

A Revised Minimum Benefit to Better Meet the Adequacy and Equity Standards in Social Security

Kimberly J. Johnson, Ph.D., Indiana University
Elizabeth Johns, Ph.D., University of Maine

With thanks to AARP, the Urban Institute, and NASI

Premises:

- 61% of older persons now living in poverty have income from Social Security
- The most vulnerable: women, racial-ethnic minorities, the oldest old
- The official poverty threshold does not adequately reflect income insecurity
- Many future retirees seem likely to be financially insecure as well

A new minimum benefit in Social Security (basic version)

ELIGIBILITY	BENEFIT LEVEL
10-19 years of covered employment	112% of poverty threshold
20+ years of covered employment	125% of poverty threshold
Age 80 or more	125% of poverty threshold

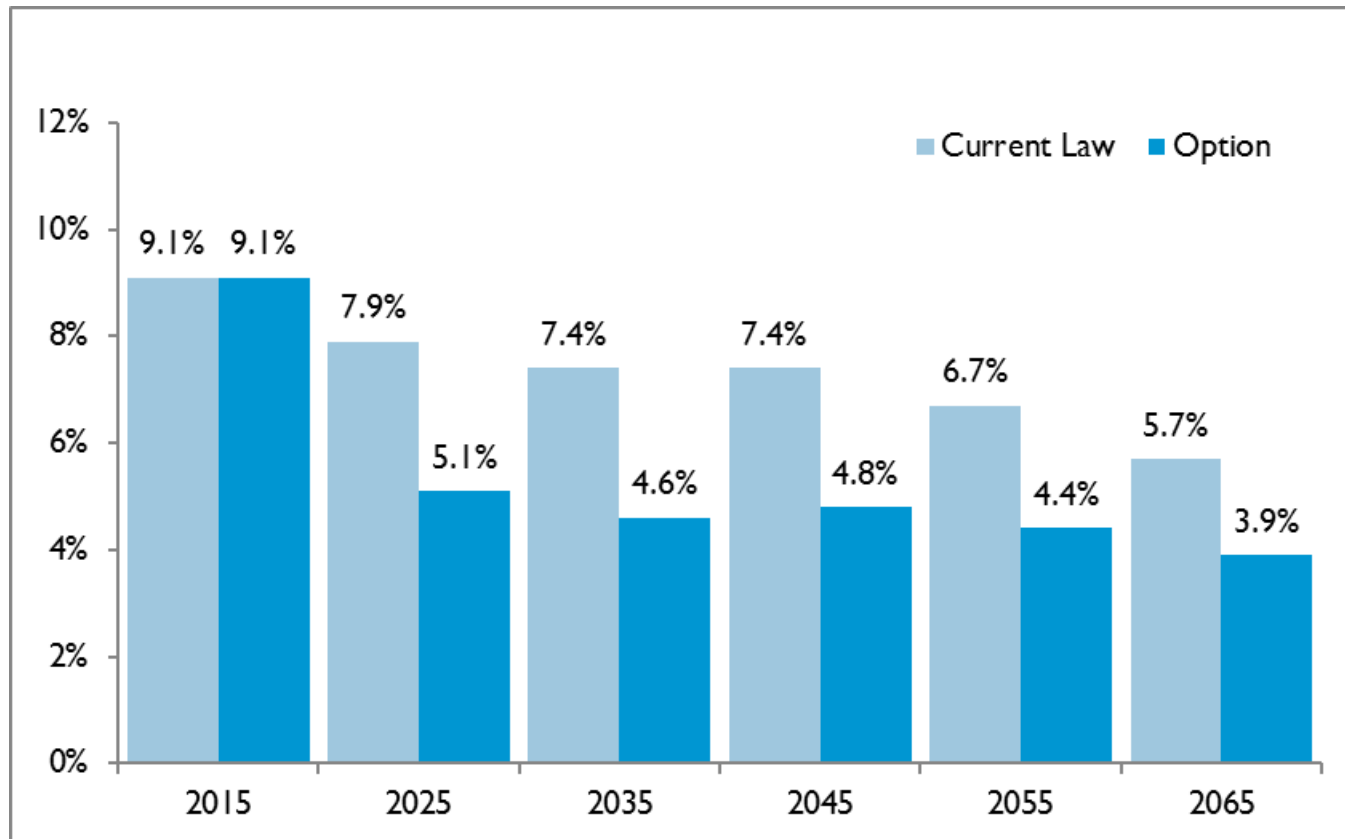
Paying for the benefit

- Raise FICA tax from 6.2% to 8.0% for any employer not contributing 3% of an employee's wages to a qualified retirement account
- Raise individual earnings subject to FICA tax to 3x average annual earnings (\$144,295 in 2017, rather than \$127,200)
- Exempt earnings of 3–10x average earnings from FICA tax; reinstate tax for all earnings $\geq 10x$ average national earnings

