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MAXIMUM BENEFITS UNDER THE SOCIAL SECURITY AMENDMENTS OF 1967

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The 1967 Amendments increased the earnings base to \$7,800 beginning in 1968. This created the possibility of a maximum primary insurance amount (PIA) of \$218 a month which will be payable on the basis of an average monthly wage (AMW) of \$650. Due to the fact that the AMW is based on the covered earnings for a number of years which can be equal to 2 years at a minimum and 38 years at a maximum, it is interesting to know under what conditions this maximum PIA of \$218 will actually be paid. Also of interest is the case of the maximum family benefit (MFB) which is related to the PIA and AMW of the insured worker. This actuarial note shows what the new maximum PIA payable will be under certain conditions and also contains information regarding the various sizes of family which are required in order for the MFB to be payable.¹

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 \$218 will be reached for a man in the year 2006 and for a woman in the year 2003. 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 retirement cases where no period of disability is involved, the individual who continues employment after attainment of age 65 (age 62 for women) can, each year, substitute higher earnings under the higher base of \$7,800 for lower earnings of a previous year under a lower base. All workers born before 1930 who continue to work until age 77 (age 74 for women)

or until 1973, if later, and receive the maximum creditable earnings will be entitled to the maximum PIA of \$218. Workers born in 1930 would need to continue to work until age 76 (73 for women) etc., until as shown in Table 1, workers born in 1941 or later will receive the maximum PIA at age 65 (62 for women). The first cases for which the maximum PIA will be available to individuals who postpone their retirement will be for men who were aged at least 71 (or for women who were aged at least 68) in 1967. Since the old-age benefit is computed over 5 years for these cases, the maximum PIA is available to them in 1973. Table 2 shows the old-age benefits payable in these cases upon retirement in 1969-1973.

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. It should be noted that earnings during a year are not included in the computation for benefits payable in that year to an insured worker and his beneficiaries.

The first cases for which the new maximum PIA will be available will be survivor cases. An individual born after 1939 who dies in 1969 after having earned at least \$7,800 in 1968 and 1969 will have his PIA computed over only these 2 years and will thus achieve the maximum of \$218, with a possible family benefit of \$434.40. The earnings during the year of death can be included in the computation of benefits payable in that year to the survivors of an insured worker.

The MFB is approximately equal to 80% of the first \$436 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

¹For comparison with 1965 Amendments, see Actuarial Note, Number 21, August 1965.

from 150% of PIA to a maximum of 216%, and then decreases to 199%.

Table 4 shows the percentage of PIA received by various family groups before the effect of the maximum family benefit. 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 and where the MFB is over 150% of PIA, a family of 3 would be required.

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 in the case where one of the beneficiaries is receiving reduced benefits because of first claiming benefits before age 65, the total family benefit would be lower than the MFB, since 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

Year of Attainment of Age 65 ¹	Monthly Old-Age Benefit	
	Man ²	Woman ³
1968	\$156.00	\$161.60
1969	160.50	167.30
1970	165.00	170.70
1971	168.40	174.10
1972	170.70	177.50
1973	172.90	179.70
1974	175.20	182.00
1975	177.50	184.20
1976	179.70	186.50
1977	180.80	187.60
1978	182.00	188.80
1979	184.20	189.90
1980	185.40	192.00
1985	189.90	197.00
1990	194.00	200.00
1995	199.00	204.00
2000	209.00	214.00
2001	211.00	216.00
2002	213.00	217.00
2003	215.00	218.00
2004	216.00	218.00
2005	217.00	218.00
2006	218.00	218.00

¹Assumes retirement at beginning of year.

²In all years after 1955 or age 26, if later.

³In all years after 1958 or age 29, if later.

Table 2

EFFECT OF EARNINGS AFTER 1967 FOR MAN AGED 71 OR OVER
IN 1967 WITH MAXIMUM CREDITABLE EARNINGS¹

<u>Year of Retirement</u> ²	<u>Monthly Old-Age Benefit</u>
1969	\$179.70
1970	192.00
1971	207.00
1972	212.00
1973	218.00

¹Also applies to woman aged 68 or over in 1967.

²Assumes retirement at beginning of year.

Table 3

RELATIONSHIPS AMONG AMW, PIA, AND MFB

<u>AMW</u>	<u>PIA as % of AMW</u>	<u>MFB as % of PIA</u>	<u>MFB as % of AMW</u>
\$ 74	74%	150%	111%
100	72	150	107
150	59	150	88
200	51	159	81
250	46	176	81
300	42	189	80
350	40	200	80
400	38	210	81
436	37	216	80
450	37	215	79
500	36	211	75
550	35	208	72
600	34	204	69
650	34	199	67

Table 4

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

<u>Category</u>	<u>Percentage of PIA¹</u>
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

¹Before reduction for early retirement and without the effect of the maximum wife's or husband's benefit payable of \$105 per month on the basis of a PIA ranging from \$211-\$218.

Table 5

SIZE OF FAMILY REQUIRED TO RECEIVE MAXIMUM FAMILY BENEFITS

<u>Average Monthly Wage</u>	<u>Primary Insurance Amount</u>	<u>Maximum Family Benefit</u>	<u>Size of Family</u>	
			<u>Number of Dependents of Retired Worker</u>	<u>Number of Survivors¹</u>
Under \$179	\$55.00-\$95.60	\$82.50-\$143.40	1	2
\$179- 351	96.80-140.40	146.40- 280.80	2	3
352- 641	141.50-215.00	284.80- 430.80	3	3
642- 650	216.00-218.00	432.00- 434.40	2	3

¹Excludes the cases where a widow's or parent's benefits are payable.