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MAXIMUM PRIMARY INSURANCE AMOUNTS IN 1983

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INTRODUCTION

Prior to the passage of the Social Security Amendments of 1972, each possible Primary Insurance Amount (PIA) was published in a PIA table. The highest PIA that could ever be awarded at any time, under the existing provisions of the law, was the one on the last line in the table.

The 1972 Amendments created a more complicated situation by providing for automatic adjustment of PIA's, based on changes in the Consumer Price Index (CPI) and average wages. The maximum possible PIA would increase each year, assuming that the CPI and/or average wages continued increasing. Further complication was added by subsequent amendments, particularly in 1977 with the transition to wage-indexed benefit computations.

Even though it is no longer possible to specify the maximum PIA that will ever be paid, it is possible to calculate the maximum PIA for a given set of circumstances at a particular time. For instance, the maximum PIA for someone retiring at age 65 in 1983 (assuming no period of disability) is \$709.50. This particular figure is

commonly used as an example of a "maximum PIA" because it applies to someone retiring at 65, the age at which benefits can first be drawn without reduction for early retirement. When other sets of circumstances are considered, other maximum PIA's result. In this note we consider how the following factors affect the maximum PIA: (1) type of benefit (old-age, disability, or survivors); (2) last year of earnings; (3) year of disability onset, or year of death, if applicable; and (4) age.

OLD-AGE BENEFITS

Table 1 presents the maximum PIA in 1983 for old-age beneficiaries by age, starting at 62 and ending with ages 87 and over (for males) or 84 and over (for females). Eight years, 1976 through 1983, are considered the last year of earnings. Note, however, that earnings in 1983 may not be used in the computation of an old-age benefit until January 1984. The figures in this table do not consider the possible effects of the disability freeze provision. That provision would increase the theoretical maximum PIA, but it would only apply to workers with periods of disability.

Table 1.—Maximum PIA in 1983 for old-age beneficiaries¹, by age, sex, and last year of earnings, prior to application of December 1983 benefit increase.

Age attained in 1983		Last year of earnings							
Men	Women	1976	1977	1978	1979	1980	1981	1982	1983 ²
62	62	\$594.00	\$617.00	\$625.70	\$637.40	\$643.60	\$650.20	\$658.00	\$667.10
63	63	595.90	605.10	613.70	623.10	629.20	637.30	646.60	657.60
64	64	611.40	620.90	629.30	637.40	644.90	655.00	666.40	679.90
65	65	646.50	655.50	664.90	687.20	687.20	695.20	709.50	726.00
66	66	661.40	695.40	729.50	729.50	729.50	729.50	733.40	753.10
67	67	662.70	708.50	737.10	772.30	808.60	847.60	890.90	937.70
68	68	675.60	717.10	744.90	780.90	817.50	860.30	902.60	950.50
69	69	685.50	726.80	755.40	789.40	825.90	871.30	916.20	964.80
70-73	70	698.60	734.80	763.00	798.00	839.30	883.20	931.90	980.80
74	71	714.90	742.30	772.30	808.60	849.70	896.60	947.00	997.80
75	72	721.60	752.70	780.90	819.60	864.70	912.50	963.10	1,013.20
76	73	731.90	763.00	791.60	832.60	879.30	930.00	979.30	1,028.80
77	74	739.50	772.30	804.40	847.60	894.60	945.10	996.30	1,046.50
78	75	752.70	784.90	817.50	862.60	908.30	961.50	1,011.40	1,062.90
79	76	765.30	798.00	832.60	877.10	925.80	977.40	1,028.80	1,083.90
80	77	776.50	813.10	845.30	893.10	941.60	994.50	1,049.50	1,108.00
81	78	791.60	823.90	860.30	906.60	957.70	1,014.60	1,073.40	1,133.30
82	79	802.30	839.30	873.60	922.10	979.30	1,038.50	1,097.50	1,160.40
83	80	817.50	851.80	888.90	943.40	1,002.90	1,062.90	1,122.90	1,184.90
84	81	828.10	867.20	908.30	966.80	1,025.70	1,086.90	1,146.90	1,210.80
85	82	843.10	887.10	931.90	991.10	1,049.50	1,109.50	1,175.30	1,240.70
86	83	862.60	910.40	957.70	1,014.60	1,070.40	1,134.80	1,204.00	1,272.00
87	84	888.90	937.70	979.30	1,033.80	1,092.90	1,164.90	1,237.90	1,310.20

¹Assumes no prior period of disability.