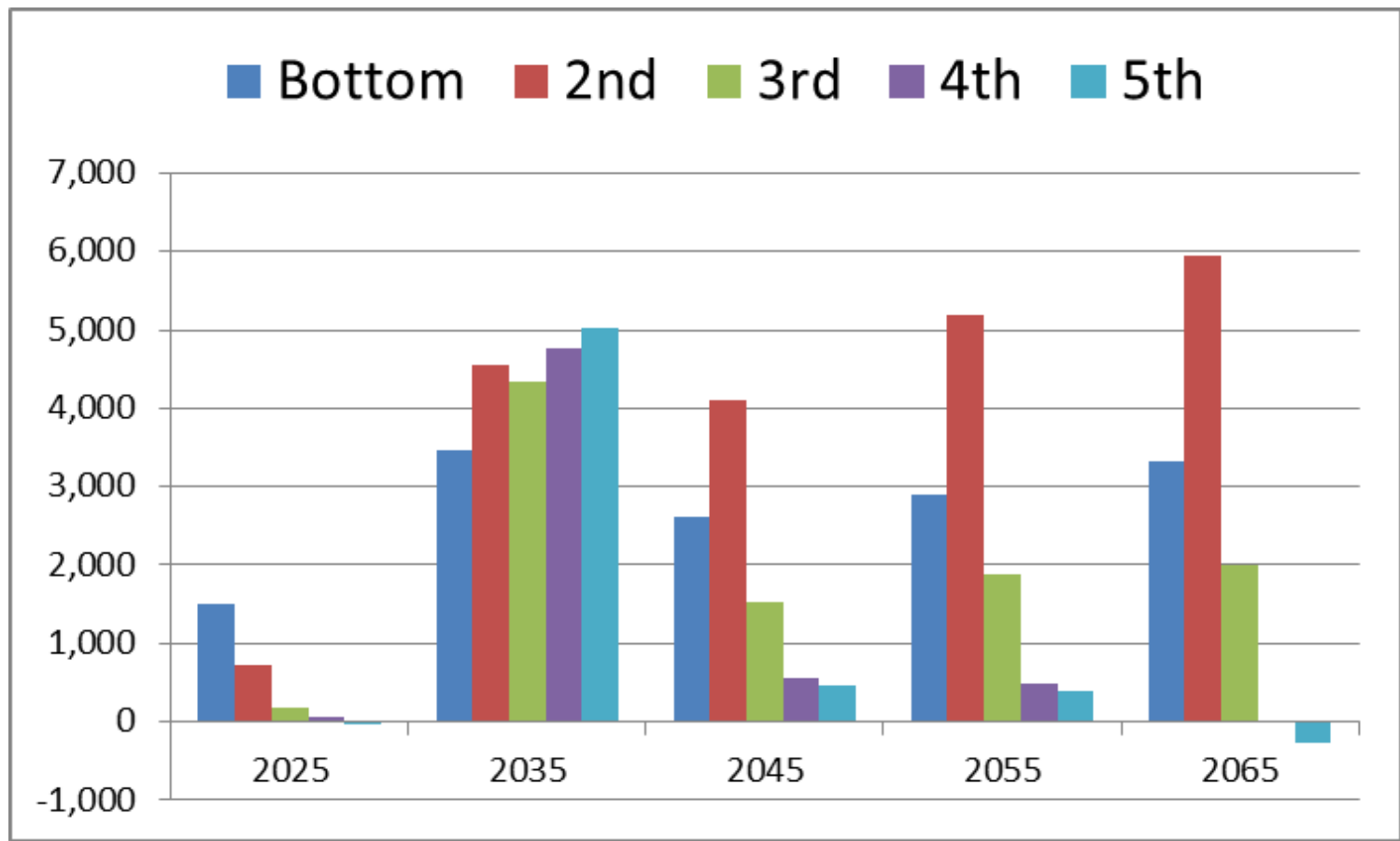
Urban Institute Simulations

With thanks to Karen E. Smith, Senior Fellow
Income and Benefits Policy Center

