportation of natural gas for the purpose of encouraging large users to displace fuel oil with natural gas. In support of its argument, the applicant states that one result of finding residual fuel oil to be reasonably available is to foster the use of residual fuel oil in situations where natural gas otherwise would be used.

This argument misapprehends both the purpose of the fuel oil displacement program and the final rule. The final rule is part of a larger program to determine, in times of a shortage of natural gas supplies, which users will receive the limited supplies and which will be required to switch to alternative fuels. During such times, lower priority industrial and utility uses will be curtailed before higher priority uses, such as essential agricultural uses. On the other hand, the fuel oil displacement program is intended to displace fuel oil used by lower priority industrial and utility users with surplus supplies of natural gas, and interstate pipeline systems which are experiencing curtailments of natural gas will probably not be selling gas under the Order No. 30 program. As stated in Order No. 30–E, "it is unlikely that Order No. 30 sales will be made by systems experiencing a serious threat of curtailment." [10] The determination that residual fuel oil is reasonably available as an alternative to natural gas when natural gas is curtailed is not, therefore, inconsistent with the Commission's efforts to displace fuel oil in another context.

C. *Installed Capability.* The final regulations apply only to those facilities that have the installed capability to use the fuels determined by the Commission to be economically practicable and reasonably available.[11] Thus, there is no requirement that an essential agricultural user would be compelled by curtailment to rely on an alternative fuel if the user's facility did not have the capability to use that fuel. In other words, the final rule does not require that an essential agricultural user incur any conversion costs.

Some applicants, however, argue that an alternative fuel test should be based on a user's ability to convert its facilities to use fuels other than gas. Citing Opinion No. 92,[12] one applicant points out that the Commission has often recognized that, for larger volume fuel users, the cost of conversion to alternative fuels is relatively low.

The Commission has, in the context of establishing curtailment plans, concluded that it is relatively less expensive for large users to convert to alternative fuels than it is for small users to do so. However, the *relative* cost of conversion is irrelevant to the determination of what fuels are economically practicable within the meaning of section 401(b) of the NGPA. Under that section, the relevant consideration is whether an essential agricultural user should be required to bear the costs of conversion to an alternative fuel, thereby losing its priority 2 status. In the final rule, the Commission took the position that the cost of conversion, in fact, contributes to the cost of using an alternative fuel and stated that "imposition of conversion costs could cause unnecessary increases in food costs * * *." [13] It remains the Commission's view that requiring any essential agricultural user, whose facilities can burn only gas, to convert those facilities so they can burn fuels other than natural gas would therefore be inconsistent with the Congress' mandate that the alternative fuel test under section 401(b) may not include a requirement to switch to high cost alternatives.[14] Therefore, the Commission will continue its existing policy which does not require essential agricultural users to install alternative fuel capability.

D. *Small Customer Exemption.* The final rule exempts small users from application of an alternative fuel test. Small users are defined in § 281.302(a)(2) as users that have requested 300 Mcf per day or less in priority 2 entitlements. One applicant objects to the 300 Mcf per day cut-off for the exemption because it is said to apply in a manner that unfairly penalizes agricultural users that combine a number of natural gas end-uses in one facility. The applicant suggests that, as an alternative, the exemption limit should be 300 Mcf per day for each type of end-use within a facility.

The Commission declines to adopt the applicant's proposal. The Commission adopted the small customer exemption because it would have been administratively burdensome and impracticable to gather data on all essential agricultural users which request 300 Mcf or less per day in priority 2 entitlements. The 300 Mcf limitation per user was chosen by the Commission because it is consistent with the threshold for small users in many Commission curtailment plans.[15] The fact that some users fail to qualify does not make the exemption unfair. The applicant has furnished no data or information to support either its

[8] *See* Appendix C to this order.

[9] Order No. 30–D, Docket No. RM79–34 (issued August 15, 1980), 45 FR 56046 (August 22, 1980).

[10] Order No. 30–E, Docket No. RM79–34 (issued September 26, 1980), 45 FR 66784, 66785 (October 8, 1980).

[11] New boilers, *i.e.* those boilers put into service for the first time after August 29, 1979, that have a capacity in excess of 300 Mcf of natural gas per day, are presumed to have installed alternative fuel capability. This presumption does not apply to diesel engines or turbines designed to use distillate fuels as the only substitute for natural gas. 18 CFR 281.304(b).

[12] Docket No. RM78–4, *et al.* (issued August 4, 1980), 12 FERC paragraph 61,129.

[13] 45 FR at 54736.

[14] Conference Report, *supra* note 2, at 114.

[15] *See e.g.*, Opinion No. 98 Lehigh Portland Cement Co. v. Florida Gas Transmission Co., Docket No. RP75–79 (Phase II), October 10, 1980, at 21, *appeal pending sub. nom.* Cities of Lakeland, *et al.*, v. *FERC*, No. 81–5208, *et al.* (5th Cir.).

allegation of unfairness or its proposal for a different application of the 300 Mcf limit for the small customer exemption. The commission therefore will continue to apply the exemption limit to entire facilities.

E. *Other Issues.* Additional issues are raised in the applications for rehearing and the petitions for reconsideration. These issues were adequately considered by the Commission when it promulgated the final rule. The Commission believes reconsideration of these issues in this order is therefore unnecessary.

IV. Conclusion

The applications for rehearing and petitions for reconsideration raise no issues and present no data that were not fully considered by the Commission during development of the final rule or which, now having been considered, warrant modification of the final rule on rehearing. The Commission believes that the alternative fuel test established in the final rule is the product of an informed use of Commission discretion to determine the appropriate criteria for the operation of natural gas curtailments under Title IV of the NGPA. Accordingly, for the reasons discussed above, the Commission denies rehearing and reconsideration of the final rule.

The Commission Orders:

The applications for rehearing and petitions for reconsideration are denied.

By the Commission.

Kenneth F. Plumb,

Secretary.

Appendix A

COMPARISON OF SELECTED PRICE DATA, FPC FORM NO. 423 V. MONTHLY ENERGY REVIEW—1976–1981

Type of fuel	FPC form No. 423 price data [1]						Monthly energy review price data [2]					
	1976	1977	1978	1979	1980	1981 [3]	1976	1977	1978	1979	1980	1981 [3]
Fuel oil:						Cents per million Btu						
No. 2	235.1	264.3	271.9	402.1	569.9	706.3	226.4	257.3	268.2	403.1	576.8	716.0
Low sulfur No. 6	207.1	229.1	225.1	320.2	464.3	576.4	193.6	221.3	216.8	322.4	467.0	582.6
High sulfur No. 6	168.7	199.9	186.7	264.7	359.3	457.1	165.9	195.2	186.1	261.5	351.7	457.3
All No. 6	195.9	220.4	212.3	299.7	428.1	529.0	182.8	210.4	202.7	297.0	415.0	518.8
Coal:												
All grades	84.8	94.7	111.6	122.4	135.1	153.3	84.8	94.7	111.6	122.4	135.1	153.3
Natural gas	103.4	130.0	143.8	175.4	221.4	282.8	97.2	131.9	154.1	201.8	[3]247.8	[3]316.5
Actual Price Difference (Fuel Oil and Coal v. Natural Gas)												
Fuel oil:												
No. 2	131.7	134.3	128.1	226.7	348.5	423.5	129.2	125.4	114.1	201.3	329.0	399.5
Low sulfur No. 6	103.7	99.1	81.3	144.8	242.9	293.6	96.4	89.4	62.7	120.6	219.2	266.1
High sulfur No. 6	65.3	69.1	42.9	89.3	137.9	174.3	68.7	66.3	32.0	59.7	103.9	140.8
All No. 6	92.5	90.4	68.5	124.3	206.7	246.2	85.6	78.5	48.6	95.2	167.2	202.3
Coal:												
All grades	(18.6)	(35.3)	(32.2)	(53.0)	(86.3)	(129.5)	(12.4)	(37.2)	(42.5)	(79.4)	(112.7)	(163.2)
Price Difference Ratio [4] (Fuel Oil and Coal v. Natural Gas)												
						Ratio						
Fuel oil:												
No. 2	1.274	1.033	.891	1.292	1.574	1.498	1,.329	.951	.740	.998	1.328	1.262
Low sulfur No. 6	1.003	.762	.565	.826	1.097	1.038	.992	.678	.407	.598	.885	.841
High sulfur No. 6	.632	.538	.298	.509	.623	.616	.707	.480	.208	.296	.419	.445
All No. 6	.895	.695	.476	.709	.934	.871	.881	.595	.315	.472	.675	.639
Coal:												
All grades	(.180)	(.272)	(.224)	(.302)	(.390)	(.458)	(.128)	(.282)	(.276)	(.393)	(.455)	(.516)

[1] As reported in DOE/EIA Energy Data Report entitled *Cost and Quality of Fuels for Electric Utility Plants* (Annual summary data 1976–1980) and Monthly Reports for January through December 1981. Note: All prices are delivered prices to steam electric plants. Prices paid for No. 6 fuel oil include prices paid for minor amounts of No. 4 and No. 5 fuel oil, crude and topped crude. Note: Low sulfur No. 6 has 1 percent sulfur content or less.

[2] Fuel oil prices are reported on FEA Form P302–M–1, "Petroleum Industry Monthly Report for Product Prices." Natural Gas Prices are those paid by industrial customers of major interstate pipeline companies as reported on FPC Form No. 11, "Natural Gas Pipeline Company Monthly Statement" from 1976 through 1979. Note: Gas prices paid by industrial customers to interstate pipeline companies are no longer reported in EIA's MER. The 1980 natural gas price was taken from the EIA report entitled *Mainline Natural Gas Sales to Industrial Users, 1980* (December 1981); the 1981 gas price is based on the percentage increase in natural gas prices paid by steam electric plants from 1980 to 1981.

[3] Preliminary estimate based on Monthly Form 423 and Monthly energy Review data.

[4] Mathematically the price difference ratio is P_2-P_1/P_1; Where P_2=the price of fuel oil or coal and P_1=the price of natural gas. The ratio indicates the percent difference between natural gas and alternate fuel prices. For example, during 1981, electric utilities reported (in FPC Form 423) that they paid 1.498 times more (149.8 percent) for No. 2 fuel oil than they paid for natural gas.

Appendix B

MONTHLY PRICES PAID BY STEAM ELECTRIC PLANTS FOR SELECTED FUELS DURING 1980

Type of fuel	Average 1979 prices	1980											
		Jan.	Feb.	Mar.	April	May	June						
Actual Delivered Prices Paid (Cents per MMBtu)													
Fuel oil:													
No. 2	402.0	561.4	573.3	584.9	572.3	553.7	552.3						
Low sulfur No. 6	320.2	453.3	466.1	454.4	435.5	444.3	440.5						
High sulfur No. 6	264.7	361.4	358.6	324.4	291.3	311.1	309.5						
All No. 6	299.7	423.5	429.7	411.0	394.9	403.1	392.7						
Coal (all grades)	122.4	128.7	129.9	130.1	133.8	133.3	135.1						
Natural Gas	175.4	194.8	203.9	207.9	204.0	212.0	209.3						
Actual Price Differential (Fuel Oil and Coal Less Natural Gas)													
Fuel oil:													
No. 2	226.6	369.6	369.4	377.0	368.3	341.7	343.0						
Low sulfur No. 6	144.8	258.5	262.2	246.5	231.5	232.3	231.2						
High sulfur No. 6	89.3	166.6	154.7	116.5	87.3	99.1	100.2						

MONTHLY PRICES PAID BY STEAM ELECTRIC PLANTS FOR SELECTED FUELS DURING 1980—Continued

Type of fuel	Average 1979 prices	1980											
		Jan.	Feb.	Mar.	April	May	June						
All No. 6	124.3	228.7	225.8	203.1	190.9	191.1	183.4						
Coal (all grades)	(53.0)	(66.1)	(74.0)	(77.8)	(70.2)	(78.7)	(74.2)						
Price Difference Ratio [1] (Fuel Oil and Coal v. Natural Gas)													
Fuel Oil:													
No. 2	1.292	1.897	1.812	1.813	1.805	1.612	1.639						
Low sulfur No. 6	.826	1.327	1.286	1.186	1.135	1.096	1.105						
High sulfur No. 6	.509	.855	.759	.560	.428	.467	.479						
All No. 6	.709	1.174	1.107	.977	.936	.901	.876						
Coal (all grades)	(.302)	(.339)	(.363)	(.374)	(.344)	(.371)	(.355)						

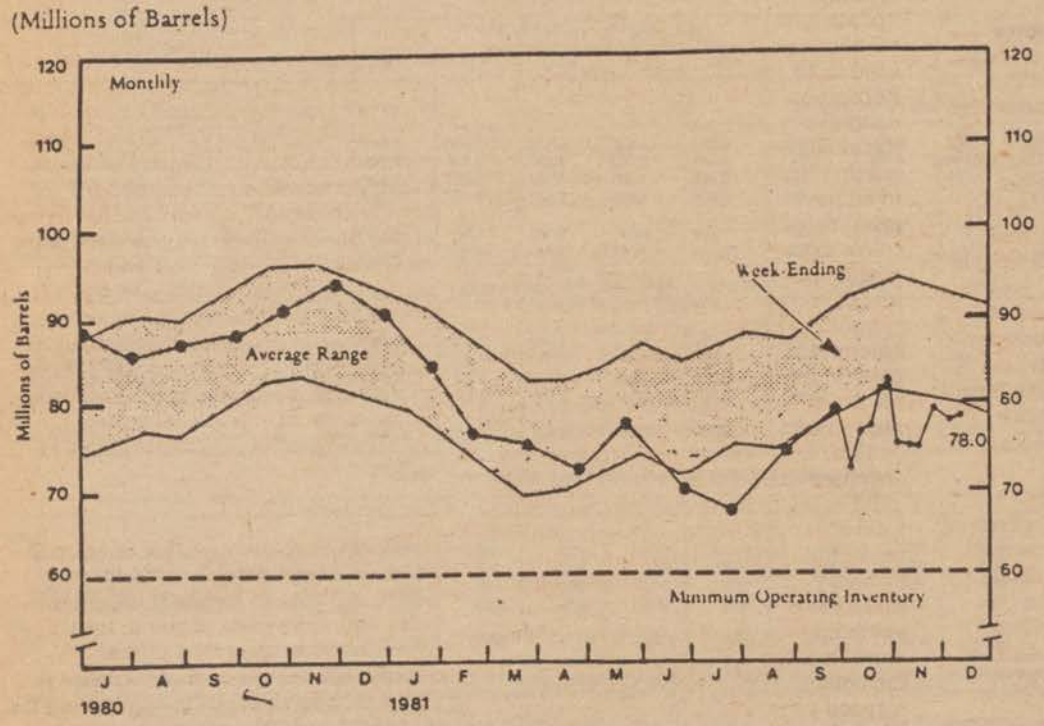
Source: FPC Form No. 423 as reported in DOE/EIA Energy Data Report entitled *Cost and Quality of Fuels for Electric Utility Plants*—Annual Summary Reports 1979 and 1980 and Monthly Reports for January through December 1980. *Note:* All prices are actual delivered prices to steam-electric plants. Prices paid for No. 6 fuel oil may include prices paid for minor amounts of No. 4 and No. 5 fuel oil, crude and topped crude.

[1] Mathematically the price difference ratio is $P_2 - P_1 \div P_1$; where P_2= the price of fuel oil or coal and P_1 the price of natural gas.

