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Social Security: Minimum Benefits

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SUMMARY

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Social Security: Minimum Benefits

Social Security's special minimum benefit provision, also known as the Special Minimum Primary Insurance Amount (PIA), is an alternative benefit formula that increases benefits paid to workers who had low earnings for many years, and to their dependents and survivors. The Special Minimum PIA is based on the number of years a person has worked with earnings at or above a certain threshold, whereas the regular benefit formula is based on a worker's average lifetime earnings. The worker receives the higher of the two benefits. In 2019, about 32,092 of the 64 million Social Security recipients qualified for the minimum benefit.

The Special Minimum PIA has virtually no effect on the benefits paid to today's new retirees. Under current law, it grows with price levels, whereas the regular benefit is linked to wages. Because wages generally grow faster than prices, the Special Minimum PIA affects fewer beneficiaries every year. Beneficiaries who received higher benefits due to the provision had an average increase to monthly benefits of about $65 in December 2019. The Social Security Administration (SSA) estimated that the provision would have no effect on workers turning 62 in 2022 or later.

Some recent proposals would redesign the minimum benefit. This renewed interest has been sparked by Social Security proposals that would reduce the regular benefit and by concern over poverty rates among beneficiaries who had low wages throughout their careers. However, some have suggested allowing the minimum benefit to phase out, arguing that the provision does not accurately target the working poor, and that there are other programs that are more appropriate for supplementing the incomes of low-income, low-asset people.

Increases in Social Security benefits targeted at lifetime low earners could be implemented in various ways. For example, the current minimum benefit provision could be revised to assist more beneficiaries, the regular benefit could be increased for people who worked for many years at low earnings, or a fixed-dollar benefit could be introduced. Similar provisions could also be introduced through other programs, such as Supplemental Security Income (SSI).

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Introduction

Social Security's minimum benefit provision, the Special Minimum Primary Insurance Amount (PIA), is an alternative benefit formula that increases benefits paid to workers who had low earnings for many years and to their dependents and survivors. Unlike the regular Social Security benefit formula, which is based on a worker's average lifetime earnings, the Special Minimum PIA is based on the number of years a person has worked with earnings at or above a certain threshold. Beneficiaries receive the higher of the two benefit amounts. Because of the way regular Social Security benefits and the Special Minimum PIA are computed, the number of recipients who qualify for the Special Minimum PIA has been decreasing. In 2019, about 32,092 (or 0.05%) of the 64 million Social Security recipients qualified for the minimum benefit.[1]

This report explains how the Special Minimum PIA functions under current law and provides some historical background on minimum benefit provisions in the Social Security Act. It then presents arguments for and against expanding the Special Minimum PIA, discusses elements to be considered in proposals for change, and describes some specific options for increasing benefits paid to people with lifetime low earnings or low income.

Determining Regular Social Security Retirement Benefits

To be eligible for a Social Security retired-worker benefit, a worker generally needs 40 earnings credits (also called *quarters of coverage*).[2] A worker may earn up to four earnings credits per calendar year. In 2021, a worker earns one credit for each $1,470 of covered earnings (i.e., earnings subject to Social Security payroll taxes),[3] up to a maximum of four credits for covered earnings of $5,880 or more. The *primary insurance amount* (PIA) is the benefit a worker would receive if the worker elects to begin receiving retirement benefits at the worker's *full retirement age* (FRA). The PIA is based on a summary measure of the worker's lifetime earnings, called the *average indexed monthly earnings* (AIME). To compute a worker's AIME, the worker's earnings are converted into current-dollar terms by indexing each year of earnings to historical wage growth (i.e., National Average Wage Index or AWI), and the sum of the highest 35 years of indexed earnings are divided by 35 to determine career-average annual earnings.[4] This amount is then divided by 12, to get a monthly amount. If a worker has fewer than 35 years of covered earnings (because of time out of the labor force for family caregiving, spells of unemployment, or other reasons), years of no earnings are entered as zeros.

[1] Social Security Administration, *Annual Statistical Supplement, 2020*, Table 5.A1 and Table 5.A8, at https://www.ssa.gov/policy/docs/statcomps/supplement/2020/5a.pdf.

[2] Fewer quarters of coverage may be required for Social Security disability benefits, depending on the age at which the worker became disabled. For more information, see CRS Report R44948, *Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI): Eligibility, Benefits, and Financing*.

[3] Approximately 6% of workers in 2021 are not subject to Social Security payroll taxes and are therefore not covered by Social Security. Workers who are exempt from Social Security payroll taxes are primarily (1) state and local government workers, (2) certain religious group workers, or (3) certain noncitizen workers. See Social Security Administration, Fact Sheet, January 2021, at https://www.ssa.gov/OACT/FACTS/fs2020_12.pdf.

[4] The indexing of wages happens at the age of 62, and the base year used for indexing is the year the worker turns 60. Earnings after age 60 are entered into the calculation at their nominal, or unindexed, value. Social Security AWI is the National Average Wage Index, available at https://www.ssa.gov/oact/cola/AWI.html.

Next, the regular Social Security benefit formula is applied to the worker's AIME to get the PIA. Two dollar thresholds, known as *bend points*, are used to divide the worker's AIME into three segments; in 2021, the two bend points are $996 and $6,002. Three conversion factors—90%, 32%, and 15%—are applied to the three different segments of the worker's AIME to compute the basic monthly benefit; 90% is applied to the $0-$996 segment, 32% to the $997-$6,002 segment, and 15% to the over-$6,002 segment. Because the higher conversion factors apply to the lower earnings segment, the benefit formula is progressive. That is, it replaces a higher percentage of the pre-retirement earnings of workers with low career-average earnings than for workers with high career-average earnings.[5]

Social Security also provides auxiliary benefits to eligible family members of a Social Security-insured retired, disabled, or deceased worker. Benefits payable to family members are equal to a specified percentage of the worker's PIA. For example, a spouse can receive up to 50% of the worker's PIA and a widow(er) can receive up to 100% of the deceased worker's PIA.[6]

Determining the Special Minimum PIA

Unlike the regular Social Security benefit, which is based on covered career-average earnings, the Special Minimum PIA is based on the number of years that a worker spends in covered employment and has earnings at or above a certain threshold. Beneficiaries receive the higher of the regular benefit and the Special Minimum PIA.

Years of Coverage

A *year of coverage* (YOC) for the purposes of computing the Special Minimum PIA is a year during which the worker has covered earnings more than a specified threshold. Different from the required amount for earnings credits (or quarters of coverage) under regular benefits, since 1991, the annual threshold for a YOC under the Special Minimum PIA has equaled 15% of the "old law" contribution and benefit base.[7] The old law contribution and benefit base is indexed to increases with the national average wage. As a result, YOC thresholds for the Special Minimum PIA are indexed to wage growth. The 2021 YOC threshold is $15,930. In 2021, the earnings required for one earnings credit, or one quarter of coverage, is $1,470. As with the earnings credit, the YOC thresholds create a "cliff" effect. If a worker's earnings in a year are even one dollar short of the threshold for that year, a YOC is not credited. Because the YOC threshold is much higher than one earnings credit, it would be generally harder for a low-earning worker to qualify for a YOC threshold under the Special Minimum PIA than one earnings credit under the Social Security regular benefit.

[5] For more details, see CRS Report R43542, *How Social Security Benefits Are Computed: In Brief*.

[6] For more information on auxiliary benefits, see CRS Report R41479, *Social Security: Revisiting Benefits for Spouses and Survivors*.

[7] From 1951 through 1978, the threshold equaled 25% of the Social Security contribution and benefit base, and from 1979 through 1990, it was 25% of the "old law" contribution and benefit base. The Social Security contribution and benefit base is the annual limit on the amount of a worker's earnings that are subject to the Social Security payroll tax in a given year. The same annual limit applies when these earnings are used in a benefit computation. For earnings in 2021, the current-law contribution and benefit base is $142,800. The old law contribution and benefit base is the base in effect before the Social Security Amendments of 1977 (P.L. 95-216). In 2021, the "old law" contribution and benefit base is $106,200. For a historical series of the year of coverage amounts and the old law contribution and benefit base, see Social Security Administration, "Old-law Base and Year of Coverage," at http://www.socialsecurity.gov/OACT/COLA/yoc.html.

Special Minimum PIA Benefit Amount

The Special Minimum PIA benefit amount depends only on the number of a worker's YOCs. A worker must have at least 11 YOCs to be eligible for the benefit, which creates another benefit cliff as those with 10 years receive no special minimum benefit. For those with 11 years, the Special Minimum PIA monthly benefit is $43.00 in 2021. It increases by about $45 for each additional YOC (see **Table 1**).[8] YOCs in excess of 30 do not increase the Special Minimum PIA amount; a person with 30 years of coverage in 2021 would qualify for a Special Minimum PIA of $897.90.

Table 1. Special Minimum PIA Initial Monthly Benefit Amounts, 2021

Number of Years of Coverage	Monthly Primary Insurance Amount
11	$43.00
12	88.00
13	133.10
14	177.90
15	222.50
16	267.80
17	312.80
18	357.70
19	402.70
20	447.90
21	492.90
22	537.50
23	583.30
24	628.20
25	672.80
26	718.60
27	762.90
28	807.90
29	853.00
30	897.90

Source: Social Security Administration, http://www.socialsecurity.gov/cgi-bin/smt.cgi.

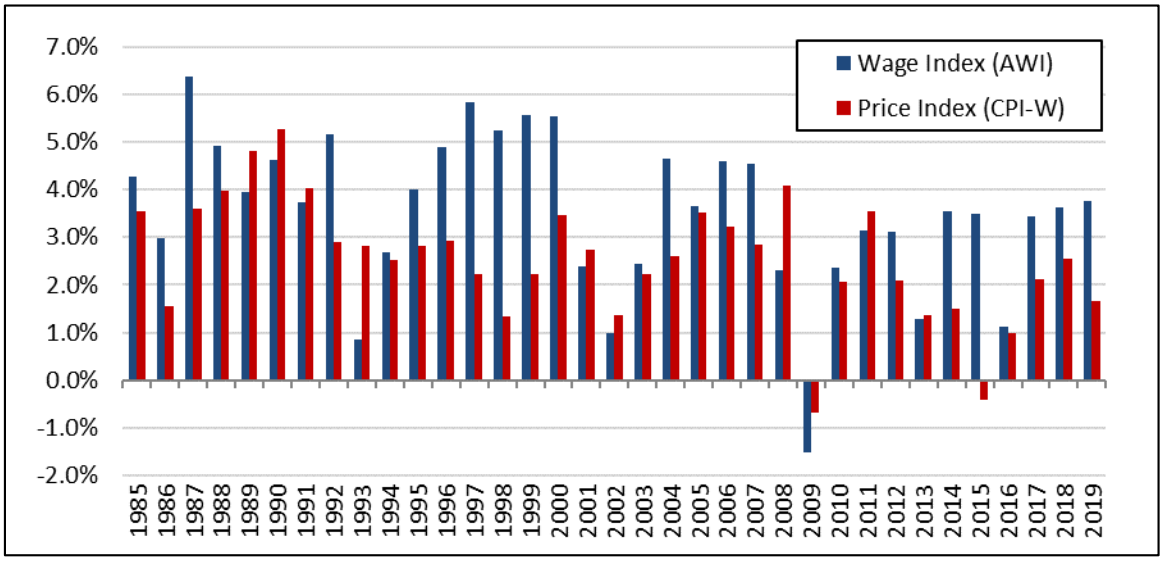
Although the amount required to earn a YOC is indexed to wage growth, the initial Special Minimum PIA benefit amounts are indexed to *price* inflation, in contrast to regular Social Security benefits, which are indexed to *wage* inflation.[9] As shown in **Figure 1**, since 1985,

[8] For additional details on how the Special Minimum PIA is computed, see Social Security Administration, *Program Operations Manual System*, RS 00640.075, at http://policy.ssa.gov/poms.nsf/links/0300640075.

