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Social Security: Minimum Benefits

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Summary

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, whereas the standard benefit formula is based on a worker's average lifetime earnings. The worker receives the higher of the two benefits.

However, 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 standard benefit is linked to wages. Because wages generally grow faster than prices, the Special Minimum PIA affects fewer beneficiaries every year. In 2017, about 39,347 of the 62 million Social Security recipients qualified for the minimum benefit. Beneficiaries who received higher benefits due to the provision had an average increase to monthly benefits of about $46 in June 2013. The Social Security Administration (SSA) estimates that the provision will have no effect on workers turning 62 in 2019 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 to allow 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, a new minimum benefit provision could be introduced, the standard 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 standard 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. Beneficiaries receive the higher of the two 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 2017, about 39,347 (or about 0.6%) of the 62 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 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 2018, a worker earns one credit for each $1,320 of covered earnings (i.e., earnings subject to Social Security payroll taxes),[3] up to a maximum of four credits for covered earnings of $5,280 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, sometimes called the *normal retirement age*). 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, 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.

Next, the standard 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

[1] Social Security Administration, *Annual Statistical Supplement, 2018*, Table 5.A1 and Table 5.A8 at https://www.ssa.gov/policy/docs/statcomps/supplement/2018/5a.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 2017 are exempt from 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.

[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.

three segments; in 2018, the two bend points are $895 and $5,397. 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-$895 segment, 32% to the $895-$5,397 segment, and 15% to the over-$5,397 segment. Because the lower conversion factors apply to higher 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 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's benefit is equal to 50% of the worker's PIA and a widow(er)'s benefit is equal to 100% of the deceased worker's PIA.[6]

Determining the Special Minimum PIA Benefit Amount

Unlike the regular benefit, which is based on lifetime earnings, the Special Minimum PIA benefit is based on the number of years spent in covered employment. Beneficiaries receive the higher of the two amounts.

Years of Coverage

A *year of coverage* 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 year of coverage 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, year of coverage thresholds for the Special Minimum PIA are indexed to wage growth. The 2018 threshold is $14,310.

The year of coverage 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 year of coverage is not credited.

Special Minimum PIA Initial Benefit Amount

The Special Minimum PIA depends only on a worker's years of coverage. A worker must have at least 11 years of coverage to be eligible for the benefit. For those with 11 years, the Special

[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 2018, the current-law contribution and benefit base is $128,400. The old law contribution and benefit base is the base in effect before the Social Security Amendments of 1977 (P.L. 95-216). In 2018, the "old law" contribution and benefit base is $95,400. 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.

Minimum PIA monthly benefit is $40.80 in 2018. It increases by about $43 for each additional year of coverage (see **Table 1**).[8] Years of coverage in excess of 30 do not increase the Special Minimum PIA amount; a person with 30 years of coverage in 2018 would qualify for a Special Minimum PIA of $848.80.

Table 1. Special Minimum PIA Initial Monthly Benefit Amounts, 2018

Number of Years of Coverage	Monthly Primary Insurance Amount
11	40.80
12	83.30
13	125.90
14	168.30
15	210.50
16	253.30
17	295.80
18	338.30
19	380.80
20	423.50
21	466.00
22	508.20
23	551.50
24	593.90
25	636.00
26	679.30
27	721.30
28	763.80
29	806.40
30	848.80

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

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**, wages generally grow faster than prices, so regular benefits have grown faster than initial Special Minimum PIA benefits. As a result, a worker's regular benefit is now almost always higher than the Special Minimum PIA benefit.[10] After the initial year of benefit receipt, the same Social