BILLING CODE 6717-01-M

DOCKET NO. RM79-40-000, et al. APPENDIX C

STOCKS OF RESIDUAL FUEL OIL, U. S. TOTAL



SOURCE: DOE/EIA Weekly Petroleum Status Report, December 18, 1981, at 13. "Minimum Operating Inventory" is defined by the National Petroleum Council as the minimum level required for routine operation. By their definition, runouts and shortages would occur if inventory levels fall below that level.

[FR Doc. 82-19202 Filed 7-14-82; 8:45 am]
BILLING CODE 6717-01-C

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Social Security Administration

20 CFR Part 404

Computing Primary Insurance Amounts; Reorganization of Subpart, and Changes in Computing Dropout Years for Workers Entitled to Disability Insurance Benefits

AGENCY: Social Security Administration, HHS.

ACTION: Final rules, with request for comments on specified rules.

SUMMARY: We are revising and reorganizing our rules on basic computations of primary insurance amounts under the Old-Age, Survivors, and Disability Insurance (OASDI) programs to make the rules clearer and easier to use. A worker's "primary insurance amount" is the basic figure we use to find the amount of his or her benefits, as well as those of his or her family. (Other rules affecting actual benefit amounts payable to individuals are in Subparts D and E.) Also, we are adding new rules on how to compute benefit computation dropout years for disabled workers. The authority for these new rules was added to the Social Security Act by the Social Security Disability Amendments of 1980 (Pub. L. 96–265).

EFFECTIVE DATE: These rules are effective upon publication in the **Federal Register.** However, in accordance with the law which the rules on the disability dropout reflect, the new rules on computing the dropout are effective for disabled workers who are first entitled to disability insurance benefits after June 1980, except that the rule on additional dropout years based on child care is applicable only for benefits payable for months after June 1981.

ADDRESSES: Send your written comments on the disability dropout for child care (§ 404.211(e)) to the Social Security Administration, Department of Health and Human Services, P.O. Box 1585, Baltimore, Maryland 21203, or deliver them to the Office of Regulations, Social Security Administration, 3–A–3 Operations Building, 6401 Security Boulevard, Baltimore, Maryland 21235, between 8:00 a.m. and 4:30 p.m. on regular business days. Comments received may be inspected during these same hours by making arrangements with the contact person shown below.

FOR FURTHER INFORMATION CONTACT: Jack Schanberger, Room 3–B–4 Operations Building, 6401 Security Boulevard, Baltimore, Maryland 21235, (301) 594–6785.

SUPPLEMENTARY INFORMATION: In these revised and reorganized rules, we describe the two major methods of determining a worker's primary insurance amount; we also describe several special methods of determining primary insurance amounts and when and how we use these special methods. The rules include provisions for adjusting primary insurance amount automatically to keep up with rises in the cost of living. We also describe how a worker's primary insurance amount may be "recomputed" and "recalculated." Recomputations usually update a primary insurance amount to take into account earnings that were not used in an earlier computation. Recomputations never result in a decrease in a primary insurance amount. Recalculations may take into account a number of other factors and may result in either an increase or a decrease in a primary insurance amount.

We explain in the new rules how to compute the number of years of no or low earnings to be dropped out when computing the primary insurance amount for a disabled worker. We also explain that where this computation results in fewer than 3 dropout years, we can add 1 dropout year (up to a total of 3) for each year the worker met specified conditions for having had a child in his or her care; however, the total of regular dropout years and child care dropout year combined cannot exceed 3. Although the law provides that as many as 3 child care dropout years may be used, in actual practice no more than 2 can be dropped because of the combined effect of the number of elapsed years, the 1-for-5 dropout years (if any) and computation years required for computations to which the provision applies.

Revised and Reorganized Rules

On June 25, 1980, these revised rules were published in the **Federal Register** (45 FR 42647) as a Notice of Proposed Rulemaking. Later in this publication, we respond to the comments we received on the June 25 Notice. We are revising and reorganizing these complex rules as part of an effort to enhence the readability and understanding of our rules by the public.

On December 22, 1980, the new rule on computing the disability dropout was published in the **Federal Register** (45 FR 84086) as a Notice of Proposed Rulemaking. We received one favorable comment on the readability of the proposed regulations. We are incorporating this rule in this final regulation.

On January 8, 1981, a Notice of Proposal to Develop Regulations was published in the **Federal Register** (46 FR 2093) to announce a modification to the dropout provision to reflect requirements of the 1980 Amendments to the Social Security Act. This modification permits additional dropout years for a younger disabled worker who had no earnings because he or she was caring for a child. Since the modification does not go beyond the statutory mandates, in accordance with Section 553(b)(B) of the Administrative Procedure Act, we considered a Notice of Proposed Rulemaking to be unnecessary. Accordingly, we are now publishing the regulations as a final rule, but with a request for comments within 60 days after publication. This enables us to publish this entire Subpart which is current except for the provisions on minimum benefits and rounding of benefit amounts. To avoid further delay in this final regulation, the revised rules on these provisions, which were amended by Pub. L. 97–35 and by Pub. L. 97–123, will be issued in the near future as a Notice of Proposed Rulemaking. If necessary, we will respond in a future publication to any comments we receive on the rule for dropout years for disability insurance benefits based on child care.

Reorganization

We have reorganized this Subpart C to make it more readable. We have added subtitles to highlight important rules and make them easier to locate. The subpart is organized so that individuals can easily find the rules that apply to them without having to read the entire subpart.

We have moved the tables in the current §§ 404.223–404.227 to an appendix. Also, § 404.282, relating to "delayed retirement credits" has been removed from the revised subpart. We will continue to apply those rules though and they will be incorporated in Subpart E of Part 404.

Background

In the Social Security Amendments of 1977 (Pub. L. 95–216), Congress added to the Social Security Act a new method for computing the primary insurance amount. This change was necessary to eliminate an unintended result of the Social Security Amendments of 1972 whereby benefit rates were increasing too rapidly relative to past earnings for workers who would be eligible in the future. The increases would have meant

that future beneficiaries would receive benefits equal to or in excess of their preretirement earnings. Thus costs of the Old-Age, Survivors, and Disability Insurance programs were expected to rise rapidly in the 21st century. The 1977 Amendments substantially reduced both the expected costs and the long-range actuarial deficits that had been projected for these social security programs.

In the Social Security Disability Amendments of 1980 (Pub. L. 96–265), Congress provided a stricter and fairer method of computing the number of years of no or low earnings which can be dropped out when computing the primary insurance amount of a disabled worker. Now, we divide the elapsed years by 5 and disregard any fraction to get the number of dropout years, which in any event cannot exceed 5. Before the Amendments, 5 years of no or low earnings could be routinely dropped out of disability computations. This method allowed the young worker a higher proportion of dropout years to total years of earnings, and thereby resulted in a higher primary insurance amount than would have been computed for an older worker with a comparable wage history. This provision, which affects persons disabled before age 47, at least partially offsets an unwarranted advantage heretofore received by young workers.

To soften the effect of fewer dropout years for young disabled workers, Congress added a provision to permit additional dropout years for a young worker who had no earnings because he or she was caring for a child.

In § 404.211, we explain how to compute the number of dropout years for a worker who first becomes entitled to disability insurance benefits after June 1980.

Methods of Finding Primary Insurance Amounts—General

With some exceptions, the computation method contained in the 1977 legislation became effective for workers who in 1979 or later reach age 62, or who in 1979 or later become disabled or die before age 62. To prevent a sudden change in the rules from disadvantaging workers nearing age 62 at the time of enactment of the new method, the 1977 legislation retains the pre-1979 computation methods, with some modifications, as a guaranteed alternative to the new method for workers reaching age 62 before 1984. Of course, the pre-1979 methods still apply to workers who reached age 62, became disabled, or died before 1979.

Thus, several computation methods are current. In § 404.204, we first describe how we select the method (or methods) applicable to an individual, then we give directions to the proper rules for computing an individual's primary insurance amount.

Post-1978 Method of Finding Primary Insurance Amounts

As explained in §§ 404.210–404.212, the primary insurance amount of a worker who after 1978 reaches age 62, or after 1978 becomes disabled or dies before age 62 is computed under a new method which we call the "average-indexed-monthly-earnings" method. In these rules, we describe how we average a worker's earnings under social security over the period he or she can reasonably be expected to have worked under social security. We also describe how we use a benefit table to find the worker's primary insurance amount.

Pre-1979 Method of Finding Primary Insurance Amounts

As explained in §§ 404.220–404.222, the primary insurance amount of a worker who reached age 62, became disabled, or died before 1979 usually is computed under what we call the "average-monthly-wage" method. In these rules, we describe how we average a worker's earnings under social security over the period he or she can reasonably be expected to have worked under social security. We also describe how we use a benefit table to find the worker's primary insurance amount.

Guaranteed Alternative

Sections 404.230–404.233 contain the rules for putting into effect Congress' intent that people nearing age 62 at the time of enactment of the average-indexed-monthly-earnings method of finding primary insurance amounts should not be seriously disadvantaged under the new method. Under these rules, workers reaching age 62 after 1978 but before 1984 are guaranteed the higher of—

(a) Their primary insurance amount found under the average-indexed-monthly-earnings method; or

(b) Their primary insurance amount found under a modified average-monthly-wage method (including a primary insurance amount found under the "old-start" method described in §§ 404.240–404.242). For purposes of this method, primary insurance amounts are based on the December 1978 benefit table (see Appendix III), but individual benefits are increased by any automatic cost-of-living or *ad hoc* increases in primary insurance amounts effect in or after the year the worker reaches age 62. Earnings after the year the worker reaches age 61 cannot be used in the modified average-monthly-wage method.

The primary insurance amount computed in this way is the worker's "guaranteed alternative". If that primary insurance amount is higher than the worker's primary insurance amount found under the average-indexed-monthly-earnings method, we base the worker's benefits (and those of his or her family) on the guaranteed-alternative primary insurance amount.

Old-Start Primary Insurance Amounts

The law provides a special method for finding the primary insurance amount for a worker whose social security earnings were all or almost all before 1951. We call this method the "old-start" computation, and we explain it in § 404.241. We use this old-start method along with the average-indexed-monthly-earnings method and the average-monthly-wage method, as appropriate, to determine the highest PIA for a worker. As explained in § 404.242, we may use the primary insurance amount computed under the old-start method, with some modifications, as a "guaranteed alternative" for purposes of § 404.230.

Period of Disability—Special Rules

In §§ 404.250–404.252, we describe the special rules we use in computing primary insurance amounts for workers who were disabled (and got social security disability insurance benefits) and whose benefits were later terminated because they medically recovered or because they demonstrated an ability to engage in substantial gainful activity. When, after 1978, these workers die or become entitled to old-age insurance benefits or become re-entitled to disability insurance benefits, the rules we use for finding their primary insurance amounts depend on how long a time passed between the time they last got disability benefits and the time they die, become entitled to old-age insurance benefits, or become re-entitled to disability benefits. In general, these rules specify that if fewer than 12 months pass between the last month of entitlement to disability benefits and the month of death, entitlement to old-age insurance benefits, or reentitlement to disability benefits, the worker's primary insurance amount is at least as high as it was when he or she last got a benefit, increased by any automatic cost-of-living or *ad hoc* increases in primary insurance amounts effective since the last entitlement to benefits.

In general, if 12 months or more pass between these events, we compute a new primary insurance amount for the worker, although he or she is guaranteed a primary insurance amount at least as high as the previous one. However, when this period was 12 months or longer, the previous primary insurance amount is not increased by any automatic cost-of-living or *ad hoc* increases effective since he or she last got a monthly benefit.

Special Minimum Primary Insurance Amounts

Under an alternative method in the law for computing primary insurance amounts, a person who worked for many years at low wages is assured higher benefits then would otherwise be payable. If this method, described in §§ 404.260–404.261, results in a higher primary insurance amount than any other method for which the worker is eligible, we will use it as the basis for determining benefit amounts.

Cost-of-Living Increases

After a worker's primary insurance amount has been computed, it is automatically increased to keep up with rises in the cost of living. Sections 404.270–404.277 contain the rules for automatic cost-of-living increases in primary insurance amounts, including how the rise in the cost of living is measured, how we determine if an automatic increase is to be made, and other matters related to automatic cost-of-living increases.

Recomputations and Recalculations of Primary Insurance Amounts

Sections 404.280–404.287 contain the rules we use in determining when and how primary insurance amounts may be "recomputed". A recomputation is a new computation of the primary insurance amount to include earnings which could not be used in the first computation (or in an earlier recomputation). These rules show that a recomputation may be used only to increase a primary insurance amount, how we do recomputations automatically, and how a worker and his or her family (or his or her survivors) may request or waive a recomputation.

Section 404.290 contains the rules we use in determining when and how primary insurance amounts may be "recalculated". In a recalculation, we refigure an earlier computation to correct it or to include certain earnings not available earlier. A recalculation differs from a recomputation mainly in that a recalculation may result in either an increase or a decrease in a primary insurance amount, while recomputations never result in a decrease.

Appendices

The six appendices to Subpart C contain figures and formulas that are needed in finding primary insurance amounts. Appendix I contains "average of the total wages" figures, which we use to "index" a worker's earnings for purposes of finding his or her average indexed monthly earnings. Appendix II contains benefit formulas which we apply to a worker's average indexed monthly earnings to find his or her primary insurance amount. Appendix III contains the benefit table we use to find a worker's primary insurance amount from his or her average monthly wage. We use the figures in Appendix IV to find a worker's "years of coverage" for years after 1950 for the purpose of finding his or her special minimum primary insurance amount. Appendix V is a table for computing the special minimum primary insurance amount and the related maximum family benefits. Appendix VI is a table showing the percentage increases in primary insurance amounts since 1978.

The figures in the appendices are by law automatically adjusted each year and the law requires us to announce the changes by timely publication in the **Federal Register**. We always use the latest data from the **Federal Register**, which precedes our periodic updating of the appendices.

Deletion of Rarely Used Material

To simplify this subpart, we are deleting infrequently used material concerning two old-start computation methods, benefit tables, and methods of recomputation and recalculation. In each of these areas, we are retaining the latest and most frequently used material. When necessary to use provisions that were in the deleted material, we will refer instead to the Social Security Act and to our internal operating instructions. These reference sources are available for inspection at any social security office.

The Final Rules

We have made some minor technical corrections and additions to the rules which were published in the June 25, 1980, Notice of Proposed Rulemaking. In addition, we are including the rules on the new disability dropout provisions which were published on December 22, 1980, as an NPRM. We are also including the rules that permit additional dropout years in computing disability benefits for a young worker who had no earnings because he or she was providing the principal care for a child under age 3. We have also updated the appendices to show the 14.3 percent cost-of-living increase that took effect for June 1980, the 11.2 percent increase for June 1981, and other recent data needed to compute primary insurance amounts. Finally, we have made some clarifying changes as a result of comments from the public; these are discussed below.

We will publish in the near future the rules for the minimum benefit and rounding of benefit amounts, as provided in Pub. L. 97–35 and Pub. L. 97–123.

Comments on Notice of Proposed Rulemaking

In the Notices of Proposed Rulemaking, we allowed 60 days for interested persons to submit comments. We received comments from 3 people, including 2 who represent pension-consulting companies. As a result of these comments, we have made the following changes:

1. In § 404.212(c), we have added a statement that the primary insurance amount *plus* any applicable cost-of-living increase cannot be less than the $122 minimum primary insurance amount.

2. In the example in § 404.221, we have made two additions to remove any possibility that elapsed years will be confused with computation base years when deciding which years of earnings we use in the computation.

3. In § 404.261(a)(2), we have modified the second sentence to say that special minimum primary insurance amounts based on "only a few" rather than "less than 20" years of coverage are lower than the regular minimum benefit. The sentence, as written in the Notice of Proposed Rulemaking, was not accurate for all cases.

