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THE WIDOW(ER)'S INDEXING COMPUTATION (WINDEX)

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Background

The 1983 Amendments to the Social Security Act provided for an alternative computation of aged and disabled widow(er)'s benefits (if advantageous) for aged widow(er)s first eligible after 1984 and disabled widow(er)s entitled after 1984 if the worker died after 1978 and before attaining age 62. Widow(er)'s Indexing, or WINDEX, was enacted to make the benefits payable to widow(er)s whose spouses died or became disabled at an early age more comparable to the benefits payable to widow(er)s whose spouses died or became disabled at a later age.

In the usual computation of survivor benefits when the worker died before attaining age 62, the "year of eligibility" which serves as the benchmark in the computation is the year of death, unless the worker was entitled to disability benefits during the 12-month period prior to death, in which case the year of eligibility will generally be the year of onset of the disabling condition. The WINDEX computation simply substitutes a later year for the eligibility year, as follows:

- for aged widow(er)s who had not yet attained age 60 at the time of the worker's death, the earlier of the year the widow(er) attained age 60 and the year the worker would have attained age 62 is substituted; and for disabled widow(er)s who had not yet attained age 50 or were not yet disabled at the time of the worker's death, the earlier of the year the widow(er) was both past age 50 and disabled and the year the worker would have attained age 62 is substituted;
- otherwise, if the worker was a disability beneficiary in the 12-month period prior to death, the year of death is substituted.

The year of eligibility impacts Social Security benefits because it establishes how a worker's earnings will be indexed upward in computing the benefit. The worker's Primary Insurance Amount (PIA) is based on his or her average annual earnings after the annual amounts have been indexed upward to reflect the growth of wages in the economy through the second year before the eligibility year, and the growth in prices after the eligibility year.

Thus, the WINDEX computation essentially substitutes wage indexing for price indexing for n years, where n equals the difference in years between the usual year of eligibility and the later WINDEX year of eligibility. More specifically, WINDEX substitutes wage growth during the n years ending with the second year before the WINDEX year of eligibility for price growth during the n years ending with the first year before the WINDEX year of eligibility. For example, if WINDEX substituted 1997 as the year of eligibility rather than 1996, wage growth during 1995 would replace price growth during 1996.

Wage growth generally exceeds price growth, and the WINDEX substitution usually produces a higher PIA—but not always. Table 1 shows the effects of substituting a later year of eligibility for an earlier one when both are between 1979 and 1998. The table makes clear that the substitution often has a substantial positive impact on the PIA, especially if the WINDEX-substituted year of eligibility is substantially later—for example, the PIA increased by at least 10 percent in 35 of the 190 substitutions. On the other hand, in 22 substitutions the PIA would be smaller, and therefore WINDEX would not apply.

Using as my data source an extract from the Master Beneficiary Record (MBR) in June 1998, I discuss the current impact of WINDEX and speculate about the future.

Table 1.—Difference Between WINDEX PIA and Regular PIA Expressed as a Percentage of Regular PIA ¹

"Normal" eligibility year	WINDEX eligibility year																		
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1979	-1.78%	-6.55%	-8.40%	-6.12%	-4.30%	-3.03%	-0.42%	2.49%	1.28%	3.59%	3.81%	2.40%	3.30%	4.03%	6.62%	4.61%	4.69%	5.82%	8.71%
1980	-4.86%	-6.73%	-4.42%	-4.42%	-2.57%	-1.28%	1.39%	4.35%	3.11%	5.47%	5.70%	4.25%	5.18%	5.92%	8.56%	6.51%	6.59%	7.74%	10.69%
1981	-1.97%	0.46%	2.41%	0.46%	2.41%	3.77%	6.56%	9.68%	8.38%	10.86%	11.10%	9.58%	10.55%	11.33%	14.10%	11.94%	12.04%	13.24%	16.34%
1982	2.48%	4.47%	2.48%	4.47%	5.85%	8.71%	11.88%	10.56%	13.09%	13.33%	11.78%	12.77%	13.57%	16.39%	14.20%	14.29%	15.52%	18.68%	
1983	1.94%	3.29%	6.07%	9.17%	7.88%	10.35%	10.58%	9.07%	10.04%	10.82%	13.57%	11.43%	11.52%	12.72%	15.80%				
1984	1.33%	4.06%	7.10%	5.83%	8.25%	8.48%	7.00%	7.95%	8.71%	11.41%	9.31%	9.40%	10.58%	13.60%					
1985	2.69%	5.70%	4.45%	6.83%	7.06%	5.60%	6.54%	7.29%	9.96%	7.88%	7.97%	9.13%	12.12%						
1986	2.92%	1.71%	4.03%	4.25%	2.83%	3.74%	4.47%	7.07%	5.05%	5.14%	6.27%	9.17%							
1987	-1.18%	1.08%	1.29%	-0.09%	0.80%	1.51%	4.03%	2.07%	2.15%	3.25%	6.07%								
1988	2.29%	2.51%	1.10%	2.00%	2.72%	5.28%	3.29%	3.37%	4.49%	7.34%									
1989	0.22%	-1.15%	-0.28%	0.42%	2.92%	0.98%	1.06%	2.15%	4.94%										
1990	-1.37%	-0.49%	0.21%	2.70%	0.76%	0.85%	1.93%	4.72%											
1991	0.89%	1.60%	4.13%	2.16%	2.24%	3.35%	6.17%												
1992	0.71%	3.21%	1.26%	1.35%	2.44%	5.24%													
1993	2.49%	0.55%	0.64%	1.72%	4.50%														
1994	-1.89%	-1.81%	-0.75%	1.96%															
1995	0.08%	1.16%	3.92%																
1996	1.08%	3.84%																	
1997	2.73%																		