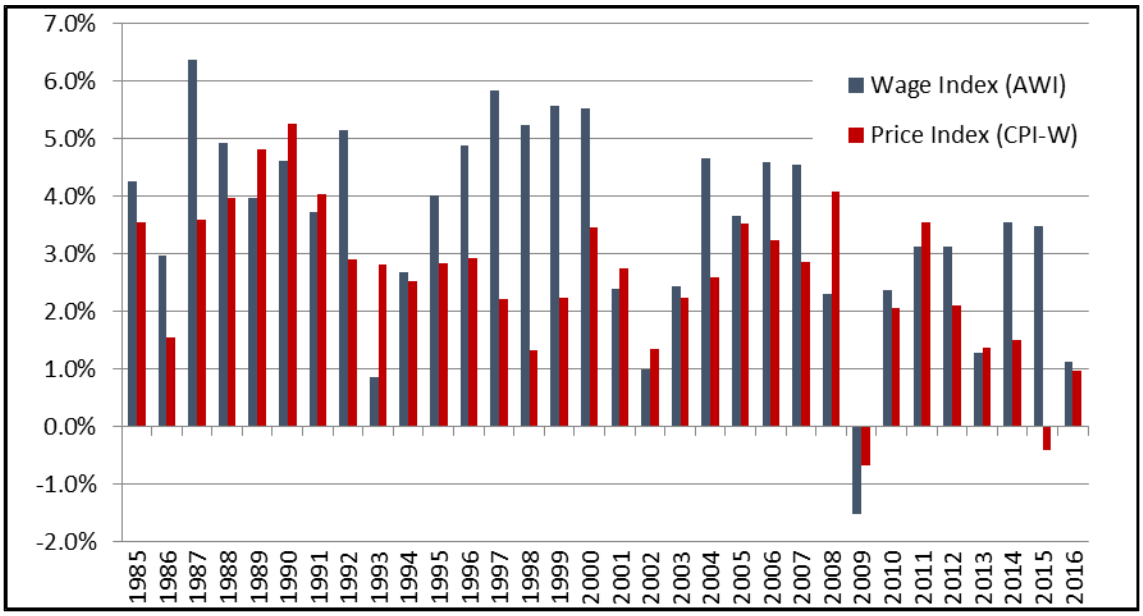
[8] For additional details on how the Special Minimum PIA is computed, see Social Security Administration, *Program Operations Manual System*, RS 00640.075, at http://policy.ssa.gov/poms.nsf/links/0300640075.

[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, 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

Security cost-of-living-adjustment (COLA) applies to both the Special Minimum PIA benefit and regular benefits.[11]

Figure 1. Annual Percentage Change in Average Prices and Wages, 1985-2016



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*, retrieved on June 1, 2018 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 Benefit Amount

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

1. the *actuarial reduction*, which reduces monthly benefits as a percentage of the PIA for people who claim benefits before their FRA;[13]

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*, and CRS Report R41479, *Social Security: Revisiting Benefits for Spouses and Survivors*.

[13] Although workers can claim Social Security retirement benefits as early as age 62 (the *early eligibility age*, or EEA),

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

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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 "Retirement Earnings Test" in CRS Report R44670, *The Social Security Retirement Age*.

[15] Exceptions to GPO, as listed in the Social Security Administration's Program Operations Manual System, does not include the Special Minimum PIA as an exception; 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, 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. 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.

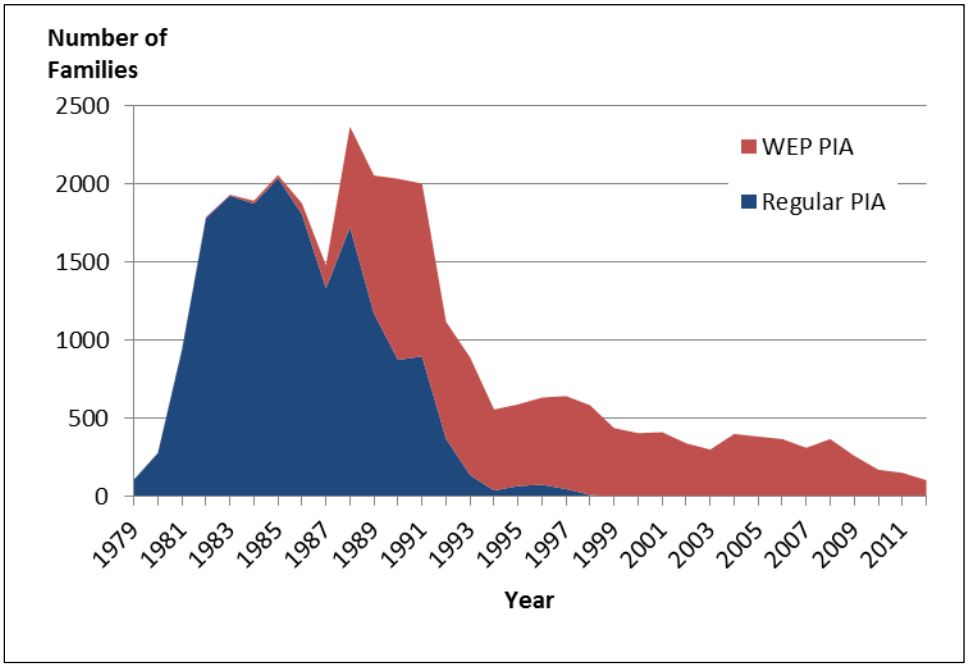
[19] See CRS In Focus IF10203, *Social Security: The Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)*. See also Social Security Administration, Program Operations Manual System, Section RS 00605.360.C.3.c, at https://secure.ssa.gov/apps10/poms.nsf/lnx/0300605360.

