

---

# Notes and Brief Reports

---

## Special Age-72 Social Security Benefits Awarded in 1981\*

The 1966 Amendments to the Social Security Act (Public Law 89-368, enacted March 15, 1966) provided for special payments to persons aged 72 and over who meet certain requirements.<sup>1</sup> These so-called "Prouty" benefits—named after Senator Winston L. Prouty, Republican of Vermont, the sponsor of the legislation—are of a fixed amount (\$125.60 per month for an individual, as of June 1982) and are not based on the beneficiary's previous earnings. Most persons aged 72 and over who have at least 3 quarters of coverage<sup>2</sup> for every year after 1966 and before the year of attainment of age 72 are eligible to receive these benefits. Thus, no quarters of coverage are required for those who attained age 72 before 1968. Although all special age-72 benefits are initially paid from the Old-Age and Survivors Insurance Trust Fund, the payments to those beneficiaries with fewer than 3 quarters of coverage are reimbursed by annual retroactive appropriations from the general fund of the U.S. Treasury.

### Eligibility Criteria

Prouty benefits are not payable to persons receiving cash public assistance payments, including those under

---

\*By Bruce D. Schobel, Office of the Actuary, Social Security Administration.

<sup>1</sup> See section 228 of the Social Security Act. These benefits need to be distinguished from the so-called "transitional-insured" benefits payable under section 227 of the Act. The transitional-insured benefits, which were authorized by the 1965 amendments (Public Law 89-97, enacted July 30, 1965), are payable to certain workers aged 72 and over who need 6 quarters of coverage for fully-insured status but have only 3-5 quarters, and to certain wives and widows who attained age 72 before 1969. These benefits (for workers) are equal in amount to the special age-72 benefits but are treated the same as regular Social Security benefits in all other respects. Eligibility to primary benefits under section 227 is possible only for men who attained age 72 before 1964 and for women who attained age 72 before 1967.

<sup>2</sup> Before 1978, a quarter of coverage generally was credited for any quarter in which a worker had \$50 in covered earnings. In 1978, the method of computing quarters of coverage was changed so that one quarter was credited for each \$250 in annual covered earnings (with a maximum of 4 quarters credited per year). The amount is adjusted automatically each year to reflect changes in average wage levels; the amount for 1983 is \$370.

the Supplemental Security Income (SSI) program. These special age-72 benefits are also subject to a dollar-for-dollar offset for receipt of government pensions, including Veterans Administration benefits in certain cases. Finally, in order to be eligible for Prouty benefits, a person must be a resident of the United States and either (1) a U.S. citizen or (2) a lawfully admitted alien who has resided in the United States continuously for 5 years preceding the month of application for the special age-72 benefits.<sup>3</sup>

The apparent intent of Congress in 1966 was for the Prouty benefits to apply only to a closed group—that is, there would be no new entrants after a certain date. To accomplish this goal, the number of quarters of coverage required for eligibility to Prouty benefits was increased at the rate of 3 per year for those attaining age 72 in 1968 and later, while the number of quarters of coverage required to receive the regular minimum Social Security benefit—which was larger than the Prouty benefit—was increasing by only 1 per year (with a maximum of 40 quarters required for those becoming eligible for retirement benefits after 1990). Consequently, for women attaining age 72 after 1969 and for men attaining age 72 after 1971, the requirements for the larger regular minimum benefit were easier to meet than those for the Prouty benefit. Therefore, no new eligibilities for Prouty benefits were believed to be possible after 1971.

This situation was changed significantly by the 1977 Amendments to the Social Security Act (Public Law 95-216, enacted December 20, 1977), which "froze" the regular minimum benefit at \$122 for those becoming eligible in 1979 and later. The Prouty benefit amount was not frozen—that is, it continues to receive the automatic benefit increases based on the Consumer Price Index—so that, beginning in 1991, some persons attaining age 72 will be able to qualify for a Prouty benefit that ex-

---

<sup>3</sup> It is interesting to note that one early version of the legislation authorizing these benefits specified age 70 as the minimum age requirement and did not contain either a citizenship or a residency requirement. Thus, as pointed out by Senator Russell B. Long of Louisiana, the benefits would have been payable to "everybody around the world who is aged 70 and over [including] Mao Tse-Tung, Charles de Gaulle, and everybody else." (See *Congressional Record*, March 8, 1966, page S5076.)

