

the group aged 62-64. These amounts are shown in the tabulation that follows.

Age	Men	Women
65 and over, primary amount.....	\$104.61	\$83.41
62-64:		
Primary amount.....	86.65	68.38
Monthly benefit.....	75.17	58.63

For both men and women, the lower primary insurance amount accounted for about 60 percent of the difference between the full and the reduced benefit, and the reduction provision for the remaining 40 percent. The monthly benefit for the male early retiree was \$29.44 less than the benefit of the group aged 65 and over, or about 28 percent lower, with the lower primary amount accounting for \$17.96 of the difference and the reduction provision for an additional \$11.48. (As indicated previously, the full effect of the reduction provision may still be affected by some backlog of men aged 63-64.)

For women, for whom the average benefit of the younger group was \$24.78 less (about 30 percent), the lower primary amount was responsible for \$15.03 of this total, and the reduction provision for an additional \$9.75. The effect of the reduction provision for women is slightly understated, by less than \$1 in the average, because the monthly benefit amount includes dependents' benefits paid to these women.

Table 4 presents data on persons with benefits in current-payment status in December of each year since 1956. In these data, many of the beneficiaries receiving reduced benefits are over age 65—some of the women are almost age 73—and the table reflects the cumulative effect of the reduced benefit provisions. In December 1964, nearly one-half (47 percent) of the retired women on the rolls received reduced benefits. For men, who have been eligible for a shorter time, it was 18 percent, and the combined figure was 29 percent.

Developments under the early retirement provisions of OASDHI suggest that the reduced benefit provisions will become an increasingly important factor in evaluating the adequacy of benefits under the program.

Benefit Increases Resulting From the Conversion of Monthly Rates Under the 1965 Amendments*

The 1965 amendments to the Social Security Act provided a 7-percent, across-the-board increase in the monthly benefits being paid under the old-age, survivors, disability, and health insurance (OASDHI) program. Several other provisions of the amendments, combined with the 7-percent raise, produced benefit increases that averaged more than 7 percent. 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 accompanying table and are analyzed below.

OLD-AGE (RETIRED WORKER'S) BENEFITS

The amendments provided a minimum raise of \$4 in the primary insurance amount, the amount on which all benefits are based. 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 percent to 7.3 percent.

For actuarially reduced old-age benefits, the amount of the increase was equal to 7 percent of the primary insurance amount (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, there was no reduction. Actuarially reduced old-age benefits payable to retired workers aged 65 or over in January 1965 who had been entitled at age 62 were increased by about 8.8 percent when the primary insurance amount had been \$56-\$127 and in a range of 12.5-9.1 percent when it had been \$40-\$55.

The percentage increases for cases with an actuarial reduction in the amount added by the amendments fell between those for full-rate benefits and those for actuarially reduced benefits that had no such reduction (because the beneficiary was aged 65 or over in January 1965).

* Prepared by Gerald Hutchinson and Terence Hawkes, Office of the Actuary—Baltimore.

About 30 percent of all old-age benefits included in the conversion were actuarially reduced.

Rounding of benefits contributed to a minor extent in producing an increase of more than 7 percent. Under the amendments, if the amount obtained by increasing the former benefit by 7 percent was not a multiple of 10 cents, it was raised to the next higher multiple of 10 cents. Seven percent of a \$63 benefit, for example, equals \$4.41, but the rounded amount of \$4.50 represents a percentage increase of 7.14 percent.

A substantial number of retired workers had been receiving full-rate benefits of \$40-\$55 or actuarially reduced benefits. The overall increase (7.5 percent) in the average old-age benefit reflected the size of this group as well as the rounding provision.

DISABILITY (DISABLED WORKER'S) BENEFITS

Only full-rate benefits were payable to disabled workers on the rolls in August 1965. Moreover, less than 6 percent of the disabled-worker beneficiaries were affected by the \$4 minimum provision. As a result, the overall increase in the average disability benefit was only $\frac{1}{10}$ of 1 percent more than 7 percent.