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.

The Special Minimum PIA Has Little Effect on Current Beneficiaries

Because the standard PIA uses wage indexing and the Special Minimum PIA is indexed to prices, which tend to increase at a slower rate than wages, regular benefits 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 size of the additional benefit from the Special Minimum PIA have both declined. The number of families with benefit entitlements receiving the Special Minimum PIA has been decreasing since 1988. After 1999, the provision has benefited only newly entitled beneficiaries whose regular benefit is subject to the WEP (see **Figure 2**).[20] The difference between the regular PIA and the Special Minimum PIA for a low earner with 30 years of coverage has declined, with an estimated difference of $4 for a worker becoming eligible in 2010[21] (see **Figure 3**). The Social Security Administration projects that the provision will have no effect on people turning 62 years old in 2019 or later.

Figure 2. Number of Families Receiving the Special Minimum PIA, as of June 2013



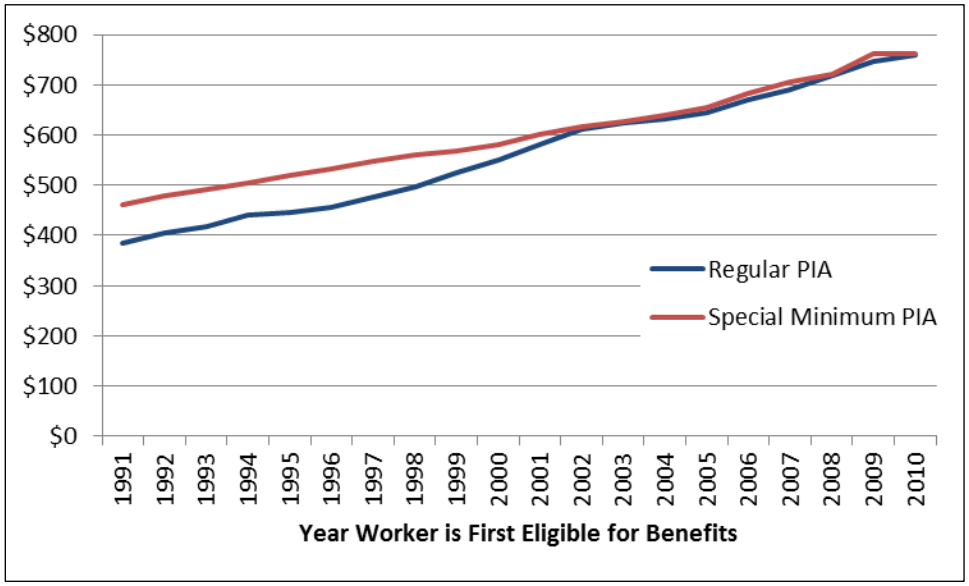
Source: Table 5 of Craig A. Feinstein, *Diminishing Effect of the Special Minimum PIA*, Social Security Administration, Actuarial Note No. 154, November 2013, at http://www.ssa.gov/oact/NOTES/pdf_notes/note154.pdf.

[20] 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 only helps individuals whose WEP PIA (which tends to be lower than the regular PIA) is less than the special minimum benefit.

[21] Social Security Administration does not have an analysis on this data after 2010.

Notes: Based on eligibility year of the worker 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.

Figure 3. Monthly Dollar Value for a Low Earner with 30 Years of Coverage



Source: Social Security Administration Office of Retirement Policy, "Program Explainers: Special Minimum Benefit," retrieved from https://www.ssa.gov/retirementpolicy/program/special-minimum.html on July 2, 2018.

The estimates of the impact the Special Minimum PIA has on monthly benefits show that in June 2013, the Special Minimum PIA increased average benefits of those affected by the provision by an average of $46 per month (see **Table 2**).[22] That is, the monthly benefit due to the special minimum PIA was, on average, $46 larger than the standard benefit those beneficiaries were entitled to.[23] Only about 35,000 of the 54 million Social Security beneficiaries received a higher monthly benefit from the Special Minimum PIA in June 2013,[24] though there were about 58,419 people who were technically receiving the Special Minimum PIA in the same year.[25] The discrepancy is because many of these beneficiaries were dually entitled workers whose total benefits were not affected by the provision. Dually entitled beneficiaries get benefits based on their own work record or their spouse's, whichever is larger; thus, even though the Special Minimum PIA might increase the benefit based on the beneficiary's own work record, if their spousal benefit is even higher, they receive the spousal benefit and the Special Minimum PIA does not affect their monthly benefit amount.