[9] The law did not originally provide for updating the initial benefit table for wage or price inflation when the Special Minimum PIA was enacted in 1972. The law originally set the monthly benefit equal to $8.50 per year of coverage,

growth in wages (i.e., AWI) has outpaced prices (i.e., CPI-W) in 26 out of 35 years. Therefore, regular benefits have grown faster than initial Special Minimum PIAs. As a result, a worker's regular benefit is now almost always higher than the Special Minimum PIA.[10] After the initial year of benefit receipt, the same Social Security cost-of-living-adjustment (COLA) applies to both the Special Minimum PIA and regular benefits.[11]

Figure 1. Annual Percentage Change in Average Prices and Wages, 1985-2019



Source: Wage index from Social Security Administration, *Average Wage Index (AWI)*, https://www.ssa.gov/oact/cola/awidevelop.html; price index from Bureau of Labor Supply, *Consumer Price Index - Urban Wage Earners and Clerical Workers (CPI-W)*, retrieved on May 3, 2021, from http://www.bls.gov/cpi.

Notes: Cost-of-living-adjustments (COLAs) are based on changes in the average CPI-W in the third quarter, whereas this figure shows changes annual averages, but these values are very similar. Further, under current law, COLAs cannot be negative.

Benefits for Family Members

Monthly benefit rates for dependents and survivors are calculated as a percentage of the worker's Special Minimum PIA, not to exceed a family maximum amount (described briefly below). The computation of auxiliary benefits uses the same rates that are used for regular benefits.[12]

Potential Adjustments to the Special Minimum PIA

Various provisions may cause a worker's monthly benefit payment to differ from the initial Special Minimum PIA. Four provisions affect both the regular benefit and the special minimum benefit:

effective in January 1973. The Social Security Amendments of 1977 (P.L. 95-216) implemented indexing benefit levels in future years to price inflation. See 42 U.S.C. §415(a)(1)(C)(i).

[10] See the Social Security Administration's Office of Retirement Policy Program Explainer on the Special Minimum Benefit, at https://www.ssa.gov/retirementpolicy/program/special-minimum.html.

[11] See CRS Report 94-803, *Social Security: Cost-of-Living Adjustments*.

[12] For details, see "Benefits for the Worker's Family Members" in CRS Report R42035, *Social Security Primer*.

1. the *actuarial reduction*, which reduces monthly benefits as a percentage of the PIA for people who claim benefits before their FRA;[13]
2. the *retirement earnings test (RET)*, which withholds benefits for beneficiaries younger than the FRA who have earnings that exceed a specified dollar amount;[14]
3. the *government pension offset (GPO)*, which reduces the monthly benefit amount for people who have pensions from employment that is not covered by Social Security, but who are entitled to Social Security spouse or survivor benefits based on a spouse or deceased spouse's work record in covered employment;[15] and
4. the *family maximum benefit*, which limits the total benefit that can be received by all members of a family, varying from 150% to 188% of the retired or deceased worker's PIA.[16]

One provision, the *delayed retirement credit* (DRC), affects regular benefits but does not affect special minimum benefits.[17] The DRC increases regular benefits for workers who start receiving benefits after reaching the FRA.[18]

Workers entitled to a pension based on employment in certain federal, state, or local government positions that are not covered by Social Security can have Social Security benefits reduced based on the *windfall elimination provision (WEP)*.[19] The WEP decreases the conversion factors used in the regular PIA computation. There is no analogous reduction to the Special Minimum PIA, though workers subject to the WEP can receive the Special Minimum PIA.

Dually Entitled Beneficiaries

Some beneficiaries are entitled to Social Security benefits based both on their own work record and on a spouse's work. When a beneficiary's retired-worker benefit is higher than the spousal or survivor benefit, the beneficiary receives only the retired-worker benefit. However, when the beneficiary's retired-worker benefit is lower than the spousal or survivor benefit, the person is referred to as "dually entitled" and receives a payment equal to the spousal or survivor benefit;

[13] Although workers can claim Social Security retirement benefits as early as age 62 (the *early eligibility age*, or EEA), the full amount of a worker's PIA is paid at the worker's FRA. For more information on the retirement age, see CRS Report R43542, *How Social Security Benefits Are Computed: In Brief*, and CRS Report R44670, *The Social Security Retirement Age*.

[14] See CRS Report R41242, *Social Security Retirement Earnings Test: How Earnings Affect Benefits*.

[15] Exceptions to the GPO, as listed in the Social Security Administration's Program Operations Manual System, do not include the Special Minimum PIA; Social Security Administration, *Program Operations Manual System*, Section GN 02608.100.C.1.b and C.2 at https://secure.ssa.gov/apps10/poms.nsf/lnx/0202608100. Also, the Social Security Act §202(k)(5) refers to adjustments to the "monthly insurance benefit." For additional information on the GPO, see CRS In Focus IF10203, *Social Security: The Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)*.

[16] For more information on the maximum family benefit, see "Table 3. Social Security Benefits for the Worker's Family Members" in CRS Report R42035, *Social Security Primer*.

[17] Social Security Administration, Program Operations Manual System (POMS), RS 00605.075, at https://secure.ssa.gov/apps10/poms.nsf/lnx/0300605075.

[18] The DRC is 8% per year for workers born in 1943 or later and applies for new benefit claims up to the age of 70. The DRC for workers born earlier is available at Social Security Administration, "Delayed Retirement Credit," at http://www.ssa.gov/oact/quickcalc/early_late.html#drcTable. See also Social Security Administration, *Program Operations Manual System*, Section RS 00605.075, at https://secure.ssa.gov/poms.nsf/lnx/0300605075.

[19] See CRS In Focus IF10203, *Social Security: The Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)*. See also Social Security Administration, Program Operations Manual System, Section RS 00605.360.C.3.c, at https://secure.ssa.gov/apps10/poms.nsf/lnx/0300605360.

technically, the payment consists of the retired-worker benefit plus the difference between the retired-worker benefit and the full spousal or survivor benefit.

Many workers—primarily women—who qualify for the Special Minimum PIA based on their own work are dually entitled and receive a benefit amount that is equal to the higher spouse or survivor benefit. Therefore, although they technically receive the Special Minimum benefit, the provision has no effect on their overall monthly benefit amount. In December 2019, about 32,092 beneficiaries were entitled to the Special Minimum PIA, but about 11,337 of these beneficiaries (or about 35%) were dually entitled to a higher spouse or survivor benefit.[20]

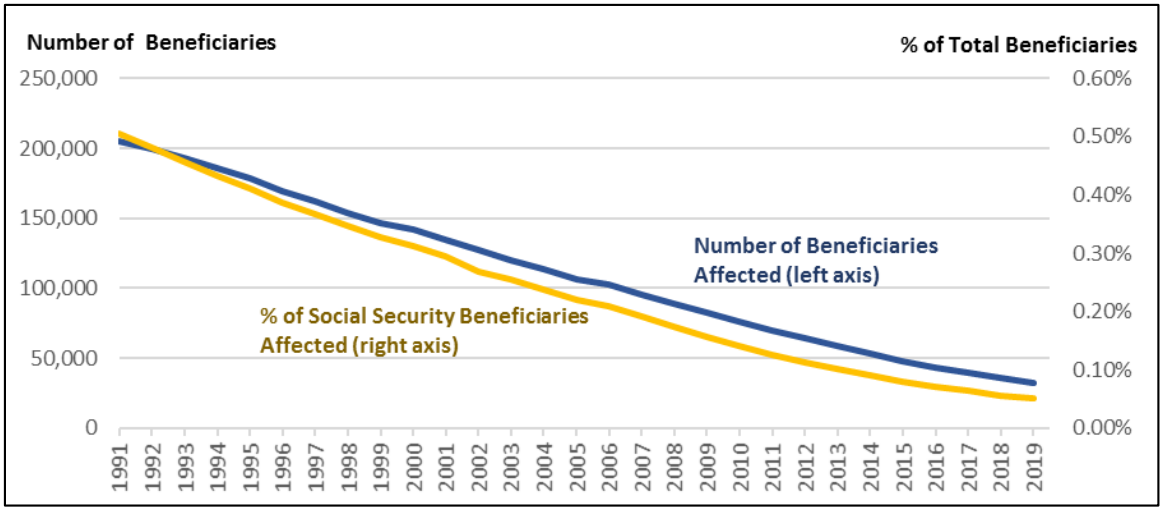
The Special Minimum PIA Has Little Effect on Current Beneficiaries

Because the regular PIA uses wage indexing and the Special Minimum PIA uses price indexing, which tend to increase at a slower rate than wages, regular benefits to newly eligible beneficiaries today are almost always greater than the special minimum benefit. Thus, the impact of the Special Minimum PIA has diminished; the number of beneficiaries affected by the Special Minimum PIA and the size of the additional benefit from the Special Minimum PIA have both declined. The number of Social Security beneficiaries eligible for the Special Minimum PIA decreased from about 205,000 in 1991 to 32,092 in 2019; affected beneficiaries as a percentage of all Social Security beneficiaries also decreased from 0.5% to less than 0.1% during the same time (see **Figure 2**). As of December 2019, 32,092 beneficiaries were entitled to a benefit based on the Special Minimum PIA: 88.9% were retired workers; 5.3% were nondisabled widow(er)s; and the remaining 5.8% qualified as disabled workers, spouses, disabled widow(er)s, widowed mothers and fathers, and children.[21]

[20] Social Security Administration, *Annual Statistical Supplement, 2020*, Table 5.A8, at https://www.ssa.gov/policy/docs/statcomps/supplement/2020/5a.pdf; and Craig A. Feinstein, *Diminishing Effect of the Special Minimum PIA*, Social Security Administration, Actuarial Note No. 162, April 2021, Table 4.

[21] Social Security Administration, *Annual Statistical Supplement, 2020*, Table 5.A8, at https://www.ssa.gov/policy/docs/statcomps/supplement/2020/5a.html#table5.a8.

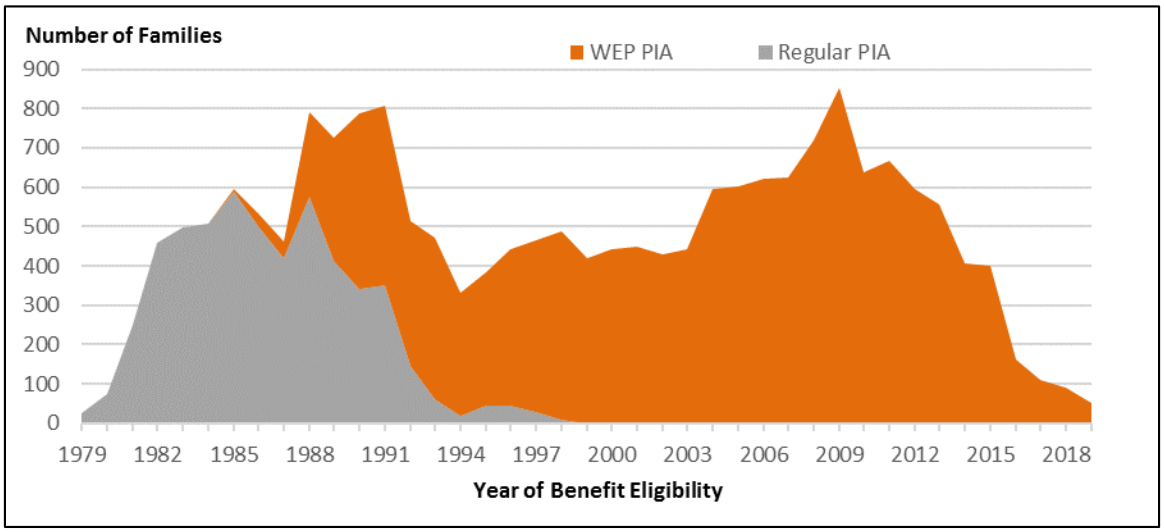
Figure 2. Number and Percentage of Social Security Beneficiaries Affected by the Special Minimum PIA



Source: Social Security Administration, Annual Statistical Supplement, 1992-2020, Table 5.A1 and 5.A8.

