

Table 6.—Number and percentage distribution of old-age benefits awarded in January-June 1955 to beneficiaries eligible for the dropout,¹ by starting date used in benefit computation, amount of monthly benefit, and sex

[Based on 10-percent sample]

Amount of monthly benefit	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
Total.....	428,542	100	306,255	100	122,287	100
\$30.00.....	26,149	6	10,401	3	15,748	13
30.10-39.90.....	18,012	4	8,033	3	9,979	8
40.00-49.90.....	22,992	5	11,046	4	11,946	10
50.00-59.90.....	29,829	7	15,309	5	14,520	12
60.00-69.90.....	63,337	15	34,522	11	28,815	24
70.00-79.90.....	68,432	16	46,454	15	21,978	18
80.00-89.90.....	53,578	12	43,339	14	10,239	8
90.00-99.90.....	145,708	34	136,646	45	9,062	7
100.00-103.50.....	505	(²)	505	(²)	0	0
<i>Average benefit</i>	\$75.10		\$81.02		\$60.29	
Based on earnings after 1950.....	351,750	100	260,998	100	90,752	100
\$30.00.....	11,082	3	4,103	2	6,979	8
30.10-39.90.....	10,863	3	4,848	2	6,015	7
40.00-49.90.....	12,347	4	5,730	2	6,617	7
50.00-59.90.....	16,003	5	7,594	3	8,409	9
60.00-69.90.....	49,056	14	25,437	10	23,619	26
70.00-79.90.....	58,206	17	37,894	15	20,312	22
80.00-89.90.....	47,980	14	38,241	15	9,739	11
90.00-99.90.....	145,708	41	136,646	52	9,062	10
100.00-103.50.....	505	(²)	505	(²)	0	0
<i>Average benefit</i>	\$79.83		\$84.98		\$65.01	
Based on earnings after 1936.....	76,792	100	45,257	100	31,535	100
\$30.00.....	15,067	20	6,298	14	8,769	28
30.10-39.90.....	7,149	9	3,185	7	3,964	13
40.00-49.90.....	10,645	14	5,316	12	5,329	17
50.00-59.90.....	13,826	18	7,715	17	6,111	19
60.00-69.90.....	14,281	19	9,085	20	5,196	16
70.00-79.90.....	10,226	13	8,560	19	1,666	5
80.00-88.50.....	5,598	7	5,098	11	500	2
<i>Average benefit</i>	\$53.45		\$58.14		\$46.71	

¹ Beneficiaries eligible for the exclusion of up to 5 years of lowest earnings in the calculation of the

average monthly wage.
² Less than 0.5 percent.

were based on earnings after 1950 and awarded to persons eligible for the dropout.

For some workers, the dropout of years with low earnings does not produce a significant increase in the average monthly wage. If the worker had low earnings, it is often more advantageous to him to apply the 1952 benefit formula to the average monthly wage, calculated without the dropout, and to increase the resulting amount by means of the 1954 conversion table. Of those workers eligible for a benefit computation based on earnings after 1950 with the dropout, about 5 percent were awarded higher old-age insurance benefits under this alternative method of computation (for men, 3 percent; for women, 10 percent).

In some instances, workers eligible for a benefit computation based on earnings after 1950 were awarded higher benefits when the computation was based on earnings after

1936. Among workers eligible for a benefit computation based on earnings after 1950 with the dropout, about 7 percent were awarded higher old-age benefits based on earnings after 1936 (for men, 6 percent; for women, 9 percent).

In all, about 23 percent of the old-age benefits awarded in the first 6 months of 1955 were based on earnings after 1936; this percentage varied from 18 percent among persons eligible for the dropout to 48 percent among those not eligible.

Age distribution.—Awards to persons benefited by the liberalization in the retirement test had a significant effect on the age distribution. Of all workers aged 65-74 who filed for benefits as a result of these liberalizations, it is estimated that about half were aged 72-74. Consequently, old-age benefit awards to persons aged 70-74 made up 26 percent of the total in the first half of 1955 (table 2), compared with 17 percent

in 1954. As in previous years, awards of benefits based on earnings after 1936 were concentrated at age 65; many persons in this group had no current earnings and filed for benefits as soon as they reached the retirement age.

