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# Notes and Brief Reports

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## Effects of OASDI Benefit Increase, June 1982\*

Effective June 1982, beneficiaries of the Old-Age, Survivors, and Disability Insurance (OASDI) program were given a 7.4-percent cost-of-living increase in benefits. This increase, the eighth automatic rise in benefits under legislation enacted in 1972 and 1973, was reflected in benefit checks issued early in July.

Automatic benefit increases are tied by statute to rises in the Consumer Price Index (CPI). They are initiated whenever the CPI for the first calendar quarter of a year exceeds the CPI for the base quarter by at least 3 percent. The base is defined as either the first calendar quarter of the last year in which there was an automatic adjustment or any quarter in which a general benefit increase was effective.

In the same month that the 7.4-percent benefit increase went into effect, a new rounding-of-benefits provision mandated by the 1981 amendments also became effective. Under this provision, primary insurance amounts (PIA's) and monthly benefit amounts (MBA's) that are not multiples of \$0.10 and \$1.00, respectively, are rounded down to those multiples. Thus, an individual with a May 1982 PIA and MBA of \$300.30 would have had a June 1982 PIA of \$322.50 ( $\$300.30 \times 1.074 = \$322.52$ , rounded to \$322.50) and a monthly benefit of \$322.00, resulting in a benefit increase of 7.23 percent.

The initial effects of the cost-of-living increase can best be demonstrated by comparing the monthly benefits payable to beneficiaries immediately before and after the increase. Table 1 presents such data for various types of beneficiaries as well as for the total beneficiary population. The cost-of-living increase resulted in a rise of \$884 million in total monthly benefits payable to 35.5 million persons receiving OASDI benefits at the end of May 1982. Retired workers and their auxiliary beneficiaries accounted for 70 percent of the increase, disabled workers and their auxiliaries accounted for 11 percent, and survivors for 19 percent.

Average monthly benefits payable to retired workers after the cost-of-living increase were \$464.68 for men and \$359.38 for women—increases of \$31.50 and

\$24.25, respectively. Benefit payments to male disabled workers increased \$33.31, raising their average amount to \$486.99. For female disabled workers, the average increase was \$23.83, which resulted in an average monthly benefit of \$351.11. Average increases for auxiliaries of living workers ranged from \$8.57 for children of disabled workers to \$13.94 for spouses of retired workers. Among survivor beneficiaries, average benefit increases ranged from a low of \$16.48 for disabled widows and widowers to a high of \$25.45 for nondisabled widows and widowers. These increases resulted in average benefits of \$246.74 for those in the former group and \$376.46 for those in the latter.

Social Security benefits are based on a worker's PIA. In almost all instances, the PIA is derived from the individual's covered earnings averaged over his or her working lifetime. The full PIA is payable to a retired worker who becomes entitled to benefits at age 65 and to a disabled worker at any age. A retired worker may receive benefits as early as age 62, but his or her PIA is subject to a reduction of 5/9 of 1 percent for each month of entitlement before age 65. Widows and widowers entitled at age 65 also receive a benefit amount equal to the full PIA, provided that the deceased spouse did not receive a retirement benefit before age 65. A widow(er)'s benefit is subject to a reduction of 19/40 of 1 percent for each month of entitlement before age 65 (maximum reduction of 28.5 percent). Benefits for disabled widow(er)s are further reduced 43/240 of 1 percent for months before age 60 (maximum reduction of 50 percent). Other auxiliary beneficiaries of retired, disabled, and deceased workers are entitled to set proportions of the PIA, subject to the family maximum.

Before 1979, a worker's PIA was determined by calculating his or her average monthly earnings (AME) for a specified number of highest earning years and then finding the corresponding PIA from a table (the benefit could also be calculated by means of a formula). The 1977 Amendments to the Social Security Act introduced a new method for computing the earnings to be used in the computation of the PIA for most workers who attain age 62, become disabled, or die in 1979 or later. Under this method, the worker's earnings are first indexed to reflect average wage levels in the economy during his or her working years before the averaging of earnings takes place. A formula is then applied to the result—known as the average indexed monthly earnings

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**Table 1.—Monthly cash benefits in current-payment status before and after the June 1982 benefit increase and average increase, by type of beneficiary and reduction status**