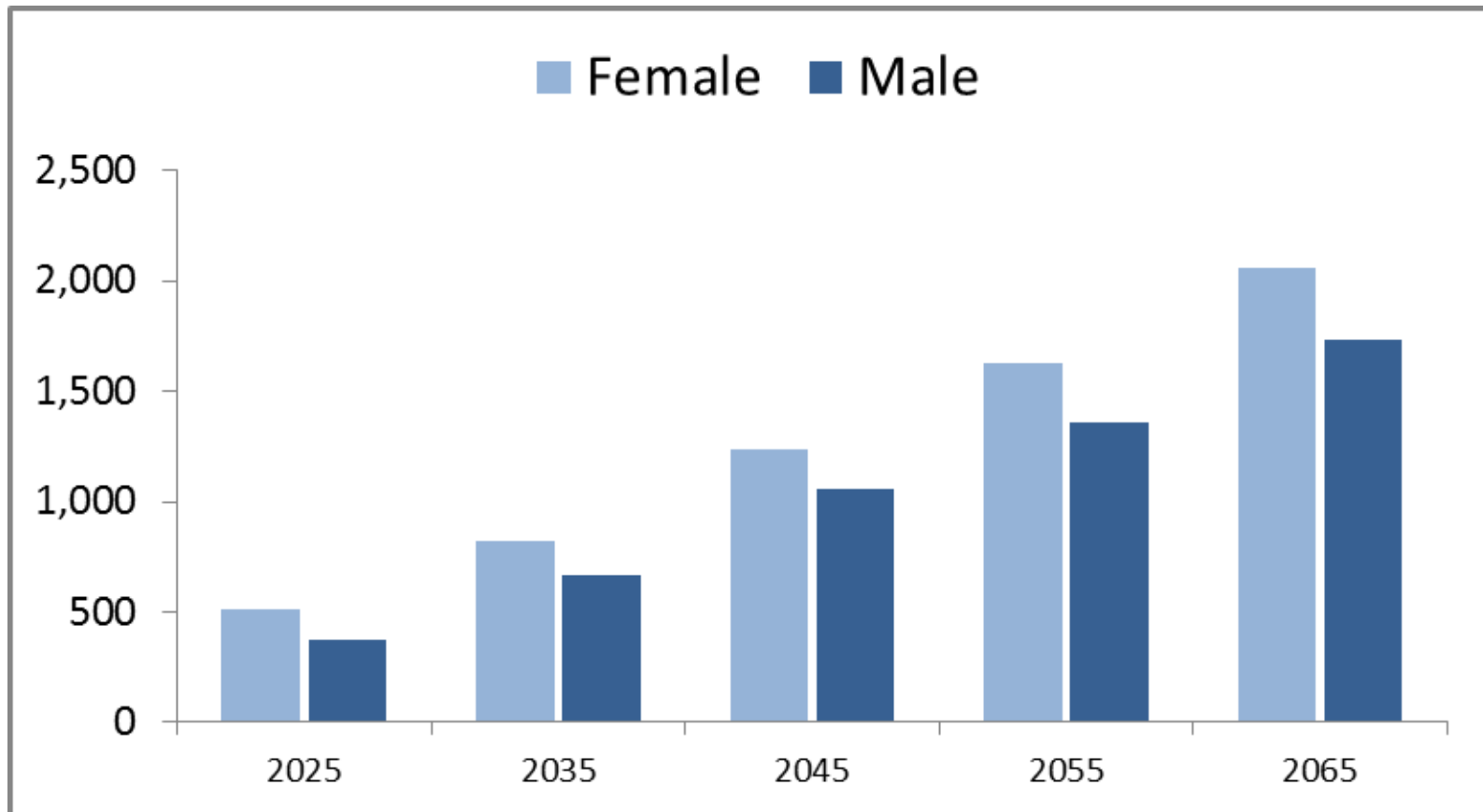
Poverty among individuals age 62+: Current law vs. revised minimum benefit option, 2015-2065



