

Office of the Inspector General

Kenneth S. Apfel
Commissioner of Social Security

Acting Inspector General

Inconsistent Beneficiary Entitlement Periods

The attached final report entitled, "Inconsistent Beneficiary Entitlement Periods" (A-09-97-21003), describes two inconsistencies in the entitlement periods for retirement and survivors' benefits. The objective of our review was to assess the financial impact resulting from these inconsistencies.

You may wish to comment on any further action taken or contemplated on our recommendations. If you choose to offer comments, please provide them within the next 60 days. If you wish to discuss the final report, please call me or have your staff contact Pamela J. Gardiner, Assistant Inspector General for Audit, at (410) 965-9700.

James G. House, Jr.

Attachment

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Report File

Office of the Inspector General

Kenneth S. Apfel
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Inconsistent Beneficiary Entitlement Periods

This final report describes two inconsistencies in the entitlement periods for retirement and survivors' benefits. The purpose of this review was to assess the financial impact resulting from these inconsistencies. The Office of Inspector General, Department of Health and Human Services, disclosed these inconsistencies in two reports, "First Month of Eligibility" (OEI-12-89-01260), issued March 1991 and "Social Security Administration's Inconsistent Entitlement Period for Persons Born in the Same Month" (A-09-89-00073), issued June 1989. Although some beneficiaries have their benefits delayed, for most individuals these inconsistencies accelerate the receipt of the 1st month of benefits. Thus, eliminating the inconsistencies would result in significant savings to the program.

One inconsistency results from past legislation which produced differences in the 1st month of entitlement for various categories of retirees. For example, workers are required to be age 62 for a full month to be entitled to reduced benefits. However, a surviving spouse is entitled to reduced benefits in the month in which he or she attains age 60. Likewise, full benefits for workers, spouses, and surviving spouses are first available in the month in which the individual attains age 65. Thus, individuals entitled to benefits in the month of age attainment when compared to those who are not eligible until the month after their 62nd birthday receive an extra month of benefits. These extra benefits will cost the Social Security Administration (SSA) an estimated \$1.34 billion over a 5-year period.

A second inconsistency results from the lack of a definition of age attainment in the Social Security Act (*the Act*). Without an explicit definition, SSA is required to use the common law definition of age attainment. This definition, which holds that an individual attains a given age on the day before his or her birthday, results in different entitlement periods for individuals born in the same month. For example, a person born on June 1 attains age 65 on the last day of May, and is

entitled to full retirement benefits for May. However, an individual born on any other day in June is not entitled to benefits until June. Thus, a person born on the 1st day of any month is entitled to an additional month of benefits. Conversely, in situations where benefits are dependent on a child being under a specific age, benefits end 1 month early for a child born on the 1st day of a month. Overall, these different entitlement periods will cost SSA an estimated \$130 million over the next 5 years.

We recommend that SSA submit a legislative proposal to eliminate these inconsistencies. Specifically the proposal should provide that entitlement to age-based benefits begin the month following the month of age attainment and that age attainment occur on an individual's birthday rather than the day before. SSA did not agree with our recommendations.

BACKGROUND

Prior to 1981, all applicants for age-based Social Security retirement benefits were eligible to begin receiving benefits effective with the month they attained the required age. Surviving spouses could elect reduced benefits beginning with the month they attained age 60. Individuals, including retired workers and their spouses, electing reduced retirement benefits could receive them for the month they attained age 62. Individuals electing full retirement benefits could receive them beginning with the month they attained age 65.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-248) amended the Act so that an individual applying for reduced retirement benefits could not receive them until the 1st month through which such individual was age 62. The legislation did not affect those electing full retirement benefits at age 65 nor those applying for reduced survivor benefits at age 60.

The Act allows applicants to receive reduced benefits before attaining normal retirement age. The monthly benefits are reduced by a fixed percentage for each month prior to the normal retirement age. The following table lists the reduction factors currently applicable to early retirement for the major categories of beneficiaries.

