ACTUARIAL NOTE

RELATIONSHIP OF CHILD BENEFICIARIES TO OLD-AGE BENEFICIARIES

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When one studies beneficiary data, either in regard to claims awards or in regard to benefits in current-payment status, it may seem rather surprising that there are relatively large numbers of children of old-age beneficiaries (retired workers). For example, in calendar year 1964, 1,042,042 old-age benefits were awarded, and 100,040 child's benefits were awarded with respect to old-age beneficiaries.[1] In other words, these figures indicate that there was about one award of child's benefits with respect to old-age beneficiaries for every ten awards of old-age benefits. Also, at the end of 1964, 10,668,731 old-age beneficiaries were in current-payment status, and there were 424,536 child beneficiaries with respect to old-age beneficiaries, so that the latter represented 4% of the former.

Perhaps the reason that one is surprised at the relatively large numbers of child beneficiaries with respect to old-age beneficiaries is that one is accustomed to thinking in terms of averages or "typical" cases. On this basis, one would think that few children of retired workers aged 62 and over should be present, because the typical case is that the wife is about the same age as the husband, so that if she is in her 60's, it is unlikely that there are any children under age 18

present. Most of the explanation of the relatively large number of children actually present in these cases is that a significant number of old-age beneficiaries have wives considerably younger than themselves (frequently as a result of remarriages), and so there is a considerable likelihood of children under age 18 still being present, even after the man has retired. Another part of the explanation is the presence of disabled child beneficiaries, who may well be in the middle ages.

Child's benefits are payable with respect to old-age beneficiaries, not only for the natural children of the beneficiary, but also for stepchildren and adopted children. At times, criticisms have been made that children were being adopted by persons at the older ages solely for purposes of making OASDI benefits available with respect to such children. Such procedure is not necessarily as simple as it sounds because, generally, adoption procedures are complex and are not lightly approved of by the appropriate legal authorities. Certain relatively minor problems in this area did arise, and the 1965 Amendments introduced certain safeguards against abuse through the adoption of children solely to qualify them for benefits.[2]

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[1] Of the 100,040 child's benefits awards, 11,706 were "subsequent awards" — i.e., with respect to old-age beneficiaries who had been awarded benefits before the award of the child's benefit, such as in the case of a child aged 17 who had not previously filed because of being in substantial employment and then ceasing work, or a child attaining age 18 who had been on the benefit roll previously, but who is currently awarded a child's benefit based on his disability. The 88,334 children in the "current awards" were with respect to 53,877 old-age beneficiaries.

[2] Under this provision, benefits would be payable to a child adopted by an old-age beneficiary *after* the latter becomes entitled to benefits *only if* (1) the child was living with the worker (or adoption proceedings had begun) when the worker became entitled to benefits, (2) the adoption is completed within 2 years of the worker becoming entitled to benefits, and (3) the child had been receiving at least half of his support from the worker for a full year before he became entitled to old-age benefits (or, for disability beneficiaries who convert over to old-age benefits at age 65, the adoption proceedings must have been instituted before the period of disability began).

In order to study the matter of relationship of the child beneficiary to the old-age beneficiary with respect to whom he qualifies, a study was made of child benefit awards in November 1964. There were considered only awards to children under age 18 whose eligibility arose with respect to an old-age beneficiary. It was intended to include all such awards during the month, but, unfortunately, some cases were omitted. The actual total number of such awards was 5,594, but data were obtained for only 4,568 (or 82% of the total). It is believed, however, that as a result of certain follow-up operations, the cases omitted were more or less on a random basis insofar as the data to be studied were concerned. Accordingly, the results presented in this analysis are not significantly biased.

Table 1 shows the relationship of the child beneficiary to the old-age beneficiary in the sample study. About 88% of the children were the natural children of the old-age beneficiary (virtually all of these being legitimate children— 2% being illegitimate). Stepchildren accounted for 4.1% of the total child beneficiaries studied, and adopted children represented 8.4%. It would seem that any question of abuse would be involved only among the adopted children, and the overall proportion here is relatively small. Accordingly, it seems clear that the vast majority of the child beneficiaries do not involve instances of adoption solely for the sake of benefit eligibility.

Quite naturally, many of the adoptions were perfectly appropriate and were not done for the sake of acquiring benefits. The data cannot, by their nature, indicate what proportion of the adoption cases was solely or primarily to yield OASDI benefits. However, some light can be thrown on this matter by considering the data on adoptions in somewhat more detail.

Table 2 gives data on the duration between the date of adoption of the child and the date of benefit award. In about 45% of the cases this period was less than 1 year; about 30% involved a period of more than 1 year but less than 5 years, and 25% involved a period of 5 or more years. Certainly the last-mentioned category did not involve adoption solely for benefit purposes, and the same was undoubtedly true for many of the shorter-duration cases. On the other hand,

it would seem clear that many of the cases of adoption with less than 1 year before benefit award were primarily for the sake of benefit eligibility; even so, some of these cases may have been quite appropriate as being instances where the old-age beneficiary had, in fact, supported the child for many years, but had seen no need to go through with formal adoption procedures until the advantages became apparent when he was about to retire and receive old-age benefits.

