

Automatic Increases Under the Social Security Programs*

OASDHI benefit increase—The second automatic cost-of-living increase in cash benefits under the old-age, survivors, disability, and health insurance (OASDHI) program went into effect June 1976.¹ The increase, reflected in the July 3 checks, is 6.4 percent. It applies to all monthly benefits with the exception of benefits under the special minimum benefit provision.

The cost-of-living benefit increase reflects the change in the Consumer Price Index (CPI) of the Bureau of Labor Statistics from the first quarter of 1975 to the first quarter of 1976. The 6.4-percent rise was determined by dividing the average of the CPI for January, February, and March of 1976 by the average of the CPI for January, February, and March 1975 (the effective quarter triggering the previous increase—8.0 percent—in OASDHI benefits).

The next automatic cost-of-living benefit increase will be based on the increase in the CPI from the first quarter of 1976 (if there is no intervening legislated benefit increase) to the first quarter of 1977, if the increase in the CPI is 3 percent or more. Then the level of OASDHI benefits will be increased by the same percentage as the CPI increase, effective June 1977.

Other automatic provisions—The legislation enacted in 1972 and 1973 provided for three automatic escalator provisions. In addition to the procedure for benefit increase, provisions were included for increasing automatically the maximum amount of annual earnings to be taxed and credited toward OASDHI benefits (the contribution and benefit base) and the amount of earnings an OASDHI beneficiary may have under the retirement test without a reduction in benefits. Under these two provisions, as amended

by Public Law 94-202, signed January 2, 1976, the increase is measured by the increase during specified periods in average taxable wages (as reported under the social security program) for the calendar year for all employees. Before the enactment of Public Law 94-202, "average taxable wages" for this purpose used in the determination were for the first calendar quarter of a given year rather than for calendar years.

The latest determination under these provisions was made in the fall of 1975 and went into effect at the beginning of calendar year 1976. Under this determination, the contribution and benefit base was raised from \$14,100 in 1975 to \$15,300 in 1976 and the annual exempt amount of earnings under the retirement test went from \$2,520 in 1975 to \$2,760 in 1976. The monthly exempt amount of earnings was raised from \$210 in 1975 to \$230 in 1976.

The law provides that a determination as to future automatic increases in the earnings base and exempt amount is to be made in any year when a cost-of-living benefit increase has been established. The next determination will therefore be made in the fall of 1976, to be effective January 1, 1977, on the basis of the increase in wages from four times the first quarter of 1974 to four times the first quarter of 1975 (if there is no legislated increase).²

Table 1 shows the amount of the monthly family benefits effective June 1976 for selected types of family groups. Monthly benefits are based on the primary insurance amount (PIA) given in the benefit table in the law; the PIA is derived from the worker's average monthly earnings (AME).³ Whenever a cost-of-living benefit increase becomes effective, the new PIA is calculated by increasing the old PIA by the same percentage as the cost-of-living increase. If the contribution and benefit base is raised, the benefit formula provides an additional 20-percent replacement on that part of the AME above the previous contribution and benefit base. With the 6.4-percent cost-of-living benefit increase for

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¹ The automatic adjustment system is the result of provisions in P.L. 92-336 (signed July 1, 1972), P.L. 92-603 (signed October 30, 1972), and P.L. 93-233 (signed December 31, 1973). The first true automatic benefit increase, which went into effect June 1975, was 8.0 percent. An automatic increase that would have otherwise taken place in 1974 was preempted by ad hoc congressional action.

² Eventually, beginning in 1978, it is expected that true annual taxable wage data based on annual reporting by employers will be available.

³ The AME is a worker's taxable earnings beginning with 1951, or age 22 if later, up to the year of disability, death, or attainment of age 62 (age 63-65 for men born before 1913)—less the 5 lowest earnings years—divided by the number of months in the computation years.

TABLE 1—Examples of monthly cash benefit awards to selected beneficiary families under the Social Security Act, effective for June 1976