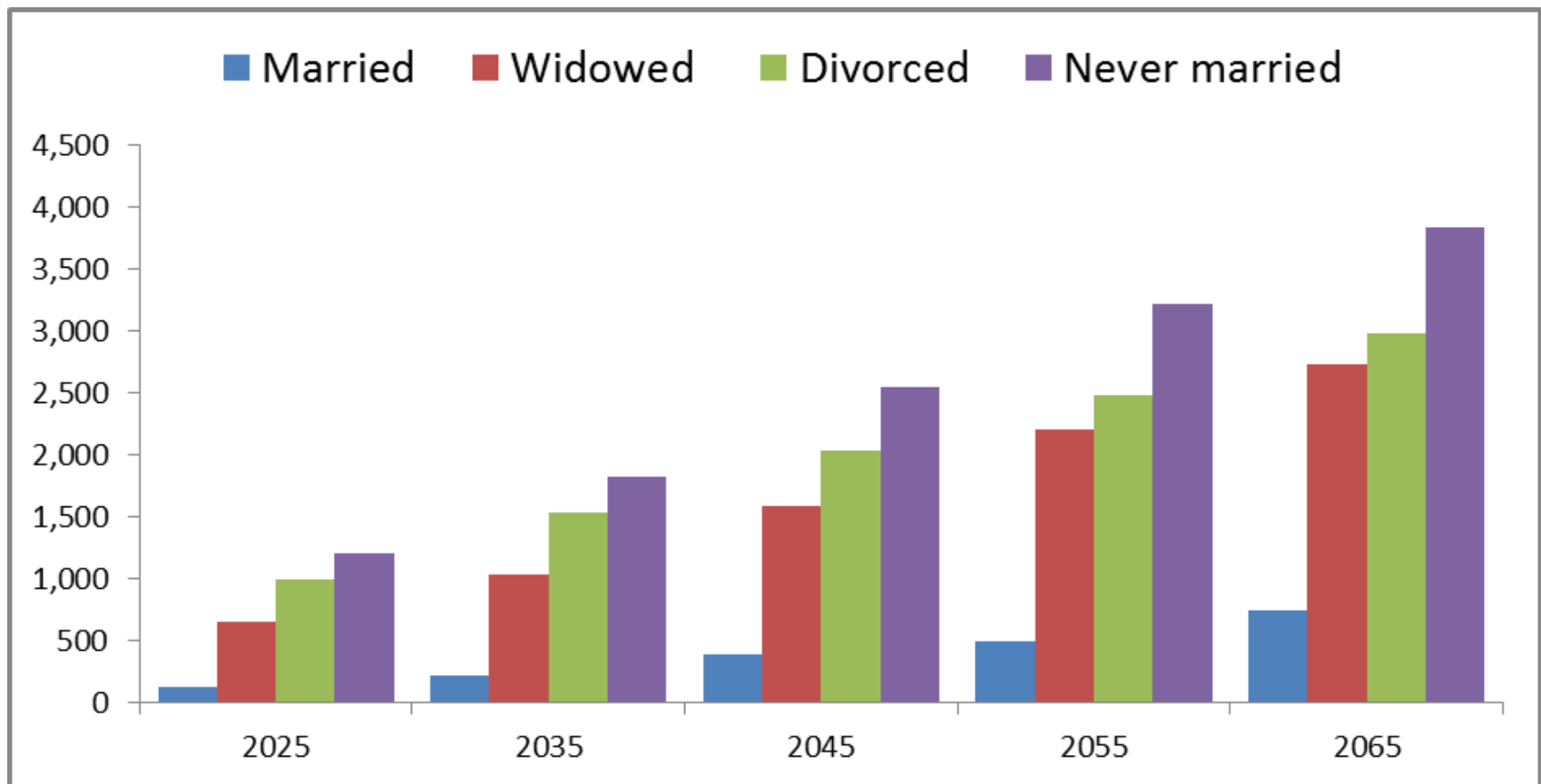
Change in mean OASI benefit for persons 62+ by per capita income quintile, 2015-2065 (\$2015)