Type of Beneficiary	Reduction Factor
Workers	The benefit is reduced 5/4 of 1 percent for each month before normal retirement age
Spouses of retired workers	The benefit is reduced 25/36 of 1 percent for each month before normal retirement age
	The benefit is reduced 19/40 of 1 percent for each month

Surviving spouses	before normal retirement age
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The Congress has encouraged individuals to delay retirement by increasing the retirement age, thereby increasing the reduction percentage for age 62 payments, and offering benefit increases for delaying retirement. In 1983, Congress amended the Act to raise the normal retirement age from 65 to 67. The change will be implemented in steps beginning with workers who attain age 62 in the year 2000. In addition, since 1972, the Act has provided an incentive for delaying retirement. This provision increased retirement benefits for individuals by one-half of 1 percent for each month that retirement was delayed. The Congress amended this provision in 1977 and again in 1983, each time increasing the incentive. For individuals attaining age 62 in 1997 or 1998, retirement benefits will be increased by one-half of 1 percent for each month that retirement is delayed between normal retirement age and age 70. The rate increases (in increments over the next several years) to an annual rate of 8 percent for individuals attaining age 62 in 2005 and later. The following table shows the current age-based requirements for beginning benefits under Old-Age, Survivors, and Disability Insurance (OASDI).

Type of Beneficiary	Entitlement to Full Benefits Begin	Entitlement to Reduced Benefits Begin
Retired worker	The 1 st day of the month in which the worker attains age 65	The 1 st day of the month throughout which the worker is age 62
Spouse of retired worker	The 1 st day of the month in which the spouse attains age 65	The 1 st day of the month throughout which the spouse is age 62
Surviving spouse	The 1 st day of the month in which the surviving spouse attains age 65	The 1 st day of the month in which the surviving spouse attains age 60
Disabled surviving spouse	The 1 st day of the month in which the surviving spouse attains age 65	The 1 st day of the month in which the surviving spouse attains age 50

The next table shows the situations in which age is a factor in ending OASDI benefits.

Type of Beneficiary	Last Month of Entitlement
Child of a retired, disabled, or deceased worker	The month before the child attains age 18
Student who is the child of a retired, disabled, or deceased worker	The 1 st day of the third month following attainment of age 19
Mother or father under age 62 who is caring for a child of a retired, disabled, or deceased worker	The month before the youngest child attains age 16

Although all of the above requirements are based on age, the Act does not define age attainment. Lacking a legislated definition, SSA must use a common law definition which dates back to 17th century England. Contrary to the popular and

generally accepted meaning of the term, common law defines age attainment as occurring on the day before the birth date corresponding to that age.

SCOPE AND METHODOLOGY

Our objective was to determine the financial effects on SSA's trust fund from redefining entitlement periods and age attainment. To determine the criteria commonly used in establishing the 1st month of eligibility and defining age attainment, we surveyed pension plans for 12 organizations, including public utilities, universities, State governments, and corporations. We also discussed entitlement criteria and age attainment with officials of the Railroad Retirement Board. We reviewed the Act and obtained a legal opinion from the Office of the Counsel to the Inspector General on the definition of age attainment and SSA's use of that definition. We interviewed SSA officials in Baltimore, Maryland, and obtained cost estimates from SSA's Office of the Chief Actuary. We did not verify the accuracy of these estimates. We also used data published in the 1996 Annual Statistical Supplement to the Social Security Bulletin to compute the numbers of beneficiaries affected by the inconsistencies.

This evaluation was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

RESULTS OF REVIEW

We noted that current law has created two inconsistencies in SSA's retirement and survivors programs which will cost SSA about \$1.47 billion over a 5-year period. One inconsistency is that the criteria for determining the 1st month of entitlement to benefits varies depending upon the category of beneficiaries. The other inconsistency is that persons born on the 1st day of a month have different entitlement periods than persons born on other days of the same month. This inconsistency provides a windfall to some aged beneficiaries (i.e., those born on the 1st day of a month who can retire 1 month before others born in the same month), and a penalty to some widows and children (i.e., those whose benefits end a month earlier than others because a child was born on the 1st day of a month). The windfall represents a cost to SSA while the penalty represents a savings to SSA. We recommend that SSA propose legislation to address these inconsistencies.