Figure 3 displays the number of families who were receiving the Special Minimum PIA in May 2020 by year of benefit eligibility (i.e., generally the year the oldest family member turns age 62). Since 2000, the provision has mostly benefited only newly entitled beneficiaries whose regular benefit is subject to the WEP.[22] Among the 19,825 families who were receiving the Special Minimum PIA as of May 2020, about 71% were affected by the WEP.

Figure 3. Number of Families Receiving the Special Minimum PIA, by Year of Benefit Eligibility (May 2020)



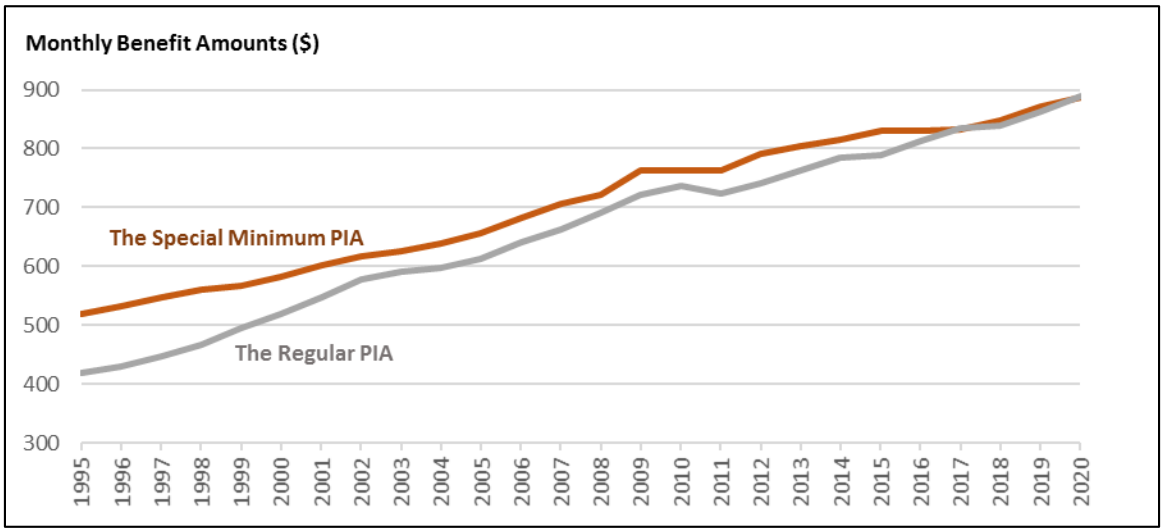
Source: Table 6 of Craig A. Feinstein, *Diminishing Effect of the Special Minimum PIA*, Social Security Administration, Actuarial Note No. 162, April 2021.

[22] As explained above, the WEP is a special calculation (like the Special Minimum PIA) that can lead to lower benefits but does not affect Special Minimum PIA calculations. The special minimum benefit provision can increase Social Security benefits for individuals whose WEP PIA (which tends to be lower than the regular PIA) is less than the special minimum benefit.

Notes: Based on eligibility year of the worker (i.e., age 62 for retired-worker beneficiaries) and basis for the Special Minimum PIA. There are a small number of families not shown in this figure who receive the Special Minimum PIA based on other benefit calculations, such as 1990 Old-start PIA calculations. Very few families who became eligible for Social Security before 1979 receive the Special Minimum PIA in May 2020; those families are not shown in this figure. Additionally, a small number of families are not shown in Actuarial Note No. 162 to avoid disclosing information about specific individuals.

In 1995, the Special Minimum PIA was about $100 *higher* than the regular PIA for a new beneficiary (first becoming eligible for benefits) who had earned the exact amount needed each year for a YOC from age 22 to 61, whereas in 2020, the Special Minimum PIA was about $4 *lower* than the regular PIA for the same type of new beneficiary (see **Figure 4**). The Special Minimum PIA was estimated to have no effect on retired workers turning 62 years old in 2022 or later.[23]

Figure 4. The Regular PIA and the Special Minimum PIA for a Low Earner



Source: Table 1 of Craig A. Feinstein, *Diminishing Effect of the Special Minimum PIA*, Social Security Administration, Actuarial Note No. 162, April 2021.

Notes: The low earner is assumed to earn the exact amount needed each year for a YOC from age 22 through age 61. The YOC threshold for the Special Minimum PIA was 25% of the old-law contribution and benefit base (OLB) between 1951 and 1990, and 15% of the OLB on and after 1991. The benefit level is measured when the worker turns age 62, and no early retirement reduction is applied to either the regular PIA or the Special Minimum PIA.

History of the Social Security Minimum Benefit Provision

The original Social Security minimum benefit provision was enacted in 1939 and eliminated in 1981, whereas the current-law Special Minimum PIA is effective from 1972 to present. The original Social Security minimum benefit provision operated alongside the current-law Special Minimum PIA until the end of 1981, when the former was phased out, with beneficiaries receiving the higher of the two benefits during this period.

[23] See Craig A. Feinstein, *Diminishing Effect of the Special Minimum PIA*, Social Security Administration, Actuarial Note No. 162, April 2021.

Original Structure of the Social Security Minimum Benefit (1939 to 1981)

The Social Security minimum benefit provision was first enacted in 1939, in the Social Security Amendments of 1939 (P.L. 76-379), when that act established that any benefit of less than $10 would be increased to $10. Unlike the current Special Minimum PIA, the law did not require any number of years of work or any level of earnings. This minimum benefit applied to people who had long careers with low annual covered earnings and to people who had shorter careers with higher annual covered earnings.[24]

Successive legislation periodically increased benefit amounts, including the original $10 monthly dollar amount for newly entitled beneficiaries, in increments on an ad hoc basis until 1975. This changed with the enactment of cost-of-living-adjustments (COLAs), which led to automatic adjustments to benefits based on changes in prices (P.L. 92-336, 1972). More specifically, COLAs were tied to increases in the Consumer Price Index. Annual adjustments applied to both initial benefit amounts (including the minimum benefit amount) and monthly benefits.

The automatic increases to (initial) minimum benefits for newly entitled beneficiaries stopped shortly after, when the Social Security Amendments of 1977 (P.L. 95-216) froze the minimum benefit at the amount in effect in December 1978—$122 per month—for beneficiaries newly entitled in January 1979 or later. Annual COLAs to monthly benefits continued to be provided to beneficiaries following the first year of benefit receipt.

The House Ways and Means Committee report to accompany the bill to freeze the benefit (H.R. 9346; P.L. 95-216) contained this rationale:

> Increasingly, the minimum benefit is being paid to people who did not, during their working years, rely on their covered earnings as a primary source of support. Such people include, for example, workers whose primary work was in non-covered employment subject to a staff retirement system—such as Federal civilian employees. In December 1975, about 45% of civil service retirement annuitants were receiving Social Security benefits, more than a quarter of whom were receiving the minimum.… Because of the characteristics of people getting the minimum, it has been characterized as being a 'windfall' to people who have not worked regularly under the program.[25]

The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) eliminated the minimum benefit structure for all current and future beneficiaries, effective January 1, 1982. The bill was enacted into law on August 13, 1981, but public outcry led to reconsideration. Subsequently, in December 1981, the Highway Revenue Act of 1981 (P.L. 97-123) was enacted to restore the original minimum benefit structure for people who became eligible for Social Security benefits before January 1, 1982. That law eliminated the minimum benefit structure for all beneficiaries who attained the age of 62, became disabled, or were eligible for survivor benefits based on the death of a family member after December 1981.[26]

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[24] For example, people who had a sporadic attachment to the workforce or who worked primarily in jobs that were not covered by Social Security but had some covered employment.

[25] U.S. Congress, House Committee on Ways and Means, *Report to Accompany* H.R. 9346, *the Social Security Financing Amendments of 1977*, 95th Cong., 1st sess., October 12, 1977, pp. 31-32.

[26] An exception was made for certain members of religious orders who took a vow of poverty and were newly entitled to benefits through December 1991, provided that the religious order had elected coverage before December 29, 1991. The original Minimum Benefit was eliminated for members of religious orders effective January 1992. See Social Security Administration, *Program Operations Manual System*, Section RS 00605.100.

The Special Minimum PIA (1973 to the Present)

The current-law Special Minimum PIA was enacted by the Social Security Amendments of 1972 (P.L. 92-603), at the same time as the Supplemental Security Income (SSI) program.[27] The Special Minimum PIA was designed to increase benefit adequacy among full-time, full-career minimum wage earners, and to help those workers reduce dependence on means-tested cash assistance, such as SSI.[28] The provision is also designed to avoid providing windfalls for persons with little or sporadic attachment to the covered workforce.[29] The provision took effect in January 1973, with the benefit base amount that was multiplied by years of coverage in excess of 10 set to $8.50.[30] The original minimum benefit operated alongside the current-law Special Minimum PIA until the end of 1981, when the former was phased out. When both provisions were in effect, beneficiaries received the higher of the benefits. Unlike the original minimum benefit, the Special Minimum PIA did not help people who had paid Social Security payroll taxes for only a few years, nor were Special Minimum PIA benefits automatically adjusted with a COLA.[31]

The Special Minimum PIA benefit base amount was increased from $8.50 to $9.00 in 1973 (P.L. 93-233), and remained at that level from 1974 to 1978. Under the Social Security Amendments of 1977 (P.L. 95-216), the initial benefits base was increased to $11.50 in 1979, and the Special Minimum PIA was then indexed to prices.[32] The 1977 amendments also indexed benefit levels after eligibility to price inflation.

When the Special Minimum PIA was enacted in 1972, the earnings required to qualify for a year of coverage (YOC) was set at 25% of the old-law contribution and benefit base (OLB). The law

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[27] Supplemental Security Income (SSI) is a needs-based public assistance program administered by the Social Security Administration (SSA) that provides monthly cash benefits to the aged, blind, and disabled. The program is intended to provide a minimum level of income to adults who have difficulty meeting their basic living expenses due to age or disability and who have little or no Social Security or other income. For more information on SSI, see CRS In Focus IF10482, *Supplemental Security Income (SSI)*.

[28] U.S. Congress, Senate Committee on Finance, Report to Accompany H.R. 1, *Social Security Amendments of 1972*, 92nd Cong., 2nd Sess., S. Rept. 92-1230, September 26, 1972, p. 7, at https://www.ssa.gov/history/pdf/Downey%20PDFs/Amendments%20to%20the%20Social%20Security%20Act%201969-1972%20Vol.%203.pdf#page=17.

[29] Ibid, p. 153.