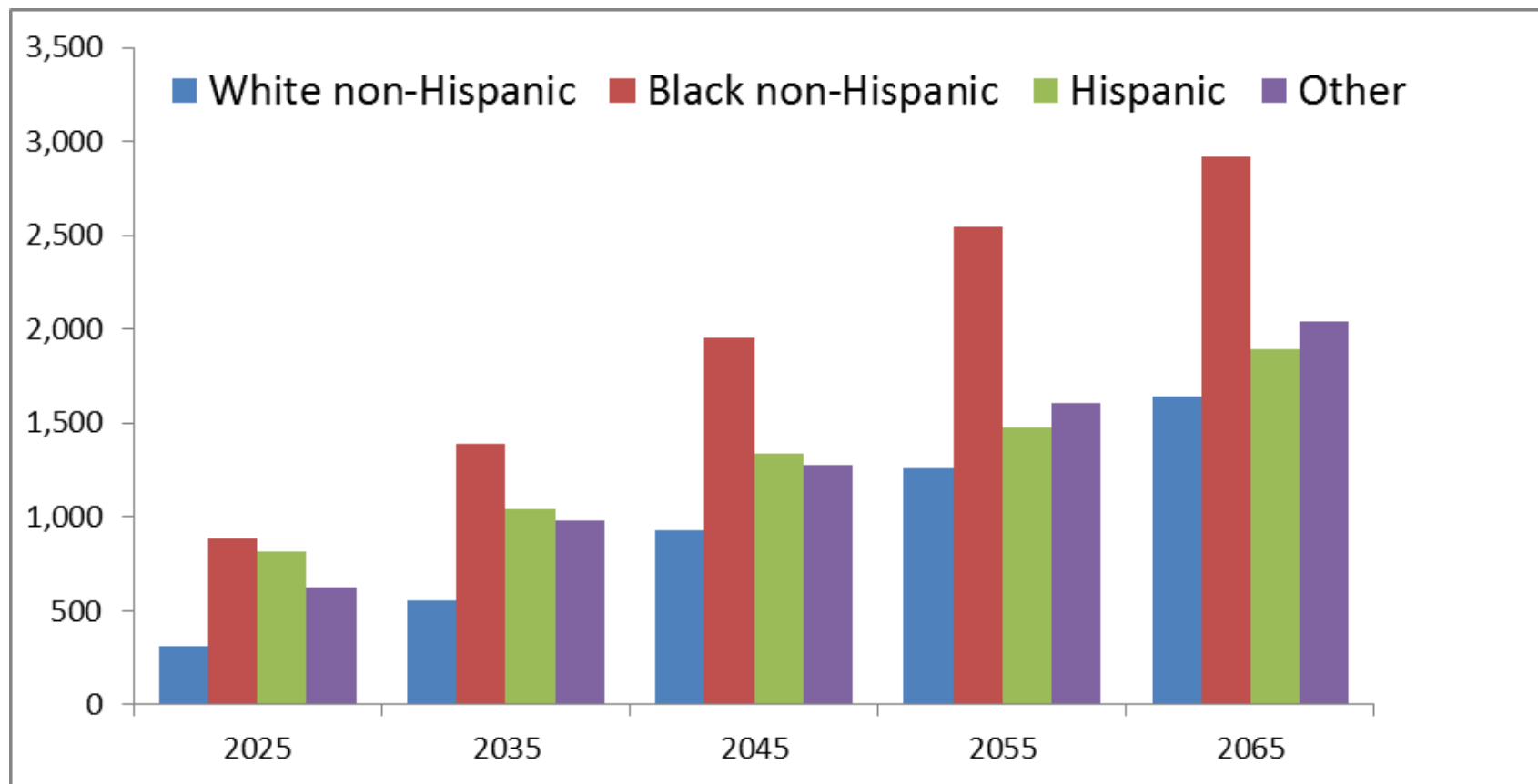
Change in mean per capita cash income of persons age 62+ by sex, 2015-2065 (\$2015)



