

ACTUARIAL NOTE

NUMBER 67

FEBRUARY 1970

U.S. DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
SOCIAL SECURITY ADMINISTRATION

MAXIMUM BENEFITS UNDER THE SOCIAL SECURITY AMENDMENTS OF 1969

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The 1969 Amendments increased the maximum primary insurance amount (PIA) to \$250.70 a month, 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 is actually paid. The maximum family benefit (MFB), which is related to the PIA and AMW of the insured worker, was not increased, and the earnings base was not changed. This actuarial note shows the maximum PIA payable 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 payable at the time of retirement and under the 1969 Amendments to an individual who retired at age 65 in the years 1940-70, with no period of disability, and with the maximum average monthly wage attainable is shown in Table 1.

The old-age benefit payable under the 1969 Amendments to an individual who retires at age 65 in various future years, with no period of disability, and with the maximum average monthly wage attainable is shown in Table 2. The maximum PIA of \$250.70 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) may substitute earnings under a higher base for 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. Workers born in 1930 would need to continue to work until age 76 (73 for women), etc., until as shown in Table 2, 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 born before 1897 (or women who were born before 1900). Since the old-age benefit is computed over 5 years for these cases, the maximum PIA is available to them in 1973. Table 3 shows the old-age benefits now payable in these cases upon retirement in the years 1965-73.

Individuals who continue to work and draw benefits will 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.

¹ For comparison with 1967 Amendments, see Actuarial Note, Number 40, March 1968.

The new maximum PIA is immediately available for survivor cases. An individual under age 30 in the year of death has a PIA computed over only 2 years. If for any 2 years his earnings were at least \$7,800, he will achieve the maximum of \$250.70, 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 workers.

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 4, the MFB increases from 150% of PIA to a maximum of 188%, and then decreases to 173%.

Table 5 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 consist-

ing of a retired or disabled worker and 1 dependent would receive the MFB, while in the range between 150% and 188%, the retired worker and 2 dependents would receive the MFB.

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 6 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 benefits 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 WHO RETIRED AT AGE 65
 WITH MAXIMUM AVERAGE MONTHLY WAGE ATTAINABLE

Year of Attainment of Age 65 ¹	Monthly Old-Age Benefit			
	Benefit Payable at Time of Retirement		Benefit Payable Under the 1969 Amendments	
	Man or Woman			
1940		\$41.20		\$123.90
1941		41.60		123.90
1942		42.00		125.30
1943		42.40		125.30
1944		42.80		126.70
1945		43.20		126.70
1946		43.60		128.20
1947		44.00		129.50
1948		44.40		129.50
1949		44.80		130.80
1950		45.20		132.30
1951		68.50		132.30
1952		68.50		132.30
1953		85.00		146.20
1954		85.00		146.20
1955		98.50		146.20
1956		103.50		154.50
1957		108.50		161.50
1958		108.50		161.50
1959		116.00		161.50
1960		119.00		165.60
1961		120.00		166.90
	<u>Man</u>	<u>Woman</u>	<u>Man</u>	<u>Woman</u>
1962	\$121.00	\$123.00	\$168.40	\$171.30
1963	122.00	125.00	169.80	173.90
1964	123.00	127.00	171.30	176.70
1965	131.70	135.90	171.30	176.70
1966	132.70	135.90	172.50	176.70
1967	135.90	140.00	176.70	182.00
1968 ²	156.00	161.60	179.40	185.90
1969	160.50	167.30	184.60	192.40
1970	189.80	196.40	189.80	196.40

¹ Assumes retirement at beginning of year.

² Effective February 1968.

Table 2
OLD-AGE BENEFIT PAYABLE TO INDIVIDUAL WHO RETIRES AT AGE 65
WITH MAXIMUM AVERAGE MONTHLY WAGE ATTAINABLE

Year of Attainment of Age 65 ¹	Monthly Old-Age Benefit Payable Under the 1969 Amendments	
	Man ²	Woman ³
1971	\$193.70	\$200.30
1972	196.40	204.20
1973	198.90	206.70
1974	201.50	209.30
1975	204.20	211.90
1976	206.70	214.50
1977	208.00	215.80
1978	209.30	217.20
1979	211.90	218.40
1980	213.30	220.80
1985	218.40	226.60
1990	223.10	230.00
1995	228.90	234.60
2000	240.40	246.10
2001	242.70	248.40
2002	245.00	249.60
2003	247.30	250.70
2004	248.40	250.70
2005	249.60	250.70
2006	250.70	250.70

¹ Assumes retirement at beginning of year.

² With maximum creditable earnings in all years after 1955 or age 26, if later.

³ With maximum creditable earnings in all years after 1958 or age 29, if later.

Table 3
EFFECT OF EARNINGS AFTER AGE 65¹

<u>Year of Retirement²</u>	<u>Monthly Old-Age Benefit³</u>
1965	\$176.70
1966	176.70
1967	184.60
1968	193.70
1969	206.70
1970	220.80
1971	238.10
1972	243.80
1973	250.70

¹ Man born before 1897 (or woman born before 1900), with maximum creditable earnings in the 5 years preceding retirement.

² Assumes retirement at beginning of year.

³ Effective beginning January 1970.

Table 4
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>
\$76	84%	150%	126%
100	82	150	124
150	68	150	102
200	58	150	88
250	53	153	81
300	49	164	80
350	46	174	80
400	44	182	81
436	43	188	80
450	42	187	79
500	41	184	75
550	40	181	72
600	39	177	69
650	39	173	67

Table 5
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

¹ Before reduction for early retirement.

Table 6
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 \$240	\$64.00-\$128.20	\$96.00-\$192.30	1	2
\$240-650	129.50- 250.70	195.20- 434.40	2	3

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