

Social Security and Medicare News

A quarterly newsletter



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2009 Social Security Figures

Over 50 million Social Security beneficiaries will receive a **5.8% cost-of-living increase** for monthly benefits payable in 2009. This annual adjustment is based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) and is the largest increase in 27 years.

The Social Security taxable earnings base will increase from \$102,000 to **\$106,800** in 2009. This annual adjustment is based on the increase in the U.S. average wage. About 11 million people will pay higher taxes based on the new taxable maximum. There is no change in the 6.2% Social Security payroll tax rate for employees (12.4% for the self-employed), or the Medicare (Hospital Insurance) tax of 1.45% on all earnings (2.9% for the self-employed). There are about 164 million working people paying this combined 7.65% payroll tax, matched by their employers, to support these programs.

In 2009, the full retirement age (FRA) will be **66** for people born January 2, 1943, through January 1, 1944. (For Social Security and Medicare purposes you “reach an age” on the day before your birthday. So if you are born on January 1, you are considered to have been born in the previous year.) Some of the Social Security figures in the following tables relate to when a person attains FRA.

Social Security	2009
Earnings required to earn one credit	\$1,090
Earnings required to earn the maximum of four credits	\$4,360
Retirement Earnings Test exempt amounts for beneficiaries:	
■ under full retirement age (FRA) throughout 2009	\$14,160
■ FRA in 2009 (period before the month FRA is attained)	\$37,680
■ month in which FRA is attained and later	no limit
Earnings threshold for a trial-work-period month for disability beneficiaries	\$700
Monthly substantial gainful activity (SGA) amount for:	
■ non-blind disability beneficiaries	\$980
■ blind disability beneficiaries	\$1,640
Maximum monthly retirement benefit at FRA	\$2,323



Help your “baby boomers” understand their Social Security and Medicare benefits by giving out the newly updated 2009 *Guide to Social Security* or the 2009 *Medicare* booklet. For a limited time, you will receive free shipping when you request either of these one-of-a-kind resources.



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Average Monthly Social Security Benefits	2009
Estimated average monthly benefits in January:	
■ Retired worker	\$1,153
■ Retired couple	\$1,876
■ Disabled worker	\$1,064
■ Young widow and two eligible children	\$2,399
■ Aged widow (no children)	\$1,112

2009 Primary Insurance Amount (PIA) and Maximum Family Benefit (MFB) Formulas
The PIA formula for people who attain age 62 in 2009, or who become disabled or die before age 62 in 2009 is: 90% of the first \$744 of Average Indexed Monthly Earnings (AIME), plus 32% of the next \$3,739 of AIME, plus 15% of AIME in excess of \$4,483.
The MFB formula for people who attain age 62 or who die before age 62 in 2009 is: 150% of the first \$950 of Primary Insurance Amount (PIA), plus 272% of the next \$422 of PIA, plus 134% of the next \$417 of PIA, plus 175% of PIA in excess of \$1,789.
For people who become disabled before age 62 in 2009, the MFB is the smaller of (a) 150% of PIA, or (b) 85% of AIME, but not less than the PIA.

Benefit Table

The following benefit table applies to people who attain age 62 in 2009, or who become disabled before age 62 in 2009, and to survivors of people who die before age 62 in 2009. The table shows:

- (1) the Primary Insurance Amount (PIA) at retirement, disability, or death
- (2) reduced benefits for early retirement
- (3) benefits for family members

The table is based on the Average Indexed Monthly Earnings (AIME), which is determined from earnings over a long period of time – 35 years in nearly all retirement cases. Earnings in excess of the taxable earnings base in any year may not be used in calculating the PIA.

Past earnings are indexed to the second year before eligibility for benefits. The index factors that appear on the last page are used for this purpose for 2009 eligibles.

Monthly Social Security Benefits for People Attaining Age 62 or Becoming Disabled Before Age 62 in 2009, and for Survivors of People Dying Before Age 62 in 2009¹

(If your exact AIME is not shown, your benefit will be between the benefits for the AIMEs just above and below your AIME.)