ceeds their regular Social Security benefit.<sup>4</sup> To be eligible for Prouty benefits, such persons would need to have a great many quarters of coverage—so many, in fact, that the size of the regular Social Security benefit based on earnings would likely exceed that of the Prouty benefits.<sup>5</sup>

Although it was generally believed that no one could become newly eligible for Prouty benefits after 1971 and before 1991, the Social Security Administration (SSA) has received applications from, and awarded benefits to, thousands of new Prouty beneficiaries from 1972 through the present. The number of special age-72 benefits awarded in each year 1966–81 and being paid at the end of each year are shown in table 1.

### Analysis of Awards in December 1981

The fairly large number of Prouty benefits that were awarded long after new eligibility was believed to be impossible raised some questions as to what situations were causing these awards. Hence, it was decided to investigate all new Prouty awards made in December 1981. Of the 62 persons awarded Prouty benefits in that

<sup>4</sup> To illustrate how this can happen, consider a worker who attained age 62 in January 1981 and immediately became entitled to the regular minimum benefit. The worker's initial monthly benefit amount would have been \$97.60 per month (the primary insurance amount of \$122 reduced by 20 percent because benefits were claimed at age 62). The Prouty benefit amount in January 1981 was \$105.20 per month. The Prouty benefit will always exceed the worker's regular benefit because the same benefit increases apply to both. Thus, at attainment of age 72 in 1991, the worker will be eligible to receive Prouty benefits if he or she has enough quarters of coverage. As a technical matter, the regular Social Security benefit would continue to be paid, but it would be considered a government pension for purposes of the offset provision, and the Prouty benefit would be reduced to a residual amount equal to the excess over the regular benefit.

<sup>5</sup> For more information on this subject, see Bruce D. Schobel and Steven F. McKay, "Characteristics of Newly Awarded Recipients of the Social Security Regular Minimum Benefit," *Social Security Bulletin*, June 1982, pages 14–15.

**Table 1.**—Number of special age-72 benefits awarded in year and number being paid at end of year, 1966–81

Calendar year	Number of special age-72 benefits—	
	Awarded in year	Being paid at end of year
1966	748,539	634,313
1967	273,567	728,577
1968	81,030	675,679
1969	45,027	603,294
1970	29,881	533,624
1971	24,965	471,556
1972	20,367	410,369
1973	15,111	358,061
1974	6,660	278,247
1975	3,688	223,424
1976	3,387	188,045
1977	3,474	158,726
1978	3,057	133,743
1979	2,025	112,108
1980	1,345	92,754
1981	956	76,323

month, it was possible to locate and obtain the claims folders for 50 (81 percent) of them. A summary of the analysis of those 50 cases is presented in table 2.

Of the 50 new awards that were investigated, the largest group consisted of 14 persons (28 percent of the sample) who were ineligible to receive Prouty benefits earlier because they were resident aliens who did not meet the 5-year residency requirement until just before applying. In other words, these 14 persons came to the United States in the mid-1970's at advanced ages, never worked in covered employment, but qualified for Prouty benefits (simply because of their ages) after 5 years of residency. The countries of origin of these 14 beneficiaries include England, Germany, France, Poland, Czechoslovakia, Turkey, Nicaragua, Jamaica, the Philippines, Australia, and Viet Nam.

The second largest group consisted of 13 beneficiaries (26 percent of the sample) who formerly had been receiving cash public assistance payments (usually SSI payments) and thus were ineligible for Prouty benefits. In all of these cases, the public assistance payments had exceeded the Prouty benefit amount until the person was admitted to a Medicaid-financed nursing home. At that time, the public assistance payments were reduced to nominal amounts (\$25 per month for SSI recipients), thus making it attractive to request termination of the public assistance payments and to apply for the larger Prouty benefit. In most such cases, the excess of the Prouty benefit over the nominal public assistance payment was taken by the State as payment for the nursing home care; in many of these situations, the request for termination of public assistance and application for Prouty benefits was apparently required by State law. The States in which these 13 persons were residing are Florida, Illinois, Kansas, Louisiana, New York, Ohio, and Pennsylvania.