Average monthly benefit.—The average old-age benefit awarded in January-June 1955 was \$70.91, an increase of \$4.55 from the average monthly amount awarded in 1954 under the 1954 amendments. The higher average benefit was due chiefly to the increase in the proportion of beneficiaries eligible for a benefit computation with the dropout. The average monthly amount awarded on the basis of earnings after 1950 to persons eligible for the dropout was \$79.83 (for men, \$84.98; for women, \$65.01) (tables 3 and 4).

Distribution by size of benefit.—A provision of the 1954 amendments raised the maximum taxable annual earnings from \$3,600 to \$4,200, beginning in 1955. The maximum old-age benefit award in 1954 was \$98.50, based on an average monthly wage of \$300; the maximum possible in the first half of 1955 was \$103.50, based on an average monthly wage of \$325. For old-age benefit awards in the first 6 months of 1955, minimum benefits of \$30 were payable in 11 percent of the cases (table 5), while benefits of \$90 or more were payable in 30 percent of the cases. The corresponding figures for 1954 awards under the 1954 amendments were 15 percent and 27 percent, respectively. The shift toward higher benefits was due chiefly to the larger proportion of beneficiaries eligible for the dropout who were awarded benefits based on earnings after 1950; only 3 percent of them received the minimum amount and 42 percent received \$90 or more (table 6).

Life Insurance In Force As Survivor Benefits Under OASI, 1955 *

Estimates have recently been made of the amount of life insurance that would have to be in force under

* Prepared in the Division of the Actuary, Social Security Administration.

private insurance contracts to duplicate the survivor benefits that would become payable under the old-age and survivors insurance program in the event of the death of workers insured under this program.¹ The amount of insurance in force on the life of an individual worker under the survivor benefit provisions of the old-age and survivors insurance system will usually vary greatly during his lifetime as changes occur in the number and ages of his dependents. For workers with children the amount will be largest when the children are very young, and it will decrease rapidly as their ages approach 18. On the other hand, the amount of insurance in force in the form of widow's benefits will increase until the wife reaches age 65, after which it will decline as she grows older. The accompanying chart shows, for a typical worker, the

¹ T.N.E. Greville, *Estimated Amount of Life Insurance in Force as Survivor Benefits under OASI—1955* (Actuarial Study No. 43), Social Security Administration, September 1955.

Table 1.—Number of persons insured under old-age and survivors insurance and estimated amount of life insurance in force as survivor benefits on selected dates, 1940-55

Sex of insured worker	On January 1—				
	1940 ¹	1947	1951	1953	1955
Number insured (in millions):					
Total.....	24.0	41.6	61.5	69.9	72.5
Men.....	18.2	27.6	39.5	44.9	45.8
Women.....	5.7	14.0	22.0	25.0	26.7
Amount of insurance in force (in billions): ²					
Total.....	\$42	\$67	\$191	\$342	\$383
Men.....	41	64	168	320	353
Women.....	1	3	23	22	30

¹ Exact date not specified.
² Dollar amounts are on a 3-percent interest basis. Those for 1947-55 are "gross" (unadjusted for effect of employment and for duplication between widow's