Beneficiary family	Average monthly earnings of insured worker														
	\$76 or less	\$100	\$200	\$300	\$350	\$400	\$450	\$550	\$650	\$750	\$900	\$1,000	\$1,100	\$1,175	\$1,275
Retired worker claiming benefits at age 65, or disabled worker															
Worker alone	\$107 90	\$138 90	\$197 10	\$246 50	\$272 20	\$297 80	\$319 80	\$368 10	\$422 40	\$452 20	\$490 60	\$516 10	\$539 10	\$556 30	\$577 60
Worker with spouse claiming benefits at—															
Age 65 or over	161 90	208 40	295 60	369 80	408 30	446 70	479 70	552 20	633 60	678 30	735 90	774 20	808 70	834 50	866 40
Age 62	148 40	191 10	271 10	339 00	374 30	409 50	439 80	506 20	580 80	621 80	674 60	709 70	741 30	765 00	791 20
Worker, wife, and 1 child	161 90	208 40	295 70	404 30	473 00	543 20	597 00	666 30	739 10	791 50	858 50	903 10	943 30	973 40	1,010 70
Retired worker claiming benefits at age 62															
Worker alone	86 40	111 20	157 70	197 20	217 80	238 30	255 90	294 50	338 00	361 80	392 50	412 90	431 30	445 10	462 10
Worker with spouse claiming benefits at—															
Age 65 or over	140 40	180 70	256 30	320 50	353 90	387 20	415 80	478 60	549 20	587 90	637 80	671 00	700 90	723 30	750 90
Age 62	126 90	163 40	231 70	289 70	319 90	350 00	375 90	432 60	496 40	531 40	576 50	606 50	633 50	653 80	678 70
Widow claiming benefits at—															
Age 65 or over ¹	107 90	138 90	197 10	246 50	272 20	297 80	319 80	368 10	422 40	452 20	490 60	516 10	539 10	556 30	577 60
Age 60	77 20	99 40	141 00	176 30	194 70	213 00	228 70	263 20	302 10	323 40	350 80	369 10	385 50	397 80	413 00
Disabled widow claiming benefits at age 50	156 80	69 60	98 70	123 40	136 20	149 00	160 00	184 10	211 30	226 20	245 40	258 20	269 60	278 20	288 90
1 surviving child	107 90	107 90	147 90	184 90	204 20	223 40	239 90	276 10	316 80	339 20	368 00	387 10	404 40	417 30	433 20
Widow aged 65 and over and 1 child ¹	161 90	208 40	295 70	404 30	473 00	521 20	559 70	644 20	739 10	791 40	858 60	903 10	943 30	973 40	1 010 70
Widowed mother and 1 child	161 90	208 40	295 70	369 80	408 40	446 80	479 80	522 20	633 60	678 40	736 00	774 20	808 80	834 60	866 40
Widowed mother and 2 children	161 90	208 40	295 70	404 30	473 00	543 20	597 00	666 30	739 10	791 50	858 50	903 10	943 30	973 40	1,010 70
Maximum family benefits	161 90	208 40	295 70	404 30	473 00	543 20	597 00	666 30	739 10	791 50	858 50	903 10	943 30	973 40	1 010 70

¹ Widow's benefit limited to amount husband would have been receiving if still living but not less than 82½ percent of the PIA

² Sole survivor

Note The higher monthly earnings shown in column headings on the right are not, in general, possible now, since earnings in some of the earlier years,

when the maximum amount creditable was lower, must be included in the average. Therefore, the benefit amounts shown in these columns are not generally payable until later. (At the beginning of 1977 the highest average monthly earnings possible is \$634 for a male worker retiring at age 65 and \$650 for a woman.)

June 1976, the PIA is now based approximately on the following eight-part formula .

137 77% of the first \$110 of AME, plus 50 11% of the next \$290 of AME, plus 46 83% of the next \$150 of AME, plus 55 04% of the next \$100 of AME, plus 30 61% of the next \$100 of AME, plus 25 51% of the next \$250 of AME, plus 22 98% of the next \$175 of AME, plus 21 28% of the next \$100 of AME, subject to a minimum of \$107 90 for AME's of \$76 or less

The maximum family benefit effective for June 1976 is based approximately on the following formula

For AME's under \$628 the maximum amount is equivalent to 134 7 percent of the first \$436 of AME plus 67 4 percent of the next \$191 of AME, subject to a minimum of 150 percent of the PIA. For AME's of \$628 or more, the maximum is 1 75 times the PIA

Table 2 shows the minimum and maximum old-age monthly benefit payable at the time of retirement to individuals retiring at age 65 in the years 1940-77. Also shown in the table are

the benefits payable to these individuals for June 1976

Supplementary medical insurance—The automatic cost-of-living increase in benefits also has the effect of placing a 6 4-percent limit on next year's increase in the amount of the monthly premium paid by Medicare beneficiaries for supplementary medical insurance (SMI). The law provides that the SMI premium rate will be re-determined each December with the new premium rate becoming effective the following July 1. Under Public Law 92-603, as amended by Public Law 94-182 (signed December 31, 1975), the increase in the SMI monthly premium cannot exceed the percentage by which OASDHI cash benefits are raised during the 12-month period ending May 1 of the year in which the premium rate becomes effective. (Actually, the law provides that the SMI premium for an individual is to be limited to the smaller of (a) one-half the actuarial cost of SMI benefits for the aged for the 12-month period in which the premium rate is effective or (b) the previous premium

TABLE 2—Minimum and maximum monthly old-age benefits payable to individuals who retired at age 65, 1940-77