[30] For example, a worker with 11 years of coverage would get a Special Minimum PIA of $8.50 ($8.50 x 1 year of coverage in excess of 10 = $8.50); and 20 years of coverage would result in a Special Minimum PIA of $85 ($8.50 x 10 years of coverage in excess of 10 = $85). The maximum minimum benefit payable at that time was nearly 93% of the Department of Health and Human Services (HHS) poverty guideline for a one-person household. The dollar amount was set as a result of a compromise between the House and the Senate proposals. See U.S. Congress, House of Representatives, *Conference Report to Accompany H.R. 1, The Social Security Amendments of 1972*, 92th Cong., 2nd Sess., Report No. 92-1605, October 14, 1972, p. 37, at https://www.ssa.gov/history/pdf/Downey%20PDFs/Amendments%20to%20the%20Social%20Security%20Act%201969-1972%20Vol.%206.pdf#page=18.

[31] U.S. Congress, Senate Finance Committee, *Report to Accompany H.R. 1, The Social Security Amendments of 1972*, 92nd Cong., 2nd sess., September 26, 1972, pp. 153-155.

[32] The first increase to the Special Minimum PIA due to indexing happened in June 1979. Rather than indexing the $11.50 base and then multiplying by years of coverage in excess of 10, the table that shows the corresponding PIA for each year of coverage is indexed and then rounded to the nearest 10 cents. For example, in January 1979, 11 years of coverage resulted in a PIA of $11.50 ($11.50 x 1 year of coverage in excess of 10 = $11.50). The COLA in 1979 was 9.9%, and the amounts were indexed in June 1979. After rounding, the Special Minimum PIA for 11 years of coverage was $12.70 ($11.50 x 1.099 COLA = $12.64, rounded up to $12.70). The Special Minimum PIA for 12 years of coverage was $25.30 ($23.00 x 1.099 COLA = $25.28, rounded up to $25.30). In June 1980, the COLA was 14.3%; instead of multiplying years of coverage by $14.45 ($11.50 x 1.099 COLA in June 1979 x 1.143 COLA in June 1980), and getting a Special Minimum PIA of $14.50 (after rounding) for 11 years of coverage, the Special Minimum PIA was $14.60 ($12.70 for 11 YOC in June 1979 x 1.143 COLA in June 1980 = $14.51, rounded up to $14.60).

enacted in 1990 (P.L. 101-508) changed the earnings required for a YOC to 15% of the OLB for earnings in 1991 and later. The YOC earnings threshold was lowered so that a worker would be able to qualify for a YOC if he or she was a full-time minimum wage earner.[33] The thresholds for determining a YOC under the Special Minimum PIA are indexed to growth in national average wages, which historically have risen faster than prices.

Arguments For and Against a Minimum Benefit Provision

Arguments for a Minimum Benefit Provision

With the decline in the number of beneficiaries receiving the Special Minimum PIA, many policymakers and analysts have suggested revising the current minimum benefit or creating a new one. A minimum benefit is offered as a way to provide a degree of retirement security for those with a long-term history of low-wage work without subjecting beneficiaries to means testing, which can be cumbersome to administer and which may make beneficiaries feel stigmatized.

Some argue that a minimum benefit remains necessary because many elderly Social Security beneficiaries are poor or near poor.[34] One study using Social Security administrative data linked with Census Bureau survey data shows that, in 2012, the poverty rate among Social Security retired-worker beneficiaries was 7.1%, 13.1% for aged widow(er)s, 23.5% for child-in-care widow(er)s, and 32.2% for child-in-care spouses.[35] A study shows that the SSI program has some shortcomings that prevent SSI from effectively protecting the income security of the oldest Americans. SSI benefits are about three-fourths of the poverty line for a single person and slightly over 80% of poverty for a couple.[36] Some research suggests restructuring the Social Security minimum benefit provision by equating the full special minimum benefit to the poverty level could be more effective in alleviating poverty than certain reforms to the SSI program, although a combination of both programs could be useful in the event that Social Security benefits are greatly reduced in the future.[37]

Some view minimum benefits as a way to entitle those long-term, low-wage workers to a Social Security benefit that is at or above the poverty threshold.[38] Restructuring the Social Security minimum benefit could provide a benefit at or above the poverty threshold (e.g., 125% of the poverty threshold) to workers who had long-term participation in the workforce.

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[33] U.S. Congress, House of Representatives, *Report to Accompany H.R. 5835, Omnibus Budget Reconciliation Act of 1990*, 101th Cong., 2st Sess., H. Rept. 101-964, October 27, 1990, p. 949, at https://www.ssa.gov/history/pdf/Downey%20PDFs/Omnibus%20Budget%20Reconciliation%20Act%20of%201990%20Vol%203.pdf#page=203.

[34] See CRS Report R45791, *Poverty Among the Population Aged 65 and Older*.

[35] Benjamin Bridges and Robert V. Gesumaria, "Poverty Status of Social Security Beneficiaries, by Type of Benefit," Social Security Bulletin, Vol. 76 No. 4, 2016, at https://www.ssa.gov/policy/docs/ssb/v76n4/v76n4p19.html.

[36] Center on Budget and Policy Priorities, "Introduction to the Supplemental Security Income (SSI) Program," February 27, 2014, at https://www.cbpp.org/sites/default/files/atoms/files/1-10-11socsec.pdf.

[37] Paul S. Davies and Melissa M. Favreault, *Interactions Between Social Security Reform and the Supplemental Security Income Program for the Aged*, Center for Retirement Research, February 2004.

[38] See, for example, Peter A. Diamond and Peter R. Orszag, *Saving Social Security: A Balanced Approach* (Harrisonburg, VA: Brookings Institution, 2004), p. 102.

Others view a restructuring of minimum benefits as even more helpful in the context of potential legislation that could reduce Social Security benefits or exposes them to market risk. Several proposals in the past that would reduce regular Social Security benefits have included minimum benefit guarantees.[39]

A minimum benefit could be designed to reduce poverty rates among older beneficiaries more efficiently than existing Social Security spousal and survivor benefits.[40] This is partly because a redesigned minimum benefit could reach persons who do not qualify for Social Security spouse or survivor benefits because they never married or because they divorced before reaching 10 years of marriage.[41] Among women born in the 1960s, the proportion of white and Hispanic women who reach old age qualified for spouse or widow benefits will be about 80%, versus 50% of black women.[42] Because of changing marriage and work patterns, the number of women eligible for spousal and survivors benefits is declining, making this a more important consideration.[43]

In addition, private pensions and private savings have become more insecure and unequal. Employer pension support has been declining,[44] and, according to the National Compensation Survey (NSC) data, the share of private-sector workers who participated in defined benefit plans has fallen from 32% in 1992-93 to 12% in 2019.[45] Private saving is not a resource available to many older beneficiaries, and debt has grown substantially among older Americans in the past three decades.[46] Social Security minimum benefits, which would provide a flat income payment to protect against poverty, may improve protections against the new financial risks older adults are facing.[47]

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[39] See, for example, National Commission on Fiscal Responsibility and Reform, *The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform*, December 2010, p. 51, at http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf; the (Rivlin-Domenici) Debt Reduction Task Force, Bipartisan Policy Center, *Restoring America's Future,* November 2010, p. 80, at https://bipartisanpolicy.org/report/restoring-americas-future/; and more recently, the Commission on Retirement Security and Personal Savings, Bipartisan Policy Center, *Securing Our Financial Future*, June 2016, p. 92, at http://cdn.bipartisanpolicy.org/wp-content/uploads/2016/06/BPC-Retirement-Security-Report.pdf.

[40] Melissa M. Favreault, Gordon B.T. Mermin, and C. Eugene Steuerle, *Minimum Benefits in Social Security*, Urban Institute, August 2006, p. 9. See also Pamela Herd, "Ensuring a Minimum: Social Security Reform and Women," *The Gerontologist*, vol. 45, no. 1 (2005), pp. 12-25.

[41] Divorced spouses qualify for spouse or survivor benefits based on the ex-spouse's work record if the marriage lasted at least 10 years.

[42] Madonna Harrington Mayer, Doug Wolf, and Christine Himes, "Declining Eligibility for Social Security Spouse and Widow Benefits in the U.S.?" *Research on* Aging 28(2): 240-60, 2006.

[43] U.S. Government Accountability Office, *Trends in Marriage and Work Patterns May Increase Economic Vulnerability for Some Retirees*, GAO-14-33, February 26, 2014, at http://www.gao.gov/products/GAO-14-33. See also Social Security Administration, *Annual Statistical Supplement, 2020 (in progress)*, Table 5.A14, at https://www.ssa.gov/policy/docs/statcomps/supplement/2020/5a.html#table5.a14.

[44] Larry Katz and Alan Krueger, *The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015*," National Bureau of Economic Research, Working Paper no. 22667, 2016.

[45] See Stephanie L. Costo, "Trends in Retirement Plan Coverage over the Last Decade," *Monthly Labor Review*, February 2006, at https://www.bls.gov/opub/mlr/2006/02/art5full.pdf; and March 2019 National Compensation Survey (NCS), *Retirement Benefits: Access, Participation, and Take-up Rates*, data on private-sector workers at https://www.bls.gov/ncs/ebs/benefits/2019/ownership/private/table02a.pdf.

[46] See CRS Report R45911, *Household Debt Among Older Americans, 1989-2016*.

[47] Pamela Herd, Melissa Favreault, Madonna Harrington Meyer, and Timothy M. Smeeding, *A Targeted Minimum Benefit Plan: A New Proposal to Reduce Poverty Among Older Social Security Recipients*, The Russell Sage Foundation Journal of the Social Sciences, vol. 4, no. 1, 2018, Anti-Poverty Policy Initiatives for the United States, pp. 74-90.

Arguments for Phasing Out the Social Security Minimum Benefit

One argument for allowing the Special Minimum PIA to phase out is that current minimum benefits cannot be accurately targeted to the working poor. The Special Minimum PIA is based on the number of years that earnings are at or above the specified threshold ($15,354 in 2020). Because SSA does not collect information on earnings per hour or on the number of hours worked, it is impossible to distinguish between people who had low annual earnings because they worked few hours at higher wages and those who worked many hours at lower wages.[48] People with high annual earnings but low lifetime earnings may be seen as having chosen their low lifetime earnings by working less than others.

Another argument is that using YOCs can disadvantage low earners whose income does not meet the threshold for that year (perhaps as little as one dollar less than the YOC threshold). The current Special Minimum PIA does not give partial credit for earnings below the YOC threshold, and therefore, produces a "cliff effect" for beneficiaries with earnings at the margin of any given YOC. In particular, one worker can have high enough annual earnings to receive the YOCs needed to receive a special minimum benefit, whereas another may have earned the same or more amount over a greater number of years, but not enough during *each* year to receive enough YOCs, and would receive a lower regular benefit. For example, **Table 2** shows two hypothetical workers who would have become eligible for Social Security benefits in 2000. Worker A earned the exact amount of YOC threshold every year for 30 years. This worker would receive a Special Minimum PIA of $581.10, as the minimum benefit was greater than the regular PIA. On the other hand, Worker B earned just $10 below the YOC threshold every year for 31 years, which was a higher career-average earnings level than Worker A's ($9,383.25 compared to $9,117.00), but disqualified him from the special minimum benefit. Thus, Worker B would receive the regular benefit of $558.20, which would be lower than the Social Security Special Minimum PIA received by Worker A.