Type of beneficiary and reduction status	Total number	Total benefit amount <sup>1</sup> (in thousands)		Average benefit			
		Before increase	After increase	Amount		Increase	
				Before increase	After increase	Amount	Percent
All beneficiaries . . . . .	35,456,548	\$12,189,258	\$13,072,948	...	...	...	7.25
Retired workers, spouses, and children . . . . .	23,900,065	8,557,649	9,177,706	...	...	...	7.25
Retired workers . . . . .	20,361,562	7,886,638	8,459,010	\$387.33	\$415.44	\$28.11	7.26
Men . . . . .	10,840,657	4,695,924	5,037,417	433.18	464.68	31.50	7.27
Benefits actuarially reduced . . . . .	6,298,881	2,497,470	2,678,759	396.49	425.28	28.79	7.26
Benefits not actuarially reduced <sup>2</sup> . . . . .	4,541,776	2,198,454	2,358,658	484.05	519.32	35.27	7.29
Women . . . . .	9,520,905	3,190,714	3,421,593	335.13	359.38	24.25	7.24
Benefits actuarially reduced . . . . .	6,704,594	2,073,873	2,223,613	309.32	331.66	22.34	7.22
Benefits not actuarially reduced <sup>2</sup> . . . . .	2,816,311	1,116,841	1,197,980	396.56	425.37	28.81	7.26
Spouses . . . . .	3,014,971	590,766	632,785	195.94	209.88	13.94	7.11
Children . . . . .	523,532	80,245	85,911	153.28	164.10	10.82	7.05
Disabled workers, spouses, and children . . . . .	4,205,284	1,298,819	1,393,684	...	...	...	7.30
Disabled workers . . . . .	2,716,964	1,120,111	1,202,160	412.27	442.46	30.19	7.32
Men . . . . .	1,826,740	828,759	889,595	453.68	486.99	33.31	7.34
Women . . . . .	890,224	291,352	312,565	327.28	351.11	23.83	7.28
Spouses . . . . .	402,939	48,926	52,441	121.42	130.15	8.73	7.19
Children . . . . .	1,085,381	129,781	139,083	119.57	128.14	8.57	7.17
Survivors . . . . .	7,281,608	2,324,702	2,492,880	...	...	...	7.23
Widows and widowers, nondisabled . . . . .	4,417,344	1,550,538	1,662,950	351.01	376.46	25.45	7.25
Widows and widowers, disabled . . . . .	120,035	27,639	29,617	230.26	246.74	16.48	7.16
Widowed mothers and fathers . . . . .	524,986	148,057	158,778	282.02	302.44	20.42	7.24
Children . . . . .	2,206,141	594,381	637,153	269.42	288.81	19.39	7.20
Parents . . . . .	13,102	4,087	4,382	311.97	334.46	22.49	7.21
Special age-72 beneficiaries <sup>3</sup> . . . . .	69,591	8,086	8,678	...	...	...	7.32

<sup>1</sup> Totals may not add due to rounding.

<sup>2</sup> Includes transitionally insured beneficiaries.

<sup>3</sup> Authorized by 1966 legislation for persons aged 72 and over not insured under the regular or transitional provisions of the Social Security Act.

(AIME)—in order to arrive at the PIA. For workers who attained age 62, became disabled, or died in 1982, the formula is as follows:

Ninety percent of the first \$230 of AIME, plus 32 percent of AIME in excess of \$230 through \$1,388, plus 15 percent of AIME in excess of \$1,388.

The 7.4-percent cost-of-living increase is applied to the result obtained from the above formula and the final figure is rounded down to the lower \$0.10 if not a multiple of \$0.10. Table 2 shows examples of benefits payable to various types of beneficiaries and family groups at selected AIME levels.

The AIME's used in the table range from \$100 through \$2,587—the AIME for workers who had maximum earnings in 1981 and 1982. The \$2,587 AIME, however, is only possible in survivor cases in which the worker dies at a young age and has the minimum 2 years of earnings required in the computation. An AIME of \$2,316 was also selected since that is the highest AIME obtainable in 1982 by a person becoming disabled in 1982 and whose AIME is based on 2 years of maximum earnings in 1980 and 1981. AIME's of \$1,600, \$1,900, and \$2,316 are generally not possible for retired workers. AIME's of \$230 and \$1,388 were also selected since they are the "bend points" defining the brackets in the formula for beneficiaries becoming eligible in 1982.