Table 3 gives data on the relationship between the size of the Primary Insurance Amount of the retired worker and the average duration between adoption and benefit award. The average duration for all children in the group studied was 4.4 years. The average by size of PIA was significantly higher for those with very low benefits (PIA's of $55 or less) and for those with the highest benefits (PIA's of $116 or over) than it was for the broad range of intervening values. The data did not indicate any particular reasons for these tendencies, except perhaps, a geographical relationship with both size of PIA and average duration since adoption.

Table 4 presents data in regard to the adopted children of this study according to geographic region. As a very rough measure of the relative incidences, these child beneficiaries have been related to total population in the geographic region. A considerable variation exists between regions, with the Southern regions showing a relatively high rate of adoptions. For example, the highest proportion was shown in the East South Central region, where the proportion was about 5 times as high as in the lowest region (the Northeastern part of the country and the Pacific Coast). In a somewhat similar manner, the average duration between adoption and benefit award tended to vary inversely with the frequency of the adoption cases. Specifically, in the Southern regions, where the rate of adopted-child beneficiaries was the highest, the average durations since adoption were lowest, and conversely in the regions with low rates of adoptions, the average durations since adoption were highest.

In summary, this study indicates that the vast majority of child beneficiaries aged 18 and under who are eligible for OASDI benefits as children

of retired workers are not on the benefit roll solely or primarily because of adoption for such purpose, but rather they are the natural children or stepchildren of the retirement beneficiary. Among the small proportion of such children who are on the roll as a result of adoption, the statistical data analyzed seemed to indicate that many of them were clearly adopted for reasons other than benefit purposes. In any event, the small number of cases which may have been of a questionable nature in the sample studied would undoubtedly have been sharply reduced by the provisions of the 1965 Amendments that "tightened up" the adoption requirements.

Table 1

Relationship of Child to Old-Age Beneficiary in Child Benefit Awards of November 1964[1]

Relationship	Number of Children	Percentage Distribution
Legitimate	3,927	86.0%
Adopted	382	8.4
Stepchild	186	4.1
Illegitimate	73	1.6
Total	4,568	100.0

[1]Data from about 20% of the awards of child's benefits with respect to old-age beneficiaries in November 1964 were not included in this study through inadvertent omission, but it is believed that this omission was on a random basis and that accordingly the results presented here are not biased.

Table 2

Duration Between Adoption and Benefit Award for Child Benefit Awards with Respect to Old-Age Beneficiaries of November 1964[1]

Completed Years Since Adoption	Number of Adoptions	Cumulative Percentage
0	171	44.8%
1	30	52.6
2	15	56.5
3	10	59.2
4	17	63.6
5–9	45	75.4
10–14	43	86.6
15 and over	51	100.0
Total	382	

[1]Data from about 20% of the awards of child's benefits with respect to old-age beneficiaries in November 1964 were not included in this study through inadvertent omission, but it is believed that this omission was on a random basis and that accordingly the results presented here are not biased.

Table 3

Number of Awards and Average Duration Between Adoption and Benefit Award For
"Adopted Child" Benefit Awards With Respect to Old-Age Beneficiaries of November 1964,[1]
By Size of Primary Insurance Amount

Primary Insurance Amount	Number of Children	Average Completed Years Since Adoption
$40–45	43	4.7
46–55	19	4.8
56–65	24	4.0
66–75	29	3.7
76–85	32	3.1
86–95	36	3.4
96–105	37	3.1
106–115	36	3.9
116 and over	126	5.6
Total	382	4.4

[1]Data from about 20% of the awards of child's benefits with respect to old-age beneficiaries in November 1964 were not included in this study through inadvertent omission, but it is believed that this omission was on a random basis and that accordingly the results presented here are not biased.

Table 4

Number of Awards and Average Duration Between Adoption and Benefit Award For
"Adopted Child" Benefit Awards With Respect to Old-Age Beneficiaries of November 1964,[1]
By Geographic Region

Region	(1) Number of Children	(2) Col. 1 Per Million of Population	(3) Average Completed Years Since Adoption
New England	5	.5	8.2
Middle Atlantic	33	.9	6.2
East North Central	62	1.7	5.7
West North Central	19	1.2	3.8
South Atlantic	78	2.8	3.8
East South Central	69	5.5	2.0
West South Central	59	3.3	3.2
Mountain	16	2.1	6.6
Pacific	23	1.0	9.9
Puerto Rico	1	2	2
Foreign Countries	16	2	1.0
Total	382	2	4.4

[1]Data from about 20% of the awards of child's benefits with respect to old-age beneficiaries in November 1964 were not included in this study through inadvertent omission, but it is believed that this omission was on a random basis and that accordingly the results presented here are not biased.
[2]Not computed.