Table 2. Illustrative Examples: Workers Earning at and below the YOC Earnings Threshold

Workers Eligible for Benefits in 2000[a]

Worker	Years of Working	Annual Earnings	Career-Average Annual Earnings[b]	Regular PIA	Special Minimum PIA	Social Security benefits
A	30 years (age 31 to 60)	YOC Threshold	$9,117.00	$551.10	$581.10	$581.10
B	31 years (age 30 to 60)	$10 less than YOC Threshold	$9,383.25	$558.20	$0	$558.20

Source: CRS.

Notes: The Social Security benefit is the higher of the regular PIA and the Special Minimum PIA for each worker.

[48] For example, one worker may earn the 2021 YOC threshold of $15,930 for 40 hours per week over 12 months with lower hourly wages, another may earn that same amount for 20 hours of work per week over 12 months with moderate hourly wages, and a third may have earned that amount over 3 months with relatively higher hourly wages. All three workers would receive a YOC for 2021 and would have identical earnings information on their Social Security records, which do not contain information on the number of hours worked and hourly wages.

a. The current-law Special Minimum PIA generally does not affect new retirees today. Therefore, this table is based on workers eligible for Social Security benefits in 2000, the time that the Special Minimum PIA could still affect some newly eligible beneficiaries.

b. To compute the career-average annual earnings, the worker's earnings are converted into current-dollar terms by indexing each year of earnings to historical wage growth, and the sum of the highest 35 years of indexed earnings are divided by 35 to determine career-average annual earnings.

Others argue that the goal of providing a benefit protection (above the poverty level) to full-career, full-time minimum wage workers might be better achieved by increasing the federal minimum wage rate. In 2021, the regular Social Security benefit for a newly eligible 30-year full-time federal minimum wage earner is about 10% below the Department of Health and Human Services (HHS) poverty guideline. In 2021, the federal minimum wage was $7.25 per hour, which has been in law since 2007 (P.L. 110-28).[49] Congress has considered increasing the federal minimum wage immediately.[50] With an increase in the minimum wage rate for sufficient number of years, full-career full-time minimum wage earners may receive regular Social Security benefits greater than the poverty level.

Additionally, some argue that the special minimum benefit provision targeted to full-time, full-career, low-wage earners would be unlikely to help poor beneficiaries with relatively short careers. For those people with low incomes and assets, means-tested programs, such as SSI, are a more appropriate way to supplement the incomes. Means testing can help target transfers to those who are in greatest financial need. Some research suggests, however, that means testing can harm incentives for work and saving because SSI's asset limits are currently low: countable resources[51] must not be worth more than $2,000 for an individual or $3,000 for a couple.[52] There are other considerations that could limit SSI's impact. For example, Social Security is available to retired workers earlier than aged SSI benefits; retired workers can claim Social Security benefits starting at the age of 62 while SSI is available to aged beneficiaries starting at age 65 (though disabled retired workers aged 62-64 can receive SSI). Furthermore, SSI is generally insufficient to move recipients above the federal poverty level.[53]

Considering Minimum Benefit Proposals

There are two major considerations in proposals for a minimum benefit. First, who would receive the minimum benefit, and second, how much would they receive?

[49] See CRS Report R43089, *The Federal Minimum Wage: In Brief*. As of January 2021, 30 states and the District of Columbia have enacted minimum wage rates above the federal rate. In 2021, these rates range from $8.75 to $15.00 per hour. For more information, see CRS Report R43792, *State Minimum Wages: An Overview*.

[50] See CRS In Focus IF11282, *Minimum Wages and the Raise the Wage Act (H.R. 582)*.

[51] For examples of what counts and what does not count towards the resource limit, see Social Security Administration, *Understanding Supplemental Security Income SSI Resources*, 2021 edition, at https://www.ssa.gov/ssi/text-resources-ussi.htm.

[52] See "How Much Does SSI Affect People's Work and Saving?" in Congressional Budget Office, *Supplemental Security Income: An Overview*, December 2012, pp.10-12, at http://www.cbo.gov/sites/default/files/cbofiles/attachments/43759-SupplementalSecurity.pdf.

[53] Melissa Koenig and Kalman Rupp, "SSI Recipients in Households and Families with Multiple Recipients: Prevalence and Poverty Outcomes," *Social Security Bulletin*, vol. 65, no. 2 (2003/2004), at https://www.ssa.gov/policy/docs/ssb/v65n2/v65n2p14.html, and Jeffrey Hemmeter and Michelle Stegman Bailey, *Characteristics of Noninstitutionalized DI and SSI Program Participants, 2013 Update*, Social Security Administration, Research and Statistics Note 2015-02, September 2015, at https://www.ssa.gov/policy/docs/rsnotes/rsn2015-02.html.

Who Receives the Minimum Benefit Under the Proposal?

Proposals differ in terms of who would receive the minimum benefit. Some would target the minimum benefit toward people with a certain number of years of work as under current law, while some others propose that every Social Security beneficiary receive a minimum benefit.

Proposals Based on Years of Work

To target the benefit toward people with many years of work, many proposals would link minimum benefit levels to the number of years a person has worked in covered employment. The current *full* minimum benefit is payable to workers with 30 years of covered earnings (YOCs), and *partial* minimum benefits (linearly prorated) are available to beneficiaries with YOCs between 11 and 29, with a YOC defined as 15% of the old law contribution and benefit base (OLB; $15,930 in 2021). Since its enactment, the Special Minimum PIA was estimated to produce higher payments than the regular PIA only for workers with at least 23 YOCs.[54] The design of the YOC requirement—such as the YOC earnings threshold and the number of YOCs needed for benefits—could affect the types of beneficiaries who would receive the minimum benefit. Many recent minimum benefit proposals would change the requirement for YOCs.[55]

Reducing the YOC Earnings Threshold

Under the current-law Special Minimum PIA, a worker needs to earn 15% of the OLB ($15,930 in 2021) to qualify for a YOC, which is slightly higher than the annual full-time federal minimum wage amount ($15,080 in 2021 for individuals working 2,080 hours per year, equivalent to working 40 hours per week and 52 weeks per year). Thus, an individual working full-time at the federal minimum wage would not qualify for a YOC. Policy proposals for the Special Minimum PIA generally suggest reducing the YOC threshold to a lower level, such as the annual federal minimum wage amount for working 1,500 hours per year ($10,875 in 2021, equivalent to working 30 hours per week and 50 weeks per year)[56] or the amount required for four earnings credits ($5,880 in 2021).[57] Lowering the YOC earnings threshold would likely make the special minimum benefit available to more workers, including part-time and part-year workers, and result in a larger benefit increase on average. A variation on this type of reform would be to count partial years of coverage (i.e., if a person earned 50% of the coverage threshold, they would accrue half a year of coverage).[58] One study looked at combining a quarterly coverage threshold with the lower dollar amount of the Special Minimum PIA coverage threshold (on an annualized

[54] Senate Committee on Finance and House Committee on Ways and Means, Summary of Social Security Amendments of 1972, November 17, 1972, Volume 6, at https://www.ssa.gov/history/pdf/Downey%20PDFs/Amendments%20to%20the%20Social%20Security%20Act%201969-1972%20Vol.%206.pdf#page=346.

[55] See the options described in Social Security Administration, Provisions Affecting Level of Monthly Benefits, Options 5.1-5.10, 2021, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[56] For example, see the Social Security Reform Act of 2016 (H.R. 6489, 114th Congress). When the YOC threshold was reduced from 25% to 15% of the OLB in 1991, it was approximately the level of annual earnings for a federal minimum wage worker who worked 1,500 hours in a year (30 hours per week × 50 weeks). In 2021, the federal minimum wage earner would receive $10,875 if he or she works 1,500 hours during the year, which was about 10% of the OLB.

[57] For example, see the Social Security 2100 Act of 2019 (H.R. 860, 116th Congress).

[58] For example, see H.R. 5392 introduced in the 116th Congress. The proposal would to allow beneficiaries accumulate YOCs based on number of earnings credits, therefore the number of YOCs would equal to the total number of earnings credits divided by four.

basis) and found that this reform would reach more workers than allowing partial years of coverage.[59]

Changing the Number of YOCs Required for Minimum Benefits

Under current law, the full minimum benefit is payable when the worker has 30 or more YOCs, and no minimum benefit is payable when the number of YOCs is fewer than 11. Since the Special Minimum PIA was originally targeted to full-time, full-career, low wage earners, policymakers have suggested increasing the minimum number of YOCs required for the Special Minimum PIA, the number of YOCs required for the full minimum benefit, or both. If the Special Minimum PIA is reduced proportionally as the YOC decreases, proposals that extend the YOC range to a *higher* number of YOCs would generally make the minimum benefit available to a *smaller* group of beneficiaries.[60] For example, one proposal would narrow the range of YOCs by raising the number of YOCs required to be eligible for any minimum benefit from 11 to 20.[61] Options with a narrower YOC range provide fewer possible minimum benefit levels. Another proposal would increase the minimum number of YOCs required for the Special Minimum PIA from 11 to 20, while increasing the number of YOCs required for full minimum benefits from 30 to 40.[62] This proposal would reduce minimum benefit amounts for every possible YOC compared to current law.

Additional Issues of Attachment to the Workforce and YOC Requirements

Special minimum benefit proposals are often structured to avoid conferring windfalls on people without a strong attachment to covered employment. Such people may include recent immigrants or people who worked most of their careers in noncovered state or local government employment. In conjunction with a lower YOC threshold, the WEP or a similar policy could be applied to the minimum benefit provision to prevent a windfall to people with pensions from noncovered employment.

Conversely, limited attachment to the workforce could be due to extenuating circumstances, such as needing to provide caregiving to family members or not meeting the YOC threshold because of poor health. Some proposals would combine a YOC requirement with credits for a limited number of years of caregiving,[63] unemployment, or poor health in the definition of a *year of coverage*.[64] Providing those credits would require documentation of qualifying activities, which could increase Social Security's administrative costs.

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[59] Christina Smith FitzPatrick, Catherine Hill, and Leslie Muller, *Increasing Social Security Benefits for Women and Men with Long Careers and Low Earnings*, National Women's Law Center, 2003.

[60] Glenn R. Springstead, Kevin Whitman, and Dave Shoffner, *Proposed Revisions to the Special Minimum Benefit for Low Lifetime Earners*, Social Security Administration, Policy Brief 2014-01, September 2014, at https://www.ssa.gov/policy/docs/policybriefs/pb2014-01.html.

[61] See the options described in Social Security Administration, Provisions Affecting Level of Monthly Benefits, Options 5.1, 2020, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[62] See the options described in Social Security Administration, Provisions Affecting Level of Monthly Benefits, Options 5.10, 2020, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[63] For example, the National Academy of Social Insurance's proposal in *Fixing Social Security: Adequate Benefits, Adequate Financing* (October 2009), the Bipartisan Policy Center's Debt Reduction Task Force plan (November 2010), and the Social Security Enhancement and Protection Act of 2013 (H.R. 1374) all include child-in-care in the definition of a year of coverage.