First Month Of Entitlement

One of the results of the 1981 amendments to the Act is inconsistent treatment of individuals applying for age-based benefits. The 1st month of entitlement for

reduced retirement benefits is defined differently from that for full retirement benefits. A worker is entitled to reduced benefits for the 1st month through out which he or she is age 62. However, full retirement benefits for workers, spouses of retired or disabled workers, and surviving spouses are first available for the entire month in which the individual attains age 65. Likewise, a surviving spouse is eligible for reduced benefits for the entire month in which he or she attains age 60. Thus SSA is providing retirement benefits to these individuals for the month prior to their birthday. The extra month of benefits will cost SSA an estimated \$1.34 billion over a 5-year period. Appendix A shows the estimated costs by year and by category of beneficiary.

None of the 12 organizations that we surveyed provided benefits for the full month in which an individual attained retirement age. Only two organizations provided any benefits for that month and they prorated the benefits from the date of birth. The remaining 10 defined the 1st month of eligibility as the month following the month of attainment of retirement age.

The Act should provide a consistent definition of eligibility for age-based retirement and survivors benefits and further Congress' policy to encourage delayed retirement. Therefore, we recommend that SSA submit a legislative proposal to define the 1st month of entitlement for all age-based benefits as the month after the individual's birthday.

Our prior report, "First Month of Eligibility," contained the same recommendation. SSA did not concur because implementing the recommendation would increase the age at which workers and aged surviving spouses qualify for full benefits. In addition, it would result in a further reduction in benefits for workers and surviving spouses who file for benefits before they attain the full retirement age.

Implementing our recommendation would delay the 1st month of entitlement for most categories of beneficiaries including retired workers, spouses of retired workers, and surviving spouses. For example, consider an individual born on June 15, 1930. Under current rules, that individual could have received full retirement benefits in June 1995. If our recommended change had been in place in 1995, that same individual would not have been entitled to full retirement benefits until July, a 1-month delay.

Delaying the 1st month of entitlement to full retirement benefits does not necessarily mean delaying the 1st month of benefits. This is because a significant number of persons elect to delay retirement and not receive benefits in the month they attain the requisite age. The individual in the example above would not have noticed any difference if he or she began receiving benefits in July 1995 or later.

Under either rule, the individual would have been entitled to full benefits in July or any subsequent month. Based on data from the Annual Statistical Supplement to the Social Security Bulletin, as few as 159,500 but no more than 498,300 beneficiaries would have been affected if the change had been implemented for 1995. Therefore, as few as 4.1 percent but not more than 12.8 percent of the 3.88 million OASDI awards made would have been affected in 1995.¹ See Appendix B for details of this analysis.

Our proposal would have a minimal impact on the benefit rates for individuals who elect to receive benefits before full retirement age. Individuals who elect to receive reduced benefits would have the monthly benefit reduced by an additional 1-month factor. Using average monthly benefit amounts published in the Annual Statistical Supplement to the Social Security Bulletin, we estimate that our proposal would have reduced the average benefit by only \$4 per month in 1995.²

Definition of Age Attainment

For our prior report entitled "Social Security's Inconsistent Entitlement Periods for Persons Born in the Same Month," we surveyed seven private insurance carriers, eight local governments, the State of California, and the Federal Civil Service Retirement System. These entities all used the popular definition that an individual attains a given age on the birthday corresponding to that age. With the exception of the Railroad Retirement Board, the 12 organizations we surveyed for the current review also used the popular definition.

However, lacking an explicit definition of age attainment in the Act, SSA must use the common law definition. Using this definition rather than the popular definition for age attainment will cost SSA about \$130 million over the next 5 years, due to inconsistent entitlement periods for individuals born in the same month. (See Appendix C). For example, an applicant for retirement is entitled to benefits for the entire month during which he or she attains age 65. Since an applicant born on the 1st day of a month attains age 65 on the last day of the month prior to his or her birthday, benefits are payable for that entire prior month. However, an applicant born on any other day of the same month attains age 65 during that month and, therefore, does not receive benefits for the prior month. Likewise, an individual who was born on the 1st or 2nd day of a month and who applies for a

¹ The percentages were calculated by dividing the numbers of beneficiaries affected (159,500 and 498,300) by the total awards (3.88 million).

² The average monthly benefit for retired workers in 1995 was \$720. The monthly reduction factor for retired workers is 5A of 1 percent. Therefore, increasing the reduction factor by one results in decreasing the average benefit by \$4 (\$720 times 5A of 1 percent).

reduced retirement benefit at age 62 receives 1 more month of benefits than an individual born on a later day of the same month.