[22] See Table 3 of Craig A. Feinstein, *Diminishing Effect of the Special Minimum PIA*, Social Security Administration, Actuarial Note No. 154, November 2013, at http://www.ssa.gov/oact/NOTES/pdf_notes/note154.pdf.

[23] The monthly benefit may be less than or greater than the PIA because the beneficiaries may have retired earlier or later than the Full Retirement Age or because of the family maximum provision. For auxiliaries, the monthly benefit is also based on a specified percentage of the applicable PIA.

[24] See Table 3 of Craig A. Feinstein, *Diminishing Effect of the Special Minimum PIA*, Social Security Administration, Actuarial Note No. 154, November 2013, at http://www.ssa.gov/oact/NOTES/pdf_notes/note154.pdf.

[25] See Social Security Administration, Annual Statistical Supplement, 2014, Table 5.A8, at http://www.socialsecurity.gov/policy/docs/statcomps/supplement/2014/5a.html#table5.a8.

As **Table 2** shows, almost 73% of the affected beneficiaries were workers and about 19% were widow(er)s. Spouses and child beneficiaries accounted for the remainder. Most retired workers who qualify for the Special Minimum PIA are women.[26]

Table 2. Number of Special Minimum PIA Beneficiaries and Average Increase in Monthly Benefit, June 2013

Beneficiary Type	Number of Beneficiaries	Average Monthly Benefit Increase
Worker	25,333	$51.28
Spouse	1,526	$25.04
Child	1,199	$29.67
Widow(er)	6,673	$36.03
All Beneficiaries	**34,731**	**$46.45**

Source: Craig A. Feinstein, *Diminishing Effect of the Special Minimum PIA*, Social Security Administration, Actuarial Note No. 154, November 2013, Table 3.

Notes: The number of beneficiaries that are technically receiving the Special Minimum PIA is higher than the number of beneficiaries noted in this table (e.g., 58,000 in December 2013), but many of them are dually entitled workers whose total benefits are not affected by the provision.

History of the Social Security Minimum Benefit Provision

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.[27]

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

[26] See Social Security Administration, Annual Statistical Supplement, 2018, Table 5.A8, at http://www.socialsecurity.gov/policy/docs/statcomps/supplement/2018/5a.html#table5.a8.

[27] 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.

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.[28]

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.[29]

The Special Minimum PIA (1973 to the Present)

The Special Minimum PIA was enacted in 1972, under the Social Security Amendments of 1972 (P.L. 92-603), at the same time as the Supplemental Security Income (SSI) program. The Special Minimum PIA was designed to help reduce dependence on means-tested cash assistance, such as SSI, by people who worked in covered employment for many years.[30] 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.[31] The Special Minimum PIA operated alongside the original minimum benefit until the end of 1981, when the latter 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.[32]

From 1974 to 1978, the Special Minimum PIA initial benefits base was $9. Under the Social Security Amendments of 1977 (P.L. 95-216), the initial benefits base was increased to $11.50, and

[28] 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.

[29] 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.

[30] For more information on SSI, see CRS In Focus IF10482, *Supplemental Security Income (SSI)*.

[31] 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).

[32] 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.

the Special Minimum PIA was indexed to prices.[33] The 1977 amendments also indexed benefit levels after eligibility to price inflation. In contrast, the thresholds for determining a year of coverage under the Special Minimum PIA are indexed to growth in national average wages, which historically have risen faster than prices.[34]

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 creating a new minimum benefit. A minimum benefit is offered as a way to reward long-term, 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, especially elderly women, are poor or near poor. In 2016, the poverty rate for people aged 65 and older was 9.3%. Older women are more likely to have income below the poverty threshold than men; 10.6% of older women versus 7.6% older men fall below the official poverty line. Black older adults are nearly three times as likely to be poor as white older adults (18.7% versus 7.1%).[35] The poverty rate for single black older women was nearly 30%; the rate for comparable white women was 13%.[36] A study shows that the benefit of SSI has some shortcomings that prevent it 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.[37] Some research suggests restructuring the Social Security minimum could be more effective in alleviating poverty than certain reforms to the SSI program,

[33] 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 corresponding PIA for each year of coverage is indexed and then rounded to the nearest10 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).

[34] For a detailed legislative history of the Special Minimum PIA, see Kelly A. Olsen and Don Hoffmeyer, "Social Security's Minimum Benefit," *Social Security Bulletin*, vol. 64, no. 2 (2001/2002), pp.4-6, at http://www.ssa.gov/policy/docs/ssb/v64n2/v64n2p1.pdf.

