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# Notes and Brief Reports

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## OASDI Actuarial Reduction Factor Recomputed\*

Until 1956 all applicants for retired-worker benefits under the social security program were required to be at least age 65. The 1956 amendments to the Social Security Act provided that women workers retiring at age 62 could receive actuarially reduced benefits. Benefits at a reduced rate were made available by the 1961 amendments to men retiring as early as age 62. The 1956 amendments also lowered to 62 the minimum age for receipt of benefits for the wives (with amount reduced), the widows, and the female parents of insured workers. The 1961 amendments authorized reduced benefits for dependent husbands on reaching age 62. The 1965 amendments made it possible for widows to elect to receive a reduced benefit at age 60.

The reduced benefit is calculated by determining the full benefit amount and reducing that rate by a specified percentage called the actuarial reduction factor. The reduction continues in effect after age 65 for a retired worker or a wife and after age 62 for a widow unless the rates are raised by a general benefit rate increase.

The reduced benefit for a retired worker who became entitled in or before 1972 is equal to the regular benefit the retired worker would have received at age 65—reduced by 5/9 of 1 percent for each month of entitlement before age 65. For a wife the reduced benefit equals the wife's regular benefit (half the worker's unreduced benefit) reduced by 25/36 of 1 percent for each month of entitlement before age 65. For a widow the reduced benefit, if claimed before age 62, equals the widow's regular benefit (82.5 percent of her deceased husband's unreduced benefit) reduced by 5/9 of 1 percent for each entitlement month before age 62.<sup>1</sup>

At age 65 for a retired worker or wife and at age 62 for a widow, the benefit records are reexamined to determine the number of months since the month of entitlement for which no full payments were made.

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<sup>1</sup> Under the 1972 amendments effective in 1973, the widow aged 65 or over became entitled to 100 percent of the benefit amount her deceased husband would have received if he were still living.

The reduction factors are then adjusted to account for these nonpayment months, and the reduced benefits are increased.

Reduction factor recomputations of benefits for months in 1970–72 are shown in tables 1–8. The data do not include recomputations that became effective during the months of general benefit increases—January 1970, January 1971, and September 1972. These recomputations are omitted here since it is difficult to separate the amounts of the general benefit increases from those produced by recomputations of the reductions factors. Specifically shown, for each benefit category, are the number of recomputations, entitlement months before age 62 or age 65, and nonpayment months after the start of entitlement. Also shown are the amounts of the benefits after recomputation and the amounts of the increase resulting from the recomputation. The data were extracted from the master beneficiary record containing detailed data for all beneficiaries.

## Beneficiaries With Reduction Factor Recomputation

More than 456,000 OASI benefits were adjusted upward upon recomputation of the actuarial reduction factor (table 1). A substantial majority of these recomputations (84 percent) involved retired-worker benefits. Wife's and widow's benefits accounted for about 10 percent and 6 percent, respectively.

The largest proportion of beneficiaries with recomputations had no more than 3 nonpayment months in the period before age 65 or age 62, no matter when entitlement occurred. A significant number of the recomputations therefore called for a minimal adjustment in benefits. Twenty-nine percent of the retired workers and 33 percent of the wives became entitled at age 62 or within 3 months after reaching 62 (table 1). Twenty-three percent of the retired workers and 14 percent of the wives became entitled at age 64 or within 3 months before or after age 64.

For nondisabled widows the entitlement period before age 62 was confined to 2 years within the 1970–72 period. In 43 percent of the widow's benefits recomputed, entitlement began at age 60 or within 3 months thereafter (table 1). For 22 percent, entitlement began

either at age 61 or within 3 months before or after age 61.

**Table 1.**—Number and percentage distribution of persons with increased actuarially reduced benefits, by type of benefit and entitlement months before age 65, 1970-72

Entitlement months before age 65	Type of benefit			
	Total	Retired worker	Wife <sup>1</sup>	Widow <sup>2</sup>
Total number	456,320	382,577	46,213	27,530
Total percent	100.0	100.0	100.0	100.0
1-3	4.9	5.1	3.2	5.2
4-6	7.4	7.8	4.8	7.2
7-9	6.6	6.8	5.0	7.3
10-12	8.4	8.6	5.8	9.4
13-15	14.0	14.8	8.2	12.2
16-18	4.8	4.4	5.9	7.7
19-21	4.1	3.6	5.7	7.6
22-24	6.7	4.2	6.0	43.4
25-27	4.8	4.8	6.9	
28-30	5.3	5.4	7.6	
31-33	5.5	5.7	7.4	
34-36	27.4	28.7	33.6	

<sup>1</sup> Includes 121 husbands with actuarially reduced benefits.