A similar inconsistency exists for individuals who delay retirement beyond the month of their 65th birthday. Those who were born on the 1st day of a month can retire in the month before their 65th birthday. However, if they do not retire at that time, the month of their 65th birthday is considered to be a month in which retirement is delayed, and benefit payments will be increased accordingly. But individuals born on other days in the same month will not have that month treated as one in which retirement is delayed, and benefits will not be increased. Thus, those born on the 1st will receive a larger delayed retirement credit than those born on other days.

These inconsistencies provide a windfall to a small number of applicants for OASDI benefits. SSA awarded OASDI benefits to about 3.88 million individuals in 1995. Using the popular definition of age attainment instead of the common law definition would have delayed or reduced approximately 68,000 awards, or about 2 percent of the total. (See Appendix D).

In contrast, the common law definition of age attainment penalizes minor children born on the 1st day of a month when age is the criteria for terminating benefits. A child of a retired, disabled, or deceased worker is entitled to benefits under OASDI through the month before he or she attains age 18. A child born on the 1st day of a month attains age 18 in the month before his or her birthday. Therefore, the child is not entitled to benefits for that month. A child born on any other day of the month, however, does not attain age 18 until the month of his or her 18th birthday and is entitled to benefits for the prior month. For example, a child born on June 2 attains age 18 on June 1 and is entitled to benefits for May. On the other hand, a child born on June 1 attains age 18 on May 31 and is only entitled to benefits through April. Thus, a child born on the 1st day of a month will have benefits stopped 1 month earlier than other children born on any other day during the same month.

Similarly, spouses under age 62 and widows under age 60 whose entitlements are based on having children in their care are penalized under the common law definition. These individuals are entitled to receive benefits until the month the youngest child attains age 16. A child born on the 1st day of a month reaches age 16 in the month before his or her 16th birthday, while a child born on any other day of the same month reaches age 16 in the month of his or her 16th birthday. As a result, spouses and widows whose youngest child was born on the 1st day of a month have their benefits stopped a month before others whose youngest child was born on any other day of the same month.

In 1995, using the common law definition of age attainment caused payments to stop 1 month early for approximately 8,000 children whose benefits ended when they attained age 18 (or age 19 if a student). In addition, about 1,000 spouses and 1,000 widows whose benefits were contingent upon caring for a child under age 16 received 1 less month of benefits. These calculations are discussed in Appendix D.

These inconsistencies are unfair, providing windfalls to some retirees and penalties to other beneficiaries, especially children and surviving parents with children-in-care. Therefore, we recommend that SSA submit a legislative proposal to define age attainment as occurring on an individual's birthday.

This recommendation was made in the prior report, "Social Security Administration's Inconsistent Entitlement Period for Persons Born in the Same Month." SSA did not concur with that recommendation. It cited as reasons the impact of implementing the recommendation on its systems and programs. In addition, SSA argued that the savings would be negligible over the long term.

We asked SSA to provide us with an impact assessment of staffing resources and time frames that would be required to implement a change to the popular definition of age attainment. SSA responded that the assessment would constitute a major effort that could not be undertaken at that time. Specifically, the impact "... relates to logic that exists in all of SSA's programmatic systems, embedded in some four million lines of code." SSA estimated that the determination of how much of this code would need to be changed and the complexity of the changes would take at least 2 months to complete.

Although the required changes appear to be complex, SSA has significant systems program changes underway which provide a potential window of opportunity to implement our recommendation. Specifically, SSA is redesigning its automated processing of OASDI transactions under its title II redesign program. In addition, reprogramming is in process to address the problems raised by the approach of the year 2000, and to accommodate the increase in normal retirement age from 65 to 67. Incorporating implementation of our recommendation with these projects should provide some economies of scale.

Concerning the long-term savings to be realized from changing to the popular definition of age attainment, the savings could appear negligible when compared to certain benchmarks. SSA compared the savings to the Office of the Chief Actuary's threshold measure of significant long-term savings, .005 percent of average annual taxable payroll. Since average annual payroll for 1995 was almost

\$3 trillion, savings of up to \$150 million could be considered negligible. However, we consider the definition of age attainment a significant issue, not only because the potential \$130 million savings would increase over time, but because it involves equity and fairness.