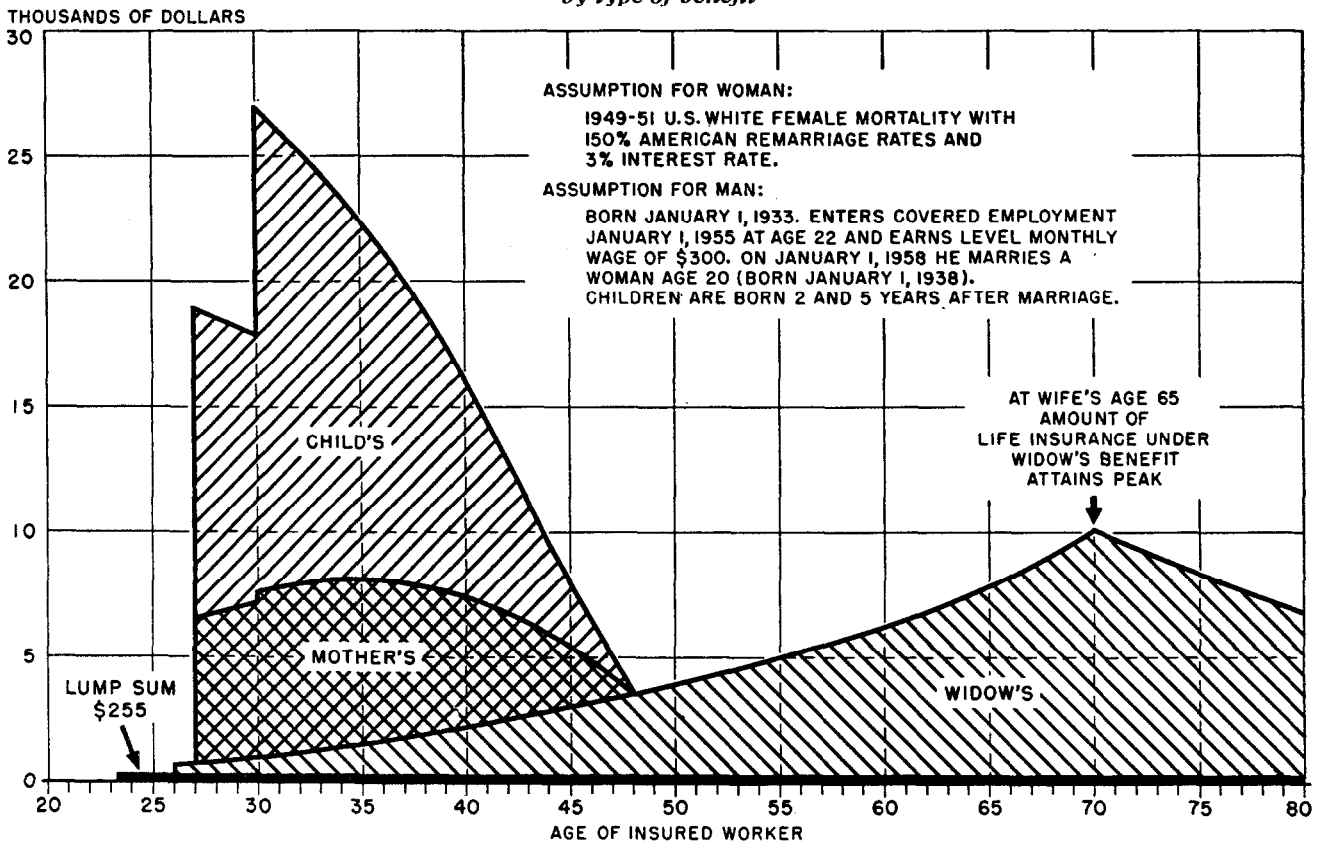
benefits and old-age benefits that widows may earn in their own right); those for 1940 are on a somewhat comparable basis.

variation during his lifetime in the amount of survivor protection in force.

On the assumption of a 3-percent interest rate (close to the net average rate currently being earned by private life insurance organizations and payable to beneficiaries through participating provisions) the total amount of life insurance in force as survivor benefits under the old-age

and survivors insurance system on January 1, 1955, is estimated to have been \$383 billion. In this estimate no account is taken of the effect of employment on benefit receipt or of possible duplication between widow's benefits and old-age benefits that widows may earn in their own right. Adjustment for these two factors reduces the estimate to a net figure of \$345 billion. Table 1 shows

Chart 1.—Life insurance in force for hypothetical family of worker insured under old-age and survivors insurance, by type of benefit



the estimated gross amount of life insurance in force as survivor benefits on various dates since 1940. The steady increase during the 15-year period reflects the increasing coverage and benefits of the system and the increasing proportion of workers who have achieved insured status.

At the beginning of 1955, men accounted for about 92 percent of the total insurance in force. While women accounted for only 8 percent, the proportion was double that before the 1950 amendments. The principal reason for the increase was the provision in the 1950 amendments permitting the payment of child's survivor benefits on the basis of the wage records of currently insured married women, even though the husband is living, working, and insured.