<sup>2</sup> Widowers did not qualify for actuarially reduced benefits during period.

Forty-nine percent of retired-worker benefit recomputations involved 1-3 nonpayment months and only 13 percent of the recomputed benefits had more than 12 nonpayment months. No well-defined relation exists between the number of nonpayment months and the number of entitlement months before age 65. For retired workers whose entitlement extends back to age 62 or within 3 months thereafter, 52 percent of the benefit recomputations involved no more than 3 nonpayment months, and 12 percent involved 13-24 such months. Among recomputed wife's benefits, 49 percent involved no more than 3 nonpayment months. The number of nonpayment months was greater than 24 for 4 percent. No more than 3 nonpayment months were reported for 45 percent of the wife's benefits for which entitlement extends back to age 62 or within 3 months thereafter; more than 12 nonpayment months were reported for 21 percent. Fifty-six percent of the widows with recomputed benefits had no more than 3 nonpayment months. Fifty-seven percent of widow beneficiaries with entitlement extending back to age 60 or within 3 months thereafter had no more than 3 nonpayment months and 16 percent had more than 12 nonpayment months (tables 2, 3, and 4).

**Table 2.**—Number and percentage distribution of retired workers with increased actuarially reduced benefits, by nonpayment and entitlement months before age 65, 1970-72

Entitlement months before age 65	Total number	Percentage distribution, by nonpayment months before age 65												
		Total	1-3	4-6	7-9	10-12	13-15	16-18	19-21	22-24	25-27	28-30	31-33	34-36
Total	382,577	100.0	49.2	17.2	12.1	8.4	3.2	2.3	2.1	1.7	1.4	1.2	0.7	0.5
1-3	19,537	100.0	100.0											
4-6	29,830	100.0	76.9	23.1										
7-9	25,950	100.0	38.7	38.9	22.4									
10-12	32,860	100.0	32.0	19.7	33.9	14.4								
13-15	56,625	100.0	37.5	19.2	18.0	19.8	5.5							
16-18	17,012	100.0	44.8	17.7	11.7	12.1	8.9	4.9						
19-21	13,869	100.0	43.8	15.4	10.8	8.1	6.6	10.1	5.3					
22-24	15,925	100.0	44.3	15.3	10.2	8.8	3.9	6.1	7.6	3.8				
25-27	18,499	100.0	46.6	15.0	8.7	7.5	3.9	3.6	6.5	5.2	2.9			
28-30	20,876	100.0	41.9	15.1	9.0	7.9	3.8	4.3	6.0	6.3	3.7	2.1		
31-33	21,887	100.0	42.3	14.4	8.9	8.1	3.8	3.2	3.6	3.9	5.9	4.0	1.9	
34-36	109,707	100.0	51.6	13.5	7.7	6.1	3.5	3.1	2.8	2.5	2.5	2.8	2.0	1.9

**Table 3.**—Number and percentage distribution of wives with increased actuarially reduced benefits, by nonpayment and entitlement months before age 65, 1970-72

Entitlement months before age 65	Total number	Percentage distribution, by nonpayment months before age 65												
		Total	1-3	4-6	7-9	10-12	13-15	16-18	19-21	22-24	25-27	28-30	31-33	34-36
Total	46,213	100.0	48.7	16.8	11.1	8.1	4.2	3.0	2.3	1.8	1.4	1.1	0.7	0.8
1-3	1,506	100.0	100.0											
4-6	2,197	100.0	77.1	22.9										
7-9	2,292	100.0	50.7	33.2	16.0									
10-12	2,695	100.0	45.2	18.2	24.5	12.2								
13-15	3,785	100.0	44.5	17.2	14.6	16.4	7.3							
16-18	2,727	100.0	49.3	16.9	11.8	9.6	8.2	4.2						
19-21	2,645	100.0	47.8	16.4	10.9	9.3	5.9	6.4	3.3					
22-24	2,755	100.0	46.3	15.1	10.7	9.3	4.4	4.8	6.5	2.9				
25-27	3,202	100.0	46.5	15.5	9.6	8.5	5.2	4.2	4.0	4.4	2.0			
28-30	3,498	100.0	42.3	15.7	10.9	8.6	5.0	4.3	3.3	3.9	4.0	2.0		
31-33	3,403	100.0	42.5	14.7	10.7	9.1	4.3	3.4	3.3	3.6	3.6	3.3	1.6	
34-36	15,508	100.0	44.9	16.2	10.3	7.4	4.3	3.8	2.8	2.4	2.1	2.0	1.6	2.3