The 1977 amendments also introduced a transitional guarantee provision to protect workers who were nearing retirement age when the amendments went into effect. This provision is applicable only to workers who attain age 62 from January 1979 through December 1983, had some covered earnings before 1979, and were not eligible for a Disability Insurance benefit before 1979. It guarantees the worker a benefit amount derived from his or her AIME using the December 1978 PIA tables if it results in a higher benefit amount than under the AIME method. This computation method may also be used to compute benefits for survivors of workers who were eligible for benefits but did not apply for them.<sup>1</sup>

Effective June 1982, the highest PIA for a worker who retired at age 65 and who did not have a prior period of disability is \$729.50 based on the transitional-guarantee computation method. Minimum and maximum benefits payable to workers retiring at age 65 during the period 1940-82 are shown in table 3.

<sup>1</sup> For a more complete discussion and analysis of the computation methods, see Steven F. McKay, **Computing a Social Security Benefit After the 1977 Amendments** (Actuarial Note No. 100), Office of the Actuary, Social Security Administration, February 1980, and Steven F. McKay and Bruce D. Schobel, **Effects of the Various Social Security Benefit Computation Procedures** (Actuarial Study No. 86), Office of the Actuary, Social Security Administration, July 1981.

**Table 2.—Examples of monthly cash benefit awards for selected beneficiary families with first eligibility in 1982, by average indexed monthly earnings, effective June 1982**

Beneficiary family	Average indexed monthly earnings of insured worker									
	\$100	\$230	\$400	\$700	\$1,000	\$1,388	\$1,600	\$1,900	\$2,316	\$2,587
Primary insurance amount .....	\$96.60	\$222.30	\$280.70	\$383.80	\$486.90	\$620.30	\$654.40	\$702.80	\$769.80	\$813.50
Maximum family benefit .....	144.90	333.40	421.10	658.80	897.20	1,086.30	1,146.10	1,230.60	1,347.90	1,424.50
Disability maximum family benefit <sup>1</sup> .....	96.60	222.30	365.10	575.70	730.40	930.50	981.70	1,054.20	1,154.70	...
Disabled worker:										
Worker alone .....	96.00	222.00	280.00	383.00	486.00	620.00	654.00	702.00	769.00	...
Worker, spouse, and 1 child .....	96.00	222.00	364.00	573.00	728.00	930.00	980.00	1,052.00	1,153.00	...
Retired worker claiming benefits at age 62:										
Worker alone <sup>2</sup> .....	77.00	177.00	224.00	307.00	389.00	496.00	...	...	...	...
Worker with spouse claiming benefits at—										
Age 65 or over .....	125.00	288.00	364.00	498.00	632.00	806.00	...	...	...	...
Age 62 <sup>2</sup> .....	113.00	260.00	329.00	450.00	571.00	728.00	...	...	...	...
Widow or widower claiming benefits at—										
Age 65 or over <sup>3</sup> .....	96.00	222.00	280.00	383.00	486.00	620.00	654.00	702.00	769.00	813.00
Age 60 .....	69.00	158.00	200.00	274.00	348.00	443.00	467.00	502.00	550.00	581.00
Disabled widow or widower claiming benefits at age 50 .....	48.00	111.00	140.00	191.00	243.00	310.00	327.00	351.00	384.00	406.00
1 surviving child .....	72.00	166.00	210.00	287.00	365.00	465.00	490.00	527.00	577.00	610.00
Widow or widower age 65 or over and 1 child .....	144.00	332.00	420.00	658.00	851.00	1,085.00	1,144.00	1,229.00	1,346.00	1,423.00
Widowed mother or father and 1 child .....	144.00	332.00	420.00	574.00	730.00	930.00	980.00	1,054.00	1,154.00	1,220.00
Widowed mother or father and 2 children .....	144.00	333.00	420.00	657.00	897.00	1,086.00	1,146.00	1,230.00	1,347.00	1,422.00

<sup>1</sup> The 1980 Amendments to the Social Security Act provide for different family maximum amounts for disability cases where the worker became entitled after June 1980. For disability beneficiaries with an AIME in June 1982 of \$251 or less, the family maximum is equal to the PIA. If the AIME is \$252 through \$540, the family maximum is equal to 85 percent of the AIME plus the cost-of-

living increase. If the AIME is greater than \$540, the maximum is equal to 150 percent of the PIA.

