A TARGETED MINIMUM BENEFIT PLAN

A PROPOSAL TO REDUCE POVERTY AMONG OLDER ADULTS
ELDERLY POVERTY AND SOCIAL SECURITY EXPENDITURES OVER TIME

- Percentage population under poverty line (left)
- Social Security expenditures per capita (right)

Source: [http://www.nber.org/bah/summer04/w10466.html](http://www.nber.org/bah/summer04/w10466.html)

Englehardt 2004
Figure 2
Private-Sector Participants in an Employment-Based Retirement Plan, by Plan Type, 1979–2011*
(Among Those With a Plan)

ELIGIBILITY: WORKERS OR WIVES

• **Worker Benefit:**
  • Progressive

• **Spousal and Survivor:**
  • Protects women with lower earnings and labor force participation due to care work and discrimination.
  • Don’t protect many unmarried women.
  • Regressive
PERCENT WOMEN ATTAINING 10 YEAR MARRIAGE BY RACE AND COHORT

- **White**
- **Hispanic**
- **Black**

Legend:
- **1945**
- **1955**
- **1965**
POLICY OPTIONS

- Improve spousal and survivor benefits
- Care Credits
- Minimum benefits
- Improve SSI
A TARGETED MINIMUM BENEFIT

- **Eligibility:**
  - Meet worker eligibility guidelines (10 years of earnings)

- **Benefit Level:**
  - Supplement household income up to 100 percent of the poverty level.

- **Administration**
  - Similar to EITC

- **Program Interactions**
  - Will not influence eligibility for Medicaid or SNAP (Similar to EITC)
Figure 1. Poverty Rate among Individuals Age 62 and Older in Selected Years by Option

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Law</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>9.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>2025</td>
<td>7.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td>2035</td>
<td>7.4%</td>
<td>4.5%</td>
</tr>
<tr>
<td>2045</td>
<td>7.4%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2055</td>
<td>6.7%</td>
<td>4.5%</td>
</tr>
<tr>
<td>2065</td>
<td>5.6%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>
Figure 2. Percent Change in Average Per Capita Net Cash Income among Individuals Age 62 and Older by Shared Lifetime Earnings in Selected Years
CONCLUDING ISSUES

• Take up
• Administrative capacity
• Program interactions
• Too much targeting
<table>
<thead>
<tr>
<th>Year</th>
<th>Program with an exclusion for other income</th>
<th>Program without an other income exclusion</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Costs</td>
<td>SSI offsets</td>
</tr>
<tr>
<td>2017</td>
<td>13.3</td>
<td>2.6</td>
</tr>
<tr>
<td>2018</td>
<td>14.2</td>
<td>2.6</td>
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<tr>
<td>2019</td>
<td>14.7</td>
<td>2.6</td>
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<tr>
<td>2020</td>
<td>15.3</td>
<td>2.7</td>
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<tr>
<td>2021</td>
<td>16.6</td>
<td>2.9</td>
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<td>2022</td>
<td>17.3</td>
<td>3.0</td>
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<tr>
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<td>18.2</td>
<td>3.2</td>
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<td>2024</td>
<td>18.9</td>
<td>3.3</td>
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<tr>
<td>2025</td>
<td>19.9</td>
<td>3.5</td>
</tr>
<tr>
<td>2026</td>
<td>19.3</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: The Urban Institute's DYNASIM, run 919. [Preliminary.]
DISTRIBUTION OF BENEFITS

- More than college
- College graduate
- Some college
- High school diploma
- Less than high school diploma
- 90+
- 85-89
- 80-84
- 75-79
- 70-74
- 65-69
- Black
- Nonblack
- Married
- Unmarried
- Men
- Women
BENEFIT LEVELS

More than college
College graduate
Some college
High school diploma
Less than high school diploma

90+
85-89
80-84
75-79
70-74
65-69

Black
Nonblack

Married
Unmarried

Men
Women
Women aged 62 or older, by basis of entitlement, selected years

SOURCE: Social Security Administration, Master Beneficiary Record. All data for 2005 and dual entitlement data for 1995 and 2000 are based on a 10 percent sample. All other years are 100 percent data.
CONCLUSION
MYTHS

• The creators of Social Security were unaware of increasing life expectancies.
• Spousal and survivor benefits were meant to acknowledge women’s labor raising children.
• Spousal and survivor benefits were solely paid for from the rapidly accruing reserve.
Percentages of Women Attaining Their 10th Anniversaries by Given Age, by Race and Ethnicity and Birth Cohort