OTHER MATTERS

In its comments to the prior report on age attainment, SSA expressed concern that because of its close coordination with other entitlement programs having age attainment requirements, such as Medicare and the Railroad Retirement system, implementing our recommendation would cause administrative complications. SSA reiterated its concern about the effect on Medicare in its comments to the report, "First Month of Eligibility."

In the prior review of the definition of age attainment, we examined Medicare costs related to the recommendation contained therein and, based on 1986 data, found that at a similar age 65 windfall for Medicare beneficiaries born on the 1st day of a month would cost about \$4.6 million a year. That analysis and our analyses of the costs to the OASDI program indicate that additional costs related to the 1st month of entitlement and the definition of age attainment also exist for these programs. Therefore, it would be consistent and logical that the recommended changes also be implemented for these entitlement programs.

CONCLUSIONS AND RECOMMENDATIONS

Provisions in current law cause inconsistencies in initial entitlement periods. The total cost of these inconsistencies is expected to be about \$1.47 billion over the next 5 years. SSA should submit a legislative proposal to change the 1st month of entitlement and the definition of age attainment for OASDI to eliminate those costs. We have determined that similar costs exist for other Federal programs with age-based entitlements. Thus, in submitting this proposal, SSA should also ask that Congress consider applying consistent definitions for eligibility and age attainment to those programs as well. We are recommending that SSA propose legislation to define the month after the individual's birth day as the 1st month of entitlement and age attainment as occurring on a person's birth day.

AGENCY COMMENTS

In its written comments to our draft report, SSA presented its rationale for not implementing our recommendations. SSA believes that changing the 1st month of entitlement would increase retirement age by 1 month for all individuals receiving

age-based benefits except workers and spouses becoming entitled in the earliest month of eligibility. This would result in lower benefits for people who retire or are widowed in the future. Further, in the 1981 legislation, Congress intentionally limited the changes in the 1st month of entitlement to workers and their dependents retiring at age 62. With the 1983 amendments, Congress encouraged delaying retirement but it did not change the 1981 rule for determining the 1st month of eligibility. SSA concluded that the present system reflects what Congress intended.

Concerning the definition of age attainment, SSA expressed its concern about the costs to change its major processing programs and systems. Although we believe that the year 2000 initiative provides an opportunity to incorporate the necessary changes, the magnitude of the year 2000 conversions could have a negative impact on other planned system enhancements. SSA added that the change would significantly impact its processing systems, necessitate a major commitment of automated data processing resources, potentially increase the number of manual actions, and give rise to administrative complications in its coordination with other agencies that use the common law definition of age attainment.

SSA concluded that the age attainment rules are the product of specific congressional action. Although the rules vary, SSA believes they do so in a reasonable and appropriate manner. In addition, the rules have long been a feature of the Social Security program and are accepted by the public and well understood by SSA employees. SSA does not believe that changing them to achieve uniformity and consistency is warranted, especially given the potential impact the changes could have on its ability to assure that its computer systems are year 2000 compliant.

The full text of SSA's comments are included as Appendix E. In addition, SSA made several technical comments that have been included in the report and, therefore, deleted from the Agency's comments.

0 IG RESPONSE

As noted in the report, the size of the reduction in benefits due to changing the definition of the 1st month of entitlement would be minimal, less than \$4 per month for retired workers. For surviving spouses, it would be even less due to the smaller monthly reduction factor applicable to their benefits.

Since Congress did not change the rule for determining the 1st month of eligibility when it increased retirement age through the 1983 amendments, we may assume that the rule reflects what Congress intended. However, Congress' intentions

15 years ago should not prevent SSA from asking Congress to rectify inconsistencies in its programs.

SSA presented a number of difficulties it would encounter in changing the definition of age attainment. Due to the complexity of SSA's programs and systems, similar difficulties could be expected for any changes to its programs, including raising the retirement age to 67 and the year 2000 initiative.

None the less, as pointed out in the report, some individuals are unfairly enriched at retirement due to an archaic definition of age attainment while some children and surviving spouses suffer early termination of benefits. SSA should not avoid change simply because of the difficulties that might be encountered, especially when change eliminates such inconsistencies and inequities.