**Table 4.—Number and percentage distribution of widows with increased actuarially reduced benefits, by nonpayment and entitlement months before age 65, 1970-72**

Entitlement months before age 62	Total number	Percentage distribution, by nonpayment months before age 62								
		Total	1-3	4-6	7-9	10-12	13-15	16-18	19-21	22-24
Total.....	27,530	100.0	56.2	16.7	9.7	7.0	3.9	3.2	2.3	1.1
1-3.....	1,421	100.0	100.0							
4-6.....	1,989	100.0	81.8	18.2						
7-9.....	2,004	100.0	49.4	35.5	15.1					
10-12.....	2,589	100.0	46.4	20.1	24.4	9.1				
13-15.....	3,359	100.0	50.8	19.4	13.6	14.0	2.2			
16-18.....	2,114	100.0	41.6	16.5	9.1	18.0	12.5	2.2		
19-21.....	2,098	100.0	42.1	14.5	9.5	8.5	10.8	11.8	2.7	
22-24.....	11,956	100.0	56.7	14.1	7.3	5.5	4.3	4.8	4.8	2.5

**Recomputed Amount of Reduced Benefits**

Forty-nine percent of the recomputed reduced worker benefits were less than \$140.00 per month, 40 percent were \$140.00-\$199.90, and 12 percent were \$200.00 or more (table 5). For 39 percent of retired-worker benefits in current-payment status at the end of 1972, however, the benefit amount was less than \$140.00, and 31 percent of these benefits amounted to \$200.00 or more.<sup>2</sup> Thus, the proportion of recomputed benefits

<sup>2</sup> Retired-worker beneficiaries with recomputations represented 2.6 percent of all retired-worker beneficiaries (14.6 million).

at the lower end of the scale was larger than the proportion among all retired-worker benefits. Beneficiaries with recomputations who had the greater numbers of months of entitlement before age 65 were more likely to have benefits at the low end of the scale. Among all beneficiaries with recomputations, the groups that had the greatest numbers of nonpayment months were those that were clustered near the high end of the benefit scale.

Fifty-four percent of wife's benefits involved in the recomputations were less than \$80.00 a month (table 6). For wives with 1-6 months of entitlement before age 65, 32 percent of benefits amounted to less than \$80.00.

**Table 5.—Number and percentage distribution of retired workers with increased actuarially reduced benefits, by monthly benefit amount and entitlement and nonpayment months before age 65, 1970-72**

Months before age 65	Total number	Percentage distribution, by monthly benefit amount							
		Total	Less than \$80.00	\$80.00-109.90	\$110.00-139.90	\$140.00-169.90	\$170.00-199.90	\$200.00-229.90	\$230.00 or more
Total.....	382,577	100.0	6.6	19.4	22.5	20.9	18.6	9.9	2.1
Entitled 1-6:									
Nonpayment.....	49,367	100.0	2.8	6.1	18.0	22.6	30.0	18.1	2.4
1-6.....	49,367	100.0	2.8	6.1	18.0	22.6	30.0	18.1	2.4
Entitled 7-12:									
Nonpayment.....	58,810	100.0	3.8	9.1	18.7	19.7	25.9	18.8	3.9
1-6.....	37,129	100.0	4.3	11.4	21.4	21.1	23.7	14.5	3.7
7-12.....	21,681	100.0	3.1	5.3	14.1	17.5	29.6	26.2	4.3
Entitled 13-18:									
Nonpayment.....	73,637	100.0	4.1	15.7	25.9	21.3	21.6	8.8	2.5
1-6.....	42,738	100.0	5.1	21.2	30.3	22.0	18.4	2.1	.9
7-12.....	25,437	100.0	2.9	8.7	22.0	21.4	24.8	16.0	4.2
13-18.....	5,462	100.0	2.2	4.9	10.7	15.8	31.8	27.0	7.7
Entitled 19-24:									
Nonpayment.....	29,794	100.0	4.7	13.5	19.8	23.0	24.1	12.3	2.5
1-6.....	17,712	100.0	6.0	17.7	23.2	26.5	20.1	5.3	1.2
7-12.....	5,648	100.0	3.4	10.6	20.7	21.1	28.8	11.9	3.5
13-18.....	3,896	100.0	2.4	5.1	11.6	16.8	31.2	29.0	3.8
19-24.....	2,538	100.0	1.6	4.2	7.4	12.8	30.4	36.4	7.2
Entitled 25-30:									
Nonpayment.....	39,375	100.0	5.3	19.2	24.2	23.6	18.0	6.5	3.2
1-6.....	23,294	100.0	6.6	24.6	27.7	26.2	12.8	1.9	.2
7-12.....	6,526	100.0	4.7	17.4	25.7	23.0	20.7	4.0	4.5
13-18.....	3,076	100.0	3.0	12.9	21.9	22.9	27.2	7.3	4.8
19-24.....	4,731	100.0	2.0	5.3	10.9	15.1	29.5	23.2	14.0
25-30.....	1,748	100.0	1.5	3.9	11.5	16.2	29.6	29.7	7.6
Entitled 31-36:									
Nonpayment.....	131,594	100.0	11.6	32.3	24.1	19.4	8.3	3.9	.4
1-6.....	83,882	100.0	14.7	37.9	24.3	18.5	3.3	1.4	0.
7-12.....	18,806	100.0	9.4	31.2	25.6	21.2	10.8	1.7	.1
13-18.....	8,778	100.0	6.6	26.4	27.2	22.2	14.6	2.5	.5
19-24.....	7,375	100.0	4.1	18.6	25.1	21.9	20.4	8.4	1.4
25-30.....	8,026	100.0	2.6	9.6	16.9	18.2	27.7	23.1	1.8
31-36.....	4,727	100.0	1.6	8.8	20.1	21.0	24.3	19.2	5.0