[64] Melissa M. Favreault, *A New Minimum Benefit for Low Lifetime Earners*, Urban Institute: Retirement Policy Program, March 2009, at http://www.nasi.org/sites/default/files/research/

Another consideration regarding limited attachment to the workforce is how disabled workers would be affected. Under Social Security Disability Insurance (SSDI) program rules, eligible disabled workers may receive benefits based on shorter work histories than retired workers; minimum benefit proposals could also treat disabled beneficiaries differently.[65]

Proposals Based on Beneficiary Status

Some proposals argue that all Social Security beneficiaries deserve a minimum benefit.[66] The minimum requirement to become eligible for Social Security retired-worker benefits is 40 earning credits, equivalent to 10 years of working while earning four credits each year ($5,880 in 2021). Providing a flat level of minimum benefits to all eligible beneficiaries would be likely to award short-term workers the same benefit as those with longer careers. Because certain worker beneficiaries with low benefits might live in a family with relatively higher income, proposals that offer flat benefits to all beneficiaries sometimes would be based on family status and income from all sources. At the same time, collecting income information from sources other than earnings and Social Security might create administrative burdens for SSA and could become a source of improper payments.

What Is the Minimum Benefit Amount Under the Proposal?

One possible goal of a minimum benefit would be to reduce poverty. The current-law Special Minimum PIA was not linked to poverty, and many people who receive it still have family income below the federal poverty threshold. The HHS poverty guideline for a one-person household in 2021 is $12,880,[67] which was higher than the annual benefits of someone claiming Special Minimum PIA benefits in 2021 with the maximum years of coverage ($10,774.80 a year, or $897.90 a month).[68] Proposed full minimum benefit levels are often expressed as a percentage (e.g., 125%) of the federal poverty guidelines or as a percentage of a new poverty measure that is in line with the recommendations of the National Academy of Sciences.[69] Another proposal would equate minimum benefits to a percentage of the National Average Wage Index (AWI).[70] The

Melissa_Favreault_January_2009_Rockefeller.pdf. See also National Academy of Social Insurance, *Fixing Social Security: Adequate Benefits, Adequate Financing*, October 2009, at http://www.nasi.org/sites/default/files/research/Fixing_Social_Security.pdf, p. 11.

[65] See the options described in Social Security Administration, Provisions Affecting Level of Monthly Benefits, Options 5.4-5.6, 5.9-5.10, 2021, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[66] See Pamela Herd et al., *A Targeted Minimum Benefit Plan: A New Proposal to Reduce Poverty Among Older Social Security Recipients*, The Russell Sage Foundation Journal of the Social Sciences, 2018, vol. 4, no. 1; and Pamela Herd, "Ensuring a Minimum: Social Security Reform and Women," *The Gerontologist*, vol. 45, no. 1 (2005), pp. 12-25.

[67] U.S. Department of Health and Human Services (HHS), Poverty Guideline in 2021, at HHS poverty guidelines at https://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references. Poverty thresholds are used for statistical purposes, to calculate official poverty population statistics. Poverty thresholds are updated by the Census Bureau. Poverty guidelines are a simplified version of the poverty thresholds and are administrative, defined by the Department of Health and Human Services to determine who is eligible for certain programs. See the Office of the Assistant Secretary for Planning and Evaluation, Frequently Asked Questions Related to the Poverty Guidelines and Poverty, https://aspe.hhs.gov/frequently-asked-questions-related-poverty-guidelines-and-poverty.

[68] Social Security Administration, Office of the Chief Actuary, Automatic Increases in Special Minimum Benefits, 2021, https://www.ssa.gov/cgi-bin/smt.cgi.

[69] Laura Sullivan, Tatjana Meschede, and Thomas M. Shapiro, "Enhancing Social Security for Low-Income Workers: Coordinating an Enhanced Minimum Benefit with Social Safety Net Provisions for Seniors" in *Strengthening Social Security for Vulnerable Groups*, ed. National Academy of Social Insurance (Washington, DC, 2009), pp. 27-30.

[70] Social Security Administration, Provisions Affecting Level of Monthly Benefits, Options 5.10, 2021, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

advantage of this proposal is that the minimum benefit would be based on both years of work and average earnings levels. However, in certain cases, the proposed minimum benefit might be still lower than the poverty level.

Additionally, the special minimum benefit provision was also designed to help reduce dependence on means-tested cash assistance, mainly SSI, for people who worked many years in covered employment.[71] If Social Security benefits do not exceed the SSI income threshold—the threshold below which people would be eligible for SSI—then some SSI benefits may be payable. Over time, the full Special Minimum PIA (for those with 30 YOCs) generally was able to lift minimum benefit recipients above the SSI income threshold.[72] At the same time, workers eligible for a partial Special Minimum PIA were likely to receive a special minimum benefit amount less than the SSI income threshold (see **Table 1**).[73] Proposals with an increase in the full Special Minimum PIA would also likely increase some partial special minimum benefits above the SSI federal benefit rate.

Benefit Growth: Prices or Wages?

In addition to setting an initial benefit level when a minimum benefit is first implemented, policymakers would have to decide how a minimum benefit would grow each year. As noted above, the effect of the Special Minimum PIA has diminished to the point of being unnoticeable because the initial Special Minimum PIA is linked to prices while initial regular Social Security benefits are linked to wages, which generally grow faster than prices. If the goal of a minimum benefit were to ensure a certain purchasing power, it could be indexed to prices. Under current law, the maximum SSI monthly benefit grows with prices. If the goal of a minimum benefit were to provide beneficiaries with an income that grew at about the same rate as workers' income, it could be linked to wage levels.[74]

Partial Benefits: Linear or Nonlinear Proration?

Another factor policymakers would have to determine is how a partial minimum benefit would be reduced as years of coverage (YOCs) decrease. Under current law, the Special Minimum PIA

[71] See U.S. Congress, Senate Committee on Finance, Report to Accompany H.R. 1, *Social Security Amendments of 1972*, 92nd Cong., 2nd Sess., S. Rept. 92-1230, September 26, 1972, p. 4, at https://www.ssa.gov/history/pdf/Downey%20PDFs/Amendments%20to%20the%20Social%20Security%20Act%201969-1972%20Vol.%203.pdf#page=17.

[72] Since 1979, the full Special Minimum PIA was about 84% of the HHS poverty guideline for a one-person household, compared with the SSI Federal benefit rate at roughly 74% of the poverty guideline. The special minimum PIA as a percentage of the poverty guideline stayed relatively stable over time mainly because both the special minimum PIA and the poverty levels are adjusted by price growth. CRS calculations based on the special minimum PIA at various YOCs at https://www.ssa.gov/cgi-bin/smt.cgi, SSI Federal benefit rates at https://www.ssa.gov/oact/cola/SSIamts.html, and HHS poverty guidelines at https://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references.

[73] A study from the Social Security Administration (SSA) indicates that about 6% of special minimum beneficiaries also received SSI in 2001, compared with 5% of all Social Security beneficiaries. But due to data limitations, it is not clear whether the remaining 94% of special minimum beneficiaries in the same year did not rely on SSI because the special minimum PIA precluded SSI eligibility, or for other reasons. To determine who would qualify for SSI in the absence of the special minimum benefit requires information about countable resources or income from sources other than Social Security. SSA's special minimum beneficiary records do not include information on total income or resources; and the current universe of special minimum beneficiaries is too small to be represented in any database. See Kelly A. Olsen and Don Hoffmeyer, "Social Security's Special Minimum Benefit," *Social Security Bulletin*, 2001/2002, Vol. 64 No. 2, at https://www.ssa.gov/policy/docs/ssb/v64n2/v64n2p1.pdf.

[74] See, for example, The (Rivlin-Domenici) Debt Reduction Task Force, Bipartisan Policy Center, *Restoring America's Future*, November 2010, p. 80, at https://bipartisanpolicy.org/report/restoring-americas-future/Error! Hyperlink reference not valid..

declines linearly as the number of YOCs decreases, at a rate of roughly $45 per YOC in 2021 (see **Table 1**). Proposals for a nonlinear proration would generally provide a higher special minimum benefit amount than a linear proration for each YOC with partial benefits, so it would likely result in more beneficiaries, particularly workers with shorter careers, qualifying for a special minimum benefit.

Interactions Between Social Security Minimum Benefits and Other Government Programs

If the Social Security minimum benefit is redesigned to be more generous or reach more people, it would be necessary to address interactions between Social Security benefits and eligibility for other programs targeted at low-income individuals. The interaction with SSI is of major concern, though there would also be interactions with Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and the Low Income Home Energy Assistance Program (LIHEAP) to consider.

SSI is available to people with low incomes and limited resources. If a Social Security beneficiary also receives SSI, there is often no advantage to an increase in Social Security benefits because SSI benefits will be reduced by an equal amount. Specifically, a person's "countable" income is subtracted from the total of the SSI federal benefit rate ($794 per month in 2021 for an individual living independently) plus any federally administered state supplement. Countable income equals countable earned income plus all unearned income, including Social Security benefits, in excess of $20.

If a Social Security benefit is increased above the SSI federal benefit rate, affected beneficiaries' total income will increase, but they may be at risk of losing Medicaid eligibility via loss of SSI eligibility. If countable income exceeds the base SSI benefit, then SSI eligibility is suspended. After 12 consecutive months of suspension (24 months for children of overseas military personnel), the person is formally terminated from the SSI program.[75] If a person loses SSI eligibility, he or she may, depending on the state, also lose Medicaid eligibility. Section 1619(b) of the Social Security Act protects Medicaid eligibility for people who lose their SSI eligibility due to earned income only and meet other criteria, but there is only limited protection (e.g., the Pickle Amendment) for those who lose eligibility based on unearned income, such as Social Security benefits.[76] Some analysts have proposed that people who become ineligible for SSI due to an increased special minimum benefit remain eligible for Medicaid. Another possible remedy would be to increase the dollar amount of the Social Security benefit that is disregarded in determining SSI eligibility.[77]

[75] SSI eligibility is also based on a resource test. In general, an SSI recipient's assets are limited to no more than $2,000, and couples' assets are limited to no more than $3,000 (a home, car, and household items are not counted). SSI's low resource test thresholds (which are not indexed to inflation) may discourage workers from saving.

[76] See the Program Operations Manual System SI 01715.015, available at https://secure.ssa.gov/apps10/poms.NSF/LNX/0501715015.

[77] Robert Greenstein and Eileen Sweeney, *Proposed Improvements in Social Security's Minimum Benefit and Widow's Benefit Could Harm Some of the Nation's Poorest People*, Center on Budget and Policy Priorities, June 27, 2005. See also Laura Sullivan, Tatjana Meschede and Thomas M. Shapiro, "Enhancing Social Security for Low-Income Workers: Coordinating an Enhanced Minimum Benefit with Social Safety Net Provisions for Seniors" in *Strengthening Social Security for Vulnerable Groups*, ed. National Academy of Social Insurance (Washington, DC, 2009); and Kalman Rupp, Alexander Strand, and Paul S. Davies, "Poverty Among Elderly Women: Assessing SSI Options to Strengthen Social Security Reform," Journal of Gerontology: SOCIAL SCIENCES, Vol. 58B, No. 6 (2003), S359–S368.

Minimum Benefit Options and Estimated Effects

Although there have been numerous proposals for minimum benefits, most fall into three categories:

1. a benefit based on the number of years of work, similar to the current Special Minimum PIA,
2. an enhancement of benefits via a percentage increase in the regular benefit, or
3. an increase to benefits by a fixed-dollar amount.

SSA's Office of the Chief Actuary, the Congressional Budget Office (CBO), and SSA's Office of Research Evaluation and Statistics have all published detailed analyses of the effects of various minimum benefit options.[78]

Options Based on Number of Years of Work

One approach would be to reconfigure the Special Minimum PIA. Like current law, the special minimum benefit would be based on the computed number of years of work, which would be defined as having taxable earnings above a threshold. A beneficiary would receive the minimum benefit if it was higher than the regular benefit.

