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## OASDI BENEFIT INCREASES RESULTING FROM THE CONVERSION OF MONTHLY RATES UNDER THE 1965 AMENDMENTS

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The 1965 amendments to the Social Security Act provided an across-the-board increase of 7% for OASDI monthly benefits. Data showing the effect of the conversion on average monthly

amounts for the 20.2 million benefits in current-payment status at the end of August 1965, by type of benefit, are shown in the following table:

Type of benefit	Number	Monthly benefits in current-payment status, end of August 1965		Amount of increase	Percent- age increase
		Average monthly amount Before conversion	After conversion		
Total .....	20,210,872	-	-	-	-
Old-age (retired-worker's).....	10,883,542	\$78.10	\$83.95	\$5.85	7.5
Disability (disabled-worker's) .....	955,458	91.16	97.63	6.47	7.1
Wife's or husband's (total) .....	2,781,305	39.89	43.05	3.16	7.9
Wife's or husband's (OASI)....	2,591,925	40.46	43.63	3.17	7.8
Wife's or husband's (DI) .....	189,380	32.18	35.18	3.00	9.3
Widow's or widower's .....	2,247,536	68.51	73.53	5.02	7.3
Parent's.....	35,531	70.61	75.76	5.15	7.3
Child's (total).....	2,834,281	-	-	-	-
Child's (OASI) .....	2,310,824	50.48	55.07	4.59	9.1
Child's (DI).....	523,457	28.36	31.28	2.92	10.3
Mother's.....	473,219	59.71	65.44	5.73	9.6

Several other provisions of the 1965 amendments, taken together with the 7% raise, produced benefit increases that averaged more than 7%. The composite effect of these provisions is analyzed below, by type of benefit.

#### Old-Age (Retired-Worker's) Benefits

The amendments provided a minimum raise of \$4 in the primary insurance amount (PIA). As a result, full-rate old-age benefits of \$40-55 --which made up about one-sixth of all old-age benefits--were increased by percentages ranging from 10% to 7.3%.

The amount of the increase for actuarially reduced old-age benefits was equal to 7% of the PIA, with a \$4 minimum, actuarially reduced by the number of months the beneficiary was under age 65 in January 1965 or at entitlement, if later. If the beneficiary was aged 65 or older in January, the increase was not reduced. Actuarially reduced old-age benefits payable to retired workers aged 65 or older in January 1965 who were entitled at age 62 were increased by about 8.8% for benefits based on PIA's of \$56-127 and by percentages ranging from 12.5% to 9.1% for benefits based on PIA's of \$40-55. The percentage increases for cases where the increase was actuarially reduced fell between the percentages for full-rate benefits and those for actuarially reduced cases where the increase was not actuarially reduced because the beneficiary was aged 65 or over in January 1965. About 30% of all old-age benefits included in the conversion were actuarially reduced.

Rounding of benefits contributed to a minor extent in producing a larger-than-7% increase. Under the amendments, the amount obtained by increasing the old-rate benefit by 7%, if not a multiple of \$0.10, was raised to the next higher multiple of \$0.10. For example, 7% of a \$63 benefit equals \$4.41, but the rounded amount of \$4.50 represents a percentage increase of 7.14%.

The substantial number of retired workers receiving full-rate benefits of \$40-55 or actuarially reduced benefits and the rounding

provision raised the overall increase in the average old-age benefit to 7.5%.

#### Disability (Disabled-Worker's) Benefits

Since only full-rate benefits were payable to disabled workers on the rolls in August 1965, and since less than 6% of the disabled-worker beneficiaries were affected by the \$4 minimum provision, the overall increase in the average disability benefit was quite close to 7%, namely 7.1%.

#### Wife's or Husband's Benefits

The percentage increase in full-rate benefits payable to wives or husbands in beneficiary families without children was the same as that for full-rate old-age benefits based on the same PIA. Actuarially reduced wife's or husband's benefits payable to persons aged 65 or older in January 1965 who were entitled at age 62 in beneficiary families without children were increased by about 9.4% for benefits based on PIA's of \$56-127 and by percentages ranging from 13.3% to 9.7% for benefits based on PIA's of \$40-55. About 49% of all wife's or husband's benefits included in the conversion were actuarially reduced.