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<tbody>
<tr>
<td>30</td>
<td>24.1</td>
<td>14.4</td>
<td>8.1</td>
<td>17.6</td>
<td>9.1</td>
<td>4.5</td>
<td>27.9</td>
<td>23.1</td>
<td>19.1</td>
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<tr>
<td>35</td>
<td>55.1</td>
<td>42.5</td>
<td>31.4</td>
<td>37.9</td>
<td>25.7</td>
<td>16.8</td>
<td>57.2</td>
<td>51.8</td>
<td>46.6</td>
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<tr>
<td>40</td>
<td>71.4</td>
<td>63.3</td>
<td>56.3</td>
<td>51.6</td>
<td>38.9</td>
<td>28.4</td>
<td>72.1</td>
<td>68.8</td>
<td>65.6</td>
</tr>
<tr>
<td>45</td>
<td>80.1</td>
<td>75.3</td>
<td>72.0</td>
<td>59.7</td>
<td>49.0</td>
<td>40.2</td>
<td>80.6</td>
<td>79.6</td>
<td>79.3</td>
</tr>
<tr>
<td>50</td>
<td>84.4</td>
<td>80.8</td>
<td>78.5</td>
<td>63.7</td>
<td>53.9</td>
<td>45.9</td>
<td>84.3</td>
<td>83.5</td>
<td>83.3</td>
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<tr>
<td>55</td>
<td>86.4</td>
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<td>80.7</td>
<td>65.8</td>
<td>56.7</td>
<td>49.4</td>
<td>84.8</td>
<td>84.0</td>
<td>83.8</td>
</tr>
<tr>
<td>62</td>
<td>87.6</td>
<td>84.3</td>
<td>82.1</td>
<td>66.6</td>
<td>57.4</td>
<td>50.1</td>
<td>85.2</td>
<td>84.4</td>
<td>84.2</td>
</tr>
</tbody>
</table>
BENEFIT LEVEL: WORKER BENEFIT

- **AIME-Average Indexed Monthly Earnings (35 years)**
  - Earnings*Indexing factor (based on average wage increases)
  - 1974 $7509*5.5190=$41442
  - 1975 $8095*5.1352=$41570 (and so on)
  - AIME=$3694

- **PIA-Primary Insurance Amount**
  - .9(819)+.32(3694-819)=$1665.36 (replacement=45%)
  - If the AIME was higher ($8335), the third bend point is 4586 of which you get an additional 15 percent.
    - .9(819)+.32(4586-819)+.15(8335-4586)=$2471.25 (replacement=29%)

- **Benefit=PIA+(PIA*COLA)**
BENEFIT LEVEL: SPOUSAL/SURVIVOR

- **Spousal**-50% of worker benefit
  - Higher replacement rate for married couples where there is only one earner.
  - $3694 household earnings with one earner: 1665+832=$2498 (Worker + Spousal)
  - $3694 household earnings with two workers: $1050+$1050=$2100 (Worker+Worker)

- **Survivor**-100% of worker benefit
  - Larger benefit for widow in one earner household even if household earnings are identical
  - $1665 benefit for widow from single earner household ($3694) versus $1050 benefit for widow from dual earner household ($3694).
Percentage of aged units receiving Social Security benefits, by relative importance of benefits to total income


NOTE: An aged unit is a married couple living together or a nonmarried person, which also includes persons who are separated or married but not living together.
Figure 1
Private-Sector Workers Participating in an Employment-Based Retirement Plan, by Plan Type, 1979–2011
(Among All Workers)

PERCENT OF POPULATION COVERED BY SOCIAL SECURITY
INCREASES IN BENEFITS
SOCIAL SECURITY PAYROLL TAX

[Graph showing the increase in Social Security payroll tax rates over time, with two lines: one for the 1935 Law and another for the Actual Rate. The years range from 1937 to 2014.]
Taxable earnings as a percentage of earnings in covered employment and percentage of workers with maximum taxable earnings, selected years

SOURCE: Social Security Administration, Office of the Chief Actuary.
Beneficiaries, by age

- 65–74: 38%
- 75–84: 22%
- 62–64: 9%
- 18–61: 15%
- 85 or older: 10%
- Under 18: 6%

SOURCE: Social Security Administration, Master Beneficiary Record, 100 percent data.
WHO RECEIVES BENEFITS

- $30 billion goes to children annually (EITC annual spending is $60 billion).
Percentage of population in the Social Security area fully insured and insured for disability benefits, by sex

<table>
<thead>
<tr>
<th></th>
<th>1970</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men Fully insured</td>
<td>93</td>
<td>90</td>
</tr>
<tr>
<td>Women Fully insured</td>
<td>63</td>
<td>84</td>
</tr>
<tr>
<td>Men Insured for disability a</td>
<td>84</td>
<td>79</td>
</tr>
<tr>
<td>Women Insured for disability a</td>
<td>41</td>
<td>73</td>
</tr>
</tbody>
</table>

SOURCE: Social Security Administration, Office of the Chief Actuary.

NOTES: The population in the Social Security area includes residents of the 50 states and the District of Columbia adjusted for net census undercount; civilian residents of American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands; federal civilian employees and persons in the U.S. armed forces abroad and their dependents; noncitizens living abroad who are insured for Social Security benefits; and all other U.S. citizens abroad.

Figures are subject to revision.

a. Insured for disability excludes those who have reached full retirement age.