Policy options would generally provide beneficiaries who worked for 30 years with a benefit equivalent to 125% of the poverty line, phase down proportionally for workers with earnings between 11 and 29 years, and with initial benefits indexed to wage growth. A year of work would be defined as covered earnings of four quarters of coverage.[79] These options generally would increase benefits for some beneficiaries, including certain poor beneficiaries (those with family income below the poverty threshold).

SSA's Office of Research, Evaluation and Statistics (ORES) estimates that, in 2050, this option would increase benefits for 11.8% of newly eligible beneficiaries (in 2020 and later) and 28.7% of poor beneficiaries. Of those affected, the median percent increase in benefits would be about 12%.[80] CBO analyzed a similar proposal and found that it would increase benefits by about 10% for low earners born in the 1960s, by 27% for low earners born in the 1980s, and 23% for low earners born in the 2000s. According to the CBO estimate, it would increase retired worker benefits for about 30% of new beneficiaries and 45% of disabled benefit recipients in 2040.[81] A 2020 study from the Urban Institute estimated that about 49% of additional payments generated

[78] Social Security Administration, Provisions Affecting Level of Monthly Benefits, Options 5.1-5.10, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5; Congressional Budget Office, *Social Security Policy Options*, Dec. 2015, p.69, at https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51011-SSOptions.pdf; and Social Security Administration, Office of Research, Evaluation and Statistics (formerly the Office of Retirement Policy), Policy Option Projections, "Reconfigure the minimum benefit," at http://www.ssa.gov/retirementpolicy/projections/benefit-formula.html.

[79] Social Security Administration, Provisions Affecting Level of Monthly Benefits, Options 5.1-5.10, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5; and also Virginia P. Reno and Joni Lavery, *Fixing Social Security: Adequate Benefits, Adequate Financing*, National Academy of Social Insurance, October 2009, pp. 10-11, at https://www.nasi.org/sites/default/files/research/Fixing_Social_Security.pdf.

[80] Estimates received by CRS from SSA's Office of Research, Evaluation and Statistics (ORES), using the Modeling In the Near Term (MINT) microsimulation (version 8.19) generated from December 2019 to April 2020.

[81] Congressional Budget Office, *Social Security Policy Options*, December 2015, Option 33, p. 69, at https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51011-SSOptions.pdf.

by this option would go to beneficiaries in the bottom fifth of the lifetime earnings distribution in 2065.[82]

A variation of the above option would count up to eight years of care for children under the age of five as years of coverage.[83] If the child-care provision is combined with reducing the YOC earnings threshold from current law to four quarters of coverage, about 17.3% of beneficiaries and half of poor beneficiaries in 2050 would receive a higher benefit.[84]

In terms of the budgetary effect, SSA's Office of the Chief Actuary estimated that enactment of this option would cause an increase in the long-range (75 years) Old-Age, Survivors, and Disability Insurance (OASDI) trust funds actuarial deficit of 0.16% of taxable payroll[85] without an adjustment for childcare years, and 0.24% with a childcare provision. The long-range shortfall of OASDI trust funds would increase by 5% and 8% respectively.[86]

Several similar options were proposed in the last decade. In 2010, the Commission on Fiscal Responsibility and Reform suggested keeping everything else the same as the above option, with a starting time of the new policy in 2027, before which time the benefit level would have been indexed to prices and then to wage levels after that year. This proposal would cause an increase in cost of 0.12% of taxable payroll in the 75-year projection.[87] In 2011, Representative Jason Chaffetz proposed another variation to set the minimum PIA for workers with 30 years of coverage equal to 100% of the poverty level. This option with a limit of five childcare years cost an additional 0.10% of taxable payroll in the long-range estimate.[88] In 2013, the Social Security

[82] Karen E. Smith, Richard W. Johnson, and Melissa M. Favreault, *How Would Joe Biden Reform Social Security and Supplemental Security Income?*, Urban Institute, October 2020. Another study estimates a variation of this option by restricting the benefits to those with 22 years of work or more. Estimates show that about 30% of additional payments generated by this variation would go to beneficiaries in the bottom fifth of the lifetime earnings distribution in 2050, roughly 10% to those in current-law poverty, and about 55% to those long-term low-wage workers. See Melissa M. Favreault and Karen E. Smith, *Comparing Adequacy Adjustments to Social Security: How Well Do Adequacy Adjustments Target Different Beneficiaries?*, AARP Public Policy Institute, December 2020.

[83] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.3, 5.5-5.7 and 5.11, 2020, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[84] Estimates received by CRS from SSA's Office of Research, Evaluation and Statistics (ORES), using the Modelling In the Near Term (MINT) microsimulation (version 8.19) generated from December 2019 to April 2020.

[85] The OASDI trust funds actuarial deficit is the difference between the present discounted value of scheduled benefits and the present discounted value of future taxes plus asset reserves held by the trust funds. It can be viewed as the amount by which the Social Security payroll tax rate would have to be increased to support the level of benefits scheduled under current law throughout the 75-year projection period (or, roughly the amount by which the payroll tax rate would have to be increased for the trust funds to remain fully solvent throughout the 75-year period). Taxable payroll refers to total earnings in the economy that are subject to Social Security payroll taxes (with some adjustments). The 2020 Annual Report of the Social Security Board of Trustees projects that the 75-year actuarial deficit for the trust funds is equal to 3.21% of taxable payroll. See CRS Report RL33028, *Social Security: The Trust Funds*.

[86] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.2 and 5.3, 2020, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5. Estimates are based on assumptions in 2020 trustees report. The 2020 intermediate assumptions reflect the trustees understanding of Social Security at the start of 2020; thus, they do not include potential effects of the Coronavirus Disease 2019 (COVID-19).

[87] National Commission on Fiscal Responsibility and Reform, *The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform*, December 2010, p. 51, at http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf, and Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.4, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5. Estimates are based on intermediate assumptions in 2020 trustees report.

[88] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.6, 2018, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5. Estimates are based on intermediate assumptions in 2020 trustees report.

Enhancement and Protection Act (H.R. 1374, 113th Congress) also proposed a minimum PIA for workers with 30 years of coverage equal to 100% of the poverty level, setting a reduction of 3 1/3 percentage points for each year less than 30 years of work until 11 years of coverage, allowing a limit of five childcare years, and indexing benefits as under current law. The proposal, starting in 2020, would have caused an increase in the actuarial deficit of 0.03% of taxable payroll in the long run.[89] The provision proposed by the S.O.S. Act of 2016 (H.R. 5747, 114th Congress) would have increased the number of years of coverage with full benefits to 40, setting the minimum PIA at 125% of the poverty level, which will linearly decrease to 100% of the poverty level with 20 years of coverage and then to 0% with 10 years or less. The budgetary effect of this proposal was an increase in the actuarial deficit of 0.16% of taxable payroll.[90] In addition, the Rivlin-Domenici task force (2010) proposed defining a year of coverage as a year in which a worker either earned 20% of the old-law maximum or had a child in care, setting the minimum PIA for 30 years of coverage equal to 133% of the poverty level, indexing benefits to wages, and limiting benefits to workers with more than 19 years of coverage. This proposal would cost an additional 0.04% of taxable payroll compared with current law.[91]

A variation on this approach would be a minimum benefit that depended both on the number of years of work and a worker's average earnings, as measured by the average indexed monthly earnings (AIME). For example, an option proposed by Representative Paul Ryan in 2010 as part of H.R. 4529 (111th Congress) would have set a minimum benefit equal to 120% of the federal poverty level for a worker whose AIME was below that of a lifelong, full-time minimum-wage worker and who had 30 or more years of earnings.[92] As with the Special Minimum PIA, the minimum benefit would decline for workers with fewer years of earnings; those with fewer than 20 years would be ineligible. But in addition, the benefit would decline as average earnings increased, and a worker whose AIME exceeded twice that of a lifelong, full-time minimum-wage worker would also be ineligible for the minimum benefit. The budgetary effect of the provision would be relatively small. The actuarial deficit was estimated to increase by no more than 0.01% of taxable payroll in any year, according to SSA.[93] A similar proposal analyzed by CBO estimates that benefits for low earners would increase by about 6%.[94]

A relatively different proposal was included in the Social Security Reform Act of 2016 (H.R. 6489, 114th Congress), which would have reconfigured the Special Minimum benefit, phased in for newly eligible workers from 2027 through 2036, with a year of coverage equal to the federal

[89] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.7, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5. Estimates are based on intermediate assumptions in 2020 trustees report.

[90] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.9, 2018, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5. Estimates are based on intermediate assumptions in 2020 trustees report.

[91] Bipartisan Policy Center, Debt Reduction Task Force, *Restoring America's Future*, November 2010, p. 80, at https://bipartisanpolicy.org/report/restoring-americas-future/; and Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.5, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5. Estimates are based on intermediate assumptions in 2020 trustees report.

[92] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.1, 2020, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5. Estimates are based on intermediate assumptions in 2020 trustees report.

[93] The effect on benefits would grow as the policy was phased in. Because the policy would grow the minimum benefit with prices, the minimum benefit would grow more slowly than the regular benefit, so its effects would diminish in importance over time as the Special Minimum PIA did.

[94] Congressional Budget Office, *Social Security Policy Options*, July 2010, Option 24, p. 29, at http://www.cbo.gov/publication/21547.

minimum wage of a full-time worker. Workers with 35 years of coverage can get the minimum PIA equal to 35% of the Average Wage Index (AWI), and the benefit would decrease *nonlinearly* to zero with 10 or fewer years of coverage.[95] SSA's ORES estimates that if this provision was applied to newly eligible beneficiaries in 2020 and later, about 15.4% of beneficiaries and 23.9% of poor beneficiaries would receive a benefit increase in 2020.[96] SSA estimated that this option would cause an increase in the actuarial deficit of 0.29% of taxable payroll in the 75-year projection.[97]

Options to Enhance the Regular Social Security Benefit

Under the Special Minimum PIA and the options described in the previous section, people receive either the regular benefit or the minimum benefit, whichever is higher. An alternative approach would be to begin with the regular benefit for everyone, but to increase it by a certain percentage for a targeted population.

CBO analyzed an option that would increase the regular benefit for low-wage workers by up to 40%. Workers with at least 35 years of work and whose AIME was less than that of a 30-year, full-time minimum-wage worker would receive a 40% increase. Benefits would be increased by a smaller percentage for workers with at least 20 years of work and below-average lifetime earnings.[98] That option would increase total benefits by about 7%. Median benefits would increase for low earners by about 24%. The option would increase benefits for more than half of workers because it would help everyone whose lifetime earnings were below that of someone who worked for 35 years at the average wage in the economy.

The Bipartisan Policy Center's Commission on Retirement Security and Personal Savings has proposed a *basic minimum benefit* (BMB) that supplements Social Security benefits, but is phased out based on the benefit amount, as opposed to years of work (see **Figure 5**). The BMB would be automatic, but to ensure that the BMB is not going to households with large amounts of non-Social Security income, filers with higher adjusted gross incomes ($30,000 for single filers and $45,000 for joint filers) would repay their BMB through the income-tax system. The actuarial deficit due to this proposal would increase by 0.20% of taxable payroll in the 75-year projection, and the projected long-range shortfall of OASDI trust funds would increase by 7%.[99]

[95] The Special Minimum PIA is assumed to be 35% of AWI at 35 or more YOCs, and is assumed to reduce by ⅔% of AWI for each decrease in YOCs between 20 to 34 (thus 31 2/3% of AWI at 30 YOCs), 1% of AWI for YOCs between 15 and 19, and 3% of AWI for YOCs between 11 and 14.

