

Social Security Cost-of-Living Adjustment and Other Automatic Increases for 2004

The table below summarizes the latest automatic increases. These will be available in more detail on the Internet at www.ssa.gov/OACT/COLA.

Description of automatic increase	Value(s)		
COLA effective for Dec. 2003 ¹	2.1%		
Federal SSI payment standards for 2004	Individual \$564	Couple \$846	
SSI student earned income exclusion for 2004	Monthly limit \$1,370	Annual limit \$5,520	
National Average Wage Index for 2002	\$33,252.09		
Contribution and benefit base for 2004 ²	\$87,900		
Retirement earnings test annual exempt amounts for 2004 ³	Lower amount \$11,640	Higher amount \$31,080	
"Bend points" in Primary Insurance Amount (PIA) formula for 2004	First amount \$612	Second amount \$3,689	
Bend points in family maximum formula for 2004	First amount \$782	Second amount \$1,129	Third amount \$1,472
Earnings needed for one quarter of coverage	\$900		
"Old-law" contribution and benefit base ⁴	\$65,100		
Monthly amount constituting substantial gainful activity	Blind beneficiaries \$1,350	Non-blind disabled \$810	
Monthly earnings threshold establishing a month in 2004 as part of a trial work period	\$580		
Coverage thresholds for 2004 ⁵	Domestic workers \$1,400	Election workers \$1,200	

¹ Social Security's automatic "cost-of-living adjustment" (COLA) is first payable in January 2004. It is used to determine:

- Federal SSI payment standards (see [table](#))
- SSI student earned income exclusion (see [table](#))
- representative payee fee limits (A qualified organization can collect a monthly fee from an individual for expenses incurred in providing services as such individual's representative payee. The fee is limited to the lesser of (1) 10 percent of the monthly benefit involved, or (2) specific dollar amounts that are increased annually by COLAs. The dollar amounts for 2004, after application of the 2.1-percent COLA, are \$31 and, for certain disabled beneficiaries, \$59.)
- benefit level for transitional uninsured beneficiaries (\$231.50 in 2004)
- special benefit for certain World War II veterans residing outside the U.S. (75% of SSI payment standard for individuals, or \$423.00 in 2004)

² The base is the maximum taxable amount of earnings. Tax rates for 2004, as set by legislation, are the same as for 2003. Employees and employers each will pay 6.2 percent on wages up to \$87,900 in 2004. A person with \$87,900 or more in wages will pay \$5,449.80 in Social Security taxes.

³ The retirement earnings test does not apply after attainment of normal retirement age. The \$11,640 exempt amount applies to beneficiaries who will not attain their normal retirement age by the end of 2004. The \$31,080 exempt amount applies to beneficiaries who attain the normal retirement age in 2004. When the lower exempt amount applies, beneficiaries will have a \$1 reduction in benefits for every \$2 in earnings over \$11,640. When the higher exempt amount applies, beneficiaries will have a \$1 reduction in benefits for every \$3 in earnings over \$31,080 (applies only in months in 2004 before attainment of normal retirement age).

⁴ The "old-law" contribution and benefit base is used in the computation of certain Social Security and Railroad Retirement benefits and in determining the maximum pension guaranteed under the ERISA. For example, 25 percent of the 2004 old-law base, or \$16,275, is the amount of earnings needed to acquire a year of coverage in 2004 for benefit computations applicable to certain individuals with pensions from noncovered employment.

⁵ If a worker's wages for a given employer are less than the coverage threshold, he or she would not pay Social Security taxes on such wages.

Retirement benefits in 2004

A person retiring at normal retirement age in 2004, having had maximum-taxable earnings in each year since age 22, will receive a benefit of \$1,825, including the effect of the upcoming 2.1-percent COLA.

A person who retires at age 62 in 2004, having had maximum earnings for every year since age 22, will receive a benefit based on a PIA (under the updated formula) of \$1,865.80. The amount will be actuarially reduced to an amount dependent on the person's age at retirement. For those retiring at age 62 in 2004, the actuarial reduction may be as much as 24.17 percent.

Social Security benefit formulas

- The PIA benefit formula depends on an individual's "average indexed monthly earnings," or AIME. The formula for 2004 is

90 percent of the first \$612 of AIME, plus
32 percent of AIME in excess of \$612 but not in excess of \$3,689, plus
15 percent of AIME in excess of \$3,689.

- The family maximum benefit formula is a function of an individual's PIA. The formula for 2004 is

150 percent of the first \$782 of PIA, plus
272 percent of the PIA in excess of \$782 but not in excess of \$1,129, plus
134 percent of the PIA in excess of \$1,129 but not in excess of \$1,472, plus
175 percent of the PIA in excess of \$1,472.

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