ACTUARIAL NOTE

MAXIMUM BENEFITS UNDER THE SOCIAL SECURITY
AMENDMENTS OF 1965

by Marice C. Hart
Office of the Actuary

One of the first questions asked about increases in OASDI benefits as a result of amendatory legislation is when the new maximums provided will actually be paid. The 1965 Amendments increase the earnings base to $6,600 in 1966, with a maximum possible primary insurance amount (PIA) of $168, and a maximum family benefit (MFB) of $368.

The old-age benefit for a person retiring at age 65, assuming no period of disability, is shown in Table 1 for persons attaining age 65 in various future years. The maximum PIA of $168 will be reached for a man in the year 2004 and and for a woman in the year 2001. The 3-year difference results from the fact that the number of computation years for a woman are counted only to the attainment of age 62, and not to attainment of age 65 as is the case for a man. For a woman retiring at age 65 this results, in effect, to an additional 3-year dropout.

For retirement cases where no period of disability is involved, the individual who continues to work after attainment of age 65 (age 62 for women) will reach the new maximum fairly rapidly. Table 2 shows the old-age benefits payable upon retirement in 1967 and later years, until the maximum PIA is reached, for a man who was aged at least 69 (or for a woman who was aged at least 66) in 1965. Since the old-age benefit is computed over 5 years for these cases, the person who continues employment can, each year, substitute earnings under the higher base for earnings of a previous year under a lower base. At least by 1968, the man would be 72 years old and could draw benefits without reduction while he continued to work.

A woman would reach age 72 at least by 1971, which, coincidentally, is the first year that the maximum PIA of $168 would be payable, since it requires 5 years of earnings under the $6,600 base.

Individuals who continue to work and draw benefits would have them automatically recomputed each year to take account of any earnings in the previous year. Maximum creditable earnings in or after the year of attaining age 65 (age 62 for a woman) would increase the benefit, beginning with the following year, to the amount shown for retirement in that year. It should be noted that earnings during a year may no longer be included in the computation for benefits payable in that year.

The first cases for which the new maximum PIA will be available will be survivor cases. An individual aged 29 or less who dies in 1967 after having earned at least $6,600 in 1966 and 1967 will have his PIA computed over only these 2 years and will thus achieve the maximum of $168, with a possible family benefit of $368.

The MFB is 80% of the first $370 of average monthly wage (AMW), plus 40% of the remainder, but not less than 150% of PIA. As shown in Table 3, the MFB increases from 150% of PIA to a maximum of 231%, and then decreases to 219%.

Table 4 shows the percentage of PIA received by various family groups without regard to the effect of the maximum. Where the MFB is 150% of PIA, a family consisting of a retired or

disabled worker and 1 dependent would receive the MFB; in the range between 150% and 200%, the retired worker and 2 dependents would receive the MFB; and where MFB is over 200% of PIA, the worker must have 3 dependents to receive the maximum.

In the case of survivor benefits to the children and their mother, in the 150% range a family of 2 would receive the MFB, between 150% and 225% a family of 3 would be required, and where the MFB is over 225% of PIA, a family of 4 would be required. If one survivor is a widow or a parent aged 62 or over, the maximum would be received by 3 survivors in all cases.

Table 5 shows the ranges of AMW, PIA, and MFB for which various sizes of family are required to receive the MFB. It must be noted that the MFB is not reached in the case where one of the beneficiaries is receiving reduced benefits because of first claiming benefits before age 65. In such cases, the reduction because of the family maximum is applied as though the individual were receiving unreduced benefits.

Table 1

OLD-AGE BENEFIT PAYABLE TO INDIVIDUAL RETIRING AT AGE 65 WITH MAXIMUM CREDITABLE EARNINGS IN ALL YEARS AFTER 1955

Year of Attainment of Age 65[1]	Monthly Old-Age Benefit	
	Man	Woman
1965	$131.70	$135.90
1966	132.70	135.90
1967	135.90	140.00
1968	138.00	143.00
1969	141.00	145.00
1970	143.00	147.00
1971	144.00	149.00
1972	146.00	151.00
1973	147.00	152.00
1974	148.00	153.00
1975	149.00	154.00
1976	150.00	155.00
1977	151.00	155.00
1978	152.00	156.00
1979	152.00	157.00
1980	153.00	157.00
1985	156.00	159.00
1990	157.00	161.00
1995	160.00	162.00
2000	164.00	167.00
2001	165.00	168.00
2004	168.00	168.00

[1] Assumes retirement at beginning of year.

Table 2

EFFECT OF EARNINGS AFTER 1965 FOR MAN AGED 69 OR OVER
IN 1965 WITH MAXIMUM CREDITABLE EARNINGS[1]

Year of Retirement	Monthly Old-Age Benefit
1967	$142.00
1968	149.00
1969	155.00
1970	161.00
1971	168.00

[1] Also applies to woman aged 66 or over in 1965. Assumes retirement at beginning of year.

Table 3

RELATIONSHIPS AMONG AMW, PIA, AND MFB

AMW	PIA as % of AMW	MFB as % of PIA
$ 67	66%	150%
100	63	150
150	52	153
200	45	180
250	41	199
300	37	214
350	35	226
370	35	231
400	34	228
450	32	225
500	31	222
550	31	219

Table 4

PERCENTAGE OF PIA RECEIVED BY VARIOUS FAMILY GROUPS BEFORE APPLICATION OF THE FAMILY MAXIMUM[1]

Category	Percentage of PIA[2]
Retired or Disabled Worker	100%
With 1 dependent	150
With 2 dependents	200
With 3 dependents	250
Survivors	
Widow or parent	82½
One child	75
One child and mother	150
One child and widow	157½
Two children and mother	225
Three children and mother	300

[1] The MFB is not reached where a reduced benefit is payable because of early retirement.

[2] Before reduction for early retirement.

Table 5

SIZE OF FAMILY REQUIRED TO RECEIVE MAXIMUM FAMILY BENEFITS

Average Monthly Wage	Primary Insurance Amount	Maximum Family Benefit	Size of Family	
			Number of Dependents of Retired Worker[1]	Number of Survivors[2]
Under $142	$ 44.00–$ 76.00	$ 66.00–$114.00	1	2
$142– 253	77.10– 101.70	116.80– 202.40	2	3
254– 342	102.80– 122.00	206.40– 273.60	3	3
343– 436	123.10– 143.00	277.60– 322.40	3	4
437– 550	144.00– 168.00	324.00– 368.00	3	3

[1] The MFB is not reached where a reduced benefit is payable because of early retirement.

[2] Excludes the effect of payment of a widow's or parent's benefit.