Year of attainment of age 65 ¹	Minimum benefit		Maximum benefit			
	Payable at the time of retirement	Payable effective June 1976	Payable at the time of retirement		Payable effective June 1976	
			Men ²	Women	Men ²	Women
1940	\$10 00	\$107 90	\$41 20	- -	\$208 80	- - - -
1941	10 00	107 90	41 60	- -	208 80	- - - -
1942	10 00	107 90	42 00	- -	211 40	- - - -
1943	10 00	107 90	42 40	- -	211 40	- - - -
1944	10 00	107 90	42 80	- -	213 60	- - - -
1945	10 00	107 90	43 20	- -	213 60	- - - -
1946	10 00	107 90	43 60	- -	216 30	- - - -
1947	10 00	107 90	44 00	- -	218 30	- - - -
1948	10 00	107 90	44 40	- -	218 30	- - - -
1949	10 00	107 90	44 80	- -	220 40	- - - -
1950	10 00	107 90	45 20	- -	223 20	- - - -
1951	20 00	107 90	68 50	- -	223 20	- - - -
1952	20 00	107 90	68 50	- -	223 20	- - - -
1953	25 00	107 90	85 00	- -	246 50	- - - -
1954	25 00	107 90	85 00	- -	246 50	- - - -
1955	30 00	107 90	98 50	- -	246 50	- - - -
1956	30 00	107 90	103 50	- -	260 40	- - - -
1957	30 00	107 90	108 50	- -	272 20	- - - -
1958	30 00	107 90	108 50	- -	272 20	- - - -
1959	33 00	107 90	116 00	- -	272 20	- - - -
1960	33 00	107 90	119 00	- -	279 10	- - - -
1961	33 00	107 90	120 00	- -	281 30	- - - -
1962	40 00	107 90	121 00	\$123 00	283 80	\$288 60
1963	40 00	107 90	122 00	125 00	286 20	293 00
1964	40 00	107 90	123 00	127 00	288 60	297 80
1965	44 00	107 90	131 70	135 90	288 60	297 80
1966	44 00	107 90	132 70	135 90	290 70	297 80
1967	44 00	107 90	135 90	140 00	297 60	306 70
1968	55 00	107 90	156 00	161 60	302 30	313 10
1969	55 00	107 90	160 50	167 30	311 20	324 20
1970	64 00	107 90	189 80	196 40	319 80	331 10
1971	70 40	107 90	213 10	220 40	326 50	337 40
1972	70 40	107 90	216 10	224 70	331 10	344 10
1973	81 50	107 90	266 10	276 40	339 60	352 80
1974	81 50	107 90	274 60	284 90	350 40	363 60
1975	93 80	107 90	316 30	333 70	363 60	383 50
1976	101 40	107 90	364 00	378 80	387 30	403 10
1977	107 90	-	412 70	422 40	- - - -	- - - -

¹ Assumes retirement at beginning of year
² Represents benefit for both men and women until 1962, amounts differ thereafter
³ Effective for February 1968

rate increased by the percentage raise in cash benefits)

Under this provision, it was determined in December 1975 that the monthly premium amount should be increased from \$6 70 per month to \$7 20 per month effective July 1, 1976, on the basis of the 8 0-percent benefit increase. The next determination, which will take place in December 1976, will be subject to the 6 4-percent limit on the increase. Thus, the SMI monthly premium rate cannot be increased to more than \$7.70 as of July 1, 1977

Supplemental security income—The 6 4-percent automatic increase in OASDHI benefits also affects the Federal guaranteed level of income under the supplemental security income (SSI) program. Under Public Law 93-368 (enacted August 7, 1974) the assured level of annual

income under the Federal program is to be raised by the same percentage as the OASDHI benefit increase and rounded to the next higher multiple of \$1 20. This increase is to be effective for the first month after the month for which the OASDHI increase is effective so that increases under both programs become payable in the same month.

As the result of the 6 4-percent increase, the Federal SSI benefit levels of \$1,892 40 per year (\$157 70 per month) for an individual and \$2,839 20 per year (\$236 60 per month) for a couple were increased to the following figures, beginning July 1, 1976 *

	Annual	Monthly
Individual living		
in own home -----	\$2,013 60	\$167 80
Couple living in		
own home -----	3,021 60	251 80

* For individuals and couples living in another's household and receiving support and maintenance in kind, the benefit level is reduced by one third. The increment payable on behalf of an "essential person" also rises with the automatic increase, since it is based on the difference between the amounts payable to an individual and to a couple. The assured level of income under SSI for persons institutionalized under the Medicaid program is not affected by the automatic increase.

Cost-of-Living Increases for Railroad Retirement Benefits*

Under the Railroad Retirement Act of 1974 a new system for railroad retirement benefits was established. The provisions in this law were summarized in the April 1975 *Social Security Bulletin*¹. This note describes more explicitly the procedures established for granting cost-of-living increases for regular retirement and disability

* Prepared in Interprogram Studies Branch, Division of Retirement and Survivor Studies

¹ Alfred M. Skolnik, "Restructuring the Railroad Retirement System," *Social Security Bulletin*, April 1975

² Supplemental annuities for long service railroad employees are not subject to cost-of-living adjustments. Special provisions apply to windfall benefits, defined as that part of dual benefits payable under the railroad retirement and social security programs above the amount that would have been payable if a single benefit had been calculated on the basis of combined railroad and nonrailroad service. Generally, windfall benefits are subject only to social security cost-of-living increases that take place before the beginning date of the employee's annuity or, in the case of widows and widowers, that occur prior to the employee's annuity beginning date or date of death, whichever occurs first.