[35] Jessica L. Semega, Kayla R. Fontenot, and Melissa A. Kollar, 2017, *Income and Poverty in the United States: 2016*, U.S. Census Bureau, Current Population Report, P60-259, 2017.

[36] 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.

[37] 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.

although a combination of both programs could be useful in the event that Social Security benefits are greatly reduced in the future.[38]

Some view minimum benefits as a way to reward long-term, low-wage work with a Social Security benefit that is at or above the poverty threshold.[39] Restructuring the Social Security minimum benefit to provide a benefit at or above the poverty threshold (e.g., 120% of the poverty threshold) for long-term workers would more generously reward long-term participation in the workforce.

Others view a restructuring of minimum benefits as even more helpful in the context of legislation that reduces Social Security benefits or exposes them to market risk. Several recent proposals that would reduce regular Social Security benefits have included minimum benefit guarantees.[40]

A minimum benefit could be designed to reduce poverty rates among older beneficiaries more efficiently than existing Social Security spousal and survivor benefits.[41] 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.[42] 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.[43] 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.[44]

In addition, private pensions and private savings have become more insecure and unequal. Employer pension support has been declining[45] and the fraction of full-time workers in the public and private sector offered pensions has fallen from 74% in the late 1970s to 64% in 2012.[46]

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[38] 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.

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

[40] 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 http://bipartisanpolicy.org/sites/default/files/files/ BPC%20FINAL%20REPORT%20FOR%20PRINTER%2002%2028%2011.pdf, 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.

[41] Melissa M. Favreault, Gordon B.T. Mermin, and C. Eugene Steuerle, *Minimum Benefits in Social Security*, The 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.

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

[43] 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.

[44] 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, 2018*, Table 5.A14, at https://www.ssa.gov/policy/docs/ statcomps/supplement/2018/5a.html#table5.a14.

[45] 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.

[46] Alicia H. Munnell and Dina Bleckman, "Is Pension Coverage a Problem in the Private Sector?" Boston College

Private savings have always been the most unstable, and most Americans have more debt than savings.[47] Social Security minimum benefits, which would provide a flat income payment to protect again poverty, may improve protections against the new financial risks older adults are facing.[48]

Arguments for Phasing Out the Social Security Minimum Benefit

One argument for allowing the Special Minimum PIA to phase out is that minimum benefits cannot be accurately targeted to the working poor. 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. 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 means-tested programs, such as SSI, are a more appropriate way to supplement the incomes of people with low incomes and assets. 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[49] must not be worth more than $2,000 for an individual or $3,000 for a couple.[50] There are other considerations that could limit SSI's impact. For example, Social Security is available to retired workers earlier than SSI; 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.[51]

Considering Minimum Benefit Proposals

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

Center for Retirement Research, Policy Brief no. 14-7, 2014, at http://crr.bc.edu/wp-content/uploads/2014/04/IB_14-7-508.pdf.

[47] Harington Meyer, Madonna, and Pamela Herd, *Market Friendly or Family Friendly? The State and Gender Inequality in Old Age*, Russell Sage Foundation, 2007.

[48] Pamelar 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.

[49] For examples of what counts and what does not count towards the resource limit, see Social Security Administration, *Understanding Supplemental Security Income SSI Resources*, 2018 edition, at https://www.ssa.gov/ssi/text-resources-ussi.htm.

[50] 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.

[51] 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?

One consideration when determining who should receive the minimum benefit is the years-of-coverage requirement. To target the benefit at 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. Many recent minimum benefit proposals would require that the worker have 30 years of covered earnings to qualify for the full minimum benefit.[52] These work tenure requirements are intended to reward long-time attachment to the workforce.

The minimum number of years of coverage required to receive the minimum benefit (at a prorated amount) typically ranges from 10 years to 20 years of covered earnings.[53] Lowering the required number of years of coverage would allow the minimum benefit to reach more workers, including more part-time and part-year workers.[54] Women are more likely than men to work fewer years.[55] The fraction of stay-at-home mothers has been increasing since 2000, especially during the Great Recession in 2009.[56] Lowering the required number of years of coverage could, however, result in arguably inadequate benefits for people with years of coverage at the lower bound of 10 or 20 years. A lower years-of-coverage requirement also raises questions about work incentives.