Regulatory Procedures

Executive Order 12291.—The new disability dropout provision will reduce disability program costs by about $76 million in FY 1982, increasing to a $261 million reduction by FY 1985. The provision for increasing the number of disability dropout years based on child care is expected to increase program costs by $5 million in FY 1982 and by $17 million in FY 1985. The regulations are not considered a major rule under Executive Order 12291 since the savings and costs described above result from statutory amendments which are effective whether or not regulations are issued, and are therefore not a "result" of these regulations.

Paperwork Reduction Act.—There are no new recordkeeping or reporting requirements requiring OMB clearance.

Regulatory Flexibility Act.—We certify that these regulations will not, if promulgated, have a significant economic impact on a substantial number of small entities because these regulations affect only individuals. Therefore, a regulatory flexibility analysis as provided in Pub. L. 96–354, the Regulatory Flexibility Act, is not required.

Accordingly, the revision of this subpart is adopted with several editorial and clarifying changes, as set forth below.

(Sections 205, 215, and 1102 of the Social Security Act, as amended; 53 Stat. 1368, as amended, 64 Stat. 506, as amended, 49 Stat. 647; 42 U.S.C. 405, 415, and 1302.)

(Catalog of Federal Domestic Assistance Programs No. 13.802, Social Security-Disability; 13.803, Social Security-Retirement Insurance; 13.805, Social Security-Survivors Insurance.)

List of Subjects in 20 CFR 404

Administrative practice and procedure, Death benefits, Disabled, Old-age, Survivors and Disability Insurance, Social Security Administration.

Dated: May 17, 1982.

John A. Svahn,

Commissioner of Social Security.

Approved: June 24, 1982.

Richard S. Schweiker,

Secretary of Health and Human Services.

Subpart C of Part 404 of Chapter III of Title 20 of the Code of Federal Regulations is revised to read as follows:

Subpart C—Computing Primary Insurance Amounts

General

Sec.
404.201 Introduction.
404.202 Other regulations related to this subpart.
404.203 Definitions.
404.204 Methods of computing primary insurance amounts—general.

Average-Indexed-Monthly Earnings Method of Computing Primary Insurance Amounts

404.210 Average-indexed-monthly-earnings method.
404.211 Computing your average indexed monthly earnings.
404.212 Computing your primary insurance amount from your average indexed monthly earnings.

Average-Monthly-Wage Method of Computing Primary Insurance Amounts

404.220 Average-monthly-wage method.
404.221 Computing your average monthly wage.
Sec.
404.222 Use of benefit table in finding your primary insurance amount from your average monthly wage.

Guaranteed Alternative for People Reaching Age 62 After 1978 but Before 1984

404.230 Guaranteed alternative.
404.231 Steps in computing your primary insurance amount under the guaranteed alternative—general.
404.232 Computing your average monthly wage.
404.233 Adjustment of your guaranteed alternative when you become entitled after age 62.

Old-Start Method of Computing Primary Insurance Amounts

404.240 Old-start method—general.
404.241 1977 simplified old-start method.
404.242 Use of old-start primary insurance amount as guaranteed alternative.

Special Computation Rules for People Who Had a Period of Disability

404.250 Special computation rules for people who had a period of disability.
404.251 Subsequent entitlement to benefits less than 12 months after entitlement to disability benefits ended.
404.252 Subsequent entitlement to benefits 12 months or more after entitlement to disability benefits ended.

Special Minimum Primary Insurance Amounts

404.260 Special minimum primary insurance amounts.
404.261 Computing your special minimum primary insurance amount.

Cost-of-Living Increases

404.270 Cost-of-living increases.
404.271 When automatic cost-of-living increases apply.
404.272 Use of Consumer Price Index to measure the rise in the cost of living.
404.273 When automatic cost-of-living increases are to be made.
404.274 Measuring the increase in the Consumer Price Index.
404.275 Amount of automatic cost-of-living increase.
404.276 Publication of notice of increase.
404.277 Automatic increases of "frozen" minimum primary insurance amount.

Recomputing Your Primary Insurance Amount

404.280 Recomputations.
404.281 Why your primary insurance amount may be recomputed.
404.282 Effective date of recomputations.
404.283 Recomputation under method other than that used to find your primary insurance amount.
404.284 Recomputations for people who reach age 62, or become disabled, or die before age 62 after 1978.
404.285 Recomputations performed automatically.
404.286 How to request an immediate recomputation.
404.287 Waiver of recomputation.

Recalculations of Primary Insurance Amounts

Sec.
404.290 Recalculations.

Appendices

Appendix I Average of the Total Wages for Years after 1950.
Appendix II Benefit Formulas Used with Average Indexed Monthly Earnings.
Appendix III Benefit Table.
Appendix IV Special Minimum Primary Insurance Amount; Earnings Needed for a Year of Coverage after 1950.
Appendix V Computing the Special Minimum Primary Insurance Amount and Related Maximum Family Benefits.
Appendix VI Percentage of Increases in Primary Insurance Amounts since 1978.

Authority: Secs. 205, 215, and 1102, Social Security Act, as amended; 53 Stat. 1368, as amended; 64 Stat. 506, as amended; 49 Stat. 647; 42 U.S.C. 405, 415 and 1302.

General

§ 404.201 Introduction.

In this subpart we describe how we compute your primary insurance amount, which is the first step in finding your monthly social security benefit amount. Your primary insurance amount is the basic figure we use in finding the monthly benefit actually payable to you and to members of your family. For example, if you retire at age 65 or become disabled, your monthly benefit is equal to your primary insurance amount. In other situations, your benefit does not equal your primary insurance amount. For example, if you become entitled to old-age benefits before you reach age 65, your benefit is less than your primary insurance amount, as described in §§ 404.410–404.413. Benefits payable to members of your family are a specified percentage of your primary insurance amount. (See subpart D.) We explain how we automatically increase your primary insurance amount to keep it up to date with rises in the cost of living. We also explain how and when we recompute your primary insurance amount and how and when we recalculate your primary insurance amount. We have organized this subpart as follows:

(a) In §§ 404.210–404.212, we describe the average-indexed-monthly-earnings method we use for computing primary insurance amounts of workers who after 1978 reach age 62, or become disabled or die before age 62;

(b) In §§ 404.220–404.222, we describe the average-monthly-wage method we use for computing primary insurance amounts of workers who reach age 62, become disabled, or die before 1979;

(c) In §§ 404.230–404.233, we describe the guaranteed alternative method of computing primary insurance amounts

that applies to people who reach age 62 after 1978 but before 1984;

(d) In §§ 404.240–404.242, we describe a method of computing primary insurance amounts (called the old-start method) for people who had all or substantially all their social security earnings before 1951;

(e) In §§ 404.250–404.252, we describe special rules we apply in computing primary insurance amounts of people who had a period of disability at some time in their lives;

(f) In §§ 404.260–404.261, we describe how we compute the special minimum primary insurance amount for long-term, low-paid workers;

(g) In §§ 404.270–404.277, we describe how we automatically adjust primary insurance amounts to take account of rises in the cost of living;

(h) In §§ 404.280–404.287, we describe how and when we recompute primary insurance amounts to take into account additional earnings;

(i) In § 404.290, we describe how and when we recalculate primary insurance amounts; and

(j) Appendices I–VI contain material such as figures and formulas that we use in finding a primary insurance amount under various circumstances.

§ 404.202 Other regulations related to this subpart.

This subpart is related to several others. In subpart B of this part, we describe how you become insured for social security benefits as a result of your work in covered employment. In subpart D, we discuss the different kinds of social security benefits available—old-age and disability benefits for you and benefits for your dependents and survivors—the amount of the benefits, and the requirements you and your family must meet to qualify for them; your work status, your age, the size of your family, and other factors may affect the amount of the benefits for you and your family. Rules relating to deductions, reductions, and nonpayment of benefits we describe in subpart E. In subpart F of this part, we describe what we do when a recalculation or recomputation of your primary insurance amount (as described in this subpart) results in our finding that you and your family have been overpaid or underpaid. In subparts G and H of this part, we tell how to apply for benefits and what evidence is needed to establish entitlement to them. In subpart J of this part, we describe how benefits are paid. Then in subparts I, K, N, and O of this part, we discuss your earnings that are taxable and creditable for social security purposes (and how we keep records of them), and deemed military wage credits which may be used in finding your primary insurance amount.

§ 404.203 Definitions.

(a) *General definitions.* As used in this subpart—

"*Ad hoc* increase in primary insurance amounts" means an increase in primary insurance amounts enacted by the Congress and signed into law by the President.

"Entitled" means that a person has applied for benefits and has proven his or her right to them for a given period of time.

"We," "us," or "our" means the Social Security Administration or the Department of Health and Human Services.

"You" or "your" means the insured worker who has applied for benefits or a deceased insured worker on whose social security earnings record someone else has applied.

(b) *Other definitions.* To make it easier to find them, we have placed other definitions in the sections of this subpart in which they are used.

§ 404.204 Methods of computing primary insurance amounts—general.

(a) *General.* We compute most workers' primary insurance amounts under one of two major methods. There are, in addition, several special methods of computing primary insurance amounts which we apply to some workers. Your primary insurance amount is the highest of all those computed under the methods for which you are eligible.

(b) *Major methods.* (1) If after 1978 you reach age 62, or become disabled or die before age 62, we compute your primary insurance amount under what we call the "average-indexed-monthly-earnings" method, which is described in §§ 404.210–404.212. The earliest of the three dates determines the computation method we use.

(2) If before 1979 you reached age 62, became disabled, or died, we compute your primary insurance amount under what we call the "average-monthly-wage" method, described in §§ 404.220–404.222.

(c) *Special methods.* (1) Your primary insurance amount, computed under any of the special methods for which you are eligible as described in this paragraph, may be substituted for your primary insurance amount computed under either major method described in paragraph (b) of this section.

(2) If you reach age 62 during the period 1979–1983, your primary insurance amount is guaranteed to be the highest of—

(i) The primary insurance amount we compute for you under the average-indexed-monthly-earnings method;

(ii) The primary insurance amount we compute for you under the average-monthly-wage method, as modified by the rules described in §§ 404.230–404.233; or

(iii) The primary insurance amount computed under what we call the "old-start" method; as described in §§ 404.240–404.242.

(3) If you had all or substantially all of your social security earnings before 1951, we will also compute your primary insurance amount under what we call the "old-start" method.

(4) We compute your primary insurance amount under the rules in §§ 404.250–404.252, if—

(i) You were disabled and received social security disability insurance benefits sometime in your life;

(ii) Your disability insurance benefits were terminated because of your recovery or because you engaged in substantial gainful activity; and

(iii) You are, after 1978, re-entitled to disability insurance benefits, or entitled to old-age insurance benefits, or have died.

(5) In some situations, we use what we call a "special minimum" computation, described in §§ 404.260–404.261, to find your primary insurance amount. Computations under this method reflect long-term, low-wage attachment to covered work.

Average-Indexed-Monthly Earnings Method of Computing Primary Insurance Amounts

§ 404.210 Average-indexed-monthly-earnings method.

(a) *Who is eligible for this method.* If after 1978, you reach age 62, or become disabled, or die before age 62, we will compute your primary insurance amount under the average-indexed-monthly-earnings method.

(b) *Steps in computing your primary insurance amount under the average-indexed-monthly-earnings method.* We follow these three major steps in computing your primary insurance amount:

(1) First, we find your "average indexed monthly earnings," as described in § 404.211;

(2) Second, we find the "benefit formula" in effect for the year you reach age 62, or become disabled, or die before age 62, as described in § 404.212; and

(3) Then, we apply that benefit formula to your average indexed monthly earnings to find your primary

insurance amount, as described in § 404.212.

(4) Next, we apply any automatic cost-of-living or *ad hoc* increases in primary insurance amounts that became effective in or after the year you reached age 62, unless you are receiving benefits based on the minimum primary insurance amount, in which case not all the increases may be applied, as described in § 404.277.

§ 404.211 Computing your average indexed monthly earnings.

(a) *General.* In this method, your social security earnings after 1950 are "indexed," as described in paragraph (d) of this section, then averaged over the period of time you can reasonably have been expected to have worked in employment or self-employment covered by social security. (Your earnings before 1951 are not used in finding your average indexed monthly earnings.)

(b) *Which earnings may be used in computing your average indexed monthly earnings.* (1) *Earnings.* In computing your average indexed monthly earnings, we use wages, compensation, self-employment income, and deemed military wage credits (see §§ 404.1340–404.1343) that are creditable to you for social security purposes for years after 1950.

(2) *Computation base years.* We use your earnings in your "computation base years" in finding your average indexed monthly earnings. All years after 1950 up to (but not including) the year you become entitled to old-age or disability insurance benefits, and through the year you die if you had not been entitled to old-age or disability benefits, are computation base years for you. The year you become entitled to benefits and following years may be used as computation base years in a recomputation if their use would result in a higher primary insurance amount. (See §§ 404.280–404.287.) However, years after the year you die may not be used as computation base years even if you have earnings credited to you in those years. Computation base years do not include years wholly within a period of disability unless your primary insurance amount would be higher by using the disability years. In such situations, we count all the years during the period of disability, even if you had no earnings in some of them.

(c) *Average of the total wages.* Before we compute your average indexed monthly earnings, we must first know the "average of the total wages" of all workers for each year from 1951 until the second year before you become eligible. "Average of the total wages (average wage)" means:

(1) For years after 1977, all remuneration reported as wages on Form W–2 to the Internal Revenue Service for all employees for income tax purposes, divided by the number of wage earners, except that for 1978 and 1979, we will use averages derived from data on wage amounts reported on IRS Forms 1040. The number of wage earners will be derived from the W–2 Forms attached to those Forms 1040. We will adjust those averages to make them comparable to the averages for 1951–1977. For years after 1977, the term includes remuneration for services not covered by social security and remuneration for covered employment in excess of that which is subject to FICA contributions.

(2) For the years 1951 through 1977, four times the amount of average taxable wages that were reported to the Social Security Administration for the first calendar quarter of each year for social security tax purposes. For years prior to 1973, these average wages are determined from a sampling of these reports.

(3) Average wages for 1951–1980 are shown in Appendix I; corresponding figures for 1981 and each later year will be published in the **Federal Register** on or before November 1 of the succeeding year.

(d) *Indexing your earnings.* (1) The first step in indexing your social security earnings is to find the relationship between—

(i) The average wage of all workers in the second year before you reach age 62, or become disabled, or die before age 62 (your "indexing year"); and

(ii) The average wage of all workers in each of your computation base years.

(2) To find the relationship, we divide the average wages for your indexing year, in turn, by the average wages for each year beginning with 1951 and ending with your indexing year. We use the quotients found in these divisions to index your earnings as described in paragraph (d)(3) of this section.

(3) The second step in indexing your social security earnings is to multiply the actual year-by-year dollar amounts of your earnings (up to the maximum amounts creditable, as explained in §§ 404.1047 and 404.1096 of this part) by the quotients found in paragraph (d)(2) of this section for each of those years. We round the results to the nearer penny. (The quotient for your indexing year is 1.0; this means that your earnings in that year are used in their actual dollar amount; any earnings after your indexing year that may be used in computing your average indexed monthly earnings are also used in their actual dollar amount.)

