

Notes and Brief Reports

Effects of OASDI Benefit Increase, June 1980*

Social security checks delivered to beneficiaries in the first week of July 1980 reflected the sixth automatic cost-of-living increase in cash benefits under legislation enacted in 1972 and 1973. The 14.3-percent increase,

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which became effective for June, applied to all persons receiving social security benefits at the end of May.

Automatic increases are initiated whenever the Consumer Price Index (CPI) of the Bureau of Labor Statistics for the first calendar quarter of a year exceeds the CPI for the base quarter by at least 3 percent. That base is either the first calendar quarter of the preceding year or the quarter in which an increase was legislated by Congress. In this case, the base quarter was the first quarter of 1979. The size of the benefit increase is determined by the actual percentage rise of the CPI during the quarters measured.

Table 1.—Monthly cash benefits in current-payment status at end of May 1980 and under new rates effective June 1980 and average increase, by type of beneficiary and reduction status

Type of beneficiary and reduction status	Total number	Total benefit amount (in thousands)		Average benefit			
		Old rate	New rate	Amount		Increase	
				Old rate	New rate	Amount	Percent
All beneficiaries.....	35,280,833	\$9,143,405	\$10,454,334	.....	.....	.....	14.3
Retired workers and dependents.....	22,721,105	6,167,452	7,050,806	.....	.....	.....	14.3
Retired workers.....	19,083,911	5,644,285	6,452,699	\$295.76	\$338.12	\$42.36	14.3
Men.....	10,233,509	3,366,527	3,848,617	328.97	376.08	47.11	14.3
Benefits actuarially reduced.....	5,645,845	1,701,025	1,944,738	301.29	344.45	43.16	14.3
Benefits not actuarially reduced ¹	4,587,664	1,665,502	1,903,879	363.04	415.00	51.96	14.3
Women.....	8,850,402	2,277,758	2,604,082	257.36	294.23	36.87	14.3
Benefits actuarially reduced.....	6,088,951	1,452,126	1,660,257	238.49	272.67	34.18	14.3
Benefits not actuarially reduced ¹	2,761,451	825,632	943,825	298.98	341.78	42.80	14.3
Wives and husbands.....	2,974,625	443,092	506,581	148.96	170.30	21.34	14.3
Benefits actuarially reduced.....	2,109,376	303,187	346,654	143.73	164.34	20.61	14.3
Benefits not actuarially reduced ¹	865,249	139,905	159,927	161.69	184.83	23.14	14.3
Children.....	662,569	80,075	91,526	120.86	138.14	17.28	14.3
Disabled workers and dependents.....	4,782,248	1,110,946	1,271,446	.....	.....	.....	14.4
Disabled workers.....	2,868,380	926,894	1,060,341	323.14	369.67	46.53	14.4
Men.....	1,934,816	685,306	784,008	354.20	405.21	51.01	14.4
Women.....	933,564	241,588	276,333	258.78	296.00	37.22	14.4
Wives and husbands.....	470,080	45,193	51,849	96.14	110.30	14.16	14.7
Children.....	1,443,788	138,859	159,256	96.18	110.30	14.12	14.7
Survivors of deceased workers.....	7,675,515	1,855,701	2,121,448	.....	.....	.....	14.3
Widows and widowers, nondisabled.....	4,216,303	1,141,129	1,304,608	270.65	309.42	38.77	14.3
Benefits actuarially reduced.....	2,272,786	589,673	674,181	259.51	296.63	37.12	14.3
Benefits not actuarially reduced ¹	1,943,517	551,456	630,427	283.74	324.37	40.63	14.3
Widows and widowers, disabled.....	128,289	23,079	26,388	179.90	205.69	25.79	14.3
Widowed mothers and fathers.....	560,881	118,009	134,903	210.40	240.52	30.12	14.3
Children.....	2,754,680	569,800	651,338	206.85	236.45	29.60	14.3
Parents.....	15,362	3,684	4,211	239.80	274.13	34.33	14.3
"Special age-72" beneficiaries ²	101,965	9,306	10,634	.....	.....	.....	14.3
Primary.....	100,991	9,261	10,583	91.70	104.79	13.09	14.3
Wives.....	974	45	51	45.96	52.54	6.58	14.3

¹ Includes transitionally insured beneficiaries.