Average Indexed Monthly Earnings (AIME)	Benefits for Workers and Their Families					Benefits for Survivors of Deceased Workers					Maximum Family Benefit for Retirement and Survivors ⁶	Maximum Family Benefit for Disability
	FRA ² Retirement Benefit or Disability Benefit ³	Age-62 Retirement Benefit	Benefits for Family Members			Spouse ⁴ not Caring for Child		One Child	Spouse ⁴ and One Child, or Two Children			
			Spouse ⁴ not Caring for Child		Child or Spouse Caring for Child	FRA ⁵	Age 60 or Age 50-59 and Disabled					
			FRA ²	Age 62								
	100% of PIA	75% of PIA	50% of PIA	35% of PIA	50% of PIA	100% of PIA	71½% of PIA	75% of PIA	150% of PIA	150% - 188% of PIA	100% -150% of PIA	
\$3,200	\$1,455	\$1,091	\$727	\$509	\$727	\$1,455	\$1,040	\$1,091	\$2,182	\$2,684	\$2,183	
3,400	1,519	1,139	759	531	759	1,519	1,086	1,139	2,278	2,770	2,279	
3,600	1,583	1,187	791	554	791	1,583	1,132	1,187	2,374	2,856	2,375	
3,800	1,647	1,235	823	576	823	1,647	1,177	1,235	2,470	2,942	2,471	
4,000	1,711	1,283	855	599	855	1,711	1,223	1,283	2,566	3,027	2,567	
4,200	1,775	1,331	887	621	887	1,775	1,269	1,331	2,662	3,113	2,663	
4,400	1,839	1,379	919	643	919	1,839	1,315	1,379	2,758	3,219	2,759	
4,600	1,883	1,412	941	659	941	1,883	1,346	1,412	2,824	3,297	2,825	
4,800	1,913	1,435	956	669	956	1,913	1,368	1,435	2,870	3,349	2,870	
5,000	1,943	1,457	971	680	971	1,943	1,389	1,457	2,914	3,402	2,915	
5,200	1,973	1,480	986	690	986	1,973	1,411	1,480	2,960	3,454	2,960	
5,400	2,003	1,502	1,001	701	1,001	2,003	1,432	1,502	3,004	3,507	3,005	
5,600	2,033	1,525	1,016	711	1,016	2,033	1,454	1,525	3,050	3,559	3,050	
5,800	2,063	1,547	1,031	722	1,031	2,063	1,475	1,547	3,094	3,612	3,095	
6,000	2,093	1,570	1,046	732	1,046	2,093	1,496	1,570	3,140	3,664	3,140	
6,200	2,123	1,592	1,061	743	1,061	2,123	1,518	1,592	3,184	3,717	3,185	
6,400	2,153	1,615	1,076	753	1,076	2,153	1,539	1,615	3,230	3,769	3,230	
6,600	2,183	1,637	1,091	764	1,091	2,183	1,561	1,637	3,274	3,822	3,275	
6,800	2,213	1,660	1,106	774	1,106	2,213	1,582	1,660	3,320	3,874	3,320	
7,000	2,243	1,682	1,121	785	1,121	2,243	1,604	1,682	3,364	3,927	3,365	
7,200	2,273	1,705	1,136	795	1,136	2,273	1,625	1,705	3,410	3,979	3,410	
7,400	2,303	1,727	1,151	806	1,151	2,303	1,647	1,727	3,454	4,032	3,455	
7,685 ⁷	2,346	1,759	1,173	821	1,173	2,346	1,677	1,759	3,518	4,106	3,519	

All numbers are rounded to the next lower whole dollar, in accordance with law.

- ¹ Benefits are increased annually for changes in the cost of living in and after the first year of eligibility (e.g., becoming age 62).
- ² The full retirement age (FRA) is 66 for people attaining age 62 in 2009.
- ³ The disability benefit for a worker is the PIA, unless the worker was already receiving a benefit reduced for early retirement.
- ⁴ Divorced spouses who qualify receive the same benefits as spouses. Benefits to divorced spouses are not ordinarily subject to the family maximum, however.
- ⁵ A surviving spouse's benefit at FRA is the PIA, unless the worker was receiving a benefit reduced for early retirement. In that case, the benefit will be the reduced amount that the worker was receiving, but not less than 82-1/2% of the PIA.
- ⁶ Any reduction for retirement before age 65 for workers, spouses, and surviving spouses is deducted.
- ⁷ The maximum AIME for people reaching age 62 in 2009 is generally \$7,685, resulting in an age-62 benefit of \$1,759 and FRA benefit of \$2,346, assuming no earnings at ages 62-64. (For people reaching FRA in 2009, a different table is used to obtain the monthly benefit amounts, and the maximum FRA benefit is \$2,323).