Example. Ms. A reaches age 62 in July 1979. Her year-by-year social security earnings since 1950 are as follows:

Year	Earnings
1951	$3,200
1952	3,400
1953	3,300
1954	3,600
1955	3,700
1956	3,700
1957	4,000
1958	4,200
1959	4,400
1960	4,500
1961	2,800
1962	2,200
1963	0
1964	0
1965	3,700
1966	4,500
1967	5,400
1968	6,200
1969	6,900
1970	7,300
1971	7,500
1972	7,800
1973	8,200
1974	9,000
1975	9,900
1976	11,100
1977	9,900
1978	11,000

Step 1

The first step in indexing Ms. A's earnings is to find the relationship between the general wage level in Ms. A's indexing year (1977) and the general wage level in each of the years 1951–1976. We refer to Apendix I for average wage figures, and perform the following computations:

Year	I. 1977 general wage level	II. Nationwide average of the total wages	III. Column I divided by column II equals relationship
1951	$9,779.44	$2,799.16	3.4937053
1952	9,779.44	2,973.32	3.2890641
1953	9,779.44	3,139.44	3.1150269
1954	9,779.44	3,155.64	3.0990354
1955	9,779.44	3,301.44	2.9621741
1956	9,779.44	3,532.36	2.7685287
1957	9,779.44	3,641.72	2.6853904
1958	9,779.44	3,673.80	2.6619413
1959	9,779.44	3,855.80	2.5362934
1960	9,779.44	4,007.12	2.4405159
1961	9,779.44	4,086.76	2.3929568
1962	9,779.44	4,291.40	2.2788461
1963	9,779.44	4,396.64	2.2242986
1964	9,779.44	4,576.32	2.1369659
1965	9,779.44	4,658.72	2.0991689
1966	9,779.44	4,938.36	1.9803012
1967	9,779.44	5,213.44	1.8758133
1968	9,779.44	5,571.76	1.7551797
1969	9,779.44	5,893.76	1.6592871
1970	9,779.44	6,186.24	1.5808375
1971	9,779.44	6,497.08	1.5052054
1972	9,779.44	7,133.80	1.3708599
1973	9,779.44	7,580.16	1.2901364
1974	9,779.44	8,030.76	1.2177478
1975	9,779.44	8,630.92	1.1330704
1976	9,779.44	9,226.48	1.0599318
1977	9,779.44	9,779.44	1.0000000

Step 2

After we have found these indexing quotients, we multiply Ms. A's actual year-by-year earnings by them to find her indexed earnings, as shown below:

Year	I. Actual earnings	II. Indexing quotient	III. Column I multiplied by column II equals indexed earnings
1951	$3,200	3.4937053	$11,179.86
1952	3,400	3.2890641	11,182.82
1953	3,300	3.1150269	10,279.59
1954	3,600	3.0990354	11,156.53
1955	3,700	2.9621741	10,960.04
1956	3,700	2.7685287	10,243.56
1957	4,000	2.6853904	10,741.56
1958	4,200	2.6619413	11,180.15
1959	4,400	2.5362934	11,159.69
1960	4,500	2.4405159	10,982.32
1961	2,800	2.3929568	6,700.28
1962	2,200	2.2788461	5,013.46
1963	0	2.2242986	0
1964	0	2.1369659	0
1965	3,700	2.0991689	7,766.92
1966	4,500	1.9803012	8,911.36
1967	5,400	1.8758133	10,129.39
1968	6,200	1.7551797	10,882.11
1969	6,900	1.6592871	11,449.08
1970	7,300	1.5808375	11,540.11
1971	7,500	1.5052054	11,289.04
1972	7,800	1.3708599	10,692.71
1973	8,200	1.2901364	10,579.12
1974	9,000	1.2177478	10,959.73
1975	9,900	1.1330704	11,217.40
1976	11,100	1.0599318	11,765.24
1977	9,900	1.0000000	9,900.00
1978	11,000	0	11,000.00

(e) *Number of years to be considered in finding your average indexed monthly earnings.* To find the number of years to be used in computing your average indexed monthly earnings—

(1) We count the years beginning with 1951, or (if later) the year you reach age 22, and ending with the earliest of the year before you reach age 62, become disabled, or die. Years wholly or partially within a period of disability (as defined in § 1501(b) of subpart P of this part) are not counted unless your primary insurance amount would be higher. In that case, we count all the years during the period of disability, even though you had no earnings in some of those years. These are your "elapsed years." From your elapsed years, we then subtract up to 5 years, the exact number depending on the kind of benefits to which you are entitled. You cannot, under this procedure, have fewer than 2 benefit computation years.

(2) For computing old-age insurance benefits and survivors insurance benefits, we subtract 5 from the number of your elapsed years. See paragraphs (e) (3) and (4) of this section for the dropout as applied to disability benefits. This is the number of your "benefit computation years;" we use the same number of your computation base years (see paragraph (b)(2) of this section) in computing your average indexed monthly earnings. For benefit computation years, we use the years with the highest amounts of earnings after indexing. They may include earnings from years that were not indexed, and must include years of no earnings. if you do not have sufficient years with earnings. You cannot have fewer than 2 benefit computation years.

(3) Where the worker is first entitled to disability insurance benefits (DIB) after June 1980, there is an exception to the usual 5 year dropout provision explained in paragraph (e)(2) of this section. (For entitlement before July 1980, we use the usual dropout.) We call this exception the "disability dropout." We divide the elapsed years by 5 and disregard any fraction. The result, which may not exceed 5, is the number of dropout years. We subtract that number from the number of elapsed years to get the number of benefit computation years, which may not be fewer than 2. After the worker dies, the disability dropout no longer applies and we use the basic 5 dropout years to compute benefits for survivors. We continue to apply the disability dropout when a person becomes entitled to old-age insurance benefits (OAIB), unless his or her entitlement to DIB ended at least 12 months before he or she became eligible for OAIB. For first DIB entitlement before July 1980, we use the rule in paragraph (e)(2) of this section.

(4) For benefits payable after June 1981, the disability dropout might be increased by the "child care dropout." If the number of disability dropout years is fewer than 3, we will drop out a benefit computation year for each benefit computation year that the worker meets the child care requirement and had no earnings, until the total of all dropout years is 3. The child care requirement for any year is that the worker must have been living with his or her child (or his or her spouse's child) substantially throughout any part of any calendar year that the child was alive and under age 3. In actual practice, no more than 2 child care years may be dropped, because of the combined effect of the number of elapsed years, 1-for-5 dropout years (if any), and the computation years required for the computation.

Example. Mrs. M., born August 4, 1953, became entitled to disability insurance benefits (DIB) beginning in July 1980 based on a disability which began January 15, 1980. In computing the DIB, we determined that the elapsed years are 1975 through 1979, the number of dropout years is 1 (5 elapsed years divided by 5), and the number of computation years is 4. We use Mrs. M's earnings in the years 1976 through 1979.

Mrs. M lived with her child, who was born in 1972, in all months of 1973 and 1974 and did not have any earnings in those years. We, therefore, recompute Mrs. M's DIB beginning with July 1, 1981 to give her the advantage of the child care dropout. To do this, we reduce the 4 computation years by 2 child care years to get 2 computation years.

(i) "Living with" means that you and the child ordinarily live in the same home and you exercise, or have the right to exercise, parental control. See § 404.366(c) for a further explanation.

(ii) "Substantially throughout any part of any calendar year" means that any period you were not living with the child during a calendar year did not exceed 3 months. If the child was either born or attained age 3 during the calendar year, the period of absence in the year cannot have exceeded the smaller period of 3 months, or one-half the time after the child's birth or before the child attained age 3.

(iii) "Earnings" means wages for services rendered and net earnings from self-employment minus any net loss for a taxable year. See § 404.429 for a further explanation.

(f) *Your average indexed monthly earnings.* After we have indexed your earnings and found your benefit computation years, we compute your average indexed monthly earnings by—

(1) Totalling your indexed earnings in your benefit computation years;

(2) Dividing the total by the number of months in your benefit computation years; and

(3) Rounding the quotient to the next lower whole dollar. if not already a multiple of $1.

Example. From the example in paragraph (d) of this section, we see that Ms. A reaches age 62 in 1979. Her elapsed years are 1951–1978 (28 years). We subtract 5 from her 28 elapsed years to find that we must use 23 benefit computation years. This means that we will use her 23 highest computation base years to find her average indexed monthly earnings. We exclude the 5 years 1961–1965 and total her indexed earnings for the remaining years, i.e., the benefit computation years (including her unindexed earnings in 1977 and 1978) and get $249,381.41. We then divide that amount by the 276 months in her 23 benefit computation years and find her average indexed monthly earnings to be $903.56, which is rounded down to $903.

§ 404.212 Computing your primary insurance amount from your average indexed monthly earnings.

(a) *General.* We compute your primary insurance amount under the average-indexed-monthly-earnings method by applying a "benefit formula" to your average indexed monthly earnings.

(b) *Benefit formula.* (1) We use the applicable benefit formula in Appendix II for the year you reach age 62, become disabled, or die whichever occurs first.

(2) The dollar amounts in the benefit formula are automatically increased each year for persons who attain age 62, or who become disabled or die before age 62 in that year, by the same percentage as the increase in the average of the total wages (see Appendix I).

(3) We will publish benefit formulas for years after 1979 in the **Federal Register** at the same time we publish the average of the total wage figures. We begin to use a new benefit formula as soon as it is applicable, even before we periodically update Appendix II.

(c) *Computing your primary insurance amount from the benefit formula.* We compute your primary insurance amount by applying the benefit formula to your average indexed monthly earnings, adding the results for each step of the formula, and rounding the total amount to the next higher multiple of $0.10 if it is not a multiple of $0.10. (However, your primary insurance amount under this method, plus any applicable cost-of-living increase to which you are entitled (see §§ 404.270–404.277), cannot be less than $122, which is the "minimum primary insurance amount.")

Example. As we computed in paragraphs (d) and (f) of § 404.211, Ms. A's average indexed monthly earnings (AIME) are $903. We find her primary insurance amount by first applying the 1979 benefit formula (see Appendix II) to her AIME as follows: 90 percent of the first $180 in her AIME ($162), plus 32 percent of the remaining $723 of her AIME ($231.36)=$393.36. This amount is then rounded to $393.40.

As we explain in § 404.271(d), we then apply the cost-of-living benefit increase (9.9 percent, effective June 1979) to $393.40 to find Ms. A's primary insurance amount of $432.40. We increase that amount by the 14.3 percent cost-of-living increase effective June 1980, and get $494.30, and by the 11.2 percent increase effective June 1981 to get $553.70. (However, we may compute under another method which will result in a higher primary insurance amount. See the *Example* in § 404.233(b).)

(d) *Adjustment of your primary insurance amount when entitlement to benefits occurs in a year after attainment of age 62, disability or death.* If you (or your survivors) do not become entitled to benefits in the same year you reach age 62, become disabled, or die before age 62, we compute your primary insurance amount by—

(1) Computing your average indexed monthly earnings as described in § 404.211;

(2) Applying to your average indexed monthly earnings the benefit formula for the year in which you reach age 62, or become disabled, or die before age 62; and

(3) Applying to the primary insurance amount all automatic cost-of-living and *ad hoc* increases in primary insurance amounts that have gone into effect in or after the year you reached age 62, became disabled, or died before age 62. (See § 404.277 for special rules on minimum benefits, and Appendix VI for a table of percentage increases in primary insurance amounts since December 1978. Increases in primary insurance amounts are published in the **Federal Register** and we periodically update Appendix VI.)

Average-Monthly-Wage Method of Computing Primary Insurance Amounts

§ 404.220 Average-monthly-wage method.

(a) *Who is eligible for this method.* You must before 1979, reach age 62, become disabled or die to be eligible for us to compute your primary insurance amount under the average-monthly-wage method. Also, as explained in § 404.230, if you reach age 62 after 1978 but before 1984, you are eligible to have your primary insurance amount computed under a modified average-monthly-wage method if it is to your advantage. Being eligible for either the average-monthly-wage method or the modified average-monthly-wage method does not preclude your eligibility under the "old-start" method described in §§ 404.240–404.242.

(b) *Steps in computing your primary insurance amount under the average-monthly-wage method.* We follow these three major steps in computing your primary insurance amount under the average-monthly-wage method:

(1) First, we find your average monthly wage, as described in § 404.221;

(2) Second, we look at the "benefit table" in Appendix III; and

(3) Then we find your primary insurance amount in the benefit table, as described in § 404.222.

(4) Finally, we apply any automatic cost-of-living or *ad hoc* increases that became effective in or after the year you reached age 62, or became disabled, or died before age 62, as explained in §§ 404.270–404.277.

§ 404.221 Computing your average monthly wage.

(a) *General.* Under the average-monthly-wage method, your social security earnings are averaged over the length of time you can reasonably have been expected to have worked under social security after 1950 (or after you reached age 21, if later).

(b) *Which of your earnings may be used in computing your average monthly wage.* (1) In computing your average monthly wage, we consider all the wages, compensation, self-employment income, and deemed military wage credits that are creditable to you for social security purposes. (The maximum amounts creditable are explained in §§ 404.1047 and 404.1096 of this part.)

(2) We use your earnings in your "computation base years" in computing your average monthly wage. All years after 1950 up to (but not including) the year you become entitled to old-age or disability insurance benefits, or through the year you die if you had not been entitled to old-age or disability benefits, are computation base years for you. Years after the year you die may not be used as computation base years even if you have earnings credited to you in them. However, years beginning with the year you become entitled to benefits may be used for benefits beginning with the following year if using them would give you a higher primary insurance amount. Years wholly within a period of disability are not computation base years unless your primary insurance amount would be higher if they were. In such situations, we count all the years during the period of disability, even if you had no earnings in some of them.

(c) *Number of years to be considered in computing your average monthly wage.* To find the number of years to be used in computing your average monthly wage—

(1) We count the years beginning with 1951 or (if later) the year you reached age 22 and ending with the year before you reached age 62, or became disabled, or died before age 62. Any part of a year—or years—in which you were disabled, as defined in § 404.1505, is not counted unless doing so would give you a higher average monthly wage. In that case, we count all the years during the period of disability, even if you had no earnings in some of those years. These are your "elapsed years." (If you are a male and you reached age 62 before 1975, see paragraph (c)(2) of this section for the rules on finding your elapsed years.)

(2) If you are a male and you reached age 62 in—

(i) 1972 or earlier, we count the years beginning with 1951 and ending with the year before you reached age 65, or became disabled or died before age 65 to find your elapsed years;

(ii) 1973, we count the years beginning with 1951 and ending with the year before you reached age 64, or became disabled or died before age 64 to find your elapsed years; or

(iii) 1974, we count the years beginning with 1951 and ending with the year before you reached age 63, became disabled, or died before age 63 to find your elapsed years.

(3) Then we subtract 5 from the number of your elapsed years. This is the number of your "benefit computation years"; we use the same number of your computation base years in computing your average monthly wage. For benefit computation years, we use the years with the highest amounts of earnings, but they may include years of no earnings. You cannot have fewer than 2 benefit computation years.

(d) *Your average monthly wage.* After we find your benefit computation years, we compute your average monthly wage by—

(1) Totalling your creditable earnings in your benefit computation years;

(2) Dividing the total by the number of months in your benefit computation years; and

(3) Rounding the quotient to the next lower whole dollar if not already a multiple of $1.

Example. Mr. B reaches age 62 and becomes entitled to old-age insurance benefits in August 1978. He had no social security earnings before 1951 and his year-by-year social security earnings after 1950 are as follows:

1951	$2,700
1952	2,700
1953	3,400
1954	3,100
1955	4,000
1956	4,100
1957	4,000
1958	4,200
1959	4,800
1960	4,800
1961	4,800
1962	4,800
1963	4,800
1964	1,500
1965	0
1966	0
1967	0
1968	3,100
1969	5,200
1970	7,100
1971	7,800
1972	8,600
1973	8,900
1974	9,700
1975	10,100
1976	10,800
1977	11,900

We first find Mr. B's elapsed years, which are the 27 years 1951–1977. We subtract 5 from his 27 elapsed years to find that we must use 22 benefit computation years in computing his average monthly wage. His computation base years are 1951–1977, which are the years after 1950 and prior to the year he became entitled. This means that we will use his 22 computation base years with the highest earnings to compute his average monthly wage. Thus, we exclude the years 1964–1967 and 1951.