¹ The PIA calculation uses wage indexing up to the indexing year (two years prior to the eligibility year), and COLA adjustments after the eligibility year. Therefore, if the eligibility year were delayed for one year, wage indexing would occur for an extra year, while the COLA for the year before the new eligibility year would be missed. For example, for an eligibility year of 1996 there would be wage indexing up to 1994, and COLAs from 1996 onward. For an eligibility year of 1997 there would be wage indexing up to 1995 and COLAs from 1997 onward. Thus, a 1997 eligibility year, compared to 1996, includes the 1995 wage adjustment but does not include the December 1996 COLA, and would result in higher PIAs if and only if the 1995 wage adjustment exceeded the December 1996 COLA.

WINDEX in June 1998

In June 1998, WINDEX was responsible for increased widow(er)s' benefit payments in the aggregate of over 16 million dollars—an average monthly benefit increase of about \$34 for 473 thousand widows and 15 thousand widowers. On an annualized basis, the increase in benefits due to WINDEX during calendar year 1998 will be approximately 200 million dollars. Table 2, in which WINDEX widow(er)s in payment status are arrayed by the difference in years between the “normal” eligibility year and the later WINDEX eligibility year, shows that, as the difference in the eligibility years increases from one through 14, so does the average dollar impact due to WINDEX. (This pattern does not continue to the end of the table because of the effect of price growth exceeding wage growth in the years around 1980.) The table also demonstrates the expected inverse relationship between the difference in eligibility years and the average age at death of the worker.

Table 2.—WINDEX Widow(er)s Currently Receiving Benefits: Number, Average Benefit Increase Due to WINDEX, and Average Age of Worker at Death

Difference between “normal” and WINDEX eligibility years	Number of widow(er)s	Average benefit increase	Average age of worker at death
Total	487,420	\$34	55.3
1	52,221	12	59.0
2	52,226	19	58.3
3	52,245	24	57.4
4	50,473	30	56.5
5	48,411	34	55.7
6	45,407	37	54.9
7	37,416	43	54.1
8	32,950	44	53.4
9	26,509	48	52.6
10	20,775	52	51.8
11	16,047	54	51.0
12	12,023	55	50.2
13	8,749	58	49.4
14	6,195	59	48.6
15	4,120	59	47.7
16	2,577	48	47.1
17	1,286	42	46.8
18	574	43	45.9
19	104	53	44.4
Unknown	17,112	—	—

Table 3 compares in several ways WINDEX widow(er)s in pay status to all widow(er)s in pay status on the basis of either age or a combination of disability and age. WINDEX widow(er)s comprise almost

one-third of widow(er) beneficiaries aged 50 to 64, but much smaller proportions of older widow(er) beneficiaries. WINDEX widow(er)s are younger as a group than non-WINDEX widow(er)s because generally they become widowed before age 60, and all the more so because of the recency of the enactment of the WINDEX provision.