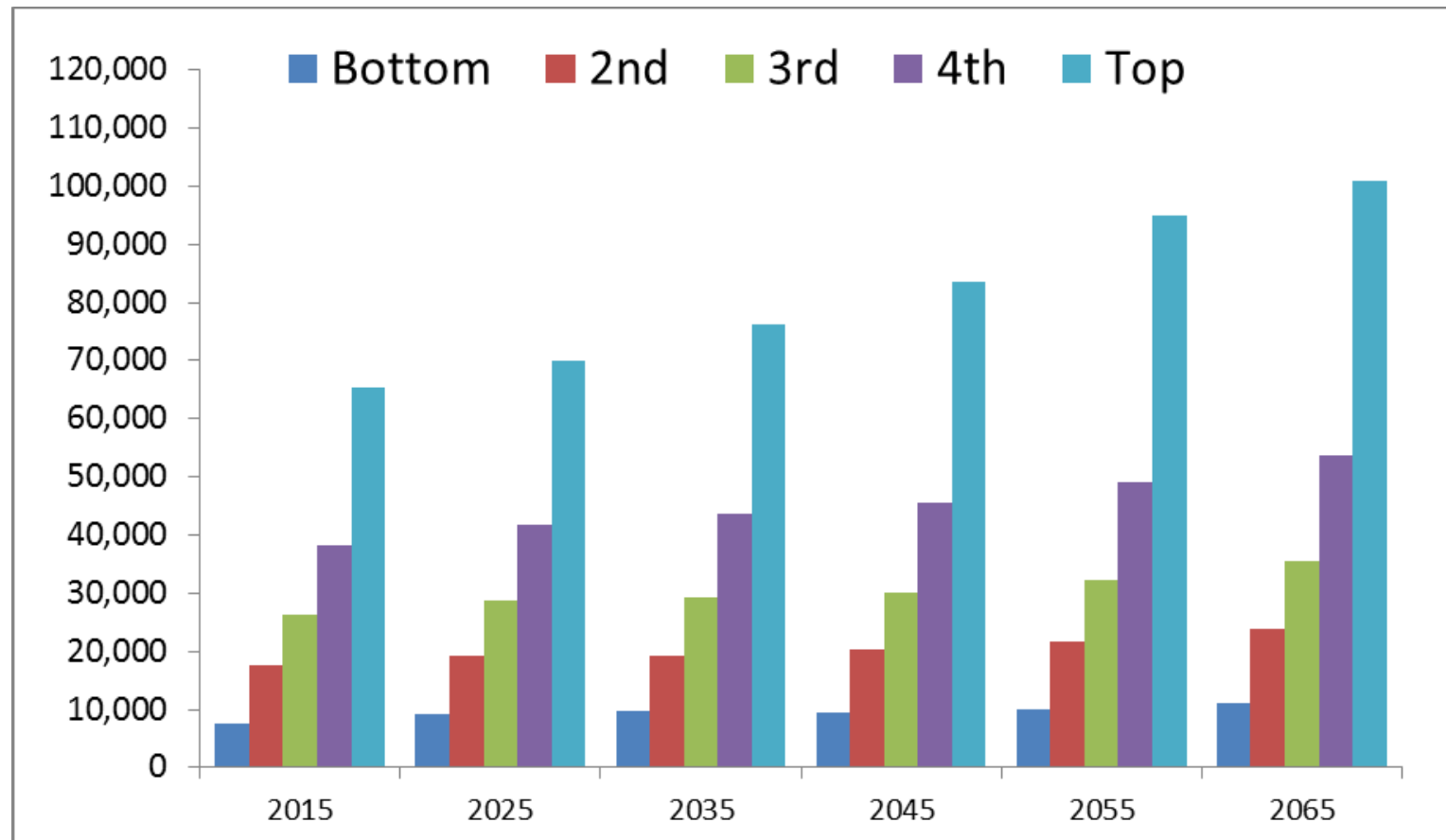
Change in mean per capita cash income of persons 62+ by marital status, 2015-2065 (\$2015)