We total his earnings in his benefit computation years and get $132,700. We then divide that amount by the 264 months in his 22 benefit computation years and find his average monthly wage to be $502.65, which is rounded down to $502.

(e) *"Deemed" average monthly wage for certain deceased veterans of World War II.* Certain deceased veterans of World War II are "deemed" to have an average monthly wage of $160 (see §§ 404.1340–404.1343 of this part) unless their actual average monthly wage, as found in the method described in paragraphs (a)–(d) of this section is higher.

§ 404.222 Use of benefit table in finding your primary insurance amount from your average monthly wage.

(a) *General.* We find your primary insurance amount under the average-monthly-wage method in the benefit table in Appendix III.

(b) *Finding your primary insurance amount from benefit table.* We find your average monthly wage in column III of the table. Your primary insurance amount appears on the same line in column IV (column II if you are entitled to benefits for any of the 12 months preceding the effective month in column IV).

Example. In the example in § 404.221(d), we computed Mr. B's average monthly wage to be $502. We refer to the December 1978 benefit table in Appendix III. Then we find his average monthly wage in column III of the table. Reading across, his primary insurance amount is on the same line in column IV and is $390.50. A 9.9 percent automatic cost-of-living benefit increase was effective for June 1979, increasing Mr. B's primary insurance amount to $429.20, as explained in §§ 404.270–404.277. Then, we increase the $429.20 by the 14.3 percent June 1980 cost-of-living benefit increase and get $490.60, and by the 11.2 percent June 1981 increase to get $549.50.

Guaranteed Alternative for People Reaching Age 62 After 1978 but Before 1984

§ 404.230 Guaranteed alternative.

(a) *General.* If you reach age 62 after 1978 but before 1984, we compute your primary insurance amount under a modified average-monthly-wage method as a "guaranteed alternative" to your primary insurance amount computed under the average-indexed-monthly-earnings method. We also compute your primary insurance amount under the old-start method (§§ 404.240–404.242) and under the special rules for a person who had a period of disability (§§ 404.250–404.252), if you are eligible. In §§ 404.231–404.233, we explain the average-monthly-wage method as the alternative to the average-indexed-monthly-earnings method.

(b) *Restrictions.* (1) To qualify for this guaranteed-alternative computation, you must have some creditable earnings before 1979.

(2) You or your survivors do not qualify for a guaranteed-alternative computation if you were eligible (you attained age 62, became disabled, or died before age 62) for social security benefits based on your own earnings at any time before 1979 unless—

(i) Those benefits were disability insurance benefits which were terminated because you recovered from your disability or you engaged in substantial gainful activity; and

(ii) You spent at least 12 months without being eligible for disability benefits again.

(3) This guaranteed alternative method applies only to old-age insurance benefits and to survivor benefits where the deceased worker reached the month of his or her 62nd birthday after 1978 but before 1984 and died after reaching age 62.

§ 404.231 Steps in computing your primary insurance amount under the guaranteed alternative—general.

If you reach age 62 after 1978 but before 1984, we follow three major steps in finding your guaranteed alternative:

(a) First, we compute your average monthly wage, as described in § 404.232;

(b) Second, we find the primary insurance amount that corresponds to your average monthly wage in the benefit table in Appendix III.

(c) Then we apply any automatic cost-of-living or *ad hoc* increases in primary insurance amounts that have become effective in or after the year you reached age 62.

§ 404.232 Computing your average monthly wage under the guaranteed alternative.

(a) *General.* With the exception described in paragraph (b) of this section, we follow the rules in § 404.221 to compute your average monthly wage.

(b) *Exception.* We do not use any year after the year you reach age 61 as a computation base year in computing your average monthly wage for purposes of the guaranteed alternative.

§ 404.233 Adjustment of your guaranteed alternative when you become entitled after age 62.

(a) If you do not become entitled to benefits at the time you reach age 62, we adjust the guaranteed alternative computed for you under § 404.232 as described in paragraph (b) of this section.

(b) To the primary insurance amount computed under the guaranteed alternative, we apply any automatic cost-of-living or *ad hoc* increases in primary insurance amounts that go into effect in the year you reach age 62 and

in years up through the year you become entitled to benefits. (See Appendix VI for a list of the percentage increases in primary insurance amounts since December 1978.)

Example

Mr. C reaches age 62 in January 1981 and becomes entitled to old-age insurance benefits in April 1981. He had no social security earnings before 1951 and his year-by-year social security earnings after 1950 are as follows:

1951	$3,600
1952	3,600
1953	3,600
1954	3,600
1955	4,200
1956	4,200
1957	4,200
1958	4,200
1959	4,800
1960	4,800
1961	4,800
1962	4,800
1963	4,800
1964	4,800
1965	4,800
1966	6,600
1967	6,600
1968	7,800
1969	7,800
1970	7,800
1971	7,800
1972	9,000
1973	10,800
1974	13,200
1975	14,100
1976	15,300
1977	16,500
1978	17,700
1979	22,900
1980	25,900
1981	29,700

Mr. C's elapsed years are the 30 years 1951 through 1980. We subtract 5 from his 30 elapsed years to find that we must use 25 benefit computation years in computing his average monthly wage. His computation base years are 1951 through 1980 which are years after 1950 up to the year he reached age 62. We will use his 25 computation base years with the highest earnings to compute his average monthly wage. Thus, we exclude the years 1951–1955. The year 1981 is not a base year for this computation.

We total his earnings in his benefit computation years and get $236,000. We then divide by the 300 months in his 25 benefit computation years, and find his average monthly wage to be $786.66 which is rounded down to $786.

The primary insurance amount in the benefit table in Appendix III that corresponds to Mr. C's average monthly wage is $521.70. The 9.9 percent and 14.3 percent cost of living increase for 1979 and 1980, respectively, are not applicable because Mr. C reached age 62 in 1981.

The average indexed monthly earnings method described in §§ 404.210–404.212 considers all of the earnings after 1950, including 1981 earnings which, in Mr. C's case cannot be used in the guaranteed alternative method. Mr. C's primary insurance amount under the average indexed earnings method is $548.40. Therefore, his benefit is based upon the $548.40 primary insurance amount. As in the guaranteed alternative method, Mr. C is not entitled to the cost of living increases for years before the year he reaches age 62.

"Old-Start" Method of Computing Primary Insurance Amounts

§ 404.240 Old-start method—general.

If you had all or substantially all your social security earnings before 1951, your primary insurance amount computed under the "1977 simplified old-start" method may be higher than any other primary insurance amount computed for you under any other method for which you are eligible. As explained in § 404.242, if you reach age 62 after 1978, your primary insurance amount computed under the old-start method is used, for purposes of the guaranteed alternative described in § 404.230, if the old-start primary insurance amount is higher than the one found under the average-monthly-wage method.

§ 404.241 1977 simplified old-start method.

(a) *Who is qualified.* To qualify for the old-start computation, you must meet the following conditions:

(1) Have one "quarter of coverage" (see § 404.101 of this part) before 1951;

(2) Have attained age 21 after 1936 and before 1950, *or* attained age 22 after 1950 and earned fewer than 6 quarters of coverage after 1950;

(3) Have not had a period of disability which began before 1951, unless it can be disregarded, as explained in § 404.320 of this part; and

(4) Have attained age 62, became disabled, or died, after April 1977.

(b) *Steps in old-start computation.* (1) First, we allocate your earnings during the period 1937–1950 as described in paragraph (c) of this section.

(2) Next, we compute your average monthly wage, as described in paragraph (d) of this section.

(3) Next, we apply the old-start formula to your average monthly wage, as described in paragraph (e)(1) of this section.

(4) Next, we apply certain increments to the amount computed in step (3), as described in paragraph (e)(2) of this section.

(5) Next, we find your primary insurance amount in the benefit table in Appendix III, as described in paragraph (f)(1) of this section.

(6) Then, we apply automatic cost-of-living or *ad hoc* increases in primary insurance amounts to the primary insurance amount found in step (5), as described in paragraph (f)(2) of this section.

(c) *Finding your computation base years under the old-start method.* (1) Instead of using your actual year-by-year earnings before 1951, we find your computation base years for 1937–1950 (and the amount of earnings for each of them) by allocating your total 1937–1950 earnings among the years before 1951 under the following procedure:

(i) If you reached age 21 before 1950 and your total 1937–1950 earnings *are not* more than $3,000 times the number of years after the year you reached age 20 and before 1951 (a maximum of 14 years), we allocate your earnings equally among those years, and those years are your computation base years before 1951.

(ii) If you reached age 21 before 1950 and your total 1937–1950 earnings *are* more than $3,000 times the number of years after the year you reached age 20 and before 1951, we allocate your earnings at the rate of $3,000 per year for each year after you reached age 20 and before 1951 up to a maximum of 14 years. We credit any remainder in reverse order to years before age 21 in $3,000 increments and any amount left over of less than $3,000 to the year before the earliest year to which we credited $3,000. No more than $42,000 may be credited in this way and to no more than 14 years. Those years are your computation base years before 1951.

(iii) If you reached age 21 in 1950 or later and your total pre-1951 earnings are $3,000 or less, we credit the total to the year you reached age 20 and that year is your pre-1951 computation base year.

(iv) If you reached age 21 in 1950 or later and your total pre-1951 earnings are more than $3,000, we credit $3,000 to the year you reached age 20 and credit the remainder to earlier years (or year) in blocks of $3,000 in reverse order. We credit any remainder of less than $3,000 to the year before the earliest year to which we had credited $3,000. No more than $42,000 may be credited in this way and to no more than 14 years. Those years are your computation base years before 1951.

(2)(i) All years after 1950 up to (but not including) the year you become entitled to old-age insurance or disability insurance benefits (or through the year you die if you had not become entitled to old-age or disability benefits) are also computation base years for you.

(ii) Years wholly within a period of disability are not computation base years unless your primary insurance amount would be higher if they were. In such situations, we count all the years during the period of disability, even if you had no earnings in some of them.

Example. Ms. D reaches age 62 in June 1979. Her total 1937–1950 social security earnings are $40,000 and she had social security earnings of $7,100 in 1976 and $6,300 in 1977. Since she reaches age 62 after 1978, we first compute her primary insurance amount under the average-indexed-monthly-earnings method (§§ 404.210–404.212). As of June 1981, it is $170.50, which is the minimum primary insurance amount applicable, because her average indexed monthly earnings of $50 would yield only $56.50 under the benefit formula. Ms. D reached age 62 after 1978 but before 1984 and her guaranteed alternative under the average-monthly-wage method as of June 1981 is $170.30, which is the minimum primary insurance amount based on average monthly wages of $48. (These amounts include the 9.9, the 14.3, and the 11.2 percent cost-of-living increases effective June 1979, June 1980, and June 1981 respectively.)

Ms. D is also eligible for the old-start method. We first allocate $3,000 of her 1937–1950 earnings to each of her 13 computation base years starting with the year she reached age 21 (1938) and ending with 1950. The remaining $1,000 is credited to the year she reached age 20. Ms. D, then, has 42 computation base years (14 before 1951 and 28 after 1950).

(d) *Computing your average monthly wage under the old-start method.* (1) First, we count your elapsed years, which are the years beginning with 1937 (or the year you reach 22, if later) and ending with the year before you reach age 62, or become disabled or die before age 62. (See § 404.211(e)(1) for the rule on how we treat years wholly or partially within a period of disability.)

(2) Next, we subtract 5 from the number of your elapsed years, and this is the number of computation years we must use. We then choose this number of your computation base years in which you had the highest earnings. These years are your benefit computation years. You must have at least 2 benefit computation years.

(3) Then we compute your average monthly wage by dividing your total creditable earnings in your benefit computation years by the number of months in these years and rounding the quotient to the next lower dollar if not already a multiple of $1.

(e) *Old-start computation formula.* We use the following formula to compute your primary insurance benefit, which we will convert to your primary insurance amount:

(1) We take 40 percent of the first $50 of your average monthly wage, plus 10 percent of the next $200 of your average monthly wage up to a total average monthly wage of $250. (We do not use more than $250 of your average monthly wage.)

(2) We increase the amount found in paragraph (e)(1) of this section by 1 percent for each $1,650 in your pre-1951 earnings, disregarding any remainder less than $1,650. We always increase the amount by at least 4 of these 1 percent increments but may not increase it by more than 14 of them.

(f) *Finding your primary insurance amount under the old-start method.* (1) In Column I of the benefit table in Appendix III we locate the amount (the primary insurance benefit) computed in paragraph (e) of this section and find the corresponding primary insurance amount on the same line in Column IV of the table.

(2) We increase that amount by any automatic cost-of-living or *ad hoc* increases in primary insurance amounts effective since the beginning of the year in which you reached age 62, or became disabled or died before age 62. (See §§ 404.270–404.277.)

Example. From the example in paragraph (c)(2) of this section, we see that Ms. D's elapsed years total 40 (number of years at ages 22 to 61, both inclusive). Her benefit computation years, therefore, must total 35. Since she has only 16 years of actual earnings, we must include 19 years of zero earnings in this old-start computation to reach the required 35 benefit computation years.

We next divide her total social security earnings ($53,400) by the 420 months in her benefit computation years and find her average monthly wage to be $127.

We apply the old-start computation formula to Ms. D's average monthly wage as follows: 40 percent of the first $50 of her average monthly wage ($20.00), plus 10 percent of the remaining $77 of her average monthly wage ($7.70), for a total of $27.70.

We then apply 14 1-percent increments to that amount, increasing it by $3.88 to $31.58. We find $31.58 in Column I of the December 1978 benefit table in Appendix III and find her primary insurance amount of $195.90 on the same line in Column IV. We apply the 9.9 percent automatic cost-of-living increase effective for June 1979 to $195.90 and get an old-start primary insurance amount of $215.30 which we then increase to $246.10 to reflect the 14.3 percent cost-of-living increase effective for June 1980, and to $273.70 to reflect the June 1981 increase. Since that primary insurance amount is higher than the $153.10 primary insurance amount computed under the average-monthly-wage method and the $153.30 primary insurance amount computed under the average-indexed-monthly-earnings method, we base Ms. D's benefits (and those of her family) on $215.30 (plus later cost-of-living increases), which is the highest primary insurance amount.

§ 404.242 Use of old-start primary insurance amount as guaranteed alternative.

If your primary insurance amount as computed under the old-start method is higher than your primary insurance amount computed under the average-monthly-wage method, your old-start primary insurance amount will serve as the guaranteed alternative to your primary insurance amount computed under the average-indexed-monthly-earnings method, as described in § 404.230. However, earnings that you have in or after the year you reach age 62, or become disabled or die before age 62 are not used in an old-start computation in this situation.

Special Computation Rules for People Who Had a Period of Disability

§ 404.250 Special computation rules for people who had a period of disability.

If you were disabled at some time in your life, received disability insurance benefits, and those benefits were terminated because you recovered from your disability or because you engaged in substantial gainful activity, special rules apply in computing your primary insurance amount when you become eligible after 1978 for old-age insurance benefits or if you become re-entitled to disability insurance benefits or die. (For purposes of §§ 404.250–404.252, we use the term "second entitlement" to refer to this situation.) There are two sets of rules:

(a) *Second entitlement within 12 months.* If 12 months or fewer pass between the last month for which you received a disability insurance benefit and your second entitlement, see the rules in § 404.251; and

(b) *Second entitlement after more than 12 months.* If more than 12 months pass between the last month for which you received a disability insurance benefit and your second entitlement, see the rules in § 404.252.