² Authorized by 1966 legislation for persons aged 72 and over not insured under the regular or transitional provisions of the Social Security Act.

Benefit Amounts

Monthly benefit amounts payable at the end of May 1980 both before and after the 14.3-percent increase are shown in table 1. The new rates resulted in a rise of \$1.3 billion per month for the 35.3 million persons receiving benefits at that time.

As a result of the benefit increase, average monthly benefits payable to retired workers were \$376.08 for men (up \$47.11) and \$294.23 for women (up \$36.87). Average amounts for disabled workers were \$405.21 for men and \$296.00 for women—increases of \$51.01 and \$37.22, respectively. Average increases for entitled dependents of these workers ranged from \$14.12 for children of disabled workers to \$21.34 for wives and husbands of retired workers. Among survivors of deceased workers, average benefit increases were highest for nondisabled widows and widowers (\$38.77) and lowest for disabled widows and widowers (\$25.79), resulting in average benefits of \$309.42 and \$205.69, respectively.

Social security benefits are based on a worker's primary insurance amount (PIA). The full PIA is payable to a retired worker who becomes entitled to

benefits at age 65 and to an entitled disabled worker at any age. Retired workers can receive benefits as early as age 62, but the benefit is actuarially reduced by 5/9 of 1 percent for each month of entitlement before age 65. The full PIA is also payable to a widow or widower who becomes entitled to these benefits at age 65, provided that the deceased spouse did not receive reduced benefits. Other survivors of deceased workers and spouses and children of retired or disabled workers receive set proportions of the PIA, subject to a family maximum amount.

The PIA is based on an individual's covered earnings averaged over his or her working lifetime. For a worker who reached age 62, became disabled, or died before 1979 the PIA is generally based on the worker's average monthly earnings (AME), which are the actual taxable earnings reported by employers or self-employed individuals. For a worker who reached age 62, became disabled, or died in 1979 or later the PIA is generally based on the worker's average indexed monthly earnings (AIME). Earnings from 1951 up to the second year before the year the worker reaches age 62, becomes disabled, or dies are indexed to reflect increases in average wages that have occurred since then.

Table 2.—Examples of monthly cash benefit awards for selected beneficiary families with first eligibility in 1980, by average indexed monthly earnings, effective June 1980

Beneficiary family	Average indexed monthly earnings of insured worker											
	\$135 or less ¹	\$194	\$400	\$550	\$750	\$900	\$1,171	\$1,275	\$1,375	\$1,475	\$1,908	\$2,033
Disabled worker:												
Alone.....	\$139.50	\$199.60	\$275.10	\$329.90	\$403.10	\$457.90	\$557.00	\$574.90	\$592.00	\$609.20	\$683.30	\$704.80
Worker, spouse, and 1 child ²	209.20	299.40	412.60	551.50	750.50	832.50	974.80	1,006.00	1,036.10	1,066.00	1,195.90	1,233.50
Retired worker claiming benefits at age 62:												
Worker alone.....	111.60	159.70	220.10	264.00	322.50	366.40	445.60	460.00	473.60	487.40	546.70	563.90
Worker with spouse claiming benefits at—												
Age 65 or over.....	181.40	259.50	357.70	429.00	524.10	595.40	724.10	747.50	769.60	792.00	888.40	916.30
Age 62.....	164.00	234.60	323.30	387.80	473.70	538.20	654.50	675.60	695.60	715.90	803.00	828.20
Widow or widower claiming benefits at—												
Age 65 or over ³	139.50	199.60	275.10	329.90	403.10	457.90	557.00	574.90	592.00	609.20	683.30	704.80
Age 60.....	99.80	142.80	196.70	235.90	288.30	327.40	398.30	411.10	423.30	435.60	488.60	504.00
Disabled widow or widower claiming benefits at age 50.....	69.80	99.80	137.60	165.00	201.60	229.00	278.50	287.50	296.00	304.60	341.70	352.40
1 surviving child.....	⁴ 139.50	149.70	206.40	247.50	302.40	343.50	417.80	431.20	444.00	456.90	512.50	528.60
Widow or widower aged 65 or over and 1 child.....	209.20	299.40	412.60	551.50	705.50	801.40	974.80	1,006.00	1,036.00	1,066.00	1,195.90	1,233.40
Widowed mother or father and 1 child.....	209.20	299.40	412.60	495.00	604.80	687.00	835.60	862.40	888.00	913.80	1,025.00	1,057.20
Widowed mother or father and 2 children.....	209.20	299.40	412.60	551.50	750.50	832.50	974.80	1,006.00	1,036.10	1,066.00	1,195.90	1,233.50
Maximum family benefits².....	209.20	299.40	412.60	551.50	750.50	832.50	974.80	1,006.00	1,036.10	1,066.00	1,195.90	1,233.50

¹ Represents minimum PIA of \$122 increased by 14.3 percent, effective June 1980. Special rules govern the addition of cost-of-living increases to these cases; it is thus possible that some beneficiaries may not be eligible for this increase.