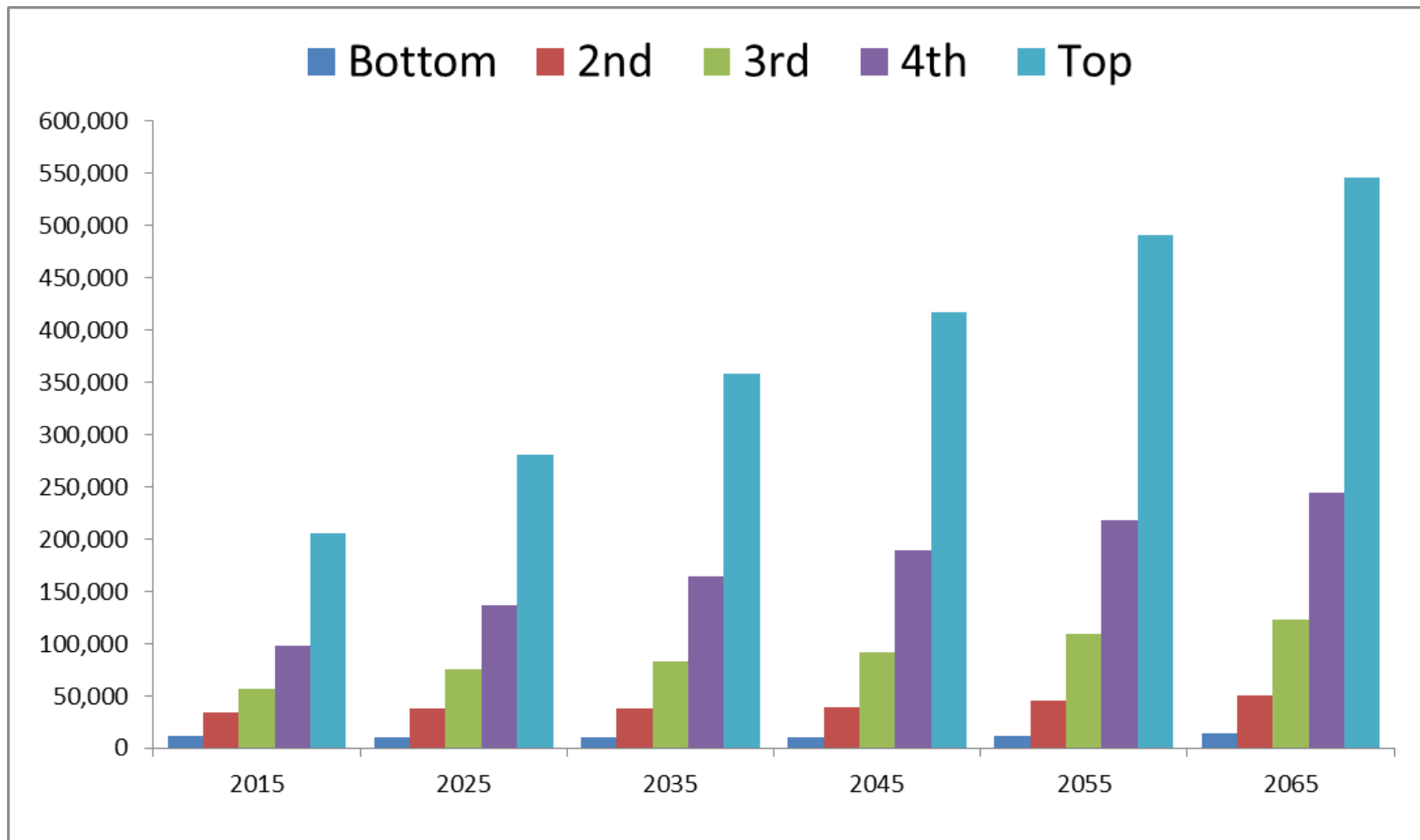
Change in mean per-capita income for persons 62+ by race/ethnicity, 2015-2065 (\$2015)



Mean cash income among individuals 62+ by shared income quintile, 2015-2065 (\$2015)



Mean per capita retirement account assets by lifetime earnings quintile, 2015-2065 (\$2015)



Ratio of proposal income and costs to projections under current law, 2018-2085