Issues of Attachment to the Workforce and Years-of-Coverage Requirements

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 years-of-coverage requirement, 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 years-of-coverage threshold because of poor health. Some proposals would combine a years-of-coverage requirement with credits for a limited number of years of caregiving,[57] unemployment, or poor

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[52] See the options described in Social Security Administration, Provisions Affecting Level of Monthly Benefits, Options 5.1-5.10, 2018, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[53] For example, the (Rivlin-Domenici) Debt Reduction Task Force and the Roadmap for America's Future Act of 2010 (H.R. 4529, 2010) require at least 20 years of earnings, whereas the National Academy of Social Insurance's proposal in *Fixing Social Security: Adequate Benefits, Adequate Financing* (October 2009), Social Security 2100 Act (H.R. 1391 in 2015; H.R. 1902 in 2017), the Social Security Expansion Act (S. 731, 2016), and the Social Security for Future Generations Act (H.R. 2855, 2017) require at least 10 years of earnings.

[54] 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.

[55] Melissa M. Favreault, Gordon B.T. Mermin, and C. Eugene Steuerle, *Minimum Benefits in Social Security*, The Urban Institute, August 2006, Table 4, at http://www.urban.org/publications/411406.html. See also Kahn, Joan, Javier Garcia-Manglano, and Suzanne Bianchi, 2014, "The Motherhood Penalty at Midlife: Long-Term Effects of Children on Women's Careers," *Journal of Marriage and Family*, 76 (1): 56-72.

[56] D'Vera Cohn, Gretchen Livingston, and Wendy Wang, "After Decades of Decline a Rise in Stay-at-Home Mothers," Pew Research Center, 2014, at http://assets.pewresearch.org/wp-content/uploads/sites/3/2014/04/Moms-At-Home_04-08-2014.pdf.

[57] 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

health in the definition of a *year of coverage*.[58] Providing those credits would require documentation of qualifying activities, which could increase Social Security's administrative costs.

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.

Replacing Years of Coverage with Quarters of Coverage

The current-law year of coverage threshold for the Special Minimum PIA is $14,310, and the insured status for regular benefits is based on quarters of coverage (each $1,320 earns one quarter of coverage in 2018, up to four quarters of coverage with $5,280 or more). Some have suggested counting quarters of coverage, instead of years of coverage as under the current-law Special Minimum PIA, to make it easier for workers to qualify for the minimum benefit or to reach higher benefit levels.[59] 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). One study looked at combining a quarterly coverage threshold with the lower dollar amount of the Special Minimum PIA coverage threshold (on an annualized basis) and found that this reform would reach more workers than allowing partial years of coverage.[60]

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 poverty threshold in 2017 for a single person older than the age of 65 was $11,756,[61] which was higher than the annual benefits of someone claiming Special Minimum PIA benefits in 2017 with the maximum years of coverage ($9,984 a year, or $832 a month).[62] Proposed minimum benefit levels are often expressed as a percentage of

of a year of coverage.

[58] Melissa M. Favreault, *A New Minimum Benefit for Low Lifetime Earners*, The Urban Institute: Retirement Policy Program, Washington, DC, March 2009, at http://www.nasi.org/sites/default/files/research/Melissa_Favreault_January_2009_Rockefeller.pdf. See also National Academy of Social Insurance, *Fixing Social Security: Adequate Benefits, Adequate Financing*, Washington, DC, October 2009, at http://www.nasi.org/sites/default/files/research/Fixing_Social_Security.pdf, p. 11.

[59] Proposals with a change to four quarters of coverage include the National Academy of Social Insurance's proposal in *Fixing Social Security: Adequate Benefits, Adequate Financing* (October 2009), the Social Security Enhancement and Protection Act of 2013 (H.R. 1374), , Social Security 2100 Act (H.R. 1391 in 2015; H.R. 1902 in 2017), the Social Security Expansion Act (S. 731, 2016), and the Social Security for Future Generations Act (H.R. 2855, 2017).

[60] 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.

[61] United States Census Bureau, Poverty thresholds by Size of Family and Number of Children for 2017, at https://www2.census.gov/programs-surveys/cps/tables/time-series/historical-poverty-thresholds/thresh17.xls.

[62] Social Security Administration, Office of the Chief Actuary, Automatic Increases in Special Minimum Benefits, 2017, https://www.ssa.gov/cgi-bin/smt.cgi.

the federal poverty guidelines[63] or as a percentage of a new poverty measure that is in line with the recommendations of the National Academy of Sciences.[64]

Another way to increase the minimum benefit amount is to increase the maximum years of coverage included for benefit determination beyond the current 30 years, for example to 35 or 40 years. This type of reform would reward additional years of work. Implemented together with wage indexation of the minimum benefit, this reform would slightly increase the share of benefits going to people with the most (35 or more) work years compared with current law.[65]

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 Special Minimum PIA is linked to prices while 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—which now effectively functions as the minimum benefit for most Social Security beneficiaries—grows with prices. However, 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.[66]

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 ($750 per month in 2018 for an individual living independently) plus any federally administered state supplement. Countable income equals

[63] 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.