The amount of the benefit increase for wives or husbands in beneficiary families with children was affected by the provision in the 1965 amendments that extended the relationship of the maximum family benefit to the worker's average monthly earnings to all earnings levels. For beneficiary families with 3 or more dependents, the new maximum family amounts resulted in increases of about 8-8½% (depending on the number of beneficiaries in the family) for a wife's or husband's benefit based on an old-rate PIA of \$114 to about 36-37% for one based on an old-rate PIA of \$127. Since less than 1% of the entitled wives or husbands of retired-worker beneficiaries benefited from the higher family maximums, the increases in their benefits had a limited effect on the overall increase of 7.8% in the average OASI wife's or husband's benefit. About 15% of the entitled wives or husbands of disabled-worker beneficiaries, however, received higher benefits because of the new family maximums and were

a significant factor contributing to the overall increase of 9.3% in the average DI wife's or husband's benefit.

#### Mother's Benefits

As a result of the 7% benefit increase and the \$4 minimum raise in PIA under the 1965 amendments, mother's and child's (survivor) benefits based on PIA's of \$40-55 were increased by percentages ranging from 10% to 7.3%. For widowed-mother-and-child families consisting of 3 or more beneficiaries, the new maximum family benefits resulted in increases of about 7½-8% for a mother's or child's (survivor) benefit based on an old-rate PIA of \$114 to about 20½-22% for one based on an old-rate PIA of \$127. The overall increase in the average mother's benefit was 9.6%.

#### Child's Benefits

Child's benefits that were based on PIA's of \$40-55, payable to children of retired, disabled, or deceased workers, were increased by percentages ranging from 10% to 7.3%. The percentage increase in benefits for children in retired or disabled-worker beneficiary families with 3 or more dependents ranged from about 8-8½% for a child's benefit based on an old-rate PIA of \$114 to about 36-37% for one based on a PIA of \$127. Children of deceased workers in beneficiary families consisting of 3 or more beneficiaries received increases of about 7½-8% for a child's benefit based on an old-rate PIA of \$114 to about 20½-22% for one based on a PIA of \$127.

For beneficiaries whose benefits are affected by the new family maximum (corresponding to old-rate PIA's at or above \$114), the larger percentage increases in benefits to children of retired or disabled workers result from the statutory difference in the method of calculating the reduced individual benefit amounts payable to dependents of retired or disabled workers as compared with the reduced benefit amounts payable to survivors of deceased workers.

The increase in the average amount was 9.1% for OASI child's benefits and 10.3% for DI child's benefits. The figures for OASI child's benefits shown in the table above include data for benefits payable to children of both retired and deceased workers, since tabulated data for each group separately are not available. Survivor children made up about 82% of the total, however, and therefore largely determine the overall averages.

#### Widow's, Widower's, and Parent's Benefits

The overall increase in the average widow's or widower's and parent's benefits was raised to 7.3% by the larger-than-7% increases for benefits based on PIA's of \$40-55 and the rounding provision.

#### Summary

Of the 20.2 million persons receiving benefits at the end of August 1965, 12.7 million (63%) received an increase of 7%. In addition, the minimum \$4 increase in the PIA resulted in benefit increases which were larger than 7% for an estimated 2.8 million beneficiaries (14%). The estimated number of persons whose benefits were increased by more than 7% because they were entitled to actuarially reduced benefits is 4.0 million (20%). (Beneficiaries who received more than 7% because of both of the above reasons are excluded from the first figure and are included, instead, in the latter figure.) The extension of the relationship between the maximum family benefit and the worker's average monthly earnings to all earnings levels resulted in benefit increases in excess of 7% for an estimated 0.6 million beneficiaries (3%).

As a result of the benefit conversion, the total amount of monthly benefits in current-payment status at the end of August 1965 was raised from \$1,364 million to \$1,469 million, an increase of \$105 million or 7.7%.