A rough comparison of the net amount of life insurance in force under the old-age and survivors insurance system with other life insurance is shown below.

[In billions]	
Total	\$734
Old-age and survivors insurance.....	345
Veterans Administration programs...	43
U. S. Government life insurance.....	2
National service life insurance.....	39
Veterans' special term insurance and service-disabled veterans' insurance	2
Private insurance	346
Ordinary, industrial, and group.....	334
Savings bank	1
Fraternal	10
Assessment life	2

These amounts are based on a 3-percent interest rate and have been adjusted for the effect of employment and payment of only the excess of the widow's benefit over any old-age benefit she may earn in her own right. They exclude an estimated \$10-\$15 billion of life insurance in force as survivor benefits under the civil-service retirement program; other public retirement systems have perhaps \$2 billion more. There is also a considerable amount of survivor protection in force under private pension plans (mostly in the form of potential refunds of employee contributions), even though their primary purpose is providing retirement benefits. The estimate for the private insurance plans does not include death benefits under annuities.

It is interesting to note that the amount in force under old-age and survivors insurance is nearly equal to the aggregate amount in force in private insurance organizations. A substantial proportion of the latter, however, is under "permanent" plans, which provide a constant amount of insurance during the lifetime of the insured (or until attainment of a fixed age). In contrast, much of the insurance under the old-age and survivors insurance program is in the form of decreasing term insurance, being concentrated where it is most needed—at the younger ages of the insured workers, when they have the greatest number of minor children.

State and Local Government Employment Under OASI, October 1955 *

By the end of October 1955, an estimated 1¼ million State and local government employees had been covered under old-age and survivors insurance through voluntary agreements. Coverage agreements had been completed with 46 States, three Territories, and 14 interstate instrumentalities; for two of the States, the agreements had been so recently executed that current estimates of coverage do not reflect them.

The full impact of the State and local coverage provisions of the 1954 amendments to the Social Security Act will not be known for some time. Not only are new agreements or modifications of agreements continually bringing additional employees under the Federal system, but the groups brought in are often covered retroactively. Agreements negotiated any time before the end of 1957 may provide, if the State wishes, for retroactive coverage to the beginning of 1955. The figures as of October 1955 thus understate the total number of State and local government employees who will eventually receive old-age and survivors insurance wage credits for the fourth quarter of 1955.

* Prepared by Dorothy McCamman, Division of Research and Statistics, Office of the Commissioner, from estimates developed in the Division of Program Analysis, Bureau of Old-Age and Survivors Insurance.

The 1954 Amendment

As a result of the 1954 amendment, most employees of State and local governments (except policemen and firemen covered by a State or local retirement plan) may be covered under old-age and survivors insurance if the State enters into an agreement with the Secretary of Health, Education, and Welfare for this purpose. Under this agreement, the State consents to make the necessary reports and to pay the employer's share of the Federal insurance contribution.

The old law excluded from coverage under such an agreement employees in positions covered by a State or local retirement system (other than the Wisconsin Retirement Fund) on the date the agreement was made applicable to the coverage groups to which they belong. The 1954 law permits States to bring members of a State or local system under its coverage agreement if a referendum by secret written ballot is held among the system's members and a majority of those eligible to vote cast their vote for coverage.

A State may cover without a referendum employees who are in positions covered by a retirement system but who are not eligible for membership and, before January 1, 1958, employees not currently under a retirement system who could not have been covered when their coverage group was brought in because they had then been under a retirement system.

A State may hold a referendum among all the members of a retirement system, or it may treat any political subdivision or any combination of political subdivisions as having a separate retirement system. Each public institution of higher learning may also be considered as having a separate retirement system.

Special provision is made for covering under an agreement, at the option of the State, civilian employees of State national guard units and certain inspectors of agricultural products. The 1954 law also provides specifically for the coverage of employees of certain educational institutions in Utah and retroactive coverage of members of the Arizona Teachers' Retirement System.

Employees made eligible for cov-