Table 3.—Selected Characteristics of WINDEX and All Widow(er)s Currently Receiving Benefits Based on Age or Disability and Age

	WINDEX widow(er)s	All widow(er)s
Total	487,420	8,343,326
<i>Sex</i>		
Female	472,757	8,214,711
Male	14,663	128,615
<i>Current age of widow(er)</i>		
50-54	10,224	26,288
55-59	21,826	73,485
60-61	68,128	179,314
62-64	126,322	417,658
65-69	181,909	1,066,694
70-74	75,549	1,515,203
75 or older	3,462	5,064,684
<i>Age of widow(er) at death of worker¹</i>		
Under 60	456,622	2,507,900
60 or older	29,842	5,626,900
Unknown	956	204,100
<i>Year of worker's death¹</i>		
Before 1979	0	1,766,200
1979-1983	147,167	1,151,800
1984-1988	192,094	1,506,200
1989-1993	112,307	1,852,600
1994-1998		
(through mid-June 1998)	34,955	1,858,400
Unknown	897	203,700
<i>Year of current entitlement</i>		
Before 1985	0	2,320,225
1985	7,011	309,293
1986	12,741	331,828
1987	18,669	350,262
1988	20,616	372,502
1989	26,547	388,647
1990	33,248	415,738
1991	36,435	451,358
1992	39,964	468,692
1993	46,348	496,646
1994	53,156	518,908
1995	53,774	540,725
1996	54,149	564,168
1997	57,201	578,458
1998 (through mid-June)	27,561	235,876

¹ Data for “all widow(er)s” in this panel are based on a 1-percent sample of Master Beneficiary Records.

About 94 percent of WINDEX widow(er)s were widowed before age 60. As discussed earlier, persons widowed after age 60 can qualify for WINDEX only if the worker was a disability beneficiary in the 12-month period before his or her death. By comparison, only 30 percent of all widow(er) beneficiaries were widowed before age 60.

According to the distribution of WINDEX widow(er)s by the year of the worker's death shown in table 3, there are fewer WINDEX beneficiaries widowed in the last 5 years than widowed 6-10 years ago, and fewer widowed 6-10 years ago than widowed 11-15 years ago. This suggests that there are a large number of potential WINDEX beneficiaries whose spouse died before attaining age 62 who themselves have not yet attained age 60.

About 6 percent of the 8.3 million aged or disabled widow(er) beneficiaries in pay status in June 1998 benefit from WINDEX. Since 1985, the WINDEX provision has applied to an increasing fraction of widow(er) entitlements—from 2.3 percent among entitlements in 1985 to 10 percent or more in 1997, as can be seen in the last panel of table 3. The nature of the eligibility criteria create a “phase-in” effect of WINDEX over time. In the long-run, all spouses of deceased workers will be first eligible after 1984 and all worker deaths will occur after 1978.

The Future

WINDEX has now been in effect for almost 15 years; what will be its impact for the next 15 years? Clearly the WINDEX population, now limited for the most part to ages below 75, will grow as the provision matures. But even the fraction of widow(er) awards which are WINDEX awards could increase, for two reasons. First of all, the proportion of insured deaths occurring before 1979 for which a widow(er) award has yet to be made will decrease further, although it probably is already fairly small.

Second, the average difference between the regular and WINDEX years of eligibility should increase, and with that the likelihood that a WINDEX calculation is beneficial. While prices may occasionally grow more than wages during short periods of years, over longer time intervals wage growth is expected to exceed price growth. Furthermore, the average amount of increase in benefits due to WINDEX is expected to grow for the same reason.

On the other hand, improvements in survivorship during the working years could act to restrain the number of WINDEX awards and the average dollar increase due to WINDEX. The number of WINDEX awards could decline because WINDEX applies only in cases of worker death before age 62, and the average dollar increment is related to the difference in eligibility years, which in turn tends to be smaller when the worker's age at death is closer to 62. However, the pace of such improvement in survivorship is slowing down. According to birth cohort life tables,¹ while the probability of death before age 62 for a male age 21 decreased by 5.6 percentage points from the 1915 cohort to the 1930 cohort, the decrease from the 1930 cohort to the 1945 cohort is only 3.9 percentage points.

The Widow(er)'s Indexing provision has benefited a growing number of widows and widowers since 1985 and this growth will continue in the future. Whether the number of WINDEX awards as a percentage of all widow(er) awards and the average size of the incremental benefit due to WINDEX will also increase is less certain.

¹ Unpublished 1998 update to Social Security Administration, Office of the Actuary, Actuarial Study No. 107, “Life Tables for the United States Social Security Area 1900-2080,” August 1992.