Among wives with 31-36 entitlement months, 71 percent of benefits were less than \$80.00, and 27 percent amounted to \$80-\$109.90. In this category also, as the number of nonpayment months increased, the distribution tended to move toward the high end of the benefit scale. At the end of 1972, 37 percent of all

wife's benefits in current-payment status were less than \$80.00 a month, 44 percent ranged from \$80.00 to \$109.90, and 19 percent were \$110.00 or more.

Sixty-six percent of widow's benefits involved in the recomputations were less than \$140.00 a month (table 7). Relatively few of these benefits were in the

**Table 6.**—Number and percentage distribution of wives with increased actuarially reduced benefits, by monthly benefit amount and entitlement and nonpayment months before age 65, 1970-72

Months before age 65	Total number	Percentage distribution, by monthly benefit amount			
		Total	Less than \$80.00	\$80.00-109.90	\$110.00 or more
Total.....	46,213	100.0	53.6	42.0	4.3
Entitled 1-6:					
Nonpayment.....	3,703	100.0	31.5	62.2	6.3
1-6.....	3,703	100.0	31.5	62.2	6.3
Entitled 7-12:					
Nonpayment.....	4,987	100.0	33.4	56.9	9.7
1-6.....	3,633	100.0	33.9	56.8	9.4
7-12.....	1,354	100.0	32.1	57.4	10.5
Entitled 13-18:					
Nonpayment.....	6,512	100.0	39.5	55.1	5.4
1-6.....	4,143	100.0	43.0	53.1	3.9
7-12.....	1,755	100.0	35.7	57.9	6.4
13-18.....	614	100.0	26.5	60.9	12.5
Entitled 19-24:					
Nonpayment.....	5,400	100.0	41.7	51.2	7.1
1-6.....	3,388	100.0	46.8	47.7	5.5
7-12.....	1,087	100.0	37.6	55.2	7.2
13-18.....	578	100.0	28.9	60.7	10.4
19-24.....	347	100.0	25.6	57.1	17.3
Entitled 25-30:					
Nonpayment.....	6,700	100.0	54.7	42.0	3.3
1-6.....	4,013	100.0	64.0	35.0	1.0
7-12.....	1,263	100.0	51.2	45.1	3.7
13-18.....	628	100.0	33.6	61.3	5.1
19-24.....	521	100.0	29.4	60.3	10.4
25-30.....	275	100.0	31.6	51.3	17.1
Entitled 31-36:					
Nonpayment.....	18,911	100.0	71.2	27.0	1.8
1-6.....	11,407	100.0	82.0	17.8	.2
7-12.....	3,411	100.0	68.5	30.2	1.3
13-18.....	1,525	100.0	53.3	43.1	3.5
19-24.....	1,037	100.0	41.9	53.4	4.6
25-30.....	863	100.0	33.0	58.5	8.5
31-36.....	668	100.0	37.9	47.6	14.5

**Table 7.**—Number and percentage distribution of widows with increased actuarially reduced benefits, by monthly benefit amount and entitlement and nonpayment months before age 65, 1970-72