[64] 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.

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

[66] See, for example, The (Rivlin-Domenici) Debt Reduction Task Force, Bipartisan Policy Center, *Restoring America's Future*, November 2010, p. 80, at http://bipartisanpolicy.org/sites/default/files/files/BPC%20FINAL%20REPORT%20FOR%20PRINTER%2002%2028%2011.pdf.

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.[67] 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.[68]

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.[69]

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 Retirement Policy have all published detailed analyses of the effects of various minimum benefit options.[70]

[67] 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.

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

[69] 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, Washington, DC, 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).

[70] 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 Retirement Policy, Policy Option Projections, "Reconfigure the minimum benefit," at http://www.ssa.gov/retirementpolicy/projections/benefit-formula.html.

Options Based on Number of Years of Work

One approach would be to reconfigure the Special Minimum PIA. Like the current-law Special Minimum, the 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 standard benefit.

For example, the National Academy of Social Insurance developed an option that would provide beneficiaries who worked for 30 years with a benefit equivalent to 125% of the poverty line.[71] A year of work was defined as earning four quarters of coverage. The minimum benefit would phase down proportionally for workers with less than 30 years but more than 10 years of earnings.[72] A variation of this option would count up to eight years of care for children under the age of 5 as years of coverage and would increase total benefits by slightly more than 2%.

SSA's Office of Retirement Policy found that in 2050, the option (without an adjustment for childcare years) would increase benefits for 16% of beneficiaries and for one-third of the poorest fifth of beneficiaries.[73] Of those affected, the median percent increase in benefits would be 13%. 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.[74]

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) OASDI trust funds actuarial deficit of 0.15% of taxable payroll without an adjustment for childcare years, and 0.22% with a childcare provision. The long-range shortfall of OASDI trust funds would increase by 5% and 8% respectively.[75] Under this scenario, the payroll tax rate would need to be increased from the current 12.40% to 12.55% (or 12.66% with childcare years) or other policy changes would have to be made for the system to be solvent for the next 75 years.

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 2024, 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 (from 12.40% to 12.52%) in the 75-year projection.[76] In 2011,

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[71] 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.

[72] The proposal and some variations of this proposal were included in several recent bills, such as Social Security for Future Generations Act of 2017 (H.R. 2855), Social Security Expansion Act (115th Congress, S. 427 and H.R. 1114), Social Security 2100 Act (115th Congress, S. 2671 and H.R. 1902), Social Security Enhancement and Protection Act of 2013 (H.R. 1374), and Social Security 2100 Act (113th Congress, H.R. 5306).

[73] Social Security Administration, Office of Retirement Policy, Policy Option Projections, Reconfigure the minimum benefit, at http://www.ssa.gov/retirementpolicy/projections/benefit-formula.html, retrieved in 2018.

[74] 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.

[75] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.2 and 5.3, 2018, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[76] 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/

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.[77] In 2013, the Social Security 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 the current law. The proposal, starting in 2020, would cause an increase in the actuarial deficit of 0.2% of taxable payroll in the long run.[78] The provision proposed by the S.O.S. Act of 2016 (H.R. 5747, 114th Congress) 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 a 0.14% increase in taxable payroll.[79] 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 0.5% of taxable payroll compared with current law.[80]

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.[81] 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 be no more than 0.03% of taxable payroll in any year, according to SSA.[82] A similar proposal analyzed by CBO estimates that benefits for low earners would increase by about 6%.[83]

solvency/provisions/benefitlevel.html#B5.

[77] 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.

[78] 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.

[79] 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.

[80] The Debt Reduction Task Force, Bipartisan Policy Center, *Restoring America's Future*, November 2010, p. 80, at http://bipartisanpolicy.org/sites/default/files/files/BPC%20FINAL%20REPORT%20FOR%20PRINTER%2002%2028%2011.pdf, 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.

[81] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.1, 2018, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[82] 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.