<sup>2</sup> Assumes maximum reduction.

<sup>3</sup> A widow(er)'s benefit amount is limited to the amount the spouse would have been receiving if still living but not less than 82 1/2 percent of the PIA.

**Table 3.—Minimum and maximum monthly retired-worker benefits payable to individuals who retired at age 65, 1940–82<sup>1</sup>**

Year attained age 65 <sup>2</sup>	Minimum benefit		Maximum benefit <sup>4</sup>				Year attained age 65 <sup>2</sup>	Minimum benefit		Maximum benefit <sup>4</sup>			
	Payable at retirement	Payable effective June 1982 <sup>3</sup>	Payable at retirement		Payable effective June 1982 <sup>3</sup>			Payable at retirement	Payable effective June 1982 <sup>3</sup>	Payable at retirement		Payable effective June 1982 <sup>3</sup>	
			Men	Women	Men	Women				Men	Women	Men	Women
1940	\$10.00	\$182.00	\$41.20	...	\$353.00	...	1962	40.00	182.00	121.00	123.00	480.00	488.00
1941	10.00	182.00	41.60	...	353.00	...	1963	40.00	182.00	122.00	125.00	484.00	496.00
1942	10.00	182.00	42.00	...	357.00	...	1964	40.00	182.00	123.00	127.00	488.00	504.00
1943	10.00	182.00	42.40	...	357.00	...	1965	44.00	182.00	131.70	135.90	488.00	504.00
1944	10.00	182.00	42.80	...	361.00	...	1966	44.00	182.00	132.70	135.90	492.00	504.00
1945	10.00	182.00	43.20	...	361.00	...	1967	44.00	182.00	135.90	140.00	504.00	530.00
1946	10.00	182.00	43.60	...	366.00	...	1968	<sup>5</sup> 55.00	182.00	<sup>5</sup> 156.00	<sup>5</sup> 161.60	511.00	530.00
1947	10.00	182.00	44.00	...	369.00	...	1969	55.00	182.00	160.50	167.30	526.00	549.00
1948	10.00	182.00	44.40	...	369.00	...	1970	64.00	182.00	189.80	196.40	541.00	560.00
1949	10.00	182.00	44.80	...	373.00	...	1971	70.40	182.00	213.10	220.40	552.00	571.00
1950	10.00	182.00	45.20	...	377.00	...	1972	70.40	182.00	216.10	224.70	560.00	582.00
1951	20.00	182.00	68.50	...	377.00	...	1973	84.50	182.00	266.10	276.40	575.00	597.00
1952	20.00	182.00	68.50	...	377.00	...	1974	84.50	182.00	274.60	284.90	593.00	615.00
1953	25.00	182.00	85.00	...	417.00	...	1975	93.80	182.00	316.30	333.70	615.00	649.00
1954	25.00	182.00	85.00	...	417.00	...	1976	101.40	182.00	364.00	378.80	655.00	682.00
1955	30.00	182.00	98.50	...	417.00	...	1977	107.90	182.00	412.70	422.40	698.00	714.00
1956	30.00	182.00	103.50	...	440.00	...	1978	114.30	182.00	459.80	...	734.00	...
1957	30.00	182.00	108.50	...	460.00	...	1979	121.80	182.00	503.40	...	755.00	...
1958	30.00	182.00	108.50	...	460.00	...	1980	133.90	182.00	572.00	...	780.00	...
1959	33.00	182.00	116.00	...	460.00	...	1981	153.10	182.00	677.00	...	808.00	...
1960	33.00	182.00	119.00	...	472.00	...	1982	170.30	182.00	679.30	...	729.00	...
1961	33.00	182.00	120.00	...	476.00	...							

<sup>1</sup> Based on AMW method for workers retiring 1940–81 and the transitional guarantee method for workers retiring in 1982.

<sup>2</sup> Assumes retirement at beginning of year.

<sup>3</sup> Effective June 1982, regular monthly benefits are rounded down to the next lower dollar after reductions for family maximum, age, workers' compensa-

tion, and government pension offset and/or deductions due to earnings and Medicare premiums. The June 1982 benefit amounts assume no deductions.

<sup>4</sup> Benefits for both men and women are shown in men's column, except where benefits shown separately. Assumes no prior period of disability.

<sup>5</sup> Effective for February 1968.