§ 404.251 Subsequent entitlement to benefits within 12 months after entitlement to disability benefits ended.

(a) *Disability before 1979; second entitlement after 1978.* In this situation, we compute your second-entitlement primary insurance amount by selecting the highest of the following:

(1) The primary insurance amount to which you were entitled when you last received a benefit, increased by any automatic cost-of-living or *ad hoc* increases in primary insurance amounts that took effect since then;

(2) The primary insurance amount resulting from a recomputation of your

primary insurance amount, if one is possible; or

(3) The primary insurance amount computed for you as of the time of your second entitlement under any method for which you are qualified at that time, including the average-indexed-monthly-earnings method if the previous period of disability is disregarded.

(b) *Disability and second entitlement after 1978.* In this situation, we compute your second-entitlement primary insurance amount by selecting the highest of the following:

(1) The primary insurance amount to which you were entitled when you last received a benefit, increased by any automatic cost-of-living or *ad hoc* increases in primary insurance amount that took effect since then;

(2) The primary insurance amount resulting from a recomputation of your primary insurance amount, if one is possible (this recomputation may be under the average-indexed-monthly-earnings method only); or

(3) The primary insurance amount computed for you as of the time of your second entitlement under any method (including an old-start method) for which you are qualifed at that time.

§ 404.252 Subsequent entitlement to benefits more than 12 months after entitlement to disability benefits ended.

In this situation, we compute your second-entitlement primary insurance amount by selecting the higher of the following:

(a) *New primary insurance amount.* The primary insurance amount computed as of the time of your second entitlement under any of the computation methods for which you qualify at the time of your second entitlement; or

(b) *Previous primary insurance amount.* The primary insurance amount to which you were entitled in the last month for which you were entitled to a disability insurance benefit.

Special Minimum Primary Insurance Amounts

§ 404.260 Special minimum primary insurance amounts.

Regardless of the method we use to compute your primary insurance amount, if the special minimum primary insurance amount described in § 404.261 is higher, then your benefits (and those of your dependents or survivors) will be based on the special minimum primary insurance amount. Special minimum primary insurance amounts are not based on a worker's average earnings, as are primary insurance amounts computed under other methods. Rather, the special minimum primary insurance amount is designed to provide higher benefits to people who worked for long periods in low-paid jobs covered by social security.

§ 404.261 Computing your special minimum primary insurance amount.

(a) *Years of coverage.* (1) The first step in computing your special minimum primary insurance amount is to find the number of your years of coverage, which is the sum of—

(i) The quotient found by dividing your total creditable social security earnings during the period 1937–1950 by $900, disregarding any fractional remainder; plus

(ii) The number of your computation base years after 1950 in which your social security earnings were at least the amounts shown in Appendix IV. ("Computation base years" mean the same here as in other computation methods discussed in this subpart.)

(2) You must have at least 11 years of coverage to qualify for a special minimum primary insurance amount computation. However, special minimum primary insurance amounts based on more than 10 years of coverage are usually lower than the regular minimum benefit, which is $170.30 beginning in June 1981. In these situations we base your benefits on the higher, regular primary insurance amount.

(b) *Computing your special minimum primary insurance amount.* (1) First, we subtract 10 from your years of coverage and multiply the remainder (at least 1 and no more than 20) by $11.50;

(2) Then we increase the amount found in paragraph (b)(1) of this section by any automatic cost-of-living or *ad hoc* increases that have become effective since December 1978 to find your special minimum primary insurance amount. See Appendix V for the applicable table, which includes the 9.9 percent cost-of-living increase that became effective June 1979, the 14.3 percent increase that became effective June 1980, and the 11.2 percent increase that became effective June 1981.

Example. Ms. F, who attained age 62 in January 1979, had $10,000 in total social security earnings before 1951 and her post-1950 earnings are as follows:

1951	$1,100
1952	950
1953	0
1954	1,000
1955	1,100
1956	1,200
1957	0
1958	1,300
1959	0
1960	1,300
1961	0
1962	1,400
1963	1,300
1964	0
1965	500
1966	700
1967	650
1968	900
1969	1,950
1970	2,100
1971	2,000
1972	1,500
1973	2,700
1974	2,100
1975	2,600
1976	3,850
1977	4,150
1978	0

Her primary insurance amount under the average-indexed-monthly-earnings method as of June 1981 is $240.40 (based on average indexed monthly earnings of $229). Her guaranteed-alternative primary insurance amount under the average-monthly-wage method as of June 1981 is $255.80 (based on average monthly wages of $131).

However, Ms. F has enough earnings before 1951 to allow her 11 years of coverage before 1951 ($10,000÷$900=11, plus a remainder, which we drop). She has sufficient earnings in 1951–52, 1954–56, 1958, 1960, 1962–63, 1969–71, 1973, and 1976–77 to have a year of coverage for each of those years. She thus has 15 years of coverage after 1950 and a total of 26 years of coverage. We subtract 10 from her years of coverage, multiply the remainder (16) by $11.50 and get $184.00. We then apply the June 1979, June 1980, and June 1981 automatic cost-of-living increases (9.9 percent, 14.3 percent, and 11.2 percent, respectively) to that amount to find her special minimum primary insurance amount of $202.30 effective June 1979, $231.30 effective June 1980, and $257.30 effective June 1981. (See Appendices V and VI.) Since her special minimum primary insurance amount is higher than the primary insurance amounts computed for her under the other methods described in this subpart for which she is eligible, her benefits (and those of her family) are based on the special minimum primary insurance amount.

Cost-of-Living Increases

§ 404.270 Cost-of-living increases.

Your primary insurance amount may be automatically increased each June so it keeps up with rises in the cost of living. These automatic increases also apply to other benefit amounts, as described in § 404.271.

§ 404.271 When automatic cost-of-living increases apply.

Besides increases in the primary insurance amounts of current

beneficiaries, automatic cost-of-living increases also apply to—

(a) The benefits of certain uninsured people age 72 and older (see § 404.374);

(b) The special minimum primary insurance amounts (described in §§ 404.260–404.261) of current and future beneficiaries;

(c) The primary insurance amounts of people who after 1978 become eligible for benefits or die before becoming eligible (beginning with June of the year they become eligible or die), although certain limitations are placed on the automatic adjustment of the frozen minimum primary insurance amount (as described in § 404.277); and

(d) The "maximum family benefit amounts" in Column V of the benefit table in Appendix III.

§ 404.272 Use of Consumer Price Index to measure the rise in the cost of living.

We use the revised Consumer Price Index (CPI) for urban wage earners and clerical workers, published by the Department of Labor, to measure rises in the cost of living for annual automatic-increase purposes.

§ 404.273 When automatic cost-of-living increases are to be made.

We make automatic cost-of-living increases when the CPI rises by 3 percent or more over a specified measuring period (see the rules in § 404.274).

§ 404.274 Measuring the increase in the Consumer Price Index.

(a) *General.* We measure the rise in the CPI during the applicable measuring period (described in paragraph (b) of this section) to determine the amount of automatic cost-of-living increases.

(b) *Measuring period.* (1) The measuring period we use for finding the amount of automatic cost-of-living increases—

(i) Begins with—

(A) The first calendar quarter of any year in which an automatic increase became effective; or

(B) Any calendar quarter in which an *ad hoc* benefit increase is effective; and

(ii) Ends with the first calendar quarter of the following year, but only if the CPI has increased by at least 3 percent since the beginning of the measuring period (if the CPI increase is less than 3 percent, we extend the measuring period to the first quarter of the next year, doing so repeatedly until the 3 percent level is reached).

(2) No automatic cost-of-living increase is possible for the calendar year that immediately follows a year in which an *ad hoc* increase took effect (or was passed by Congress and signed into law by the President). The measuring period for the next automatic cost-of-living increase—

(i) Begins with the calendar quarter in which the *ad hoc* increase took effect; and

(ii) Ends with the first calendar quarter of the second year after the year of the *ad hoc* increase, but only if the CPI has increased by at least 3 percent since the beginning of the measuring period. (If the CPI increase is less than 3 percent, we extend the measuring period to the first quarter of the next year, doing so repeatedly until the 3 percent level is reached.)

§ 404.275 Amount of automatic cost-of-living increase.

When the average of the CPI for the three months of the quarter ending the measuring period is at least 3 percent higher than the average of the CPI for the three months of the first quarter in the measuring period, an automatic cost-of-living increase is due. To compute the average of the CPI, the three monthly CPI figures (which are published to one decimal place) are added, and the total is divided by 3 and then rounded to the nearest 0.1. We apply the increase (rounded to the nearest one-tenth of one percent) to the amounts described in § 404.271. We round the resulting amounts to the next higher multiple of $0.10 if not already a multiple of $0.10.

Example. Mr. G's primary insurance amount in January 1979 is $200. The measurement for the June 1979 automatic cost-of-living increase is between the calendar quarter ending March 31, 1978, and the quarter which ends a year later. The average of the CPI for the 3 months of the calendar quarter ending March 31, 1979, is found to be 9.9 percent higher than the average of the CPI for the 3 months of the calendar quarter ending March 31, 1978. We increase Mr. G's primary insurance amount by 9.9 percent to $219.80 effective beginning with June 1979, by 14.3 percent to $251.30 effective with June 1980, and by 11.2 percent to $279.50 effective with June 1981. We will check CPI increases in each subsequent measuring period to determine cost-of-living increases.

§ 404.276 Publication of notice of increase.

When we determine that an automatic cost-of-living increase is due, we publish in the **Federal Register** within 45 days of the end of the measuring period used in finding the amount of the increase—

(a) The fact that an increase is due;

(b) The amount of the increase;

(c) The increased special minimum primary insurance amounts; and

(d) The range of increased maximum family benefits that corresponds to the range of increased special minimum primary insurance amounts.

§ 404.277 Automatic increases of "frozen" minimum primary insurance amount.

(a) *General.* There are special rules for automatic cost-of-living increases in the minimum primary insurance amount for people whose primary insurance amount is computed under the average-indexed-monthly-earnings method. The minimum primary insurance amount is "frozen," for people becoming eligible after 1978, at $122 (the least amount in the benefit table in effect in December 1978, rounded to the next higher $1.00. See Appendix III.). The frozen minimum is subject to automatic cost-of-living increases only in years in which you or your dependents or survivors are entitled to benefits.

(b) *Old-age insurance benefit based on frozen minimum primary insurance amount.* We apply automatic cost-of-living increases to your minimum primary insurance amount beginning with the earliest of—

(1) June of the year you become entitled to benefits and get at least a partial benefit; or

(2) June of the year you reach age 65 if you are entitled to benefits at or before age 65, regardless of whether you get at least a partial benefit; or

(3) June of the year you become entitled to benefits if that is not until after you reach age 65.

(c) *Survivor benefits based on minimum primary insurance amount either before or after the worker's entitlement to old-age insurance benefits.*

(1) We apply automatic cost-of-living increases to your minimum primary insurance amount for purposes of adjusting the benefits of your survivors—

(i) In June of any year in which your children, your surviving spouse caring for your children, or your parents are entitled to survivors benefits for at least one month; and

(ii) Beginning with June of the earlier of—

(A) The year your aged surviving spouse (as defined in §§ 404.335 and 404.336) becomes entitled to benefits and gets at least a partial benefit; or

(B) The year your surviving spouse is 65 or older and becomes entitled to benefits.

(2) Automatic cost-of-living increases are not applied to your minimum primary insurance amount in any year in which no survivor of yours is entitled to benefits on your social security record.

Recomputing Your Primary Insurance Amount

§ 404.280 Recomputations.

At times after you or your survivors become entitled to benefits, we will recompute your primary insurance amount if doing so will increase it. There is no limit on the number of times your primary insurance amount may be recomputed, and we do most recomputations automatically. In the following sections, we explain:

(1) Why a recomputation is made (§ 404.281),

(2) When a recomputation takes effect (§ 404.282),

(3) Methods of recomputing (§§ 404.283 and 404.284),

(4) Automatic recomputations (§ 404.285),

(5) Requesting a recomputation (§ 404.286), and

(6) Waiving a recomputation (§ 404.287).

§ 404.281 Why your primary insurance amount may be recomputed.

(a) *Earnings not included in earlier computation or recomputation.* The most common reason for recomputing your primary insurance amount is to include earnings of yours that were not used in the first computation or in an earlier recomputation, as described in paragraphs (c) through (e) of this section. These earnings will result in a revised average monthly wage or revised average indexed monthly earnings.

(b) *New computation method enacted.* If a new method of computing or recomputing primary insurance amounts is enacted into law and you are eligible to have your primary insurance amount recomputed under the new method, we will recompute it under the new method if doing so would increase your primary insurance amount.

(c) *Earnings in the year you reach age 62 or become disabled.* In the initial computation of your primary insurance amount, we do not use your earnings in the year you become entitled to old-age insurance benefits or become disabled. However, we can use those earnings (called "lag earnings") in a recomputation of your primary insurance amount. We recompute and begin paying you the higher benefits in the year after the year you become entitled to old-age benefits or become disabled.

(d) *Earnings not reported to us in time to use them in the computation of your primary insurance amount.* Because of the way reports of earnings are required to be submitted to us for years after 1977, the earnings you have in the year before you become entitled to old-age insurance benefits, or become disabled or in the year you die might not be reported to us in time to use them in computing your primary insurance amount. We recompute your primary insurance amount based on the new earnings information and begin paying you (or your survivors) the higher benefits based on the additional earnings, beginning with the month you became entitled or died.

(e) *Earnings after entitlement that are used in a recomputation.* Earnings that you have after you become entitled to benefits will be used in a recomputation of your primary insurance amount.

§ 404.282 Effective date of recomputations.

Most recomputations are effective beginning with January of the calendar year after the year in which the additional earnings used in the recomputation were paid. However, a recomputation to include earnings in the year of death (whether or not paid before death) is effective for the month of death.

§ 404.283 Recomputation under method other than that used to find your primary insurance amount.

In some cases, we may recompute your primary insurance amount under a computation method different from the method used in the computation (or earlier recomputation) of your primary insurance amount, if you are eligible for a computation or recomputation under the different method.

§ 404.284 Recomputations for people who reach age 62, or become disabled or die before age 62 after 1978.

(a) *General.* Years of your earnings after 1978 not used in the computation of your primary insurance amount (or in earlier recomputations) under the average-indexed-monthly-earnings method may be substituted for earlier years of your indexed earnings in a recomputation, but only under the average-indexed-monthly-earnings method.

(b) *Substituting actual dollar amounts in earnings for earlier years of indexed earnings.* When we recompute your primary insurance amount under the average-indexed-monthly earnings method, we use actual dollar amounts, i.e., no indexing, for earnings not included in the initial computation or earlier recomputation. These later earnings are substituted for earlier years of indexed or actual earnings that are lower.

(c) *Benefit formula used in recomputation.* The formula that was used in the first computation of your primary insurance amount is also used in recomputations of your primary insurance amount.

(d) *Your recomputed primary insurance amount.* We recompute your primary insurance amount by applying the benefit formula to your average indexed monthly earnings as revised to include additional earnings. See § 404.281. We then increase the recomputed PIA by the amounts of any automatic cost-of-living or *ad hoc* increases in primary insurance amounts that have become effective since you reached age 62, or became disabled or died before age 62.

(e) *Minimum increase in primary insurance amounts.* Your primary insurance amount may not be recomputed unless doing so would increase it by at least $1.