In seven cases (14 percent of the sample), the beneficiaries had simply never applied in the past, perhaps because of lack of knowledge concerning the special age-72 benefit. In two of these cases, the beneficiaries were very old women, with essentially no work history, who had never married. Their source of income before re-

**Table 2.**—Reasons for award of special age-72 benefits in December 1981

Reason for award	Number of cases	Percent of sample
Total	50	100
Met 5-year residency requirement	14	28
Termination of public assistance payments	13	26
Eligible earlier, but no application filed	7	14
Immediately suspended because of public assistance receipt	6	12
Total offset because of government pension receipt	3	6
Widow of Prouty beneficiary	6	12
Termination of government pension	1	2

ceipt of Prouty benefits could not be determined. In another case, a granddaughter filed for benefits on behalf of a woman who had been living in a nursing home for decades and who presumably could have received Prouty benefits in 1966 if she had applied. It should be noted that these benefits are not payable retroactively before the date of application.

In six cases (12 percent), Prouty benefits were awarded but then immediately placed in suspense status because of receipt of cash public assistance payments. In three additional cases (6 percent), the beneficiaries were placed in total offset because of receipt of substantial government pensions. In these nine cases, the reason for applying for Prouty benefits was unclear, especially considering that it seemed to provide no advantage of any kind.

Six cases (12 percent) were not really new awards but were recorded as such because of a special procedure followed only in regard to these special age-72 benefits. When both a husband and a wife are eligible for these benefits, the husband receives the individual benefit amount (\$125.60 per month currently), and the wife receives approximately half that amount. If the husband dies, the wife is then automatically terminated as a Prouty wife beneficiary and awarded as a primary (individual) Prouty beneficiary. These cases were examples of that situation. It is interesting to note that a new "award" is *not* recorded in the otherwise identical situation where the wife dies first, because the husband would already be receiving primary Prouty benefits.

Finally, in one case (2 percent), the beneficiary had been receiving a government pension sufficiently large to cause total offset of the special age-72 benefit. For reasons that could not be determined, the government pension was stopped, and the person applied for and was awarded Prouty benefits.

## Conclusions

It seems that, under present law, SSA will continue to award special age-72 benefits each year to many persons who are in somewhat unusual situations, such as those

described for the 50 persons who were awarded such benefits in December 1981 and who were investigated for purposes of this note. The total number of Prouty beneficiaries on the rolls, however, should continue to decline rapidly as these beneficiaries grow older and therefore experience the increasing mortality rates associated with advancing age. The number should reach a very low point by the end of 1990 (at which time the *youngest* Prouty beneficiary will be age 91, and most will be at least age 95).

Beginning in 1991, new eligibilities for special age-72 benefits will be possible for a small number of 72-year-old beneficiaries who previously will have been receiving the smaller (for them) regular minimum Social Security benefit (or a slightly larger benefit) and who have been credited with at least 72 quarters of coverage. Beginning in 1992, fairly large numbers of beneficiaries will attain age 72 after having never been eligible for the regular minimum benefit.<sup>6</sup> A few of these persons also will be able to receive Prouty benefits, although the ever-increasing number of quarters of coverage required, coupled with the increasing amount of earnings needed to obtain a quarter of coverage, will eventually (some years into the next century) make new eligibility for Prouty benefits totally impossible.<sup>7</sup> Thus, legislation that was enacted in 1966 to provide benefits to a closed group of uninsured persons may, because of the unintended effects of later legislation, continue to apply for perhaps 50 years after enactment.

<sup>6</sup> As a result of 1981 legislation (Public Laws 97-35 and 97-123), the regular minimum benefit is generally not available to those persons attaining age 62 after 1981, the only exception being certain members of religious orders who are under a vow of poverty.

<sup>7</sup> To establish the inevitability of this result, consider a worker who attains age 72 in the year 2065. This worker would need 294 quarters of coverage to qualify for Prouty benefits, but the largest number of quarters of coverage possible for this worker would be 292, and that number would be possible only if he or she had begun working at birth! Of course, the Prouty benefits will actually phase out much sooner because a worker with a large number of quarters of coverage would likely be eligible for a larger benefit based on the regular earnings-related formula. The exact year of first inapplicability cannot be determined precisely, however, because it depends on future economic experience, particularly the relationship between wage increases and price increases.