SSA commented that implementing our recommendation might impact its ability to assure that its computer systems are year 2000 compatible. However, implementation of the recommendations could be delayed until SSA has completed this system enhancement. In the meantime, SSA should explore possibilities for incorporating the definition of age attainment into other planned systems projects, such as accommodating the increase in normal retirement age to 67.

SSA also expressed concern about coordinating with other agencies which use the common law definition of age attainment. We addressed this issue in our report, and recommended that SSA ask Congress to apply consistent definitions for eligibility and age attainment to those programs as well.

Whether or not inconsistencies and inequities have been accepted by the public and are well understood by SSA employees, allowing them to continue is doing a disservice to the American public. As noted in this report, all except 1 (the Railroad Retirement Board) of 30 public and private retirement systems surveyed in our reviews defined age attainment as occurring on a person's birthday. If SSA is to provide world class service, it should do everything in its power to ensure that its programs are consistent and equitable.

James G. House, Jr.

APPENDICES

APPENDIX A

Estimated Reduction in Old-Age, Survivors, and Disability Insurance Benefit Payments from Changing 1st Month of Entitlement

Reduction in Payments
(In Millions)

<u>Calendar Year</u>	<u>Retired Workers</u>	<u>Spouses</u>	<u>Surviving Spouses</u>	<u>Total</u>
1998	\$ 40	\$ 10	\$ 30	\$ 80
1999	90	20	50	160
2000	160	30	60	250
2001	240	50	80	370
2002	<u>320</u>	<u>70</u>	<u>90</u>	<u>480</u>
Totals	<u><u>\$ 850</u></u>	<u><u>\$180</u></u>	<u><u>\$310</u></u>	<u><u>\$1,340</u></u>

Notes:

1. These data are from an analysis prepared by the Office of the Chief Actuary. The data were based on a proposal to use a "throughout the month" definition of retirement age for retired workers and spouses attaining age 62 in Calendar Year (CY) 1998 or later and for surviving spouses attaining age 60 (or 50, if disabled) in CY 1998 or later. This definition of retirement age is that an individual is entitled to benefits for the 1st month throughout which the individual has attained the requisite age.
2. The reduction in benefits for dependents (i.e., spouses and children affected because of a delay in the worker's date of retirement, but not due to their own age) would be less than \$5 million per year and, therefore, is not included in the totals. However, in its analysis, the Office of the Chief Actuary stated that the reductions would total approximately \$10 million over the 5-year period.

**Estimate of Number of Awards that Would Have Been Delayed by Redefining 1st Month of Entitlement
(1995)**

<u>Category of Beneficiary</u>	<u>Number</u>
Retired Workers Age-65 (Note 1)	232,200
Spouses Age-65 (Note 1)	27,600
Spouses of Age-65 Retired Workers (Note 2)	36,000
Children of Age-65 Retired Workers (Note 2)	13,900
Retired Workers Age 62-64 (Note 3)	55,400
Spouses of Age 62-64 Retired Workers (Note 4)	8,700
Children of Age 62-64 Retired Workers (Note 4)	3,400
Non-disabled Surviving Spouses Age 65 (Note 1)	32,900
Non-disabled Surviving Spouses Age 60 (Note 1)	78,700
Disabled Surviving Spouses Age 50 (Note 5)	9,500
Total	498,300

In our prior report, "First Month of Eligibility," we noted that as few as 32 percent of age-65 retirees receive benefits in the 1st month of entitlement. Thus, only 32 percent of the 232,200 age-65 retired workers would have had their benefits delayed by 1 month. If this percentage is consistent throughout the various categories of beneficiaries, the number that would have been affected in 1995 could have been as low as 159,500.

Notes:

1. Data for retired workers and spouses age 65, and nondisabled surviving spouses ages 65 and 60 were extracted directly from the "Annual Statistical Supplement to the Social Security Bulletin, 1996" (Supplement).