Months before age 62	Total number	Percentage distribution, by monthly benefit amount					
		Total	Less than \$80.00	\$80.00-109.90	\$110.00-139.90	\$140.00-169.90	\$170.00 or more
Total.....	27,530	100.0	6.6	17.5	41.8	28.6	5.6
Entitled 1-6:							
Nonpayment.....	3,410	100.0	4.6	13.3	33.3	41.3	7.5
1-6.....	3,410	100.0	4.6	13.3	33.3	41.3	7.5
Entitled 7-12:							
Nonpayment.....	4,593	100.0	6.0	14.9	34.3	35.8	9.1
1-6.....	3,423	100.0	5.3	15.4	35.5	34.6	9.2
7-12.....	1,170	100.0	7.9	13.3	30.7	39.1	9.0
Entitled 13-18:							
Nonpayment.....	5,473	100.0	6.2	17.9	38.9	30.5	6.5
1-6.....	3,585	100.0	6.2	18.5	43.2	28.6	3.5
7-12.....	1,502	100.0	6.0	16.8	32.5	33.8	10.9
13-18.....	386	100.0	6.2	17.6	23.6	36.0	16.6
Entitled 19-24:							
Nonpayment.....	14,054	100.0	7.4	19.2	47.4	22.3	3.6
1-6.....	9,655	100.0	7.1	19.8	52.6	17.6	2.8
7-12.....	1,905	100.0	8.5	20.0	41.6	25.8	4.1
13-18.....	1,563	100.0	8.6	16.3	33.8	36.5	4.8
19-24.....	931	100.0	7.2	15.9	28.2	40.2	8.5

**Table 8.**—Number and percentage distribution of persons with increased actuarially reduced benefits, by nonpayment months before age 65, type of benefit, and monthly benefit increase, 1970-72

Monthly benefit increase	Nonpayment months before age 65							
	Total		1-6	7-12	13-18	19-24	25-30	31-36
	Number	Percent						
<b>Retired worker</b>								
Total number .....	382,577		254,122	78,098	21,212	14,644	9,774	4,727
Total percent .....		100.0	66.4	20.4	5.5	3.8	2.6	1.2
Less than \$5.00 .....	238,997	62.5	227,836	10,456	450	142	84	29
5.00-9.90 .....	82,103	21.5	25,102	50,414	5,119	1,137	287	44
10.00-14.90 .....	31,667	8.3	706	16,742	9,603	3,249	1,028	339
15.00-19.90 .....	13,434	3.5	300	406	5,362	4,807	1,852	707
20.00-24.90 .....	8,944	2.3	122	54	643	4,273	2,857	995
25.00-29.90 .....	4,870	1.3	41	19	29	1,019	2,648	1,114
30.00-34.90 .....	2,040	.5	12	6	6	13	996	1,007
35.00 or more .....	522	.1	3	1	0	4	22	492
<b>Wife</b>								
Total number .....	46,213		30,287	8,870	3,345	1,905	1,138	668
Total percent .....		100.0	65.5	19.2	7.2	4.1	2.5	1.4
Less than \$5.00 .....	34,499	74.7	29,708	4,218	352	105	50	66
5.00-9.90 .....	7,819	16.9	484	4,571	2,106	445	134	79
10.00-14.90 .....	2,581	5.6	75	67	868	1,096	370	105
15.00-19.90 .....	1,043	2.3	15	10	16	256	519	227
20.00 or more .....	271	.6	5	4	3	3	65	191
<b>Widow</b>								
Total number .....	27,530		20,073	4,577	1,949	931		
Total percent .....		100.0	72.9	16.6	7.1	3.4		
Less than \$5.00 .....	19,111	69.4	18,293	770	46	2		
5.00-9.90 .....	5,813	21.1	1,685	3,429	578	121		
10.00-14.90 .....	1,914	7.0	69	372	1,154	319		
15.00 or more .....	692	2.5	26	6	171	489		

lowest or highest intervals. At the end of 1972, 15 percent of all widow's benefits that were in current-payment status amounted to less than \$84.50 per month, 14 percent ranged from \$84.60 to \$109.90, 20 percent from \$110.00 to \$139.90, 26 percent from \$140.00 to \$169.90; and 26 percent amounted to \$170.00 or more.

For the recomputed widow's benefits, as for retired-worker and wife's benefits, the distribution by benefit

amount differs in each of the entitlement periods and for the number of nonpayment months.

Most increases in benefits resulting from recomputation of the adjustment factor at age 65 were less than \$5 a month (table 8). Only 2 percent of recomputed retired-worker benefits rose \$25 or more a month—most for beneficiaries with 19 or more nonpayment months. Three percent of recomputed monthly benefits for wives increased \$15 or more.