² The 1980 Amendments to the Social Security Act provide for different family maximum amounts for disability cases for those who become entitled to disability benefits beginning with July 1980. Generally, if the AIME is less than \$213, the July maximum is equal to the PIA. If the AIME is between \$213 and

\$456, the family maximum is equal to 85 percent of the AIME; if the AIME is greater than \$456, the maximum is equal to 150 percent of the PIA. The PIA is shown in the table as the amount payable to a disabled worker alone.

³ Widow's or widower's benefit limited to amount spouse would have been receiving if still living but not less than 82½ percent of PIA.

⁴ Sole survivor.

The AIME method of computing the PIA resulted from the 1977 Amendments to the Social Security Act. To protect workers nearing retirement when the new method was implemented, individuals who reach age 62 in the period 1979-83 are guaranteed retirement benefits no lower than the amount they would have received under the AME method as of December 1978. This guarantee does not apply to survivor or disability computations except for survivors of workers who attained age 62 during this period and who died in or after the month in which age 62 was attained.¹

Tables 2 and 3 show examples of monthly benefits effective June 1980 for various family groups at selected AME and AIME levels. Benefits shown for the highest AME's are not usually possible because current AME's are based in part on earnings for earlier years when the

maximum amounts creditable for social security purposes were lower.² The highest PIA for June 1980 for a worker who retired at age 65 in that year was \$653.80, based on an AME of \$784. Minimum and maximum retired-worker benefits paid to persons who retired at age 65 during the years 1940-80 are shown in table 4.

Benefits Under Special Minimum Provision

The special minimum PIA, initiated in January 1973, was designed to help persons with many years of work in covered employment at low earnings. Unlike the regular PIA, the special minimum PIA is not related to a worker's average earnings but to the number of years in covered employment. The special minimum PIA was established at a range of \$85-170 in January 1973 and was raised to \$90-180 in March 1974. It remained at

¹ For a discussion of changes resulting from the 1977 amendments and information about computation methods, see John Snee and Mary Ross, "Social Security Amendments of 1977: Legislative History and Summary of Provisions," *Social Security Bulletin*, March 1978, pages 3-20, and Department of Health, Education, and Welfare, Social Security Administration, *Social Security Handbook*, July 1978, pages 109-145.

² Maximum creditable earnings for social security purposes were \$3,000 in 1937-50, \$3,600 in 1951-54, \$4,200 in 1955-58, \$4,800 in 1959-65, \$6,600 in 1966-67, \$7,800 in 1968-71, \$9,000 in 1972, \$10,800 in 1973, \$13,200 in 1974, \$14,100 in 1975, \$15,300 in 1976, \$16,500 in 1977, \$17,700 in 1978, \$22,900 in 1979, and \$25,900 in 1980. The 1977 amendments provide that the maximum creditable amount will increase to \$29,700 in 1981. After 1981, the maximum will be automatically adjusted to keep up with average wage levels.

Table 3.—Examples of monthly cash benefit awards for selected beneficiary families, effective June 1980