APPENDIX B
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2. The 232,200 awards to age-65 retired workers represent about 14.5 percent of the 1,599,000 total awards to retired workers. We applied this percentage to the total number of awards to spouses and children of retired workers provided by the Supplement to arrive at the figures shown.
3. The Office of the Chief Actuary estimated that if our recommendation were implemented, 5 percent of workers retiring before the normal retirement age would wait an additional month to retire so that their benefits would be the same as under current law. The 55,400 equals 5 percent of the awards to retired workers age 62-64 reported in the Supplement.
4. The 55,400 awards to retired workers age 62-64 represent about 3.5 percent of the 1,599,000 total awards to retired workers. We applied this percentage to the total number of awards to spouses and children of retired workers provided by the Supplement to arrive at the figures shown.
5. The Supplement provided data on awards to disabled surviving spouses for the group ages 50 to 54 as a total. It did not provide data by year. For this analysis, we considered the total age group to be age 50.

APPENDIX C

Estimated Change in Benefit Payments from Redefining Age Attainment (1998-2002)

<u>Category of Beneficiary</u>	<u>Reduction/(Increase) (In Millions)</u>
Retired worker (plus dependents), and spouse	\$ 130
Aged widow/widower and disabled widow/widower	5
Child, young spouse with child-in-care and widowed parent	(5)
Total	<u>\$130</u>

Notes:

1. These data are from an analysis prepared by the Social Security Administration's Office of the Chief Actuary.
2. The change was assumed effective for retired workers and spouses attaining age 62 in 1998 or later; for surviving spouses attaining age 60 (or 50) in 1998 or later; and for children, young spouses, and widowed parents first becoming entitled to benefits in 1998 or later. The estimates are based on the Alternative II assumptions of the 1997 Trustees Report.

**Estimated Number of Awards Delayed by
Changing to the Popular Definition of Age Attainment
(1995)**

<u>Type of Action</u>	<u>Number of Beneficiaries Affected</u>
Delay in Starting Retirement Benefits (Note 1)	51,000
Adjustment of Delayed Retirement Credit (Note 2)	4,000
Adjustment of Reduced Retirement Benefits (Note 3)	<u>13,000</u>
Total (Benefits Would Be Delayed or the Amount Would Be Reduced)	68,000

We obtained the total number of Old-Age, Survivors, and Disability Insurance (OASI) benefits awarded from the "Social Security Bulletin, Annual Statistical Supplement, 1996." We assumed that the birth days of the newly entitled beneficiaries were distributed evenly throughout the year. For each category of beneficiary, individuals born on any of 12 days throughout the year (i.e., the 1st day of each month for most, or the 2nd of the month for others) were affected. Consequently, to estimate the number of beneficiaries affected, we divided the total number of benefits awarded by 365 and multiplied the result by 12.

Notes:

1. Includes retired workers ages 62 and 65, disability conversions age 65, spouses ages 62 and 65, surviving spouses ages 60 and 65, disabled surviving spouses age 50, and a proportionate number of children based on the ratio of affected retired workers to total retired workers.
2. Includes retired workers, spouses, and surviving spouses ages 66 to 69.
3. Includes retired workers and spouses ages 63 and 64, and surviving spouses ages 61 to 64. (We included retired workers and spouses age 62, and surviving spouses age 60 with those who would have their benefits delayed 1 month. See Note 1.)

**Estimated Number of Benefits Stopped Early Due to
Using the Common Law Definition of Age Attainment
(1995)**

<u>Type of Action</u>	<u>Number of Beneficiaries Affected</u>
Stopping OASDI Benefits for Children (Note 4)	8,000
Stopping OASDI Benefits for Spouses under Age 62 with a Child-in-Care	1,000
Stopping OASDI Benefits for Surviving Spouses under Age 60 with a Child-in-Care	1,000

We obtained the total number of OASDI benefits terminated from the "Social Security Bulletin, Annual Statistical Supplement, 1996." We assumed that the birth days of the terminated beneficiaries were distributed evenly throughout the year. For each category of beneficiary, individuals born on any of 12 days throughout the year (i.e., the 1st day of each month) were affected. Consequently, to estimate the number of beneficiaries affected, we divided the total number of benefits terminated by 365 and multiplied the result by 12.

Notes (Continued):

4. Includes children whose benefits were stopped because they attained age 18 and students whose benefits were stopped because they reached age 19. Does not include those children who reached age 18 but were awarded student benefits.

APPENDIX F

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