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

A relatively different proposal was included in the Social Security Reform Act of 2016 (H.R. 6489, 114th Congress), which reconfigured the Special Minimum benefit, phased in for newly eligible workers from 2024 through 2033, with a year of coverage equal to the federal minimum wage of a full-time worker. Workers with 35 years of coverage can get the minimum PIA equal to 35% of Average Wage Index (AWI), and the benefit would decrease nonlinearly to zero with 10 or fewer years of coverage. SSA estimated that this option would cause an increase in the actuarial deficit of 0.22% of taxable payroll in the 75-year projection.[84]

Options to Enhance the Standard Social Security Benefit

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

CBO analyzed an option that would increase the standard 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.[85] 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 4**). 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 of this proposal would be 0.20% of taxable payroll in the 75-year projection, and the projected long-range shortfall of OASDI trust funds would increase by 7%.[86]

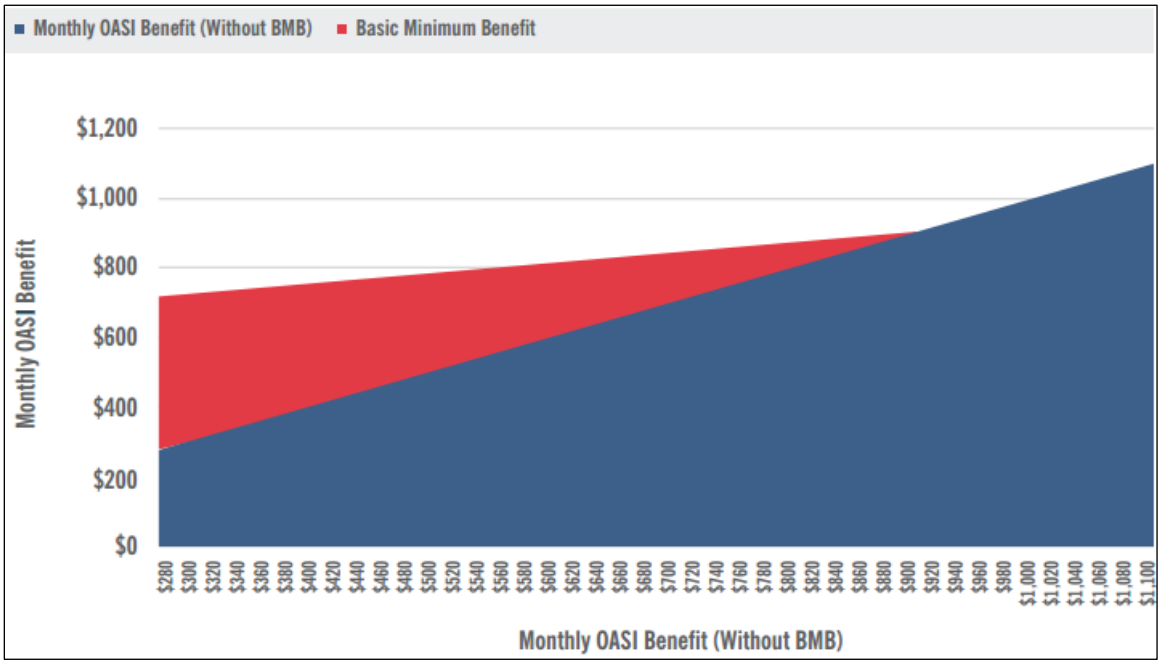
publication/21547.

[84] Social Security Administration, Office of the Chief Actuary, Provisions Affecting Level of Monthly Benefits, Option 5.10, 2018, at http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[85] 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.

[86] 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.

Figure 4. 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.[87] 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.

However, 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, which was $470 a month for a single person in 1996 and is currently $750 a month (that share is almost certainly lower now because average Social Security benefits have increased faster than SSI benefits).[88] However, about 80% of retired workers whose Social Security benefit was below the maximum SSI benefit level were *not* poor. In 1996, setting a minimum Social Security benefit equal to the SSI benefit would have increased total Social Security outlays by about 2%.

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

[88] Kalman Rupp, Alexander Strand, Paul Davies, and Jim Sears, "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.

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 standard Social Security benefit could be made more progressive. 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.[89]

Some proposals would address poverty among long-term, low-wage workers and their dependents by targeting benefit increases to single or divorced women or to people who live into advanced old age. For example, the length-of-marriage requirement for divorced women 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.[90] Proposals to increase benefits for aged women are generally motivated by equity and adequacy considerations rather than financing considerations and may add to system costs.

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.[91] 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.[92] Benefit and eligibility standards would be less strict than for SSI; for example, asset tests would be more generous.

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

[90] For more information, see CRS Report R41479, *Social Security: Revisiting Benefits for Spouses and Survivors*, and U.S. Government Accountability Office, *Social Security: Options to Protect Benefits for Vulnerable Groups When Addressing Program Solvency*, GAO-10-101R, December 7, 2009.

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

[92] 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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