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 primary insurance amount. In such families, actuarially reduced wife's or husband's benefits payable to persons aged 65 or older in January 1965 who were entitled at age 62 were increased by about 9.4 percent when the primary insurance amount had been \$56-\$127 and by 13.3-9.7 percent when it had been \$40-\$55. About 49 percent 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 1965 amendment that extended the relationship of the maximum family benefit to the worker's average monthly earnings to all earnings levels. For beneficiary families

with three or more dependents, the new maximum family amounts resulted in increases of about 8-8½ percent (depending on the number of beneficiaries in the family) for a wife's or husband's benefit when the primary insurance amount had been \$114, to about 36-37 percent when it had been \$127. Since less than 1 percent of the entitled wives or husbands of retired-worker beneficiaries gained from the higher family maximums, the increases in their benefits had a limited effect on the overall increase of 7.8 percent in the average wife's or husband's benefit under OASI. Approximately 15 percent of the entitled wives or husbands of disabled-worker beneficiaries, however, received higher benefits because of the new family maximums. These increases were a significant factor in the overall increase of 9.3 percent in the average disability insurance wife's or husband's benefit.

MOTHER'S AND CHILD'S BENEFITS

The 7-percent benefit increase and the \$4 minimum raise in the primary insurance amount raised mother's and child's (survivor) benefits based on primary insurance amounts of \$40-\$55 by percentages ranging from 10 percent to 7.3 percent. For widowed-mother-and-child families consisting of three or more beneficiaries, the new maximum family benefits resulted in increases from about 7½-8 percent for a mother's or child's (survivor) benefit based on an old primary insurance amount of \$114 to about 20½-22 percent when that base was \$127. The overall increase in the average mother's benefit was 9.6 percent.

Child's benefits that were based on primary insurance amounts of \$40-\$55, payable to children of retired, disabled, or deceased workers, were increased by percentages ranging from 10 percent to 7.3 percent. The percentage increase in benefits for children in retired- or disabled-worker beneficiary families with three or more dependents ranged from about 8-8½ percent when the basic primary insurance amount had been \$114 to about 36-37 percent when it had been \$127. Children of deceased workers in families consisting of three or more beneficiaries received increases of about 7½-8 percent for a child's benefit based on an old primary insurance amount of \$114 to

about 20½-22 percent when that amount had been \$127.

For beneficiaries whose benefits are affected by the new family maximum (corresponding to old primary insurance amounts at or above \$114), the percentage increase in benefits is larger for children of retired or disabled workers than for survivor children. The statutory difference in the methods of calculating the reduced individual benefit amounts payable to dependents of retired or disabled workers and those payable to survivors of deceased workers is responsible for the divergence.

Monthly benefits in current-payment status, end of August 1965, before and after conversion

Type of benefit	Number	Average monthly amount		Amount of increase	Percentage increase
		Before conversion	After conversion		
Total.....	20,210,872				
Old-age (retired-workers).....	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

The average amount increased 9.1 percent for benefits to children of retired or deceased workers and 10.3 percent for benefits to children of disabled workers. The figures shown in the table for the former group 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 percent 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 percent. One reason is the increase of more than 7 percent for benefits based on primary insurance amounts of \$40-\$55, and another is the rounding provision.

SUMMARY

Of the 20.2 million persons receiving benefits at the end of August 1965, 12.7 million (63 percent) received an increase of 7 percent. In addition, the minimum \$4 increase in the primary insurance amount resulted in benefit increases that were larger than 7 percent for an estimated 2.8 million beneficiaries (14 percent). The estimated number of persons whose benefits were increased by more than 7 percent because they were entitled to actuarially reduced benefits is 4.0 million (20 percent). (Beneficiaries who received more than 7 percent because of both of these 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 of more than 7 percent for an estimated 0.6 million beneficiaries (3 percent).

As a result of the conversion to the new benefit amounts, 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 percent.