²Although earnings in 1983 may not be used in the computation of

an old age benefit until January 1984, this column shows maximum PIA's with 1983 earnings included.

The most striking feature of table 1 is that the largest possible PIA's occur for very old retirees with recent earnings. This results from the interaction of two factors: (1) although the PIA table method of determining PIA's was generally replaced with a wage-indexing method that generally results in lower PIA's, retirees born before 1917 are allowed to continue using the PIA table method; and (2) the number of years of earnings which must be averaged in the benefit calculation decreases with increasing age at these ages, so that an aged retiree with a few recent years of maximum earnings does not have to use earnings from prior years, when the maximum earnings amount was lower.¹ A more subtle feature of table 1 is that, although for any given last year of earnings the maximum PIA generally increases with increasing age, it drops when comparing age 62 to age 63. Rather than being an anomaly, this is a result of using the wage-indexed method of computing

¹For more information on benefit computations, see Actuarial Note No. 111: *Computing a Social Security Benefit After the 1980 and 1981 Amendments* by Steven F. McKay

PIA's and occurs because of the interaction of average wage and CPI changes for workers born after 1916. If average wage increases exceed CPI increases over a number of years in the future (which is generally considered to be the normal situation), the maximum PIA would eventually decline or increase only slowly with increasing age.¹

DISABLED WORKER BENEFITS

Table 2 presents the maximum PIA in 1983 for disability beneficiaries for each fifth year of age from 20 to 50, and for ages 54 and over. Each of the 8 years from 1976 to 1983 is considered as a possible year of disability onset, with earnings assumed to cease in that year. As is true for old-age benefits, however, earnings in 1983 may not be used in the computation of a disability benefit until January 1984.

¹For more information on the effects of the benefit computations see Actuarial Study No. 86: *Effects of the Various Social Security Benefit Computation Procedures* by Steven F. McKay and Bruce D. Schobel.

Table 2.—Maximum PIA in 1983 for disability beneficiaries¹, by age and year of disability onset, prior to application of December 1983 benefit increase.

Age attained in 1983	Year of disability onset and last year of earnings							
	1976	1977	1978	1979	1980	1981	1982	1983 ²
20	\$959.60	\$994.50	\$1,027.30	\$814.00	\$841.80	\$819.70	\$813.50	\$795.10
25	959.60	994.50	1,027.30	814.01	841.80	819.70	813.50	784.40
30	959.60	994.50	1,027.30	777.00	785.00	754.40	743.60	741.40
35	959.60	994.50	1,011.40	745.10	748.30	720.20	711.70	715.30
40	862.60	887.10	908.30	720.40	720.60	693.30	685.60	692.60
45	791.60	813.10	832.60	705.00	702.80	675.60	667.70	676.90
50	731.90	752.70	772.30	694.60	690.70	663.50	655.30	665.80
54+	685.50	717.10	737.10	689.70	682.60	655.00	646.60	658.00

¹Assumes no prior period of disability.

²Although earnings in 1983 may not be used in the computation of

a disability benefit until January 1984, this column shows maximum PIA's with 1983 earnings included.

The general pattern of figures in table 2 is that the largest PIA's occur for very young disabled workers with disability onset prior to 1979. This pattern results from the interaction of two factors which parallel those for old-age beneficiaries: (1) workers with disability onset prior to 1979 use the PIA table method of computing a PIA, which leads to a higher maximum PIA; and (2) the number of years of earnings which must be used in the benefit calculation decreases with decreasing age for disability beneficiaries, so that a young disabled worker with a few years of maximum earnings prior to disability onset does not have to use earnings from prior years, if any.