Note: Under some circumstances (generally, for younger, highly paid workers), people who become disabled or die before age 62 can have AIMEs higher than \$7,685. For example, at the extreme, a worker dying at age 29 or under in 2009 can have an AIME as high as \$8,749 and a PIA of \$2,505

Updated Index Factors

These are used under the wage-indexed benefit-computation method to adjust Social Security covered earnings in years prior to the second year before attaining age 62, or before becoming disabled or dying before age 62. The factors for each year back to 1951 for 2009 eligibles are derived by dividing the average wage figure for 2007 – **\$40,405.48** – by the average wage figure for the particular year. The following table shows the index factors, average wages, and taxable earnings bases from 1951 through 2009.

Calendar Year	Taxable Earnings Base	Average Wage	Index Factor
1951	\$3,600	\$2,799.16	14.43486
1952	3,600	2,973.32	13.58935
1953	3,600	3,139.44	12.87028
1954	3,600	3,155.64	12.80421
1955	4,200	3,301.44	12.23874
1956	4,200	3,532.36	11.43866
1957	4,200	3,641.72	11.09516
1958	4,200	3,673.80	10.99828
1959	4,800	3,855.80	10.47914
1960	4,800	4,007.12	10.08342
1961	4,800	4,086.76	9.88692
1962	4,800	4,291.40	9.41545
1963	4,800	4,396.64	9.19008
1964	4,800	4,576.32	8.82925
1965	4,800	4,658.72	8.67309
1966	6,600	4,938.36	8.18196
1967	6,600	5,213.44	7.75025
1968	7,800	5,571.76	7.25183
1969	7,800	5,893.76	6.85564
1970	7,800	6,186.24	6.53151
1971	7,800	6,497.08	6.21902
1972	9,000	7,133.80	5.66395
1973	10,800	7,580.16	5.33043
1974	13,200	8,030.76	5.03134
1975	14,100	8,630.92	4.68148
1976	15,300	9,226.48	4.37930
1977	16,500	9,779.44	4.13168
1978	17,700	10,556.03	3.82772
1979	22,900	11,479.46	3.51981
1980	25,900	12,513.46	3.22896
1981	29,700	13,773.10	2.93365
1982	32,400	14,531.34	2.78057
1983	35,700	15,239.24	2.65141
1984	37,800	16,135.07	2.50420
1985	39,600	16,822.51	2.40187
1986	42,000	17,321.82	2.33263

Calendar Year	Taxable Earnings Base	Average Wage	Index Factor
1987	43,800	18,426.51	2.19279
1988	45,000	19,334.04	2.08986
1989	48,000	20,099.55	2.01027
1990	51,300	21,027.98	1.92151
1991	53,400	21,811.60	1.85248
1992	55,500	22,935.42	1.76171
1993	57,600	23,132.67	1.74668
1994	60,600	23,753.53	1.70103
1995	61,200	24,705.66	1.63547
1996	62,700	25,913.90	1.55922
1997	65,400	27,426.00	1.47325
1998	68,400	28,861.44	1.39998
1999	72,600	30,469.84	1.32608
2000	76,200	32,154.82	1.25659
2001	80,400	32,921.92	1.22731
2002	84,900	33,252.09	1.21513
2003	87,000	34,064.95	1.18613
2004	87,900	35,648.55	1.13344
2005	90,000	36,952.94	1.09343
2006	94,200	38,651.41	1.04538
2007	97,500	40,405.48	1.00000
2008	102,000	N/A	1.00000
2009	106,800	N/A	1.00000

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462 South Fourth Street, Suite 1100
 Louisville, KY 40202
 United States
 502 561 4541

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