Beneficiary family	Average monthly covered earnings of insured worker														
	\$76 or less	\$100	\$200	\$300	\$400	\$550	\$650	\$750	\$900	\$1,100	\$1,275	\$1,375	\$1,475	\$1,908	\$2,158
Retired worker claiming benefits at age 65, or disabled worker:															
Worker alone.....	\$153.10	\$197.00	\$279.50	\$349.50	\$422.20	\$521.80	\$598.60	\$640.80	\$695.20	\$764.10	\$818.40	\$846.70	\$873.60	\$982.90	\$1,040.10
Worker with spouse claiming benefits at—															
Age 65 or over....	229.70	295.50	419.30	524.30	633.30	782.70	897.90	961.20	1,042.80	1,146.20	1,227.60	1,270.40	1,310.40	1,474.40	1,560.20
Age 62.....	210.60	270.90	384.40	480.60	580.60	717.50	823.10	881.10	955.90	1,050.70	1,125.30	1,164.60	1,201.20	1,351.60	1,456.20
Worker, spouse, and 1 child..	229.70	295.50	419.30	573.00	769.70	944.30	1,047.40	1,121.40	1,216.40	1,336.70	1,432.10	1,481.80	1,528.70	1,720.00	1,820.20
Retired worker claiming benefits at age 62:															
Worker alone.....	122.50	157.60	223.60	279.60	337.80	417.50	478.90	512.70	556.20	611.30	654.80	677.60	698.90	786.40	832.10
Worker with spouse claiming benefits at—															
Age 65 or over.....	199.10	256.10	363.40	454.40	548.90	678.40	778.20	833.10	903.80	993.40	1,064.00	1,101.10	1,135.70	1,277.90	1,352.20
Age 62.....	180.00	231.50	328.50	410.70	496.20	613.20	703.40	753.00	816.90	897.90	961.70	995.30	1,025.50	1,155.10	1,248.20
Widow or widower claiming benefits at—															
Age 65 or over ¹	153.10	197.00	279.50	349.50	422.20	521.80	598.60	640.80	695.20	764.10	818.40	846.90	873.60	982.90	1,040.10
Age 60.....	109.50	140.90	199.90	249.90	301.90	373.10	428.00	458.20	497.10	546.40	585.20	605.60	624.70	702.80	743.70
Disabled widow or widower claiming benefits at age 50	76.70	98.50	139.90	174.80	211.10	260.90	299.30	320.40	347.60	382.10	409.20	423.50	436.80	491.50	520.10
1 surviving child.....	2153.10	2153.10	209.70	262.20	316.70	391.40	449.00	480.60	521.40	573.10	613.80	635.20	655.20	737.20	780.10
Widow or widower age 65 and over and 1 child ¹	229.70	295.50	419.30	573.00	738.90	913.20	1,047.40	1,121.40	1,216.40	1,336.70	1,432.10	1,481.80	1,528.70	1,720.00	1,820.20
Widowed mother or father and 1 child.....	229.70	295.50	419.30	524.40	633.40	782.80	898.00	961.20	1,042.80	1,146.20	1,227.60	1,270.40	1,310.40	1,474.40	1,560.20
Widowed mother or father and 2 children.....	229.70	295.50	419.30	573.00	769.70	944.30	1,047.40	1,121.40	1,216.40	1,336.70	1,432.10	1,481.80	1,528.70	1,720.00	1,820.20
Maximum family benefits.....	229.70	295.50	419.30	573.00	769.70	944.30	1,047.40	1,121.40	1,216.40	1,336.70	1,432.10	1,481.80	1,528.70	1,720.00	1,820.20

¹ Widows or widower's benefit limited to amount spouse would have been receiving if still living but not less than 82½ percent of 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. The benefit amounts shown in these columns are thus not generally currently payable. (Effective June 1980, the highest average monthly creditable earnings possible for a worker retiring at age 65 is \$784.)

that level until January 1979 when, under a provision of the 1977 amendments, it was raised to a maximum of

Table 4.—Minimum and maximum monthly retired-worker benefits payable to individuals who retired at age 65, 1940–80