Example 1. Ms. A, whose primary insurance amount we computed to be $432.40 in June 1979 in §§ 404.210–404.212 (based on average indexed monthly earnings of $903), had earnings of $11,000 in 1979 which were not used in the initial computation of her primary insurance amount. We may recompute her primary insurance amount effective for January 1980. In this recomputation, her 1979 earnings may be substituted in their actual dollar amount for the lowest year of her indexed earnings that was used in the initial computation. In Ms. A's case, we substitute the $11,000 for her 1966 indexed earnings of $8,911.36. Her total indexed earnings are now $251,470.05 and her new average indexed monthly earnings are $911. We apply to Ms. A's new average indexed monthly earnings the same benefit formula we used in the initial computation. Doing so produces an amount of $396.00. An automatic cost-of-living increase of 9.9 percent was effective in June 1979. We increase the $396.00 amount by 9.9 percent to find Ms. A's recomputed primary insurance amount of $435.30. Later we increased the primary insurance amount to $497.60 to reflect the 14.3 percent cost-of-living increase beginning June 1980 and to $553.40 to reflect the 11.2 percent cost-of-living increase beginning June 1981.

Example 2. Mr. B, whose primary insurance amount we computed to be $429.20 (based on average monthly wages of $502) in June 1978 in §§ 404.220–404.222, had earnings of $12,000 in 1978 which were not used in the initial computation of his primary insurance amount. We may recompute his primary insurance amount effective for January 1979. In this recomputation, his 1978 earnings are substituted for the lowest year of earnings used in the initial computation ($2,700 in 1952). Mr. B's total earnings are now $142,000 and his new average monthly wage is $537.

We next find Mr. B's new average monthly wage in Column III of the December 1978 benefit table in Appendix III. Reading across, we find his recomputed primary insurance amount on the same line in Column IV, which is $407.70. We then apply the 9.9 percent, the 14.3 percent and the 11.2 percent automatic cost-of-living increases for June 1979, June

1980, and June 1981, respectively, to compute Mr. B's primary insurance amount of $569.60.

(f) *Guaranteed alternatives.* We may recompute your primary insurance amount by any of the following methods for which you qualify, if doing so would result in a higher amount than the one computed under the average-indexed-monthly-earnings method. Earnings in or after the year you reach age 62 cannot be used.

(1) If you reached age 62 after 1978 and before 1984, we may recompute to include earnings for years before the year you reached age 62 by using the guaranteed alternative (§ 404.231). We will increase the result by any cost-of-living or *ad hoc* increases in the primary insurance amounts that have become effective in and after the year you reached age 62.

(2) We will also recompute under the old-start guarantee (§ 404.242) and the prior-disability guarantee (§ 404.252) if you meet the requirements of either or both these methods.

§ 404.285 Recomputations performed automatically.

Each year, we examine the earnings record of every retired, disabled, and deceased worker to see if the worker's primary insurance amount may be recomputed under any of the methods we have described. When a recomputation is called for, we perform it automatically and begin paying the higher benefits based on your recomputed primary insurance amount for the earliest possible month that the recomputation can be effective. You do not have to request this service, although you may request a recomputation at an earlier date than one would otherwise be performed (see § 404.286). Doing so, however, does not allow your increased primary insurance amount to be effective any sooner than it would be under an automatic recomputation. You may also waive a recomputation if one would disadvantage you or your family (see § 404.287).

§ 404.286 How to request an immediate recomputation.

You may request that your primary insurance amount be recomputed sooner than it would be recomputed automatically. To do so, you must make the request in writing to us and provide acceptable evidence of your earnings not included in the first computation or earlier recomputation of your primary insurance amount. If doing so will increase your primary insurance amount, we will recompute it. However, we cannot begin paying higher benefits on the recomputed primary insurance amount any sooner than we could under an automatic recomputation, i.e., for January of the year following the year in which the earnings were paid or derived.

§ 404.287 Waiver of recomputation.

If you or your family would be disadvantaged in some way by a recomputation of your primary insurance amount, or you and every member of your family do not want your primary insurance amount to be recomputed for any other reason, you may waive (that is, give up your right to) a recomputation, but you must do so in writing. That you waive one recomputation, however, does not mean that you also waive future recomputations for which you might be eligible.

Recalculations of Primary Insurance Amounts

§ 404.290 Recalculations.

(a) Your primary insurance amount may be "recalculated" in certain instances. When we recalculate your primary amount, we refigure it under the same method we used in the first computation by taking into account—

(1) Earnings (including compensation for railroad service) incorrectly included or excluded in the first computation;

(2) Special deemed earnings credits including credits for military service (see Subpart N of this part) and for individuals interned during World War II (see Subpart K of this part), not available at the time of the first computation;

(3) Correction of clerical or mathematical errors; or

(4) Other miscellaneous changes in status.

(b) Unlike recomputations, which may only serve to increase your primary insurance amount, recalculations may serve to either increase or reduce it.

Appendices

The following appendices contain data that are needed in computing primary insurance amounts. Appendix I contains "average of the total wages" figures, which we use to "index" a worker's earnings for purposes of computing his or her average indexed monthly earnings. Appendix II contains benefit formulas which we apply to a worker's average indexed monthly earnings to find his or her primary insurance amount. Appendix III contains the benefit table we use to find a worker's primary insurance amount from his or her average monthly wage. We use the figures in Appendix IV to find your years of coverage for years after 1950 for purposes of your special minimum primary insurance amount. Appendix V contains the table for computing the special minimum primary insurance amount. Appendix VI is a table of the percentage increases in primary insurance amounts since 1978.

The figures in the appendices are by law automatically adjusted each year. We are required to announce the changes through timely publication in the **Federal Register**. We do not change every one of these figures, but instead provide new ones for each year that passes. We continue to use the old ones for various computation purposes, as the regulations show. Most of the new figures for these appendices are required by law to be published by November 1 of each year. The two exceptions to this date are the publication requirements for new data for Appendix V, "Computing the Special Minimum Primary Insurance Amount and Related Maximum Family Benefits," and Appendix VI, "Percentage of Increases in Primary Insurance Amounts After 1978." Notice of automatic cost-of-living increases in primary insurance amounts is required to be published within 45 days of the end of the applicable measuring period for the increase (see §§404.274 and 404.276). In effect, publication is required within 45 days of the end of the first calendar quarter of any year in which there is to be an automatic cost-of-living increase (that is, by May 15).

We begin to use the new data in computing primary insurance amounts as soon as required by law, even before we periodically update these appendices. If the data you need to find your primary insurance amount have not yet been included in the appendices, you may find the figures in the **Federal Register** on or about the dates specified.

Appendix I—Average of the Total Wages for Years after 1950

Explanation: We use these figures to index your social security earnings (as described in § 404.211) for purposes of computing your average indexed monthly earnings.

Calendar year	Average of the total wages
1951	$2,799.16
1952	2,973.32
1953	3,139.44
1954	3,155.64
1955	3,301.44
1956	3,532.36
1957	3,641.72
1958	3,673.80
1959	3,855.80
1960	4,007.12
1961	4,086.76
1962	4,291.40
1963	4,396.64
1964	4,576.32
1965	4,658.72
1966	4,938.36
1967	5,213.44
1968	5,571.76
1969	5,893.76
1970	6,186.24
1971	6,497.08
1972	7,133.80
1973	7,580.16
1974	8,030.76
1975	8,630.92
1976	9,226.48
1977	9,779.44
1978	10,556.03
1979	11,479.46
1980	12,513.46

Appendix II—Benefit Formulas Used With Average Indexed Monthly Earnings

As explained in § 404.212, we use one of the formulas below to compute your primary insurance amount from your average indexed monthly earnings (AIME). To select the appropriate formula, we find in the left-hand column the year after 1978 in which you reach age 62, or become disabled, or die before age 62. The benefit formula to be used in computing your primary insurance amount begins on the same line in the right-hand column. After we figure your amount for each step in the formula, we add the amounts and round the total upward to the nearest $0.10, (ten cents), if not already a multiple of $0.10.

BENEFIT FORMULAS

Year you reach age 62—[1]	Formula
1979	90 percent of the first $180 of AIME; plus 32 percent of the next $905 of AIME; plus 15 percent of AIME over $1,085.
1980	90 percent of the first $194 of AIME; plus 32 percent of the next $977 of AIME; plus 15 percent of AIME over $1,171.
1981	90 percent of the first $211 of AIME; plus 32 percent of the next $1,063 of AIME; plus 15 percent of AIME over $1,274.
1982	90 percent of the first $230 of AIME; plus 32 percent of the next $1,158 of AIME; plus 15 percent of AIME over $1,388.

[1] Or become disabled or die before age 62.

Appendix III.—Benefit Table

This benefit table shows primary insurance amounts and maximum family benefits in effect in December 1978 based on cost-of-living increases which became effective for June 1978. (See § 404.403 for information on maximum family benefits.) You will also be able to find primary insurance amounts for an individual whose entitlement began in the period June 1977 through May 1978.

To use this table, you must first compute the primary insurance benefit (column I) or the average monthly wage (column III), then move across the same line to either column II or column IV as appropriate. To determine increases in primary insurance amounts since December 1978, you should see Appendix VI. Appendix VI tells you, by year, the percentage of the increases. In applying each cost-of-living increase to primary insurance amounts, we round the increased primary insurance amount to the next higher multiple of $0.10 if not already a multiple of $0.10.

TABLE OF BENEFITS IN EFFECT IN DECEMBER 1978

I. Primary insurance benefit: If an individual's primary insurance benefit (as determined under § 404.241(e)) is—		II. Primary insurance amount effective June 1977: Or his or her primary insurance amount is—	III. Average monthly wage: Or his or her average monthly wage (as determined under § 404.221) is—		IV. Primary insurance amount effective June 1978: Then his or her primary insurance amount is—	V. Maximum family benefits: And the maximum amount of benefits payable on the basis of his or her wages and self-employment income is—
At least—	But not more than—		At least—	But not more than—		
	$16.20	$114.30		$76	$121.80	$182.70
$16.21	16.84	116.10	$7.7	78	123.70	185.60
16.85	17.60	118.80	79	80	126.60	189.90
17.61	18.40	121.00	81	81	128.90	193.50
18.41	19.24	123.10	82	83	131.20	196.80
19.25	20.00	125.80	84	85	134.00	201.00
20.01	20.64	128.10	86	87	136.50	204.80
20.65	21.28	130.10	88	89	138.60	207.90
21.29	21.88	132.70	90	90	141.40	212.10
21.89	22.28	135.00	91	92	143.80	215.70
22.29	22.68	137.20	93	94	146.20	219.20
22.69	23.08	139.40	95	96	148.50	222.80
23.09	23.44	142.00	97	97	151.30	227.00
23.45	23.76	144.30	98	99	153.70	230.60
23.77	24.20	147.10	100	101	156.70	235.10
24.21	24.60	149.20	102	102	158.90	238.50
24.61	25.00	151.70	103	104	161.60	242.40
25.01	25.48	154.50	105	106	164.60	246.90
25.49	25.92	157.00	107	107	167.30	251.00
25.93	26.40	159.40	108	109	169.80	254.80
26.41	26.94	161.90	110	113	172.50	258.80
26.95	27.46	164.20	114	118	174.90	262.40
27.47	28.00	166.70	119	122	177.60	266.50
28.01	28.68	169.30	123	127	180.40	270.60
28.69	29.25	171.80	128	132	183.00	274.60
29.26	29.68	174.10	133	136	185.50	278.30
29.69	30.36	176.50	137	141	188.00	282.10
30.37	30.92	179.10	142	146	190.80	286.20
30.93	31.36	181.70	147	150	193.60	290.40
31.37	32.00	183.90	151	155	195.90	293.90
32.01	32.60	186.50	156	160	198.70	298.10
32.60	33.20	189.00	161	164	201.30	302.00
33.21	33.88	191.40	165	169	203.90	305.90
33.89	34.50	194.00	170	174	206.70	310.10
34.51	35.00	196.30	175	178	209.10	313.70
35.01	35.80	198.90	179	183	211.90	318.00
35.81	36.40	201.30	184	188	214.40	321.70
36.41	37.08	203.90	189	193	217.20	326.00
37.09	37.60	206.40	194	197	219.90	329.90
37.61	38.20	208.80	198	202	222.40	333.60
38.21	39.12	211.50	203	207	225.30	338.0
39.13	39.68	214.00	208	211	228.00	342.00
39.69	40.33	216.00	212	216	230.10	345.20
40.34	41.12	218.70	217	221	233.00	349.50
41.13	41.76	221.20	222	225	235.60	353.40
41.77	42.44	223.90	226	230	238.50	357.80
42.45	43.20	226.30	231	235	241.10	361.70
43.21	43.76	229.10	236	239	244.00	366.10
43.77	44.44	231.20	240	244	246.30	371.10
44.45	44.88	233.50	245	249	248.70	378.80
44.89	45.60	236.40	250	253	251.80	384.90
		238.70	254	258	254.30	392.50
		240.80	259	263	256.50	400.00
		243.70	264	267	259.60	406.00
		246.10	268	272	262.10	413.70
		248.70	273	277	264.90	421.20

TABLE OF BENEFITS IN EFFECT IN DECEMBER 1978—Continued

I. Primary insurance benefit: If an individual's primary insurance benefit (as determined under § 404.241(e)) is—		II. Primary insurance amount effective June 1977: Or his or her primary insurance amount is—	III. Average monthly wage: Or his or her average monthly wage (as determined under § 404.221) is—		IV. Primary insurance amount effective June 1978: Then his or her primary insurance amount is—	V. Maximum family benefits: And the maximum amount of benefits payable on the basis of his or her wages and self-employment income is—
At least—	But not more than—		At least—	But not more than—		
		251.00	278	281	267.40	427.20
		253.50	282	286	270.00	434.90
		256.20	287	291	272.90	442.60
		258.30	292	295	275.10	448.50
		261.10	296	300	278.10	456.10
		263.50	301	305	280.70	463.80
		265.80	306	309	283.10	469.80
		268.50	310	314	286.00	477.40
		270.70	315	319	288.30	485.10
		273.20	320	323	291.00	491.10
		275.80	324	328	293.80	498.70
		278.10	329	333	296.20	506.20
		281.00	334	337	299.30	512.50
		283.00	338	342	301.40	519.90
		285.60	343	347	304.20	527.50
		288.30	348	351	307.10	533.60
		290.50	352	356	309.40	541.20
		293.30	357	361	312.40	548.80
		295.60	362	365	314.90	554.90
		297.90	366	370	317.30	562.50
		300.60	371	375	320.20	569.90
		303.10	376	379	322.90	576.30
		305.70	380	384	325.60	583.90
		307.90	385	389	328.00	591.30
		310.30	390	393	330.50	597.40
		313.00	394	398	333.40	605.10
		315.40	399	403	336.00	612.70
		318.20	404	407	338.90	618.60
		320.20	408	412	341.10	626.30
		322.50	413	417	343.50	633.80
		324.80	418	421	346.00	639.90
		327.40	422	426	348.70	647.50
		329.60	427	431	351.10	655.10
		331.60	432	436	353.20	662.70
		334.40	437	440	356.20	665.70
		336.50	441	445	358.40	669.70
		338.70	446	450	360.80	673.40
		341.30	451	454	363.50	676.30
		343.50	455	459	365.90	680.10
		345.80	460	464	368.30	683.80
		347.90	465	468	370.60	687.10
		350.70	469	473	373.50	690.80
		352.60	474	478	375.60	694.60
		354.90	479	482	378.00	697.70
		357.40	483	487	380.70	701.60
		359.70	488	492	383.10	705.40
		361.90	493	496	385.50	708.40
		364.50	497	501	388.20	712.10
		366.60	502	506	390.50	715.80
		368.90	507	510	392.90	719.00
		371.10	511	515	395.30	722.80
		373.70	516	520	398.00	726.70
		375.80	521	524	400.30	729.50
		378.10	525	529	402.70	733.30
		380.80	530	534	405.60	737.10
		382.80	535	538	407.70	740.20
		385.10	539	543	410.20	744.10
		387.60	544	548	412.80	747.80
		389.90	549	553	415.30	751.60
		392.10	554	556	417.60	753.90
		393.90	557	560	419.60	756.90
		396.10	561	563	421.90	759.30
		398.20	564	567	424.10	762.30
		400.40	568	570	426.50	764.50
		402.30	571	574	428.50	767.50
		404.40	575	577	430.70	769.90
		406.20	578	581	432.70	772.80
		408.40	582	584	435.00	775.20
		410.20	585	588	436.90	778.20
		412.60	589	591	439.50	780.50
		414.60	592	595	441.60	783.50
		416.70	596	598	443.80	785.60
		418.70	599	602	446.00	788.90
		420.70	603	605	448.10	791.10
		422.80	606	609	450.30	794.00
		424.90	610	612	452.60	796.50
		426.90	613	616	454.70	799.50
		428.90	617	620	456.80	802.50
		431.00	621	623	459.10	804.80
		433.00	624	627	461.20	807.90
		435.10	628	630	463.40	810.70
		437.10	631	634	465.60	814.70
		439.20	635	637	467.80	818.50