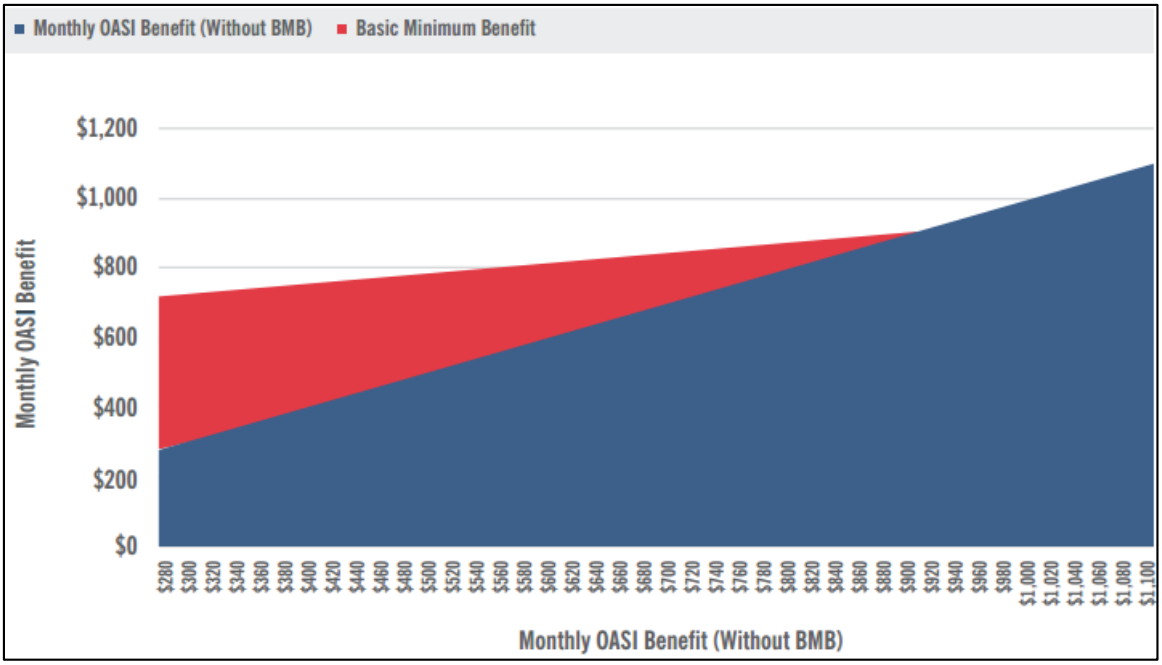
[96] Estimates received by CRS from SSA's Office of Research, Evaluation and Statistics (ORES), using the Modelling In the Near Term (MINT) microsimulation (version 8.19) generated from December 2019 to March 2020.

[97] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.10, 2020, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5. Estimates are based on intermediate assumptions in 2020 trustees report.

[98] Congressional Budget Office, *Social Security Policy Options*, July 2010, Option 25, pp. 29-30, at http://www.cbo.gov/publication/21547; The concept was originally described in President's Commission to Strengthen Social Security, *Strengthening Social Security and Creating Personal Wealth for All Americans*, December 21, 2001, at http://www.ssa.gov/history/reports/pcsss/reports.html.

[99] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.8, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5. Estimates are based on intermediate assumptions in 2020 trustees report.

Figure 5. Basic Minimum Benefit Amounts



Source: Bipartisan Policy Center's Commission on Retirement Security and Personal Savings, fig. 29 from *Securing Our Financial Future*, June 9, 2016, available at http://cdn.bipartisanpolicy.org/wp-content/uploads/2016/06/BPC-Retirement-Security-Report.pdf.

A Fixed-Dollar Benefit

A simple but less targeted approach would be to set a minimum dollar Social Security benefit. The benefit could be paid only to people who qualify for benefits under current law, or it could be expanded to all elderly and disabled people.[100] Such a policy would be similar to SSI, but it would not necessarily be limited to people with low income and assets. If the benefit were set at or above the poverty threshold, elderly poverty would be greatly reduced. For example, a study of the Urban Institute estimates that setting the Social Security minimum benefit at a wage-indexed poverty level for all beneficiaries would reduce the wage-indexed federal poverty rate from 15.2% (based on benefits payable under current law) to 1.5% in 2065.[101]

A universal benefit is not well-targeted: it would increase benefits for some people who already had relatively high non-Social Security income. For example, an SSA analysis based on 1996 data found that about one-sixth of Social Security beneficiaries had benefits lower than the maximum SSI benefit level,[102] and about 80% of retired workers whose Social Security benefit was below

[100] For example, a "Resident Minimum" proposal would provide a minimum benefit to all elderly individuals but also would eliminate spousal benefits; see Pamela Herd, "Ensuring a Minimum: Social Security Reform and Women," *The Gerontologist*, vol. 45, no. 1 (2005), pp. 12-25.

[101] C. Eugene Steuerle and Karen E. Smith, *First Things First: How Social Security Reform Can Eliminate Old-Age Poverty*, Urban Institute, February 2021. Under current law, the official poverty threshold is indexed to prices. Because prices generally grow slower than wages do, the price-indexed poverty threshold is generally lower than the wage-indexed threshold. The study projects that the official poverty rate (price-indexed) would be about 5% in 2065 based on payable Social Security benefits under current law.

[102] In 1996, the maximum Supplemental Security Income (SSI) benefit level was $470 a month for a single person and is currently $794 a month in 2021. Today, the share of Social Security beneficiaries who have benefits lower than the

the maximum SSI benefit level were *not* poor.[103] The Urban Institute's study estimates that providing all Social Security beneficiaries with a benefit level no less than the wage-indexed poverty level would increase the Social Security long-term actuarial deficit by about 43%.[104]

A variation of the above option is to award the minimum dollar benefit based on family income levels.[105] The family income would include Social Security benefits from both individuals and spouses (if any), and other income sources as well, such as earnings, pensions, and assets income. Implementation of this option would require SSA to have access to income tax return data from the Internal Revenue Service. One study estimates that, in 2050, about 71% of additional benefits from this option (with certain U.S. residency requirements) would go to beneficiaries in the bottom fifth of the lifetime earnings distribution, and more than 70% of additional benefits would go to those projected to be poor under current law.[106]

Alternative Strategies for Addressing Poverty Among Long-Term Low-Wage Workers

Instead of implementing a minimum benefit, low-wage workers could be assisted through other approaches, including changes to the standard benefit formula, other changes to the Social Security benefit rules, or a separate program.

The regular Social Security benefit could be made more progressive.[107] Such a change could be designed to redistribute benefits to people with lower lifetime earnings in a way similar to the way that a standard, wage-indexed minimum benefit would.[108]Some proposals would address poverty among long-term, low-wage workers and their dependents by targeting benefit increases to single or divorced individuals or to people who live into advanced old age. For example, the length-of-marriage requirement for divorced individuals could be lowered from 10 years to 5 or 7 years. Caregiver credits or "drop-out" years could be entered into the Social Security benefit formula for workers who take career breaks to care for a child or other relative. Another proposal would increase the Social Security survivor's benefit to 75% of the couple's combined benefit; some versions of this proposal would offset costs by lowering the spousal benefit received while both members of the couple are alive.[109]

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maximum SSI benefit level is almost certainly lower than that in 1996, because average Social Security benefits have increased faster than SSI benefits.

[103] Kalman Rupp et al., "Benefit Adequacy Among Elderly Social Security Retired-Worker Beneficiaries and the SSI Federal Benefit Rate," *Social Security Bulletin*, Vol. 67 No. 3, 2007, at http://www.ssa.gov/policy/docs/ssb/v67n3/v67n3p29.html.

[104] C. Eugene Steuerle and Karen E. Smith, *First Things First: How Social Security Reform Can Eliminate Old-Age Poverty*, Urban Institute, February 2021.

[105] See Pamela Herd, Melissa Favreault, Madonna Harrington Meyer, and Timothy M. Smeeding, *A Targeted Minimum Benefit Plan: A New Proposal to Reduce Poverty Among Older Social Security Recipients*, The Russell Sage Foundation Journal of the Social Sciences, 2018, vol. 4, no. 1.

[106] Melissa M. Favreault and Karen E. Smith, *Comparing Adequacy Adjustments to Social Security: How Well Do Adequacy Adjustments Target Different Beneficiaries?*, AARP Public Policy Institute, December 2020.

[107] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 3.15, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B3.

[108] Melissa M. Favreault, Gordon B.T. Mermin, and C. Eugene Steuerle, *Minimum Benefits in Social Security*, Urban Institute, August 2006, p. 17.

[109] For more information, see CRS Report R41479, *Social Security: Revisiting Benefits for Spouses and Survivors*; CRS Report R46182, *Social Security and Vulnerable Groups—Policy Options to Aid Widows*, by Paul S. Davies; and U.S.

One study uses the Dynamic Simulation of Income Model to estimate how new benefits under various proposals would be allocated to different types of Social Security beneficiaries in 2050.[110] The special minimum benefit proposal analyzed in this study is similar to one proposal discussed earlier—providing beneficiaries who worked for 30 years with a benefit equivalent to 125% of the poverty line, phasing down benefits proportionally for workers with between 22 and 29 years of earnings, indexing initial benefits to wage growth, and defining a year of work as covered earnings of four quarters of coverage. Other proposals include assigning caregiver credits in the caregiver's Social Security earnings record up to a minimum threshold, reducing the marriage duration requirement for divorced spouses from 10 years to 7 years, enhancing survivor's benefits to 75% of couple's combined benefits, and increasing the highest conversion factor (applied to the lowest AIME segment) in the regular benefit formula from 90% to 95%. The estimates show that, compared to the reconfiguration of the special minimum benefit, which would allocate 56% of new benefits to long-term low-wage workers, alternative proposals would generally direct less than 20% of new benefits to those workers.[111] For the effects on poor beneficiaries (i.e., those projected to be in poverty under current law), the special minimum benefit proposal would direct less than 10% of new benefits to the poor, while some alternative proposals would allocate more than 20% of new benefits to the poor, such as allowing caregiver credits and reducing the length-of-marriage requirement for divorced beneficiaries to seven years.

Additionally, a goal of increasing federal support for poor aged and disabled people could be implemented outside of Social Security. For example, increases in federal SSI spending would help many of the same beneficiaries affected by a minimum Social Security benefit, but people with little or no work history would also benefit.[112] A new program could also be established. For example, the Senior Income Guarantee (SIG) would provide benefits at 75% of the poverty threshold for people at or above the full retirement age who have 10 years in covered work and 40 years of residence in the United States and lesser benefits for those with shorter work histories or fewer years of residence.[113] Benefit and eligibility standards would be less strict than for SSI; for example, asset tests would be more generous.

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[110] Favreault and Smith, *Comparing Adequacy Adjustments to Social Security*.

[111] *Long-term, low-wage workers* is defined as those working at least 1,000 hours per year and earning less than half the Social Security average wage index for at least 20 years.

[112] An example of the legislation effort could be found in Supplemental Security Income Restoration Act of 2017 (H.R. 3307).

[113] Timothy M. Smeeding and R. Kent Weaver, *The Senior Income Guarantee (SIG): A New Proposal to Reduce Poverty Among the Elderly*, Center for Retirement Research at Boston College, CRR WP 2001-12, Boston, MA, December 2002, at http://crr.bc.edu/working-papers/the-senior-income-guarantee-sig-a-new-proposal-to-reduce-poverty-among-the-elderly/.

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