Year attained age 65 ¹	Minimum benefit		Maximum benefit			
	Payable at time of retirement	Payable effective June 1980	Payable at time of retirement		Payable effective June 1980	
			Men ²	Women	Men ²	Women
1940	\$10.00	\$153.10	\$41.20	.....	\$296.10	.....
1941	10.00	153.10	41.60	.....	296.10	.....
1942	10.00	153.10	42.00	.....	299.70	.....
1943	10.00	153.10	42.40	.....	299.70	.....
1944	10.00	153.10	42.80	.....	302.90	.....
1945	10.00	153.10	43.20	.....	302.90	.....
1946	10.00	153.10	43.60	.....	306.60	.....
1947	10.00	153.10	44.00	.....	309.50	.....
1948	10.00	153.10	44.40	.....	309.50	.....
1949	10.00	153.10	44.80	.....	312.50	.....
1950	10.00	153.10	45.20	.....	316.40	.....
1951	20.00	153.10	68.50	.....	316.40	.....
1952	20.00	153.10	68.50	.....	316.40	.....
1953	25.00	153.10	85.00	.....	349.50	.....
1954	25.00	153.10	85.00	.....	349.50	.....
1955	30.00	153.10	98.50	.....	349.50	.....
1956	30.00	153.10	103.50	.....	369.10	.....
1957	30.00	153.10	108.50	.....	385.90	.....
1958	30.00	153.10	108.50	.....	385.90	.....
1959	33.00	153.10	116.00	.....	385.90	.....
1960	33.00	153.10	119.00	.....	395.60	.....
1961	33.00	153.10	120.00	.....	398.70	.....
1962	40.00	153.10	121.00	\$123.00	402.30	\$409.10
1963	40.00	153.10	122.00	125.00	405.70	415.30
1964	40.00	153.10	123.00	127.00	409.10	422.20
1965	44.00	153.10	131.70	135.90	409.10	422.20
1966	44.00	153.10	132.70	135.90	412.10	422.20
1967	44.00	153.10	135.90	140.00	422.20	434.70
1968	55.00	153.10	156.00	161.60	428.60	443.80
1969	55.00	153.10	160.50	167.30	441.10	459.80
1970	64.00	153.10	189.80	196.40	453.40	469.30
1971	70.40	153.10	213.10	220.40	462.70	478.30
1972	70.40	153.10	216.10	224.70	469.30	487.80
1973	84.50	153.10	266.10	276.40	481.40	500.10
1974	84.50	153.10	274.60	284.90	496.70	515.40
1975	93.80	153.10	316.30	333.70	515.40	543.70
1976	101.40	153.10	364.00	378.80	548.90	571.30
1977	107.90	153.10	412.70	422.40	584.90	598.60
1978	114.30	153.10	459.80	459.80	615.20	615.20
1979	121.80	153.10	503.40	503.40	632.50	632.50
1980	133.90	153.10	572.00	572.00	653.80	653.80

¹ Assumes retirement at beginning of year.

² Represents benefit for both men and women until 1962.

³ Effective for February 1968.

\$230 a month. The amendments also provided that the special minimum PIA be subject to the same automatic cost-of-living increases as regular benefits. Effective June 1980, the highest special minimum PIA is \$289 per month.

The special minimum PIA is used only when it is greater than an individual's regular PIA. Since the special minimum PIA remained constant from March 1974 through December 1978, and the regular PIA was increased several times during that period, the special minimum PIA gradually lost its advantage. Special minimum benefits were converted to regular benefits, and the number of beneficiaries with the special minimum PIA dropped sharply with each benefit increase. By December 1978, only 12 persons were receiving benefits based on the special minimum PIA (table 5).

As a result of the increase in the special minimum PIA authorized by the 1977 amendments, nearly 86,000 beneficiaries were receiving benefits based on the special minimum PIA at the end of May 1979. By the end of May 1980, the number rose to nearly 90,000. As a result of the June 1980 benefit increase, the average special minimum PIA for these beneficiaries rose from \$245.20 to \$280.25 and remained advantageous for all of these beneficiaries.

Table 5.—Beneficiaries with special minimum PIA, at end of specified month, 1973–80

Specified month	Number of beneficiaries	Average		
		Special minimum PIA	Regular PIA	Monthly amount
December 1973	204,392	\$162.61	\$154.78	\$139.61
May 1974	217,475	170.37	165.73	148.10
June 1974	117,120	175.42	167.04	148.43
May 1975	125,175	175.52	167.21	146.16
June 1975	27,803	176.91	170.94	147.21
May 1976	29,444	176.88	170.76	146.85
June 1976	4,296	178.20	173.58	147.02
May 1977	4,090	178.17	173.51	152.53
June 1977	309	178.34	172.70	154.76
May 1978	378	178.36	173.48	155.25
June 1978	19	(1)	(1)	(1)
December 1978	12	(1)	(1)	(1)
March 1979	76,901	223.17	212.98	193.68
April 1979	81,269	223.18	212.99	193.69
May 1979	85,774	223.17	212.92	193.95
June 1979	85,749	245.47	234.02	213.22
May 1980	89,529	245.20	233.35	214.01
June 1980	89,529	280.25	264.78	244.68

¹ Data not available.