TABLE OF BENEFITS IN EFFECT IN DECEMBER 1978—Continued

I. Primary insurance benefit: If an individual's primary insurance benefit (as determined under § 404.241(e)) is—		II. Primary insurance amount effective June 1977: Or his or her primary insurance amount is—	III. Average monthly wage: Or his or her average monthly wage (as determined under § 404.221) is—		IV. Primary insurance amount effective June 1978: Then his or her primary insurance amount is—	V. Maximum family benefits: And the maximum amount of benefits payable on the basis of his or her wages and self-employment income is—
At least—	But not more than—		At least—	But not more than—		
		441.40	638	641	470.10	822.40
		443.20	642	644	472.10	826.10
		445.40	645	648	474.40	830.10
		447.40	649	652	476.50	833.70
		448.60	653	656	477.80	836.10
		449.90	657	660	479.20	838.40
		451.50	661	665	480.90	841.50
		453.10	666	670	482.60	844.50
		454.80	671	675	484.40	847.40
		456.40	676	680	486.10	850.50
		458.00	681	685	487.80	853.50
		459.80	686	690	489.70	856.40
		461.20	691	695	491.20	859.60
		462.80	696	700	492.90	862.60
		464.50	701	705	494.70	865.60
		466.10	706	710	496.40	868.60
		467.70	711	715	498.20	871.50
		469.40	716	720	500.00	874.60
		471.00	721	725	501.70	877.60
		472.60	726	730	503.40	880.70
		474.20	731	735	505.10	883.80
		475.90	736	740	506.90	886.70
		477.40	741	745	508.50	889.90
		478.90	746	750	510.10	892.70
		480.40	751	755	511.70	895.40
		481.80	756	760	513.20	897.80
		483.20	761	765	514.70	900.40
		484.50	766	770	516.00	903.00
		485.80	771	775	517.40	905.40
		487.20	776	780	518.90	907.90
		488.60	781	785	520.40	910.40
		489.80	786	790	521.70	912.90
		491.10	791	795	523.10	915.40
		492.50	796	800	524.60	918.00
		494.00	801	805	526.20	920.50
		495.30	806	810	527.50	923.00
		496.70	811	815	529.00	925.60
		498.00	816	820	530.40	928.00
		499.40	821	825	531.90	930.60
		500.70	826	830	533.30	933.10
		502.00	831	835	534.70	935.70
		503.30	836	840	536.10	938.10
		504.70	841	845	537.60	940.80
		506.00	846	850	538.90	943.00
		507.50	851	855	540.50	945.70
		508.80	856	860	541.90	948.10
		510.20	861	865	543.40	950.70
		511.50	866	870	544.80	953.20
		512.90	871	875	546.30	955.70
		514.10	876	880	547.60	958.20
		515.50	881	885	549.10	960.80
		516.80	886	890	550.40	963.20
		518.20	891	895	551.90	966.00
		519.60	896	900	553.40	968.30
		521.00	901	905	554.90	970.90
		522.30	906	910	556.30	973.50
		523.70	911	915	557.80	976.00
		525.10	916	920	559.30	978.30
		526.30	921	925	560.60	981.00
		527.60	926	930	561.90	983.40
		529.00	931	935	563.40	985.90
		530.40	936	940	564.90	988.50
		531.70	941	945	566.30	991.00
		533.00	946	950	567.70	993.50
		534.50	951	955	569.30	996.10
		535.90	956	960	570.80	998.60
		537.30	961	965	572.30	1001.00
		538.40	966	970	573.40	1003.60
		539.80	971	975	574.90	1006.20
		541.20	976	980	576.40	1008.50
		542.60	981	985	577.90	1011.10
		543.80	986	990	579.20	1013.60
		545.20	991	995	580.70	1016.20
		546.60	996	1000	582.20	1018.60
		547.80	1001	1005	583.50	1020.70
		548.90	1006	1010	584.60	1023.20
		550.20	1011	1015	586.00	1025.30
		551.50	1016	1020	587.40	1027.80
		552.60	1021	1025	588.60	1029.90
		553.80	1026	1030	589.80	1032.20
		555.10	1031	1035	591.20	1034.50
		556.20	1036	1040	592.40	1036.70
		557.50	1041	1045	593.80	1039.10

TABLE OF BENEFITS IN EFFECT IN DECEMBER 1978—Continued

I. Primary insurance benefit: If an individual's primary insurance benefit (as determined under § 404.241(e)) is—		II. Primary insurance amount effective June 1977: Or his or her primary insurance amount is—	III. Average monthly wage: Or his or her average monthly wage (as determined under § 404.221) is—		IV. Primary insurance amount effective June 1978: Then his or her primary insurance amount is—	V. Maximum family benefits: And the maximum amount of benefits payable on the basis of his or her wages and self-employment income is—
At least—	But not more than—		At least—	But not more than—		
		558.80	1046	1050	595.20	1041.30
		559.80	1051	1055	596.20	1043.40
		561.10	1056	1060	597.60	1045.90
		562.40	1061	1065	599.00	1048.00
		563.60	1066	1070	600.30	1050.50
		564.80	1071	1075	601.60	1052.60
		566.00	1076	1080	602.80	1054.90
		567.30	1081	1085	604.20	1057.10
		568.40	1086	1090	605.40	1059.40
		569.70	1091	1095	606.80	1061.70
		571.00	1096	1100	608.20	1064.00
		572.00	1101	1105	609.20	1066.10
		573.30	1106	1110	610.60	1068.50
		574.60	1111	1115	612.00	1070.70
		575.70	1116	1120	613.20	1073.10
		577.00	1121	1125	614.60	1075.30
		578.20	1126	1130	615.80	1077.60
		579.40	1131	1135	617.10	1079.70
		580.60	1136	1140	618.40	1082.20
		581.90	1141	1145	619.80	1084.40
		583.10	1146	1150	621.10	1086.70
		584.20	1151	1155	622.20	1088.80
		585.50	1156	1160	623.60	1091.10
		586.70	1161	1165	624.90	1093.40
		587.90	1166	1170	626.20	1095.80
		589.20	1171	1175	627.50	1098.00
		590.30	1176	1180	628.70	1100.20
		591.40	1181	1185	629.90	1102.20
		592.60	1186	1190	631.20	1104.30
		593.70	1191	1195	632.30	1106.50
		594.80	1196	1200	633.50	1108.60
		595.90	1201	1205	634.70	1110.60
		597.10	1206	1210	636.00	1112.90
		598.20	1211	1215	637.10	1114.90
		599.30	1216	1220	638.30	1117.00
		600.40	1221	1225	639.50	1119.00
		601.60	1226	1230	640.80	1121.20
		602.70	1231	1235	641.90	1123.20
		603.80	1236	1240	643.10	1125.40
		605.00	1241	1245	644.40	1127.50
		606.10	1246	1250	645.50	1129.60
		607.20	1251	1255	646.70	1131.60
		608.30	1256	1260	647.90	1133.80
		609.50	1261	1265	649.20	1135.90
		610.60	1266	1270	650.30	1138.00
		611.70	1271	1275	651.50	1140.00
		612.80	1276	1280	652.70	1142.20
		613.80	1281	1285	653.70	1144.10
		614.90	1286	1290	654.90	1146.10
		616.00	1291	1295	656.10	1148.00
		617.00	1296	1300	657.20	1150.00
		618.10	1301	1305	658.30	1152.00
		619.10	1306	1310	659.40	1154.00
		620.20	1311	1315	660.60	1155.90
		621.30	1316	1320	661.70	1157.90
		622.30	1321	1325	662.80	1159.80
		623.40	1326	1330	664.00	1161.90
		624.40	1331	1335	665.00	1163.80
		625.50	1336	1340	666.20	1165.80
		626.60	1341	1345	667.40	1167.70
		627.60	1346	1350	668.40	1169.70
		628.70	1351	1355	669.60	1171.70
		629.70	1356	1360	670.70	1173.70
		630.80	1361	1365	671.90	1175.60
		631.80	1366	1370	672.90	1177.70
		632.90	1371	1375	674.10	1179.60
		633.90	1376	1380	675.20	1181.60
		634.90	1381	1385	676.20	1183.40
		635.90	1386	1390	677.30	1185.30
		636.90	1391	1395	678.30	1187.10
		637.90	1396	1400	679.40	1189.00
		638.90	1401	1405	680.50	1190.80
		639.90	1406	1410	681.50	1192.70
		640.90	1411	1415	682.60	1194.60
		641.90	1416	1420	683.70	1196.50
		642.90	1421	1425	684.70	1198.30
		643.90	1426	1430	685.80	1200.20
		644.90	1431	1435	686.90	1202.00
		645.90	1436	1440	687.90	1203.90
		646.90	1441	1445	689.00	1205.70
		647.90	1446	1450	690.10	1207.70
		648.90	1451	1455	691.10	1209.50
		649.90	1456	1460	692.20	1211.40

TABLE OF BENEFITS IN EFFECT IN DECEMBER 1978—Continued

I. Primary insurance benefit: If an individual's primary insurance benefit (as determined under § 404.241(e)) is—		II. Primary insurance amount effective June 1977: Or his or her primary insurance amount is—	III. Average monthly wage: Or his or her average monthly wage (as determined under § 404.221) is—		IV. Primary insurance amount effective June 1978: Then his or her primary insurance amount is—	V. Maximum family benefits: And the maximum amount of benefits payable on the basis of his or her wages and self-employment income is—
At least—	But not more than—		At least—	But not more than—		
		650.90	1461	1465	693.30	1213.20
		651.90	1466	1470	694.30	1215.10
		652.90	1471	1475	695.40	1216.90

Appendix IV.—Special Minimum Primary Insurance Amount; Earnings Needed for a Year of Coverage After 1950

Minimum social security earnings to qualify for a year of coverage after 1950 for purposes of the special minimum primary insurance amount.

Years	Amount
1951–54	$900
1955–58	1,050
1959–65	1,200
1966–67	1,650
1968–71	1,950
1972	2,250
1973	2,700
1974	3,300
1975	3,525
1976	3,825
1977	4,125
1978	4,425
1979	4,725
1980	5,100
1981	5,550
1982	6,075

Note.—For 1951–78, the amounts shown are ¼ of the contribution and benefit base (see § 404.1048) in effect. For years after 1978, however, the amounts are ¼ of what the contribution and benefit base would have been if the 1977 social security amendments had not been enacted.

Appendix V—Computing the Special Minimum Primary Insurance Amount and Related Maximum Family Benefits

These tables are based on section 215(a)(1)(C)(i)(II) of the Social Security Act, as amended. They include the 9.9 percent cost-of-living increase which became effective June 1979, the 14.3 percent cost-of-living increase which became effective June 1980, and the 11.2 percent increase effective June 1981.

JUNE 1979

I. Years of coverage	II. Primary insurance amount	III. Maximum family benefit
11	$12.70	$19.10
12	25.30	38.00
13	38.00	57.00
14	50.60	75.90
15	63.20	94.90
16	75.90	113.90
17	88.50	132.80
18	101.20	151.80
19	113.80	170.70
20	126.40	189.60
21	139.10	208.70
22	151.70	227.60
23	164.40	246.60
24	177.00	265.50
25	189.60	284.50
26	202.30	303.50
27	214.90	322.40
28	227.50	341.30
29	240.20	360.30
30	252.80	379.20

JUNE 1980

I. Years of coverage	II. Primary insurance amount	III. Maximum family benefit
11	$14.60	$21.90
12	29.00	43.50
13	43.50	65.30
14	57.90	86.90
15	72.30	108.50
16	86.80	130.20
17	101.20	151.80
18	115.70	173.60

JUNE 1980—Continued

I. Years of coverage	II. Primary insurance amount	III. Maximum family benefit
19	130.10	195.20
20	144.50	216.80
21	159.00	238.60
22	173.40	260.20
23	188.00	282.00
24	202.40	303.60
25	216.80	325.20
26	231.30	347.00
27	245.70	368.60
28	260.10	390.20
29	274.60	411.90
30	289.00	433.50

JUNE 1981

I. Years of coverage	II. Primary insurance amount	III. Maximum family benefits
11	$16.30	$24.50
12	32.30	48.50
13	48.40	72.70
14	64.40	96.70
15	80.40	120.70
16	96.60	144.90
17	112.60	168.90
18	128.70	193.10
19	144.70	217.10
20	160.70	241.10
21	176.90	265.40
22	192.90	289.40
23	209.10	313.70
24	225.10	337.70
25	241.10	361.70
26	257.30	386.00
27	273.30	410.00
28	289.30	434.00
29	305.40	458.10
30	321.40	482.10

NOTE.—The amounts shown in the above table for years of coverage less than 19 are not payable for June 1981 through December 1981 because the corresponding values shown in column II are less than the $135.70 minimum primary insurance amount payable for that period. For months after December 1981, a special minimum primary insurance amount of $128.70 will be payable.

Appendix VI—Percentage of Increases in Primary Insurance Amounts Since 1978

Effective date	Percentage of increase	Kind of increase
6/79	9.9	Automatic.
6/80	14.3	Automatic.
6/81	11.2	Automatic.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Assistant Secretary for Housing-Federal Housing Commissioner

24 CFR Parts 202a, 203, 204, 209, 211, 221, 228 and 235

[Docket No. R-82-979]

Mutual Mortgage Insurance and Rehabilitation Loans

AGENCY: Office of the Assistant Secretary for Housing-Federal Housing Commissioner, HUD.

ACTION: Final rule.

SUMMARY: This rule requires mortgagees to pay the annual mortgage insurance premium (MIP) in installments due on or before the 10th of the month following the month in which payments are received from the mortgagors. The change would comply with § 530 of the National Housing Act. Under the rule mortgagees would not be relieved of the obligation to pay the annual premium should the borrower fail to make payments into the escrow account.

EFFECTIVE DATE: September 1, 1982.

FOR FURTHER INFORMATION CONTACT: Richard B. Buchheit, Director, Single Family Servicing Division, Office of Single Family Housing, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, D.C. 20410, (202) 755–8680 (This is not a toll-free number).

SUPPLEMENTARY INFORMATION: A proposed rule governing the time of payment of MIP authorized by Section 530 of the National Housing Act, as