SURVIVOR BENEFITS

Table 3 presents the maximum PIA in 1983 for survivors of deceased workers for each fifth year of the worker's age (as if he were still alive) from 20 to 85. Each of the 8 years from 1976 through 1983 is considered as year of death, with earnings assumed to cease in that year. In contrast to the examples for retirement and disability benefits, earnings prior to a worker's death in 1983 can be used in determining benefits prior to 1984.

The general pattern of figures in table 3 follows that for disabled workers at the younger ages and follows that for old-age beneficiaries at the older ages. The explanations for these results also parallel those for disabled worker and old-age beneficiaries.

Table 3.—Maximum PIA in 1983 for survivor beneficiaries¹, by age of worker and year of death, prior to application of December 1983 benefit increase.

Age of worker in 1983 ²	Year of death and last year of earnings							
	1976	1977	1978	1979	1980	1981	1982	1983
20	\$959.60	\$994.50	\$1,027.30	\$814.00	\$841.80	\$819.70	\$813.50	\$832.60
25	959.60	994.50	1,027.30	814.00	841.80	819.70	813.50	832.60
30	959.60	994.50	1,027.30	814.00	841.80	819.70	813.50	814.40
35	959.60	994.50	1,014.40	777.00	772.70	743.70	733.70	755.30
40	862.60	887.10	908.30	737.70	733.00	705.50	697.50	719.80
45	791.60	813.10	832.60	712.20	706.70	679.60	671.80	693.70
50	731.90	752.70	772.30	697.30	690.70	663.50	655.30	676.60
55	685.50	717.10	737.10	689.70	682.60	655.00	646.60	667.10
60	685.50	717.10	737.10	689.70	682.60	655.00	646.60	667.10
65	685.50	717.10	737.10	689.70	687.20	695.20	709.50	726.00
70	698.60	734.80	763.00	798.00	839.30	883.20	931.90	980.80
75	752.70	784.90	817.50	862.60	908.30	961.50	1,011.40	1,062.90
80	817.50	851.80	888.90	943.40	1,002.90	1,062.90	1,122.90	1,184.90
85	918.20	963.10	994.50	1,053.90	1,119.90	1,201.20	1,279.20	1,340.00

¹Assumes no prior period of disability.

²Theoretical age that would be attained in year if death had not

occurred; tabulated in this way to facilitate comparisons with table 2.

ACTUAL MAXIMUM PIA'S

Table 4 presents the number of actual workers with a PIA greater than \$1,000 as of June 1982, by category of beneficiary. The figures in this table represent actual data based on benefits paid to current beneficiaries, in contrast to the theoretical maximum amounts shown in tables 1 through 3.

As indicated in table 4, the number of retired workers trails off quickly as the PIA level increases; only 27

workers have a PIA over \$1,100. The number of disabled workers stops at a PIA level of \$1,027.30, the theoretical maximum from table 2. The number of deceased workers drops suddenly at that same level, since only a very old worker with recent earnings at the maximum can have a higher PIA. In all, fewer than 1,000 workers, or about .003 percent of all workers receiving benefits, have a PIA over \$1,000.

Table 4.—Number of workers with PIA's greater than \$1,000, by size of PIA, June 1982¹

PIA interval	Retired	Disabled	Deceased ²	Total
1,000.10-1,010.00	107	30	35	172
1,010.10-1,020.00	88	43	50	181
1,020.10-1,030.00	74	78	92	244
1,030.10-1,040.00	103	—	8	111
1,040.10-1,050.00	45	—	8	53
1,050.10-1,060.00	19	—	1	20
1,060.10-1,070.00	21	—	1	22
1,070.10-1,080.00	24	—	—	24
1,080.10-1,090.00	22	—	1	23
1,090.10-1,100.00	42	—	2	44
1,100.10-1,110.00	11	—	1	12
1,110.10-1,120.00	5	—	—	5
1,120.10-1,130.00	1	—	1	2
1,130.10-1,140.00	4	—	—	4
1,140.10-1,150.00	—	—	—	—
Over \$1,150.00	6	—	1	7
Total	572	151	201	924

¹Based on unedited data; some figures may be overstated slightly. In particular, the maximum PIA's in each column are not verified.

²Represents number of deceased workers with beneficiaries receiving benefits in June 1982